

## **R7-2-902 Independent Accounting Responsibility**

**A.** The governing board of a school district applying to operate with full independence from the county school superintendent as provided in ~~Laws 1987, Chapter 132~~ A.R.S. § 15-914.01, shall apply to the State Board of Education and submit a plan for accounting responsibility to ~~the State Board of Education~~ county school superintendent of the county in which the school district is located and the Department of Education ~~no later than~~ before January 1, 1988, which documents the following:

1. Administrative and internal accounting controls designed to achieve compliance with the Uniform System of Financial Records and the following objectives:
  - a. Procedures for approving, preparing and signing vouchers and warrants;
  - b. Procedures to ensure verification of administrators' and teachers' certification records with the Department of Education for all classroom and administrative personnel required to hold a certificate by the State Board pursuant to A.R.S. § 15-203, before issuing warrants for their services;
  - c. Procedures to account for all revenues, including allocation of certain revenues to funds as provided in ~~Section III-C~~ the revenues section of the ~~February 1986~~ Uniform Accounting Manual for Arizona County School Superintendents, ~~incorporated herein by reference and on file with the Office of the Secretary of State;~~
  - d. Procedures for reconciling the accounting records monthly to the county treasurer as provided in ~~Section III-G~~ the reconciliations section of the ~~February 1986~~ Uniform Accounting Manual for Arizona County School Superintendents, ~~incorporated herein by reference and on file with the Office of the Secretary of State.~~

~~2. No amendments or additions to Sections III-C and G of the February 1986 Uniform Accounting Manual for Arizona County School Superintendents made after the effective date of this Section are included in these procedures. Copies of Sections III-C and G are available at the State Board office and from the Arizona Auditor General.~~

~~2. 3.~~ A compilation of resources required to implement accounting responsibility, including personnel, training and equipment, and a comprehensive analysis of the budgetary implications of accounting responsibility for the school district and the county treasurer.

**B.** Before January 1 of the fiscal year preceding the fiscal year of implementation and before submitting an application to assume accounting responsibility, a school district shall apply for evaluation by the Auditor General. After completing the evaluation, the Auditor General may recommend approval or denial of accounting responsibility to the State Board of Education. The evaluation by the Auditor General shall be performed contingent on staff availability and may be billed to the school district at cost. Evaluation at a minimum shall include the following:

1. The most recent financial statements audited by an independent certified public accountant.
2. The most recent reports on internal control, compliance and uniform system of financial records compliance questionnaire prepared by an independent certified public accountant or procedural review completed by the Auditor General.
3. The working papers of the independent certified public accountant responsible for auditing the school district, if deemed appropriate by the Auditor General.
4. A procedural review if deemed appropriate by the Auditor General.

C. Before January 1 of the fiscal year preceding the fiscal year of implementation and before submitting an application to assume accounting responsibility, a school district shall apply for evaluation by the county treasurer of the county in which the school district is located. After completing the evaluation, the county treasurer may recommend approval or denial of accounting responsibility to the State Board of Education. The evaluation by the county treasurer shall be performed contingent on staff availability and may be billed to the school district at cost. Evaluation by the county treasurer at a minimum shall include an analysis of the computer programming required for the county to manage the school districts funds.

D. School districts that are approved by the State Board of Education to assume accounting responsibility shall contract with an independent certified public accountant for an annual financial and compliance audit. The Auditor General may reevaluate the school district annually based on the audit to determine compliance with the uniform system of financial records. If permitted by federal law, a school district may convert to a biennial audit schedule if the previous annual audit conducted pursuant to this subsection did not contain any significant negative findings. If a biennial audit of a school district conducted pursuant to this subsection contains any significant negative findings, the school district shall convert back to an annual audit schedule. If a school district is required to convert back to an annual audit schedule pursuant to this subsection because of significant negative findings, the school district may subsequently convert to a biennial audit schedule if the previous two annual audits did not contain any significant negative findings. For the purposes of this subsection, "significant negative finding" means a finding that results in the issuance of a letter of noncompliance from the Auditor General.

- E.** Upon receipt of an accounting responsibility plan as prescribed in subsection A of this section, the county treasurer shall establish acceptable standards for interface by school districts with the county treasurer, including specifications for computer hardware and software compatibility and procedures to ensure the capacity of each school district to reconcile accounts with those of the county treasurer.
- F.** Any school district that fails to maintain accounting standards as provided by the uniform system of financial records and that is found to be in noncompliance with the uniform system of financial records by the State Board of Education as provided in A.R.S. § 15-272 is not eligible to participate in the program provided by this section.