



A REPORT  
TO THE  
ARIZONA LEGISLATURE

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## Joint Legislative Audit Committee

October 26, 2010—10:30 a.m.  
House Hearing Room 3

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**Debra K. Davenport**  
Auditor General

# ARIZONA STATE LEGISLATURE

## INTERIM MEETING NOTICE OPEN TO THE PUBLIC

### JOINT LEGISLATIVE AUDIT COMMITTEE

**Date:** Tuesday, October 26, 2010

**Time:** 10:30 A.M.

**Place:** HHR 3

### AGENDA

1. Call to Order -- Opening Remarks
2. Approval of Minutes of November 3, 2009 Meeting
3. Assignment of Sunrise Reports to Committees of Reference
4. Consideration and Approval of 2012-2013 Performance Audit and Sunset Review Schedule
5. Consideration and Approval of Committees of Reference Assignments for the 2012 Performance Audit and Sunset Review Schedule
6. Assignment of Board of Podiatry and Department of Juvenile Corrections Sunset Reviews
7. Consideration and Approval of Committees of Reference Assignment for Arizona Sports and Tourism Authority Special Audit
8. Presentation of DES Child Protective Services Audit Schedule for 2011-2012
9. Presentation of Financial Audit Schedule and Consideration of Cost Reimbursement Audits for 2011
10. Presentation and Status Update of School-wide Audit Team Schedule for 2011-2012
11. Public Testimony
12. Adjourn

### Members:

Senator Thayer Verschoor, Vice-Chair  
Senator John Huppenthal  
Senator Richard Miranda  
Senator Rebecca Rios  
President Robert Burns, Ex-officio

Representative Judy Burges, Chair  
Representative Tom Boone  
Representative Cloves Campbell  
Representative Rich Crandall  
Representative Kyrsten Sinema  
Speaker Kirk Adams, Ex-officio

10/21/10  
jmb

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# ARIZONA STATE LEGISLATURE

## Joint Legislative Audit Committee

**Minutes of the Meeting**  
**Tuesday, November 3, 2009**  
**2:00 p.m. Senate Hearing Room 1**

### **Members Present:**

Senator Thayer Verschoor, Chairman	Representative Judy Burges, Chairman
Senator Pamela Gorman	Representative Tom Boone
Senator Richard Miranda	Representative Cloves Campbell
Senator Rebecca Rios	Representative Rich Crandall

### **Members Absent:**

Senator John Huppenthal	Representative Kyrsten Sinema
President Robert Burns, Ex-officio	Speaker Kirk Adams, Ex-officio

### **Staff:**

Bill Boyd, Senate Government Committee Analyst  
Michelle Hindman, House Government Committee Analyst

Chairman Verschoor called the meeting to order at 2:07 p.m. and the attendance was taken.

### **APPROVAL OF MINUTES**

**Representative Burges moved, without objection, the minutes of October 23, 2008, were approved.**

### **ASSIGNMENT OF SUNRISE REPORTS TO COMMITTEES OF REFERENCE**

**Bill Boyd, Senate Government Committee Analyst,** stated the Committee received sunrise reports for the Arizona Athletic Trainers Association and the Arizona Optometric Association and, by statute, is required to assign the reports to a Committee of Reference. Mr. Boyd added that the President of the Senate recommended that the reports be assigned to the Senate Healthcare and Medical Liability Reform Committee of Reference and the Speaker of the House recommended the reports be assigned to the House Health and Human Services Committee of Reference.

**Representative Burges moved that the reports for the Arizona Athletic Trainers Association and the Arizona Optometric Association be assigned to the Senate Healthcare and Medical Liability Reform Committee of Reference and the House of Representatives Health and Human Services Committee of Reference. The motion CARRIED by voice vote.**

### **CONSIDERATION AND APPROVAL OF REVISED 2010-2011 PERFORMANCE AUDIT AND SUNSET REVIEW SCHEDULE**

**Melanie Chesney, Performance Audit Division Director,** presented background information for the proposed revised 2010-2011 performance audit and sunset review schedule.

**Representative Burges moved that the Committee approve the revised 2010-2011 performance audit and sunset review schedule as printed. The motion CARRIED by voice vote.**

### **CONSIDERATION AND APPROVAL OF COMMITTEES OF REFERENCE ASSIGNMENTS FOR THE 2010-2011 PERFORMANCE AUDIT AND SUNSET REVIEW SCHEDULE**

**Kim Hildebrand, Performance Audit Administrative Manager,** provided background information for the Committees of Reference Assignments for the 2010-2011 performance audit and sunset review schedule.

**Representative Burges moved that the Committee approve the Committees of Reference assignments for the 2010-2011 performance audit and sunset review schedule as printed. The motion CARRIED by voice vote.**

### **PRESENTATION OF REVISED DES CHILD PROTECTIVE SERVICES AUDIT SCHEDULE FOR 2009-2010**

**Melanie Chesney, Performance Audit Division Director,** presented the revised Department of Economic Security (DES) Child Protective Services audit schedule for 2009-2010.

### **PRESENTATION OF FINANCIAL AUDIT SCHEDULE AND CONSIDERATION OF COST REIMBURSEMENT AUDITS FOR 2010**

**Jay Zsorey, Financial Audit Director,** presented the Auditor General's financial audit schedule and answered questions posed by the Committee members.

### **PRESENTATION AND STATUS UPDATE OF SCHOOL -WIDE AUDIT TEAM SCHEDULE FOR 2009-2010**

**Ross Ehrick, Division of School Audits Director,** provided a status update of the school-wide audit team schedule for 2009-2010 and answered questions posed by the Committee members.

Senator Verschoor informed the Committee a motion was needed to approve the 2010 Financial Audit Division scheduled audits that are to be performed on a cost reimbursement basis.

### **MOTION TO APPROVE THE 2010 FINANCIAL AUDIT DIVISION SCHEDULED AUDITS TO BE PERFORMED ON A COST REIMBURSEMENT BASIS**

**Representative Burges moved that the Committee approve the 2010 Financial Audit Division scheduled audits to be performed on a cost reimbursement basis. The motion CARRIED by voice vote.**

### **PRESENTATION AND STATUS UPDATE OF SCHOOL -WIDE AUDIT TEAM SCHEDULE**

**FOR 2009-2010 CONTINUED**

**Ross Ehrick, Division of School Audits Director**, continued to answer questions posed by the Committee members.

**Representative Burges moved that the Committee convene into Executive Session for the discussion of Auditor General reappointment. The motion CARRIED by voice vote.**

**EXECUTIVE SESSION FOR THE DISCUSSION OF AUDITOR GENERAL REAPPOINTMENT PURSUANT TO A.R.S §38-431.03(A)(1)**

Executive Session was held from 2:30 p.m. to 2:55 p.m. with the same members present.

**RECONVENE FOR CONSIDERATION AND VOTE ON AUDITOR GENERAL REAPPOINTMENT**

**Representative Burges moved that the Committee reappoint Debra K. Davenport to the Office of Auditor General for the next five years. The motion CARRIED by voice vote.**

There being no further business, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Bill Ritz  
Committee Secretary

(Audio recordings and attachments on file in the Secretary of Senate's Office/Resource Center, Room 115).



STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Kim Hildebrand, Manager, Performance Audit Division

SUBJECT: Assignment of Sunrise Reports to Committees of Reference

### Background

Laws 1985, Chapter 352, established the sunrise review process. This law provides a mechanism for health professions to request that the State regulate a currently unregulated profession or to request a regulated profession's expansion of the scope of practice.

To initiate the process, an applicant group must submit a written report to JLAC by September 1, responding to the statutorily prescribed sunrise factors in A.R.S. §§32-3105 or 32-3106. JLAC then assigns the report to a Committee of Reference (COR) for review. The COR is required to study the sunrise report and deliver its recommendations to JLAC, the Governor, the President of the Senate, the Speaker of the House of Representatives, and the applicant group by December 1 of the same year the sunrise request is submitted to JLAC.

### Action Required

Six sunrise reports have been received. Per A.R.S. §32-3104, JLAC needs to assign each of these to a COR:

1. Arizona Pharmacy Alliance and the Arizona Community Pharmacy Committee— Expands the scope of pharmacists' professional practice in 3 areas: 1) Permits licensed immunization-trained pharmacists to administer vaccines to persons less than 18 years of age; 2) Modifies the location requirements in A.R.S. §32-1970 so that pharmacists are not limited as to where they can practice medication therapy management via physician-approved agreements, protocols, and guidelines; and

- 3) Clarifies that immunization trained pharmacy students may administer vaccines to persons under the direct supervision of a licensed immunization-trained pharmacist.
2. Arizona State Association of Physician Assistants—Expands the scope of physician assistants' professional practice by extending physician assistants' current authority to prescribe class II & III controlled substances from 14 days to 30 days.
3. Arizona Naturopathic Medical Association—Expands the scope of naturopathic physicians' professional practice by modifying the definition of drug to allow intravenous administration of nutrients.
4. Arizona Optometric Association—Expands the scope of optometrists' professional practice by clarifying the optometrists' authority to prescribe nonsteroid anti-inflammatory drugs (NSAIDS).
5. American Medical College of Homeopathy—Expands the scope of homeopaths' professional practice by creating a distinct licensure category for graduates of the Doctor of Homeopathy Program.
6. Arizona Non-Medical Home Care Licensure Coalition—Proposes regulating the In-Home Care Industry.

The President of the Senate recommended that these be assigned to the Healthcare and Medical Liability Reform COR and the Speaker of the House recommended that these be assigned to the Health and Human Services COR.



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AUDITOR GENERAL

STATE OF ARIZONA  
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MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Dale Chapman, Director, Performance Audit Division

SUBJECT: 2012-2013 Performance Audit Cycle – Consider Approval of Proposed Schedule

## Background

Laws 1978, Chapter 210, established the sunset review process that requires most state agencies to receive a systematic evaluation at least once every 10 years to determine whether they should be continued or terminated. A.R.S. §41-2953.B directs the Auditor General to provide JLAC a list of agencies scheduled for termination in the next sunset schedule. The Office of the Auditor General (Office) does not have sufficient resources to conduct all sunset reviews; therefore, JLAC determines which agencies the Office will review and which the Committees of Reference (COR) will review.

Before giving JLAC a proposed audit schedule, the Office obtains background information on the agencies, as well as information from legislators and other interested parties, to identify and recommend those agencies for which the Office should perform the sunset review. Since the Office does not have the resources to perform the sunset reviews of every agency on the cycle, the Office uses the information obtained from legislators and others to prioritize those agencies for which our Office should perform the sunset reviews and recommends that the CORs perform the sunset reviews of the remaining agencies. However, JLAC ultimately determines whether the Auditor General's Office or CORs will perform the sunset reviews.<sup>1</sup>

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<sup>1</sup> The essential difference between a sunset review the Office performs and a review the CORs conduct is the depth and scope of the work performed. When our Office performs the sunset review of an agency, it conducts a performance audit of the agency to identify ways the agency can operate more efficiently and effectively.



The proposed audit schedule for 2012-2013 is attached. This schedule lists the agencies we propose the Auditor General's Office audit as well as those we recommend for the COR. The schedule also identifies 4 audits that the Auditor General's Office is mandated by statute to conduct.

### **Action Required**

Per statute, JLAC is required to review the sunset termination schedule the Office prepared and determine which agencies the Office will review and which agencies the CORs will review.

# 2012/2013 PROPOSED AUDIT SCHEDULE

## **Statutorily Mandated Audits**

1. Board of Appraisal (A.R.S. §32-3604.J)
2. State Parks Heritage Fund (A.R.S. §41-504)
3. Gila County Transportation Excise Tax (A.R.S. §41-1279.03)
4. Probation Revocation or Adjustment and Crime Reduction Performance (A.R.S. §§12-270 and 13-924)

## **Recommend Auditor General Conduct—Sunset Audits**

1. Arizona Health Care Cost Containment System
2. Department of Environmental Quality
3. State Parks Board
4. Arizona State Schools for the Deaf and the Blind
5. State Board for Charter Schools
6. Board of Behavioral Health Examiners
7. State Department of Financial Institutions
8. Board of Funeral Directors and Embalmers
9. Board of Cosmetology
10. Board of Pharmacy
11. Board of Physical Therapy Examiners
12. Arizona Historical Society
13. Water Infrastructure Finance Authority
14. Registrar of Contractors
15. Followups at 6 and 18 months

## **Recommend Committee of Reference Conduct—Sunset Audits**

1. Department of Commerce
2. Board of Barber Examiners
3. Board of Massage Therapy
4. Arizona Board of Fingerprinting
5. State Board of Equalization
6. Board of Optometry
7. Department of Weights and Measures
8. Agricultural Employment Relations Board
9. Arizona State Hospital Advisory Board
10. Psychiatric Security Review Board
11. Office of Sonora
12. Archaeology Advisory Commission
13. Cotton Research and Protection Council
14. Grain Research and Promotion Council
15. Agricultural Employment Relations Board
16. Military Affairs Commission
17. Public Safety Communications Advisory Commission



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**DATE:** October 26, 2010

**TO:** Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

**THROUGH:** Debbie Davenport, Auditor General

**FROM:** Kim Hildebrand, Manager, Performance Audit Division

**SUBJECT:** Committees of Reference Assignments for 2012 Performance  
Audit and Sunset Review Schedule

### Background

JLAC is statutorily required to assign agencies subject to a sunset review to Committees of Reference (CORs), regardless of whether the Auditor General's Office or the CORs will conduct the sunset review. JLAC is also responsible for assigning all other performance audits to CORs. Agencies are generally assigned to the CORs whose standing committees would most likely be responsible for hearing any legislation affecting that particular agency and that has knowledge or expertise in that particular subject area.

Attached are the President's and Speaker's recommendations for the 2012 sunset reviews and performance audits. **Attachment A** details the 2012 COR recommendations (those reviews due October 1, 2012, for agencies terminating July 1, 2013). The CORs are responsible for holding at least one public hearing to discuss the audit and receive testimony from agency officials and the public. These hearings should be held by December 1, 2012.

### Action Required

JLAC may either approve the CORs as recommended by the President of the Senate and the Speaker of the House or assign new CORs.

Attachment A

**2012 PERFORMANCE AUDITS<sup>1</sup>  
PRESIDENT AND SPEAKER RECOMMENDATIONS  
FOR COMMITTEE OF REFERENCE (COR) ASSIGNMENTS**

<b>Statutory Reference</b>	<b>Agency and Programs Selected for Review</b>	<b>COR Recommendations</b>
A.R.S. §41-3013.01	Arizona Health Care Cost Containment System	Senate: HMLR House: Health
A.R.S. §41-3013.02	Department of Weights and Measures	Senate: GOV House: Government
A.R.S. §41-3013.03	Arizona State Schools for the Deaf and Blind	Senate: EAR House: Education
A.R.S. §41-3013.04	Arizona Grain Research and Promotion Council	Senate: NRIPD House: NRRRA
A.R.S. §41-3013.05	Agricultural Employment Relations Board	Senate: NRIPD House: NRRRA
A.R.S. §41-3013.06	Arizona State Parks Board	Senate: NRIPD House: NRRRA
A.R.S. §41-3013.07	Office of Sonora	Senate: CED House: Commerce
A.R.S. §41-3013.08	Optometry Board	Senate: HMLR House: Health
A.R.S. §41-3013.09	Psychiatric Security Review Board	Senate: PSHS House: MAPS

<sup>1</sup> This listing is for those audits that are conducted under authority of the sunset law, specific legislation, or JLAC direction and are due in 2012. JLAC procedures require all audits to have a hearing. JLAC approves which COR (or its successor committee) will receive the assignment in order to conduct the hearing or may assign audits to JLAC for a hearing.

## Attachment A

<b>Statutory Reference</b>	<b>Agency and Programs Selected for Review</b>	<b>COR Recommendations</b>
A.R.S. §41-3013.10	Board of Massage Therapy	Senate: HMLR House: Health
A.R.S. §41-3011.11	Board of Behavioral Health Examiners	Senate: HMLR House: Health
A.R.S. §41-3011.12	Board of Fingerprinting	Senate: PSHS House: MAPS
A.R.S. §41-504	State Parks Heritage Fund	Senate: NRIPD House: NRRRA
A.R.S. §41-1279.03	School District Audits	Senate: EAR House: Education
A.R.S. §41-1966	DES Child Protective Services	Senate: PSHS House: Health



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DEPUTY AUDITOR GENERAL

DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Kim Hildebrand, Manager, Performance Audit Division

SUBJECT: Assignment of two sunset reviews

### **Background**

JLAC determines which agencies are subject to sunset review by the Auditor General and which agencies are subject to sunset review by the Committees of Reference (COR). JLAC previously approved the audit schedule for 2010 and assigned the audits on that schedule to either the Auditor General's Office or to a COR.

### **Additions to Sunset Review Cycle**

- The Board of Podiatry Examiners requires JLAC assignment to the 2010 sunset review schedule. The Board of Podiatry Examiners was added to the 2010 sunset cycle during the 2009 legislative session and was inadvertently omitted from the revised 2010 audit schedule that was presented to JLAC at their November 3, 2009, meeting. The Office proposes this agency be assigned to a COR for review because the Office conducted a sunset review of the Board of Podiatry in September 2008 and issued an 18-month followup in May 2010.
- The Arizona Department of Juvenile Corrections requires JLAC assignment to the 2010 sunset review schedule. Our Office issued 3 sunset audits of the Department of Juvenile Corrections in 2009. However, due to budget considerations, the Department of Juvenile Corrections was only given a one-year extension in the 2010

legislative session, requiring another sunset review of the Department of Juvenile Corrections in 2010. The Office proposes this agency be assigned to a COR for review because the Office recently reviewed this agency and issued two followups in October 2010.

### **COR Assignments**

JLAC is statutorily required to assign agencies subject to a sunset review, as well as performance audits, to a Committee of Reference (COR), regardless of whether the Office or a COR will conduct the audit or review. The CORs are responsible for holding at least one public hearing to discuss the sunset review and receive testimony from agency officials and the public. These hearings should be held by December 1, 2010.

At its November 3, 2009, meeting, JLAC assigned the 2010 audits to CORs. However, as detailed above, legislation passed in the 2009 and 2010 session placed 2 additional sunset reviews on the 2010 schedule. Thus, JLAC needs to assign these 2 reviews to CORs. ***Attachment A*** lists the President's and Speaker's recommendations for these two 2010 sunset reviews.

### **Action Required**

Per statute, JLAC is required to determine whether these agencies will be reviewed by the Office or by a COR. In addition, JLAC may either approve the CORs as recommended by the President of the Senate and the Speaker of the House or assign new CORs for the two agencies added to the 2010 schedule.

Attachment A

**2010 PERFORMANCE AUDITS<sup>1</sup>  
PRESIDENT AND SPEAKER RECOMMENDATIONS  
FOR COMMITTEE OF REFERENCE (COR) ASSIGNMENTS**

<b>Statutory Reference</b>	<b>Agency and Programs Selected for Review</b>	<b>COR Recommendations</b>
A.R.S. §41-3011.14	Board of Podiatry Examiners	Senate: HMLR House: Health
A.R.S. §41-3011.15	Arizona Department of Juvenile Corrections	Senate: PSHS House: Judiciary

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<sup>1</sup> This listing is for those audits that were added to the 2010 sunset review schedule by legislation in 2009 or 2010. JLAC procedures require all sunset reviews to have a hearing. JLAC approves which COR (or its successor committee) will receive the assignment in order to conduct the hearing or may assign audits to JLAC for a hearing.





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STATE OF ARIZONA  
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MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Kim Hildebrand, Manager, Performance Audit Division

SUBJECT: Committees of Reference Assignment for Arizona Sports and  
Tourism Authority Special Audit

### **Background**

JLAC is statutorily required to assign agencies subject to a sunset review to Committees of Reference (CORs), regardless of whether the Auditor General's Office or the CORs will conduct the sunset review. JLAC is also responsible for assigning all other performance audits to CORs. Agencies are generally assigned to the CORs whose standing committees would most likely be responsible for hearing any legislation affecting that particular agency and that has knowledge or expertise in that particular subject area.

In the 2010 legislative session, the Legislature passed Laws 2010, Chapter 5 requiring the Auditor General's Office to conduct a special audit of the Arizona Sports and Tourism Authority (AZSTA) by December 31, 2010. The Auditor General's Office is currently conducting this special audit; however, JLAC needs to assign this audit to a COR.

The President of the Senate recommended that AZSTA be assigned to the Commerce and Economic Development COR and the Speaker of the House recommended that AZSTA be assigned to the Commerce COR.

### **Action Required**

JLAC may either approve the COR as recommended by the President of the Senate and the Speaker of the House or assign a new COR.



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DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Dale Chapman, Director, Performance Audit Division

SUBJECT: 2011-2012 Child Protective Services Audit Schedule

### Background

A.R.S. §41-1966, enacted during the 2003 Second Special Session, requires the Auditor General to establish a Child Protective Services (CPS) audit team to provide ongoing performance reviews and analyses of CPS. The statute requires the Auditor General to adopt an audit plan, subject to review by JLAC. As outlined in statute, this plan may include work to determine the validity and accuracy of information reported by CPS, other reviews and analyses of CPS, and reviews of specified functions or CPS-related processes as requested by JLAC.

### Audit Schedule

The 2011-2012 CPS audit schedule is as follows:

**Audits**—The CPS audit team plans to audit the following two areas. The audits will address larger and/or more complex issues and recommendations will be included in the reports.

- Services to CPS Families and Children
- Investigations

**Other Reviews**—In addition, the team plans to publish the following information brief and questions-and-answers documents. Information briefs center on a narrowly focused issue, while questions-and-answers documents provide short answers to multiple questions on a specific topic. Both types of documents are informational and do not include recommendations.

- Information brief:
  - Joint Investigations
  
- Question-and-answer documents:
  - Transitional Services

Finally, the team will conduct follow-up reviews of previously issued audit reports at 6 and 18 months to assess the status of the agency's implementation of the audit recommendations.

**Action Required**

None. This schedule is presented for JLAC information only.



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DEPUTY AUDITOR GENERAL

DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Jay Zsorey, Financial Audit Division Director

SUBJECT: Cost Reimbursement Audits and Financial Audit Schedule

### Background

The Financial Audit Division (Division) conducts annual financial and compliance audits of all state agencies, counties, community college districts, and universities to meet the requirements of the federal Single Audit Act. In addition, the Division conducts special financial audits, reviews, and investigations at the Legislature's request.

**Attachment A** titled "Fiscal Year 2011 Audit Schedule" provides a complete list of the Financial Audit Division's audit schedule. This schedule has been included as a courtesy and does not require any action to be taken.

Under the provisions of A.R.S. §41-1279.03(C), the Division can charge a fee to the auditee for performing federally mandated work with JLAC's approval. The auditee will ultimately recover the costs of the federal audit work performed from the federal grantor(s). The Fiscal Year 2011 audits that include federally mandated work are listed on **Attachment B** of the Financial Audit Division schedule titled, "Audits Including a Portion of Services to be Performed on a Cost Reimbursement Basis." See action required below.

### Action Required

JLAC consideration and approval for the Division to perform federally mandated work on a cost-reimbursement basis for certain political subdivisions of the State, under the provisions of A.R.S. §41-1279.03(C).

## Attachment A

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### OFFICE OF THE AUDITOR GENERAL FINANCIAL AUDIT DIVISION Fiscal Year 2011 Audit Schedule

The Financial Audit Division's fiscal year 2011 audit schedule is presented below. All counties, community colleges, and state agencies, including the three state universities, will be audited in accordance with the Single Audit Act, as amended.

#### **Arizona State-wide Audit**

Detailed testing of records is performed at the larger state agencies on an annual basis. Limited testing of procedures is performed at the remaining agencies on a rotating basis.

In addition to the annual state-wide financial statements issued by the Arizona Department of Administration, separate financial reports are issued by the following state agencies and audited by the Financial Audit Division on an annual basis.

Department of Economic Security – ALTCS	Arizona State University
Office of the State Treasurer (Agency Funds only)	Northern Arizona University
	University of Arizona

#### **County Financial and Compliance Audits**      **College Financial and Compliance Audits**

Apache County  
Cochise County  
Coconino County  
Gila County  
Graham County  
Greenlee County  
La Paz County  
Maricopa County  
Mohave County  
Navajo County  
Pima County  
Pinal County  
Santa Cruz County  
Yavapai County  
Yuma County

Cochise County Community College District  
Coconino County Community College District  
Gila County Community College District  
Graham County Community College District  
Maricopa County Community College District  
Mohave County Community College District  
Navajo County Community College District  
Pima County Community College District  
Pinal County Community College District  
Yavapai County Community College District  
Yuma/La Paz Counties Community College District

#### **Other Audits/Special Reviews**

Arizona County Community College Districts and Colleges of Qualifying Indian Tribes (Full-Time Equivalent Student Enrollment Report)  
Arizona University System (Full-Time Equivalent Student Enrollment Report)  
Department of Health Services—BHS Attestation  
State Procurement Office—Compliance Review  
Federal Land Payments  
Attorney General – Colorado River Revolving Fund  
Diné College – Funding Compact

## Attachment B

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**OFFICE OF THE AUDITOR GENERAL  
FINANCIAL AUDIT DIVISION  
Audits Including a Portion of Services To Be  
Performed on a Cost Reimbursement Basis  
Fiscal Year 2011**

The Financial Audit Division will conduct single audits of the State of Arizona and the following political subdivisions. The federal compliance work performed during these engagements is required by the Single Audit Act, and the related audit costs can be charged to the federal programs.

Apache County  
Cochise County  
Coconino County  
Gila County  
Graham County  
Greenlee County  
La Paz County  
Maricopa County  
Mohave County  
Navajo County  
Pima County  
Pinal County  
Santa Cruz County  
Yavapai County  
Yuma County

Cochise County Community College District  
Coconino County Community College District  
Gila County Community College District  
Graham County Community College District  
Maricopa County Community College District  
Mohave County Community College District  
Navajo County Community College District  
Pinal County Community College District  
Yavapai County Community College District  
Yuma/La Paz Counties Community College District



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MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

DATE: October 26, 2010

TO: Representative Judy Burges, Chair  
Members, Joint Legislative Audit Committee

THROUGH: Debbie Davenport, Auditor General

FROM: Ross Ehrick, Division of School Audits Director

SUBJECT: 2011 and 2012 School District Audit Schedules

### Background

A.R.S. §41-1279.03 requires the Office of the Auditor General to conduct performance audits of randomly selected school districts and to monitor school districts to determine the percentage of every dollar spent in the classroom. The statute requires the Auditor General to determine, through random selection, the districts to be audited each year, subject to review by the Joint Legislative Audit Committee.

### School District Performance Audits

**Attachment A** lists the school districts randomly selected for the 2011 and 2012 performance audit schedules and the current status of the 2010 audit schedule.

These school district performance audits review the efficiency and effectiveness of district noninstructional operations, such as administration, student transportation, and plant operations, and make recommendations for improvement and/or identify best practices. These audits also review compliance with certain requirements, such as the proper coding of accounting transactions and expenditures of sales taxes received under Proposition 301. If applicable, these audits also provide information on the district's desegregation program. To gain evidence to support information and conclusions in the reports, auditors interview district personnel; review district policies, procedures, and internal controls; examine district accounting records and other district documents; compare district costs to similar districts'; and determine compliance with certain statutory requirements. The audits result in publicly released audit reports and highlight documents.

## **Other School District Audits and Reports**

The Office of the Auditor General is also required to monitor the percentage of every dollar spent in the classroom.<sup>1</sup> The annual Dollars Spent in the Classroom report will be issued in March 2011. This study determines the percentage spent in the classroom and other functional areas for the State and for each district. It also reports on each district's operational efficiency, student achievement, and uses of Proposition 301 monies.

To comply with the statutory requirement to biennially audit the overall effectiveness of the ELL program, this year's audit schedule also includes audit work for the first biennial ELL audit report to be issued this December.<sup>2</sup>

### **Action Required**

None. Per statute, JLAC is to review the school districts randomly selected for performance audit, but is not required to approve them. The 2011 and 2012 schedules and the additional information on other scheduled reports are presented for committee information only.

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<sup>1</sup> A.R.S. §41-1279.03(9)

<sup>2</sup> A.R.S. §15-756.12



## Attachment A

### 2010 School District Performance Audit Schedule

<b>School District</b>	<b>Size<sup>1</sup></b>	<b>Release Date</b>
Wickenburg Unified	Medium	February 2010
Willcox Unified	Medium	June 2010
Madison Elementary	Large	July 2010
Creighton Elementary	Large	July 2010
Alhambra Elementary	Large	July 2010
Palo Verde Elementary	Small	October 2010

<sup>1</sup> Size is based on ADM using the following categories:

**Very Large** – 20,000 or more students  
**Large** – 5,000 to 19,999  
**Medium** – 600 to 4,999  
**Small** – Fewer than 600

### 2011 School District Performance Audit Schedule

<b>School District</b>	<b>Size<sup>2</sup></b>	<b>Release Date</b>
J.O. Combs Unified	Medium-Large	August 2010
Pendergast Elementary	Large	October 2010
Florence Unified	Medium-Large	October 2010
Cottonwood-Oak Creek Elementary	Medium-Large	October 2010
Beaver Creek Elementary	Small	November 2010
Coolidge Unified	Medium-Large	November 2010
Cartwright Elementary	Large	December 2010
Clarkdale-Jerome Elementary	Small	January 2011
Balsz Elementary	Medium-Large	January 2011
Gila Bend Unified	Small	February 2011
Ajo Unified	Small	February 2011
Pima Unified	Medium	February 2011
Antelope Union High	Small	March 2011
Oracle Elementary	Small	March 2011
Thatcher Unified	Medium	April 2011
Picacho Elementary	Small	April 2011
Morenci Unified	Medium	May 2011
Casa Grande Elementary	Medium-Large	June 2011

<sup>2</sup> Size is based on ADM using the following categories:

**Very Large** – 20,000 or more students  
**Large** – 8,000 to 19,999  
**Medium-Large** – 2,000 to 7,999  
**Medium** – 600 to 1,999  
**Small** – 200 to 599

## Attachment A

### 2012 School District Performance Audit Schedule

<b>School District</b>	<b>Size<sup>3</sup></b>
Higley Unified	Large
Marana Unified	Large
Vail Unified	Large
Cave Creek Unified	Medium-Large
Humboldt Unified	Medium-Large
Prescott Unified	Medium-Large
Fountain Hills Unified	Medium-Large
Flowing Wells Unified	Medium-Large
Queen Creek Unified	Medium-Large
Chino Valley Unified	Medium
Colorado River Union High	Medium
Kingman Unified	Medium
Hayden-Winkelman Unified	Small
Ray Unified	Small
Santa Cruz Valley Union High	Small
Ft. Thomas Unified	Small
Superior Unified	Small
Bicentennial Union High	Very Small
Clifton Unified	Very Small
Patagonia Union High	Very Small

<sup>3</sup> Size is based on ADM using the following categories:

**Very Large** – 20,000 or more students

**Large** – 8,000 to 19,999

**Medium-Large** – 2,000 to 7,999

**Medium** – 600 to 1,999

**Small** – 200 to 599

**Very Small** – less than 200