

**ARKANSAS DEPARTMENT OF EDUCATION
RULES GOVERNING SCHOOL DISTRICT AUDITS NOT
CONDUCTED BY LEGISLATIVE AUDIT
May 24, 2004**

1.00 Authority

- 1.01 The Arkansas State Board of Education's authority for promulgating these rules is pursuant to Ark. Code Ann. § 6-11-105, Ark. Code Ann. § 6-20-1801 et. seq. and Act 40 and Act 63 of the Second Extraordinary Session of 2003.
- 1.02 These rules shall be known as the Arkansas Department of Education Rules Governing School District Audits Not Conducted by Legislative Audit.

2.00 Purpose

- 2.01 The purpose of these rules is to establish the requirements for the completion and filing of audits not conducted by Legislative Audit effective beginning on June 30, 2005, for the 2005-2006 fiscal year and each fiscal year thereafter.

3.00 Process And Procedure For Audits Not Conducted By Legislative Audit

- 3.00 All annual audits of public school districts, open enrollment charter schools, or educational cooperatives not conducted by the Division of Legislative Audit shall be completed and filed with the Department of Education and Legislative Audit within nine (9) months following the end of each fiscal year.
- 3.01 At the request of the school district, open enrollment charter school, or educational cooperatives the Department of Education may grant an extension of up to ninety (90) days on the deadline specified in section 3.01.
- 3.02 All contracts from public school districts, open enrollment charter schools, or educational cooperatives for audit services with private certified public accountants shall contain a provision requiring completion of the audit and filing of the audit reports by the auditor with the Department and Legislative Audit within nine (9) months following the end of each fiscal year.
- 3.03 The division shall annually provide the Department a list of public school entities audited by the division and update the Department on any changes throughout the year.

- 3.04 The Department shall maintain a list of accountants or accounting firms ineligible to conduct school district audits. Accountants or accounting firms placed on the ineligibility list by the Department of Education shall be ineligible to conduct school audits for a period determined by the Department but that time shall not exceed a five-year period from the end of the fiscal year for which the audit report was contracted to be prepared.
- 3.05 Before entering into contracts for audit services, public school districts, open enrollment charter schools, or educational cooperatives shall inquire with the Department as to which accountants are ineligible to conduct public school audits.
- 3.06 The Department may place accountants or accounting firms on the ineligibility list for any of the following reasons:
 - 3.06.1 If in the opinion of the Department or the Legislative Joint Auditing Committee, a school district audit report is not filed within the nine-month time period or within the time period under any extension granted by the Department with the Department and the Division of Legislative Audit as required by § 6-20-1801 because of neglect or fault of the certified public accountant or accounting firm;
 - 3.06.2 If the Arkansas State Board of Public Accountancy's Quality Review Committee reports to the Department and the Legislative Joint Auditing Committee that a school district audit report shows evidence of lack of general conformity with applicable professional standards or state laws and regulations or evidence that the report is substandard or seriously questionable; or
 - 3.06.3 Other compelling reasons that the Department believes justify placing the accountant or accounting firm on the ineligibility list.
- 3.07 If the Department has identified a public school district as being in fiscal distress by June 30 of any year, the annual audit of the district shall be filed with the Department and Legislative Joint Auditing within six (6) months following the end of each fiscal year.

4.00 Process And Procedure For Failure To File

- 4.01 Any school district or open enrollment charter school failing to file an audit report required by § 6-20-1801 within the nine-month time period or within the time period under any extension granted by the Department shall automatically be identified by the Department to be in fiscal distress after being given notice and opportunity for a hearing.

4.02 By January 31 of each year, the Department, by certified mail, shall notify public school districts or open enrollment charter schools failing to file required audit reports that the school district or open enrollment charter school is identified as being in fiscal distress.