



**School Superintendent  
Special Request – Compliance Review  
By Maricopa County Internal Audit  
August 2021**

**Why This Audit Is Important**

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The Office of the Maricopa County School Superintendent (MCSS) provides certain services required by Arizona state statutes, including supporting school governing board elections, bond and override elections, appointments, school finance, and maintaining homeschool and private school records.

This audit was requested by County leadership. The scope included (1) reviewing spending from special revenue funds to determine compliance with the funds’ intended use, and (2) comparing various services to statutes to determine if the services aligned with mandatory requirements.

**What We Reviewed**

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Following is a summary of work performed and findings. Corresponding recommendations and responses start on page 4. The responses were approved by Marc Kuffner, Assistant Superintendent, on August 6, 2021.

**Special Revenue Fund Expenditure Review**

**Background** – Internal Audit reviewed MCSS’s spending from five special revenue funds to determine if spending complied with the funds’ intended use and any applicable statutory/legal restrictions.

**Observations** – We reviewed a sample of MCSS expenditure transactions encompassing FY19 through March FY21 from each Special Revenue Fund (SRF). The results are summarized in the table below.

MCSS Special Revenue Funds			
Primary Revenue Source	Applicable Statutes		Expenditures Support Intended Use?
	Fund Establishment	Primary Fund Activities	
<b>SRF 780 – School Transportation:</b> Student transportation to and from unorganized territory. This fund is part of the Special County School Reserve Fund pursuant to ARS 15-1001. Allowable expenditures are specified in statute.			
AZ Dept. of Ed.	ARS 15-1001	ARS 15-1002	Yes
<b>SRF 669 – Small School Service:</b> Small School Consortium (IT Services). Allowable expenditures are not specified in statute.			
AZ Dept. of Ed.	N/A	ARS 15-365	Yes

MCSS Special Revenue Funds <i>(continued)</i>			
Primary Revenue Source	Applicable Statutes		Expenditures Support Intended Use?
	Fund Establishment	Primary Fund Activities	
<b>SRF 715 – School Grants:</b> Grant programs to improve student performance and staff development. Allowable expenditures specified in the grants.			
US Dept. of Ed. & USDA Forest Service	N/A <sup>1</sup>	ARS 15-302 A(11) and (12)	Yes
<b>SRF 782 – School Communication Expense:</b> Service programs including centralized billings for accounting, finance, and professional development activities. Allowable expenditures are not specified in statute.			
Supported School Districts	N/A	ARS 15-365 A-D, K	Yes
<b>SRF 790 – Educational Supplemental Program:</b> Indirect cost revenue for grants MCSS assists school districts in obtaining. Allowable expenditures are not specified in statute.			
Supported School Districts	N/A	ARS 15-302 A(11)	Yes

While determining if expenditures supported the intended SRF use, we noted the following:

- Some expenditures were shifted between the SRFs and the General Fund.
- Some expenditure transfers were described as indirect cost allocations and involved transfers between SRF 715 (School Grants), the General Fund, and SRF 782.

Our scope of work did not include the General Fund or SRF revenues/reimbursements. Therefore, we did not validate if expenditures were properly matched with revenues/reimbursements in each fund, or if cost allocations were appropriate. Assessing how financial transactions are recorded in the special revenue funds and general fund can help determine if acceptable accounting principles are followed and if fund balances are accurate (**Recommendation 1**).

### **Statutory Requirements - Services and Programs**

**Background** – Internal Audit reviewed the Arizona Revised Statutes to identify laws applicable to MCSS operations. We compared the various services performed by MCSS to the statutes to determine if services aligned with mandatory requirements.

**Observations** – We identified approximately 150 MCSS-related statutes describing MCSS services and activities. Most MCSS activities are supported by statutory mandates. Other activities are allowable by statute but considered discretionary. Only a small number of MCSS activities have no statutory reference. The following table summarizes our analysis of MCSS activities and services by statutory reference.

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<sup>1</sup> Although no Arizona Revised Statute is applicable to the establishment of SRF 715, grant funds and related expenditures are restricted to a documented purpose outlined in the grant award.

MCSS Activities and Services by Statute				
School Superintendent		Activity per Statute		
MCSS Program/Service	Description	Mandatory	Discretionary <sup>2</sup>	Not in Statute
Financial System Support	Reporting and accounting programs	X		
School Finance & Tax Rates	School districts budget preparation	X		
Payroll & Accounts Payable	Payroll and other school district warrants	X		
Certificates of Educational Convenience (Student Transportation from Unorganized Territories)	Certificates of Educational Convenience and mileage reimbursements	X		
Elections	Candidate packets, campaign finance training; special elections, bond override elections, and recalls	X		
Student Records & Homeschooling	Private or homeschool student records; homeschool liaison	X		
Educational Services	Assist/provide assistance with Research and program evaluation	X		
	Assist/provide assistance with professional development programs	X		
	Assist/provide assistance with curriculum alignment	X		
	Advisory committees		X	
	Assist/provide assistance with best practice programs		X	
Tax Credit Portal	School tax credit portal		X	
Constituent Services	Education liaison			X
Communication & Marketing	Public relations			X
	Public information requests			X
	Special events presentations			X

<sup>2</sup> Discretionary is statutory language indicating MCSS may perform this activity.

For “Educational Services” listed as mandatory, the statutes require MCSS to provide assistance in collaboration with the Arizona Department of Education and other state agencies. There is no indication of how much assistance is required. Therefore, there is an element of discretion in providing these services.

For all the mandatory services listed, our work did not include a detailed review of supporting service activities. Some of these activities may not be necessary to meet statutory requirements and may be considered discretionary.

## Additional Information

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This audit was approved by the Maricopa County Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County Board of Supervisors and other County stakeholders. However, this report is a public record, and its distribution is not limited. If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

## Recommendation and Response

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Recommendation to MCSS	Response
<b>1</b> Participate in a review with the County’s Office of Budget & Finance to assess how financial transactions are recorded in the special revenue funds and general fund.	The County School Superintendent’s Office will collaborate with the Office of Budget & Finance to determine what information would better describe the transactions between the Special Revenue Fund(s) and the General Fund to be included in the system transactions beginning in Fiscal Year 2022.