

Imagine

What we can do together

Heinfeld, Meech & Co., P.C. is an Arizona based CPA firm and we are recognized leaders in the State of Arizona in the field of school accounting and auditing. Our firm provides services to over 75% of Arizona's Average Daily Membership – more than any other accounting firm.

Since we opened our firm in 1986, our single objective has been our uncompromising commitment to the highest standards of quality and professionalism. Providing quality service to governmental and non-profit clients is our primary objective.

Our dedicated top-quality talent and substantial resources ensure that we stay abreast of emerging issues to serve our clients better. We remain dedicated to our Firm philosophy of "clients first."

Imagine What We Can Do Together is a quick-read digest of information that brings valuable news to you and your organization. If at any time you would like additional information, please contact us to discuss your questions.

For more about Heinfeld, Meech & Co., P.C., please visit our web site at www.heinfeldmeech.com.



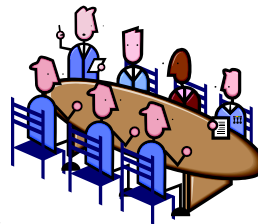
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Why Your District Should Consider an Audit Committee

There has been increasing emphasis in the past couple of years for local governments, including school districts, to establish a formal audit committee as means of enhancing the quality of the financial reporting process. Financial reporting encompasses much more than the annual approval and acceptance of the district's financial statements. The financial reporting process also includes oversight of internal controls, identifying fraud risks, and providing an independent party to both management and the auditors. This article will discuss some of the reasons for the increasing emphasis on audit committees, resources for establishing an audit committee, as well as general recommendations that Heinfeld, Meech & Co. has identified.



The increasing attention regarding audit committees is partially attributable to what some refer to as "Sarbanes-Oxley creep". Although Sarbanes-Oxley is not applicable to governments some of the elements of the legislation are gathering interest from those in governmental sector resulting in a

"creep" of its major provisions, in particular the focus and responsibility of an audit committee. The Government Finance Officers Association (GFOA) issued an update to their *Recommended Practice* for audit committees in 2006. GFOA considers the governing board to be "the first among equals" of the following groups responsible for financial reporting – the governing board, financial management, and the independent auditors. The audit committee is considered by GFOA to be a practical means for the governing board to satisfy this oversight responsibility for financial reporting.

(Cont'd on page 2)

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Audit Committees (Cont'd from Page 1)

There are a number of resources available should your district consider establishing a formal audit committee. The GFOA's *Recommended Practice* for audit committees provides a number of specific recommendations regarding the establishment of an audit committee and draws upon a number of public and private sector resources. The AICPA has an *Audit Committee Toolkit* specifically designed for governments available on its website. The toolkit includes a number of checklists and practice aids that may be downloaded for free. Some of the topics addressed in the toolkit include discussion items with the auditors, conducting an executive session on the financial statements, and an audit committee self-evaluation checklist.

Some key general recommendations that our firm has identified for the development of an audit committee include the following.

- The audit committee should be formally established through board policy.
- Each member of the committee should be appointed by the governing board.
- The committee should have at least three members.
- One member should have financial reporting experience.
- The committee should meet at least four times a year.
- The committee should annually present the governing board with a written report.

If you would like more information regarding the establishment of a formal audit committee you may refer to the following resources or contact Corey Arvizu at (520) 742-2611, ext. 101 or carvizu@heinfeldmeech.com. 

Resources

GFOA - *Recommended Practice – Audit Committees*:
www.gfoa.org/services/rp/caafr.shtml

AICPA - Audit Committee Toolkit for Government Organizations: www.aicpa.org/AudCommCtr/

AICPA - *Management Override of Internal Controls: -The Audit Committee and Oversight of Financial Reporting*:
www.aicpa.org/audcommctr/download/achillesheel.pdf


New USFR Compliance Questions on Credit Card Procedures

New questions have been added to the USFR Compliance Questionnaire that will increase the auditor's scrutiny over school district's credit card procedures. Auditors will now be required to review credit card purchases to ensure that expenditures are only for authorized school purposes requiring immediate payments such as freight, fuel, travel and emergency vehicle repairs. The purchases must be supported by appropriate receipts and include documentation identifying the employee making the purchase.

In addition, the auditors will be asking to review the district's **written** policies governing the use of credit cards. The policies should specify the purposes for which the cards may be used, the dollar limits for charges, and the requirement of an effective accounting system to account for and control the cards.

For any questions regarding credit card procedures, or for help with ensuring your written policies adhere to the USFR, please contact:

Scott Kies
Phone: 602-277-9449, ext 308
Email: scottk@heinfeldmeech.com

Cathy Elliott
Phone: 602-277-9449, ext 348
Email: cathye@heinfeldmeech.com 

Upcoming Conferences:

AZ Charter Schools Assn Annual Conference:

November 12-14, 2006 in Tucson. For more information, visit www.azcharters.org.

ASCPA Governmental Accounting Conference:

February 9, 2007 in Phoenix. For more information, visit www.ascpa.com.

GFOAz 2007 Annual Conference:

March 7-9, 2007 in Tucson. For more information, visit www.gfoaz.org.

AASBO Spring Conference:

April 5-7, 2007 in Laughlin, NV. For more information, visit www.aasbo.org.

Association of Government Accountants Professional Development Conference:

June 24-27, 2007 in Nashville, Tennessee. For more information, visit www.agacgfm.org.

Competitive Bidding Required for ALL Purchasing Made from District Employees

A new Attorney General's Opinion (I06-002) requires school districts to follow competitive bidding procedures (sealed bids or proposals) for all purchases made from district employees, regardless of the transaction's total cost. Therefore, even if the transaction is below the bidding threshold of \$33,689, competitive sealed bids or proposals must be obtained.

In addition, the Attorney General's Opinion states that competitive bidding is required for all purchases from district employees, regardless of the source of funds used to pay for the purchases. Therefore, even if student activities monies are used to pay for the purchases, competitive bidding procedures must be followed.

Districts often purchase items such as disc jockey services, silk-screening and photography from district employees. Based on this Attorney General's Opinion, all purchases made from district employees must be procured through competitive sealed bids or proposals.

For more information or any questions, please contact Scott Kies at 602-277-9449, ext 308 or scottk@heinfeldmeech.com. **FSM**

Heinfeld, Meech & Co., P.C. News

National Recognition: Congratulations to **Corey Arvizu**, Partner, who was recently appointed to the Executive Committee of the AICPA's Governmental Audit Quality Center.

CPA Successes: Congratulations to **Melissa Higdon**, Consulting Manager, for the recent achievement of her CPA. Congratulations also **Johnny Kim**, Staff Auditor II, for his recent successful completion of all four parts of the CPA exam.

Riddle of the Month

Decipher the hidden meaning: (Answer on p. 5)

U

S

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H&M University

Information on the following workshops, including registration forms, can be found on our website at www.heinfeldmeech.com (click on Resources > Upcoming Events). All workshops listed below are \$75 per person.

For additional help with registration, please contact hmu@heinfeldmeech.com or Debbie at 520-742-2611, ext 100.

Stop Fraud in Student Activities and Auxiliary Operations!

Flagstaff: Mon., Jan 22, 2007

Topics will include: USFR and A.R.S. regulations, an overview of good business practices to prevent fraud, the important role that your District's policies and procedures play in preventing fraud, real-life examples, and a sample process for updating the District's policies and procedures.

Registration deadline is Thurs., January 11th.

Internal Controls

Vail (Tucson area): Tues., Jan. 23rd

Mesa (Phoenix area): Wed., Jan. 24th

Registration deadline is Friday, January 12th.

Fair Labor Standards Act

Vail (Tucson area): Tues., Feb. 6th

Mesa (Phoenix area): Wed., Feb. 7th

Registration deadline is Friday, January 26th.

Budget Revisions

Vail (Tucson area): Tues., March 6th

Mesa (Phoenix area): Wed., March 7th

Registration deadline is Friday, February 23rd.

Just Ask H&M

While we don't have a new question to present in this issue of *Imagine*, we wanted to take this opportunity to remind you that former questions appearing in this column are archived on our website. To locate this archive, go to our main page at www.heinfeldmeech.com and then browse to Resources > Q&A Forum. This archive is also searchable by keyword.

In addition, you can find many issues of our newsletter archived on the website at Resources > Newsletters. **FSM**

Updates in Attendance Issues

The Arizona Department of Education (ADE) has recently issued two memos regarding attendance issues. Both memos were effective July 1, 2006.

Previously, for the purposes of determining average daily membership (ADM), the first day of membership for a continuing student or for a pre-enrolled student was the first day the student attended class. However, Policy and Procedure No. SF-1 states that for the purposes of determining ADM, the district can use the district's first day of school as the first day of membership, as long as the continuing or pre-enrolled student attends class during the first ten days of classroom instruction.

ADE also issued School Finance Memo No. 07-004, which states that original student attendance source documentation (e.g., student records, teacher attendance rosters, tardy records, registrar adjustments, etc.) must be retained in original form for five years. This differs from the retention periods of up to three years outlined in the *Records Retention and Disposition for Arizona School Districts*. **H&M**

H&M Practice Aids

Average Daily Membership (ADM)

Are the proper attendance procedures being followed at your District? Our review of your ADM procedures will help ensure proper attendance counts as well as compliance with the USFR.

Procurement and Bidding

Does your District comply with the procurement laws? Our firm can provide a workshop designed to address your District's unique needs and concerns and ensure that your personnel learn the correct procurement procedures.

For more information on these services, contact:

Scott W. Kies, Partner
602-277-9449, ext. 308
scottk@heinfeldmeech.com

Cathy Elliott, Consulting Manager
602-277-9449, ext. 348
cathye@heinfeldmeech.com **H&M**

New Year Planning Reminders

1099's: As the calendar year end begins to approach, here are a few reminders for 1099 preparation:

- *Nonemployee* individuals and *unincorporated* businesses providing **services** of \$600 or more in a calendar year should receive a Form 1099-MISC.
- If the vendor is an individual, report the individual's name & SSN. If the vendor is a sole proprietor, report the individual's name (not the business name) and either the SSN or the sole proprietorship's EIN. If the vendor is a partnership or other entity, report the business name and EIN.
- Form 1099-Copy B must be furnished to vendors by January 31, and Copy A must be furnished to the IRS by February 28.

Bond Disclosure: Continuing bond disclosure is **required** by the SEC for any government issuing bonds of \$10,000,000 or more after 7/3/94. This disclosure supplies the secondary market for government bonds with information on which to base their purchases. **The deadline for disclosures is usually February 1.** Please note that governments do not need to submit their **audited** financial statements by February 1. Instead, they may file the AFR before the deadline as long as the audited financial statements are submitted to the repositories *no later than 30 days after they are received.*

Instead of filing directly with the NRMSIRs and SIDs, you may utilize an Internet-based electronic filing system to upload documents. This "central post office" is located at www.DisclosureUSA.org and there is no fee for electronic filings. For more information, visit the SEC website at: www.sec.gov/info/municipal/discfiletips.htm

Semi-annual time and effort certifications:

As noted in our last issue, the US Department of Education recent Title I audits have highlighted the importance of maintaining these certifications, which indicates the employee worked solely on that federal program for the period covered by the certification. We recommend that the semi-annual certification be completed for the six-month period ending December 31, 2006. A sample certification can be found in the July 2006 issue of *Imagine*, which you may download from our website at Resources > Newsletters. **H&M**

Upcoming Deadlines for Schools

<u>Due Date</u>	<u>Item</u>
October 31	October Enrollment Report due to ADE (Charters only) Contribution and Wage Report (Form UC-018) and State Unemployment Compensation Fund contributions/payments must be submitted to AZ Department of Economic Security (A.A.C. R6-3-1704.B) Quarterly Report of Income Tax Withheld (Form A1-QRT) must be filed with the Arizona Department of Revenue (A.R.S. §43-401.C)
November 15	Annual audit reports due to the Arizona State Board for Charter Schools (Charters requiring Single Audits may apply for an extension to March 31 st) The AFR (or summary) must be published or mailed to each household (A.R.S. §15-904) Districts may apply to the State Board of Education for approval or reapproval for a career ladder program. (Annual reapproval required.)
November 18	End of cash management reporting period for all Federal projects.
December 8	Special Education Census report due to ADE (Charters)
December 15	Revised budget (if necessary) must be completed (A.R.S. §15-905 E) For grants received from ADE, schools should submit a cash management report to ADE for each special project with a budget of \$10,000 or more.
December 18	End of cash management reporting period for all Federal projects. Revised budget (if necessary) due to ADE (A.R.S. §15-905-E)
December 29	Deadline for completion reports for projects ending Sept. 30 to be submitted to ADE
December 31	Comprehensive Annual Financial Reports (CAFRs) due to ASBO International and GFOA for Certificate of Excellence awards
January 18	End of cash management period for all Federal projects
January 31	Schools must furnish each employee with a completed Form W-2 and certain nonemployee payees a completed Form 1099 for the calendar year ended 12/31/06. (See article on page 4.) Contribution and Wage Report (Form UC-018) and State Unemployment Compensation Fund contributions/payments must be submitted to AZ Department of Economic Security (A.A.C. R6-3-1704.B)

Upcoming Southern Arizona School Business Officials Meetings

<u>Date</u>	<u>Hosted By</u>	<u>Partner District</u>
Nov. 17	Amphitheater	
Jan. 19	Tanque Verde	Catalina Foothills Unified
Feb. 16	Vail Unified	Sierra Vista Unified
March 16	Marana Unified	Mammoth/San Manuel Unified
April 20	AASBO	TBA
May 18	Tucson Unified	Oracle Elementary

All SASBO meetings begin at 11 a.m. For more information about upcoming meetings, please contact John Filippelli at 520-762-2040 or filippelli@vail.k12.az.us.

Answer to Riddle of the Month (Page 3):
"it's up to you"