



TITLE	POLICY NUMBER	
Financial Stability Child Welfare Licensing (CWL)	DCS 15-23	
RESPONSIBLE AREA	EFFECTIVE DATE	REVISION
Office of Licensing and Regulation	March 8, 2019	3

I. POLICY STATEMENT

Child welfare agencies and applicants shall submit financial audits and financial statements, including all items required by [Arizona Administrative Code \(A.A.C.\) Title 21, Chapter 7](#), and comply with the definition of a financial audit to ensure that they maintain complete and accurate records in accordance with generally accepted accounting practices.

II. APPLICABILITY

This policy applies to the holders of all licenses issued under A.A.C. Title 21 Chapter 7.

III. AUTHORITY

A.A.C. R21-7	Department of Child Safety-Child Welfare Agency Licensing
A.R.S. § 8-503	Powers and duties
A.R.S. § 8-505	Issuance of licenses; application; investigation; renewal
A.R.S. § 32-725	Limited reciprocity privilege; qualifications; definition

IV. DEFINITIONS

Certified public accountant (CPA): An individual who has been issued a certificate of authority by the board to practice as a certified public accountant or who meets the limited reciprocity privilege requirements pursuant to section A.R.S. § 32-725.

Child welfare agency: Any agency or institution maintained by a person, firm, corporation, association, or organization to receive children for care and maintenance or for 24- hour social, emotional, or educational supervised care or have been adjudicated as a delinquent or dependent child.

Current financial statement: A financial report compiled by a CPA which includes:

- a balance sheet that shows a firm's assets, liabilities, and net worth on a stated date;
- an income statement (profit & loss) that shows how the net income of the firm is arrived at over a stated period; and
- a cash flow statement that shows the inflows and outflows of cash caused by a firm's activities during a stated period.

Department or DCS: The Arizona Department of Child Safety

Financial audit: The highest level of financial statement service provided by a CPA. This report includes an opinion by the auditor whether the financial statements:

- are being prepared in accordance with the proper financial reporting framework;
- are free from material misstatement of either fraud or error;
- reflect any deficiencies in internal control;
- show any weaknesses in the organization's systems;
- present the company's financial position fairly in all material respects.

Financial review: A financial statement service which provides limited assurance the agency's financial statements conform to financial reporting framework. The service provides less assurance to the reader of the statement than the financial audit or audit engagement because the CPA performs limited audit procedures.

Fiscal year: A twelve-month period a company/business uses for financial accounting purposes. It is synonymous with financial year.

Independent Auditor: A certified public accountant who examines the financial records and business transactions of a company in which he or she is not affiliated.

Office of Licensing and Regulation (OLR): The administration within DCS that is responsible for reviewing and evaluating applications for licensure; supervising and

monitoring licensees; and completing all official licensing actions, including issuing, denying, amending, suspending, and revoking a license.

V. POLICY

- A. It is the responsibility of the licensee, prior to engagement services, to verify license/certification status of the Certified Public Accountant (CPA) utilized to complete the fiscal year-end audit.
- B. The annual fiscal year-end audit and financial statement shall be submitted to Office of Licensing and Regulation (OLR) with the renewal application packet no earlier than ninety (90) days prior to the expiration of the license and no later than sixty (60) days prior to the expiration of the license.
- C. If a full fiscal year has not ended prior to the first license renewal, the agency shall submit to OLR a financial statement that conforms to A.A.C. R21-7, with the renewal application packet no earlier than ninety (90) days prior to the expiration of the license and no later than sixty (60) days prior to the expiration of the license.
- D. If a financial audit for the preceding fiscal year is unable to be submitted at the time of the renewal application, due to a license expiration date after the child welfare agency's fiscal year end, it shall be submitted to OLR within the following two fiscal quarters, and **not** with the following year's renewal application.
- E. A financial audit completed during an agency's second renewal shall include any time not previously audited from the agency's initial license date.
- F. If the licensee does not submit an annual fiscal year-end audit within the allotted time frames listed in this policy and under A.A.C. R21-7, it shall result in a denial, suspension, or revocation of a license pursuant to A.A.C. R21-7.

VI. PROCEDURES

Renewal Applications (Annual Fiscal Year-End Audit)

OLR staff shall verify child welfare agencies licensed under A.A.C. R21-7 have submitted an annual fiscal year-end audit by an independent certified public

accountant who adheres to A.A.C. R21-7.

1. OLR staff shall verify the independent certified public accountant is not an employee of the licensee submitting the audit report.
2. OLR staff shall verify the independent certified public accountant is licensed in one of the 50 states to actively practice as a CPA. A license that is expired, inactive, cancelled, lapsed, suspended, or revoked will not be accepted by OLR.

VII. FORMS INDEX

N/A