

REFERENCE TITLE: JLAC; auditor general

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

HB 2677

Introduced by
Representative Kern

AN ACT

AMENDING SECTIONS 41-1278, 41-1279.02, 41-1279.03, 41-1279.04, 41-1279.06, 41-1279.07 AND 41-1279.21, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.22, ARIZONA REVISED STATUTES; AMENDING SECTION 41-2954, ARIZONA REVISED STATUTES; RELATING TO THE AUDITOR GENERAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 41-1278, Arizona Revised Statutes, is amended to
3 read:

4 41-1278. Definitions

5 In this article, unless the context otherwise requires:

6 1. "Committee" means the joint legislative audit committee.

7 2. "Investigation" means an inquiry into specified acts or
8 allegations of impropriety, malfeasance or nonfeasance in the obligation,
9 expenditure, receipt or use of public ~~funds~~ MONIES of ~~this~~ A state AGENCY
10 OR POLITICAL SUBDIVISION or into specified financial transactions or
11 practices ~~which~~ THAT may involve such impropriety, malfeasance or
12 nonfeasance.

13 3. "Performance audit" means an audit ~~which~~ THAT determines with
14 regard to the purpose, functions and duties of the audited agency ~~at~~ ONE
15 OR MORE of the following:

16 (a) Whether the audited agency is managing or ~~utilizing~~ USING its
17 resources, including public ~~funds~~ MONIES of this state, personnel,
18 property, equipment and space, in an economical and efficient manner.

19 (b) Causes of inefficiencies or uneconomical practices, including
20 inadequacies in management information systems, internal and
21 administrative procedures, organizational structure, use of resources,
22 allocation of personnel, purchasing policies and equipment.

23 (c) Whether the desired results are being achieved.

24 (d) Whether objectives established by the legislature or other
25 authorizing body are being met.

26 4. "POLITICAL SUBDIVISION" MEANS A POLITICAL SUBDIVISION THAT IS
27 FUNDED IN WHOLE OR IN PART BY TAX REVENUE.

28 ~~4.~~ 5. "Special audit" means an audit of limited scope.

29 ~~5.~~ 6. "Special research request" means research and analysis of
30 issues or questions that are designated as a special research request by
31 the committee, but does not include a performance audit, financial audit,
32 compliance audit, procedural review, special audit, investigation or
33 evaluation required by law.

34 ~~6.~~ 7. "State agency" means all departments, agencies, boards,
35 commissions, institutions and instrumentalities of this state.

36 Sec. 2. Section 41-1279.02, Arizona Revised Statutes, is amended to
37 read:

38 41-1279.02. Personnel; criminal history records

39 A. The auditor general ~~may~~, with the approval of the committee, MAY
40 appoint and prescribe the duties of such additional professional,
41 technical, clerical and other employees, or contract for such services,
42 necessary to administer the duties of the auditor general's office. The
43 employees shall receive compensation as determined pursuant to section
44 38-611 and serve at the pleasure of the auditor general.

1 B. The auditor general may obtain criminal history record
2 information pursuant to section 41-1750, subsection G from the department
3 of public safety for the purpose of employment of personnel by the auditor
4 general.

5 C. Information obtained pursuant to subsection B of this section
6 shall not be disclosed by the auditor general except to members of the
7 auditor general's staff **PURSUANT TO THE REQUIREMENTS PRESCRIBED BY THE**
8 **DEPARTMENT OF PUBLIC SAFETY AND** solely for the purpose of employment of
9 personnel by the auditor general.

10 Sec. 3. Section 41-1279.03, Arizona Revised Statutes, is amended to
11 read:

12 **41-1279.03. Powers and duties**

13 A. The auditor general shall:

14 1. Prepare an audit plan for approval by the committee and report
15 to the committee the results of each audit and investigation and other
16 reviews conducted by the auditor general.

17 2. Conduct or cause to be conducted ~~at least biennial~~ **ANNUAL**
18 financial and compliance audits of financial transactions and accounts
19 kept by or for all state agencies subject to the **FEDERAL** single audit ~~act~~
20 ~~of 1984 (P.L. 98-502)~~ **REQUIREMENTS**. The audits shall be conducted in
21 accordance with generally accepted governmental auditing standards and
22 accordingly shall include tests of the accounting records and other
23 auditing procedures as may be considered necessary in the circumstances.
24 The audits shall include the issuance of suitable reports as required by
25 the **FEDERAL** single audit ~~act of 1984 (P.L. 98-502)~~ **REQUIREMENTS** so that
26 the legislature, the federal government and others will be informed as to
27 the adequacy of financial statements of ~~the~~ **THIS** state in compliance with
28 generally accepted ~~governmental~~ accounting principles and to determine
29 whether ~~the~~ **THIS** state has complied with laws and regulations that may
30 have a material effect on the financial statements and on major federal
31 assistance programs.

32 3. Perform procedural reviews for all state agencies at times
33 determined by the auditor general. These reviews may include evaluation
34 of administrative and accounting internal controls and reports on these
35 reviews.

36 4. Perform special research requests, special audits and related
37 assignments as designated by the committee and conduct performance audits,
38 special audits, special research requests and investigations of any state
39 agency, whether created by the constitution or otherwise, as may be
40 requested by the committee.

41 ~~5. Annually on or before the fourth Monday of December, prepare a~~
42 ~~written report to the governor and to the committee that contains a~~
43 ~~summary of activities for the previous fiscal year.~~

1 5. AS RESOURCES ALLOW, CONDUCT AN INVESTIGATION RELATED TO
2 ALLEGATIONS OF FINANCIAL IMPROPRIETY, MALFEASANCE OR NONFEASANCE OF A
3 STATE AGENCY OR OF A POLITICAL SUBDIVISION THAT IS FUNDED IN WHOLE OR IN
4 PART BY TAX REVENUE IN ANY OF THE FOLLOWING CIRCUMSTANCES:

5 (a) IN CONNECTION WITH AN AUDIT AUTHORIZED BY LAW.

6 (b) ON REQUEST OF A PUBLIC OFFICER OF A STATE AGENCY OR POLITICAL
7 SUBDIVISION REGARDING MATTERS UNDER THE SUPERVISION OR CONTROL OF THAT
8 PUBLIC OFFICER.

9 (c) ON REQUEST OF A SHERIFF, A COUNTY ATTORNEY, A MUNICIPAL
10 ATTORNEY OR THE ATTORNEY GENERAL IN CONNECTION WITH AN OPEN INVESTIGATION
11 OF A STATE AGENCY OR POLITICAL SUBDIVISION IF THAT OPEN INVESTIGATION IS
12 UNDER THE SUPERVISION OR CONTROL OF THE ATTORNEY GENERAL OR THAT SHERIFF,
13 COUNTY ATTORNEY OR MUNICIPAL ATTORNEY.

14 6. In the ~~tenth~~ FIFTH year and in each fifth year thereafter in
15 which a transportation excise tax is in effect in a county as provided in
16 section 42-6106 or 42-6107, conduct a performance audit that:

17 (a) Reviews past expenditures and future planned expenditures of
18 the transportation excise revenues and determines the impact of the
19 expenditures in solving transportation problems within the county and, for
20 a transportation excise tax in effect in a county as provided in section
21 42-6107, determines whether the expenditures of the transportation excise
22 revenues comply with section 28-6392, subsection B.

23 (b) Reviews projects completed to date and projects to be completed
24 during the remaining years in which a transportation excise tax is in
25 effect. Within six months after each review period, the auditor general
26 shall present a report to the speaker of the house of representatives and
27 the president of the senate detailing findings and making recommendations.

28 (c) Reviews, determines, reports and makes recommendations to the
29 speaker of the house of representatives and the president of the senate
30 whether the distribution of ARIZONA highway user revenues complies with
31 title 28, chapter 18, article 2.

32 7. If requested by the committee, conduct performance audits of
33 counties and incorporated cities and towns receiving ARIZONA highway user
34 revenue fund monies pursuant to title 28, chapter 18, article 2 to
35 determine if the monies are being spent as provided in section 28-6533,
36 subsection B.

37 8. Perform special audits designated pursuant to law if the auditor
38 general determines that there are adequate monies appropriated for the
39 auditor general to complete the audit. If the auditor general determines
40 the appropriated monies are inadequate, the auditor general shall notify
41 the committee. BASED ON INFORMATION PROVIDED BY THE AUDITOR GENERAL, FOR
42 ANY LEGISLATIVE MEASURE THAT REQUIRES THE AUDITOR GENERAL TO PERFORM A
43 SPECIAL AUDIT, THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL NOTIFY
44 ALL THE MEMBERS OF THE LEGISLATURE OF THE COST TO CONDUCT THE SPECIAL
45 AUDIT. THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL PROVIDE THE

1 COST OF THE AUDIT BEFORE THE MEASURE IS SCHEDULED FOR THIRD READ IN THE
2 HOUSE OF ORIGIN OR IN THE HOUSE IN WHICH THE SPECIAL AUDIT PROVISION WAS
3 ADDED OR BEFORE THE MEASURE IS SCHEDULED FOR FINAL PASSAGE IF THE SPECIAL
4 AUDIT PROVISION WAS ADDED IN A CONFERENCE COMMITTEE.

5 9. Establish a schoolwide audit team in the office of the auditor
6 general to conduct performance audits and monitor school districts to
7 determine the percentage of every dollar spent in the classroom by the
8 school district. Each school district shall prominently post on its
9 website home page a copy of its profile pages that displays the percentage
10 of every dollar spent in the classroom by that school district from the
11 most recent status report issued by the auditor general pursuant to this
12 paragraph. ~~The performance audits shall determine whether school~~
13 ~~districts that receive monies from the Arizona structured English~~
14 ~~immersion fund established by section 15-756.04 and the statewide~~
15 ~~compensatory instruction fund established by section 15-756.11 are in~~
16 ~~compliance with title 15, chapter 7, article 3.1.~~ The auditor general
17 shall determine, through random selection, the school districts to be
18 audited each year, subject to review by the joint legislative audit
19 committee. A school district that is subject to an audit pursuant to this
20 paragraph shall notify the auditor general in writing as to whether the
21 school district agrees or disagrees with the findings ~~and recommendations~~
22 of the audit and whether the school district will implement the ~~findings~~
23 ~~and~~ recommendations, implement modifications to the ~~findings and~~
24 recommendations or refuse to implement the ~~findings and~~ recommendations.
25 The school district shall submit to the auditor general a written status
26 report on the implementation of the audit ~~findings and~~ recommendations
27 ~~every six months for two years after~~ AT THE REQUEST OF THE AUDITOR GENERAL
28 WITHIN THE TWO-YEAR PERIOD FOLLOWING THE ISSUANCE OF an audit conducted
29 pursuant to this paragraph. The auditor general shall review the school
30 district's progress toward implementing the ~~findings and~~ recommendations
31 of the audit ~~every six months after receipt of the district's status~~
32 ~~report for two years~~ AND PROVIDE STATUS REPORTS OF THESE REVIEWS TO THE
33 JOINT LEGISLATIVE AUDIT COMMITTEE DURING THIS TWO-YEAR PERIOD. The
34 auditor general may review a school district's progress beyond this
35 two-year period for recommendations that have not yet been implemented by
36 the school district. ~~The auditor general shall provide a status report of~~
37 ~~these reviews to the joint legislative audit committee.~~ The school
38 district shall participate in any hearing scheduled during this review
39 period by the joint legislative audit committee or by any other
40 legislative committee designated by the joint legislative audit committee.
41 10. Annually review per diem compensation and reimbursement of
42 expenses for employees of the state and members of a state board,
43 commission, council or advisory committee by judgmentally selecting
44 samples and evaluating the propriety of per diem compensation and expense
45 reimbursements.

1 B. The auditor general may:

2 1. Subject to approval by the committee, adopt rules necessary to
3 administer the duties of the office.

4 2. Hire consultants to conduct the studies required by subsection
5 A, paragraphs 6 and 7 of this section.

6 C. If approved by the committee, the auditor general may charge a
7 reasonable fee for the cost of performing audits or providing accounting
8 services for auditing federal funds, special audits or special services
9 requested by political subdivisions of the state. Monies collected
10 pursuant to this subsection shall be deposited in the audit services
11 revolving fund.

12 D. The department of transportation, **THE COUNTY TREASURER AND** the
13 board of supervisors of a county that has approved a county transportation
14 excise tax as provided in section 42-6106 or 42-6107 and the governing
15 bodies of counties, cities and towns receiving **ARIZONA** highway user
16 revenue fund monies shall cooperate with and provide necessary information
17 to the auditor general or the auditor general's consultant.

18 E. The department of transportation **OR COUNTY TREASURER** shall
19 reimburse the auditor general as follows, and the auditor general shall
20 deposit the reimbursed monies in the audit services revolving fund:

21 1. For the cost of conducting the studies or hiring a consultant to
22 conduct the studies required by subsection A, paragraph 6, subdivisions
23 (a) and (b) of this section, from monies collected pursuant to a county
24 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

25 2. For the cost of conducting the studies or hiring a consultant
26 pursuant to subsection A, paragraph 6, subdivision (c) and paragraph 7 of
27 this section, from the Arizona highway user revenue fund.

28 Sec. 4. Section 41-1279.04, Arizona Revised Statutes, is amended to
29 read:

30 **41-1279.04. Authority to examine records; violation;**
31 **classification**

32 A. The auditor general or the auditor general's authorized
33 representatives, in the performance of official duties, shall have access
34 to **EMPLOYEES**, and authority to examine, any and all books, accounts,
35 reports, vouchers, correspondence files and other records, bank accounts,
36 criminal history record information as defined in section 41-1701, ~~money~~
37 **MONIES** and other property of any state agency, board, commission,
38 department, institution, program, advisory council or committee or
39 political subdivision of this state, whether created by the constitution
40 or otherwise, or such documents and property of a contractor relating to a
41 contract with this state pursuant to ~~the provisions of~~ section 35-214. It
42 is the duty of any officer or employee of any such agency or political
43 subdivision, having such records under the officer's or employee's
44 control, to permit access to and examination of the records on the request
45 of the auditor general or the auditor general's authorized representative.

1 B. ~~For the purpose of complying with section 41-1279.03, subsection~~
2 ~~A, paragraphs 4 and 9,~~ The auditor general or the auditor general's
3 authorized representative, ~~in the performance of official duties,~~ may
4 attend executive sessions ~~of the governing body of any state agency or~~
5 ~~school district in this state~~ AUTHORIZED PURSUANT TO TITLE 38, CHAPTER 3,
6 ARTICLE 3.1 WHEN CONDUCTING AN AUDIT AUTHORIZED PURSUANT TO LAW.

7 C. For the purpose of auditing the department of revenue, the
8 auditor general and the auditor general's authorized representatives have
9 access to state tax returns, except that a report of the auditor general
10 shall not violate the confidentiality of state tax laws.

11 D. ALL OFFICERS OF ANY STATE AGENCY, BOARD, COMMISSION, DEPARTMENT,
12 INSTITUTION, PROGRAM, ADVISORY COUNCIL OR COMMITTEE OR POLITICAL
13 SUBDIVISION OF THIS STATE AND ALL CONTRACTORS THAT CONTRACT WITH THIS
14 STATE SHALL AFFORD REASONABLE AND NEEDED FACILITIES FOR AUDITOR GENERAL
15 STAFF AND MAKE RECORDS AVAILABLE, IN THE FORM AND AT THE TIME PRESCRIBED.

16 E. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL
17 OFFENDERS UNDER THIS SECTION.

18 ~~D.~~ F. Any officer or person who knowingly fails or refuses to
19 ~~permit such~~ ALLOW access and examination PURSUANT TO THIS SECTION OR
20 OTHERWISE KNOWINGLY OBSTRUCTS OR MISLEADS THE AUDITOR GENERAL IN THE
21 EXECUTION OF THE AUDITOR GENERAL'S DUTIES is guilty of a class 2
22 misdemeanor.

23 Sec. 5. Section 41-1279.06, Arizona Revised Statutes, is amended to
24 read:

25 41-1279.06. Audit services revolving fund; use; exemption
26 from lapsing

27 A. ~~There is established an~~ THE audit services revolving fund IS
28 ESTABLISHED. The auditor general shall administer the fund. The fund
29 consists of any monies received by the auditor general from:

30 1. State budget units for audits of federal funds required under
31 federal law and federal rules and regulations.

32 2. State budget units and counties, community college districts and
33 school districts for which the auditor general performs special audits,
34 financial statement audits, AUDITS OF FEDERAL FUNDS RECEIVED UNDER FEDERAL
35 LAWS, RULES AND REGULATIONS or provides accounting services.

36 3. COUNTIES FOR WHICH THE AUDITOR GENERAL CONDUCTS A PERFORMANCE
37 AUDIT OF THE TRANSPORTATION EXCISE TAX AS PRESCRIBED BY SECTION
38 41-1279.03.

39 4. ANY OTHER SOURCE AUTHORIZED BY STATUTE.

40 B. The auditor general shall use the fund monies for the purpose of
41 conducting audits required under federal law, special audits or financial
42 statement audits or accounting services requested by state budget units
43 and counties, community college districts and school districts or to pay
44 for certified public accountants to conduct such audits or provide such
45 services.

1 C. Monies in the audit services revolving fund are exempt from the
2 provisions of section 35-190, relating to lapsing of appropriations.

3 Sec. 6. Section 41-1279.07, Arizona Revised Statutes, is amended to
4 read:

5 41-1279.07. Uniform expenditure reporting system; reports by
6 counties, community college districts, cities
7 and towns; certification and attestation;
8 assistance by auditor general; violation;
9 classification

10 A. The auditor general shall prescribe a uniform expenditure
11 reporting system for all political subdivisions subject to the
12 constitutional expenditure limitations prescribed by article IX, sections
13 20 and 21, Constitution of Arizona. The system shall include:

14 1. For counties:

15 (a) An annual expenditure limitation report that includes at least
16 the following information:

17 (i) The expenditure limitation established for the reporting fiscal
18 year by the economic estimates commission.

19 (ii) Total expenditures, ~~by fund,~~ for the reporting fiscal year.

20 (iii) Total exclusions from local revenues, as defined by article
21 IX, section 20, Constitution of Arizona, ~~by fund,~~ for the reporting fiscal
22 year.

23 (iv) Total amounts, ~~by fund,~~ of expenditures subject to the
24 expenditure limitation for the reporting fiscal year.

25 (b) Annual financial statements prepared in accordance with
26 generally accepted accounting principles.

27 ~~(c) A reconciliation of the total expenditures reported within the~~
28 ~~financial statements to the total expenditures stated within the~~
29 ~~expenditure limitation report.~~

30 2. For community college districts:

31 (a) An annual budgeted expenditure limitation report that includes
32 at least the following information:

33 (i) The expenditure limitation established for the reporting fiscal
34 year by the economic estimates commission.

35 (ii) Total budgeted expenditures, by fund, for the reporting fiscal
36 year.

37 (iii) Total exclusions from local revenues, as defined by article
38 IX, section 21, Constitution of Arizona, by fund, for the reporting fiscal
39 year.

40 (iv) Total amounts, by fund, of budgeted expenditures subject to
41 the expenditure limitation for the reporting fiscal year.

42 (b) Annual financial statements prepared in accordance with
43 generally accepted accounting principles.

1 (c) A reconciliation of the total expenditures reported within the
2 financial statements to the total expenditures reported within the
3 expenditure limitation report.

4 3. For cities and towns:

5 (a) An annual expenditure limitation report that includes at least
6 the following information:

7 (i) The expenditure limitation established for the reporting fiscal
8 year by the economic estimates commission and, if applicable, the voter
9 approved alternative expenditure limitation.

10 (ii) Total expenditures, by fund, for the reporting fiscal year.

11 (iii) Total exclusions from local revenues, as defined by article
12 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal
13 year or, if applicable, the total exclusions from the voter approved
14 alternative expenditure limitation.

15 (iv) Total amounts, by fund, of expenditures subject to the
16 expenditure limitation for the reporting fiscal year.

17 (b) Financial statements prepared in accordance with generally
18 accepted accounting principles.

19 (c) A reconciliation of the total expenditures reported within the
20 financial statements to the total expenditures reported within the
21 expenditure limitation report.

22 B. The auditor general shall provide detailed instructions for
23 completion and submission of the reports described in subsection A of this
24 section. The auditor general shall prescribe definitions for terms
25 ~~utilized~~ USED in and the form of the reports described in subsection A of
26 this section. The reports described in subsection A of this section are
27 required of counties and community college districts beginning with fiscal
28 year 1981-1982. The reports described in subsection A of this section are
29 required of cities and towns beginning with the fiscal year the political
30 subdivision is subject to the expenditure limitation. The annual
31 reporting requirements also apply to political subdivisions subject to an
32 alternative expenditure limitation enacted pursuant to article IX, section
33 20, subsection (9), Constitution of Arizona.

34 C. The reports described in subsection A of this section must be
35 filed with the auditor general within nine months after the close of each
36 fiscal year.

37 D. The auditor general or a certified public accountant performing
38 the annual audit required pursuant to sections 41-1279.21 and 9-481 shall
39 attest to the expenditure limitation reports and financial statements for
40 counties, community college districts and cities. The certified public
41 accountant performing the annual or biennial audit required pursuant to
42 section 9-481 shall attest to the expenditure limitation reports and
43 financial statements for towns.

1 E. Each political subdivision shall provide to the auditor general
2 by July 31 each year the name of the chief fiscal officer designated by
3 the governing board of the political subdivision to submit the current
4 fiscal year's expenditure limitation report. The political subdivision
5 shall notify the auditor general of any changes of individuals designated
6 to file the required reports. The designated chief fiscal officer shall
7 certify to the accuracy of the annual expenditure limitation report.

8 F. The auditor general shall prescribe forms for the uniform
9 reporting system and may provide assistance to individuals, certified
10 public accountants or public accountants responsible for attesting to the
11 expenditure limitation reports and financial statements.

12 G. A chief fiscal officer, designated pursuant to subsection E of
13 this section, who subsequent to July 1, 1983 refuses to file the reports
14 required by this section within the prescribed time periods or who
15 intentionally files erroneous reports is guilty of a class 1 misdemeanor.
16 A city or town exceeding the expenditure limitation prescribed or
17 authorized pursuant to article IX, section 20, Constitution of Arizona,
18 for any fiscal year, without authorization pursuant to such section, shall
19 have the amount specified in subsection H of this section of its
20 allocations of the state income tax, distributed pursuant to section
21 43-206, withheld and redistributed to other cities and towns in the same
22 manner as determined pursuant to that section, except that the population
23 of the city or town exceeding the expenditure limitation shall not be
24 included in the computation, and the city or town exceeding the
25 expenditure limitation shall not be entitled to share in the
26 redistribution. A community college district exceeding the expenditure
27 limitation prescribed pursuant to article IX, section 21, Constitution of
28 Arizona, for any fiscal year, without authorization pursuant to such
29 section or section 15-1471, shall have the amount specified in subsection
30 H of this section of its allocations of state aid, distributed pursuant to
31 section 15-1466, withheld.

32 H. The auditor general shall hold a hearing to determine if any
33 political subdivision has exceeded the expenditure limitations prescribed
34 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a
35 county has exceeded the expenditure limitations prescribed pursuant to
36 article IX, section 20, Constitution of Arizona, without authorization
37 pursuant to that section, the auditor general shall notify the board of
38 supervisors of the county to reduce the allowable levy of primary property
39 taxes of the county pursuant to section 42-17051, subsection C. If any
40 political subdivision other than a county has exceeded the expenditure
41 limitations prescribed pursuant to article IX, sections 20 and 21,
42 Constitution of Arizona, without authorization, the auditor general shall
43 notify the state treasurer to withhold a portion of the political
44 subdivision's allocations of the revenues described in subsection G of

1 this section for the fiscal year subsequent to the auditor general's
2 hearing as follows:

3 1. If the excess expenditures are less than five percent of the
4 limitation, an amount equal to the excess expenditures.

5 2. If the excess expenditures are equal to or greater than five
6 percent but less than ten percent of the limitation, or are less than five
7 percent of the limitation but it is at least the second consecutive
8 instance of excess expenditures, an amount equal to triple the excess
9 expenditures.

10 3. If the excess expenditures are equal to or greater than ten
11 percent of the limitation, an amount equal to five times the excess
12 expenditures or one-third of the allocation of the revenues described in
13 subsection G of this section, whichever is less.

14 I. A county, city or town is not deemed to have exceeded the
15 expenditure limitation if the county, city or town makes expenditures for
16 capital improvements from utility revenues pursuant to title 9, chapter 5,
17 article 3 or from excise taxes levied by the county, city or town for a
18 specific purpose and the county, city or town repays the expenditure from
19 the proceeds of bonds or other lawful long-term obligations before the
20 hearing required by subsection H of this section.

21 Sec. 7. Heading change

22 The article heading of title 41, chapter 7, article 10.2, Arizona
23 Revised Statutes, is changed from "POST AUDIT OF COUNTIES, COMMUNITY
24 COLLEGE DISTRICTS AND SCHOOL DISTRICTS" to "POSTAUDIT OF COUNTIES,
25 COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS".

26 Sec. 8. Section 41-1279.21, Arizona Revised Statutes, is amended to
27 read:

28 41-1279.21. Powers and duties of auditor general relating to
29 counties, school districts and community
30 colleges

31 A. In addition to other powers and duties prescribed by law, the
32 auditor general shall:

33 1. Conduct or cause to be conducted annual financial ~~and compliance~~
34 STATEMENT audits of financial transactions and accounts kept by or for all
35 counties. FOR A COUNTY THAT IS REQUIRED TO COMPLY WITH THE FEDERAL SINGLE
36 AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE COMPLIANCE AUDITS OF FINANCIAL
37 TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT BY OR FOR THE COUNTY. THE
38 AUDITS SHALL BE CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED
39 GOVERNMENTAL AUDITING STANDARDS AND, ACCORDINGLY, SHALL INCLUDE TESTS OF
40 THE ACCOUNTING RECORDS AND OTHER AUDITING PROCEDURES AS MAY BE CONSIDERED
41 NECESSARY UNDER THE CIRCUMSTANCES. Each county shall provide financial
42 information for inclusion in the annual audit that verifies that ARIZONA
43 highway user revenue fund monies received by the county pursuant to
44 title 28, chapter 18, article 2 and any other dedicated state

1 transportation revenues received by the county are being used solely for
2 the authorized transportation purposes.

3 2. Perform procedural reviews for school districts that are not
4 required to comply with the FEDERAL single audit ~~act of 1984 (P.L. 98-502)~~
5 REQUIREMENTS at times determined by the auditor general. These reviews
6 may include evaluation of administrative and accounting internal controls
7 and reports on such reviews.

8 3. Conduct or cause to be conducted annual FINANCIAL STATEMENT
9 audits of financial transactions and accounts kept by or for community
10 college districts. FOR A COMMUNITY COLLEGE DISTRICT THAT IS REQUIRED TO
11 COMPLY WITH THE FEDERAL SINGLE AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE
12 COMPLIANCE AUDITS OF FINANCIAL TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT
13 BY OR FOR THE COMMUNITY COLLEGE DISTRICT. THE AUDITS SHALL BE CONDUCTED
14 IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS AND,
15 ACCORDINGLY, SHALL INCLUDE TESTS OF THE ACCOUNTING RECORDS AND OTHER
16 AUDITING PROCEDURES AS MAY BE CONSIDERED NECESSARY UNDER THE
17 CIRCUMSTANCES.

18 4. Approve contracts for financial and compliance auditing services
19 except if specific statutory authority is otherwise provided. The auditor
20 general shall ensure that such contract audits are conducted in accordance
21 with generally accepted governmental auditing standards and shall
22 determine if such audits meet minimum audit standards prescribed by the
23 auditor general. An audit shall not be accepted as meeting the
24 requirements of this paragraph until it has been approved by the auditor
25 general.

26 5. Order and enforce a correct and uniform system of accounting by
27 county, community college district and school district officers and
28 instruct them in the proper mode of keeping accounts of their offices.

29 6. Require of county treasurers and custodians of county, community
30 college district or school district funds, as often as the auditor general
31 deems necessary, a verified statement of their accounts.

32 7. Report to the committee and to the attorney general the refusal
33 or neglect of any county, community college district or school district
34 officer to conform to rules and regulations of the auditor general's
35 office.

36 8. Report to the committee and to the governor the result of the
37 auditor general's examinations of county, community college district and
38 school district offices as often as required by public interest.

39 B. The auditor general may adopt rules providing for disapproving
40 contracts, and suspending or debarring any contractor providing financial
41 and compliance auditing services to a school district based upon ON
42 applicable standards similar to those adopted by this state under section
43 41-2613.

1 C. Notwithstanding any other law, the disapproval of a contract or
2 the suspension or debarment may be appealed to the superior court pursuant
3 to title 12, chapter 7, article 6.

4 Sec. 9. Repeal

5 Section 41-1279.22, Arizona Revised Statutes, is repealed.

6 Sec. 10. Section 41-2954, Arizona Revised Statutes, is amended to
7 read:

8 41-2954. Committees of reference; performance review reports;
9 hearings; recommendations; subpoena powers

10 A. Each standing committee of both legislative houses shall
11 constitute a committee of reference in the committee's respective subject
12 matter areas and the committee's respective house.

13 B. After receipt of the preliminary sunset review report, each
14 committee of reference or each committee of reference meeting jointly
15 shall hold at least one public hearing when the legislature is not in
16 session or before the third Friday in January to receive testimony from
17 the public and from the officials of the agency involved. The agency
18 involved shall prepare a presentation for the first public meeting that
19 addresses the elements of the written statement required by subsection F
20 of this section.

21 C. Each committee of reference shall hold public hearings for the
22 following purposes:

23 1. To determine the actual need of the agency to regulate or direct
24 the particular activity.

25 2. To determine the extent to which the statutory requirements of
26 the agency are necessary and are being met.

27 3. To receive testimony from the public as to the relationship of
28 the agency with the public.

29 4. To receive testimony from the executive director or other head
30 of the agency as to reasons for the continuation of the agency.

31 D. Each committee of reference shall consider but not be limited to
32 the following factors in determining the need for continuation or
33 termination of each agency:

34 1. The ~~objective and purpose~~ KEY STATUTORY OBJECTIVES AND PURPOSES
35 in establishing the agency ~~and the extent to which the objective and~~
36 ~~purpose are met by private enterprises in other states.~~

37 2. The ~~extent to which the agency has met its statutory objective~~
38 ~~and purpose and the efficiency with which it has operated~~ AGENCY'S
39 EFFECTIVENESS AND EFFICIENCY IN FULFILLING ITS KEY STATUTORY OBJECTIVES
40 AND PURPOSES.

41 3. The extent to which the ~~agency serves the entire state rather~~
42 ~~than specific interests~~ AGENCY'S KEY STATUTORY OBJECTIVES AND PURPOSES
43 DUPLICATE THE OBJECTIVES AND PURPOSES OF OTHER GOVERNMENTAL AGENCIES OR
44 PRIVATE ENTERPRISES.

1 4. The extent to which rules adopted by the agency are consistent
2 with the legislative mandate.

3 5. The extent to which the agency has ~~encouraged input from the~~
4 ~~public before adopting its rules and the extent to which it has informed~~
5 ~~the public as to its actions and the expected impact on the public~~
6 PROVIDED APPROPRIATE PUBLIC ACCESS TO RECORDS, MEETINGS AND RULEMAKINGS,
7 INCLUDING SOLICITING PUBLIC INPUT IN MAKING RULES AND DECISIONS.

8 6. The extent to which the agency has ~~been able to investigate and~~
9 ~~resolve~~ INVESTIGATED AND RESOLVED complaints that are within its
10 jurisdiction.

11 7. The extent to which the ~~attorney general or any other applicable~~
12 ~~agency of state government has the authority to prosecute actions under~~
13 ~~the enabling legislation~~ LEVEL OF REGULATION EXERCISED BY THE AGENCY IS
14 APPROPRIATE AS COMPARED TO OTHER STATES OR BEST PRACTICES, OR BOTH.

15 8. The extent to which ~~agencies have addressed deficiencies in~~
16 ~~their enabling statutes that prevent them from fulfilling their statutory~~
17 ~~mandate~~ THE AGENCY HAS ESTABLISHED SAFEGUARDS AGAINST POSSIBLE CONFLICTS
18 OF INTEREST.

19 9. The extent to which changes are necessary ~~in the laws of~~ FOR the
20 agency to ~~adequately comply with the factors listed in this subsection~~
21 MORE EFFICIENTLY AND EFFECTIVELY FULFILL ITS KEY STATUTORY OBJECTIVES AND
22 PURPOSES OR TO ELIMINATE STATUTORY RESPONSIBILITIES THAT ARE NO LONGER
23 NECESSARY.

24 10. The extent to which the termination of the agency would
25 significantly affect the public health, safety or welfare.

26 ~~11. The extent to which the level of regulation exercised by the~~
27 ~~agency compares to other states and is appropriate and whether less or~~
28 ~~more stringent levels of regulation would be appropriate.~~

29 ~~12. The extent to which the agency has used private contractors in~~
30 ~~the performance of its duties as compared to other states and how more~~
31 ~~effective use of private contractors could be accomplished.~~

32 ~~13. The extent to which the agency potentially creates unexpected~~
33 ~~negative consequences that might require additional review by the~~
34 ~~committee of reference, including increasing the price of goods, affecting~~
35 ~~the availability of services, limiting the abilities of individuals and~~
36 ~~businesses to operate efficiently and increasing the cost of government.~~

37 E. The committee of reference shall deliver the final sunset review
38 report of its recommendations to the president of the senate, the speaker
39 of the house of representatives, the governor, the auditor general and the
40 affected agency on or before the third Friday in January. Such
41 recommendations shall include one of the following:

- 42 1. That the state agency be continued.
- 43 2. That the state agency be revised or consolidated.
- 44 3. That the state agency be terminated pursuant to this chapter.

1 F. The final sunset review report by each committee of reference
2 shall also include a written statement prepared by the agency involved
3 that contains AN ASSESSMENT OF:

4 ~~1. An identification of the problem or the needs that the agency is~~
5 ~~intended to address.~~

6 ~~2. A statement, to the extent practicable, in quantitative and~~
7 ~~qualitative terms, of the objectives of such agency and its anticipated~~
8 ~~accomplishments.~~

9 ~~3. An identification of any other agencies having similar,~~
10 ~~conflicting or duplicate objectives, and an explanation of the manner in~~
11 ~~which the agency avoids duplication or conflict with other such agencies.~~

12 1. THE EXTENT TO WHICH THE AGENCY POTENTIALLY CREATES UNEXPECTED
13 NEGATIVE CONSEQUENCES THAT MAY REQUIRE ADDITIONAL REVIEW BY THE COMMITTEE
14 OF REFERENCE, INCLUDING INCREASING THE PRICE OF GOODS, AFFECTING THE
15 AVAILABILITY OF SERVICES, LIMITING THE ABILITIES OF INDIVIDUALS AND
16 BUSINESSES TO OPERATE EFFICIENTLY AND INCREASING THE COST OF GOVERNMENT.

17 2. THE EXTENT TO WHICH THE AGENCY HAS ADDRESSED DEFICIENCIES IN ITS
18 ENABLING STATUTES.

19 ~~4. 3. An assessment of~~ The consequences of eliminating the agency
20 or of consolidating it with another agency.

21 G. Each committee of reference shall oversee the preparation of any
22 proposed legislation to implement the recommendations of that committee of
23 reference and is responsible for the introduction of such legislation.

24 H. If an agency is continued, it is not necessary to reappoint any
25 member of the governing board or commission of the agency. Such members
26 are eligible to complete their original terms without reappointment or
27 reconfirmation.

28 I. Each committee of reference shall have the power of legislative
subpoena pursuant to chapter 7, article 4 of this title.