

House Engrossed Senate Bill  
auditor general; duties; access

State of Arizona  
Senate  
Fifty-sixth Legislature  
First Regular Session  
2023

## **SENATE BILL 1650**

AN ACT

AMENDING SECTIONS 41-1278 AND 41-1279.02, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 405, SECTION 25; AMENDING SECTION 41-1279.03, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 3, SECTION 11; AMENDING SECTIONS 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 of this state~~ MONIES or into  
10 specified financial transactions or practices ~~which~~ THAT may involve such  
11 impropriety, malfeasance or nonfeasance.

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

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

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

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

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

25 4. "Special audit" means an audit of limited scope.

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

31 6. "State agency" means all departments, agencies, boards,  
32 commissions, institutions and instrumentalities of this state.

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

35 41-1279.02. Personnel; criminal history records

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

42 B. The auditor general may obtain criminal history record  
43 information pursuant to section 41-1750, subsection G from the department  
44 of public safety for the purpose of employment of personnel by the auditor  
45 general.

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

6 Sec. 3. Repeal

7 Section 41-1279.03, Arizona Revised Statutes, as amended by Laws  
8 2021, chapter 405, section 25, is repealed.

9 Sec. 4. Section 41-1279.03, Arizona Revised Statutes, as amended by  
10 Laws 2019, chapter 3, section 11, is amended to read:

11 41-1279.03. Powers and duties

12 A. The auditor general shall:

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

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

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

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

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

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

1 (a) Reviews past expenditures and future planned expenditures of  
2 the transportation excise revenues and determines the impact of the  
3 expenditures in solving transportation problems within the county and, for  
4 a transportation excise tax in effect in a county as provided in section  
5 42-6107, determines whether the expenditures of the transportation excise  
6 revenues comply with section 28-6392, subsection B.

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

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

16 7. If requested by the committee, conduct performance audits of  
17 counties and incorporated cities and towns receiving ARIZONA highway user  
18 revenue fund monies pursuant to title 28, chapter 18, article 2 to  
19 determine whether the monies are being spent as provided in section  
20 28-6533, subsection B.

21 8. Perform special audits designated pursuant to law if the auditor  
22 general determines that there are adequate monies appropriated for the  
23 auditor general to complete the audit. If the auditor general determines  
24 the appropriated monies are inadequate, the auditor general shall notify  
25 the committee. ~~BASED ON INFORMATION PROVIDED BY THE AUDITOR GENERAL, FOR~~  
26 ~~ANY LEGISLATIVE MEASURE THAT REQUIRES THE AUDITOR GENERAL TO PERFORM A~~  
27 ~~SPECIAL AUDIT, THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL NOTIFY~~  
28 ~~ALL THE MEMBERS OF THE LEGISLATURE AS SOON AS PRACTICABLE OF THE COST TO~~  
29 ~~CONDUCT THE SPECIAL AUDIT.~~

30 9. Establish a schoolwide audit team in the office of the auditor  
31 general to conduct performance audits and monitor school districts to  
32 determine the percentage of every dollar spent in the classroom by the  
33 school district. Each school district shall prominently post on its  
34 website home page a copy of its profile pages that displays the percentage  
35 of every dollar spent in the classroom by that school district from the  
36 most recent status report issued by the auditor general pursuant to this  
37 paragraph. ~~The performance audits shall determine whether school~~  
38 ~~districts that receive monies from the Arizona English language learner~~  
39 ~~fund established by section 15-756.04 and the statewide compensatory~~  
40 ~~instruction fund established by section 15-756.11 comply with title 15,~~  
41 ~~chapter 7, article 3.1.~~ The auditor general shall determine, through  
42 random selection, the school districts to be audited each year, subject to  
43 review by the joint legislative audit committee. A school district that  
44 is subject to an audit pursuant to this paragraph shall notify the auditor  
45 general in writing whether the school district agrees or disagrees with

1 the findings ~~and recommendations~~ of the audit and whether the school  
2 district will implement the ~~findings and~~ recommendations, implement  
3 modifications to the ~~findings and~~ recommendations or refuse to implement  
4 the ~~findings and~~ recommendations. The school district shall submit to the  
5 auditor general a written status report on the implementation of the audit  
6 ~~findings and recommendations every six months for two years after~~ AT THE  
7 REQUEST OF THE AUDITOR GENERAL, WITHIN THE TWO-YEAR PERIOD FOLLOWING THE  
8 ISSUANCE OF an audit conducted pursuant to this paragraph. The auditor  
9 general shall review the school district's progress toward implementing  
10 the ~~findings and~~ recommendations of the audit ~~every six months after~~  
11 ~~receipt of the district's status report for two years~~ AND PROVIDE STATUS  
12 REPORTS OF THE REVIEWS TO THE JOINT LEGISLATIVE AUDIT COMMITTEE DURING  
13 THIS TWO-YEAR PERIOD. The auditor general may review a school district's  
14 progress beyond this two-year period for recommendations that have not yet  
15 been implemented by the school district. ~~The auditor general shall~~  
16 ~~provide a status report of these reviews to the joint legislative audit~~  
17 ~~committee.~~ The school district shall participate in any hearing scheduled  
18 during this review period by the joint legislative audit committee or by  
19 any other legislative committee designated by the joint legislative audit  
20 committee.

21 10. Annually review per diem compensation and reimbursement of  
22 expenses for employees of this state and members of a state board,  
23 commission, council or advisory committee by judgmentally selecting  
24 samples and evaluating the propriety of per diem compensation and expense  
25 reimbursements.

26 B. The auditor general may:

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

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

31 C. If approved by the committee, the auditor general may charge a  
32 reasonable fee for the cost of performing audits or providing accounting  
33 services for auditing federal funds, special audits or special services  
34 requested by political subdivisions of this state. Monies collected  
35 pursuant to this subsection shall be deposited in the audit services  
36 revolving fund.

37 D. The department of transportation, THE COUNTY TREASURER, THE  
38 COUNTY TRANSPORTATION EXCISE TAX RECIPIENTS AND the board of supervisors  
39 of a county that has approved a county transportation excise tax as  
40 provided in section 42-6106 or 42-6107 and the governing bodies of  
41 counties, cities and towns receiving ARIZONA highway user revenue fund  
42 monies shall cooperate with and provide necessary information to the  
43 auditor general or the auditor general's consultant.

1 E. The department of transportation OR THE COUNTY TRANSPORTATION  
2 EXCISE TAX RECIPIENTS shall reimburse the auditor general as follows, and  
3 the auditor general shall deposit the reimbursed monies in the audit  
4 services revolving fund:

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

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

12 Sec. 5. Section 41-1279.04, Arizona Revised Statutes, is amended to  
13 read:

14 41-1279.04. Authority to examine records; violation;  
15 classification

16 A. The auditor general or the auditor general's authorized  
17 representatives, in the performance of official duties, shall have access  
18 to, ~~EMPLOYEES~~ and THE authority to examine, any and all books, accounts,  
19 reports, vouchers, correspondence files and other records, bank accounts,  
20 criminal history record information as defined in section 41-1701 AND IN  
21 ACCORDANCE WITH SECTION 41-1750, ~~money~~ MONIES and other property of any  
22 state agency, board, commission, department, institution, program,  
23 advisory council or committee or political subdivision of this state,  
24 whether created by the constitution or otherwise, or such documents and  
25 property of a contractor relating to a contract with this state pursuant  
26 to ~~the provisions of~~ section 35-214. ~~It is the duty of any officer or~~  
27 ~~employee of~~ Any such agency or political subdivision, having such records  
28 under the officer's or employee's control, ~~to permit~~ SHALL ALLOW access to  
29 and examination of the records on the request of the auditor general or  
30 the auditor general's authorized representative.

31 B. For the purpose of complying with section 41-1279.03, subsection  
32 A, paragraphs 4 and 9, the auditor general or the auditor general's  
33 authorized representative, in the performance of official duties, may  
34 attend executive sessions of the governing body of any state agency or  
35 school district in this state.

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

40 D. FOR THE PURPOSE OF COMPLYING WITH SUBSECTION A OF THIS SECTION,  
41 ALL OFFICERS OF ANY STATE AGENCY, BOARD, COMMISSION, DEPARTMENT,  
42 INSTITUTION, PROGRAM, ADVISORY COUNCIL OR COMMITTEE OR POLITICAL  
43 SUBDIVISION OF THIS STATE SHALL PROVIDE REASONABLE SPACE FOR AUDITOR  
44 GENERAL STAFF AND MAKE RECORDS AVAILABLE, IN THE FORM AND AT THE TIME  
45 PRESCRIBED.

1           ~~D.~~ E. Any officer or person who knowingly fails or refuses to  
2 ~~permit such~~ ALLOW access and examination PURSUANT TO THIS SECTION OR  
3 KNOWINGLY OBSTRUCTS OR MISLEADS THE AUDITOR GENERAL IN THE EXECUTION OF  
4 THE AUDITOR GENERAL'S DUTIES is guilty of a class 2 misdemeanor.

5           F. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL  
6 OFFENDERS UNDER THIS SECTION.

7           Sec. 6. Section 41-1279.06, Arizona Revised Statutes, is amended to  
8 read:

9           41-1279.06. Audit services revolving fund; use; exemption  
10 from lapsing

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

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

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

20           3. COUNTIES WHERE THE AUDITOR GENERAL CONDUCTS A PERFORMANCE AUDIT  
21 OF THE TRANSPORTATION EXCISE TAX AS PRESCRIBED BY SECTION 41-1279.03.

22           4. ANY OTHER SOURCE AUTHORIZED BY LAW.

23           B. The auditor general shall use the fund monies for the purpose of  
24 conducting audits required under federal law, special audits or financial  
25 statement audits or accounting services requested by state budget units  
26 and counties, community college districts and school districts or to pay  
27 for certified public accountants to conduct such audits or provide such  
28 services.

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

31           Sec. 7. Section 41-1279.07, Arizona Revised Statutes, is amended to  
32 read:

33           41-1279.07. Uniform expenditure reporting system; reports by  
34 counties, community college districts, cities  
35 and towns; certification and attestation;  
36 assistance by auditor general; attorney general  
37 investigation; violation; classification

38           A. The auditor general shall prescribe a uniform expenditure  
39 reporting system for all political subdivisions subject to the  
40 constitutional expenditure limitations prescribed by article IX, sections  
41 20 and 21, Constitution of Arizona. The system shall include:

42           1. For counties:

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

- 1 (i) The expenditure limitation established for the reporting fiscal  
2 year by the economic estimates commission.
- 3 (ii) Total expenditures, by fund, for the reporting fiscal year.
- 4 (iii) Total exclusions from local revenues, as defined by article  
5 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal  
6 year.
- 7 (iv) Total amounts, by fund, of expenditures subject to the  
8 expenditure limitation for the reporting fiscal year.
- 9 (b) Annual financial statements prepared in accordance with  
10 generally accepted accounting principles.
- 11 (c) A reconciliation of the total expenditures reported within the  
12 financial statements to the total expenditures stated within the  
13 expenditure limitation report.
- 14 2. For community college districts:
- 15 (a) An annual budgeted expenditure limitation report that includes  
16 at least the following information:
- 17 (i) The expenditure limitation established for the reporting fiscal  
18 year by the economic estimates commission.
- 19 (ii) Total budgeted expenditures, ~~by fund,~~ for the reporting fiscal  
20 year.
- 21 (iii) Total exclusions from local revenues, as defined by article  
22 IX, section 21, Constitution of Arizona, ~~by fund,~~ for the reporting fiscal  
23 year.
- 24 (iv) Total amounts, ~~by fund,~~ of budgeted expenditures subject to  
25 the expenditure limitation for the reporting fiscal year.
- 26 (b) Annual financial statements prepared in accordance with  
27 generally accepted accounting principles.
- 28 (c) A reconciliation of the total expenditures reported within the  
29 financial statements to the total expenditures reported within the  
30 expenditure limitation report.
- 31 3. For cities and towns:
- 32 (a) An annual expenditure limitation report that includes at least  
33 the following information:
- 34 (i) The expenditure limitation established for the reporting fiscal  
35 year by the economic estimates commission and, if applicable, the voter  
36 approved alternative expenditure limitation.
- 37 (ii) Total expenditures, by fund, for the reporting fiscal year.
- 38 (iii) Total exclusions from local revenues, as defined by article  
39 IX, section 20, Constitution of Arizona, by fund, for the reporting fiscal  
40 year or, if applicable, the total exclusions from the voter approved  
41 alternative expenditure limitation.
- 42 (iv) Total amounts, by fund, of expenditures subject to the  
43 expenditure limitation for the reporting fiscal year.
- 44 (b) Financial statements prepared in accordance with generally  
45 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 B. The auditor general shall provide detailed instructions for  
5 completion and submission of the reports described in subsection A of this  
6 section. The auditor general shall prescribe definitions for terms used  
7 in and the form of the reports described in subsection A of this section.  
8 The reports described in subsection A of this section are required of  
9 counties and community college districts beginning with fiscal year  
10 1981-1982. The reports described in subsection A of this section are  
11 required of cities and towns beginning with the fiscal year the political  
12 subdivision is subject to the expenditure limitation. The annual  
13 reporting requirements also apply to political subdivisions subject to an  
14 alternative expenditure limitation enacted pursuant to article IX, section  
15 20, subsection (9), Constitution of Arizona.

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

19 D. The auditor general or a certified public accountant performing  
20 the annual audit required pursuant to sections 41-1279.21 and 9-481 shall  
21 attest to the expenditure limitation reports and financial statements for  
22 counties, community college districts and cities. The certified public  
23 accountant performing the annual or biennial audit required pursuant to  
24 section 9-481 shall attest to the expenditure limitation reports and  
25 financial statements for towns.

26 E. The governing body of each political subdivision shall provide  
27 to the auditor general by July 31 each year the name of the chief fiscal  
28 officer designated by the governing body of the political subdivision to  
29 officially submit the current fiscal year's expenditure limitation report  
30 on behalf of the governing body. The governing body of the political  
31 subdivision shall notify the auditor general of any changes of individuals  
32 designated to file the required reports. The designated chief fiscal  
33 officer shall certify to the accuracy of the annual expenditure limitation  
34 report.

35 F. The auditor general shall prescribe forms for the uniform  
36 reporting system and may provide assistance to individuals, certified  
37 public accountants or public accountants responsible for attesting to the  
38 expenditure limitation reports and financial statements.

39 G. Each political subdivision, subject to the expenditure  
40 limitations prescribed by article IX, sections 20 and 21, Constitution of  
41 Arizona, shall comply with the uniform expenditure reporting system,  
42 instructions and forms prescribed by the auditor general. The auditor  
43 general may notify the committee and the attorney general if any political  
44 subdivision does not comply with the uniform expenditure reporting system,  
45 instructions or forms prescribed by the auditor general. The attorney

1 general may file a petition for special action in any court of competent  
2 jurisdiction to compel any political subdivision to comply with this  
3 section. The attorney general may apply for injunctive relief in any  
4 court of competent jurisdiction to enjoin any political subdivision from  
5 violating this section. Injunctive and special action proceedings are in  
6 addition to all other penalties and other remedies prescribed by law.

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

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

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

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

6           3. If the excess expenditures are equal to or greater than ten  
7 percent of the limitation, an amount equal to five times the excess  
8 expenditures or one-third of the allocation of the revenues described in  
9 subsection H of this section, whichever is less.

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

17          Sec. 8. Heading change

18          The article heading of title 41, chapter 7, article 10.2, Arizona  
19 Revised Statutes, is changed from "POST AUDIT OF COUNTIES, COMMUNITY  
20 COLLEGE DISTRICTS AND SCHOOL DISTRICTS" to "POSTAUDIT OF COUNTIES,  
21 COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS".

22          Sec. 9. Section 41-1279.21, Arizona Revised Statutes, is amended to  
23 read:

24          41-1279.21. Powers and duties of auditor general relating to  
25 counties, school districts and community  
26 colleges

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

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

43          2. Perform procedural reviews for school districts that are not  
44 required to comply with the ~~FEDERAL~~ single audit ~~act of 1984 (P.L. 98-502)~~  
45 ~~REQUIREMENTS~~ at times determined by the auditor general. These reviews

1 may include evaluation of administrative and accounting internal controls  
2 and reports on such reviews.

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

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

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

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

27 7. Report to the committee and to the attorney general the refusal  
28 or neglect of any county, community college district or school district  
29 officer to conform to rules and regulations of the auditor general's  
30 office.

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

34 B. The auditor general may adopt rules providing for disapproving  
35 contracts, and suspending or debaring any contractor providing financial  
36 and compliance auditing services to a school district based ~~upon~~ **ON**  
37 applicable standards similar to those adopted by this state under section  
38 41-2613.

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

42 Sec. 10. Repeal

43 Section ~~41-1279.22~~, Arizona Revised Statutes, is repealed.

1           Sec. 11. Section 41-2954, Arizona Revised Statutes, is amended to  
2 read:

3           41-2954. Committees of reference; performance review reports;  
4                           hearings; recommendations; subpoena powers;  
5                           definitions

6           A. Each standing committee of both legislative houses shall  
7 constitute a committee of reference in the committee's respective subject  
8 matter areas and the committee's respective house.

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

17           C. Each committee of reference shall hold public hearings for the  
18 following purposes:

19           1. To determine the actual need of the agency to regulate or direct  
20 the particular activity.

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

23           3. To receive testimony from the public as to the relationship of  
24 the agency with the public.

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

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

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

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

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

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

43           5. The extent to which the agency has ~~encouraged input from the~~  
44 ~~public before adopting its rules and the extent to which it has informed~~  
45 ~~the public as to its actions and the expected impact on the public~~

1 PROVIDED APPROPRIATE PUBLIC ACCESS TO RECORDS, MEETINGS AND RULEMAKINGS,  
2 INCLUDING SOLICITING PUBLIC INPUT IN MAKING RULES AND DECISIONS.

3 6. The extent to which the agency ~~has been able to investigate and~~  
4 ~~resolve~~ TIMELY INVESTIGATED AND RESOLVED complaints that are within its  
5 jurisdiction ~~and the ability of the agency to timely investigate and~~  
6 ~~resolve complaints within its jurisdiction.~~

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

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

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

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

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

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

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

33 E. Each committee of reference that reviews an agency that  
34 administers an occupational regulation ~~as defined in section 41-3501~~ shall  
35 consider but not be limited to the following factors in determining the  
36 need for continuation or termination of each agency:

37 1. The extent to which the occupational regulation meets the  
38 requirements of section 41-3502.

39 2. The extent to which failure to regulate a profession or  
40 occupation will result in:

41 (a) The loss of insurance.

42 (b) An impact to the ability to practice in other states or as  
43 required by federal law.

44 (c) An impact to the required licensure or registration with the  
45 federal government.

1 (d) The loss of constitutionally afforded practices.

2 F. The committee of reference shall deliver the final sunset review  
3 report of its recommendations to the president of the senate, the speaker  
4 of the house of representatives, the governor, the auditor general and the  
5 affected agency on or before the third Friday in January. The  
6 recommendations shall include one or more of the following:

7 1. That the state agency be continued.

8 2. That the state agency be revised or consolidated.

9 3. That the state agency be terminated pursuant to this chapter.

10 4. If the state agency administers an occupational regulation ~~as~~  
11 ~~defined in section 41-3501~~, that the legislature:

12 (a) Repeal the occupational or professional license.

13 (b) Convert the occupational or professional license to a less  
14 restrictive regulation as defined in section 41-3501.

15 (c) Instruct the state agency to seek legislation or adopt rules to  
16 reflect the committee of reference's recommendation to:

17 (i) Impose less restrictive regulations than occupational or  
18 professional licenses, ~~as defined in section 41-3501~~.

19 (ii) Change the requisite personal qualifications of an  
20 occupational or professional license.

21 (iii) Redefine the scope of practice in an occupational or  
22 professional license.

23 G. The final sunset review report by each committee of reference  
24 shall also include a written statement prepared by the agency involved  
25 that contains AN ASSESSMENT OF:

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

28 ~~2. A statement, to the extent practicable, in quantitative and~~  
29 ~~qualitative terms, of the objectives of such agency and its anticipated~~  
30 ~~accomplishments.~~

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

34 1. THE EXTENT TO WHICH THE AGENCY POTENTIALLY CREATES UNEXPECTED  
35 NEGATIVE CONSEQUENCES THAT MAY REQUIRE ADDITIONAL REVIEW BY THE COMMITTEE  
36 OF REFERENCE, INCLUDING INCREASING THE PRICE OF GOODS, AFFECTING THE  
37 AVAILABILITY OF SERVICES, LIMITING THE ABILITIES OF INDIVIDUALS AND  
38 BUSINESSES TO OPERATE EFFICIENTLY AND INCREASING THE COST OF GOVERNMENT.

39 2. THE EXTENT TO WHICH THE AGENCY HAS ADDRESSED DEFICIENCIES IN ITS  
40 ENABLING STATUTES.

41 3. THE EXTENT TO WHICH THE AGENCY HAS DETERMINED WHETHER THE  
42 ATTORNEY GENERAL OR ANY OTHER AGENCY IN THIS STATE HAS THE AUTHORITY TO  
43 PROSECUTE OR INITIATE ACTIONS.

44 4. ~~An assessment of~~ The consequences of eliminating the agency or  
45 of consolidating it with another agency.

1           H. Each committee of reference shall oversee the preparation of any  
2 proposed legislation to implement the recommendations of that committee of  
3 reference and is responsible for the introduction of such legislation.

4           I. If an agency is continued, it is not necessary to reappoint any  
5 member of the governing board or commission of the agency. Such members  
6 are eligible to complete their original terms without reappointment or  
7 reconfirmation.

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

10           K. FOR THE PURPOSES OF THIS SECTION, "LESS RESTRICTIVE REGULATION",  
11 "OCCUPATIONAL OR PROFESSIONAL LICENSE" AND "PERSONAL QUALIFICATIONS" HAVE  
12 THE SAME MEANINGS PRESCRIBED IN SECTION 41-3501.