

Senate Engrossed

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

18 ~~E. The department of transportation shall reimburse the auditor~~
19 ~~general as follows, and the auditor general shall deposit the reimbursed~~
20 ~~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. 5. 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 ~~THE~~ 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 **AND IN**
37 **ACCORDANCE WITH SECTION 41-1750, money MONIES** and other property of any
38 state agency, board, commission, department, institution, program,
39 advisory council or committee or political subdivision of this state,
40 whether created by the constitution or otherwise, or such documents and
41 property of a contractor relating to a contract with this state pursuant
42 to ~~the provisions of~~ section 35-214. ~~It is the duty of any officer or~~
43 ~~employee of~~ Any such agency or political subdivision, having such records
44 under the officer's or employee's control, ~~to permit~~ **SHALL ALLOW** access

1 to and examination of the records on the request of the auditor general or
2 the auditor general's authorized representative.

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

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

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

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

22 F. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL
23 OFFENDERS UNDER THIS SECTION.

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

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

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

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

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

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

39 4. ANY OTHER SOURCE AUTHORIZED BY LAW.

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. 7. 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; attorney general
9 investigation; violation; 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 used
25 in and the form of the reports described in subsection A of this section.
26 The reports described in subsection A of this section are required of
27 counties and community college districts beginning with fiscal year
28 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.

44 E. The governing body of each political subdivision shall provide
45 to the auditor general by July 31 each year the name of the chief fiscal

1 officer designated by the governing body of the political subdivision to
2 officially submit the current fiscal year's expenditure limitation report
3 on behalf of the governing body. The governing body of the political
4 subdivision shall notify the auditor general of any changes of individuals
5 designated to file the required reports. The designated chief fiscal
6 officer shall certify to the accuracy of the annual expenditure limitation
7 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. Each political subdivision, subject to the expenditure
13 limitations prescribed by article IX, sections 20 and 21, Constitution of
14 Arizona, shall comply with the uniform expenditure reporting system,
15 instructions and forms prescribed by the auditor general. The auditor
16 general may notify the committee and the attorney general if any political
17 subdivision does not comply with the uniform expenditure reporting system,
18 instructions or forms prescribed by the auditor general. The attorney
19 general may file a petition for special action in any court of competent
20 jurisdiction to compel any political subdivision to comply with this
21 section. The attorney general may apply for injunctive relief in any
22 court of competent jurisdiction to enjoin any political subdivision from
23 violating this section. Injunctive and special action proceedings are in
24 addition to all other penalties and other remedies prescribed by law.

25 H. A chief fiscal officer, designated pursuant to subsection E of
26 this section, who subsequent to July 1, 1983 refuses to file the reports
27 required by this section within the prescribed time periods or who
28 intentionally files erroneous reports is guilty of a class 1 misdemeanor.
29 A city or town exceeding the expenditure limitation prescribed or
30 authorized pursuant to article IX, section 20, Constitution of Arizona,
31 for any fiscal year, without authorization pursuant to such section, shall
32 have the amount specified in subsection I of this section of its
33 allocations of the state income tax, distributed pursuant to section
34 43-206, withheld and redistributed to other cities and towns in the same
35 manner as determined pursuant to that section, except that the population
36 of the city or town exceeding the expenditure limitation shall not be
37 included in the computation, and the city or town exceeding the
38 expenditure limitation shall not be entitled to share in the
39 redistribution. A community college district exceeding the expenditure
40 limitation prescribed pursuant to article IX, section 21, Constitution of
41 Arizona, for any fiscal year, without authorization pursuant to such
42 section or section 15-1471, shall have the amount specified in subsection
43 I of this section of its allocations of state aid, distributed pursuant to
44 section 15-1466, withheld.

1 I. The auditor general shall hold a hearing to determine if any
2 political subdivision has exceeded the expenditure limitations prescribed
3 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a
4 county has exceeded the expenditure limitations prescribed pursuant to
5 article IX, section 20, Constitution of Arizona, without authorization
6 pursuant to that section, the auditor general shall notify the board of
7 supervisors of the county to reduce the allowable levy of primary property
8 taxes of the county pursuant to section 42-17051, subsection C. If any
9 political subdivision other than a county has exceeded the expenditure
10 limitations prescribed pursuant to article IX, sections 20 and 21,
11 Constitution of Arizona, without authorization, the auditor general shall
12 notify the state treasurer to withhold a portion of the political
13 subdivision's allocations of the revenues described in subsection H of
14 this section for the fiscal year subsequent to the auditor general's
15 hearing as follows:

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

18 2. If the excess expenditures are equal to or greater than five
19 percent but less than ten percent of the limitation, or are less than five
20 percent of the limitation but it is at least the second consecutive
21 instance of excess expenditures, an amount equal to triple the excess
22 expenditures.

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

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

34 Sec. 8. Heading change

35 The article heading of title 41, chapter 7, article 10.2, Arizona
36 Revised Statutes, is changed from "POST AUDIT OF COUNTIES, COMMUNITY
37 COLLEGE DISTRICTS AND SCHOOL DISTRICTS" to "POSTAUDIT OF COUNTIES,
38 COMMUNITY COLLEGE DISTRICTS AND SCHOOL DISTRICTS".

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

41 41-1279.21. Powers and duties of auditor general relating to
42 counties, school districts and community
43 colleges

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

1 1. Conduct or cause to be conducted annual financial ~~and compliance~~
2 **STATEMENT** audits of financial transactions and accounts kept by or for all
3 counties. **FOR A COUNTY THAT IS REQUIRED TO COMPLY WITH THE FEDERAL SINGLE**
4 **AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE COMPLIANCE AUDITS OF FINANCIAL**
5 **TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT BY OR FOR THE COUNTY. THE AUDITS**
6 **SHALL BE CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL**
7 **AUDITING STANDARDS AND, ACCORDINGLY, SHALL INCLUDE TESTS OF THE ACCOUNTING**
8 **RECORDS AND OTHER AUDITING PROCEDURES AS MAY BE CONSIDERED NECESSARY UNDER**
9 **THE CIRCUMSTANCES.** Each county shall provide financial information for
10 inclusion in the annual audit that verifies that **ARIZONA** highway user
11 revenue fund monies received by the county pursuant to title 28, chapter
12 18, article 2 and any other dedicated state transportation revenues
13 received by the county are being used solely for the authorized
14 transportation purposes.

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

20 3. Conduct or cause to be conducted annual **FINANCIAL STATEMENT**
21 audits of financial transactions and accounts kept by or for community
22 college districts. **FOR A COMMUNITY COLLEGE DISTRICT THAT IS REQUIRED TO**
23 **COMPLY WITH THE FEDERAL SINGLE AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE**
24 **COMPLIANCE AUDITS OF FINANCIAL TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT**
25 **BY OR FOR THE COMMUNITY COLLEGE DISTRICT. THE AUDITS SHALL BE CONDUCTED**
26 **IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS AND,**
27 **ACCORDINGLY, SHALL INCLUDE TESTS OF THE ACCOUNTING RECORDS AND OTHER**
28 **AUDITING PROCEDURES AS MAY BE CONSIDERED NECESSARY UNDER THE**
29 **CIRCUMSTANCES.**

30 4. Approve contracts for financial and compliance auditing services
31 except if specific statutory authority is otherwise provided. The auditor
32 general shall ensure that such contract audits are conducted in accordance
33 with generally accepted governmental auditing standards and shall
34 determine if such audits meet minimum audit standards prescribed by the
35 auditor general. An audit shall not be accepted as meeting the
36 requirements of this paragraph until it has been approved by the auditor
37 general.

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

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

1 7. Report to the committee and to the attorney general the refusal
2 or neglect of any county, community college district or school district
3 officer to conform to rules and regulations of the auditor general's
4 office.

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

8 B. The auditor general may adopt rules providing for disapproving
9 contracts, and suspending or debarring any contractor providing financial
10 and compliance auditing services to a school district based ~~upon~~ **ON**
11 applicable standards similar to those adopted by this state under section
12 41-2613.

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

16 Sec. 10. Repeal

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

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

20 41-2954. Committees of reference; performance review reports;
21 hearings; recommendations; subpoena powers;
22 definitions

23 A. Each standing committee of both legislative houses shall
24 constitute a committee of reference in the committee's respective subject
25 matter areas and the committee's respective house.

26 B. After receipt of the preliminary sunset review report, each
27 committee of reference or each committee of reference meeting jointly
28 shall hold at least one public hearing when the legislature is not in
29 session or before the third Friday in January to receive testimony from
30 the public and from the officials of the agency involved. The agency
31 involved shall prepare a presentation for the first public meeting that
32 addresses the elements of the written statement required by subsection G
33 of this section.

34 C. Each committee of reference shall hold public hearings for the
35 following purposes:

36 1. To determine the actual need of the agency to regulate or direct
37 the particular activity.

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

40 3. To receive testimony from the public as to the relationship of
41 the agency with the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (a) The loss of insurance.

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

20 (c) An impact to the required licensure or registration with the
21 federal government.

22 (d) The loss of constitutionally afforded practices.

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

28 1. That the state agency be continued.

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

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

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

33 (a) Repeal the occupational or professional license.

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

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

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

40 (ii) Change the requisite personal qualifications of an
41 occupational or professional license.

42 (iii) Redefine the scope of practice in an occupational or
43 professional license.

1 G. 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 3. THE EXTENT TO WHICH THE AGENCY HAS DETERMINED WHETHER THE
20 ATTORNEY GENERAL OR ANY OTHER AGENCY IN THIS STATE HAS THE AUTHORITY TO
21 PROSECUTE OR INITIATE ACTIONS.

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

24 H. Each committee of reference shall oversee the preparation of any
25 proposed legislation to implement the recommendations of that committee of
26 reference and is responsible for the introduction of such legislation.

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

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

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