

REFERENCE TITLE: **counties; annual audits**

State of Arizona
House of Representatives
Fifty-second Legislature
Second Regular Session
2016

HB 2525

Introduced by
Representative Thorpe

AN ACT

AMENDING TITLE 11, CHAPTER 4, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 11-666; AMENDING SECTIONS 41-1279.07 AND 41-1279.21, ARIZONA REVISED STATUTES; RELATING TO COUNTY AUDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 11, chapter 4, article 3, Arizona Revised Statutes,
3 is amended by adding section 11-666, to read:

4 11-666. Audits of counties

5 A. THE BOARD OF SUPERVISORS OF EACH COUNTY MAY CAUSE AN AUDIT TO BE
6 MADE BY A CERTIFIED PUBLIC ACCOUNTANT OR PUBLIC ACCOUNTANT WHO IS CURRENTLY
7 LICENSED BY THE ARIZONA STATE BOARD OF ACCOUNTANCY AND WHO IS NOT AN EMPLOYEE
8 OF THE COUNTY. AUDITS SHALL BE MADE FOR EACH FISCAL YEAR FOR ALL COUNTIES.

9 B. THE AUDIT AND THE AUDIT REPORT SHALL INCLUDE ALL OF THE ACCOUNTS
10 AND FUNDS OF THE COUNTY, INCLUDING OPERATING, SPECIAL, UTILITY, DEBT, TRUST
11 AND PENSION, AND ALL OTHER MONIES OR PROPERTY FOR WHICH THE COUNTY, OR ANY
12 DEPARTMENT OR OFFICER OF THE COUNTY, IS RESPONSIBLE EITHER DIRECTLY OR
13 INDIRECTLY. THE AUDITS SHALL BE MADE IN ACCORDANCE WITH GENERALLY ACCEPTED
14 AUDITING STANDARDS. THE CONSEQUENT AUDIT REPORT SHALL CONTAIN FINANCIAL
15 STATEMENTS THAT ARE IN CONFORMITY WITH GENERALLY ACCEPTED GOVERNMENT
16 ACCOUNTING PRINCIPLES AND SET FORTH THE FINANCIAL POSITION AND RESULTS OF THE
17 OPERATIONS FOR EACH FUND AND ACCOUNT OF THE COUNTY. THE AUDIT REPORT SHALL
18 ALSO INCLUDE THE FOLLOWING:

19 1. THE PROFESSIONAL OPINION OF THE ACCOUNTANT OR ACCOUNTANTS WITH
20 RESPECT TO THE FINANCIAL STATEMENTS OR, IF AN OPINION CANNOT BE EXPRESSED, A
21 DECLARATION OF THE REASONS AN OPINION CANNOT BE EXPRESSED.

22 2. A DETERMINATION AS TO WHETHER ARIZONA HIGHWAY USER REVENUE FUND
23 MONIES RECEIVED BY THE COUNTY PURSUANT TO TITLE 28, CHAPTER 18, ARTICLE 2 AND
24 ANY OTHER DEDICATED STATE TRANSPORTATION REVENUES RECEIVED BY THE COUNTY ARE
25 BEING USED SOLELY FOR THE AUTHORIZED TRANSPORTATION PURPOSES.

26 C. THE AUDIT SHALL BEGIN AS SOON AS POSSIBLE AFTER THE CLOSE OF THE
27 FISCAL YEAR, ALTHOUGH INTERIM AUDITING MAY BE PERFORMED DURING THE YEAR OR
28 YEARS UNDER AUDIT.

29 D. AT LEAST FOUR COPIES OF THE AUDIT REPORT SHALL BE SIGNED BY THE
30 AUDITOR AND FILED WITH THE COUNTY. THE COUNTY SHALL IMMEDIATELY DO THE
31 FOLLOWING:

32 1. MAKE ONE COPY OF THE REPORT A PUBLIC RECORD THAT IS OPEN TO THE
33 PUBLIC FOR INSPECTION.

34 2. FILE ONE COPY OF THE REPORT WITH THE AUDITOR GENERAL PURSUANT TO
35 SECTION 41-1279.07.

36 3. SUBMIT ONE COPY OF THE REPORT TO THE SECRETARY OF STATE.

37 E. THE EXPENSE OF THE AUDIT SHALL BE PAID BY THE COUNTY FOR WHICH THE
38 AUDIT IS MADE.

39 Sec. 2. Section 41-1279.07, Arizona Revised Statutes, is amended to
40 read:

41 41-1279.07. Uniform expenditure reporting system; reports by
42 counties, community college districts, cities and
43 towns; certification and attestation; assistance
44 by auditor general; violation; classification

45 A. The auditor general shall prescribe a uniform expenditure reporting
46 system for all political subdivisions subject to the constitutional

1 expenditure limitations prescribed by article IX, sections 20 and 21,
2 Constitution of Arizona. The system shall include:
3 1. For counties:
4 (a) An annual expenditure limitation report that includes at least the
5 following information:
6 (i) The expenditure limitation established for the reporting fiscal
7 year by the economic estimates commission.
8 (ii) Total expenditures, by fund, for the reporting fiscal year.
9 (iii) Total exclusions from local revenues, as defined by article IX,
10 section 20, Constitution of Arizona, by fund, for the reporting fiscal year.
11 (iv) Total amounts, by fund, of expenditures subject to the
12 expenditure limitation for the reporting fiscal year.
13 (b) Annual financial statements prepared in accordance with generally
14 accepted accounting principles.
15 (c) A reconciliation of the total expenditures reported within the
16 financial statements to the total expenditures stated within the expenditure
17 limitation report.
18 2. For community college districts:
19 (a) An annual budgeted expenditure limitation report that includes at
20 least the following information:
21 (i) The expenditure limitation established for the reporting fiscal
22 year by the economic estimates commission.
23 (ii) Total budgeted expenditures, by fund, for the reporting fiscal
24 year.
25 (iii) Total exclusions from local revenues, as defined by article IX,
26 section 21, Constitution of Arizona, by fund, for the reporting fiscal year.
27 (iv) Total amounts, by fund, of budgeted expenditures subject to the
28 expenditure limitation for the reporting fiscal year.
29 (b) Annual financial statements prepared in accordance with generally
30 accepted accounting principles.
31 (c) A reconciliation of the total expenditures reported within the
32 financial statements to the total expenditures reported within the
33 expenditure limitation report.
34 3. For cities and towns:
35 (a) An annual expenditure limitation report that includes at least the
36 following information:
37 (i) The expenditure limitation established for the reporting fiscal
38 year by the economic estimates commission and, if applicable, the voter
39 approved alternative expenditure limitation.
40 (ii) Total expenditures, by fund, for the reporting fiscal year.
41 (iii) Total exclusions from local revenues, as defined by article IX,
42 section 20, Constitution of Arizona, by fund, for the reporting fiscal year
43 or, if applicable, the total exclusions from the voter approved alternative
44 expenditure limitation.

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

3 (b) Financial statements prepared in accordance with generally
4 accepted accounting principles.

5 (c) A reconciliation of the total expenditures reported within the
6 financial statements to the total expenditures reported within the
7 expenditure limitation report.

8 B. The auditor general shall provide detailed instructions for
9 completion and submission of the reports described in subsection A of this
10 section. The auditor general shall prescribe definitions for terms utilized
11 in and the form of the reports described in subsection A of this section. The
12 reports described in subsection A of this section are required of counties
13 and community college districts beginning with fiscal year 1981-1982. The
14 reports described in subsection A of this section are required of cities and
15 towns beginning with the fiscal year the political subdivision is subject to
16 the expenditure limitation. The annual reporting requirements also apply to
17 political subdivisions subject to an alternative expenditure limitation
18 enacted pursuant to article IX, section 20, subsection (9), Constitution of
19 Arizona.

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

23 D. The auditor general or a certified public accountant or public
24 accountant performing the annual audit required pursuant to ~~sections~~
25 ~~41-1279.21~~ and SECTION 9-481, 11-666 OR 41-1279.21 shall attest to the
26 expenditure limitation reports and financial statements for counties,
27 community college districts and cities. The certified public accountant or
28 public accountant performing the annual or biennial audit required pursuant
29 to section 9-481 shall attest to the expenditure limitation reports and
30 financial statements for towns.

31 E. Each political subdivision shall provide to the auditor general by
32 July 31 each year the name of the chief fiscal officer designated by the
33 governing board of the political subdivision to submit the current fiscal
34 year's expenditure limitation report. The political subdivision shall notify
35 the auditor general of any changes of individuals designated to file the
36 required reports. The designated chief fiscal officer shall certify to the
37 accuracy of the annual expenditure limitation report.

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

42 G. A chief fiscal officer, designated pursuant to subsection E of this
43 section, who subsequent to July 1, 1983 refuses to file the reports required
44 by this section within the prescribed time periods or who intentionally files
45 erroneous reports is guilty of a class 1 misdemeanor. A city or town
46 exceeding the expenditure limitation prescribed or authorized pursuant to

1 article IX, section 20, Constitution of Arizona, for any fiscal year, without
2 authorization pursuant to such section, shall have the amount specified in
3 subsection H of this section of its allocations of the state income tax,
4 distributed pursuant to section 43-206, withheld and redistributed to other
5 cities and towns in the same manner as determined pursuant to that section,
6 except that the population of the city or town exceeding the expenditure
7 limitation shall not be included in the computation, and the city or town
8 exceeding the expenditure limitation shall not be entitled to share in the
9 redistribution. A community college district exceeding the expenditure
10 limitation prescribed pursuant to article IX, section 21, Constitution of
11 Arizona, for any fiscal year, without authorization pursuant to such section
12 or section 15-1471, shall have the amount specified in subsection H of this
13 section of its allocations of state aid, distributed pursuant to section
14 15-1466, withheld.

15 H. The auditor general shall hold a hearing to determine if any
16 political subdivision has exceeded the expenditure limitations prescribed
17 pursuant to article IX, sections 20 and 21, Constitution of Arizona. If a
18 county has exceeded the expenditure limitations prescribed pursuant to
19 article IX, section 20, Constitution of Arizona, without authorization
20 pursuant to that section, the auditor general shall notify the board of
21 supervisors of the county to reduce the allowable levy of primary property
22 taxes of the county pursuant to section 42-17051, subsection C. If any
23 political subdivision other than a county has exceeded the expenditure
24 limitations prescribed pursuant to article IX, sections 20 and 21,
25 Constitution of Arizona, without authorization, the auditor general shall
26 notify the state treasurer to withhold a portion of the political
27 subdivision's allocations of the revenues described in subsection G of this
28 section for the fiscal year subsequent to the auditor general's hearing as
29 follows:

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

32 2. If the excess expenditures are equal to or greater than five
33 percent but less than ten percent of the limitation, or are less than five
34 percent of the limitation but it is at least the second consecutive instance
35 of excess expenditures, an amount equal to triple the excess expenditures.

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

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

1 Sec. 3. Heading change

2 The article heading of title 41, chapter 7, article 10.2, Arizona
3 Revised Statutes, is changed from "POST AUDIT OF COUNTIES, COMMUNITY COLLEGE
4 DISTRICTS AND SCHOOL DISTRICTS" to "POSTAUDIT OF COUNTIES, COMMUNITY COLLEGE
5 DISTRICTS AND SCHOOL DISTRICTS".

6 Sec. 4. Section 41-1279.21, Arizona Revised Statutes, is amended to
7 read:

8 41-1279.21. Powers and duties of auditor general relating to
9 counties, school districts and community colleges

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

12 1. IN CONCURRENCE WITH A COUNTY THAT DOES NOT CAUSE AN AUDIT TO BE
13 CONDUCTED PURSUANT TO SECTION 11-666, conduct or cause to be conducted annual
14 financial and compliance audits of financial transactions and accounts kept
15 by or for ~~all counties~~ THAT COUNTY. ~~Each~~ THE county shall provide financial
16 information for inclusion in the annual audit that verifies that highway user
17 revenue fund monies received by the county pursuant to title 28, chapter 18,
18 article 2 and any other dedicated state transportation revenues received by
19 the county are being used solely for the authorized transportation purposes.

20 2. Perform procedural reviews for school districts that are not
21 required to comply with the single audit act of 1984 (P.L. 98-502) at times
22 determined by the auditor general. These reviews may include evaluation of
23 administrative and accounting internal controls and reports on such reviews.

24 3. Conduct or cause to be conducted annual audits of financial
25 transactions and accounts kept by or for community college districts.

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

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

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

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

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

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

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