

State of Arizona
House of Representatives
Fifty-third Legislature
First Regular Session
2017

HB 2128

Introduced by
Representative Allen J

AN ACT

AMENDING SECTIONS 15-393.01, 17-333, 20-183, 23-1102, 23-1104, 28-6356, 28-6392, 28-6533, 41-1278, 41-1279, 41-1279.02, 41-1279.03, 41-1279.04, 41-1279.05, 41-1279.06, 41-1279.07 AND 41-1279.21, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.22, ARIZONA REVISED STATUTES; AMENDING SECTIONS 41-2953, 41-2954 AND 41-2958, 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 15-393.01, Arizona Revised Statutes, is amended
3 to read:

4 15-393.01. Joint technical education districts: annual
5 report; performance and accountability

6 A. The department of education shall include each joint technical
7 education district in the department's annual achievement profiles
8 required by section 15-241. Subject to approval by the state board of
9 education, the department of education shall develop specific criteria
10 applicable to joint districts and include joint districts in the letter
11 grade classification system prescribed in section 15-241. The department
12 shall include all of the following performance indicators in the annual
13 achievement profiles and letter grade classification:

14 1. The graduation rate of all students enrolled in a career and
15 technical education program or course.

16 2. The completion rate for each program offered by the joint
17 district.

18 3. Performance on assessments required pursuant to section 15-391,
19 paragraph 5, subdivision (b).

20 4. Postgraduation employment rates for students who complete a
21 career and technical education program.

22 B. A joint district is subject to the performance audits pursuant
23 to section 41-1279.03, subsection A, paragraph ~~9~~ 8. The auditor general
24 shall consider the differences and applicable laws for a joint district
25 when conducting a performance audit for a joint district.

26 C. On or before December 31 of each year, the career and technical
27 education division of the department of education shall submit a joint
28 technical education district annual report to the governor, the president
29 of the senate and the speaker of the house of representatives and shall
30 submit a copy of this report to the secretary of state. The career and
31 technical education division of the department of education shall submit a
32 copy of this report to the joint legislative budget committee for review.
33 The annual report shall include the following:

34 1. The average daily membership of each joint district, including
35 the average daily membership of each centralized campus, satellite campus
36 and leased centralized campus as defined in section 15-393.

37 2. The actual student count of each joint district, including the
38 student count of each centralized campus, satellite campus and leased
39 centralized campus as defined in section 15-393.

40 3. The programs and corresponding courses offered by each joint
41 district, including the location of each program and course.

42 4. For each joint district based on program or course location:

43 (a) The student enrollment of each program and corresponding
44 course.

1 (b) The percentage of students who enrolled in the second year of
2 each program and corresponding course relative to the number of students
3 in the same cohort who enrolled in the first year of each program and
4 corresponding course.

5 (c) The percentage of students who completed each program relative
6 to the number of students in the same cohort who began the program.

7 5. The costs associated with each program offered by the joint
8 district.

9 6. A listing of any programs or courses that were discontinued by
10 review of the career and technical education division pursuant to section
11 15-393, subsection V.

12 7. A listing of any programs or courses that were continued by
13 review of the career and technical education division pursuant to section
14 15-393, subsection V.

15 8. A listing of any programs or courses that were added by the
16 career and technical education division.

17 9. Any other data or information deemed necessary by the department
18 of education.

19 D. The office of the auditor general, in consultation with the
20 department of education, shall develop and establish uniform cost
21 reporting guidelines, policies and procedures for joint technical
22 education district programs. Any guideline, policy or procedure shall
23 allow for the effective comparison of cost between joint technical
24 education district programs.

25 Sec. 2. Section 17-333, Arizona Revised Statutes, is amended to
26 read:

27 17-333. License classifications; fees; annual report; review

28 A. Through July 1, 2019, the commission shall prescribe by rule
29 license classifications that are valid for the taking or handling of
30 wildlife, fees for licenses, permits, tags and stamps and application
31 fees.

32 B. The commission may temporarily reduce or waive any fee
33 prescribed by rule under this title on the recommendation of the director.

34 C. All monies collected pursuant to this section shall be
35 deposited, pursuant to sections 35-146 and 35-147, in the game and fish
36 fund established by section 17-261.

37 D. On or before December 31 of each year, the commission shall
38 submit an annual report to the president of the senate, the speaker of the
39 house of representatives, the chairperson of the senate natural resources
40 and rural affairs committee and the chairperson of the house of
41 representatives energy, environment and natural resources committee, or
42 their successor committees, that includes information relating to license
43 classifications, fees for licenses, permits, tags and stamps and any other
44 fees that the commission prescribes by rule. On or before July 1, 2019
45 and each fifth year thereafter, the ~~joint legislative audit committee~~

1 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
2 shall assign a committee of reference to hold a public hearing and review
3 the annual report submitted by the commission.

4 Sec. 3. Section 20-183, Arizona Revised Statutes, is amended to
5 read:

6 20-183. Report procedures and deadlines

7 A person or a legislator advocating a legislative proposal pursuant
8 to section 20-181 shall submit a written report explaining the factors
9 prescribed in section 20-182 to the ~~joint legislative audit committee~~
10 ~~established by section 41-1279~~ PRESIDENT OF THE SENATE AND THE SPEAKER OF
11 THE HOUSE OF REPRESENTATIVES. The report must be submitted on or before
12 September 1 before the start of the legislative session for which the
13 legislation is proposed. The ~~joint legislative audit committee~~ PRESIDENT
14 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES shall assign
15 the written report to the appropriate legislative committee of reference
16 established pursuant to section 41-2954. The legislative committee of
17 reference shall hold at least one hearing and take public testimony after
18 receiving the report. The legislative committee of reference shall study
19 the written report and deliver a report of its recommendations to ~~the~~
20 ~~joint legislative audit committee~~; the speaker of the house of
21 representatives, the president of the senate, the governor and the
22 director of the department of insurance on or before December 1 of the
23 year in which the report is submitted.

24 Sec. 4. Section 23-1102, Arizona Revised Statutes, is amended to
25 read:

26 23-1102. Workers' _____ compensation _____ presumptions _____ of
27 _____ compensability; report

28 A person that advocates a legislative proposal shall submit a report
29 to the ~~joint legislative audit committee~~ PRESIDENT OF THE SENATE AND THE
30 SPEAKER OF THE HOUSE OF REPRESENTATIVES as prescribed in this article, if
31 the legislative proposal if enacted would do either of the following:

- 32 1. Mandate that an insurer or self-insured employer deem that a
33 disease or condition has arisen out of employment, including establishing
34 a presumption of compensability.
- 35 2. Substantially modify a statute that establishes a presumption of
36 compensability for a disease or condition.

37 Sec. 5. Section 23-1104, Arizona Revised Statutes, is amended to
38 read:

39 23-1104. Report procedures and deadlines

40 A report must be submitted to the ~~joint legislative audit committee~~
41 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES on
42 or before September 1 before the start of the legislative session for
43 which the legislation is proposed. The ~~joint legislative audit committee~~
44 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
45 shall assign the written report to the appropriate legislative committee

1 of reference established pursuant to section 41-2954. The legislative
2 committee of reference shall hold at least one hearing and take public
3 testimony after receiving the report. The legislative committee of
4 reference shall study the written report and deliver a report of its
5 recommendations to ~~the joint legislative audit committee~~, the speaker of
6 the house of representatives, the president of the senate, the governor
7 and the commission on or before December 1 of the year in which the report
8 is submitted.

9 Sec. 6. Section 28-6356, Arizona Revised Statutes, is amended to
10 read:

11 28-6356. Citizens transportation oversight committee

12 A. A citizens transportation oversight committee is established in
13 counties with a population of one million two hundred thousand or more
14 persons and that have levied a transportation excise tax pursuant to
15 section 42-6105.

16 B. The citizens transportation oversight committee consists of the
17 following members who are not elected officials of or employed by this
18 state or any county, city or town in this state:

19 1. One member who serves as chairperson of the committee and who is
20 appointed by the governor pursuant to section 38-211.

21 2. One member who represents each supervisorial district in the
22 county and who is appointed by the board of supervisors. The board of
23 supervisors shall consult with the mayors of each city and town located
24 within each supervisorial district regarding appointments. At all times
25 during the term, each member appointed pursuant to this paragraph shall
26 legally reside in a different city or town located in the county. Members
27 appointed pursuant to this paragraph shall have expertise in
28 transportation systems or issues.

29 3. One member who resides in the county and who is appointed by the
30 governor pursuant to section 38-211.

31 C. Members shall be appointed for terms of three years.

32 D. The chairperson shall also serve as:

33 1. A nonvoting member of the departmental committee established by
34 section 28-6951 only for issues relating to the regional transportation
35 plan. The chairperson may appoint a designee to attend meetings of the
36 departmental committee.

37 2. A voting member of the governing body of the regional planning
38 agency in the county for all matters relating to the regional
39 transportation plan.

40 3. A voting member of the transportation policy committee of the
41 regional planning agency under section 28-6308 in the county for all
42 matters relating to the regional transportation plan.

43 E. The citizens transportation oversight committee shall meet at
44 least once each calendar quarter.

45 F. The citizens transportation oversight committee shall:

- 1 1. Review and advise the board, the governor, the director, the
2 governing body of the regional planning agency and the board of directors
3 of the regional public transportation authority on matters in the regional
4 transportation plan.
- 5 2. Review and make recommendations regarding any proposed major
6 amendment of the regional transportation plan by the governing body of the
7 regional planning agency pursuant to section 28-6353.
- 8 3. Annually review and comment on the criteria developed pursuant
9 to section 28-6354, subsection B.
- 10 4. Hold public hearings and issue public reports as it deems
11 appropriate.
- 12 5. Annually contract with an independent auditor who is a certified
13 public accountant to conduct a financial compliance audit of all
14 expenditures from the regional area road fund and the public
15 transportation fund and receive the auditor's report. The department
16 shall reimburse the committee for the cost of this audit from the highway
17 user revenue fund pursuant to section 28-6538, subsection B, paragraph 1.
- 18 6. In consultation with the auditor general, set parameters for the
19 performance audit prescribed in section 41-1279.03, subsection A,
20 paragraph ~~6~~ 5 in the county, review the results of the auditor general's
21 performance audit and make recommendations to the regional planning
22 agency, the regional public transportation authority, the department, the
23 speaker of the house of representatives, the president of the senate and
24 the governor.
- 25 G. The committee may:
 - 26 1. Receive written complaints from citizens regarding adverse
27 impacts of any transportation project funded in the regional
28 transportation plan, determine which complaints warrant further review and
29 make recommendations to the state transportation board regarding the
30 complaints.
 - 31 2. Receive written complaints from citizens relating to the
32 regional planning agency's responsibilities as prescribed in this chapter,
33 determine which complaints warrant further review and make recommendations
34 to the regional planning agency regarding the complaints.
 - 35 3. Make recommendations to the regional planning agency, the
36 regional public transportation authority and the state transportation
37 board regarding transportation projects and public transportation systems
38 funded in the regional transportation plan, the transportation improvement
39 program, the department's five year construction program and the life
40 cycle management program.
- 41 H. Failure by the citizens transportation oversight committee to
42 act does not bar the governing body of the regional planning agency or the
43 board of directors of the regional public transportation authority from
44 taking action.

1 I. Members of the committee are not eligible to receive
2 compensation or reimbursement for expenses.

3 Sec. 7. Section 28-6392, Arizona Revised Statutes, is amended to
4 read:

5 28-6392. County regional area road fund; distribution;
6 investment

7 A. Each month the state treasurer shall distribute the monies in
8 the county's regional area road fund to the individual county and to the
9 individual cities and towns in the county in the manner that is determined
10 by the board of supervisors before the election and that is described in
11 the publicity pamphlet for the election.

12 B. The jurisdiction receiving the revenues may only use the
13 revenues for street and highway purposes or for transportation projects
14 included in the regional transportation plan of the county as prepared by
15 the county regional planning agency. If the auditor general reports to
16 the department after conducting a performance audit pursuant to section
17 41-1279.03, subsection A, paragraph ~~6~~ 5 that a jurisdiction has not used
18 revenues as provided in this subsection, the department shall notify the
19 state treasurer who shall withhold the noncomplying jurisdiction's
20 revenues until the noncomplying jurisdiction presents evidence that is
21 satisfactory to the auditor general and that shows that the jurisdiction
22 has spent monies for purposes prescribed in this subsection from another
23 general revenue source equal to the amount of the revenues diverted from
24 the uses prescribed in this subsection.

25 C. The state treasurer shall invest and divest monies in the
26 county's regional area road fund as provided by section 35-313, and monies
27 earned from investment shall be credited to the fund.

28 Sec. 8. Section 28-6533, Arizona Revised Statutes, is amended to
29 read:

30 28-6533. Arizona highway user revenue fund; reports

31 A. The officer collecting all highway user revenues, as defined in
32 section 28-6501 and in article IX, section 14, Constitution of Arizona,
33 and all fees, penalties and fines collected under sections 28-1101,
34 28-1103, 28-1105 and 28-1521 shall transfer the revenues to the
35 department. After the deduction of all exemptions and refunds and after
36 taking actions required under subsection C of this section, the department
37 shall immediately deposit, pursuant to sections 35-146 and 35-147, the
38 revenues in a fund designated as the Arizona highway user revenue fund.

39 B. The revenues in the Arizona highway user revenue fund shall only
40 be spent for the purposes prescribed in article IX, section 14,
41 Constitution of Arizona. Counties and incorporated cities and towns shall
42 not spend highway user revenue fund monies distributed to them pursuant to
43 this article for enforcement of traffic laws or administration of traffic
44 safety programs. If the auditor general reports to the state treasurer
45 after conducting a performance audit pursuant to section 41-1279.03,

1 subsection A, paragraph ~~7~~ 6 that a jurisdiction has not used revenues as
2 required by this subsection, the state treasurer shall withhold the
3 noncomplying jurisdiction's revenues until the noncomplying jurisdiction
4 presents evidence that is satisfactory to the auditor general and that
5 shows that the jurisdiction has spent monies for purposes prescribed in
6 this subsection from another general revenue source equal to the amount of
7 the revenues diverted from the uses prescribed in this subsection.

8 C. If there is any default, the department shall deduct all amounts
9 required by law or any resolution authorizing the issuance of bonds of the
10 board to be placed in the principal funds, interest funds, reserve funds
11 or sinking funds or any other funds established to service bonds issued or
12 to be issued by the board before the revenues are deposited in the Arizona
13 highway user revenue fund.

14 D. A county receiving monies pursuant to section 28-6538 shall
15 publish an annual financial report for the prior fiscal year of funds
16 received from motor vehicle fuel and use fuel taxes. The financial report
17 shall contain budgeted and actual expenditures for the preceding fiscal
18 year and shall be prepared and distributed by December 31 by the county.

19 Sec. 9. Section 41-1278, Arizona Revised Statutes, is amended to
20 read:

21 41-1278. Definitions

22 In this article, unless the context otherwise requires:

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

24 2. "Investigation" means an inquiry into specified acts or
25 allegations of impropriety, malfeasance or nonfeasance in the obligation,
26 expenditure, receipt or use of public ~~funds~~ MONIES of this state or into
27 specified financial transactions or practices ~~which~~ THAT may involve such
28 impropriety, malfeasance or nonfeasance.

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

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

35 (b) Causes of inefficiencies or uneconomical practices, including
36 inadequacies in management information systems, internal and
37 administrative procedures, organizational structure, use of resources,
38 allocation of personnel, purchasing policies and equipment.

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

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

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

43 5. "Special research request" means research and analysis of issues
44 or questions that are designated as a special research request by the
45 committee, but does not include a performance audit, financial audit,

1 compliance audit, procedural review, special audit, investigation or
2 evaluation required by law.

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

5 Sec. 10. Section 41-1279, Arizona Revised Statutes, is amended to
6 read:

7 41-1279. Joint legislative audit committee; composition;
8 meetings; powers and duties; committee termination

9 A. The joint legislative audit committee is established consisting
10 of five members of the senate appointed by the president of the senate,
11 one of whom shall be a member of the senate appropriations committee, and
12 five members of the house of representatives appointed by the speaker of
13 the house of representatives, one of whom shall be a member of the house
14 of representatives appropriations committee. Selection of members shall
15 be based on their understanding and interest in legislative audit
16 oversight functions. Not more than three appointees of each house shall
17 be of the same political party. The president and the speaker shall
18 designate one of their appointed members as chairman of their respective
19 delegation. The chairman of the audit committee shall serve for the term
20 of each legislature. The chairmanship of the audit committee shall
21 alternate between the chairman of the senate delegation and the chairman
22 of the house of representatives delegation beginning with the chairman of
23 the senate delegation. The president of the senate and the speaker of the
24 house of representatives shall also serve as ex officio members of the
25 committee.

26 B. The committee shall meet ~~at least quarterly~~ ANNUALLY and on call
27 of the chairman. Members of the committee are eligible for reimbursement
28 by their respective houses in the same manner as a member of the
29 legislature who attends a meeting of a standing committee.

30 C. The committee shall:

31 1. Oversee all audit functions of the legislature and state
32 agencies including sunset, performance, special and financial audits,
33 special research requests and the preparation and introduction of
34 legislation resulting from audit report findings.

35 2. Appoint an auditor general subject to approval by a concurrent
36 resolution of the legislature and direct the auditor general to perform
37 all sunset, performance, special and financial audits and investigations.

38 3. Have the power of legislative subpoena in accordance with
39 article 4 of this chapter.

40 4. Require state agencies to comply with findings and directions of
41 the committee regarding sunset, performance, special and financial audits.

42 5. Perform all functions required by chapter 27 of this title
43 relating to the sunset review of state agencies.

44 D. The committee established by this section ends on July 1, 2018
45 pursuant to section 41-3103.

1 Sec. 11. Section 41-1279.02, Arizona Revised Statutes, is amended
2 to read:

3 41-1279.02. Personnel; criminal history records

4 A. The auditor general ~~may~~, with the approval of the committee, **MAY**
5 appoint and prescribe the duties of such additional professional,
6 technical, clerical and other employees, or contract for such services,
7 necessary to administer the duties of the auditor general's office. The
8 employees shall receive compensation as determined pursuant to section
9 38-611 and serve at the pleasure of the auditor general.

10 B. The auditor general may obtain criminal history record
11 information pursuant to section 41-1750, subsection G from the department
12 of public safety for the purpose of employment of personnel by the auditor
13 general.

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

19 Sec. 12. Section 41-1279.03, Arizona Revised Statutes, is amended
20 to read:

21 41-1279.03. Powers and duties

22 A. The auditor general shall:

23 1. Prepare an audit plan for approval by the committee and report
24 to the committee the results of each audit and investigation and other
25 reviews conducted by the auditor general.

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

41 3. Perform procedural reviews for all state agencies at times
42 determined by the auditor general. These reviews may include evaluation
43 of administrative and accounting internal controls and reports on these
44 reviews.

1 4. Perform special research requests, special audits and related
2 assignments as designated by the committee, ~~and~~ conduct performance
3 audits, special audits, special research requests and investigations of
4 any state agency, whether created by the constitution or otherwise, as may
5 be requested by the committee **AND CONDUCT INVESTIGATIONS OF ANY POLITICAL**
6 **SUBDIVISION.**

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

10 ~~6.~~ 5. In the ~~tenth~~ **FIFTH** year and in each fifth year thereafter in
11 which a transportation excise tax is in effect in a county as provided in
12 section 42-6106 or 42-6107, conduct a performance audit that:

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

19 (b) Reviews projects completed to date and projects to be completed
20 during the remaining years in which a transportation excise tax is in
21 effect. Within six months after each review period the auditor general
22 shall present a report to the speaker of the house of representatives and
23 the president of the senate detailing findings and making recommendations.
24 If the parameters of the performance audit are set by the citizens
25 transportation oversight committee, the auditor general shall also present
26 the report to the citizens transportation oversight committee.

27 (c) Reviews, determines, reports and makes recommendations to the
28 speaker of the house of representatives and the president of the senate
29 whether the distribution of highway user revenues complies with title 28,
30 chapter 18, article 2. If the parameters of the performance audit are set
31 by the citizens transportation oversight committee, the auditor general
32 shall also present the report to the citizens transportation oversight
33 committee.

34 ~~7.~~ 6. If requested by the committee, conduct performance audits of
35 counties and incorporated cities and towns receiving **ARIZONA** highway user
36 revenue fund monies pursuant to title 28, chapter 18, article 2 to
37 determine if the monies are being spent as provided in section 28-6533,
38 subsection B.

39 ~~8.~~ 7. Perform special audits designated pursuant to law if the
40 auditor general determines that there are adequate monies appropriated for
41 the auditor general to complete the audit. If the auditor general
42 determines the appropriated monies are inadequate, the auditor general
43 shall notify the committee. **THE JOINT LEGISLATIVE BUDGET COMMITTEE SHALL**
44 **ISSUE A FISCAL NOTE FOR ANY LEGISLATIVE MEASURE THAT REQUIRES THE AUDITOR**
45 **GENERAL TO PERFORM A SPECIAL AUDIT. THE FISCAL NOTE SHALL BE COMPLETED**

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

5 ~~9.~~ 8. ~~Beginning on July 1, 2001,~~ Establish a school-wide audit
 6 team in the office of the auditor general to conduct performance audits
 7 and monitor school districts to determine the percentage of every dollar
 8 spent in the classroom by a school district. ~~The performance audits shall~~
 9 ~~determine whether school districts that receive monies from the Arizona~~
 10 ~~structured English immersion fund established by section 15-756.04 and the~~
 11 ~~statewide compensatory instruction fund established by section 15-756.11~~
 12 ~~are in compliance with title 15, chapter 7, article 3.1.~~ The auditor
 13 general shall determine, through random selection, the school districts to
 14 be audited each year, subject to review by the joint legislative audit
 15 committee. A school district that is subject to an audit pursuant to this
 16 paragraph shall notify the auditor general in writing as to whether the
 17 school district agrees or disagrees with the findings ~~and recommendations~~
 18 of the audit and whether the school district will implement the ~~findings~~
 19 ~~and~~ recommendations, implement modifications to the ~~findings and~~
 20 recommendations or refuse to implement the ~~findings and~~ recommendations.
 21 The school district shall submit to the auditor general a written status
 22 report on the implementation of the audit ~~findings and~~ recommendations
 23 ~~every six months for two years after~~ AT THE REQUEST OF THE AUDITOR GENERAL
 24 WITHIN THE TWO-YEAR PERIOD FOLLOWING THE ISSUANCE OF an audit conducted
 25 pursuant to this paragraph. The auditor general shall review the school
 26 district's progress toward implementing the ~~findings and~~ recommendations
 27 of the audit ~~every six months after receipt of the district's status~~
 28 ~~report for two years~~ AND PROVIDE STATUS REPORTS OF THESE REVIEWS TO THE
 29 JOINT LEGISLATIVE AUDIT COMMITTEE DURING THIS TWO-YEAR PERIOD. The
 30 auditor general may review a school district's progress beyond this
 31 two-year period for recommendations that have not yet been implemented by
 32 the school district. ~~The auditor general shall provide a status report of~~
 33 ~~these reviews to the joint legislative audit committee.~~ The school
 34 district shall participate in any hearing scheduled during this review
 35 period by the joint legislative audit committee or by any other
 36 legislative committee designated by the joint legislative audit committee.

37 ~~10.~~ 9. Annually review per diem compensation and reimbursement of
 38 expenses for employees of the state and members of a state board,
 39 commission, council or advisory committee by judgmentally selecting
 40 samples and evaluating the propriety of per diem compensation and expense
 41 reimbursements.

42 B. The auditor general may:

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

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

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

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

15 E. The department of transportation ~~OR COUNTY TREASURER~~ shall
16 reimburse the auditor general as follows, and the auditor general shall
17 deposit the reimbursed monies in the audit services revolving fund:

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

22 2. For the cost of conducting the studies or hiring a consultant
23 pursuant to subsection A, paragraph ~~6~~ 5, subdivision (c) and paragraph
24 ~~7~~ 6 of this section, from the Arizona highway user revenue fund.

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

27 41-1279.04. Authority to examine records; violation;
28 classification

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

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

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

11 D. Any officer or person who knowingly fails or refuses to permit
12 such access and examination OR OTHERWISE KNOWINGLY OBSTRUCTS OR MISLEADS
13 THE AUDITOR GENERAL IN THE EXECUTION OF THE AUDITOR GENERAL'S DUTIES is
14 guilty of a class 2 misdemeanor.

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

20 F. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL
21 OFFENDERS UNDER THIS ARTICLE.

22 G. ANY STATE AGENCY, BOARD, COMMISSION, DEPARTMENT, INSTITUTION,
23 PROGRAM, ADVISORY COUNCIL OR COMMITTEE OR POLITICAL SUBDIVISION OF THIS
24 STATE OR ANY CONTRACTOR THAT CONTRACTS WITH THIS STATE THAT PROVIDES
25 ACCESS TO INFORMATION THAT IS REQUIRED BY THIS SECTION AND THAT IS
26 PROTECTED UNDER THE ATTORNEY-CLIENT PRIVILEGE DOES NOT WAIVE THE PRIVILEGE
27 SOLELY BY PROVIDING THAT ACCESS.

28 Sec. 14. Section 41-1279.05, Arizona Revised Statutes, is amended
29 to read:

30 41-1279.05. Confidential records of auditor general;
31 exemptions; divulgence of restricted
32 information; violation; classification

33 A. Working papers, ~~and~~ other audit files AND FILES THAT ARE
34 PROTECTED UNDER THE ATTORNEY-CLIENT PRIVILEGE THAT ARE maintained by the
35 auditor general are not public records and are exempt from title 39,
36 chapter 1. The information contained in such working papers, ~~and~~ audit
37 files AND FILES THAT ARE PROTECTED UNDER THE ATTORNEY-CLIENT PRIVILEGE
38 THAT ARE prepared pursuant to a specific audit is not subject to
39 disclosure, except to the attorney general and to any county attorney in
40 connection with an investigation made or action taken in the course of
41 their official duties.

1 B. If the committee approves a special research request, on request
2 for disclosure by the president of the senate or the speaker of the house
3 of representatives, the auditor general shall disclose information
4 contained in the special research request working papers and audit files
5 to the president of the senate or the president's designee, the speaker of
6 the house of representatives or the speaker's designee and the chairman of
7 the joint legislative audit committee for the purpose of overseeing the
8 special research request. Information contained in the special research
9 request working papers and audit files is not a public record, is exempt
10 from title 39, chapter 1 and is not subject to disclosure except as
11 provided in this section. A person shall not further disclose the
12 information that is obtained from the auditor general.

13 C. If the auditor general, any member of the auditor general's
14 staff, any other employee or any person who has obtained information
15 pursuant to subsection B OF THIS SECTION knowingly divulges or makes known
16 in any manner not permitted by law any particulars of any record,
17 document, or information the disclosure of which is restricted by law, the
18 person is guilty of a class 5 felony.

19 Sec. 15. Section 41-1279.06, Arizona Revised Statutes, is amended
20 to read:

21 41-1279.06. Audit services revolving fund; use; exemption
22 from lapsing

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

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

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

32 3. COUNTIES FOR WHICH THE AUDITOR GENERAL CONDUCTS A PERFORMANCE
33 AUDIT OF THE TRANSPORTATION EXCISE TAX AS REQUIRED BY SECTION 41-1279.03.

34 4. ANY OTHER SOURCE AUTHORIZED BY STATUTE.

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

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

1 Sec. 16. Section 41-1279.07, Arizona Revised Statutes, is amended
2 to read:

3 41-1279.07. Uniform expenditure reporting system; reports by
4 counties, community college districts, cities
5 and towns; certification and attestation;
6 assistance by auditor general; violation;
7 classification

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

12 1. For counties:

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

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

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

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

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

23 (b) Annual financial statements prepared in accordance with
24 generally accepted accounting principles.

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

28 2. For community college districts:

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

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

33 (ii) Total budgeted expenditures, ~~by fund,~~ for the reporting fiscal
34 year.

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

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

40 (b) Annual financial statements prepared in accordance with
41 generally accepted accounting principles.

42 ~~(c) A reconciliation of the total expenditures reported within the~~
43 ~~financial statements to the total expenditures reported within the~~
44 ~~expenditure limitation report.~~

1 3. For cities and towns:

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

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

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

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

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

14 (b) Financial statements prepared in accordance with generally
15 accepted accounting principles.

16 (c) A reconciliation of the total expenditures reported within the
17 financial statements to the total expenditures reported within the
18 expenditure limitation report.

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

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

34 D. The auditor general or a certified public accountant or public
35 accountant performing the annual audit required pursuant to sections
36 41-1279.21 and 9-481 shall attest to the expenditure limitation reports
37 and financial statements for counties, community college districts and
38 cities. The certified public accountant or public accountant performing
39 the annual or biennial audit required pursuant to section 9-481 shall
40 attest to the expenditure limitation reports and financial statements for
41 towns.

42 E. Each political subdivision shall provide to the auditor general
43 by July 31 each year the name of the chief fiscal officer designated by
44 the governing board of the political subdivision to submit the current
45 fiscal year's expenditure limitation report. The political subdivision

1 shall notify the auditor general of any changes of individuals designated
2 to file the required reports. The designated chief fiscal officer shall
3 certify to the accuracy of the annual expenditure limitation report.

4 F. The auditor general shall prescribe forms for the uniform
5 reporting system and may provide assistance to individuals, certified
6 public accountants or public accountants responsible for attesting to the
7 expenditure limitation reports and financial statements.

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

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

43 1. If the excess expenditures are less than five percent of the
44 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 G of this section, whichever is less.

10 I. 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 H of this section.

17 Sec. 17. 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. 18. Section 41-1279.21, Arizona Revised Statutes, is amended
23 to 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. 19. Repeal

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

1 Sec. 20. Section 41-2953, Arizona Revised Statutes, is amended to
2 read:

3 41-2953. Joint legislative audit committee sunset powers and
4 duties; report by auditor general and committees
5 of reference; sunset review reports; performance
6 audits

7 A. The ~~joint legislative audit committee~~ PRESIDENT OF THE SENATE
8 AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES shall designate the
9 chairman of each committee of reference and shall assign agencies to the
10 respective committees of reference according to subject matter for
11 performance review.

12 B. The auditor general shall provide to the committee a list of
13 agencies scheduled for termination in the next sunset termination
14 schedule, plus an estimate of the audit hours necessary to conduct a
15 sunset review of each agency, not less than twenty months ~~prior to~~ BEFORE
16 the termination date for such agencies. Not less than nineteen months
17 ~~prior to~~ BEFORE such termination date, the committee shall meet to review
18 the information submitted by the auditor general, shall select which
19 agencies are subject to sunset review by the auditor general and which
20 agencies are subject to sunset review by the committees of reference and
21 shall determine the priority of review by the auditor general or the
22 committees of reference. If the auditor general or the committees of
23 reference are unable to complete the sunset review of a selected agency,
24 the committee shall oversee the preparation of proposed legislation to
25 place such agency in the following sunset termination schedule and is
26 responsible for the introduction of such legislation. Those agencies not
27 selected for sunset review by the committee shall terminate pursuant to
28 article 2 of this chapter unless otherwise continued by the legislature.

29 C. The committee shall initiate the sunset review not less than
30 seventeen months ~~prior to~~ BEFORE the termination date for each agency
31 ~~which~~ THAT is selected pursuant to subsection B of this section and
32 scheduled for termination pursuant to article 2 of this chapter. The
33 draft sunset review report shall be completed not less than eleven months
34 ~~prior to~~ BEFORE the date established by article 2 of this chapter for
35 termination. Before such report is submitted, the state agency affected
36 shall be given an opportunity to review the draft report and submit
37 written comments or rebuttal ~~which~~ THAT shall be included in the
38 preliminary sunset review report. The agency shall have not more than
39 forty calendar days to review the draft report for comment or rebuttal.
40 The preliminary sunset review report shall be submitted to the governor,
41 to each member of the committee, to the committee of reference and to the
42 affected agency by October 1 of the year ~~prior to~~ BEFORE the scheduled
43 termination date of the agency.

44 D. The committee may direct the auditor general or the committees
45 of reference to conduct a performance audit, as defined in chapter 7,

1 article 10.1 of this title, or a special performance audit of any agency
2 as defined in section 41-2952.

3 E. If an agency is continued, the joint legislative audit committee
4 may direct the auditor general or the committees of reference to conduct a
5 follow-up review of the agency to determine how the agency has performed
6 its statutory functions or corrected deficiencies of prior sunset review,
7 or both.

8 Sec. 21. Section 41-2954, Arizona Revised Statutes, is amended to
9 read:

10 41-2954. Committees of reference; membership; performance
11 review reports; hearings; recommendations;
12 subpoena powers

13 A. Each standing committee of both legislative houses shall appoint
14 a subcommittee of five members. Not more than three appointees of each
15 house shall be of the same political party. The subcommittees shall
16 jointly constitute a committee of reference in their respective subject
17 matter areas.

18 B. After receipt of the preliminary sunset review report, the
19 committee of reference shall hold at least one public hearing to receive
20 testimony from the public and from the officials of the agency involved.
21 The agency involved shall prepare a presentation for the first public
22 meeting that addresses the elements of the written statement required by
23 subsection F OF THIS SECTION.

24 C. The committee of reference shall hold public hearings for the
25 following purposes:

26 1. To determine the actual need of the agency to regulate or direct
27 the particular activity.

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

30 3. To receive testimony from the public as to the relationship of
31 the agency with the public.

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

34 D. The committee of reference shall consider but not be limited to
35 the following factors in determining the need for continuation or
36 termination of each agency:

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

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

44 3. The extent to which the ~~agency serves the entire state rather~~
45 ~~than specific interests~~ AGENCY'S KEY STATUTORY OBJECTIVES AND PURPOSES

1 DUPLICATE THE OBJECTIVES AND PURPOSES OF OTHER GOVERNMENTAL AGENCIES OR
2 PRIVATE ENTERPRISES.

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

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

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

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

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

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

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

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

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

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

39 E. The committee of reference shall deliver the final sunset review
40 report of its recommendations to the committee, the president of the
41 senate, the speaker of the house of representatives, the governor, the
42 auditor general and the affected agency by December 1. ~~Such~~ THE
43 recommendations shall include one of the following:

- 1 1. That the state agency be continued.
- 2 2. That the state agency be revised or consolidated.
- 3 3. That the state agency be terminated pursuant to this chapter.
- 4 F. The final sunset review report by the committee of reference
- 5 shall also include a written statement prepared by the agency involved
- 6 that contains **AN ASSESSMENT OF:**

- 7 ~~1. An identification of the problem or the needs that the agency is~~
- 8 ~~intended to address.~~
- 9 ~~2. A statement, to the extent practicable, in quantitative and~~
- 10 ~~qualitative terms, of the objectives of such agency and its anticipated~~
- 11 ~~accomplishments.~~
- 12 ~~3. An identification of any other agencies having similar,~~
- 13 ~~conflicting or duplicate objectives, and an explanation of the manner in~~
- 14 ~~which the agency avoids duplication or conflict with other such agencies.~~

15 1. THE EXTENT TO WHICH THE AGENCY POTENTIALLY CREATES UNEXPECTED

16 NEGATIVE CONSEQUENCES THAT MAY REQUIRE ADDITIONAL REVIEW BY THE COMMITTEE

17 OF REFERENCE, INCLUDING INCREASING THE PRICE OF GOODS, AFFECTING THE

18 AVAILABILITY OF SERVICES, LIMITING THE ABILITIES OF INDIVIDUALS AND

19 BUSINESSES TO OPERATE EFFICIENTLY AND INCREASING THE COST OF GOVERNMENT.

20 2. THE EXTENT TO WHICH THE AGENCY HAS ADDRESSED DEFICIENCIES IN ITS

21 ENABLING STATUTES.

22 ~~4.~~ 3. ~~An assessment of~~ The consequences of eliminating the agency

23 or of consolidating it with another agency.

24 G. The committee shall oversee the preparation of any proposed

25 legislation to implement the recommendations of the committees of

26 reference and is responsible for the introduction of such legislation.

27 H. 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 I. Each committee of reference shall have the power of legislative

32 subpoena pursuant to chapter 7, article 4 of this title.

33 Sec. 22. Section 41-2958, Arizona Revised Statutes, is amended to

34 read:

35 41-2958. Modified audits of certain agencies

36 At least every ten years the ~~joint legislative audit committee~~

37 **AUDITOR GENERAL** shall conduct a review of the following agencies and

38 programs according to the following schedule ~~using the factors that are~~

39 ~~deemed necessary and that are listed in section 41-2954, subsection D:~~

40 1. By July 1, 1996 for the department of education including the

41 programs and activities administered, prescribed or regulated by the

42 department.

43 2. By July 1, 1997 for the programs and commissions established by

44 the legislature within the judiciary.

1 3. By July 1, 1998 for Arizona state university, Arizona state
2 university west campus, Arizona state university east campus, the
3 university of Arizona and northern Arizona university. For purposes of
4 this paragraph, the ~~committee~~ AUDITOR GENERAL may combine the review for
5 all of the universities into one or more reviews and reports.