

State of Arizona
House of Representatives
Fifty-third Legislature
Second Regular Session
2018

HOUSE BILL 2021

AN ACT

AMENDING SECTIONS 17-333, 20-183, 23-1102, 23-1104, 41-1278, 41-1279, 41-1279.02, 41-1279.03, 41-1279.04, 41-1279.06, 41-1279.07 AND 41-1279.21, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1279.22, ARIZONA REVISED STATUTES; AMENDING 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 17-333, Arizona Revised Statutes, is amended to
3 read:

4 17-333. License classifications; fees; annual report; review

5 A. Through July 1, 2019, the commission shall prescribe by rule
6 license classifications that are valid for the taking or handling of
7 wildlife, fees for licenses, permits, tags and stamps and application
8 fees.

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

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

14 D. On or before December 31 of each year, the commission shall
15 submit an annual report to the president of the senate, the speaker of the
16 house of representatives, the chairperson of the senate natural resources
17 and rural affairs committee and the chairperson of the house of
18 representatives energy, environment and natural resources committee, or
19 their successor committees, that includes information relating to license
20 classifications, fees for licenses, permits, tags and stamps and any other
21 fees that the commission prescribes by rule. On or before July 1, 2019
22 and each fifth year thereafter, the ~~joint legislative audit committee~~
23 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES
24 shall assign a committee of reference to hold a public hearing and review
25 the annual report submitted by the commission.

26 Sec. 2. Section 20-183, Arizona Revised Statutes, is amended to
27 read:

28 20-183. Report procedures and deadlines

29 A person or a legislator advocating a legislative proposal pursuant
30 to section 20-181 shall submit a written report explaining the factors
31 prescribed in section 20-182 to the ~~joint legislative audit committee~~
32 established by section 41-1279 PRESIDENT OF THE SENATE AND THE SPEAKER OF
33 THE HOUSE OF REPRESENTATIVES. The report must be submitted on or before
34 September 1 before the start of the legislative session for which the
35 legislation is proposed. The ~~joint legislative audit committee~~ PRESIDENT
36 OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES shall assign
37 the written report to the appropriate legislative committee of reference
38 established pursuant to section 41-2954. The legislative committee of
39 reference shall hold at least one hearing and take public testimony after
40 receiving the report. The legislative committee of reference shall study
41 the written report and deliver a report of its recommendations to ~~the~~
42 ~~joint legislative audit committee~~, the speaker of the house of
43 representatives, the president of the senate, the governor and the
44 director of the department of insurance on or before December 1 of the
45 year in which the report is submitted.

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

4 (b) Causes of inefficiencies or uneconomical practices, including
5 inadequacies in management information systems, internal and
6 administrative procedures, organizational structure, use of resources,
7 allocation of personnel, purchasing policies and equipment.

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

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

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

13 ~~4.~~ 5. "Special audit" means an audit of limited scope.

14 ~~5.~~ 6. "Special research request" means research and analysis of
15 issues or questions that are designated as a special research request by
16 the committee, but does not include a performance audit, financial audit,
17 compliance audit, procedural review, special audit, investigation or
18 evaluation required by law.

19 ~~6.~~ 7. "State agency" means all departments, agencies, boards,
20 commissions, institutions and instrumentalities of this state.

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

23 41-1279. Joint legislative audit committee; composition;
24 meetings; powers and duties; committee termination

25 A. The joint legislative audit committee is established consisting
26 of five members of the senate appointed by the president of the senate,
27 one of whom shall be a member of the senate appropriations committee, and
28 five members of the house of representatives appointed by the speaker of
29 the house of representatives, one of whom shall be a member of the house
30 of representatives appropriations committee. Selection of members shall
31 be based on their understanding and interest in legislative audit
32 oversight functions. Not more than three appointees of each house shall
33 be of the same political party. The president and the speaker shall
34 designate one of their appointed members as chairman of their respective
35 delegation. The chairman of the audit committee shall serve for the term
36 of each legislature. The chairmanship of the audit committee shall
37 alternate between the chairman of the senate delegation and the chairman
38 of the house of representatives delegation beginning with the chairman of
39 the senate delegation. The president of the senate and the speaker of the
40 house of representatives shall also serve as ex officio members of the
41 committee.

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

- 1 C. The committee shall:
- 2 1. Oversee all audit functions of the legislature and state
- 3 agencies including sunset, performance, special and financial audits,
- 4 special research requests and the preparation and introduction of
- 5 legislation resulting from audit report findings.
- 6 2. Appoint an auditor general subject to approval by a concurrent
- 7 resolution of the legislature and direct the auditor general to perform
- 8 all sunset, performance, special and financial audits and investigations.
- 9 3. Have the power of legislative subpoena in accordance with
- 10 article 4 of this chapter.
- 11 4. Require state agencies to comply with findings and directions of
- 12 the committee regarding sunset, performance, special and financial audits.
- 13 5. Perform all functions required by chapter 27 of this title
- 14 relating to the sunset review of state agencies.

15 D. The committee established by this section ends on July 1, ~~2018~~

16 ~~2026~~ pursuant to section 41-3103.

17 Sec. 7. Section 41-1279.02, Arizona Revised Statutes, is amended to

18 read:

19 ~~41-1279.02.~~ Personnel; criminal history records

20 A. The auditor general ~~may~~, with the approval of the committee, ~~MAY~~

21 appoint and prescribe the duties of such additional professional,

22 technical, clerical and other employees, or contract for such services,

23 necessary to administer the duties of the auditor general's office. The

24 employees shall receive compensation as determined pursuant to section

25 38-611 and serve at the pleasure of the auditor general.

26 B. The auditor general may obtain criminal history record

27 information pursuant to section 41-1750, subsection G from the department

28 of public safety for the purpose of employment of personnel by the auditor

29 general.

30 C. Information obtained pursuant to subsection B of this section

31 shall not be disclosed by the auditor general except to members of the

32 auditor general's staff ~~PURSUANT TO THE REQUIREMENTS PRESCRIBED BY THE~~

33 ~~DEPARTMENT OF PUBLIC SAFETY AND~~ solely for the purpose of employment of

34 personnel by the auditor general.

35 Sec. 8. Section 41-1279.03, Arizona Revised Statutes, is amended to

36 read:

37 ~~41-1279.03.~~ Powers and duties

38 A. The auditor general shall:

39 1. Prepare an audit plan for approval by the committee and report

40 to the committee the results of each audit and investigation and other

41 reviews conducted by the auditor general.

42 2. Conduct or cause to be conducted ~~at least biennial~~ ANNUAL

43 financial and compliance audits of financial transactions and accounts

44 kept by or for all state agencies subject to the ~~FEDERAL~~ single audit ~~act~~

45 ~~of 1984 (P.L. 98-502)~~ REQUIREMENTS. The audits shall be conducted in

1 accordance with generally accepted governmental auditing standards and
2 accordingly shall include tests of the accounting records and other
3 auditing procedures as may be considered necessary in the circumstances.
4 The audits shall include the issuance of suitable reports as required by
5 the FEDERAL single audit ~~act of 1984 (P.L. 98-502)~~ REQUIREMENTS so the
6 legislature, federal government and others will be informed as to the
7 adequacy of financial statements of ~~the~~ THIS state in compliance with
8 generally accepted ~~governmental~~ accounting principles and to determine
9 whether ~~the~~ THIS state has complied with laws and regulations that may
10 have a material effect on the financial statements and on major federal
11 assistance programs.

12 3. Perform procedural reviews for all state agencies at times
13 determined by the auditor general. These reviews may include evaluation
14 of administrative and accounting internal controls and reports on these
15 reviews.

16 4. Perform special research requests, special audits and related
17 assignments as designated by the committee and conduct performance audits,
18 special audits, special research requests and investigations of any state
19 agency, whether created by the constitution or otherwise, as may be
20 requested by the committee.

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

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

28 (a) IN CONNECTION WITH AN AUDIT AUTHORIZED BY LAW.
29 (b) ON REQUEST OF A PUBLIC OFFICER OF A STATE AGENCY OR POLITICAL
30 SUBDIVISION REGARDING MATTERS UNDER THE SUPERVISION OR CONTROL OF THAT
31 PUBLIC OFFICER.

32 (c) ON REQUEST OF A SHERIFF, A COUNTY ATTORNEY, A MUNICIPAL
33 ATTORNEY OR THE ATTORNEY GENERAL IN CONNECTION WITH AN OPEN INVESTIGATION
34 OF A STATE AGENCY OR POLITICAL SUBDIVISION IF THAT OPEN INVESTIGATION IS
35 UNDER THE SUPERVISION OR CONTROL OF THE ATTORNEY GENERAL OR THAT SHERIFF,
36 COUNTY ATTORNEY OR MUNICIPAL ATTORNEY.

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

40 (a) Reviews past expenditures and future planned expenditures of
41 the transportation excise revenues and determines the impact of the
42 expenditures in solving transportation problems within the county and, for
43 a transportation excise tax in effect in a county as provided in section
44 42-6107, determines whether the expenditures of the transportation excise
45 revenues comply with section 28-6392, subsection B.

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

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

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

15 8. Perform special audits designated pursuant to law if the auditor
16 general determines that there are adequate monies appropriated for the
17 auditor general to complete the audit. If the auditor general determines
18 the appropriated monies are inadequate, the auditor general shall notify
19 the committee. ~~BASED ON INFORMATION PROVIDED BY THE AUDITOR GENERAL, FOR~~
20 ~~ANY LEGISLATIVE MEASURE THAT REQUIRES THE AUDITOR GENERAL TO PERFORM A~~
21 ~~SPECIAL AUDIT, THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL NOTIFY~~
22 ~~ALL THE MEMBERS OF THE LEGISLATURE OF THE COST TO CONDUCT THE SPECIAL~~
23 ~~AUDIT. THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF SHALL PROVIDE THE~~
24 ~~COST OF THE AUDIT BEFORE THE MEASURE IS SCHEDULED FOR THIRD READ IN THE~~
25 ~~HOUSE OF ORIGIN OR IN THE HOUSE IN WHICH THE SPECIAL AUDIT PROVISION WAS~~
26 ~~ADDED OR BEFORE THE MEASURE IS SCHEDULED FOR FINAL PASSAGE IF THE SPECIAL~~
27 ~~AUDIT PROVISION WAS ADDED IN A CONFERENCE COMMITTEE.~~

28 9. Establish a school-wide audit team in the office of the auditor
29 general to conduct performance audits and monitor school districts to
30 determine the percentage of every dollar spent in the classroom by a
31 school district. ~~The performance audits shall determine whether school~~
32 ~~districts that receive monies from the Arizona structured English~~
33 ~~immersion fund established by section 15-756.04 and the statewide~~
34 ~~compensatory instruction fund established by section 15-756.11 are in~~
35 ~~compliance with title 15, chapter 7, article 3.1.~~ The auditor general
36 shall determine, through random selection, the school districts to be
37 audited each year, subject to review by the joint legislative audit
38 committee. A school district that is subject to an audit pursuant to this
39 paragraph shall notify the auditor general in writing as to whether the
40 school district agrees or disagrees with the findings ~~and recommendations~~
41 of the audit and whether the school district will implement the ~~findings~~
42 ~~and~~ recommendations, implement modifications to the ~~findings and~~
43 recommendations or refuse to implement the ~~findings and~~ recommendations.
44 The school district shall submit to the auditor general a written status
45 report on the implementation of the audit ~~findings and~~ recommendations

1 ~~every six months for two years after~~ AT THE REQUEST OF THE AUDITOR GENERAL
2 WITHIN THE TWO-YEAR PERIOD FOLLOWING THE ISSUANCE OF an audit conducted
3 pursuant to this paragraph. The auditor general shall review the school
4 district's progress toward implementing the ~~findings and~~ recommendations
5 of the audit ~~every six months after receipt of the district's status~~
6 ~~report for two years~~ AND PROVIDE STATUS REPORTS OF THESE REVIEWS TO THE
7 JOINT LEGISLATIVE AUDIT COMMITTEE DURING THIS TWO-YEAR PERIOD. The
8 auditor general may review a school district's progress beyond this
9 two-year period for recommendations that have not yet been implemented by
10 the school district. ~~The auditor general shall provide a status report of~~
11 ~~these reviews to the joint legislative audit committee.~~ The school
12 district shall participate in any hearing scheduled during this review
13 period by the joint legislative audit committee or by any other
14 legislative committee designated by the joint legislative audit committee.
15 10. Annually review per diem compensation and reimbursement of
16 expenses for employees of the state and members of a state board,
17 commission, council or advisory committee by judgmentally selecting
18 samples and evaluating the propriety of per diem compensation and expense
19 reimbursements.
20 B. The auditor general may:
21 1. Subject to approval by the committee, adopt rules necessary to
22 administer the duties of the office.
23 2. Hire consultants to conduct the studies required by subsection
24 A, paragraphs 6 and 7 of this section.
25 C. If approved by the committee the auditor general may charge a
26 reasonable fee for the cost of performing audits or providing accounting
27 services for auditing federal funds, special audits or special services
28 requested by political subdivisions of the state. Monies collected
29 pursuant to this subsection shall be deposited in the audit services
30 revolving fund.
31 D. The department of transportation, THE COUNTY TREASURER AND the
32 board of supervisors of a county that has approved a county transportation
33 excise tax as provided in section 42-6106 or 42-6107 and the governing
34 bodies of counties, cities and towns receiving ARIZONA highway user
35 revenue fund monies shall cooperate with and provide necessary information
36 to the auditor general or the auditor general's consultant.
37 E. The department of transportation OR COUNTY TREASURER shall
38 reimburse the auditor general as follows, and the auditor general shall
39 deposit the reimbursed monies in the audit services revolving fund:
40 1. For the cost of conducting the studies or hiring a consultant to
41 conduct the studies required by subsection A, paragraph 6, subdivisions
42 (a) and (b) of this section, from monies collected pursuant to a county
43 transportation excise tax levied pursuant to section 42-6106 or 42-6107.

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

4 Sec. 9. Section 41-1279.04, Arizona Revised Statutes, is amended to
5 read:

6 41-1279.04. Authority to examine records; violation;
7 classification

8 A. The auditor general or the auditor general's authorized
9 representatives, in the performance of official duties, MAY REQUEST
10 INTERVIEWS OF EMPLOYEES AND shall have access to, and authority to
11 examine, any and all books, accounts, reports, vouchers, correspondence
12 files and other records, bank accounts, criminal history record
13 information as defined in section 41-1701, ~~money~~ MONIES and other property
14 of any state agency, board, commission, department, institution, program,
15 advisory council or committee or political subdivision of this state,
16 whether created by the constitution or otherwise, or such documents and
17 property of a contractor relating to a contract with this state pursuant
18 to ~~the provisions of~~ section 35-214. It is the duty of any officer or
19 employee of any such agency or political subdivision, having such records
20 under the officer's or employee's control, to permit access to and
21 examination of the records on the request of the auditor general or the
22 auditor general's authorized representative.

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

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

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

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

42 F. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL
43 OFFENDERS UNDER THIS SECTION.

1 Sec. 10. Section 41-1279.06, Arizona Revised Statutes, is amended
2 to read:

3 41-1279.06. Audit services revolving fund; use; exemption
4 from lapsing

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

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

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

14 3. COUNTIES FOR WHICH THE AUDITOR GENERAL CONDUCTS A PERFORMANCE
15 AUDIT OF THE TRANSPORTATION EXCISE TAX AS PRESCRIBED BY SECTION
16 41-1279.03.

17 4. ANY OTHER SOURCE AUTHORIZED BY STATUTE.

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

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

26 Sec. 11. Section 41-1279.07, Arizona Revised Statutes, is amended
27 to read:

28 41-1279.07. Uniform expenditure reporting system; reports by
29 counties, community college districts, cities
30 and towns; certification and attestation;
31 assistance by auditor general; violation;
32 classification

33 A. The auditor general shall prescribe a uniform expenditure
34 reporting system for all political subdivisions subject to the
35 constitutional expenditure limitations prescribed by article IX, sections
36 20 and 21, Constitution of Arizona. The system shall include:

37 1. For counties:

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

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

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

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

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

1 utilized in and the form of the reports described in subsection A of this
2 section. The reports described in subsection A of this section are
3 required of counties and community college districts beginning with fiscal
4 year 1981-1982. The reports described in subsection A of this section are
5 required of cities and towns beginning with the fiscal year the political
6 subdivision is subject to the expenditure limitation. The annual
7 reporting requirements also apply to political subdivisions subject to an
8 alternative expenditure limitation enacted pursuant to article IX, section
9 20, subsection (9), Constitution of Arizona.

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

13 D. The auditor general or a certified public accountant or public
14 accountant performing the annual audit required pursuant to sections
15 41-1279.21 and 9-481 shall attest to the expenditure limitation reports
16 and financial statements for counties, community college districts and
17 cities. The certified public accountant or public accountant performing
18 the annual or biennial audit required pursuant to section 9-481 shall
19 attest to the expenditure limitation reports and financial statements for
20 towns.

21 E. Each political subdivision shall provide to the auditor general
22 by July 31 each year the name of the chief fiscal officer designated by
23 the governing board of the political subdivision to submit the current
24 fiscal year's expenditure limitation report. The political subdivision
25 shall notify the auditor general of any changes of individuals designated
26 to file the required reports. The designated chief fiscal officer shall
27 certify to the accuracy of the annual expenditure limitation report.

28 F. The auditor general shall prescribe forms for the uniform
29 reporting system and may provide assistance to individuals, certified
30 public accountants or public accountants responsible for attesting to the
31 expenditure limitation reports and financial statements.

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

1 redistribution. A community college district exceeding the expenditure
2 limitation prescribed pursuant to article IX, section 21, Constitution of
3 Arizona, for any fiscal year, without authorization pursuant to such
4 section or section 15-1471, shall have the amount specified in subsection
5 H of this section of its allocations of state aid, distributed pursuant to
6 section 15-1466, withheld.

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

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

24 2. If the excess expenditures are equal to or greater than five
25 percent but less than ten percent of the limitation, or are less than five
26 percent of the limitation but it is at least the second consecutive
27 instance of excess expenditures, an amount equal to triple the excess
28 expenditures.

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

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

40 Sec. 12. Heading change

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

1 Sec. 13. Section 41-1279.21, Arizona Revised Statutes, is amended
2 to read:

3 41-1279.21. Powers and duties of auditor general relating to
4 counties, school districts and community
5 colleges

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

8 1. Conduct or cause to be conducted annual financial ~~and compliance~~
9 **STATEMENT** audits of financial transactions and accounts kept by or for all
10 counties. **FOR A COUNTY THAT IS REQUIRED TO COMPLY WITH THE FEDERAL SINGLE**
11 **AUDIT REQUIREMENTS, AUDITS SHALL INCLUDE COMPLIANCE AUDITS OF FINANCIAL**
12 **TRANSACTIONS AND APPLICABLE ACCOUNTS KEPT BY OR FOR THE COUNTY. THE**
13 **AUDITS SHALL BE CONDUCTED IN ACCORDANCE WITH GENERALLY ACCEPTED**
14 **GOVERNMENTAL AUDITING STANDARDS AND, ACCORDINGLY, SHALL INCLUDE TESTS OF**
15 **THE ACCOUNTING RECORDS AND OTHER AUDITING PROCEDURES AS MAY BE CONSIDERED**
16 **NECESSARY UNDER THE CIRCUMSTANCES.** Each county shall provide financial
17 information for inclusion in the annual audit that verifies that **ARIZONA**
18 highway user revenue fund monies received by the county pursuant to title
19 28, chapter 18, article 2 and any other dedicated state transportation
20 revenues received by the county are being used solely for the authorized
21 transportation purposes.

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

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

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

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

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

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

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

14 B. The auditor general may adopt rules providing for disapproving
15 contracts, and suspending or debaring any contractor providing financial
16 and compliance auditing services to a school district based ~~upon~~ ON
17 applicable standards similar to those adopted by this state under section
18 41-2613.

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

22 Sec. 14. Repeal

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

24 Sec. 15. Section 41-2953, Arizona Revised Statutes, is amended to
25 read:

26 41-2953. Joint legislative audit committee sunset powers and
27 duties; report by auditor general and committees
28 of reference; sunset review reports; performance
29 audits

30 A. The ~~joint legislative audit committee~~ PRESIDENT OF THE SENATE
31 AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES shall designate the
32 chairman of each committee of reference and shall assign agencies to the
33 respective committees of reference according to subject matter for
34 performance review.

35 B. The auditor general shall provide to the committee a list of
36 agencies scheduled for termination in the next sunset termination
37 schedule, plus an estimate of the audit hours necessary to conduct a
38 sunset review of each agency, not less than twenty months ~~prior to~~ BEFORE
39 the termination date for such agencies. Not less than nineteen months
40 ~~prior to~~ BEFORE such termination date, the committee shall meet to review
41 the information submitted by the auditor general, shall select which
42 agencies are subject to sunset review by the auditor general and which
43 agencies are subject to sunset review by the committees of reference and
44 shall determine the priority of review by the auditor general or the
45 committees of reference. If the auditor general or the committees of

1 reference ~~are~~ IS unable to complete the sunset review of a selected
2 agency, the committee shall oversee the preparation of proposed
3 legislation to place such agency in the following sunset termination
4 schedule and is responsible for the introduction of such legislation.
5 Those agencies not selected for sunset review by the committee shall
6 terminate pursuant to article 2 of this chapter unless otherwise continued
7 by the legislature.

8 C. The committee shall initiate the sunset review not less than
9 seventeen months ~~prior to~~ BEFORE the termination date for each agency
10 ~~which~~ THAT is selected pursuant to subsection B of this section and
11 scheduled for termination pursuant to article 2 of this chapter. The
12 draft sunset review report shall be completed not less than eleven months
13 ~~prior to~~ BEFORE the date established by article 2 of this chapter for
14 termination. Before such report is submitted, the state agency affected
15 shall be given an opportunity to review the draft report and submit
16 written comments or rebuttal ~~which~~ THAT shall be included in the
17 preliminary sunset review report. The agency shall have not more than
18 forty calendar days to review the draft report for comment or rebuttal.
19 The preliminary sunset review report shall be submitted to the governor,
20 to each member of the committee, to the committee of reference and to the
21 affected agency by October 1 of the year ~~prior to~~ BEFORE the scheduled
22 termination date of the agency.

23 D. The committee may direct the auditor general or the committees
24 of reference to conduct a performance audit, as defined in chapter 7,
25 article 10.1 of this title, or a special performance audit of any agency
26 as defined in section 41-2952.

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

32 Sec. 16. Section 41-2954, Arizona Revised Statutes, is amended to
33 read:

34 41-2954. Committees of reference; membership; performance
35 review reports; hearings; recommendations;
36 subpoena powers

37 A. Each standing committee of both legislative houses shall appoint
38 a subcommittee of five members. Not more than three appointees of each
39 house shall be of the same political party. The subcommittees shall
40 jointly constitute a committee of reference in their respective subject
41 matter areas.

42 B. After receipt of the preliminary sunset review report, the
43 committee of reference shall hold at least one public hearing to receive
44 testimony from the public and from the officials of the agency involved.
45 The agency involved shall prepare a presentation for the first public

1 meeting that addresses the elements of the written statement required by
2 subsection F OF THIS SECTION.

3 C. The committee of reference shall hold public hearings for the
4 following purposes:

5 1. To determine the actual need of the agency to regulate or direct
6 the particular activity.

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

9 3. To receive testimony from the public as to the relationship of
10 the agency with the public.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19 E. The committee of reference shall deliver the final sunset review
20 report of its recommendations to the committee, the president of the
21 senate, the speaker of the house of representatives, the governor, the
22 auditor general and the affected agency by December 1. ~~Such~~ THE
23 recommendations shall include one of the following:

- 24 1. That the state agency be continued.
- 25 2. That the state agency be revised or consolidated.
- 26 3. That the state agency be terminated pursuant to this chapter.

27 F. The final sunset review report by the committee of reference
28 shall also include a written statement prepared by the agency involved
29 that contains AN ASSESSMENT OF:

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

32 ~~2. A statement, to the extent practicable, in quantitative and~~
33 ~~qualitative terms, of the objectives of such agency and its anticipated~~
34 ~~accomplishments.~~

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

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

43 2. THE EXTENT TO WHICH THE AGENCY HAS ADDRESSED DEFICIENCIES IN ITS
44 ENABLING STATUTES.

1 ~~4.~~ 3. ~~An assessment of~~ The consequences of eliminating the agency
2 or of consolidating it with another agency.

3 G. The committee shall oversee the preparation of any proposed
4 legislation to implement the recommendations of the committees of
5 reference and is responsible for the introduction of such legislation.

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

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

12 Sec. 17. Section 41-2958, Arizona Revised Statutes, is amended to
13 read:

14 41-2958. Modified audits of certain agencies

15 At least every ten years the ~~joint legislative audit committee~~
16 AUDITOR GENERAL shall conduct a review of the following agencies and
17 programs according to the following schedule ~~using the factors that are~~
18 ~~deemed necessary and that are listed in section 41-2954, subsection D:~~

19 1. By July 1, 1996 for the department of education including the
20 programs and activities administered, prescribed or regulated by the
21 department.

22 2. By July 1, 1997 for the programs and commissions established by
23 the legislature within the judiciary.

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

29 Sec. 18. Retroactivity

30 Section 41-1279, Arizona Revised Statutes, as amended by this act,
31 applies retroactively to from and after June 30, 2018.