

State of Arizona
House of Representatives
Fifty-fourth Legislature
Second Regular Session
2020

HOUSE BILL 2115

AN ACT

AMENDING SECTIONS 15-120, 15-393.01, 28-6392, 28-6533, 41-1278, 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 SECTION 41-2954, ARIZONA REVISED STATUTES; RELATING TO THE AUDITOR GENERAL.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-120, Arizona Revised Statutes, is amended to
3 read:

4 15-120. Suicide prevention training: approved materials:
5 posting; immunity; spending classification

6 A. Beginning in the 2020-2021 school year, school districts and
7 charter schools shall provide training in suicide awareness and prevention
8 for school guidance counselors, teachers, principals and other school
9 personnel who work with pupils in grades six through twelve. Each person
10 who is required to obtain training pursuant to this section shall complete
11 that training at least once every three years. The training must include:

12 1. Training in suicide prevention.

13 2. Training to identify the warning signs of suicidal behavior in
14 adolescents and teens.

15 3. Appropriate intervention and referral techniques.

16 B. The training prescribed in subsection A of this section:

17 1. Must use evidence-based training materials.

18 2. May be provided within the framework of existing in-service
19 training programs offered by the school district or charter school or as
20 part of professional development activities.

21 C. The Arizona health care cost containment system administration
22 shall make available suicide prevention training that complies with the
23 requirements of this section and post this training information on the
24 administration's website. On or before July 1, 2020, the administration
25 shall identify or develop and post on the administration's website a list
26 of approved materials that schools may use to provide the training
27 prescribed in subsection A of this section. The administration shall
28 annually update these approved materials.

29 D. School personnel, entities or any other persons are not civilly
30 liable for any actions taken in good faith pursuant to this section except
31 in cases of gross negligence, wilful misconduct or intentional wrongdoing.

32 E. The auditor general shall classify any costs incurred by school
33 districts in implementing this section as classroom spending for the
34 purposes of the annual report prepared pursuant to section 41-1279.03,
35 subsection A, paragraph ~~9~~ 8.

36 Sec. 2. Section 15-393.01, Arizona Revised Statutes, is amended to
37 read:

38 15-393.01. Career technical education districts; annual
39 report; performance and accountability

40 A. The department of education shall include each career technical
41 education district in the department's annual achievement profiles
42 required by section 15-241. Subject to approval by the state board of
43 education, the department of education shall develop specific criteria
44 applicable to career technical education districts that may not be based
45 solely on the criteria prescribed in the Carl D. Perkins vocational

1 education act, as amended by the Carl D. Perkins vocational and applied
2 technology education act amendments of 1990, as amended by the Carl D.
3 Perkins vocational and technical education act of 1998, and shall include
4 career technical education districts in the letter grade classification
5 system prescribed in section 15-241. The department shall include all of
6 the following performance indicators in the annual achievement profiles
7 and letter grade classification and provide a copy of the information to
8 each career technical education district governing board:

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

11 2. The completion rate for each program offered by the career
12 technical education district.

13 3. Performance on assessments required pursuant to section 15-391,
14 paragraph 4, subdivision (b).

15 4. Postgraduation employment rates, postsecondary enrollment rates
16 and military service rates for students who complete a career and
17 technical education program.

18 B. A career technical education district is subject to the
19 performance audits pursuant to section 41-1279.03, subsection A,
20 paragraph ~~9~~ 8. The auditor general shall consider the differences and
21 applicable laws for a career technical education district when conducting
22 a performance audit for a career technical education district.

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

31 1. The average daily membership of each career technical education
32 district, including the average daily membership of each centralized
33 campus, satellite campus and leased centralized campus as defined in
34 section 15-393.

35 2. The actual student count of each career technical education
36 district, including the student count of each centralized campus,
37 satellite campus and leased centralized campus as defined in section
38 15-393.

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

42 4. For each career technical education district based on program or
43 course location:

44 (a) The student enrollment of each program and corresponding
45 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 career
8 technical education 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. For applicable school districts, the required maintenance of
18 effort and how monies were used to supplement and not supplant base year
19 career and technical education courses, including expenditures related to
20 personnel, equipment and facilities.

21 10. Any other data or information deemed necessary by the
22 department of education.

23 D. The office of the auditor general, in consultation with the
24 department of education, shall develop and establish uniform cost
25 reporting guidelines, policies and procedures for career technical
26 education district programs. Any guideline, policy or procedure shall
27 allow for the effective comparison of cost between career technical
28 education district programs.

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

31 28-6392. County regional area road fund; distribution;
32 repayment of misused monies; investment

33 A. Each month the state treasurer shall distribute the monies in
34 the county's regional area road fund to the individual county and to the
35 individual cities and towns in the county in the manner that is determined
36 by the board of supervisors before the election and that is described in
37 the publicity pamphlet for the election.

38 B. The jurisdiction receiving the revenues may only use the
39 revenues for street and highway purposes or for transportation projects
40 included in the regional transportation plan of the county as prepared by
41 the county regional planning agency. If the auditor general reports to
42 the department after conducting a performance audit pursuant to section
43 41-1279.03, subsection A, paragraph ~~6~~ 5 that a jurisdiction has not used
44 revenues as provided in this subsection:

1 1. The department shall require the jurisdiction to directly repay
2 the fund the full amount of the misused monies beginning immediately as a
3 lump sum or in consecutive annual payments of at least ten percent of the
4 full amount each fiscal year.

5 2. If the jurisdiction fails to timely and fully repay the fund as
6 required by paragraph 1 of this subsection, the department shall notify
7 the state treasurer who shall withhold the noncomplying jurisdiction's
8 revenues until the noncomplying jurisdiction presents evidence that is
9 satisfactory to the auditor general and that shows that the jurisdiction
10 has spent monies for purposes prescribed in this subsection from another
11 general revenue source equal to the amount of the revenues diverted from
12 the uses prescribed in this subsection.

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

16 Sec. 4. Section 28-6533, Arizona Revised Statutes, is amended to
17 read:

18 28-6533. Arizona highway user revenue fund; reports

19 A. The officer collecting all highway user revenues, as defined in
20 section 28-6501 and in article IX, section 14, Constitution of Arizona,
21 and all fees, penalties and fines collected under sections 28-1101,
22 28-1103, 28-1105 and 28-1521 shall transfer the revenues to the
23 department. After the deduction of all exemptions and refunds and after
24 taking actions required under subsection C of this section, the department
25 shall immediately deposit, pursuant to sections 35-146 and 35-147, the
26 revenues in a fund designated as the Arizona highway user revenue fund.

27 B. The revenues in the Arizona highway user revenue fund shall only
28 be spent for the purposes prescribed in article IX, section 14,
29 Constitution of Arizona. Counties and incorporated cities and towns shall
30 not spend highway user revenue fund monies distributed to them pursuant to
31 this article for enforcement of traffic laws or administration of traffic
32 safety programs. If the auditor general reports to the state treasurer
33 after conducting a performance audit pursuant to section 41-1279.03,
34 subsection A, paragraph ~~7~~ 6 that a jurisdiction has not used revenues as
35 required by this subsection, the state treasurer shall withhold the
36 noncomplying jurisdiction's revenues until the noncomplying jurisdiction
37 presents evidence that is satisfactory to the auditor general and that
38 shows that the jurisdiction has spent monies for purposes prescribed in
39 this subsection from another general revenue source equal to the amount of
40 the revenues diverted from the uses prescribed in this subsection.

41 C. If there is any default, the department shall deduct all amounts
42 required by law or any resolution authorizing the issuance of bonds of the
43 board to be placed in the principal funds, interest funds, reserve funds
44 or sinking funds or any other funds established to service bonds issued or

1 to be issued by the board before the revenues are deposited in the Arizona
2 highway user revenue fund.

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

8 Sec. 5. Section 41-1278, Arizona Revised Statutes, is amended to
9 read:

10 41-1278. Definitions

11 In this article, unless the context otherwise requires:

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

13 2. "Investigation" means an inquiry into specified acts or
14 allegations of impropriety, malfeasance or nonfeasance in the obligation,
15 expenditure, receipt or use of public ~~funds of this state~~ MONIES or into
16 specified financial transactions or practices ~~which~~ THAT may involve such
17 impropriety, malfeasance or nonfeasance.

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

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

24 (b) Causes of inefficiencies or uneconomical practices, including
25 inadequacies in management information systems, internal and
26 administrative procedures, organizational structure, use of resources,
27 allocation of personnel, purchasing policies and equipment.

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

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

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

32 5. "Special research request" means research and analysis of issues
33 or questions that are designated as a special research request by the
34 committee, but does not include a performance audit, financial audit,
35 compliance audit, procedural review, special audit, investigation or
36 evaluation required by law.

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

39 Sec. 6. Section 41-1279.02, Arizona Revised Statutes, is amended to
40 read:

41 41-1279.02. Personnel; criminal history records

42 A. The auditor general ~~may~~, with the approval of the committee, MAY
43 appoint and prescribe the duties of such additional professional,
44 technical, clerical and other employees, or contract for such services,
45 necessary to administer the duties of the auditor general's office. The

1 employees shall receive compensation as determined pursuant to section
2 38-611 and serve at the pleasure of the auditor general.

3 B. The auditor general may obtain criminal history record
4 information pursuant to section 41-1750, subsection G from the department
5 of public safety for the purpose of employment of personnel by the auditor
6 general.

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

12 Sec. 7. Section 41-1279.03, Arizona Revised Statutes, is amended to
13 read:

14 41-1279.03. Powers and duties

15 A. The auditor general shall:

16 1. Prepare an audit plan for approval by the committee and report
17 to the committee the results of each audit and investigation and other
18 reviews conducted by the auditor general.

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

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

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

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

1 ~~6-~~ 5. In the ~~tenth~~ FIFTH year and in each fifth year thereafter in
2 which a transportation excise tax is in effect in a county as provided in
3 section 42-6106 or 42-6107, conduct a performance audit that:

4 (a) Reviews past expenditures and future planned expenditures of
5 the transportation excise revenues and determines the impact of the
6 expenditures in solving transportation problems within the county and, for
7 a transportation excise tax in effect in a county as provided in section
8 42-6107, determines whether the expenditures of the transportation excise
9 revenues comply with section 28-6392, subsection B.

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

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

19 ~~7-~~ 6. If requested by the committee, conduct performance audits of
20 counties and incorporated cities and towns receiving ARIZONA highway user
21 revenue fund monies pursuant to title 28, chapter 18, article 2 to
22 determine whether the monies are being spent as provided in section
23 28-6533, subsection B.

24 ~~8-~~ 7. Perform special audits designated pursuant to law if the
25 auditor general determines that there are adequate monies appropriated for
26 the auditor general to complete the audit. If the auditor general
27 determines the appropriated monies are inadequate, the auditor general
28 shall notify the committee. BASED ON INFORMATION PROVIDED BY THE AUDITOR
29 GENERAL, FOR ANY LEGISLATIVE MEASURE THAT REQUIRES THE AUDITOR GENERAL TO
30 PERFORM A SPECIAL AUDIT, THE JOINT LEGISLATIVE BUDGET COMMITTEE STAFF
31 SHALL NOTIFY ALL THE MEMBERS OF THE LEGISLATURE AS SOON AS PRACTICABLE OF
32 THE COST TO CONDUCT THE SPECIAL AUDIT.

33 ~~9-~~ 8. Establish a schoolwide audit team in the office of the
34 auditor general to conduct performance audits and monitor school districts
35 to determine the percentage of every dollar spent in the classroom by the
36 school district. Each school district shall prominently post on its
37 website home page a copy of its profile pages that displays the percentage
38 of every dollar spent in the classroom by that school district from the
39 most recent status report issued by the auditor general pursuant to this
40 paragraph. ~~The performance audits shall determine whether school~~
41 ~~districts that receive monies from the Arizona English language learner~~
42 ~~fund established by section 15-756.04 and the statewide compensatory~~
43 ~~instruction fund established by section 15-756.11 comply with title 15,~~
44 ~~chapter 7, article 3.1.~~ The auditor general shall determine, through
45 random selection, the school districts to be audited each year, subject to

review by the joint legislative audit committee. A school district that is subject to an audit pursuant to this paragraph shall notify the auditor general in writing whether the school district agrees or disagrees with the findings ~~and recommendations~~ of the audit and whether the school district will implement the ~~findings and~~ recommendations, implement modifications to the ~~findings and~~ recommendations or refuse to implement the ~~findings and~~ recommendations. The school district shall submit to the auditor general a written status report on the implementation of the audit ~~findings and recommendations every six months for two years after~~ AT THE REQUEST OF THE AUDITOR GENERAL WITHIN THE TWO-YEAR PERIOD FOLLOWING THE ISSUANCE OF an audit conducted pursuant to this paragraph. The auditor general shall review the school district's progress toward implementing the ~~findings and~~ recommendations of the audit ~~every six months after receipt of the district's status report for two years~~ AND PROVIDE STATUS REPORTS OF THESE REVIEWS TO THE JOINT LEGISLATIVE AUDIT COMMITTEE DURING THIS TWO-YEAR PERIOD. The auditor general may review a school district's progress beyond this two-year period for recommendations that have not yet been implemented by the school district. ~~The auditor general shall provide a status report of these reviews to the joint legislative audit committee.~~ The school district shall participate in any hearing scheduled during this review period by the joint legislative audit committee or by any other legislative committee designated by the joint legislative audit committee.

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

B. The auditor general may:

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

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

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

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

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

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

8 2. For the cost of conducting the studies or hiring a consultant
9 pursuant to subsection A, paragraph ~~6~~ 5, subdivision (c) and paragraph
10 ~~7~~ 6 of this section, from the Arizona highway user revenue fund.

11 Sec. 8. Section 41-1279.04, Arizona Revised Statutes, is amended to
12 read:

13 41-1279.04. Authority to examine records; violation;
14 classification

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

30 B. For the purpose of complying with section 41-1279.03, subsection
31 A, paragraphs 4 and ~~9~~ 8, the auditor general or the auditor general's
32 authorized representative, in the performance of official duties, may
33 attend executive sessions of the governing body of any state agency or
34 school district in this state.

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

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

44 E. THE ATTORNEY GENERAL SHALL SUPERVISE THE PROSECUTION OF ALL
45 OFFENDERS UNDER THIS SECTION.

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

6 Sec. 9. Section 41-1279.06, Arizona Revised Statutes, is amended to
7 read:

8 41-1279.06. Audit services revolving fund; use; exemption
9 from lapsing

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

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

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

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

22 4. ANY OTHER SOURCE AUTHORIZED BY STATUTE.

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

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

31 Sec. 10. Section 41-1279.07, Arizona Revised Statutes, is amended
32 to read:

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

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

42 1. For counties:

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

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

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

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

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

9 (b) Annual financial statements prepared in accordance with
10 generally accepted accounting principles.

11 (c) A reconciliation of the total expenditures reported within the
12 financial statements to the total expenditures stated within the
13 expenditure limitation report.

14 2. For community college districts:

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

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

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

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

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

26 (b) Annual financial statements prepared in accordance with
27 generally accepted accounting principles.

28 ~~(c) A reconciliation of the total expenditures reported within the~~
29 ~~financial statements to the total expenditures reported within the~~
30 ~~expenditure limitation report.~~

31 3. For cities and towns:

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

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

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

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

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

1 (b) Financial statements prepared in accordance with generally
2 accepted accounting principles.

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

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

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

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

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

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

41 G. Each political subdivision, subject to the expenditure
42 limitations prescribed by article IX, sections 20 and 21, Constitution of
43 Arizona, shall comply with the uniform expenditure reporting system,
44 instructions and forms prescribed by the auditor general. The auditor
45 general may notify the committee and the attorney general if any political

1 subdivision does not comply with the uniform expenditure reporting system,
2 instructions or forms prescribed by the auditor general. The attorney
3 general may file a petition for special action in any court of competent
4 jurisdiction to compel any political subdivision to comply with this
5 section. The attorney general may apply for injunctive relief in any
6 court of competent jurisdiction to enjoin any political subdivision from
7 violating this section. Injunctive and special action proceedings are in
8 addition to all other penalties and other remedies prescribed by law.

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

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

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

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

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

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

Sec. 11. Heading change

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

Sec. 12. Section 41-1279.21, Arizona Revised Statutes, is amended to read:

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

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

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

2. Perform procedural reviews for school districts that are not required to comply with the ~~FEDERAL~~ single audit ~~act of 1984 (P.L. 98-502)~~ 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 debarring 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. 13. Repeal

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

1 Sec. 14. Section 41-2954, Arizona Revised Statutes, is amended to
2 read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32 E. The committee of reference shall deliver the final sunset review
33 report of its recommendations to the president of the senate, the speaker
34 of the house of representatives, the governor, the auditor general and the
35 affected agency on or before the third Friday in January. Such
36 recommendations shall include one of the following:

- 37 1. That the state agency be continued.
38 2. That the state agency be revised or consolidated.
39 3. That the state agency be terminated pursuant to this chapter.

40 F. The final sunset review report by each committee of reference
41 shall also include a written statement prepared by the agency involved
42 that contains AN ASSESSMENT OF:

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

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

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

7 1. THE EXTENT TO WHICH THE AGENCY POTENTIALLY CREATES UNEXPECTED
8 NEGATIVE CONSEQUENCES THAT MAY REQUIRE ADDITIONAL REVIEW BY THE COMMITTEE
9 OF REFERENCE, INCLUDING INCREASING THE PRICE OF GOODS, AFFECTING THE
10 AVAILABILITY OF SERVICES, LIMITING THE ABILITIES OF INDIVIDUALS AND
11 BUSINESSES TO OPERATE EFFICIENTLY AND INCREASING THE COST OF GOVERNMENT.

12 2. THE EXTENT TO WHICH THE AGENCY HAS ADDRESSED DEFICIENCIES IN ITS
13 ENABLING STATUTES.

14 ~~4.~~ 3. ~~An assessment of~~ The consequences of eliminating the agency
15 or of consolidating it with another agency.

16 G. Each committee of reference shall oversee the preparation of any
17 proposed legislation to implement the recommendations of that committee of
18 reference and is responsible for the introduction of such legislation.

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

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