

AMENDED IN ASSEMBLY MAY 2, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2613

Introduced by Assembly Member Achadjian

February 19, 2016

An act to ~~amend~~ *amend, repeal, and add* Section 26909 of the Government Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 2613, as amended, Achadjian. County auditor: audits: special districts.

Existing law requires the county auditor to either contract with a certified public accountant or public accountant to perform an audit, or perform an audit, of the accounts and records of every special district within the county, as ~~specified circumstances~~ *specified*. Existing law authorizes a special district, by unanimous request of its governing board and unanimous approval by the board of supervisors, to replace the annual audit with an audit over a longer period of time or with a financial review, as specified.

This bill would additionally authorize a special ~~district to~~ *district, until January 1, 2027, and for a period of not more than 5 consecutive years, by annual* unanimous request of its governing board and with *annual* unanimous approval of the board of supervisors, *to* replace the annual audit with an annual financial compilation and an annual review of the internal control procedures of the special district to be performed by the county auditor in accordance with professional standards, if certain conditions are met.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 26909 of the Government Code is
2 amended to read:

3 26909. (a) (1) The county auditor shall either make or contract
4 with a certified public accountant or public accountant to make an
5 annual audit of the accounts and records of every special district
6 within the county for which an audit by a certified public
7 accountant or public accountant is not otherwise provided. In each
8 case, the minimum requirements of the audit shall be prescribed
9 by the Controller and shall conform to generally accepted auditing
10 standards.

11 (2) ~~Where~~ *If* an audit of a special district's accounts and records
12 is made by a certified public accountant or public accountant, the
13 minimum requirements of the audit shall be prescribed by the
14 Controller and shall conform to generally accepted auditing
15 standards, and a report thereof shall be filed with the Controller
16 and with the county auditor of the county in which the special
17 district is located. The report shall be filed within 12 months of
18 the end of the fiscal year or years under examination.

19 (3) Any costs incurred by the county auditor, including contracts
20 with, or employment of, certified public accountants or public
21 accountants, in making an audit of every special district pursuant
22 to this section shall be borne by the special district and shall be a
23 charge against any unencumbered funds of the district available
24 for the purpose.

25 (4) For a special district that is located in two or more counties,
26 ~~the provisions of this subdivision shall apply to the auditor of the~~
27 county in which the treasury is located.

28 (5) The county controller, or ex officio county controller, shall
29 effect this section in those counties having a county ~~controller,~~
30 *controller* or ex officio county controller.

31 (b) A special district may, by unanimous request of the
32 governing board of the special ~~district,~~ *district and* with unanimous
33 approval of the board of supervisors, replace the annual audit
34 required by this section with one of the following, performed in
35 accordance with professional standards, as determined by the
36 county auditor:

37 (1) A biennial audit covering a two-year period.

1 (2) An audit covering a five-year ~~period~~, *period* if the special
2 district's annual revenues do not exceed an amount specified by
3 the board of supervisors.

4 (3) An audit conducted at specific intervals, as recommended
5 by the county auditor, that shall be completed at least once every
6 five years.

7 (c) (1) A special district may, by unanimous request of the
8 governing board of the special ~~district~~, *district and* with unanimous
9 approval of the board of supervisors, replace the annual audit
10 required by this section with a financial review, in accordance with
11 the appropriate professional standards, as determined by the county
12 auditor, if the following conditions are met:

13 (A) All of the special district's revenues and expenditures are
14 transacted through the county's financial system.

15 (B) The special district's annual revenues do not exceed one
16 hundred fifty thousand dollars (\$150,000).

17 (2) If the board of supervisors is the governing board of the
18 special district, it may, upon unanimous approval, replace the
19 annual audit of the special district required by this section with a
20 financial review in accordance with the appropriate professional
21 standards, as determined by the county auditor, if the special district
22 satisfies the requirements of subparagraphs (A) and (B) of
23 paragraph (1).

24 (d) (1) A special district may, by *annual* unanimous request
25 of the governing board of the special district and with *annual*
26 unanimous approval of the board of supervisors, replace the annual
27 audit required by this section with an annual financial compilation
28 and an annual review of the internal control procedures of the
29 special district to be performed by the county auditor in accordance
30 with ~~professional standards~~ *standards*, if all of the following
31 conditions are met:

32 (1)

33 (A) All of the special district's revenues and expenditures are
34 transacted through the county's financial system.

35 (2)

36 (B) The special district's annual revenues do not exceed one
37 hundred fifty thousand dollars (\$150,000).

38 (3)

39 (C) The special district shall pay for any costs incurred by the
40 county auditor in performing a financial compilation and evaluation

1 of the internal control procedures. Those costs shall be a charge
2 against any unencumbered funds of the district available for that
3 purpose.

4 (2) *A special district shall not replace an annual audit required*
5 *by this section with an annual financial compilation and an annual*
6 *review of the internal control procedures of the special district*
7 *pursuant to paragraph (1) for more than five consecutive years,*
8 *after which a special district shall comply with subdivision (a).*

9 (e) Notwithstanding ~~the provisions of~~ this section, a special
10 district shall be exempt from the requirement of an annual audit
11 if the financial statements are audited by the Controller to satisfy
12 federal audit requirements.

13 (f) *This section shall remain in effect only until January 1, 2027,*
14 *and as of that date is repealed.*

15 SEC. 2. *Section 26909 is added to the Government Code, to*
16 *read:*

17 26909. (a) (1) *The county auditor shall either make or*
18 *contract with a certified public accountant or public accountant*
19 *to make an annual audit of the accounts and records of every*
20 *special district within the county for which an audit by a certified*
21 *public accountant or public accountant is not otherwise provided.*
22 *In each case, the minimum requirements of the audit shall be*
23 *prescribed by the Controller and shall conform to generally*
24 *accepted auditing standards.*

25 (2) *If an audit of a special district's accounts and records is*
26 *made by a certified public accountant or public accountant, the*
27 *minimum requirements of the audit shall be prescribed by the*
28 *Controller and shall conform to generally accepted auditing*
29 *standards, and a report thereof shall be filed with the Controller*
30 *and with the county auditor of the county in which the special*
31 *district is located. The report shall be filed within 12 months of*
32 *the end of the fiscal year or years under examination.*

33 (3) *Any costs incurred by the county auditor, including contracts*
34 *with, or employment of, certified public accountants or public*
35 *accountants, in making an audit of every special district pursuant*
36 *to this section shall be borne by the special district and shall be*
37 *a charge against any unencumbered funds of the district available*
38 *for the purpose.*

1 (4) *For a special district that is located in two or more counties,*
2 *this subdivision shall apply to the auditor of the county in which*
3 *the treasury is located.*

4 (5) *The county controller, or ex officio county controller, shall*
5 *effect this section in those counties having a county controller or*
6 *ex officio county controller.*

7 (b) *A special district may, by unanimous request of the*
8 *governing board of the special district and with unanimous*
9 *approval of the board of supervisors, replace the annual audit*
10 *required by this section with one of the following, performed in*
11 *accordance with professional standards, as determined by the*
12 *county auditor:*

13 (1) *A biennial audit covering a two-year period.*

14 (2) *An audit covering a five-year period if the special district's*
15 *annual revenues do not exceed an amount specified by the board*
16 *of supervisors.*

17 (3) *An audit conducted at specific intervals, as recommended*
18 *by the county auditor, that shall be completed at least once every*
19 *five years.*

20 (c) (1) *A special district may, by unanimous request of the*
21 *governing board of the special district with unanimous approval*
22 *of the board of supervisors, replace the annual audit required by*
23 *this section with a financial review, in accordance with the*
24 *appropriate professional standards, as determined by the county*
25 *auditor, if the following conditions are met:*

26 (A) *All of the special district's revenues and expenditures are*
27 *transacted through the county's financial system.*

28 (B) *The special district's annual revenues do not exceed one*
29 *hundred fifty thousand dollars (\$150,000).*

30 (2) *If the board of supervisors is the governing board of the*
31 *special district, it may, upon unanimous approval, replace the*
32 *annual audit of the special district required by this section with a*
33 *financial review in accordance with the appropriate professional*
34 *standards, as determined by the county auditor, if the special*
35 *district satisfies the requirements of subparagraphs (A) and (B)*
36 *of paragraph (1).*

37 (d) *Notwithstanding this section, a special district shall be*
38 *exempt from the requirement of an annual audit if the financial*
39 *statements are audited by the Controller to satisfy federal audit*
40 *requirements.*

- 1 (e) *The section shall become operative on January 1, 2027.*

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