

AMENDED IN SENATE JUNE 8, 2016

AMENDED IN ASSEMBLY MAY 2, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2613**

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**Introduced by Assembly Member Achadjian**

February 19, 2016

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An act to 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. 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, 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~~ *auditor, or an agreed-upon procedures engagement*, 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) If an audit of a special district’s accounts and records is  
12 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 this subdivision shall apply to the auditor of the county in which  
27 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 or  
30 ex officio county controller.  
31 (b) A special district may, by unanimous request of the  
32 governing board of the special 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

1 accordance with professional standards, as determined by the  
2 county auditor:

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

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

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

10 (c) (1) A special district may, by unanimous request of the  
11 governing board of the special district and with unanimous  
12 approval of the board of supervisors, replace the annual audit  
13 required by this section with a financial review, *or an agreed-upon*  
14 *procedures engagement*, in accordance with the appropriate  
15 professional standards, as determined by the county auditor, if the  
16 following conditions are met:

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

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

21 (2) If the board of supervisors is the governing board of the  
22 special district, it may, upon unanimous approval, replace the  
23 annual audit of the special district required by this section with a  
24 financial—~~review~~ *review, or an agreed-upon procedures*  
25 *engagement*, in accordance with the appropriate professional  
26 standards, as determined by the county auditor, if the special district  
27 satisfies the requirements of subparagraphs (A) and (B) of  
28 paragraph (1).

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

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

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

1 (C) The special district shall pay for any costs incurred by the  
2 county auditor in performing a financial compilation and evaluation  
3 of the internal control procedures. Those costs shall be a charge  
4 against any unencumbered funds of the district available for that  
5 purpose.

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

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

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

17 SEC. 2. Section 26909 is added to the Government Code, to  
18 read:

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

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

35 (3) Any costs incurred by the county auditor, including contracts  
36 with, or employment of, certified public accountants or public  
37 accountants, in making an audit of every special district pursuant  
38 to this section shall be borne by the special district and shall be a  
39 charge against any unencumbered funds of the district available  
40 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 *and* with unanimous  
22 approval of the board of supervisors, replace the annual audit  
23 required by this section with a financial review, in accordance with  
24 the 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 district  
35 satisfies the requirements of subparagraphs (A) and (B) of  
36 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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