

AMENDED IN SENATE JUNE 21, 2016

AMENDED IN SENATE JUNE 8, 2016

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, 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 *perform an audit*, or 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 unanimous request of its governing board and with unanimous approval of the board of supervisors, to replace the annual audit with an annual financial compilation of the special district to be performed by the county 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 (C) *The special district shall pay for any costs incurred by the*
22 *county auditor in performing an agreed-upon procedures*
23 *engagement. Those costs shall be charged against any*
24 *unencumbered funds of the district available for that purpose.*

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

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

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

1 (B) The special district’s annual revenues do not exceed one
2 hundred fifty thousand dollars (\$150,000).

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

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

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

17 (f) *Upon receipt of the financial review, agreed-upon procedures*
18 *engagement, or financial compilation, the county auditor shall*
19 *have the right to appoint, pursuant to subdivision (a), a certified*
20 *public accountant or a public accountant to conduct an audit of*
21 *the special district, with proper notice to the governing board of*
22 *the special district and board of supervisors.*

23 (f)
24 (g) This section shall remain in effect only until January 1, 2027,
25 and as of that date is repealed.

26 SEC. 2. Section 26909 is added to the Government Code, to
27 read:

28 26909. (a) (1) The county auditor shall either make or contract
29 with a certified public accountant or public accountant to make an
30 annual audit of the accounts and records of every special district
31 within the county for which an audit by a certified public
32 accountant or public accountant is not otherwise provided. In each
33 case, the minimum requirements of the audit shall be prescribed
34 by the Controller and shall conform to generally accepted auditing
35 standards.

36 (2) If an audit of a special district’s accounts and records is
37 made by a certified public accountant or public accountant, the
38 minimum requirements of the audit shall be prescribed by the
39 Controller and shall conform to generally accepted auditing
40 standards, and a report thereof shall be filed with the Controller

1 and with the county auditor of the county in which the special
2 district is located. The report shall be filed within 12 months of
3 the end of the fiscal year or years under examination.

4 (3) Any costs incurred by the county auditor, including contracts
5 with, or employment of, certified public accountants or public
6 accountants, in making an audit of every special district pursuant
7 to this section shall be borne by the special district and shall be a
8 charge against any unencumbered funds of the district available
9 for the purpose.

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

13 (5) The county controller, or ex officio county controller, shall
14 effect this section in those counties having a county controller or
15 ex officio county controller.

16 (b) A special district may, by unanimous request of the
17 governing board of the special district and with unanimous
18 approval of the board of supervisors, replace the annual audit
19 required by this section with one of the following, performed in
20 accordance with professional standards, as determined by the
21 county auditor:

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

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

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

29 (c) (1) A special district may, by unanimous request of the
30 governing board of the special district and with unanimous
31 approval of the board of supervisors, replace the annual audit
32 required by this section with a financial review, in accordance with
33 the appropriate professional standards, as determined by the county
34 auditor, if the following conditions are met:

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

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

39 (2) If the board of supervisors is the governing board of the
40 special district, it may, upon unanimous approval, replace the

1 annual audit of the special district required by this section with a
2 financial review in accordance with the appropriate professional
3 standards, as determined by the county auditor, if the special district
4 satisfies the requirements of subparagraphs (A) and (B) of
5 paragraph (1).

6 (d) Notwithstanding this section, a special district shall be
7 exempt from the requirement of an annual audit if the financial
8 statements are audited by the Controller to satisfy federal audit
9 requirements.

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

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