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ARIZONA TAX RESEARCH ASSOCIATION

ATRA SUPPORTS SB1066

Financial Audit Publication & Accountability

(With proposed Senate Government Amendment)

Background:

Under current law, counties, community colleges, and cities are required to have their financial statements audited and must file those statements with the Office of the Auditor General within four months after the close of each fiscal year. Upon written request, the Auditor General may extend the deadline up to an additional four months if extenuating circumstances prevent submission of the statements within the four-month required time frame.

The primary objective in financial reporting is to demonstrate a jurisdiction's fiscal and operational accountability to taxpayers and its citizens, as well as legislative and oversight bodies, investors, and creditors. To be of any value, the financial statements must not only be understandable and reliable, but also filed in a timely manner. However, under current law, there is no penalty if a local jurisdiction fails to file its financial statements by the statutory deadline. Consequently, that deadline is often not adhered to, and in some cases, the financial statements are not filed with the Auditor General's office until years after the deadline.

Basis for ATRA's Support:

The proposed amendment in Senate Government extends the current eight-month deadline to nine months. If a jurisdiction does not file its financial audit with the Auditor General's office on or before the adoption of the subsequent year's budget, a form as prescribed by the Auditor General's office must be submitted in the subsequent year's budget indicating that the financial audit has not been completed.

In addition, local jurisdictions are not currently required to post their financial audits on their website. SB1066 requires that the governmental entity post the financial audit on their website within seven days of filing the report with the Auditor General and the reports must be retained on the website for at least five years. If the jurisdiction has not completed its financial audit according to the statutory deadline, the abovementioned form as prescribed by the Auditor General must be posted on the entity's website in place of the financial audit until the audit is completed.

ATRA ASKS FOR YOUR SUPPORT OF SB1066!