

Local Government Advisory Committee on Financial Reporting

Minutes of Tuesday, May 7, 2024

The Local Government Advisory Committee on Financial Reporting (Committee) officially approved the following meeting minutes at the subsequent public Committee meeting held on Wednesday, September 25, 2024.

I. Call to Order/Roll Call

Chair Sisk called the meeting to order at 9:33 a.m. and conducted a roll call of those in attendance as displayed below:

Committee Members present via Teleconference:

Andrew C. Sisk (Chair), Andrea Miller, Dennis W. Kauffman, Elena S. Adair, Paula Hansen, and Nolda Short.

Excused Absences:

Tracy Drager

State Controller's Office (SCO) Staff present:

Jia Liu, Jason Narayan, Henry Mathews, and Luis Gonzalez.

Members of the Public Present:

None

II. Acknowledgement/Introduction of New Committee Member

Chair Sisk formally acknowledged Nolda Short, who was appointed to the Committee on July 3, 2023. Upon the request of Chair Sisk, Ms. Short briefly introduced herself to the Committee.

III. Review of Minutes from September 18, 2023

A. Discussion

Chair Sisk asked the Committee members if they had any comments concerning the meeting minutes from September 18, 2023, prior to them being considered for approval. Committee members had comments.

B. Motion and Vote to Approve Minutes from September 18, 2023

Chair Sisk asked a Committee member to make a motion to approve the meeting minutes from September 18, 2023. Mr. Kauffman made a motion to approve the meeting minutes. Ms. Hansen seconded the motion. Ms. Adair inquired as to whether she could vote on the meeting minutes since she did not disclose her teleconference location. Mr. Narayan stated that Ms. Adair could not vote on the meeting minutes since her teleconference location was not provided.

The motion passed 5-0 on a roll call vote with Ms. Adair abstaining.

IV. Approval of Proposed Changes to the Special District Uniform Accounting and Reporting Procedures (SPD) Manual – 2024 Edition

A. List of Substantive Changes

Ms. Liu provided a high-level overview of the changes listed in the SPD *Summary of Substantive Changes* document, which was provided to the Committee prior to the meeting to assist in their review of the 2024 edition of the SPD manual. Ms. Liu further stated there were no substantive changes made to the 2024 edition of the SPD manual.

B. Committee Discussion

Ms. Liu asked if the Committee had any questions regarding the changes made to the 2024 edition of the SPD manual. Ms. Short inquired as to whether SCO could provide a redline version of the SPD manual for the Committee's review. Ms. Liu stated that the SPD manual is vetted via the Special Districts Policy and Interpretation (SPD P&I) Committee prior to the manual being submitted to the Committee for approval. As part of the vetting process the SPD P&I Committee receives the redline version of the SPD manual. Ms. Liu also stated that going forward SCO will provide the Committee with a redline version of the SPD manual for their review.

Chair Sisk stated that the SPD P&I Committee operates similar to the California State Association of County Auditors (SACA) Policy and Interpretation (P&I) Committee. SACA P&I Committee focuses on details pertaining to county accounting procedures on behalf of the auditor-controllers who are members of SACA Accounting Standards and Procedures (ASC) Committee. Chair Sisk further stated that he would also like to see the redline version of the SPD manual.

Mr. Kauffman inquired as to whether SCO could provide an example of guidance that was deemed to be outside the scope of SCO's authority and was removed from the SPD manual. Ms. Liu stated that there was no guidance removed from the 2024 edition of the SPD manual. Mr. Narayan stated that in the past SCO removed guidance pertaining to "Record Retention" as the authority to provide this guidance reside with the Secretary of State. Ms. Liu further stated SCO is currently reviewing the current guidance in the SPD manual to identify those chapters that maybe outside the scope of SCO to provide.

Chair Sisk stated that his office (Placer County) has received several inquiries from agencies (including external auditors) requesting records that fall outside of the Secretary of State's recommended timeframe. Since SCO audits various counties, Chair Sisk stated that SCO should be providing the guidance on "Record Retention" and not the Secretary of State. Chair Sisk stated he intends to bring up this issue at the next SACA ASC Committee meeting. Chair Sisk stated he would like to hold discussions with SCO to get "Record Retention" guidance reinserted into the SPD and the *Accounting and Standards Procedures for Counties (ASP)* manual.

Ms. Short stated that many counties had adopted the “Records Retention” guidance provided in the ASP manual by resolution with their respective county boards. With the “Records Retention” guidance taken out of the ASP manual, counties are now required to adopt new resolutions regarding document retention schedules. Ms. Short stated that the ASP manual is an appropriate document for providing “Record Retention” guidance.

C. Public Comment

There were no comments or questions from the public

D. Motion and Vote to Approve Proposed Changes to SPD Manual – 2024 Edition

Chair Sisk asked if any Committee member would like to make a motion to approve the proposed changes to the 2024 edition of the SPD manual. Ms. Short made a motion to approve the proposed changes to the 2024 edition of the SPD manual. Ms. Hansen seconded the motion.

The motion passed 5-0 on a roll call vote with Ms. Adair abstaining.

V. **Other Discussion Items/New Business**

Chair Sisk inquired as to why Ms. Adair was not able to vote on agenda items. Mr. Narayan stated the Bagley Keene Act (Act) requires teleconference locations to be disclosed and provided on the meeting agenda. Since the requirements of the Act were not met Ms. Adair could not vote on agenda items.

Chair Sisk also stated that special districts are struggling to find qualified accounting staff to do their bookkeeping and get their financial statements audited. Chair Sisk further added that due to rising costs, these special districts are finding it difficult to procure the services of qualified accounting staff. Chair Sisk would like to collaborate with SCO to find solutions to help special districts find accounting staff and affordable accounting and auditing services. Chair Sisk is reaching out to organizations such as the California Special Districts Association to talk about the accounting and auditing issues currently being experienced by special districts. Chair Sisk further stated that Government Code section 26909 was amended from an auditing perspective but was not enough to assist special districts in rural areas. Due to lack of qualified accounting staff, rural special districts have to rely on heavily on CPA firms or their respective auditor-controller’s office to do their bookkeeping. Mr. Kauffman stated that the issues identified by Chair Sisk are not only applicable to special districts but to other local governmental agencies as well.

Ms. Liu stated that she would inform SCO upper management about Chair Sisk’s concerns regarding special districts. Ms. Hansen stated that the special districts should connect with the California Special Districts Association as they have resources that can assist special districts with their accounting needs.

VI. Plan for Next Meeting

Chair Sisk inquired as to when SCO plans to hold the next Committee Meeting. Ms. Liu stated that tentatively SCO plans to hold the next Committee meeting either in September 2024 or in October 2024 to discuss the next SPD manual publication plan.

VII. Adjournment

Chair Sisk moved to adjourn the meeting at 9:51 a.m. The motion passed 5-0 on a roll call vote with Ms. Adair abstaining.