

## **AB 1345 – Audit Partner Rotation Waiver**

### **Government Code section 12410.6(b)**

*Commencing with the 2013–14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local agency for six consecutive fiscal years. For purposes of calculating the six consecutive fiscal years, the local agency shall not take into account any time that a public accounting firm was employed by that local agency prior to the 2013–14 fiscal year. The Controller may waive this requirement if he or she finds that another eligible public accounting firm is not available to perform the audit.*

### **SCO Waiver Protocol:**

Public accounting firms are expected to understand and comply with the rotation requirement of Government Code section 12410.6(b). If a firm cannot meet the rotation requirement, the firm must decline the audit engagement for a minimum of one year.

A waiver may be granted under the following conditions:

1. A qualifying firm has fewer than five eligible partners to review the audit work; and there are no other qualifying firms geographically located within 100 miles of the local agency; and the local agency is able to provide documentation supporting that it attempted to hire a different firm but was unsuccessful; or
2. The local agency is able to demonstrate that it would be burdensome to hire a different firm to perform the annual audit.

The State Controller's Office (SCO) may grant waivers to agencies that provide letters to SCO indicating the following:

- a) The qualifying audit firm has an audit partner, or coordinating audit partner, who has had primary responsibility for the audit of the local agency for six or more consecutive years; and
- b) The specific condition(s) that make the local agency eligible for the waiver.

Send letters to:

State Controller's Office  
Division of Audits – Financial Bureau  
P.O. Box 942850  
Sacramento, CA 94250-5874

Or contact SCO via email at [saaudits@sco.ca.gov](mailto:saaudits@sco.ca.gov)

Waivers are applicable for three years.