

# Advisory Committee on County Accounting Procedures

Minutes of Wednesday, June 26, 2024

The Advisory Committee on County Accounting Procedures (Committee) officially approved the following minutes at the subsequent public Committee meeting held on November 15, 2024.

## I. Call to Order/Roll Call

Chair Harn called the meeting to order at 9:32 a.m. and conducted a roll call of those in attendance as displayed below:

**Committee Members present:**

None

**Committee Members present via Teleconference:**

Joe Harn (Chair), Jeffery Burgh, Nathan M. Black, Graciela Gutierrez, Tracie M. Riggs, Darcie Antle, and Edward C. Scofield.

**Excused Absences:**

Monica Nino and Angela Curro

**State Controller's Office (SCO) Staff present:**

Sandeep Singh, Jia Liu, Gene Hughes, Jason Narayan, Henry Mathews, and Luis Gonzalez.

**SCO Staff present via Teleconference:**

None

**Members of the Public present:**

Betsy Schaffer (Auditor-Controller, Santa Barbara County)

## II. Review of Minutes from May 15, 2024

### A. Committee Discussion

Chair Harn asked the Committee members if they had any questions or comments concerning the meeting minutes from May 15, 2024, prior to them being considered for approval. There were no comments or questions from the Committee or the public.

### B. Motion and Vote to Approve to Minutes from May 15, 2024

Chair Harn noted that he would entertain a motion to adopt/approve the meeting minutes from May 15, 2024. Ms. Gutierrez made a motion to adopt/approve the meeting minutes. Mr. Black seconded the motion.

**The motion passed unanimously 7-0 on a roll call vote without any abstentions.**

### III. State Controller's Office (SCO) Publication Overview

Mr. Hughes began by listing the various accounting manuals that are published by the Local Government Policy Unit (LGPU) on behalf of SCO, including the *Accounting Standards and Procedures for Counties* (ASP) manual. He stated that the presentation would highlight the key attributes, elements, and features of the ASP manual. Mr. Hughes added that LGPU had recently conducted a high-level comparison of the guidance in the ASP manual with other state accounting manuals and the results would be part of the overview.

Mr. Hughes then covered how the guidance in the ASP manual is statutorily required by Government Code section 30200 to provide uniform accounting and reporting procedures to the 58 California counties and that the guidance must conform to and be consistent with Generally Accepted Accounting Procedures (GAAP) and Governmental Accounting Standards Board pronouncements. He added that LGPU devotes considerable time and resources to determine what should be included and/or excluded in the ASP manual to ensure that the guidance is within SCO authoritative scope and, where applicable, is consistent with guidance in other SCO accounting manuals.

Mr. Hughes explained that LGPU achieves a high level of transparency by working in collaboration with the State Association of County Auditors (SACA) via their Accounting Standards Committee (ASC) to develop and agree upon an annual publication plan that is then submitted to this Committee for approval. He continued that upon approval, LGPU vets all proposed changes through SACA ASC for their comments and feedback. He added that the final step, per Government Code section 30200, is to consult with and receive approval of the proposed changes from this Committee prior to making the updated ASP manual available to the public.

Mr. Hughes continued by providing an overview of what LGPU staff found after comparing the ASP manual with accounting manuals from other states of comparable economic scale, size, and population. He stated that LGPU staff determined that they were not as comprehensive and in some cases had not been updated in many years. Mr. Hughes further stated that LGPU staff found that the ASP manual ranked ahead of the other state accounting manuals in terms of quality, practicality, overall structure/organization, and user-friendliness.

Mr. Hughes concluded the overview by stating that SCO believes the ASP manual serves not only as an excellent reference for specific accounting guidance consistent with the provisions of both GAAP and GASB, but it is also useful as a foundational guide for county staff members who are new to governmental accounting.

Mr. Singh stated the importance of legal compliance with Government Code section 30200 for the ASP manual and explained that SCO sees the intent of this statute is to prescribe and provide uniform accounting procedures to California counties via the ASP manual to address accounting needs related to uniformity while complying with the provisions of both GAAP and GASB.

Mr. Singh continued that the design of the ASP manual, which is based on broad principles, accounts for diverse situations and unique circumstances. He added that the broad principle design allows for flexibility and application to a wide range of situations and consistency with other GASB standards and that this design allows for greater stakeholder input as they are able to interpret and implement standards in a way that is more effective for their specific needs. Mr. Singh further stated that most importantly, this broad principle based design allows SCO to defend against any legal challenges made against any direct guidance provided. Mr. Singh concluded by stating changes to the guidance in the ASP manual are mainly driven by statutes and inquiries that flow from the counties to SCO. He asked if there were any questions related to the overview and/or his high level points prior to moving to agenda item four.

Chair Harn then recognized Ms. Schaffer (Chair, SACA ASC) who said that she had a couple of follow-up questions related to the overview presentation. Ms. Schaffer asked who made the determination that the ASP manual was the best when compared to other state accounting manuals and how was that process determined.

Ms. Liu responded by going over the process LGPU staff followed when conducting the comparison. She stated that LGPU staff performed a high-level side by side review of various state accounting manuals against the content in the ASP manual and found that that other state accounting manuals provided very high level guidance and very few, if any, contained examples. Ms. Liu added that the ASP manual contained many illustrative examples, as well as fundamental knowledge related to governmental accounting.

Ms. Schaffer asked for clarification as to whether the comparison was carried out by LGPU staff only or if LGPU had reached out to the California county auditors to help make an assessment from their perspective. Ms. Liu confirmed that the comparison was conducted by LGPU staff only, but was open to any suggestions or recommendations from the county auditor controllers. She emphasized that any comparison would need to be with states of similar characteristics as California and that the ASP manual is much more comprehensive when compared with accounting manuals from other states.

Mr. Singh commented that he had LGPU staff conduct this comparison to get a sense from a broader perspective of what is being published in the ASP manual versus other state accounting manuals. He added that SCO also wanted to address feedback received in the past concerning the level of detail in the ASP manual as well as its overall size when compared to other state accounting manuals.

Ms. Schaffer responded that while she appreciates the research done by LGPU, she commented that it might have been beneficial to include some of the county auditor controllers in order to get another perspective beyond SCO. Mr. Singh stated that the main intent behind this comparison project was to give this Committee the perspective of SCO, to start a conversation related to the format of the ASP manual, and that SCO values SACA ASC feedback concerning proposed changes for future editions of the ASP manual.

Mr. Singh continued that when he reviewed LGPU database of accounting inquiries, he saw that not many inquiries have been submitted. He further stated that no one has raised concerns directly with SCO about the format of the ASP manual or the usefulness of the GASB related guidance currently being provided in it. Ms. Schaffer commented that she was glad Mr. Singh had brought up the inquiry process, as she was not aware of it, even though she is the Chair of SACA ASC.

Ms. Schaffer continued that she did not realize there was a formal inquiry process that helps guide SCO on what to include in the ASP manual. Ms. Schaffer asked if there was a form to submit and if SCO could provide details on the process. Mr. Singh explained that there is no form required and that any inquiries could be submitted directly to LGPU mailbox via email.

Ms. Gutierrez inquired as to where the FTR (Financial Transactions Report) manual lies in relation to the three manuals that were part of the earlier presentation. Mr. Singh responded that guidelines for FTR forms are actually instructions and not an actual manual. He added that the authoritative scope for publishing FTR forms and instructions lies with the Local Government Reporting Unit within SCO. Mr. Singh explained that the FTR instructions do not go through a legislatively mandated approval process similar to the ASP manual.

#### **IV. Quick Reference Guide (QRG) & White Paper/Technical Bulletin**

##### **A. Discussion on QRG Template and development of White Paper/Technical Bulletin**

Mr. Singh provided a high level summary of the timeline of events related to the QRG template. He stated that LGPU staff had worked on modifying the QRG template provided by Ms. Schaffer. Mr. Singh added that a motion to keep working on the QRG template was voted down at the September 2023 meeting and it was decided to keep the current format for the ASP manual. He continued that he had suggested that the development of a white paper or QRG should be done by SACA ASC, as they have the necessary skill set.

Mr. Singh stated that it made more sense for SACA ASC, as subject matter experts, to develop a QRG or white paper and then submit it to SCO for review so that the guidance would be written at a level that would be of the most use to the counties.

##### **B. Committee Discussion**

Ms. Gutierrez reiterated that the other Committee members were looking for something from SCO that would be in addition to, not replace, the ASP manual. She stated that a QRG would bring together guidance related to accounting, the Budget Act, special districts, etc, and be a quick standard for new county staff and supervisors. She added that a QRG needs to come from SCO because while SACA ASC can collaborate and develop the accounting piece, it would not address the needs of the other Committee members (non-county auditor controllers).

Ms. Schaffer commented that the QRG was developed to provide a different way to view the information in the ASP manual. She added that the items to be addressed included ease of use by counties, ease of updating by SCO, focus on fund accounting and transactions, and keeping the chapters brief. Mr. Black suggested that SACA ASC should revisit this action item and develop a basic scheme for a couple of chapters that can be submitted to SCO for review. Ms. Gutierrez stated that the northern group of smaller rural counties do not want to see the ASP manual reduced in size. She added that they do not have large accounting staff and heavily rely on the guidance in the ASP manual on a day-to-day basis.

Ms. Schaffer, as SACA ASC Chair, was on board with Mr. Black's suggestion of having the counties develop a usable QRG format and/or template. She suggested that she and Mr. Black work together on a chapter or specific topic and obtain feedback from all SACA ASC members before submitting it to SCO for their review.

Chair Harn recognized Mr. Burgh who made the observation that there seemed to be some confusion among SACA ASC as to what is needed. He suggested that SACA get together in October (at SCO Fall Conference) and decide on what will be proposed to SCO for their review. Mr. Burgh continued that this way SACA could say to SCO that “this is what we want and how we think it should look.” Ms. Schaffer commented that during a special SACA ASC meeting last year (July 2023) it was decided to keep the ASP manual the same and not pursue the development of a QRG. However, she reiterated that she was open to working with Mr. Black to work on a chapter and call a special meeting of SACA ASC to discuss what is the direction going forward.

**NOTE:** Mr. Scofield left the meeting at 10:43 a.m. due to prior commitment.

Mr. Singh continued that he wants to cater to an informed audience because the law says to prescribe accounting procedures to counties and the understanding there is that the counties have a certain level of accounting prerequisites. Mr. Black commented that there are California specific concerns that need to be addressed. He gave an example of the California Budget Act, which would not be covered in detail by GASB pronouncements. Mr. Black added that he does not want to see any major changes to the ASP manual, but should continue to look for ways to improve it over time.

**NOTE:** Ms. Riggs left the meeting at 10:47 a.m. due to a prior commitment.

Mr. Black further stated that he really likes the idea of a separate document. He concluded that he had one last comment and it was that he sees this as an opportunity to educate counties on who they can contact at SCO with their specific accounting inquires. He added that it might be a good idea for the other controllers and finance directors, on behalf of SCO, to assist with this effort. Mr. Singh thanked Mr. Black for his comments and reiterated that SCO is open to discussing any changes, but that a clear direction on what is being proposed needs to be submitted.

Mr. Burgh made a motion for this action item to be sent back to SACA ASC to figure out what they want, work within themselves to get some sort of clear guidance, and collaborate with SCO to move the action item forward. Mr. Singh noted that two Committee members had left the meeting in the last five minutes due to prior commitments and that this meant there were not a sufficient number of Committee members to vote on a motion. Ms. Gutierrez pointed out that since this was going to be an action item for SACA ASC, it was not necessary for this Committee to make and approve a motion.

Mr. Black confirmed that he would meet with Ms. Schaffer (SACA ASC Chair) following this meeting and map out an idea concept for this action item. He added that once that was accomplished, Ms. Schaffer could call a SACA ASC meeting as needed. Ms. Gutierrez added that this action item could be removed from the agendas of future Committee meetings since it will be worked on by SACA ASC and not SCO.

#### C. Public Comments

There were no comments or questions from the public.

#### V. Plan for Next Meeting

Committee agreed to meet again after SACA ASC had presented SCO with an outline of proposed format changes to the ASP manual. The outline of the proposed changes may not be available until much later in the year.

**VI. Adjournment**

Chair Harn moved to adjourn the meeting at 10:57 a.m., all in favor with zero opposing to adjourn.

DRAFT