

**SUBJECT:** Regulating county accounting practices

**COMMITTEE:** County Affairs — favorable, without amendment

**VOTE:** 7 ayes — Ramsay, G. Lewis, B. Brown, Chisum, Farabee, Hilderbran,  
Swinford

0 nays

2 absent — Krusee, Salinas

**WITNESSES:** For — Jim Allison, County Judges and Commissioners Association of Texas;  
Donald Lee, Texas Conference of Urban Counties; Susan Spataro, Travis  
County Auditor's Office

Against — None

**BACKGROUND:** Current law requires auditors to audit counties in accordance with generally accepted accounting principles (GAAP) and requires the county auditor to set rules for the county's accounting procedures. However, the law does not specify that the rules must be consistent with GAAP. As a result, counties can — and some have — adopted accounting procedures that conflict with these standards.

The American Institute of Certified Public Accountants Council has designated the Governmental Accounting Standards Board (GASB) as the governing body for state and local governments in establishing the standard accounting procedures.

**DIGEST:** HB 1219 would amend Local Government Code, sec. 112.002, which applies only to counties with populations of 190,000 or more, to specify that county accounting procedures must be consistent with GAAP as established by the GASB. The bill would apply only to regulations adopted on or after the first day of the county's fiscal year that begins on or after the effective date.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.

**SUPPORTERS  
SAY:**

Governments, corporations, small businesses, financial institutions, investors, and the general public rely on the independence and objectivity of the outside audit of county financial statements. If financial statements are not prepared properly, the audited organization and those who rely on its financial statements can experience monetary losses.

Current law already requires state auditing procedures to comply with GAAP standards. HB 1219 would ensure that accounting standards are consistent across governments and among departments within a county government. The bill would increase public trust in those handling public funds by ensuring that counties follow professional accounting standards.

Smaller counties should not have to comply with GAAP because they often do not employ degreed accountants. Smaller counties cannot afford to offer salaries to attract accountants with graduate degrees to serve as county auditors. Requiring the smaller counties to comply with these accounting standards could be difficult and expensive.

**OPPONENTS  
SAY:**

HB 1219 should apply to all counties, not just those with populations above 190,000. Smaller counties whose accounting practices are not consistent with GAAP are still subject to outside independent audits, and the independent auditor must examine the counties' financial statements according to GAAP. In some cases, this means the auditor must convert the county's financial statements to GAAP standards before beginning the auditing process, increasing time and money spent to conduct the audit.