

HSC section 34177 (n) requires the Successor Agency, which is a separate legal entity per HSC section 34173 (g), to cause an annual post audit of its financial transactions and records. Finance notes that Successor Agency activities will be reported as a trust fund that is included in the financial statements of the sponsoring government. Finance will accept such reporting as meeting the minimum requirements of this section. However, Finance believes the legislative intent behind this subdivision is to continue the previous practice of conducting separate annual audits of the Redevelopment Agencies, whose responsibilities have now transferred to Successor Agencies. As such, when implementing this provision, Finance would prefer, as a best practice, to have this audit requirement addressed by the issuance of a separate set of audited financial statements in addition to the inclusion of Successor Agency activities in the audited financial statements of the sponsoring government. Additionally, because the statute requires the audit to be initiated by the Successor Agency, it is not clear that the sponsoring government's annual audit, which is initiated by that entity, would be appropriate and sufficient to meet the requirements of HSC section 34177 (n). However, that decision is best made at the local level. Finance does note that an Oversight Board can specifically require a separate audit of the Successor Agency as a matter of best practice, if they believe that a more focused audit is warranted, or if a separate audit is required by bond covenants.