

**REVENUE:** No revenue impact  
**FISCAL:** Fiscal statement issued

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<b>Action:</b>	Do Pass as Amended, Be Printed Engrossed, and Be Referred to the Committee on Ways and Means by prior reference
<b>Vote:</b>	4 - 0 - 2
<b>Yeas:</b>	Burdick, Edwards, Starr, Beyer
<b>Nays:</b>	0
<b>Exc.:</b>	Atkinson, Girod
<b>Prepared By:</b>	Richard Berger, Administrator
<b>Meeting Dates:</b>	3/28, 4/21

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**WHAT THE MEASURE DOES:** Requires contracting agency that awards public contracts to pay fees equivalent to one-tenth of one percent of contract price for contract to office of the Secretary of State when the contract is executed. Requires the Secretary of State to use proceeds of the fee to conduct random financial, compliance and performance audits of certain public improvement contracts exempt from competitive bidding. Requires the Secretary to appoint an advisory committee to advise the secretary concerning the scope, contents and expected results of the audits the Secretary conducts. Establishes Public Contracting Audit Account and continuously appropriates moneys in account to Secretary of State for purpose of conducting audits of public contracts. Authorizes legislative committee to review audit reports, and to establish work groups for recommendations on content of audit report and public contracting practices and procedures. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

- Amount of money needed to do random audits
- Importance of competition in public contracts
- Random audits versus reviewing all contracts
- Rational for Construction Manager/General Contractor form of public contract

**EFFECT OF COMMITTEE AMENDMENT:** Specifies that all public contracts are subject to the one-tenth of one percent fee paid to the office of the Secretary of State. Changes name of Public Contracting Audit Fund to Public Contracting Audit Account. Allows Secretary of State, through interagency and intergovernmental agreement, to require contracting agency to pay auditing costs on public contract in the event that fees are not paid. Authorizes legislative committee to review audit reports, and to establish work groups for recommendations on content of audit report and public contracting practices and procedures.

**BACKGROUND:** Senate Bill 772 A stems from controversy over the use of alternative contracting methods where a firm is awarded a contract without going through a normal competitive bid process. Current law outlines the specific cases when these alternative contract methods can be used and the procedures for awarding such a bid. There is a perception noted in the testimony that some public agencies are misusing these alternative methods to choose favorites, which has the effect of limiting competition and making projects less affordable.