

KATE BROWN
SECRETARY OF STATE
ROBERT TAYLOR
DEPUTY SECRETARY OF STATE



SECRETARY OF STATE
136 STATE CAPITOL
SALEM, OREGON 97310-0722
Phone 503-986-1523 & Fax 503-986-1616
oregon.sos@state.or.us

HB 2174: Financial Reporting Requirements of Municipal Corporations

Summary: HB 2174 allows withholding of certain moneys to encourage municipal corporations to timely submit audited financial statements to the Secretary of State and deregulates the form of municipal corporation contracts for required audits.

Background:

Municipalities are generally required to be audited and submit audited financial statements annually to the Secretary of State under ORS 297.425 and ORS 297.465. These filings provide one measure of a government's financial management, promote fiscal accountability, and create a deterrent for possible fraud. Although a statutory mechanism clearly allows the withholding of 10% of state funding when municipalities fail to take adequate steps to correct problems identified in required filings, it is not clear that this mechanism applies when municipalities fail to submit required filings in the first place. Current agency policy following a municipality's failure to timely file is to maintain open lines of communication with that municipality and to grant it a reasonable extension when it has shown good cause for untimely filing. Secretary Brown is committed to continuing this policy.

This bill also touches on a second aspect of municipal financial reporting requirements. The Secretary of State's Office wants to give municipalities the freedom to determine the form and content of certain contracts entered into and required under statute.

What the bill does:

- Expressly authorizes state to withhold 10% of funds otherwise distributed each fiscal year to a municipality for failure to file required audited financial statements, until required statements are filed with the Secretary of State.
- Amends ORS 297.425 to eliminate requirement that "All contracts for conducting audits and reviews shall be in a form prescribed or approved by the Secretary of State."

Fiscal impact: No fiscal impact.

For more information:

Gina Zejdlik, Chief of Staff
gina.zejdlik@state.or.us
(503) 986-2360