

PRELIMINARY STAFF MEASURE SUMMARY**CARRIER:**

House Committee on Consumer Protection and Government Effectiveness

REVENUE: Minimal revenue impact**FISCAL: Minimal fiscal impact****SUBSEQUENT REFERRAL TO: None****Action:****Vote:****Yeas:****Nays:****Exc.:****Prepared By:** Wendy Simons, Administrator**Meeting Dates:** 2/10

WHAT THE MEASURE DOES: Deletes requirement for Secretary of State to prescribe form of contract for conduct of municipal audits. Allows Secretary of State to direct certain state agencies to withhold 10 percent of specified state funds otherwise to be distributed to municipality if municipality fails to submit audit report. Declares emergency, effective upon passage.

ISSUES DISCUSSED:**EFFECT OF COMMITTEE AMENDMENT:**

Proposed -5 amendment: Provides that audit reports are considered delinquent if municipal corporation has not filed with the Secretary of State by the deadline or extended deadline as specified. Directs governing body of municipal corporation whose audit report contains deficiencies to adopt a plan of action to address the deficiencies, and to file the plan of action with the Secretary of State. Requires Secretary of State to notify city or county if deficiencies exist which could result in withholding of state funds. Requires Secretary of State to prepare and maintain annual summary report with information about which municipal corporations filed audit reports on time, which filed audit reports late without receiving an extension, which received an extension, and the deficiencies found for each municipal corporation. Requires Secretary of State to submit report to appropriate legislative committee by March 1 of each odd-numbered year.

BACKGROUND: Oregon statutes require cities and counties with annual expenditures over \$500,000 to be audited at least once a year by an accountant or the Secretary of State and to submit audited financial statements to the Secretary of State. Within 30 days of filing an audit report, a municipality must inform the Secretary of State of the actions it proposes to take to correct any deficiencies found in the audit, such as failure to follow generally accepted accounting principles, failure to establish adequate financial controls, or failure to comply with all legal requirements in its financial affairs. If a municipality does not correct deficiencies found by the Secretary of State for two consecutive audit periods, the Secretary's office may direct the State Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director of the Oregon Department of Administrative Services to withhold 10 percent of certain state funds that would otherwise be distribute to that municipality until the deficiencies are corrected.

Under House Bill 2174, the Secretary of State may also direct withholding of state funds if a municipality fails to file its audit report with the Secretary of State.

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This summary has not been adopted or officially endorsed by action of the committee.