

**Office of the Secretary of State**

Jeanne P. Atkins  
Secretary of State

Robert Taylor  
Deputy Secretary of State



**Audits Division**

Gary Blackmer  
Director

255 Capitol St. NE, Suite 500  
Salem, OR 97310

(503) 986-2255

**Senate Committee on Rules**

Testimony

Mary Wenger, Deputy Director, Audits Division, Secretary of State's Office  
April 2, 2015

Chair Rosenbaum, members of the committee, my name is Mary Wenger, Deputy Director of the Secretary of State's Audits Division. Thank you for the opportunity to discuss House Bill 2174A.

Oregon requires municipalities to hire an accounting firm to audit their annual financial statements and test for compliance with any applicable federal grant requirements. A copy of each audit report is filed with the Secretary of State Audits Division. The smallest municipalities are only required to file a self-prepared report of their financial activities each year.

All of these required filings serve important purposes. They provide one measure of a government's financial management, they promote fiscal accountability, and they create a deterrent for possible fraud.

Unfortunately, municipalities don't always comply with Oregon statute. 62 municipalities were over 1 year late in their filings as of February 2, 2015, and some were late by multiple years. We grant extensions for reasonable cause if requested, but some municipalities do not even contact us to request an extension.

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, there is no statutory mechanism that clearly applies when municipalities fail to submit required filings in the first place. H.B. 2174A addresses this by giving teeth to filing requirements. The bill authorizes the State to withhold 10% of state funds otherwise distributed if a city or county fails to file required audited financial statements in a timely manner. Withheld funds would be released after required filings were made.

In addition, this bill adds clarification to several sections of municipal audit law. It more clearly puts the responsibility to timely submit audit reports on the municipal corporations rather than on the CPAs who conduct the audits of the municipal

corporations' financial statements. House Bill 2174A also requires all municipal corporations with deficiencies disclosed in audit reports to adopt and submit a plan of action to the Secretary.

Further, the bill requires the Secretary to prepare an annual report that summarizes whether municipal corporations are timely filing their audit reports and addressing audit report deficiencies.

Finally, as a housekeeping matter, this bill would also eliminate the requirement that "All contracts for conducting audits and reviews shall be in a form prescribed or approved by the Secretary of State." Municipalities are already required to follow Oregon's Public Contracting Code (ORS Chapters 279).

Thank you for the opportunity to discuss this bill. I'm happy to answer any questions you may have.