

Seventy-Eighth Oregon Legislative Assembly - 2015 Regular Session
STAFF MEASURE SUMMARY
House Committee On Consumer Protection and Government Effectiveness

MEASURE: HB 2174 A
CARRIER: Rep. Buehler

Fiscal: Has minimal fiscal impact

Revenue: Has minimal revenue impact

Action Date: 03/05/15

Action: Do Pass As Amended And Be Printed Engrossed.

Meeting Dates: 02/10, 03/05

Vote:
Yeas: 7 - Buehler, Fagan, Holvey, McLain, Nearman, Rayfield, Stark

Prepared By: Wendy Simons, Committee Administrator

WHAT THE MEASURE DOES:

Deletes requirement for Secretary of State to prescribe form of contract for conduct of municipal audits. 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. 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. Requires Secretary of State to prepare annual report with information about timeliness of audit filings and deficiencies found for each municipal corporation and to submit report to appropriate legislative committee by March 1 of each odd-numbered year. Declares emergency, effective upon passage.

ISSUES DISCUSSED:

- Number of municipalities filing late audit reports
- Actions taken by Secretary of State to encourage timely filing of audit reports
- Effect of withholding state funds on smaller towns

EFFECT OF COMMITTEE AMENDMENT:

Clarifies conditions under which municipal audit reports are considered delinquent. Adds requirement for municipality with deficiencies in audit report to file action plan with Secretary of State. Adds requirement for Secretary of State to prepare annual summary report and submit to legislative committees.

BACKGROUND:

Oregon statutes require cities and counties with annual expenditures over \$500,000 to be audited annually 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. If a municipality does not correct deficiencies identified by the Secretary of State for two consecutive audit periods, the Secretary of State may direct the State Treasurer, the Director of the Department of Revenue, the Director of Transportation and the Director of the Department of Administrative Services to withhold 10 percent of certain state funds that would otherwise be distributed to that municipality until the deficiencies are corrected.

Under House Bill 2174-A, 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. The measure also makes several other changes to the requirements regarding municipal audits.