

Fiscal: Has minimal fiscal impact
Revenue: Has minimal revenue impact

Action Date: 04/02/15

Action: Do Pass The A-Eng Bill.

Meeting Dates: 04/02

Vote:

Yeas: 5 - Beyer, Boquist, Burdick, Ferrioli, Rosenbaum

Prepared By: Erin Seiler, Committee Administrator

WHAT THE MEASURE DOES:

Deletes requirement for Secretary of State (SOS) to prescribe form of contract for conduct of municipal audits. Permits SOS to grant up to one-year extension, or longer in extraordinary circumstances, on deadline for municipal corporation to file municipal audit. Directs governing body of municipal corporation whose audit report contains deficiencies to adopt plan of action to address deficiencies, and to file plan of action with SOS. Requires SOS to notify city or county if deficiencies exist which could result in withholding of state funds. Allows SOS 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 SOS 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:

- Actions taken by Secretary of State to encourage timely filing of audit reports
- Impact on municipality if audit deficiencies are not corrected
- Effect of withholding state funds on smaller towns
- Importance of municipalities conducting and filing timely audits

EFFECT OF COMMITTEE AMENDMENT:

No amendment.

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 (SOS) and to submit audited financial statements to the SOS. Within 30 days of filing an audit report, a municipality must inform the SOS 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 identified by the SOS for two consecutive audit periods, the SOS 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 SOS may also direct withholding of state funds if a municipality fails to file its audit report with the SOS. The measure also makes several other changes to the requirements regarding municipal audits.