

**PROPOSED AMENDMENTS TO
HOUSE BILL 2174**

1 On page 1 of the printed bill, line 2, after “297.425” insert “, 297.465”.

2 On page 2, delete lines 2 through 45 and delete page 3 and insert:

3 **“SECTION 2.** ORS 297.465 is amended to read:

4 “297.465. (1) The Secretary of State, in cooperation with the Oregon Board
5 of Accountancy, and in consultation with the Oregon Society of Certified
6 Public Accountants, shall prescribe the minimum standards for conducting
7 audits of municipal corporations, preparing the resulting audit reports and
8 expressing opinions upon the financial condition and results of operation for
9 the period under audit. The expression of opinion shall be signed by the ac-
10 countant signing the contract, or in the case of a partnership or professional
11 corporation, by a partner or stockholder who is an accountant as defined in
12 ORS 297.405, who has personally conducted the audit to an extent satisfac-
13 tory to the secretary [*of State*] and to the municipal corporation.

14 “(2) The municipal corporation shall be furnished with a written audit
15 report, containing a signed expression of opinion, in the form prescribed by
16 the Secretary of State. A copy of the audit report shall be furnished to each
17 person who was a member of the governing body at the end of the calendar
18 or fiscal year and to each member of the current governing body. Other
19 copies shall be furnished the municipal corporation as are requested by the
20 chairperson of the governing body or the managing or executive officer. The
21 accountant shall furnish the audit report to the municipal corporation within
22 six months after the close of the calendar or fiscal year under audit, [*except*

1 *that the Secretary of State, for good cause shown, may grant to the accountant*
2 *a reasonable extension of time]* **unless the secretary has granted the mu-**
3 **nicipal corporation an extension under subsection (3) of this section.**

4 “(3)(a) The municipal corporation shall file one copy of its audit report
5 with the Secretary of State **within six months after the close of the cal-**
6 **endar or fiscal year under audit, unless the secretary, for good cause**
7 **shown, grants to the municipal corporation a reasonable extension of**
8 **time. The extension may not exceed one year after the close of the**
9 **calendar or fiscal year under audit unless the secretary finds that ex-**
10 **traordinary circumstances justify a longer extension. A municipal**
11 **corporation is delinquent for purposes of the filing requirement under**
12 **this subsection if the municipal corporation does not file the audit**
13 **report by the deadline or any extended deadline described in this sub-**
14 **section.**

15 “(b) The report [*shall be*] **is** subject to review by the secretary [*of*
16 *State*], who may also require submission of the supporting documentation and
17 audit programs of the accountant.

18 “(c) If an audit, audit report or expression of opinion is found by the
19 secretary [*of State*] not to be in accordance with the prescribed standards,
20 the secretary [*of State*] shall request compliance. If the accountant fails to
21 comply with the request, the secretary [*of State*] shall [*so*] report **the failure**
22 **to comply** to the Oregon Board of Accountancy, which [*thereupon*] may re-
23 move or suspend the name of the accountant from the roster required by ORS
24 297.670.

25 “(4) Audit reports or financial statements filed with the Secretary of State
26 as required by ORS 297.405 to 297.555 shall include the names, mailing ad-
27 dresses and titles of the officers and members of the governing board of the
28 municipal corporation. The report or statement of a special district shall
29 include the name of its registered agent and the address of its registered
30 office as provided by ORS 198.335 to 198.365.

1 **“SECTION 3.** ORS 297.466 is amended to read:

2 “297.466. (1) In performing an audit and review required under ORS
3 297.425, the accountant under contract with the municipal corporation or the
4 Secretary of State, whoever performs the audit and review, shall determine
5 if the municipal corporation has, or has not, followed generally accepted
6 accounting principles in reporting its financial condition and operations,
7 established appropriate accounting systems and internal controls and sub-
8 stantially complied with legal requirements in conducting its financial af-
9 fairs. The determination shall either be included in the signed expression of
10 opinion or otherwise disclosed in the audit report required under ORS
11 297.465.

12 “(2) Upon receipt of an audit report under ORS 297.465, the governing
13 body of a [*county or city*] **municipal corporation** shall determine the meas-
14 ures it considers necessary to [*correct*] **address** any deficiencies disclosed in
15 the report. The governing body shall adopt a [*resolution setting forth the*
16 *corrective measures it proposes and the period of time estimated to complete*
17 *them*] **plan of action to address the deficiencies. The plan must include**
18 **the estimated period of time necessary to complete the planned**
19 **actions.**

20 “(3)(a) Within 30 days after [*a county or city files a copy of its*] **filing an**
21 audit report with the Secretary of State under ORS 297.465, **a municipal**
22 **corporation shall file with the secretary** a copy of [*the resolution*
23 *prepared*] **the plan of action adopted** under subsection (2) of this section
24 [*shall also be filed*].

25 “(b) **At the request of the governing body of the municipal corpo-**
26 **ration, the secretary shall make suggestions for addressing the defi-**
27 **ciencies cited in the audit report.**

28 “(c) **For counties and cities, upon receipt by the secretary of the audit**
29 **report and [*the resolution*] the plan of action adopted under subsection**
30 **(2) of this section, the secretary [*of State*] shall either acknowledge the [*city***

1 *or county's plans to correct*] **county or city's plan of action to address the**
2 deficiencies cited in the audit report or notify the county or city of [*those*]
3 deficiencies [*which, if not corrected,*] **that, if not addressed,** could result in
4 withholding of funds under this section. [*At the request of the governing body*
5 *of the city or county the Secretary of State shall make suggestions for correct-*
6 *ing those deficiencies.*] If the governing body of the county or city does not
7 agree with the notification by the secretary [*of State, it shall be granted*],
8 **the secretary shall provide the governing body with** an opportunity for
9 a conference regarding the notification, audit determinations or corrective
10 measures to be taken.

11 “(4) **If the Secretary of State determines that a county or city has**
12 **not filed an audit report with the secretary as required under ORS**
13 **297.465, the secretary may certify the determination to the State**
14 **Treasurer, the Director of the Department of Revenue, the Director**
15 **of Transportation and the Director of the Oregon Department of Ad-**
16 **ministrative Services.**

17 “[~~(4)~~] (5) If the Secretary of State concurs with determinations made un-
18 der subsection (1) of this section in two successive audits and reviews of the
19 same county or city, and determines that the governing body of the county
20 or city has not taken adequate action to [*correct*] **address** the deficiencies
21 cited in the notifications given under subsection (3) of this section, the sec-
22 retary [*of State*] may certify [*these facts*] **the determination** to the State
23 Treasurer, the Director of the Department of Revenue, the Director of
24 Transportation and the Director of the Oregon Department of Administrative
25 Services. The certificate of the secretary [*of State shall only*] **under this**
26 **subsection may** be issued **only** after notice, opportunity to be heard and
27 hearing pursuant to the provisions of ORS chapter 183, governing contested
28 cases. The hearing shall be held within the jurisdiction of the county or city.

29 “[~~(5)~~] (6) Upon receipt of a certificate from the Secretary of State under
30 subsection (4) **or** (5) of this section, the State Treasurer, the Director of the

1 Department of Revenue, the Director of Transportation and the Director of
2 the Oregon Department of Administrative Services shall withhold from dis-
3 tribution to the county or city 10 percent of the moneys otherwise to be
4 distributed to it under ORS 221.770, 323.455, 366.762 to 366.768, 366.785 to
5 366.820, 471.805 and 471.810. The moneys withheld shall be disbursed to the
6 county or city only after the officer responsible for disbursement has re-
7 ceived notice from the secretary [*of State*] that:

8 **“(a) The county or city has filed the audit report required under**
9 **ORS 297.465 with the secretary; or**

10 **“(b) The governing body of the county or city has taken action to follow**
11 **generally accepted accounting principles in reporting financial condition and**
12 **operations and establish appropriate accounting systems and internal con-**
13 **trols and will substantially comply with legal requirements in conducting its**
14 **financial affairs.**

15 **“[(6)] (7) The Secretary of State may not issue a certificate under sub-**
16 **section [(4)] (5) of this section for failure to follow generally accepted ac-**
17 **counting principles if a county or city has followed accounting practices**
18 **authorized by state law.**

19 **“[(7)] (8) As used in this section, ‘generally accepted accounting**
20 **principles’ means those accounting principles sanctioned by recognized au-**
21 **thoritative bodies such as the Governmental Accounting Standards Board,**
22 **the American Institute of Certified Public Accountants, the Financial Ac-**
23 **counting Standards Board or their successors.**

24 **“SECTION 4. Section 5 of this 2015 Act is added to and made a part**
25 **of ORS 297.405 to 297.555.**

26 **“SECTION 5. (1) For each calendar or fiscal year under audit, the**
27 **Secretary of State shall prepare and maintain a summary report that**
28 **includes, at a minimum:**

29 **“(a) A list of the municipal corporations that were required to file**
30 **audit reports with the secretary for the calendar or fiscal year as re-**

1 **quired by ORS 297.405 to 297.555;**

2 **“(b) A list of the municipal corporations that filed audit reports**
3 **with the secretary within six months after the close of the calendar**
4 **or fiscal year under audit;**

5 **“(c) A list of the municipal corporations that did not request a fil-**
6 **ing extension and did not file audit reports with the secretary within**
7 **six months after the close of the calendar or fiscal year under audit;**

8 **“(d) A list of the municipal corporations that requested and were**
9 **granted filing extensions and either filed or did not file audit reports**
10 **with the secretary in accordance with the approved extension;**

11 **“(e) A list of the number and type of deficiencies cited in the audit**
12 **report by the accountants for each municipal corporation for the cal-**
13 **endar or fiscal year under audit; and**

14 **“(f) A description of whether the municipal corporation submitted**
15 **a plan of action for deficiencies cited in the audit report for the cal-**
16 **endar or fiscal year under audit to the secretary as described in ORS**
17 **297.466 (2) and (3).**

18 **“(2) Not later than March 1 of each odd-numbered year, the Secre-**
19 **tary of State shall submit to the appropriate legislative committee**
20 **with authority over audits copies of the two most recent summary**
21 **reports prepared under subsection (1) of this section. The secretary**
22 **shall make the summary reports available for public inspection in ac-**
23 **cordance with the secretary’s established procedures.**

24 **“SECTION 6. Section 5 of this 2015 Act and the amendments to ORS**
25 **297.425, 297.465 and 297.466 by sections 1 to 3 of this 2015 Act apply to**
26 **contracts entered into and audit reports required to be filed on or after**
27 **the effective date of this 2015 Act.**

28 **“SECTION 7. This 2015 Act being necessary for the immediate**
29 **preservation of the public peace, health and safety, an emergency is**
30 **declared to exist, and this 2015 Act takes effect on its passage.”.**

