

SECRETARY OF STATE

Updates to Municipal Audits Law HB 2110 and HB 2103



January 24th, 2023

House Committee on Emergency Management, General Government, and Veterans

Presenters: Kathy Wai (Exec. Office) and Amy John (Audit Manager)

AGENCY GOALS

MISSION

Build trust between Oregonians and their state government so Oregonians can trust the public services and the public servants who can make a difference and their everyday lives.

VISION

We envision an Oregon without barriers where everyone has **equitable** access to our democracy, available tools to achieve economic success, our state resources are efficiently utilized and accountable to the public, and where we honestly acknowledge our state's history. We lead with our values and believe every voice should be heard.

VALUES

ACCESS FOR ALL

We seek to identify and actively eliminate barriers.

AUTHENTICITY

We are honest and true with ourselves and others.

CLARITY

We share stories, using plain language to increase understanding and impact.

RESPECT

We strive to understand all viewpoints.

DELIVERING SERVICES TO OREGONIANS:

Audits

As chief auditor of public accounts, the Secretary's mission: Protect the public interest while helping improve Oregon government.

Business Services

Uses the purchasing power of state government for the cost-effective and accountable acquisition of goods and services, while ensuring the agency's business runs efficiently

Corporation

Provides information to support business, and ensures registration processes are fast, simple and easy as possible.

Elections

Oversees state elections, ensuring that voting reflects the will of the citizenry. It's also in charge of the initiative, referendum and referral process.

Human Resources

Recruiting talented team members is Human Resources' core function.

Information Systems

Provides information technology design and infrastructure and software development, testing and maintenance.

State Archives

Besides shepherding public access to these important pieces of Oregon history, the Archives Division, known to many as the Oregon State Archives, publishes the Oregon Administrative Rules and produces the Blue Book , the state directory and almanac.



Municipal Audits:

**Promoting transparency
& accountability**

Oregon has 1800 Local Governments

- Counties
- Cities
- School districts
- Fire districts
- Other special districts

What we do

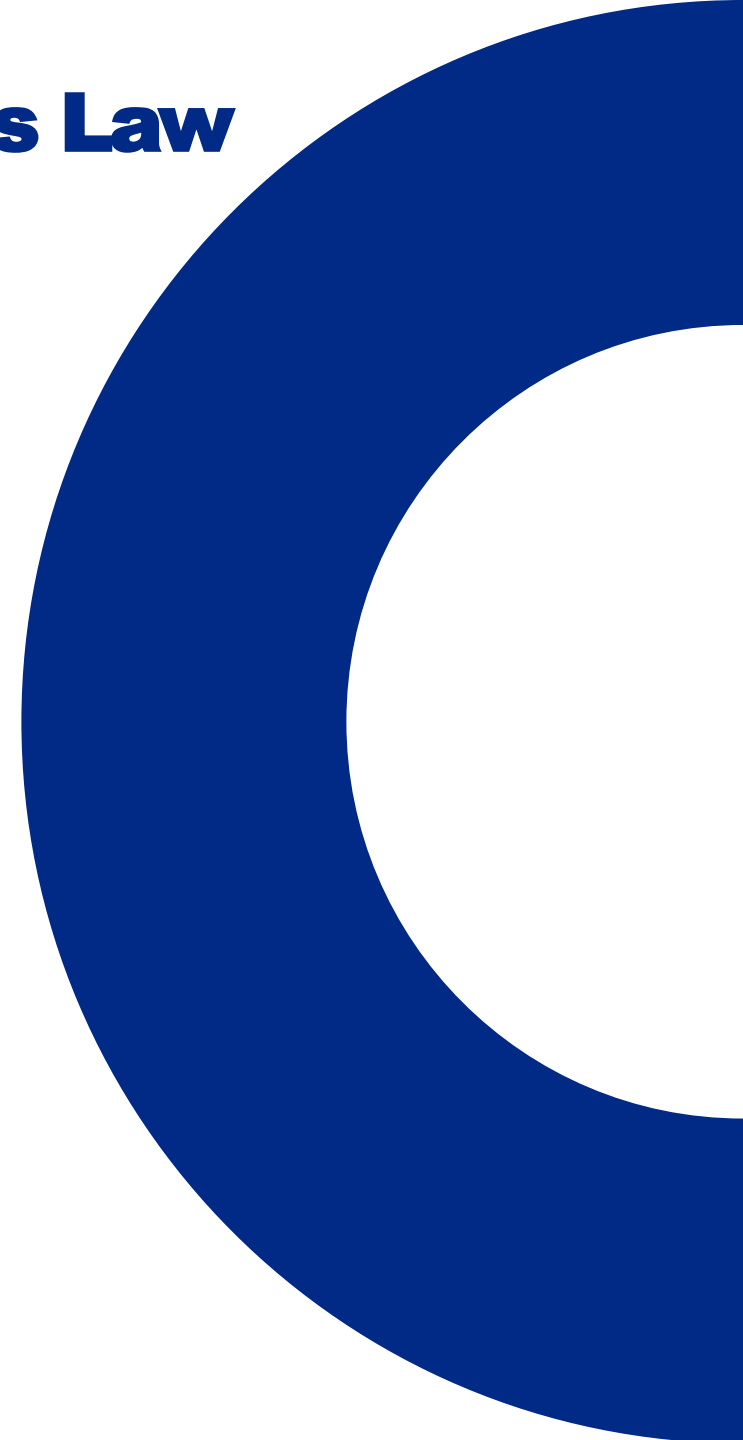
Administer annual filings: receive annual filings and make them available to the public.

Create or facilitate resources to assist governments and auditors in complying with Municipal Audit Law, including maintaining the Minimum Standards for Audits and Reviews (OAR 162-010 and 162-040).

HB 2110 - Improvements to Municipal Audits Law

Current law has remained relatively unchanged since 1941. Revisions are needed to update terminology to better align with current practice and professional standards and adjust requirements to further the goal of **improved transparency and accountability** of local governments.

1. Increase reporting thresholds for audit exemption
2. Replace review reports with Agreed Upon Procedures (AUP)
3. Eliminate ineffective withholdings provision



HB 2110- Improvements to Municipal Audits Law

Proposal: Increase reporting thresholds for audit exemption

- increase audit requirement from \$500,000 to \$1,000,000
- cut-off for In Lieu reports from \$150,000 to \$250,000

HISTORICAL THRESHOLD INFORMATION

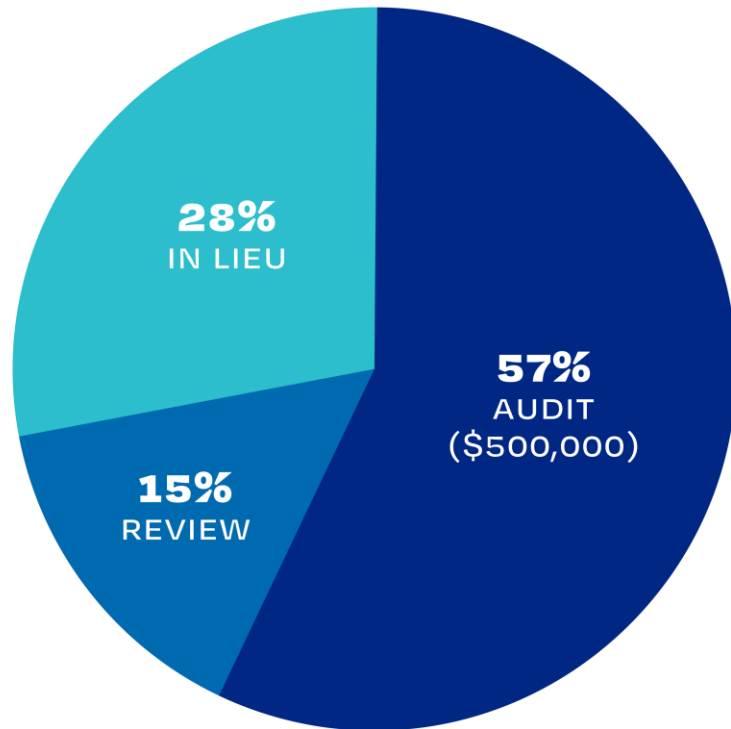
YEAR	IN LIEU	REVIEW	AUDIT	CALCULATION
1977	\$100,000	\$100,000 to \$500,000		Revenues + Expenditures
1999	\$150,000	\$150,000 to \$500,000	\$500,000 or more	
2005	\$150,000			Expenditures

NOTE: Adjusting minimum filing thresholds and/or the calculation to determine the threshold in prior years resulted in increased thresholds. Years with threshold adjustments are in blue.

HB 2110- Improvements to Municipal Audits Law

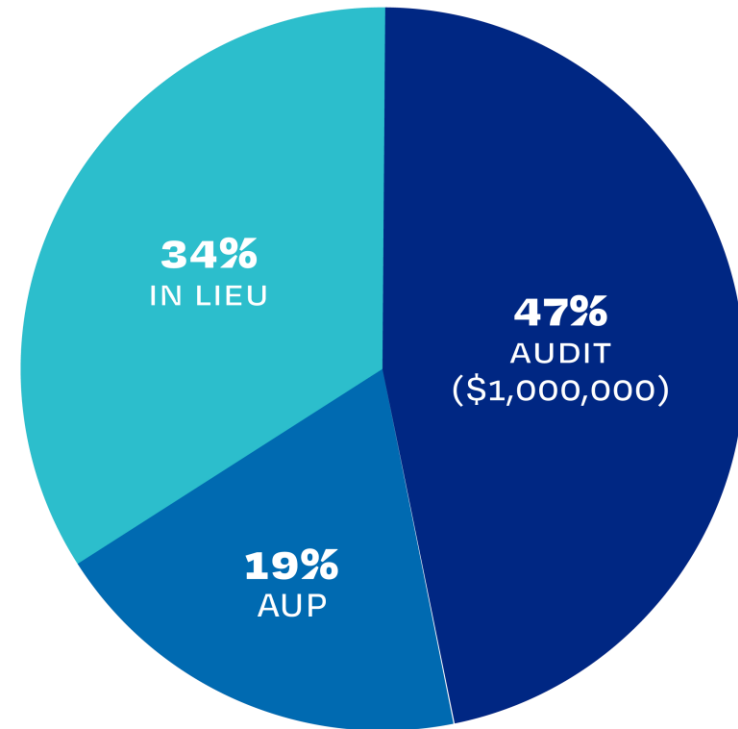
CURRENT

% of entities (2019 data)



IMPACT OF HB2110

% of entities



HB 2110- Improvements to Municipal Audits Law

Proposal: Replace review reports with Agreed Upon Procedures (AUP)

Review Reports	Agreed Upon Procedures (AUP)
<p>Performed by a licensed municipal auditor; accompanied by financial statements</p>	<p>Performed by a licensed municipal auditor</p>
<p>Less in scope than an audit (inquiry and analytical procedures);</p>	<p>Less in scope than an audit. More specific procedures performed by the auditor as dictated by rule</p> <p>Report includes results of procedures over the municipality’s operations, internal controls, and compliance.</p>
<p>Do not target specific needs/risks of smaller governments</p>	<p>Directly targets risks in local government</p>
<p>The procedures would be developed in cooperation with the Oregon Board of Accountancy and in cooperation with the Oregon Society of CPAs and the municipal audit community</p>	<p>The procedures would be developed in cooperation with the Oregon Board of Accountancy and in cooperation with the Oregon Society of CPAs and the municipal audit community</p>

HB 2110- Improvements to Municipal Audits Law

Proposal: Eliminate ineffective withholdings provision

Current provision withholds state funds from cities and counties that do not file timely reports. This provision requires other state agencies to perform manual workarounds, which are timely and costly, to withhold 10% of the funding otherwise due.

100% of the funds withheld are returned to the city or county once their report is filed; none is held back as a fine or to cover administrative costs.

Since the statute was implemented in 2015, it has not resulted in increased or more timely compliance.

HB 2103: Technical Fixes

These technical improvements makes our Municipal Audits Law current and improve accountability

1. Update and clarify definitions to better align with professional accounting and auditing standards
2. Remove amount of the municipal auditor license fee to allow the Oregon Board of Accountancy regulatory oversight as intended
3. More clearly define terms to assist with compliance and remove outdated or unnecessary language.

HB 2103: Technical Fixes

SECTION 1.

Adding a definition in rule will provide clarification and consistency

SECTION 2.

Removing calendar year, unnecessary

Refer to industry standard in statute rather than dictating specific procedures

HB 2103: Technical Fixes

SECTION 3.

Repeal; unnecessary and unutilized

SECTION 4.

Removing unnecessary language and clarifying program's ability to communicate with the Oregon Board of Accountancy.

Allowing use of email enhances safety of elected officials and increases efficiency of communication.

HB 2103: Technical Fixes

SECTION 5.

Removing specific and outdated definition of expenditures to clarify and redefine in rule using current terminology and reporting criteria

SECTION 6.

Creates ability for Secretary of State to define “cost audit”, providing requested clarification to auditors for what meets this requirement.

SECTION 7.

Remove as no longer applicable due to old date

HB 2103: Technical Fixes

SECTION 8.

This section would remove the portions of statute applicable to the Oregon Board of Accountancy.

We would like to submit an amendment to not remove the BOA statute.

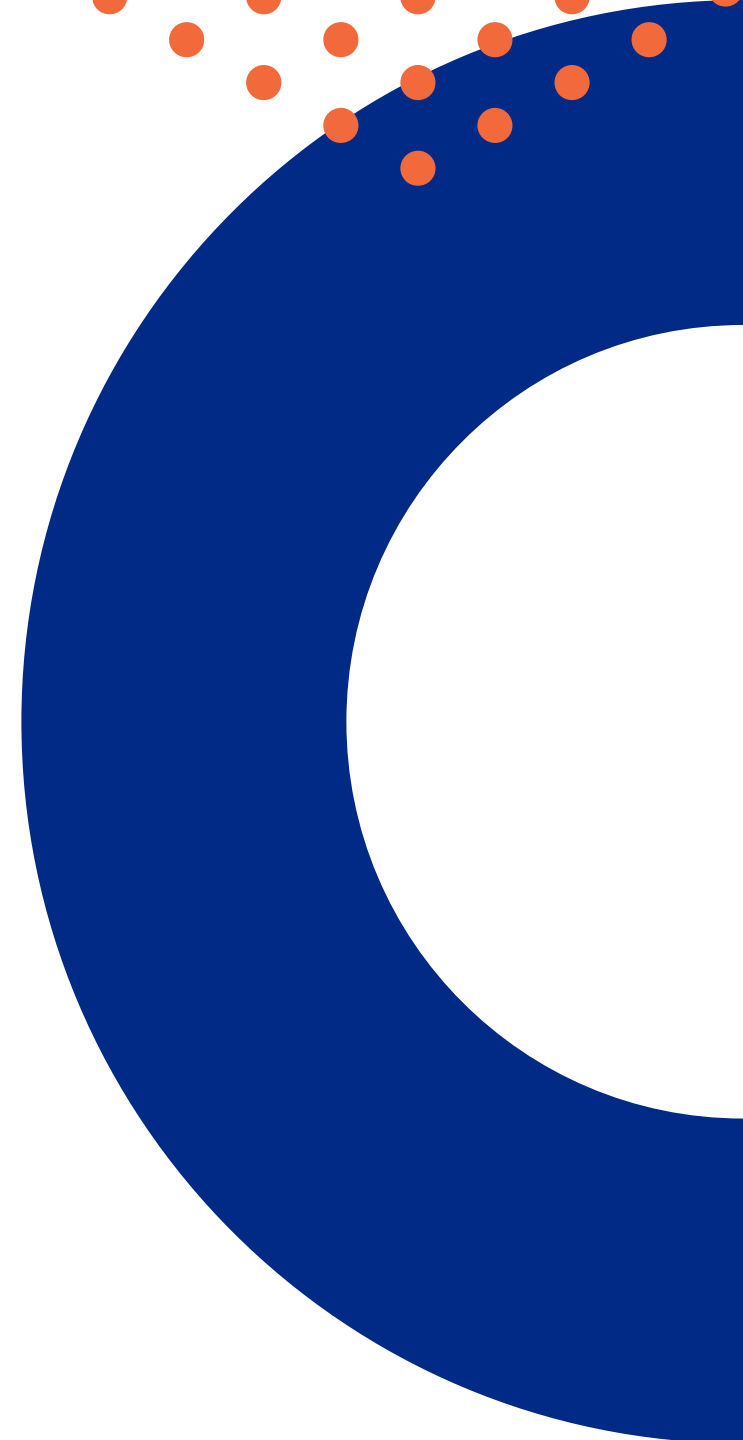
SECTION 9.

Amend the fee to Oregon Board of Accountancy

SECTION 10 through 13.

Cleanup, consistent terminology to use fiscal year instead of calendar year

QUESTIONS?





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