



Sub. H.B. 769

123rd General Assembly
(As Passed by the General Assembly)

Reps. Mettler, Netzley, Jerse, Grendell, Jacobson, Van Vyven, Peterson, Robinson, Cates, Damschroder, Jolivette, Carey, Buehrer, Calvert, Myers, Mottley, Ford, Hughes, O'Brien, Young, Widener, Tiberi, Hoops, Terwilleger, Olman, Britton, Verich

Sens. Mumper, Gardner, Spada, Hottinger, Oelslager, Brady, Nein, Johnson, Harris, Cupp, Kearns

Effective date: *

ACT SUMMARY

- Defines "audit" for purposes of the Public Office and Public Money Accounting Law.
- Generally requires the Auditor of State to conduct an audit of a public office at least once every two fiscal years, but requires the Auditor of State to conduct an audit of a public office each fiscal year if specified federal law mandates an annual audit.
- Permits the Auditor of State, at any time, to conduct an additional audit of a public office in a specified manner.

CONTENT AND OPERATION

Definition of "audit"

Continuing law requires the Auditor of State to conduct audits of public offices and permits the Auditor of State to conduct audits of accounts of specified private entities that receive public money, but formerly the term "audit" was not defined for these purposes. The act defines an "audit" for purposes of the Public

* *The Legislative Service Commission had not received formal notification of the effective date at the time this analysis was prepared.*

Office and Public Money Accounting Law to mean any of the following (sec. 117.01(G)):

- Any examination, analysis, or inspection of the state's or a public office's financial statements or reports.
- Any examination, analysis, or inspection of records, documents, books, or any other evidence relating to either (1) the collection, receipt, accounting, use, or expenditure of public money by a public office or by a private institution, association, board, or corporation or (2) the determination by the Auditor of State of whether a public office has complied with all the laws, "rules," ordinances, or orders pertaining to the public office (see **COMMENT**).
- Any other type of examination, analysis, or inspection of a public office or of a private institution, association, board, or corporation receiving public money that is conducted according to generally accepted or governmental auditing standards established by rule of the Auditor of State.

Frequency of public office audits by the Auditor of State

Prior law generally required the Auditor of State to commence an audit of *each public office* not more than two years from the date of the release of the last audit report of that public office. The act instead generally requires the Auditor of State to audit each public office *at least once every two fiscal years*. An exception to this requirement is that the Auditor of State must audit a public office *each fiscal year* if the public office is required to be audited on an annual basis under the federal "Single Audit Act of 1984." If, however, a public office is audited only once every two fiscal years, the audit must cover both fiscal years. (Sec. 117.11(A) and (C)(1).)

The act also repeals a provision that formerly allowed the Auditor of State to waive, by rule, the former two-year audit requirement described above with respect to (1) public offices participating in a uniform accounting network established under continuing law and (2) public offices that are not required by federal law to be audited in accordance with federal auditing standards (sec. 117.11(D)).

Finally, the act authorizes the Auditor of State, in addition to the required annual or biennial audit of a public office described above, to conduct an audit of a public office at any time (1) when so requested by the public office or (2) upon the Auditor of State's own initiative, if the Auditor of State has reasonable cause to believe that an additional audit is in the public interest (sec. 117.11(B)).

COMMENT

In its definition of an audit, the act refers in section 117.01(G)(2)(b) to an Auditor of State determination of whether a public office has complied with all the laws, *rules*, ordinances, or orders pertaining to the public office. This definitional reference to rules, together with a corresponding change in section 117.11(A) in the act, slightly expands former law. Former section 117.11(A) required an audit of a public office to look into the methods, accuracy, and legality of the accounts, financial reports, records, files, and reports of the office, "whether the *laws, ordinances, and orders* pertaining to the office have been observed, and whether the *rules of the Auditor of State* have been complied with."

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	08-31-00	pp. 2214-2215
Reported, H. State Gov't	11-09-00	pp. 2327-2328
Passed House (92-0)	11-14-00	pp. 2340-2341
Reported, S. State & Local Gov't & Veterans Affairs	11-16-00	pp. 2251-2252
Passed Senate (33-0)	11-16-00	p. 2269

00-hb769.123/bc