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Bill Analysis
Legislative Service Commission

Sub. H.B. 769
123rd General Assembly
(As Reported by H. State Government)

**Reps. Mettler, Netzley, Jerse, Grendell, Jacobson, Van Vyven, Peterson,
Robinson, Cates**

BILL 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"

Current 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 does not define the term "audit." The bill defines an "audit" for these purposes to mean (1) any examination, analysis, or inspection of the state's or a public office's financial statements or reports, (2) any examination, analysis, or inspection of records, documents, books, or any other evidence relating to either (a) the collection, receipt, accounting, use, or expenditure of public money by a public office or by a private institution, association, board, or corporation or (b) the determination by the Auditor of State, generally as required by current law, of whether a public office has complied with all the laws, "rules," ordinances, or orders pertaining to the public office (see **COMMENT**), or (3) 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 governmental auditing standards established by rule of the Auditor of State. (Sec. 117.01(G).)

Frequency of public office audits by the Auditor of State

Existing law generally requires 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 bill 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 bill also repeals a provision that allows the Auditor of State to waive by rule the current two-year audit requirement described above with respect to (1) public offices participating in a uniform accounting network established under existing 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 bill also 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 bill 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 "rules" reference, together with a corresponding change in section 117.11(A) in the bill, slightly expand existing law. Current section 117.11(A) requires 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

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