

1 *House* BILL NO. *507*  
 2 INTRODUCED BY *Tindall by request of*  
 3 *Dept. Intergovernmental Relations*  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO RECODIFY THE  
 5 EXAMINATION DUTIES OF THE DEPARTMENT OF INTERGOVERNMENTAL  
 6 RELATIONS; REVISING PRESENT LANGUAGE AND ADDING SECTIONS TO  
 7 CLARIFY THE AUDIT PROCESS; PROVIDING FOR AUDITS BY LICENSED  
 8 PUBLIC ACCOUNTANTS OR FIRMS OF PUBLIC ACCOUNTANTS; AMENDING  
 9 SECTION 75-6323, R.C.M. 1947; REPEALING SECTIONS 82-4501  
 10 THROUGH 82-4514, R.C.M. 1947; AND PROVIDING A DELAYED  
 11 EFFECTIVE DATE."

12  
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 Section 1. Definition. Unless the context requires  
15 otherwise, in this chapter "department" means the department  
16 of intergovernmental relations.

17 Section 2. Audit duties of department. (1) The  
18 department shall audit the affairs of all:

- 19 (a) counties;
- 20 (b) incorporated cities and towns;
- 21 (c) school districts;
- 22 (d) school district extracurricular fund for pupil  
23 functions;
- 24 (e) irrigation districts;
- 25 (f) conservancy districts;

1 (g) fire districts and volunteer fire departments in  
2 unincorporated areas, towns, and villages supported by a  
3 mill levy;

4 (h) fire department relief associations.

5 (2) Each audit shall be made annually and shall cover  
6 the immediately preceding fiscal year of the governmental  
7 entity.

8 (3) Each annual audit shall be initiated not later  
9 than twelve (12) months from the close of the fiscal year  
10 for which the audit is conducted.

11 (4) In lieu of the annual audits required by the  
12 department, the department may, with the consent of or at  
13 the request of the respective governmental entities,  
14 contract out such annual audits with a public accountant or  
15 firm of public accountants who are licensed under the laws  
16 of Montana.

17 Section 3. Audit purpose. The purpose of the audit of  
18 the affairs of the governmental entities as set forth in  
19 this chapter shall be to insure constituent interests by  
20 determining that compliance with all appropriate statutes  
21 and regulations is accomplished; that the financial  
22 condition and operations of the entities are reasonably  
23 conducted and reported; that the stewardship of such  
24 entities is conducted in such a manner as to preserve and  
25 protect the public trust and to accomplish, with economy and

1 efficiency, the duties and responsibilities of the entities  
2 in accordance with the legal requirements imposed and the  
3 desires of the public.

4 Section 4. Audit scope. Each annual audit shall be a  
5 comprehensive audit of the affairs of the governmental  
6 entity, including comment on the balance sheet, results of  
7 operations, compliance with state statutes and regulations,  
8 recommendations for improvement, and any other comments  
9 deemed pertinent by the auditor, and including his  
10 expression of opinion as to the adequacy of the financial  
11 presentations. Each such annual audit required shall be made  
12 in accordance with generally accepted governmental auditing  
13 standards.

14 Section 5. Audit exit review conference. Upon  
15 completion of the field work of each audit, the in-charge  
16 auditor is required to hold with the appropriate officials  
17 an exit review conference in which the audit results shall  
18 be discussed.

19 Section 6. Audit reports content. The audit reports  
20 shall contain but are not limited to the following:

21 (1) financial statements that conform with the  
22 generally accepted governmental accounting principles and  
23 which, insofar as possible, present the financial position  
24 and results of financial operations for each fund of the  
25 governmental entity;

1 (2) an expression of opinion regarding the financial  
2 statements, taken as a whole, or an assertion to the effect  
3 that an opinion cannot be expressed; when an overall opinion  
4 cannot be expressed, the reasons therefor should be stated;

5 (3) a statement that previously noted deficiencies or  
6 recommendations contained in previous audit reports have  
7 been acted upon by adoption as recommended, adoption with  
8 modification, or rejection; and

9 (4) disclosure of any lack of compliance with state  
10 statutes or regulations, as well as any operating  
11 deficiencies or recommendations for improvement.

12 Section 7. Audit reports -- issuance and filing.  
13 (1) Within sixty (60) days after the completion of the  
14 field work, the department shall issue audit reports as  
15 follows:

16 (a) county audit reports to county commissioners, the  
17 county clerk and recorder, and the county attorney;

18 (b) city or town audit reports to the city or town  
19 governing body, the city or town chief financial officer,  
20 the city or town chief executive, and the city or town  
21 attorney;

22 (c) school district audit reports to the trustees, the  
23 county superintendent of schools, the state superintendent  
24 of public instruction, the county attorney, and the clerk of  
25 the school district;

1 (d) school district extracurricular fund audit reports  
2 to the trustees, the county superintendent of schools, the  
3 state superintendent of public instruction, the county  
4 attorney, and the fund administrator;

5 (e) fire district or volunteer fire department audit  
6 reports to the trustees, the county attorney, and the clerk  
7 and recorder of the county in which the fire district or  
8 fire department is located;

9 (f) conservancy district audit reports to the board of  
10 directors, the state department of natural resources and  
11 conservation, the district court, and the county  
12 attorney(s);

13 (g) fire department relief association audit reports  
14 to the trustees, the city or town attorney, and the  
15 respective city or town clerk; and

16 (h) irrigation district audit reports to the board of  
17 commissioners, the district court, and the county  
18 attorney(s);

19 (2) In cases where a violation of law or  
20 nonperformance of duty is found on the part of an officer,  
21 employee or board, the officer, employee or board must be  
22 proceeded against by the attorney general or county, city or  
23 town attorney as provided by law. The county, city or town  
24 attorney shall report to the department within thirty (30)  
25 days after receiving the audit report from the department,

1 the proceedings instituted or to be instituted relating to  
2 the violations of law and nonperformance of duty. If the  
3 county, city or town attorney fails or refuses to prosecute  
4 the case, the department may employ an attorney to prosecute  
5 the case at the expense of the respective governmental  
6 entity.

7 (3) All audit reports issued by the department are to  
8 be maintained on file at an appropriate location and open to  
9 public inspection.

10 Section 8. Audit report -- reply by governing bodies.

11 (1) Upon receipt of the audit report the governing bodies  
12 of each audited entity shall review the contents, and within  
13 thirty (30) days shall notify the department in writing as  
14 to what action they plan to take on any deficiencies or  
15 recommendations contained in the audit report. If no  
16 deficiencies or recommendations appear in the audit report,  
17 notification shall not be required.

18 (2) Notification to the department shall include a  
19 statement by the governing bodies that noted deficiencies or  
20 recommendations for improvement have been acted upon by  
21 adoption as recommended, adoption with modification, or  
22 rejection.

23 Section 9. Audit report -- publication. After the  
24 expiration of the thirty (30) day period provided for in  
25 section [8 of this act], the department shall send a copy of

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1 the general comments section of each annual audit report to  
 2 a newspaper of general circulation for publication.  
 3 However, the general comments section of each annual county  
 4 audit report shall be sent to the official newspaper of the  
 5 county for publication. The publication shall include a  
 6 statement to the effect that the audit report is on file in  
 7 its entirety and open to public inspection. Publication  
 8 costs shall be borne by the audited governmental entity.

9 Section 10. Audit fees. The department shall charge  
 10 audit fees based upon the costs incurred by the department  
 11 in the conduct of each annual audit. All audit fees herein  
 12 provided shall be paid by the governmental entity to the  
 13 state treasurer and credited to the state general fund.

14 Section 11. Audit by independent accountant/auditor.  
 15 (1) In lieu of the annual audits required of the  
 16 department, the department may, with the consent of or at  
 17 the request of the respective governmental entities,  
 18 contract out such annual audits with a public accountant or  
 19 firm of public accountants who are licensed under the laws  
 20 of Montana.

21 (2) The department shall establish rules governing the  
 22 administration of the contracts between the department, the  
 23 independent accountant/auditor, and the governmental  
 24 entities. These rules and regulations shall include, but  
 25 not be limited to:

1 (a) establishment of criteria for the selection of the  
 2 independent accountant/auditor;

3 (b) contract form and content; and

4 (c) standards of audit and reporting.

5 Section 12. Audit advisory council. Pursuant to the  
 6 authority contained in section 82A-110, there shall be  
 7 created an audit advisory council for the purpose of  
 8 providing a continuing review of the audit process and  
 9 procedures contained in this chapter. The composition,  
 10 duties and procedures of the audit advisory council shall be  
 11 determined under the statutory guidelines contained in  
 12 section 82A-110.

13 Section 13. Access to public accounts -- actions to  
 14 compel. (1) The department may count the cash, verify the  
 15 bank accounts, and verify all accounts of a public officer  
 16 whose accounts it is examining under law. If an officer of  
 17 any county, city, town, school, or other governmental entity  
 18 referred to in this act, refuses to accord the department  
 19 access during an audit of the officer's accounts to his  
 20 cash, bank accounts, or any of the papers, vouchers or  
 21 records of his office, or, if the department finds a  
 22 shortage of cash, the department shall immediately file a  
 23 preliminary report showing the refusal of that officer or  
 24 the existence of the shortage and the approximate amount of  
 25 the shortage, with the respective county, city or town

1 attorney and the governing body of the governmental entity.

2 Upon filing of the statement, the officer shall  
3 immediately be suspended from the duties and emoluments of  
4 his office, and the governing body of such governmental  
5 entity shall appoint some qualified person to the office,  
6 pending completion of the audit.

7 (2) Upon the completion of the audit by the  
8 department, if a shortage of cash existed in the accounts of  
9 the officer, the department shall file with the governing  
10 body of the governmental entity a final report of the audit,  
11 showing the shortage. The right of the officer to the  
12 office is then forfeited, and the office becomes vacant as  
13 of the date of the suspension of the officer. The person  
14 appointed to the office upon the suspension of the officer  
15 shall hold the office until the election and qualification  
16 of his successor, as provided by law.

17 (3) An officer whose right to office has been  
18 forfeited may, within ten (10) days after the filing of the  
19 department's final report or audit, begin in the district  
20 court of the proper judicial district a proceeding in quo  
21 warranto to test the right of his successor to hold the  
22 office, and to test the accuracy of the final report and  
23 audit of the department.

24 Section 14. Duty of officers to aid in audit. The  
25 officers and employees of the governmental entities referred

1 to in this act shall afford all reasonable facilities for  
2 the department's audit and shall furnish information to the  
3 department under oath in a manner prescribed by the  
4 department.

5 Section 15. Power to examine books and papers. The  
6 department may examine any books, papers, accounts and  
7 documents in the office or possession of any governmental  
8 entity referred to in this act, and may send for persons or  
9 papers and examine under oath any person concerning them.

10 Section 16. Special audits. (1) In addition to the  
11 annual audits required by section [2 of this act], the  
12 department may at any time conduct a special audit of the  
13 affairs of any governmental entity referred to in this act.

14 (2) The fee for the special audit shall be a charge  
15 based upon the costs incurred by the department in the  
16 conduct of such special audit. The audit fee herein  
17 provided shall be paid by the governmental entity to the  
18 state treasurer and credited to the state general fund.

19 Section 17. Accounting methods. The department shall  
20 prescribe the general methods and details of accounting for  
21 the receipt and disbursement of all monies belonging to  
22 governmental entities referred to in this act, and shall  
23 establish in those offices general methods and details of  
24 accounting. All governmental entity officers shall conform  
25 with the standards prescribed by the department.

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1 Section 18. Section 75-6323, R.C.M. 1947, is amended  
2 to read as follows:

3 "75-6323. Extracurricular fund for pupil functions.  
4 The government of the pupils of the school within a district  
5 or the administration of a school on behalf of the pupils  
6 may establish an extracurricular fund for the purposes of  
7 the receipts and expenditures of money collected for pupil  
8 extracurricular functions with the approval of the trustees  
9 of the district. All extracurricular moneys of any pupil  
10 organization of the school shall be deposited and expended  
11 by check from a bank account maintained for the  
12 extracurricular fund.

13 An accounting system for the extracurricular fund  
14 recommended by the ~~state--examiner~~ department of  
15 intergovernmental relations shall be implemented by the  
16 trustees. Such accounting system shall provide for:

17 (1) the internal control of the cash receipts and  
18 expenditures of the money; and

19 (2) a general account that can be reconciled with the  
20 bank account for the extracurricular fund and reconciled  
21 with the detailed accounts within the extracurricular fund  
22 maintained for each student function.

23 ~~The trustees of the district shall cause an annual~~  
24 ~~audit of the extracurricular fund by retaining the state~~  
25 ~~examiner to perform such audit. A fee of eighty dollars~~

1 ~~(\$80) per day per man shall be paid from the extracurricular~~  
2 ~~fund or district moneys to the state examiner for deposit in~~  
3 ~~the state treasury to the credit of the general fund.~~

4 ~~The auditor shall file a certified copy of the audit~~  
5 ~~report with the county superintendent. The county~~  
6 ~~superintendent shall publish notice in a newspaper of the~~  
7 ~~district or county of the filing and the fact that it is~~  
8 ~~open to public inspection."~~

9 Section 19. Sections 82-4501 through 82-4514, R.C.M.  
10 1947, are repealed.

11 Section 20. This act shall become effective on July 1,  
12 1976.

-End-

SECOND READING

MISSING

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19 department's final report or audit, begin in the district  
20 court of the proper judicial district a proceeding in quo  
21 warranto to test the right of his successor to hold the  
22 office, and to test the accuracy of the final report and  
23 audit of the department.

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19 (2) a general account that can be reconciled with the  
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9 Section 19. Sections 82-4501 through 82-4514, R.C.M.  
10 1947, are repealed.

11 Section 20. This act shall become effective on July 1,  
12 1976.

-End-

March 18, 1975

SENATE COMMITTEE ON STATE ADMINISTRATION

AMENDMENTS TO HOUSE BILL NO. 507

That House Bill No. 507, third reading, be amended as follows:

1. Amend page 7, section 10, line 11.

Following: "audit"

Strike: "."

Insert: ", except as follows:

(a) for each annual audit of fire department relief associations, the department shall charge audit fees on the basis of the funds of the association:

(i) if the fund is more than one thousand dollars (\$1,000) and less than five thousand dollars (\$5,000), the annual audit fee shall be ten dollars (\$10);

(ii) if the fund is from five thousand dollars (\$5,000) to ten thousand dollars (\$10,000), the annual audit fee shall be twenty-five dollars (\$25);

(iii) if the fund is more than ten thousand dollars (\$10,000), the annual audit fee shall be thirty-five dollars (\$35).

(b) for each annual audit of fire districts and volunteer fire departments, the department shall charge audit fees of seven dollars and fifty cents (\$7.50) an hour for each person engaged in the audit.

(c) for each annual audit of irrigation districts, the department shall charge audit fees of seventy dollars (\$70) a day for each person engaged in the audit.

(d) for each annual audit of conservancy districts, the department shall charge audit fees of seventy dollars (\$70) a day for each person engaged in the audit."

2. Amend page 8, section 12, lines 5 through 12.

Following: line 4

Strike: Section 12 in its entirety

Renumber: All subsequent sections

1 HOUSE BILL NO. 507  
 2 INTRODUCED BY KENDALL  
 3 (BY REQUEST OF THE DEPARTMENT OF INTERGOVERNMENTAL RELATIONS)  
 4  
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO RECODIFY THE  
 6 EXAMINATION DUTIES OF THE DEPARTMENT OF INTERGOVERNMENTAL  
 7 RELATIONS; REVISING PRESENT LANGUAGE AND ADDING SECTIONS TO  
 8 CLARIFY THE AUDIT PROCESS; PROVIDING FOR AUDITS BY LICENSED  
 9 PUBLIC ACCOUNTANTS OR FIRMS OF PUBLIC ACCOUNTANTS; AMENDING  
 10 SECTION 75-6323, R.C.M. 1947; REPEALING SECTIONS 82-4501  
 11 THROUGH 82-4514, R.C.M. 1947; AND PROVIDING A DELAYED  
 12 EFFECTIVE DATE."

13  
14 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

15 Section 1. Definition. Unless the context requires  
16 otherwise, in this chapter "department" means the department  
17 of intergovernmental relations.

18 Section 2. Audit duties of department. (1) The  
19 department shall audit the affairs of all:

- 20 (a) counties;
- 21 (b) incorporated cities and towns;
- 22 (c) school districts;
- 23 (d) school district extracurricular fund for pupil  
24 functions;
- 25 (e) irrigation districts;

- 1 (f) conservancy districts;
- 2 (g) fire districts and volunteer fire departments in  
3 unincorporated areas, towns, and villages supported by a  
4 mill levy;
- 5 (h) fire department relief associations.
- 6 (2) Each audit shall be made annually and shall cover  
7 the immediately preceding fiscal year of the governmental  
8 entity.
- 9 (3) Each annual audit shall be initiated not later  
10 than twelve (12) months from the close of the fiscal year  
11 for which the audit is conducted.
- 12 (4) In lieu of the annual audits required by the  
13 department, the department may, with the consent of or at  
14 the request of the respective governmental entities,  
15 contract out such annual audits with a public accountant or  
16 firm of public accountants who are licensed under the laws  
17 of Montana.
- 18 Section 3. Audit purpose. The purpose of the audit of  
19 the affairs of the governmental entities as set forth in  
20 this chapter shall be to insure constituent interests by  
21 determining that compliance with all appropriate statutes  
22 and regulations is accomplished; that the financial  
23 condition and operations of the entities are reasonably  
24 conducted and reported; that the stewardship of such  
25 entities is conducted in such a manner as to preserve and

1 protect the public trust and to accomplish, with economy and  
2 efficiency, the duties and responsibilities of the entities  
3 in accordance with the legal requirements imposed and the  
4 desires of the public.

5 Section 4. Audit scope. Each annual audit shall be a  
6 comprehensive audit of the affairs of the governmental  
7 entity, including comment on the balance sheet, results of  
8 operations, compliance with state statutes and regulations,  
9 recommendations for improvement, and any other comments  
10 deemed pertinent by the auditor, and including his  
11 expression of opinion as to the adequacy of the financial  
12 presentations. Each such annual audit required shall be made  
13 in accordance with generally accepted governmental auditing  
14 standards.

15 Section 5. Audit exit review conference. Upon  
16 completion of the field work of each audit, the in-charge  
17 auditor is required to hold with the appropriate officials  
18 an exit review conference in which the audit results shall  
19 be discussed.

20 Section 6. Audit reports content. The audit reports  
21 shall contain but are not limited to the following:

22 (1) financial statements that conform with the  
23 generally accepted governmental accounting principles and  
24 which, insofar as possible, present the financial position  
25 and results of financial operations for each fund of the

1 governmental entity;

2 (2) an expression of opinion regarding the financial  
3 statements, taken as a whole, or an assertion to the effect  
4 that an opinion cannot be expressed; when an overall opinion  
5 cannot be expressed, the reasons therefor should be stated;

6 (3) a statement that previously noted deficiencies or  
7 recommendations contained in previous audit reports have  
8 been acted upon by adoption as recommended, adoption with  
9 modification, or rejection; and

10 (4) disclosure of any lack of compliance with state  
11 statutes or regulations, as well as any operating  
12 deficiencies or recommendations for improvement.

13 Section 7. Audit reports -- issuance and filing.

14 (1) Within sixty (60) days after the completion of the  
15 field work, the department shall issue audit reports as  
16 follows:

17 (a) county audit reports to county commissioners, the  
18 county clerk and recorder, and the county attorney;

19 (b) city or town audit reports to the city or town  
20 governing body, the city or town chief financial officer,  
21 the city or town chief executive, and the city or town  
22 attorney;

23 (c) school district audit reports to the trustees, the  
24 county superintendent of schools, the state superintendent  
25 of public instruction, the county attorney, and the clerk of



1 the school district;

2 (d) school district extracurricular fund audit reports  
3 to the trustees, the county superintendent of schools, the  
4 state superintendent of public instruction, the county  
5 attorney, and the fund administrator;

6 (e) fire district or volunteer fire department audit  
7 reports to the trustees, the county attorney, and the clerk  
8 and recorder of the county in which the fire district or  
9 fire department is located;

10 (f) conservancy district audit reports to the board of  
11 directors, the state department of natural resources and  
12 conservation, the district court, and the county  
13 attorney(s);

14 (g) fire department relief association audit reports  
15 to the trustees, the city or town attorney, and the  
16 respective city or town clerk; and

17 (h) irrigation district audit reports to the board of  
18 commissioners, the district court, and the county  
19 attorney(s);

20 (2) In cases where a violation of law or  
21 nonperformance of duty is found on the part of an officer,  
22 employee or board, the officer, employee or board must be  
23 proceeded against by the attorney general or county, city or  
24 town attorney as provided by law. The county, city or town  
25 attorney shall report to the department within thirty (30)

1 days after receiving the audit report from the department,  
2 the proceedings instituted or to be instituted relating to  
3 the violations of law and nonperformance of duty. If the  
4 county, city or town attorney fails or refuses to prosecute  
5 the case, the department may employ an attorney to prosecute  
6 the case at the expense of the respective governmental  
7 entity.

8 (3) All audit reports issued by the department are to  
9 be maintained on file at an appropriate location and open to  
10 public inspection.

11 Section 8. Audit report -- reply by governing bodies.

12 (1) Upon receipt of the audit report the governing bodies  
13 of each audited entity shall review the contents, and within  
14 thirty (30) days shall notify the department in writing as  
15 to what action they plan to take on any deficiencies or  
16 recommendations contained in the audit report. If no  
17 deficiencies or recommendations appear in the audit report,  
18 notification shall not be required.

19 (2) Notification to the department shall include a  
20 statement by the governing bodies that noted deficiencies or  
21 recommendations for improvement have been acted upon by  
22 adoption as recommended, adoption with modification, or  
23 rejection.

24 Section 9. Audit report -- publication. After the  
25 expiration of the thirty (30) day period provided for in

1 section [8 of this act], the department shall send a copy of  
 2 the general comments section of each annual audit report to  
 3 a newspaper of general circulation for publication.  
 4 However, the general comments section of each annual county  
 5 audit report shall be sent to the official newspaper of the  
 6 county for publication. The publication shall include a  
 7 statement to the effect that the audit report is on file in  
 8 its entirety and open to public inspection. Publication  
 9 costs shall be borne by the audited governmental entity.

10 Section 10. Audit fees. The department shall charge  
 11 audit fees based upon the costs incurred by the department  
 12 in the conduct of each annual audit, EXCEPT AS FOLLOWS:

13 (A) FOR EACH ANNUAL AUDIT OF FIRE DEPARTMENT RELIEF  
 14 ASSOCIATIONS, THE DEPARTMENT SHALL CHARGE AUDIT FEES ON THE  
 15 BASIS OF THE FUNDS OF THE ASSOCIATION:

16 (I) IF THE FUND IS MORE THAN ONE THOUSAND DOLLARS  
 17 (\$1,000) AND LESS THAN FIVE THOUSAND DOLLARS (\$5,000), THE  
 18 ANNUAL AUDIT FEE SHALL BE TEN DOLLARS (\$10);

19 (II) IF THE FUND IS FROM FIVE THOUSAND DOLLARS  
 20 (\$5,000) TO TEN THOUSAND DOLLARS (\$10,000), THE ANNUAL AUDIT  
 21 FEE SHALL BE TWENTY-FIVE DOLLARS (\$25);

22 (III) IF THE FUND IS MORE THAN TEN THOUSAND DOLLARS  
 23 (\$10,000), THE ANNUAL AUDIT FEE SHALL BE THIRTY-FIVE DOLLARS  
 24 (\$35).

25 (B) FOR EACH ANNUAL AUDIT OF FIRE DISTRICTS AND

1 VOLUNTEER FIRE DEPARTMENTS, THE DEPARTMENT SHALL CHARGE  
 2 AUDIT FEES OF SEVEN DOLLARS AND FIFTY CENTS (\$7.50) AN HOUR  
 3 FOR EACH PERSON ENGAGED IN THE AUDIT.

4 (C) FOR EACH ANNUAL AUDIT OF IRRIGATION DISTRICTS, THE  
 5 DEPARTMENT SHALL CHARGE AUDIT FEES OF SEVENTY DOLLARS (\$70)  
 6 A DAY FOR EACH PERSON ENGAGED IN THE AUDIT.

7 (D) FOR EACH ANNUAL AUDIT OF CONSERVANCY DISTRICTS,  
 8 THE DEPARTMENT SHALL CHARGE AUDIT FEES OF SEVENTY DOLLARS  
 9 (\$70) A DAY FOR EACH PERSON ENGAGED IN THE AUDIT.

10 All audit fees herein provided shall be paid by the  
 11 governmental entity to the state treasurer and credited to  
 12 the state general fund.

13 Section 11. Audit by independent accountant/auditor.

14 (1) In lieu of the annual audits required of the  
 15 department, the department may, with the consent of or at  
 16 the request of the respective governmental entities,  
 17 contract out such annual audits with a public accountant or  
 18 firm of public accountants who are licensed under the laws  
 19 of Montana.

20 (2) The department shall establish rules governing the  
 21 administration of the contracts between the department, the  
 22 independent accountant/auditor, and the governmental  
 23 entities. These rules and regulations shall include, but  
 24 not be limited to:

25 (a) establishment of criteria for the selection of the

1 independent accountant/auditor;

2 (b) contract form and content; and

3 (c) standards of audit and reporting.

4 ~~Section 12. Audit advisory council. Pursuant to the~~  
 5 ~~authority contained in section 02A-110, there shall be~~  
 6 ~~created an audit advisory council for the purpose of~~  
 7 ~~providing a continuing review of the audit process and~~  
 8 ~~procedures contained in this chapter. The composition,~~  
 9 ~~duties and procedures of the audit advisory council shall be~~  
 10 ~~determined under the statutory guidelines contained in~~  
 11 ~~section 02A-110.~~

12 Section 12. Access to public accounts -- actions to  
 13 compel. (1) The department may count the cash, verify the  
 14 bank accounts, and verify all accounts of a public officer  
 15 whose accounts it is examining under law. If an officer of  
 16 any county, city, town, school, or other governmental entity  
 17 referred to in this act, refuses to accord the department  
 18 access during an audit of the officer's accounts to his  
 19 cash, bank accounts, or any of the papers, vouchers or  
 20 records of his office, or, if the department finds a  
 21 shortage of cash, the department shall immediately file a  
 22 preliminary report showing the refusal of that officer or  
 23 the existence of the shortage and the approximate amount of  
 24 the shortage, with the respective county, city or town  
 25 attorney and the governing body of the governmental entity.

1 Upon filing of the statement, the officer shall  
 2 immediately be suspended from the duties and emoluments of  
 3 his office, and the governing body of such governmental  
 4 entity shall appoint some qualified person to the office,  
 5 pending completion of the audit.

6 (2) Upon the completion of the audit by the  
 7 department, if a shortage of cash existed in the accounts of  
 8 the officer, the department shall file with the governing  
 9 body of the governmental entity a final report of the audit,  
 10 showing the shortage. The right of the officer to the  
 11 office is then forfeited, and the office becomes vacant as  
 12 of the date of the suspension of the officer. The person  
 13 appointed to the office upon the suspension of the officer  
 14 shall hold the office until the election and qualification  
 15 of his successor, as provided by law.

16 (3) An officer whose right to office has been  
 17 forfeited may, within ten (10) days after the filing of the  
 18 department's final report or audit, begin in the district  
 19 court of the proper judicial district a proceeding in quo  
 20 warranto to test the right of his successor to hold the  
 21 office, and to test the accuracy of the final report and  
 22 audit of the department.

23 Section 13. Duty of officers to aid in audit. The  
 24 officers and employees of the governmental entities referred  
 25 to in this act shall afford all reasonable facilities for

1 the department's audit and shall furnish information to the  
2 department under oath in a manner prescribed by the  
3 department.

4 Section 14. Power to examine books and papers. The  
5 department may examine any books, papers, accounts and  
6 documents in the office or possession of any governmental  
7 entity referred to in this act, and may send for persons or  
8 papers and examine under oath any person concerning them.

9 Section 15. Special audits. (1) In addition to the  
10 annual audits required by section [2 of this act], the  
11 department may at any time conduct a special audit of the  
12 affairs of any governmental entity referred to in this act.

13 (2) The fee for the special audit shall be a charge  
14 based upon the costs incurred by the department in the  
15 conduct of such special audit. The audit fee herein  
16 provided shall be paid by the governmental entity to the  
17 state treasurer and credited to the state general fund.

18 Section 16. Accounting methods. The department shall  
19 prescribe the general methods and details of accounting for  
20 the receipt and disbursement of all monies belonging to  
21 governmental entities referred to in this act, and shall  
22 establish in those offices general methods and details of  
23 accounting. All governmental entity officers shall conform  
24 with the standards prescribed by the department.

25 Section 17. Section 75-6323, R.C.M. 1947, is amended

1 to read as follows:

2 "75-6323. Extracurricular fund for pupil functions.  
3 The government of the pupils of the school within a district  
4 or the administration of a school on behalf of the pupils  
5 may establish an extracurricular fund for the purposes of  
6 the receipts and expenditures of money collected for pupil  
7 extracurricular functions with the approval of the trustees  
8 of the district. All extracurricular moneys of any pupil  
9 organization of the school shall be deposited and expended  
10 by check from a bank account maintained for the  
11 extracurricular fund.

12 An accounting system for the extracurricular fund  
13 recommended by the ~~state~~ examiner department of  
14 intergovernmental relations shall be implemented by the  
15 trustees. Such accounting system shall provide for:

16 (1) the internal control of the cash receipts and  
17 expenditures of the money; and

18 (2) a general account that can be reconciled with the  
19 bank account for the extracurricular fund and reconciled  
20 with the detailed accounts within the extracurricular fund  
21 maintained for each student function.

22 ~~The trustees of the district shall cause an annual~~  
23 ~~audit of the extracurricular fund by retaining the state~~  
24 ~~examiner to perform such audit. A fee of eighty dollars~~  
25 ~~(80) per day per man shall be paid from the extracurricular~~

1 ~~fund-or-district-moneys-to-the-state-examiner-for-deposit-in~~  
2 ~~the-state-treasury-to-the-credit-of-the-general-fund.~~

3 ~~The-auditor-shall-file-a-certified-copy-of-the-audit~~  
4 ~~report-with-the-county-superintendent.-The-county~~  
5 ~~superintendent-shall-publish-notice-in-a-newspaper-of-the~~  
6 ~~district-or-county-of-the-filing-and-the-fact-that-it-is~~  
7 ~~open-to-public-inspection."~~

8 Section 18. Sections 82-4501 through 82-4514, R.C.M.  
9 1947, are repealed.

10 Section 19. This act shall become effective on July 1,  
11 1976.

-End-