

HOUSE BILL NO. 838

INTRODUCED BY LUND, COMMITTEE ON APPROPRIATIONS  
BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE

IN THE HOUSE

March 11, 1981	Introduced and referred to Committee on Appropriations.
March 30, 1981	On motion rules suspended and bill allowed to be transmitted on the 75th legislative day.
March 31, 1981	Committee recommend bill do pass. Report adopted.
April 1, 1981	Bill printed and placed on members' desks.
April 4, 1981	Second reading, do pass. Date to transmit extended to 76th legislative day.
April 6, 1981	Considered correctly engrossed. Third reading, passed. Ayes, 93; Noes, 1. Transmitted to Senate.

IN THE SENATE

April 7, 1981	By motion and consent bill allowed to be received and considered this session. Introduced and referred to Committee on Finance and Claims.
April 10, 1981	Committee recommend bill be concurred in as amended. Report adopted.
April 13, 1981	Second reading, concurred in.
April 14, 1981	Third reading, concurred in as amended. Ayes, 47; Noes, 0.

IN THE HOUSE

April 15, 1981

Returned from Senate with amendments.

April 20, 1981

Second reading, amendments concurred in.

On motion rules suspended and bill placed on third reading this day.

Third reading, amendments concurred in. Ayes, 95; Noes, 0. Sent to enrolling.

Reported correctly enrolled.

1                    HOUSE      BILL NO. 838  
 2    INTRODUCED BY Grand Committee on Appropriations  
 3                    BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE

4  
 5    A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE AUDIT FEES  
 6    CHARGED TO LOCAL GOVERNMENTS; CREATING A REVOLVING ACCOUNT;  
 7    APPROPRIATING MONEY TO THE REVOLVING ACCOUNT; PROVIDING FOR  
 8    AUDITS OF LOCAL GOVERNMENTAL ENTITIES EVERY TWO YEARS;  
 9    PROVIDING FOR A PENALTY FOR NONPAYMENT OF BILLS SUBMITTED TO  
 10    LOCAL GOVERNMENTS FOR AUDITING; AMENDING SECTIONS 2-7-503,  
 11    2-7-505, 2-7-506, 2-7-516, AND 20-9-203, MCA; AND PROVIDING  
 12    AN IMMEDIATE EFFECTIVE DATE."

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

15            Section 1. Section 2-7-503, MCA, is amended to read:

16            "2-7-503. Annual audits of local governmental  
 17    entities. (1) The department shall audit the affairs of all:

- 18            (a) counties;
- 19            (b) incorporated cities and towns;
- 20            (c) first- and second-class school districts and  
 21    third-class school districts that maintain a high school;
- 22            ~~and~~
- 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; and
- 5            (h) fire department relief associations.

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

9            (3) Each ~~annual~~ audit shall be initiated not later  
 10    than ~~±~~ 2 1/2 months from the close of the fiscal year for  
 11    which the audit is conducted.

12            (4) In addition to the ~~annual~~ audits required by this  
 13    section, the department may at any time conduct a special  
 14    audit of the affairs of any governmental entity referred to  
 15    in this part.

16            (5) The fee for the special audit shall be a charge  
 17    based upon the costs incurred by the department in the  
 18    conduct of such special audit. The audit fee herein  
 19    provided shall be paid by the governmental entity to the  
 20    state treasurer and ~~credited to the state general fund~~  
 21    deposited in the revolving fund to the credit of the  
 22    department."

23            Section 2. Section 2-7-505, MCA, is amended to read:

24            "2-7-505. Audit scope and standards. (1) Each ~~annual~~  
 25    audit shall be a comprehensive audit of the affairs of the

1 governmental entity, including comment on the balance sheet,  
2 results of operations, compliance with state statutes and  
3 regulations, recommendations for improvement, and any other  
4 comments deemed pertinent by the auditor, including his  
5 expression of opinion as to the adequacy of the financial  
6 presentations.

7 (2) Each such annual audit required shall be made in  
8 accordance with generally accepted governmental auditing  
9 standards."

10 Section 3. Section 2-7-506, MCA, is amended to read:

11 "2-7-506. Audit by independent accountant or auditor.

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

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

21 (a) establishment of criteria for the selection of the  
22 independent accountant/auditor;

23 (b) contract form and content; and

24 (c) standards of audit and reporting."

25 Section 4. Section 2-7-516, MCA, is amended to read:

1 "2-7-516. Audit fees. (1) The department shall charge  
2 audit fees based upon the costs incurred by the department  
3 in the conduct of each annual audit except as follows:  
4 administration of this part.

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

8 (i) If the fund is more than \$1,000 and less than  
9 \$5,000, the annual audit fee shall be \$10.

10 (ii) If the fund is from \$5,000 to \$10,000, the annual  
11 audit fee shall be \$25.

12 (iii) If the fund is more than \$10,000, the annual  
13 audit fee shall be \$35.

14 (b) For each annual audit of fire districts and  
15 volunteer fire departments, the department shall charge  
16 audit fees of \$7.50 an hour for each person engaged in the  
17 audit.

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

21 (d) For each annual audit of conservancy districts,  
22 the department shall charge audit fees of \$70 a day for each  
23 person engaged in the audit.

24 (2) All audit fees herein provided shall be paid by  
25 the governmental entity to the state treasurer and credited

1 ~~to the state general fund deposited in the revolving fund to~~  
2 ~~the credit of the department.~~

3 ~~(3) The department may submit a bill to the~~  
4 ~~governmental entity based upon the estimated percentage of~~  
5 ~~completion of any audit. The governmental entity must make~~  
6 ~~payment within 60 days of receiving a bill."~~

7 Section 5. Section 20-9-203, MCA, is amended to read:

8 "20-9-203. Examination of district accounting records.

9 (1) The accounting records of all first- and second-class  
10 school districts and third-class school districts that  
11 maintain a high school shall be audited ~~annually--by--the~~  
12 ~~department--of--community--affairs~~ in accordance with 2-7-503.

13 (2) Annually and at such other times as directed by  
14 the board of county commissioners or trustees, the county  
15 auditor or the county treasurer if there is no county  
16 auditor shall audit the accounting records of each  
17 third-class district that does not maintain a high school.  
18 Such district shall deliver all accounting records to the  
19 auditing county official no later than July 15 for the audit  
20 of the financial activity of the last completed school  
21 fiscal year. The auditing county official shall examine the  
22 accounting records, prepare an audit report, and:

23 (a) return the accounting records to the district no  
24 later than August 15;

25 (b) send a copy of the audit report to the chairman of

1 the trustees; and

2 (c) file copies of the audit report with the county  
3 superintendent and the county clerk and recorder."

4 NEW SECTION. Section 6. Penalty. When a governmental  
5 entity has failed to make payment as required by 2-15-516  
6 within 60 days of receiving a bill for an audit, the  
7 department may issue an order stopping payment of any state  
8 financial aid to the governmental entity. Upon payment for  
9 the audit, all financial aid that was withheld because of  
10 failure to make payment shall be released and paid to the  
11 governmental entity.

12 NEW SECTION. Section 7. Deposit of audit fees. All  
13 audit fees received from governmental entities after June  
14 30, 1981, shall be deposited in the revolving fund to the  
15 credit of the department of [community affairs, or if Senate  
16 Bill 432, introduced in the 47th legislature, is passed and  
17 approved, to the credit of the department of administration]  
18 for administration of Title 2, chapter 7, part 5.

19 Section 8. Appropriation. There is appropriated  
20 \$157,500 from the general fund to the department of  
21 community affairs, or if Senate Bill 432, introduced in the  
22 47th legislature, is passed and approved, to the department  
23 of administration for the purpose of meeting initial costs  
24 associated with the audits of local governmental entities.

25 Section 9. Codification. Sections 6 and 7 are intended

LC 1497/01

1 to be codified as an integral part of Title 2, chapter 7,  
2 part 5.  
3 Section 10. Effective date. This act is effective on  
4 passage and approval.

-End-

Approved by Comm.  
on Appropriations

1                    HOUSE      BILL NO. 838  
2    INTRODUCED BY Special Committee on Appropriations  
3                    BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE  
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5    A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE AUDIT FEES  
6    CHARGED TO LOCAL GOVERNMENTS; CREATING A REVOLVING ACCOUNT;  
7    APPROPRIATING MONEY TO THE REVOLVING ACCOUNT; PROVIDING FOR  
8    AUDITS OF LOCAL GOVERNMENTAL ENTITIES EVERY TWO YEARS;  
9    PROVIDING FOR A PENALTY FOR NONPAYMENT OF BILLS SUBMITTED TO  
10   LOCAL GOVERNMENTS FOR AUDITING; AMENDING SECTIONS 2-7-503,  
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- 18        (a) counties;
- 19        (b) incorporated cities and towns;
- 20        (c) first- and second-class school districts and  
21    third-class school districts that maintain a high school;  
22    and
- 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; and
- 5        (h) fire department relief associations.

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

9        (3) Each ~~annual~~ audit shall be initiated not later  
10   than ~~±2 24~~ months from the close of the fiscal year for  
11   which the audit is conducted.

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13   section, the department may at any time conduct a special  
14   audit of the affairs of any governmental entity referred to  
15   in this part.

16        (5) The fee for the special audit shall be a charge  
17   based upon the costs incurred by the department in the  
18   conduct of such special audit. The audit fee herein  
19   provided shall be paid by the governmental entity to the  
20   state treasurer and ~~credited--to--the--state-general-fund~~  
21   ~~deposited in the revolving fund to the credit of the~~  
22   ~~department."~~

23        Section 2. Section 2-7-505, MCA, is amended to read:

24        "2-7-505. Audit scope and standards. (1) Each ~~annual~~  
25    audit shall be a comprehensive audit of the affairs of the

1 governmental entity, including comment on the balance sheet,  
2 results of operations, compliance with state statutes and  
3 regulations, recommendations for improvement, and any other  
4 comments deemed pertinent by the auditor, including his  
5 expression of opinion as to the adequacy of the financial  
6 presentations.

7 (2) Each such annual audit required shall be made in  
8 accordance with generally accepted governmental auditing  
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10 Section 3. Section 2-7-506, MCA, is amended to read:

11 "2-7-506. Audit by independent accountant or auditor.

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13 the department may, with the consent of or at the request of  
14 the respective governmental entities, contract out such  
15 annual audits with a public accountant or firm of public  
16 accountants who are licensed under the laws of Montana.

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

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25 Section 4. Section 2-7-516, MCA, is amended to read:

1 "2-7-516. Audit fees. (1) The department shall charge  
2 audit fees based upon the costs incurred by the department  
3 in the conduct of each annual audit, except as follows:  
4 administration of this part.

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

8 (i) If the fund is more than \$1,000 and less than  
9 \$5,000, the annual audit fee shall be \$10.

10 (ii) If the fund is from \$5,000 to \$10,000, the annual  
11 audit fee shall be \$25.

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13 audit fee shall be \$35.

14 (b) For each annual audit of fire districts and  
15 volunteer fire departments, the department shall charge  
16 audit fees of \$7.50 an hour for each person engaged in the  
17 audit.

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

21 (d) For each annual audit of conservancy districts,  
22 the department shall charge audit fees of \$70 a day for each  
23 person engaged in the audit.

24 (2) All audit fees herein provided shall be paid by  
25 the governmental entity to the state treasurer and credited



1 ~~to-the-state-general-fund deposited in the revolving fund to~~  
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6 ~~payment within 60 days of receiving a bill."~~

7 Section 5. Section 20-9-203, MCA, is amended to read:

8 "20-9-203. Examination of district accounting records.

9 (1) The accounting records of all first- and second-class  
10 school districts and third-class school districts that  
11 maintain a high school shall be audited ~~annually--by--the~~  
12 ~~department--of-community-affairs~~ in accordance with 2-7-503.

13 (2) Annually and at such other times as directed by  
14 the board of county commissioners or trustees, the county  
15 auditor or the county treasurer if there is no county  
16 auditor shall audit the accounting records of each  
17 third-class district that does not maintain a high school.  
18 Such district shall deliver all accounting records to the  
19 auditing county official no later than July 15 for the audit  
20 of the financial activity of the last completed school  
21 fiscal year. The auditing county official shall examine the  
22 accounting records, prepare an audit report, and:

23 (a) return the accounting records to the district no  
24 later than August 15;

25 (b) send a copy of the audit report to the chairman of

1 the trustees; and

2 (c) file copies of the audit report with the county  
3 superintendent and the county clerk and recorder."

4 **NEW SECTION.** Section 6. Penalty. When a governmental  
5 entity has failed to make payment as required by 2-15-516  
6 within 60 days of receiving a bill for an audit, the  
7 department may issue an order stopping payment of any state  
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10 failure to make payment shall be released and paid to the  
11 governmental entity.

12 **NEW SECTION.** Section 7. Deposit of audit fees. All  
13 audit fees received from governmental entities after June  
14 30, 1981, shall be deposited in the revolving fund to the  
15 credit of the department of [community affairs, or if Senate  
16 Bill 432, introduced in the 47th legislature, is passed and  
17 approved, to the credit of the department of administration]  
18 for administration of Title 2, chapter 7, part 5.

19 Section 8. Appropriation. There is appropriated  
20 \$157,500 from the general fund to the department of  
21 community affairs, or if Senate Bill 432, introduced in the  
22 47th legislature, is passed and approved, to the department  
23 of administration for the purpose of meeting initial costs  
24 associated with the audits of local governmental entities.

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1 to be codified as an integral part of Title 2, chapter 7,  
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3 Section 10. Effective date. This act is effective on  
4 passage and approval.

-End-

HOUSE BILL NO. 838

INTRODUCED BY Special Committee on Appropriations  
BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE AUDIT FEES CHARGED TO LOCAL GOVERNMENTS; CREATING A REVOLVING ACCOUNT; APPROPRIATING MONEY TO THE REVOLVING ACCOUNT; PROVIDING FOR AUDITS OF LOCAL GOVERNMENTAL ENTITIES EVERY TWO YEARS; PROVIDING FOR A PENALTY FOR NONPAYMENT OF BILLS SUBMITTED TO LOCAL GOVERNMENTS FOR AUDITING; AMENDING SECTIONS 2-7-503, 2-7-505, 2-7-506, 2-7-516, AND 20-9-203, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 2-7-503, MCA, is amended to read:

"2-7-503. Annual audits of local governmental entities. (1) The department shall audit the affairs of all:

(a) counties;

(b) incorporated cities and towns;

(c) first- and second-class school districts and third-class school districts that maintain a high school;  
end

(d) school district extracurricular fund for pupil functions;

(e) irrigation districts;

(f) conservancy districts;

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

(h) fire department relief associations.

(2) Each audit shall be made ~~annually~~ every 2 years and shall cover the immediately preceding 2 fiscal year ~~years~~ of the governmental entity.

(3) Each ~~annual~~ audit shall be initiated not later than ~~±2~~ 24 months from the close of the fiscal year for which the audit is conducted.

(4) In addition to the ~~annual~~ audits required by this section, the department may at any time conduct a special audit of the affairs of any governmental entity referred to in this part.

(5) The fee for the special audit shall be a charge based upon the costs incurred by the department in the conduct of such special audit. The audit fee herein provided shall be paid by the governmental entity to the state treasurer and ~~credited--to--the--state-general-fund deposited in the revolving fund to the credit of the department.~~

Section 2. Section 2-7-505, MCA, is amended to read:

"2-7-505. Audit scope and standards. (1) Each ~~annual~~ audit shall be a comprehensive audit of the affairs of the

1 governmental entity, including comment on the balance sheet,  
2 results of operations, compliance with state statutes and  
3 regulations, recommendations for improvement, and any other  
4 comments deemed pertinent by the auditor, including his  
5 expression of opinion as to the adequacy of the financial  
6 presentations.

7 (2) Each such annual audit required shall be made in  
8 accordance with generally accepted governmental auditing  
9 standards."

10 Section 3. Section 2-7-506, MCA, is amended to read:

11 "2-7-506. Audit by independent accountant or auditor.

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13 the department may, with the consent of or at the request of  
14 the respective governmental entities, contract out such  
15 annual audits with a public accountant or firm of public  
16 accountants who are licensed under the laws of Montana.

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

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22 independent accountant/auditor;

23 (b) contract form and content; and

24 (c) standards of audit and reporting."

25 Section 4. Section 2-7-516, MCA, is amended to read:

1 "2-7-516. Audit fees. (1) The department shall charge  
2 audit fees based upon the costs incurred by the department  
3 in the conduct--of--each--annual--audit--except--as--follows:  
4 administration of this part.

5 (a)--For--each--annual--audit--of--fire--department--relief  
6 associations,--the--department--shall--charge--audit--fees--on--the  
7 basis--of--the--funds--of--the--association:

8 (i)--if--the--fund--is--more--than--\$1,000--and--less--than  
9 \$5,000,--the--annual--audit--fee--shall--be--\$10;

10 (ii)--if--the--fund--is--from--\$5,000--to--\$10,000,--the--annual  
11 audit--fee--shall--be--\$25;

12 (iii)--if--the--fund--is--more--than--\$10,000,--the--annual  
13 audit--fee--shall--be--\$35;

14 (b)--For--each--annual--audit--of--fire--districts--and  
15 volunteer--fire--departments,--the--department--shall--charge  
16 audit--fees--of--\$7.50--an--hour--for--each--person--engaged--in--the  
17 audits;

18 (c)--For--each--annual--audit--of--irrigation--districts,--the  
19 department--shall--charge--audit--fees--of--\$70--a--day--for--each  
20 person--engaged--in--the--audit;

21 (d)--For--each--annual--audit--of--conservancy--districts,--  
22 the--department--shall--charge--audit--fees--of--\$70--a--day--for--each  
23 person--engaged--in--the--audit;

24 (2) All audit fees herein provided shall be paid by  
25 the governmental entity to the state treasurer and credited

1 ~~to the state general fund deposited in the revolving fund to~~  
2 ~~the credit of the department.~~

3 ~~(2) The department may submit a bill to the~~  
4 ~~governmental entity based upon the estimated percentage of~~  
5 ~~completion of any audit. The governmental entity must make~~  
6 ~~payment within 60 days of receiving a bill."~~

7 Section 5. Section 20-9-203, MCA, is amended to read:

8 "20-9-203. Examination of district accounting records.

9 (1) The accounting records of all first- and second-class  
10 school districts and third-class school districts that  
11 maintain a high school shall be audited ~~annually--by--the~~  
12 ~~department--of--community--affairs~~ in accordance with 2-7-503.

13 (2) Annually and at such other times as directed by  
14 the board of county commissioners or trustees, the county  
15 auditor or the county treasurer if there is no county  
16 auditor shall audit the accounting records of each  
17 third-class district that does not maintain a high school.

18 Such district shall deliver all accounting records to the  
19 auditing county official no later than July 15 for the audit  
20 of the financial activity of the last completed school  
21 fiscal year. The auditing county official shall examine the  
22 accounting records, prepare an audit report, and:

23 (a) return the accounting records to the district no  
24 later than August 15;

25 (b) send a copy of the audit report to the chairman of

1 the trustees; and

2 (c) file copies of the audit report with the county  
3 superintendent and the county clerk and recorder."

4 NEW SECTION. Section 6. Penalty. When a governmental  
5 entity has failed to make payment as required by 2-15-516  
6 within 60 days of receiving a bill for an audit, the  
7 department may issue an order stopping payment of any state  
8 financial aid to the governmental entity. Upon payment for  
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12 NEW SECTION. Section 7. Deposit of audit fees. All  
13 audit fees received from governmental entities after June  
14 30, 1981, shall be deposited in the revolving fund to the  
15 credit of the department of [community affairs, or if Senate  
16 Bill 432, introduced in the 47th legislature, is passed and  
17 approved, to the credit of the department of administration]  
18 for administration of Title 2, chapter 7, part 5.

19 Section 8. Appropriation. There is appropriated  
20 \$157,500 from the general fund to the department of  
21 community affairs, or if Senate Bill 432, introduced in the  
22 47th legislature, is passed and approved, to the department  
23 of administration for the purpose of meeting initial costs  
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1 to be codified as an integral part of Title 2, chapter 7,  
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3 Section 10. Effective date. This act is effective on  
4 passage and approval.

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BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE

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(d) school district extracurricular fund for pupil functions;

(e) irrigation districts;

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

(h) fire department relief associations.

(2) Each audit shall be made ~~annually~~ every 2 years and shall cover the immediately preceding 2 fiscal year years of the governmental entity, UNLESS ANNUAL AUDITS ARE REQUESTED BY THE GOVERNMENTAL ENTITY.

(3) Each ~~annual~~ audit shall be initiated not later than ~~12~~ 24 months from the close of the fiscal year for which the audit is conducted.

(4) In addition to the ~~annual~~ audits required by this section, the department may at any time conduct a special audit of the affairs of any governmental entity referred to in this part.

(5) The fee for the special audit shall be a charge based upon the costs incurred by the department in the conduct of such special audit. The audit fee herein provided shall be paid by the governmental entity to the state treasurer and ~~credited to the state general fund~~ deposited in the revolving fund to the credit of the department."

Section 2. Section 2-7-505, MCA, is amended to read:

"2-7-505. Audit scope and standards. (1) Each ~~annual~~

1 audit shall be a comprehensive audit of the affairs of the  
 2 governmental entity, including comment on the balance sheet,  
 3 results of operations, compliance with state statutes and  
 4 regulations, recommendations for improvement, and any other  
 5 comments deemed pertinent by the auditor, including his  
 6 expression of opinion as to the adequacy of the financial  
 7 presentations.

8 (2) Each such annual audit required shall be made in  
 9 accordance with generally accepted governmental auditing  
 10 standards."

11 Section 3. Section 2-7-506, MCA, is amended to read:

12 "2-7-506. Audit by independent accountant or auditor.

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

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

- 22 (a) establishment of criteria for the selection of the
- 23 independent accountant/auditor;
- 24 (b) contract form and content; and
- 25 (c) standards of audit and reporting."

1 Section 4. Section 2-7-516, MCA, is amended to read:

2 "2-7-516. Audit fees. (1) The department shall charge  
 3 audit fees based upon the costs incurred by the department  
 4 in the conduct of each annual audit except as follows:  
 5 administration of this part.

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

9 (i) If the fund is more than \$1,000 and less than  
 10 \$5,000, the annual audit fee shall be \$10.

11 (ii) If the fund is from \$5,000 to \$10,000, the annual  
 12 audit fee shall be \$25.

13 (iii) If the fund is more than \$10,000, the annual  
 14 audit fee shall be \$35.

15 (b) For each annual audit of fire districts and  
 16 volunteer fire departments, the department shall charge  
 17 audit fees of \$7.50 an hour for each person engaged in the  
 18 audit.

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

22 (d) For each annual audit of conservancy districts,  
 23 the department shall charge audit fees of \$70 a day for each  
 24 person engaged in the audit.

25 (2) All audit fees herein provided shall be paid by



1 the governmental entity to the state treasurer and credited  
2 ~~to the state general fund deposited in the revolving fund to~~  
3 ~~the credit of the department.~~

4 (3) The department may submit a bill to the  
5 governmental entity based upon the estimated percentage of  
6 completion of any audit. The governmental entity must make  
7 payment within 60 days of receiving a bill."

8 Section 5. Section 20-9-203, MCA, is amended to read:  
9 "20-9-203. Examination of district accounting records.

10 (1) The accounting records of all first- and second-class  
11 school districts and third-class school districts that  
12 maintain a high school shall be audited ~~annually by the~~  
13 ~~department of community affairs~~ in accordance with 2-7-503.

14 (2) Annually and at such other times as directed by  
15 the board of county commissioners or trustees, the county  
16 auditor or the county treasurer if there is no county  
17 auditor shall audit the accounting records of each  
18 third-class district that does not maintain a high school.  
19 Such district shall deliver all accounting records to the  
20 auditing county official no later than July 15 for the audit  
21 of the financial activity of the last completed school  
22 fiscal year. The auditing county official shall examine the  
23 accounting records, prepare an audit report, and:

24 (a) return the accounting records to the district no  
25 later than August 15;

1 (b) send a copy of the audit report to the chairman of  
2 the trustees; and

3 (c) file copies of the audit report with the county  
4 superintendent and the county clerk and recorder."

5 NEW SECTION. Section 6. Penalty. When a governmental  
6 entity has failed to make payment as required by 2-15-516  
7 within 60 days of receiving a bill for an audit, the  
8 department may issue an order stopping payment of any state  
9 financial aid to the governmental entity. Upon payment for  
10 the audit, all financial aid that was withheld because of  
11 failure to make payment shall be released and paid to the  
12 governmental entity.

13 NEW SECTION. Section 7. Deposit of audit fees. All  
14 audit fees received from governmental entities after June  
15 30, 1981, shall be deposited in the revolving fund to the  
16 credit of the department of [community affairs, or if Senate  
17 Bill 432, introduced in the 47th legislature, is passed and  
18 approved, to the credit of the department of administration]  
19 for administration of Title 2, chapter 7, part 5.

20 Section 8. Appropriation. There is appropriated  
21 \$157,500 from the general fund to the department of  
22 community affairs, or if Senate Bill 432, introduced in the  
23 47th legislature, is passed and approved, to the department  
24 of administration for the purpose of meeting initial costs  
25 associated with the audits of local governmental entities.

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1           Section 9. Codification. Sections 6 and 7 are intended  
2 to be codified as an integral part of Title 2, chapter 7,  
3 part 5.  
4           Section 10. Effective date. This act is effective on  
5 passage and approval.

-End-

April 10, 1981

SENATE STANDING COMMITTEE REPORT  
(Finance and Claims)

That House Bill No. 838 be amended as follows:

1. Page 2, line 8.

Following: "entity "

Insert: ", unless annual audits are requested by the governmental  
entity "