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 pasa.
		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 SE	NATE
April	7, 1981	By motion and consent bill allowed to be received and considered this session.
		Introduced and referred to Com- mittee 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

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April 20, 1981

Returned from Senate with amendments.

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 1 INTRODUCED BY Kund Committee on amanusking 2 2 BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE 3 3 4 4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE AUDIT FEES 5 5 CHARGED TO LOCAL GOVERNMENTS; CREATING A REVOLVING ACCOUNT; 6 6 7 APPROPRIATING NONEY TO THE REVOLVING ACCOUNT; PROVIDING FOR 7 AUDITS OF LOCAL GOVERNMENTAL ENTITIES EVERY THO YEARS; 8 8 PROVIDING FOR A PENALTY FOR NONPAYMENT OF BILLS SUBMITTED TO 9 9 10 LOCAL GOVERNMENTS FOR AUDITING; AMENDING SECTIONS 2-7-503. 10 2-7-505, 2-7-506, 2-7-516, AND 20-9-203, MCA; AND PROVIDING 11 11 12 AN IMMEDIATE EFFECTIVE DATE." 12 13 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA: 14 14 15 Section 1. Section 2-7-503, MCA, is amended to read: 15 16 #2-7-503. Annual audits of local governmental 16 17 entities. (1) The department shall audit the affairs of all: 17 (a) counties: 18 18 19 (b) incorporated cities and towns; 19 (c) first- and second-class school districts and 20 20 21 third-class school districts that maintain a high school; 21 22 606 22 23 (d) school district extracurricular fund for pupil 23 24 functions; 24 25 (e) irrigation districts; 25

{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

(h) fire department relief associations.

6 (2) Each audit shall be made ennuelly <u>avery 2 years</u> 7 and shall cover the immediately preceding 2 fiscal year 8 <u>years</u> of the governmental entity.

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

12 (4) In addition to the ennual 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 <u>deposited in the revolving fund to the credit of the</u> 22 <u>department.</u>

23 Section 2. Section 2-7-505, HCA, is amended to read:
24 #2-7-505. Audit scope and standards. (1) Each ennual
25 audit shall be a comprehensive audit of the affairs of the

-2- INTRODUCED BILL

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

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

Section 3. Section 2-7-506, MCA, is amended to read: "2-7-506. Audit by independent accountant or auditor. (1) In lieu of the annual audits required of the department, the department may, with the consent of or at the request of the respective governmental entities, contract out such annual audits with a public accountant or firm of public accountants who are licensed under the laws of Montana.

17 (2) The department shall establish rules governing the administration of the contracts between the department, the independent accountant/auditor, and the governmental entities. These rules shall include but not be limited to: (a) establishment of criteria for the selection of the independent accountant/auditor;

23 (b) contract form and content; and

24 (c) standards of audit and reporting.*

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

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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 conductofeachannual-audity-except-as-follows+	
4	administration_of_this_parte	
5	tajFor-each-annual-audit-offiredepartmentrelief	
6	associationsythe-department-shall-charge-oudit-fees-on-the	
7	basis-of-the-funds-of-the-association+	
8	{}} -~ If-the-fund-}s-morethan \$}+000and}essthen	
9	\$5 y088y-the-annual-audit-fee-shall-be-628u	
10	{;;;}~Ifthe-fund-;s-from-\$5y000-to-\$10y000y-the-annua }	
11	audit-fee-shall-be-\$25 .	
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13	oudit-fee-shall-be-\$35v	
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15	volunteer-firedepartmentsythedepartmentshallcharge	
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17	audit.	
18	{c}for-each-annual-audit-of-irrigation-districts,-the	
19	department-sha ll-char ge-audit-fees-of-478adayforeach	
20	person-engaged-in-the-audite	
21	(d)Foreachannualaudit-of-conservancy-districts,	
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23	person-engaged-in-the-audity	
24	(2) All audit fees herein provided shall be paid by	
25	the governmental entity to the state treasurer and credited	

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23 (a) return the accounting records to the district no24 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."

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NEW SECTION. Section 6. Penalty. When a governmental 4 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 department may issue an order stopping payment of any state 7 8 financial aid to the governmental entity. Upon payment for 9 the audit, all financial aid that was withheld because of failure to make payment shall be released and paid to the 10 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

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- 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-

47th Legislature

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Approved by Comm. on Appropriations

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SECOND READING

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NEW_SECTION. Section 6. Penalty. When a governmental 4 5 entity has failed to make payment as required by 2-15-516 within 60 days of receiving a bill for an audit, the 6 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.

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47th Legislature

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1	to-the-state-general-fund <u>deposited in the revolving fund to</u>
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10	school districts and third-class school districts that
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13	(2) Annually and at such other times as directed by
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18	Such district shall deliver all accounting records to the
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20	of the financial activity of the last completed school
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- 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-

1	HOUSE BILL NO. 838	1 (f) conservancy districts;
2	INTRODUCED BY LUND, COMMITTEE ON APPROPRIATIONS	2 (g) fire districts and volunteer fire departments in
3	BY REQUEST OF THE HOUSE APPROPRIATIONS COMMITTEE	3 unincorporated areas, towns, and villages supported by a
4		4 mill levy; <u>and</u>
5	A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE AUDIT FEES	5 (h) fire department relief associations.
6	CHARGED TO LOCAL GOVERNMENTS; CREATING A REVOLVING ACCOUNT;	6 (2) Each audit shall be made annually every 2 years
7	APPROPRIATING MONEY TO THE REVOLVING ACCOUNT; PROVIDING FOR	7 and shall cover the immediately preceding <u>2</u> fiscal year
8	AUDITS OF LOCAL GOVERNMENTAL ENTITIES EVERY 2 YEARS;	8 years of the governmental entity, UNLESS ANNUAL AUDITS ARE
9	PROVIDING FOR A PENALTY FOR NONPAYMENT OF BILLS SUBMITTED TO	9 REQUESTED BY THE GOVERNMENTAL ENTITY.
10	LOCAL GOVERNMENTS FOR AUDITING; AMENDING SECTIONS 2-7-503,	10 (3) Each annual audit shall be initiated not later
11	2-7-505, 2-7-506, 2-7-516, AND 20-9-203, MCA; AND PROVIDING	11 than 12 <u>24</u> months from the close of the fiscal year for
12	AN IMMEDIATE EFFECTIVE DATE."	12 which the audit is conducted.
13		13 (4) In addition to the annual audits required by this
14	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:	14 section, the department may at any time conduct a special
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-2-REFERENCE BILL

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

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

Section 3. Section 2-7-506, MCA, is amended to read: "2-7-506. Audit by independent accountant or auditor. (1) In lieu of the annual audits required of the department, the department may, with the consent of or at the request of the respective governmental entities, contract out such annual audits with a public accountant or firm of public accountants who are licensed under the laws of Montana.

24 (b) contract form and content; and

25 (c) standards of audit and reporting."

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ı	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-eachannualaudityexceptasfallows +
5	administration of this part.
6	{a}Foreachannualaudit-of-fire-department-relief
7	associationsv-the-department-shall-charge-audit-fees-onthe
8	basis-of-the-funds-of-the-association+
9	ti}ifthefundismorethan-\$1+000-and-less-than
10	\$5 ,000, -the- annua }-audit-fee-shail-be-\$±0≠
11	titj-If-the-fund-is-from-\$5,000-to-\$10,000,- theannual
12	audit-fee-shall-be-\$25.
13	tiii}−Ifthefundismorethan-\$10+090+-the-annual
14	audit-fee-shall-be-\$35 ∎
15	{b}Foreschannualsuditoffiredistrictsand
16	volunteerfiredepartmentsythedepartmentshall-charge
17	audit-fees-of-\$7*50-an-hour-for-each-person-engagedinthe
18	audi tu
19	(c)For-each-annual-audit-of-irrigation-districtsy-the
20	d epartmentshallchargeauditfees-of-\$78-a-day-for-each
21	p erson-engaged-in-the-audit *
22	{d} For-each-annua [‡] -auditofconservancydistrictsv
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

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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.

4 <u>(3) The department may submit a bill to the</u> 5 governmental entity based upon the estimated percentage of 6 <u>completion of any audit. The governmental entity must make</u> 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 school districts and third-class school districts that 11 12 maintain a high school shall be audited annually-sy-the department-of-community-affairs in accordance with 2-7-503. 13 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 fiscal year. The auditing county official shall examine the 22 23 accounting records, prepare an audit report, and:

24 (a) return the accounting records to the district no25 later than August 15;

(b) send a copy of the audit report to the chairman of
 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 entity has failed to make payment as required by 2-15-516 6 7 within 60 days of receiving a bill for an audit, the 8 department may issue an order stopping payment of any state Q 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 <u>NEW_SECTION</u>. Section 7. Deposit of audit fees. All audit fees received from governmental entities after June 30, 1981, shall be deposited in the revolving fund to the credit of the department of [community affairs, or if Senate Bill 432, introduced in the 47th legislature, is passed and approved, to the credit of the department of administration] 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-

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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 "