



[SF 2311](#) – Audits of State Entities, Alternative Auditors (LSB6020XS)
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Fiscal Note Version – New

Description

[Senate File 2311](#) allows a department currently subject to audit by the Auditor of State (AOS) to fulfill the requirements of Iowa Code section [11.2](#) by employing a Certified Public Accountant (CPA), subject to the approval of the Executive Council, and submitting the audit to the AOS. Payment for the services of the CPA is required to be approved by the Executive Council pursuant to Iowa Code section [11.32](#) and paid from the funds from which the AOS would have been paid had the AOS performed the audit. If such funds are not available, the Executive Council may authorize that the expense be paid as described in Iowa Code section [7D.29](#).

Background

Iowa Code section 11.2 requires the AOS to annually, or more often if deemed necessary, audit the State and all State officers and departments receiving or expending State funds. Currently, the AOS may, with prior written permission from the Executive Council, employ CPAs to perform the required audits. The AOS receives a General Fund appropriation to complete the audits of certain State agencies and receives payment from the agencies listed in Iowa Code section [11.5B](#) for the reimbursement for the costs of the audit.

Over the last three years, the AOS has averaged approximately 65,000 hours of auditing the State and State departments at a rate of \$85 per hour, for an average cost of \$5.3 million per year.

Based on data obtained from audit reports filed with the AOS by private firms, CPA firm billing rates for the periodic examination of small cities range from \$95 per hour to \$183 per hour. Other audits of State entities performed by outside CPA firms have cost as much as \$260 per hour.

Assumptions

- CPA firms may charge hourly rates that differ from the rate currently charged by the AOS. However, the average hourly rate that may be charged to a State agency that hires an outside CPA and audit firm cannot be determined.
- State agencies may hire outside CPA and audit firms, but the number of State agencies that will pursue these audits and whether the Executive Council will approve the requests cannot be determined.

Fiscal Impact

The fiscal impact of SF 2311 may increase audit expenses for State agencies and decrease revenue to the AOS, but the extent of the impact cannot be calculated since it is unknown how many State agencies may choose to hire CPA firms rather than using the AOS's services.

Source

Auditor of State

/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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