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SENATE FILE 1147

By CURTIS
(Bennett)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the auditing of certain nonprofit
2 organizations by the auditor of state.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section eleven point ten (11.10), Code 1975,
2 is amended to read as follows:

3 11.10 EXAMINATIONS. Said auditors shall have the right
4 while making said examinations, to examine all papers, books,
5 records, and documents of any of said officers and shall have
6 the right, in the presence of the custodian or ~~his~~ the
7 custodian's deputy, to have access to the cash drawers and
8 cash in the official custody of such officer, and a like
9 right, during business hours, to examine the public accounts
10 of the county, school or city in any depository which has
11 public funds in its custody pursuant to the law or the ac-
12 counts of a nonprofit organization. For purposes of this
13 chapter, "nonprofit organization" means any public or private
14 nonprofit organization which receives at least fifty percent
15 of its funding from federal, state and local government
16 sources.

17 Sec. 2. Section eleven point eleven (11.11), Code 1975,
18 is amended to read as follows:

19 11.11 SCOPE OF EXAMINATIONS. All examinations shall be
20 made without notice to the office examined. On every examina-
21 tion inquiry shall be made as to the financial condition and
22 resources of the county, nonprofit organization, school or
23 city; whether the cost price for improvements and material
24 in said county, nonprofit organization, school or city is
25 in excess of the cost price for like things in other counties,
26 similar nonprofit organizations, schools or cities of the
27 state; whether the county, nonprofit organization, school
28 or city authorities are complying with the law; and whether
29 the accounts and reports are being accurately kept.

30 Sec. 3. Section eleven point fourteen (11.14), Code 1975,
31 is amended to read as follows:

32 11.14 REPORTS--PUBLIC INSPECTION. A report of such exam-
33 ination shall be made in triplicate signed and verified by
34 the officers making the examination; one copy to be filed
35 with the auditor of state, one copy with the officer under

1 investigation, and one copy to the county auditor who shall
2 transmit ~~same~~ the copy to the board of supervisors if a county
3 office is under investigation, or with the president of the
4 school board if a school is under investigation, or with the
5 board of directors if a nonprofit organization is under
6 investigation, or with the mayor and the council if a city
7 office is under examination. All reports shall be open to
8 public inspection, including copies on file in the office
9 of the state auditor, and refusal on the part of any public
10 official or officer of a nonprofit organization to permit
11 such inspection when such reports have been filed with ~~him~~
12 the official or officer shall constitute a misdemeanor and
13 shall be punishable by a fine not to exceed fifty dollars
14 or by imprisonment in the county jail not to exceed fifteen
15 days.

16 In addition to the foregoing, notice that the report has
17 been filed shall be forwarded immediately to each newspaper,
18 radio station or television station located in the county,
19 municipality or school district which is under investigation
20 or audit; except that if there is no newspaper, radio station
21 or television station located therein, such notice shall be
22 sent to the official newspapers of the county. Notice of
23 reports filed for nonprofit organizations which are under
24 investigation or audit shall be transmitted immediately to
25 each newspaper, radio station or television station in the
26 municipality in which the nonprofit organization's main office
27 is located and to the official newspapers of all counties
28 served by the nonprofit organization.

29 Sec. 4. Section eleven point eighteen (11.18), unnumbered
30 paragraphs one (1) and three (3), Code 1975, are amended to
31 read as follows:

32 The financial condition and transactions of all cities
33 and city offices, nonprofit organizations, merged areas, area
34 education agencies and all school offices in school districts,
35 shall be examined at least once each year, except that cities

1 having a population of seven hundred or more but less than
2 two thousand shall be examined at least once every four years,
3 and cities having a population of less than seven hundred
4 may be examined as otherwise provided in this section. Such
5 examination shall cover the fiscal year next preceding the
6 year in which the audit is conducted. The examination of
7 school offices shall include an audit of activity funds.
8 Examinations may be made by the auditor of state, or in lieu
9 of the examination by state accountants the local governing
10 body or the board of directors of the nonprofit organization
11 whose accounts are to be examined, in case it elects so to
12 do, may contract with, or employ, certified or registered
13 public accountants, certified and registered in the state
14 of Iowa, and pay the same from the proper public funds or
15 from the proper funds of the nonprofit organization. If a
16 city, nonprofit organization, merged area, area education
17 agency or school district elect to have the audit made by
18 certified or registered public accountants, it must so notify
19 the auditor of state within sixty days after the close of
20 the fiscal year to be examined. A city must so notify the
21 state auditor by filing a resolution of the council. Such
22 notification and designation shall remain in effect until
23 rescinded or modified by a subsequent resolution of the council
24 filed with the state auditor. If any city, nonprofit
25 organization, merged area, area education agency or school
26 district does not file such notification with the auditor
27 of state within the required period, the auditor of state
28 is authorized to make the examination and cover any period
29 which has not been previously examined.

30 In addition to ~~his~~ the powers and duties of the auditor
31 of state under other provisions of the Code, the auditor of
32 state may at any time, if ~~he~~ the auditor of state deems such
33 action to be in the public interest, cause to be made a
34 complete or partial audit of the financial condition and
35 transactions of any city, county, nonprofit organization,

1 school corporation, governmental subdivision, or any office
2 thereof, even though an audit for the same period has been
3 made by certified or registered public accountants. Such
4 state audit shall be made and paid for as provided in this
5 chapter, except that in the event an audit covering the same
6 period has previously been made and paid for, the costs of
7 such additional state audit shall be paid from any funds
8 available in the office of the auditor of state. This
9 paragraph shall not be construed to grant any new authority
10 to have audits made by certified or registered public
11 accountants.

12 Sec. 5. Section eleven point nineteen (11.19), unnumbered
13 paragraphs one (1) and three (3), Code 1975, are amended to
14 read as follows:

15 Where an examination is made under contract with, or
16 employment of, certified or registered public accountants,
17 the auditor shall, in all matters pertaining to an authorized
18 examination, have all of the powers and be vested with all
19 the authority of state auditors employed by the auditor of
20 state, and the cost and expense of the examination shall be
21 paid by the city, school district, nonprofit organization,
22 or township procuring the examination. An itemized sworn
23 statement of the per diem and expense of the auditor shall
24 be filed with the clerk of the city, township, nonprofit
25 organization or school district, before payment thereof.
26 Upon completion of such examination, a signed copy thereof
27 shall be filed by the accountant employed with the auditor
28 of state.

29 In addition to the foregoing, notice that the report has
30 been filed shall be forwarded immediately to each newspaper,
31 radio station or television station located in the city,
32 school district or township which is under investigation or
33 audit; except that if there is no newspaper, radio station
34 or television station located therein, the notice shall be
35 sent to the official newspapers of the county. Notice of

1 reports filed for nonprofit organizations which are under
2 investigation or audit shall be transmitted immediately to
3 each newspaper, radio station or television station in the
4 municipality in which the nonprofit organization is located
5 and to the official newspapers of all counties served by the
6 nonprofit organization.

7 Sec. 6. Section eleven point twenty-one (11.21), Code
8 1975, is amended to read as follows:

9 11.21 REPAYMENT--OBJECTIONS. Upon payment by the state
10 of the salary and expenses, the auditor of state shall file
11 with the check-issuing or warrant-issuing officer of the
12 county, nonprofit organization, municipality or school, whose
13 offices were examined, a sworn statement consisting of the
14 itemized expenses paid and prorated salary costs paid under
15 section 11.20. Upon audit and approval by the board of
16 supervisors, board of directors, council or school board,
17 the ~~said~~ check-issuing or warrant-issuing officer shall draw
18 his a check or warrant for said the amount on the general
19 fund of the county, nonprofit organization, municipality or
20 school in favor of the auditor of state, which check or
21 warrant shall be placed to the credit of the general fund
22 of the state. In the event of the disapproval of any items
23 of said statement by the county, nonprofit organization,
24 municipality, or school authorities, written objections shall
25 be filed with the auditor of state within thirty days from
26 the filing thereof. Disapproved items of said statement shall
27 be paid the auditor of state upon receiving final decisions
28 emanating from a public hearing established by the auditor
29 of state.

30 Whenever the county board of supervisors, the school board,
31 the board of directors or the council shall file written
32 objections on the question of compensation and expenses with
33 the auditor of state, ~~he~~ the auditor of state or ~~his~~
34 representative a designee shall hold a public hearing in the
35 municipality where the examination was made and shall give

1 the complaining board notice of the time and place of hearing.
2 After such hearing ~~he~~ the auditor of state shall have the
3 power to reduce the compensation and expenses of the auditor
4 whose bills have been questioned. Any auditor who shall be
5 found guilty of falsifying ~~his~~ expense vouchers or engagement
6 report shall be immediately discharged by the auditor of state
7 and shall not be eligible for re-employment. Such auditor
8 must thereupon reimburse the auditor of state for all such
9 compensation and expenses so found to have been overpaid to
10 ~~him~~ the auditor and in the event of ~~his~~ the auditor's failure
11 to do so, the auditor of state may collect the same amount
12 from the auditor's bondsman by suit, if necessary.

13 Sec. 7. Section eleven point twenty-five (11.25), sub-
14 section two (2), Code 1975, is amended to read as follows:

15 2. Individual audit reports giving the results of all
16 examinations and audits of all departments, nonprofit or-
17 ganizations and establishments and all fiscal officers of
18 the state and local governments.

19 Sec. 8. Section eleven point twenty-six (11.26), sub-
20 section one (1), Code 1975, is amended by adding the fol-
21 lowing new subsection:

22 NLW SUBSECTION. A narrative report and such statisti-
23 cal information as is necessary to display the results of
24 the audits of nonprofit organizations.

25 Sec. 9. Section eleven point twenty-eight (11.28), Code
26 1975, is amended to read as follows:

27 11.28 INDIVIDUAL AUDIT REPORTS. The individual audit
28 reports shall include exhibits and schedules to report data
29 similar to that now required by section 11.4, and shall as
30 nearly as possible correspond and be prepared similar in form
31 to the audit reports rendered by certified public accountants,
32 and such reports shall include information as to the assets
33 and liabilities of the various departments, nonprofit
34 organizations and institutions audited as of the beginning
35 and close of the fiscal year audited, the receipts and

1 expenditures of cash, the disposition of materials and other
2 properties, and the net income and net operating cost. These
3 reports shall also set forth the cost as to each inmate,
4 client, member, or student per year in the various classi-
5 fications of expenses, and shall make comparisons thereof,
6 and shall give such other information, suggestions, and rec-
7 ommendations as may be deemed of advantage and to the best
8 interests of the taxpayers of the state; provided, that the
9 daily audit report of the state treasury shall be submitted
10 to the state comptroller; provided, further, that copies of
11 all individual audit reports of all state departments and
12 establishments shall be transmitted to the executive council
13 and to the state comptroller's office after the completion
14 of each audit, and that copies of all local government audits
15 and audits of nonprofit organizations shall, until other-
16 wise provided, be also supplied to the comptroller's office;
17 provided, further, that copies of such audit reports shall
18 also be supplied to the officers of the counties, schools,
19 nonprofit organizations and cities, as now provided by law;
20 and, provided further, that summaries of the findings, rec-
21 ommendations, and comparisons, together with any other in-
22 formation deemed essential, shall be printed and distributed
23 to members of the legislature, and such officials, including
24 state officers, as may be designated by the executive council.

25 EXPLANATION

26 This bill allows the auditor of state to audit public or
27 private nonprofit organizations which receive at least fifty
28 percent of their funds from federal, state or local govern-
29 ment sources.

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