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MAR 2 1989

HOUSE FILE 451

Place On Calendar:

BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 205)

Passed House Date 3-20-89 (p844) Passed Senate, Date 5-2-89 (P.1837)  
 Vote: Ayes 93 Nays 0 Vote: Ayes 21 Nays 19  
 Approved May 31, 1989

A BILL FOR

1 An Act relating to audits, amending provisions governing audits  
 2 of governmental subdivisions and revising the powers and  
 3 duties of the auditor of state with respect to such audits,  
 4 providing for payment to the auditor of state for certain  
 5 advisory and consultative services, providing for filing fees,  
 6 providing properly related matters, and providing an effective  
 7 date.

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

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HF 451

1 Section 1. Section 11.6, Code 1989, is amended by striking  
2 the section and inserting in lieu thereof the following:

3 11.6 EXAMINATION OF GOVERNMENTAL SUBDIVISIONS -- CONSULTA-  
4 TIVE SERVICES -- ASSOCIATION OF COUNTIES.

5 1. The financial condition and transactions of all cities  
6 and city offices, counties, county hospitals organized under  
7 chapters 347 and 347A, memorial hospitals organized under  
8 chapter 37, merged areas, area education agencies, and all  
9 school offices in school districts, shall be examined at least  
10 once each year, except that cities having a population of  
11 seven hundred or more but less than two thousand shall be  
12 examined at least once every four years, and cities having a  
13 population of less than seven hundred may be examined as  
14 otherwise provided in this section. The examination shall  
15 cover the fiscal year next preceding the year in which the  
16 audit is conducted. The examination of school offices shall  
3389 17 include an audit of activity funds. Examinations shall be  
18 made as determined by the governmental subdivision either by  
19 the auditor of state or by certified public accountants,  
20 certified in the state of Iowa, and they shall be paid from  
21 the proper public funds of the governmental subdivision.

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3389 22 2. A township or city for which examinations are not re-  
23 quired under subsection 1 may contract with or employ the  
24 auditor of state or certified public accountants for an  
25 examination of its financial transactions and condition of its  
26 funds. A financial examination is mandatory on application by  
27 one hundred or more taxpayers, or if there are fewer than five  
28 hundred taxpayers in the township or city, then by fifteen  
29 percent of the taxpayers. Payment for the examination shall  
30 be made from the proper public funds of the township or city.

31 3. In addition to the powers and duties under other provi-  
32 sions of the Code, the auditor of state may at any time, if  
33 the auditor of state has probable cause to believe such action  
34 is necessary in the public interest because of a material  
35 deficiency in an audit filed with the auditor of state or

1 because of a substantial failure of the audit to comply with  
2 the standards and procedures established and published by the  
3 auditor of state, cause to be made a complete or partial audit  
4 of the financial condition and transactions of any city,  
5 county, county hospital, memorial hospital, merged area, area  
6 education agency, school corporation, township, or other  
7 governmental subdivision, or an office of any of these. The  
8 state audit shall be paid from the proper public funds  
9 available in the office of the auditor of state. In the event  
10 the audited governmental subdivision recovers damages from a  
11 person performing a previous audit due to negligent  
12 performance of that audit or breach of the audit contract, the  
13 auditor of state shall be entitled to reimbursement on an  
14 equitable basis for funds expended from any recovery made by  
15 the governmental subdivision.

3384 16 4. The auditor of state may, within three years of filing,  
17 during normal business hours upon reasonable notice of at  
18 least twenty-four hours, review the audit work papers prepared  
19 by a certified public accountant in the performance of an  
20 audit or examination conducted pursuant to this section.

3389 21 5. An audit required by this section shall be completed  
22 within nine months following the end of the fiscal year that  
23 is subject to the audit. At the request of the governmental  
24 subdivision, the auditor of state may extend the nine-month  
25 time limitation upon a finding that the extension is necessary  
26 and not contrary to the public interest and that the failure  
27 to meet the deadline was not intentional.

3387 28 6. The auditor of state shall make guidelines available to  
29 the public setting forth accounting and auditing standards and  
30 procedures and audit and legal compliance programs to be  
31 applied in the examination of the governmental subdivisions of  
32 the state. The auditor shall also provide standard reporting  
33 formats for use in reporting the results of an examination of  
34 a governmental subdivision.

3389 35 7. The auditor of state shall provide advice and counsel

1 to public entities and certified public accountants concerning  
2 audit and examination matters. The auditor of state shall  
3 establish a fee schedule based upon the prevailing rate for  
4 the service rendered which shall be approved by the executive  
5 council. The auditor of state shall obtain payment from a  
6 public entity or certified public accountant for advisory and  
7 consultation services rendered pursuant to this subsection.  
8 The auditor of state may waive any charge provided in this  
9 subsection and may determine to provide certain services with-  
10 out cost.

3389 11 8. The Iowa state association of counties shall keep ac-  
12 counts as required by the auditor of state. These accounts  
13 shall be audited annually by either the auditor of state or a  
14 certified public accountant certified in the state of Iowa.  
15 The audit shall state all moneys expended for expenses  
16 incurred by and salaries paid to legislative representatives  
17 and lobbyists of the association.

3389 18 9. The auditor of state shall establish and collect a  
19 filing fee for the filing of each report of examination  
20 conducted pursuant to subsections 1 and 2 in an amount not to  
21 exceed fifty dollars. The funds collected shall be maintained  
22 in a segregated account for use by the office of the auditor  
23 of state in performing audits conducted pursuant to subsection  
24 3 and for work paper reviews conducted pursuant to subsection  
25 4. Any funds collected by the auditor pursuant to subsection  
26 3 shall be deposited in this account. Notwithstanding section  
27 8.33, the funds in this account shall not revert at the end of  
28 any fiscal year.

29 Sec. 2. Section 11.19, unnumbered paragraph 4, Code 1989,  
30 is amended to read as follows:

31 Failure to file such the report with the auditor of state  
32 shall bar such the accountant from making any city, or school  
33 audits thereafter under ~~the provisions of~~ section ~~11.18~~ 11.6.

34 Sec. 3. Section 123.58, Code 1989, is amended to read as  
35 follows:

## 1 123.58 AUDITING.

2 All provisions of sections 11.6, 11.7, 11.10, 11.11, 11.14,  
3 ~~11.18~~, 11.21, and 11.23, relating to auditing of financial  
4 records of governmental subdivisions which are not  
5 inconsistent with this chapter are applicable to the division  
6 and its offices, warehouses, and depots.

7 Sec. 4. Section 125.55, Code 1989, is amended to read as  
8 follows:

## 9 125.55 AUDITS.

10 All licensed substance abuse programs are subject to annual  
11 audit either by the auditor of state or in lieu of the  
12 *330* examination by state accountants the substance abuse program  
13 may contract with or employ certified public accountants to  
14 conduct the audit, in accordance with sections ~~11.18~~ 11.6 and  
15 11.19. The audit format shall be as prescribed by the auditor  
16 of state. The certified public accountant shall submit a copy  
17 of the audit to the director. A licensed substance abuse  
18 program is also subject to special audits as the director  
19 requests. The licensed substance abuse program or the  
20 department shall pay all expenses incurred by the auditor of  
21 state in conducting an audit under this section.

22 Sec. 5. Section 230A.16, subsection 3, Code 1989, is  
23 amended to read as follows:

24 3. Arrange for the financial condition and transactions of  
25 the community mental health center to be audited once each  
26 year by the auditor of state. However, in lieu of an audit by  
27 state accountants, the local governing body of a community  
28 mental health center organized under this chapter may contract  
29 with or employ certified public accountants to conduct the  
30 audit, pursuant to the applicable terms and conditions  
31 prescribed by sections ~~11.18~~ 11.6 and 11.19 and audit format  
32 prescribed by the auditor of state. Copies of each audit  
33 shall be furnished by the accountant to the administrator of  
34 the division of mental health, mental retardation, and  
35 developmental disabilities, and the board of supervisors

1 supporting the audited community mental health center.

2 Sec. 6. Section 279.38, unnumbered paragraph 1, Code 1989,  
3 is amended to read as follows:

4 Boards of directors of school corporations may pay, out of  
5 funds available to them, reasonable annual dues to the Iowa  
6 association of school boards. The financial condition and  
7 transactions of the Iowa association of school boards shall be  
8 audited in the same manner as school corporations as provided  
9 in section ~~11.18~~ 11.6. In addition, annually the Iowa  
10 association of school boards shall publish a listing of the  
11 school districts and the annual dues paid by each and shall  
12 publish an accounting of all moneys expended for expenses  
13 incurred by and salaries paid to legislative representatives  
14 and lobbyists of the association.

15 Sec. 7. Section 364.5, unnumbered paragraph 2, Code 1989,  
16 is amended to read as follows:

17 The financial condition and the transactions of the league  
3387 18 of Iowa municipalities shall be audited in the same manner as  
19 cities as provided in section ~~11.18~~ 11.6.

20 Sec. 8. Section 601K.98, Code 1989, is amended to read as  
21 follows:

22 601K.98 AUDIT.

23 Each community action agency shall be audited annually but  
24 shall ~~in no case~~ not be required to obtain a duplicate audit  
25 to meet the requirements of this section. In lieu of an audit  
26 by the auditor of state, the community action agency may  
27 contract with or employ a certified public accountant to  
28 conduct the audit, pursuant to the applicable terms and  
29 conditions prescribed by sections ~~11.18~~ 11.6 and 11.19 and an  
30 audit format prescribed by the auditor of state. Copies of  
31 each audit shall be furnished to the division within three  
32 months following the annual audit.

33 Sec. 9. Sections 11.9 and 11.18, Code 1989, are repealed.

34 Sec. 10. This Act, being deemed of immediate importance,  
35 takes effect upon enactment.

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## EXPLANATION

2 This bill revises provisions relating to audits of  
3 governmental subdivisions. It provides for audits to be  
4 conducted by either the auditor of state or a certified public  
5 accountant. The auditor of state would establish guidelines  
6 setting forth accounting and auditing standards and procedures  
7 and standard reporting formats and would have the authority  
8 upon reasonable notice of at least 24 hours to review the work  
9 papers of the certified public accountant. The period for  
10 completion of an annual governmental subdivision audit would  
11 be shortened from fifteen months to nine months.

12 The auditor of state could conduct a complete or partial  
13 state audit if there is probable cause to believe the action  
14 is necessary in the public interest because of a material  
15 deficiency in the audit filed by the certified public  
16 accountant or because of a substantial failure of the audit to  
17 comply with the standards and procedures established by the  
18 auditor of state. If the audited governmental subdivision  
19 recovers damages from a person conducting a previous audit,  
20 reimbursement of costs would be provided to the auditor of  
21 state.

22 The auditor of state would establish a fee schedule for  
23 advisory and consultative services to public entities and  
24 certified public accountants.

25 The auditor of state would also establish a filing fee not  
26 to exceed \$50, to be collected from governmental subdivisions  
27 for the filing of each report of examination. The fees would  
28 be used to pay the costs of work paper reviews and audits  
29 conducted upon probable cause.

30 The bill repeals existing provisions relating to the audits  
31 of cities, merged areas, and schools. Those audit provisions  
32 are combined with the provisions relating to counties and  
33 other governmental subdivisions. The bill also repeals a  
34 provision relating to reimbursements to county, municipal, and  
35 school auditors.

1 The bill imposes a state mandate as described in chapter  
2 25B.

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HOUSE FILE 451

H-3417

1 Amend the amendment, H-3389, to House File 451 as  
2 follows:

3 1. Page 2, by inserting after line 18 the  
4 following:

5 "\_\_\_\_\_. Page 3, by inserting after line 28 the  
6 following:

7 "Sec. \_\_\_\_\_. Section 11.9, Code 1989, is amended to  
8 read as follows:

9 11.9 COUNTY, MUNICIPAL AND SCHOOL AUDITORS'  
10 SALARIES AND EXPENSES.

11 County Except as otherwise provided in section  
12 11.6, subsection 4, for reaudits, county, municipal  
13 and school auditors and their assistants shall, in  
14 addition to salary, be reimbursed for their actual and  
15 necessary expenses. Salary payments shall include a  
16 prorated amount for vacation and sick leave. All  
17 payments shall be paid from funds in the state  
18 treasury upon certification of the auditor of state,  
19 and the general fund shall be reimbursed as provided  
20 in sections 11.20 and 11.21."

21 2. Page 2, by inserting after line 20 the fol-  
22 lowing:

23 "\_\_\_\_\_. Page 5, line 33, by striking the words and  
24 figures "Sections 11.9 and 11.18, Code 1989, are" and  
25 inserting the following: "Section 11.18, Code 1989,  
26 is".

27 \_\_\_\_\_ . By numbering and renumbering as necessary."

28 3. By numbering and renumbering as necessary.

By HANSON of Delaware

H-3417 FILED MARCH 16, 1989

Adopted 3-20-89 (p. 846)

HOUSE FILE 451  
FISCAL NOTE

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A fiscal note for HOUSE FILE 451 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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House File 451 amends provisions governing audits of government subdivisions and revises the powers and duties of the Auditor of State. The bill provides payment to the Auditor of State for certain advisory and consultative services and the authority to collect a filing fee.

ASSUMPTIONS

1. Number of local audits conducted by the Auditor of State would continue at current levels.
2. The Auditor of State would not be required to review the work papers of all local government audits (Section 1, subsection 4) conducted by private CPA firms. If the Auditor of State reviews the audit work papers the additional annual cost would be approximately \$173,000.
3. The Auditor of State does not plan to bill for advice and counsel to other public entities or CPA firms due to the difficulty in identify the entities to be billed.
4. Current law allowing the Auditor of State to bill CPA firms for review of county audit work papers is eliminated.

FISCAL IMPACT: The fiscal impact of HF 451 is to increase revenues to the Auditor of State by approximately \$21,000 annually. Current receipts to the Auditor of State, which are associated with the review of county audit work papers, would be reduced by approximately \$11,000, but the Auditor of State would collect an additional \$32,000 as a result of the new \$50 filing fee. The estimate does not include any revenues associated with charging public entities and CPA firms for advice and counsel regarding local audits.

Source: Auditor of State

(LSB 1878hv, TCF)

FILED MARCH 15, 1989

BY DENNIS PROUTY, FISCAL DIRECTOR

Usch. State Gov.  
Amend & Pass per amend. 35644-589 (p. 003)

HOUSE FILE 451  
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO HSB 205)

(Amended and Passed by the House March 20, 1989)

Re Passed House, Date 3-5-89 (p. 2511) Passed Senate, Date 5-2-89 (p. 1837)  
Vote: Ayes 40 Nays 0 Vote: Ayes 31 Nays 19

Approved May 31, 1989

Repassed by Senate 5-5-89  
(p. 1910) Ayes 42 Nays 8

A BILL FOR

Motion to reconsider  
5-2-89 (p. 1851) -  
MOTION LOST

1 An Act relating to audits, amending provisions governing audits  
2 of governmental subdivisions and revising the powers and  
3 duties of the auditor of state with respect to such audits,  
4 providing for payment to the auditor of state for certain  
5 advisory and consultative services, providing for filing fees,  
6 providing properly related matters, and providing an effective  
7 date.

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

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House Amendments \_\_\_\_\_

40607

1 Section 1. Section 11.6, Code 1989, is amended by striking  
2 the section and inserting in lieu thereof the following:

3 11.6 EXAMINATION OF GOVERNMENTAL SUBDIVISIONS -- CONSULTA-  
4 TIVE SERVICES -- ASSOCIATION OF COUNTIES.

5 1. The financial condition and transactions of all cities  
6 and city offices, counties, county hospitals organized under  
7 chapters 347 and 347A, memorial hospitals organized under  
3564-8 chapter 37, merged areas, area education agencies, and all  
9 school offices in school districts, shall be examined at least  
10 once each year, except that cities having a population of  
11 seven hundred or more but less than two thousand shall be  
12 examined at least once every four years, and cities having a  
13 population of less than seven hundred may be examined as  
14 otherwise provided in this section. The examination shall  
15 cover the fiscal year next preceding the year in which the  
16 audit is conducted. The examination of school offices shall  
17 include an audit of activity funds.

3564-18 Subject to the exceptions and requirements of subsection 2,  
19 examinations shall be made as determined by the governmental  
20 subdivision either by the auditor of state or by certified  
21 public accountants, certified in the state of Iowa, and they  
22 shall be paid from the proper public funds of the governmental  
23 subdivision.

24 2. a. In the case of a merged area school established  
25 under chapter 280A, the examination shall be made by the  
26 auditor of state.

3564-27 b. A city, school district, county, county hospital, or  
28 memorial hospital desiring to contract with or employ  
29 certified public accountants shall utilize procedures which  
30 include a request for proposals.

3564-31 3. A township or city for which examinations are not re-  
32 quired under subsection 1 may contract with or employ the  
33 auditor of state or certified public accountants for an  
34 examination of its financial transactions and condition of its  
35 funds. A financial examination is mandatory on application by

1 one hundred or more taxpayers, or if there are fewer than five  
2 hundred taxpayers in the township or city, then by fifteen  
3 percent of the taxpayers. Payment for the examination shall  
4 be made from the proper public funds of the township or city.

5 4. In addition to the powers and duties under other  
6 provisions of the Code, the auditor of state may at any time  
7 cause to be made a complete or partial reaudit of the  
8 financial condition and transactions of any city, county,  
9 county hospital, memorial hospital, merged area, area  
10 education agency, school corporation, township, or other  
11 governmental subdivision, or an office of any of these, if one  
12 of the following conditions exists:

13 a. The auditor of state has probable cause to believe such  
14 action is necessary in the public interest because of a  
15 material deficiency in an audit of the governmental  
16 subdivision filed with the auditor of state or because of a  
17 substantial failure of the audit to comply with the standards  
18 and procedures established and published by the auditor of  
19 state.

20 b. The auditor of state receives from an elected official  
21 or employee of the governmental subdivision a written request  
22 for a complete or partial reaudit of the governmental  
23 subdivision.

24 c. The auditor of state receives a petition signed by at  
25 least fifty eligible electors of the governmental subdivision  
26 requesting a complete or partial reaudit of the governmental  
27 subdivision.

28 The state audit shall be paid from the proper public funds  
29 available in the office of the auditor of state. In the event  
30 the audited governmental subdivision recovers damages from a  
31 person performing a previous audit due to negligent  
32 performance of that audit or breach of the audit contract, the  
33 auditor of state shall be entitled to reimbursement on an  
34 equitable basis for funds expended from any recovery made by  
35 the governmental subdivision.

1 5. The auditor of state may, within three years of filing,  
2 during normal business hours upon reasonable notice of at  
3 least twenty-four hours, review the audit work papers prepared  
4 by a certified public accountant in the performance of an  
5 audit or examination conducted pursuant to this section.

6 6. An audit required by this section shall be completed  
7 within nine months following the end of the fiscal year that  
8 is subject to the audit. At the request of the governmental  
9 subdivision, the auditor of state may extend the nine-month  
10 time limitation upon a finding that the extension is necessary  
11 and not contrary to the public interest and that the failure  
12 to meet the deadline was not intentional.

3564 -

13 7. The auditor of state shall make guidelines available to  
14 the public setting forth accounting and auditing standards and  
15 procedures and audit and legal compliance programs to be  
16 applied in the examination of the governmental subdivisions of  
17 the state. The auditor shall also provide standard reporting  
18 formats for use in reporting the results of an examination of  
19 a governmental subdivision.

20 8. The auditor of state shall provide advice and counsel  
21 to public entities and certified public accountants concerning  
22 audit and examination matters. The auditor of state shall  
23 establish a fee schedule based upon the prevailing rate for  
24 the service rendered which shall be approved by the executive  
25 council. The auditor of state shall obtain payment from a  
26 public entity or certified public accountant for advisory and  
27 consultation services rendered pursuant to this subsection.  
28 The auditor of state may waive any charge provided in this  
29 subsection and may determine to provide certain services with-  
30 out cost.

3843

31 9. The Iowa state association of counties shall keep ac-  
32 counts as required by the auditor of state. These accounts  
33 shall be audited annually by either the auditor of state or a  
34 certified public accountant certified in the state of Iowa.  
35 The audit shall state all moneys expended for expenses

1 incurred by and salaries paid to legislative representatives  
2 and lobbyists of the association.

3 3504 10. The auditor of state shall establish and collect a  
4 filing fee for the filing of each report of examination  
5 conducted pursuant to subsections 1 through 3 in an amount not  
6 to exceed fifty dollars. The funds collected shall be  
7 maintained in a segregated account for use by the office of  
8 the auditor of state in performing audits conducted pursuant  
9 to subsection 4 and for work paper reviews conducted pursuant  
10 to subsection 5. Any funds collected by the auditor pursuant  
11 to subsection 4 shall be deposited in this account.  
12 Notwithstanding section 8.33, the funds in this account shall  
13 not revert at the end of any fiscal year.

14 4064 Sec. 2. Section 11.9, Code 1989, is amended to read as  
15 follows:

16 11.9 COUNTY, MUNICIPAL AND SCHOOL AUDITORS' SALARIES AND  
17 EXPENSES.

18 County Except as otherwise provided in section 11.6,  
19 subsection 4, for reaudits, county, municipal and school  
20 auditors and their assistants shall, in addition to salary, be  
21 reimbursed for their actual and necessary expenses. Salary  
22 payments shall include a prorated amount for vacation and sick  
23 leave. All payments shall be paid from funds in the state  
24 treasury upon certification of the auditor of state, and the  
25 general fund shall be reimbursed as provided in sections 11.20  
26 and 11.21.

27 Sec. 3. Section 11.19, unnumbered paragraph 4, Code 1989,  
28 is amended to read as follows:

29 3504 Failure to file such the report with the auditor of state  
30 shall bar such the accountant from making any city, or school  
31 audits thereafter under ~~the provisions of~~ section ~~11.18~~ 11.6.

32 Sec. 4. Section 123.58, Code 1989, is amended to read as  
33 follows:

34 123.58 AUDITING.

35 All provisions of sections 11.6, 11.7, 11.10, 11.11, 11.14,

1 ~~11.18~~, 11.21, and 11.23, relating to auditing of financial  
2 records of governmental subdivisions which are not  
3 inconsistent with this chapter are applicable to the division  
4 and its offices, warehouses, and depots.

5 Sec. 5. Section 125.55, Code 1989, is amended to read as  
6 follows:

7 125.55 AUDITS.

8 All licensed substance abuse programs are subject to annual  
9 audit either by the auditor of state or in lieu of the  
10 examination by state-accountants the auditor of state the  
11 substance abuse program may contract with or employ certified  
12 public accountants to conduct the audit, in accordance with  
13 sections ~~11.18~~ 11.6 and 11.19. The audit format shall be as  
14 prescribed by the auditor of state. The certified public  
15 accountant shall submit a copy of the audit to the director.  
16 A licensed substance abuse program is also subject to special  
17 audits as the director requests. The licensed substance abuse  
18 program or the department shall pay all expenses incurred by  
19 the auditor of state in conducting an audit under this  
20 section.

21 Sec. 6. Section 230A.16, subsection 3, Code 1989, is  
22 amended to read as follows:

23 3. Arrange for the financial condition and transactions of  
24 the community mental health center to be audited once each  
25 year by the auditor of state. However, in lieu of an audit by  
26 state accountants, the local governing body of a community  
27 mental health center organized under this chapter may contract  
28 with or employ certified public accountants to conduct the  
29 audit, pursuant to the applicable terms and conditions  
30 prescribed by sections ~~11.18~~ 11.6 and 11.19 and audit format  
31 prescribed by the auditor of state. Copies of each audit  
32 shall be furnished by the accountant to the administrator of  
33 the division of mental health, mental retardation, and  
34 developmental disabilities, and the board of supervisors  
35 supporting the audited community mental health center.



1     Sec. 7. Section 279.38, unnumbered paragraph 1, Code 1989,  
2 is amended to read as follows:

3     Boards of directors of school corporations may pay, out of  
4 funds available to them, reasonable annual dues to the Iowa  
5 association of school boards. The financial condition and  
6 transactions of the Iowa association of school boards shall be  
7 audited in the same manner as school corporations as provided  
8 in section ~~11.18~~ 11.6. In addition, annually the Iowa  
9 association of school boards shall publish a listing of the  
10 school districts and the annual dues paid by each and shall  
11 publish an accounting of all moneys expended for expenses  
12 incurred by and salaries paid to legislative representatives  
13 and lobbyists of the association.

14     Sec. 8. Section 364.5, unnumbered paragraph 2, Code 1989,  
15 is amended to read as follows:

16     The financial condition and the transactions of the league  
17 of Iowa municipalities shall be audited in the same manner as  
18 cities as provided in section ~~11.18~~ 11.6.

19     Sec. 9. Section 601K.98, Code 1989, is amended to read as  
20 follows:

21     601K.98    AUDIT.

22     Each community action agency shall be audited annually but  
23 shall ~~in-no-case~~ not be required to obtain a duplicate audit  
24 to meet the requirements of this section. In lieu of an audit  
25 by the auditor of state, the community action agency may  
26 contract with or employ a certified public accountant to  
27 conduct the audit, pursuant to the applicable terms and  
28 conditions prescribed by sections ~~11.18~~ 11.6 and 11.19 and an  
29 audit format prescribed by the auditor of state. Copies of  
30 each audit shall be furnished to the division within three  
31 months following the annual audit.

32     Sec. 10. Section 11.18, Code 1989, is repealed.

33     Sec. 11. This Act, being deemed of immediate importance,  
34 takes effect upon enactment.

35

## HOUSE FILE 451

3389

Amend House File 451 as follows:

1. Page 1, by striking line 17 and inserting the following: "include an audit of activity funds.

Subject to the exceptions and requirements of subsection 2, examinations shall be".

2. Page 1, by inserting after line 21 the following:

"2. a. In the case of a merged area school established under chapter 280A, the examination shall be made by the auditor of state.

b. A city, school district, county, county hospital, or memorial hospital desiring to contract with or employ certified public accountants shall utilize procedures which include a request for proposals."

3. Page 1, line 22, by striking the figure "2" and inserting the following: "3".

4. By striking page 1, line 31 through page 2, line 7, and inserting the following:

"4. In addition to the powers and duties under other provisions of the Code, the auditor of state may at any time cause to be made a complete or partial reaudit of the financial condition and transactions of any city, county, county hospital, memorial hospital, merged area, area education agency, school corporation, township, or other governmental subdivision, or an office of any of these, if one of the following conditions exists:

a. The auditor of state has probable cause to believe such action is necessary in the public interest because of a material deficiency in an audit of the governmental subdivision filed with the auditor of state or because of a substantial failure of the audit to comply with the standards and procedures established and published by the auditor of state.

b. The auditor of state receives from an elected official or employee of the governmental subdivision a written request for a complete or partial reaudit of the governmental subdivision.

c. The auditor of state receives a petition signed by at least fifty eligible electors of the governmental subdivision requesting a complete or partial reaudit of the governmental subdivision.

The".

5. Page 2, line 16, by striking the figure "4" and inserting the following: "5".

6. Page 2, line 21, by striking the figure "5" and inserting the following: "6".

7. Page 2, line 28, by striking the figure "6" and inserting the following: "7".

H-3389

Page 2

1 8. Page 2, line 35, by striking the figure "7"  
2 and inserting the following: "8".

3 9. Page 3, line 11, by striking the figure "8"  
4 and inserting the following: "9".

3450-5 10. Page 3, by striking lines 13 and 14 and  
6 inserting the following: "shall be audited annually  
7 by the auditor of state."

A 8 11. Page 3, line 18, by striking the figure "9"  
9 and inserting the following: "10".

10 12. Page 3, line 20, by striking the word and  
11 figures "1 and 2" and inserting the following: "1  
12 through 3".

13 13. Page 3, line 24, by striking the figure "3"  
14 and inserting the following: "4".

15 14. Page 3, line 25, by striking the figure "4"  
16 and inserting the following: "5".

17 15. Page 3, line 26, by striking the figure "3"  
18 and inserting the following: "4".

3477 19 16. Page 5, line 18, by inserting after the word  
B 20 "audited" the following: "by the auditor of state".  
3477 By BLANSHAN of Greene

H-3389 FILED MARCH 15, 1989

*Div A - Adopted 3-20-89 (p. 848)*  
*Div B - lost 3-20-89 (p. 848)*

HOUSE FILE 451

H-3300

1 Amend House File 451 as follows:

2 1. Page 4, line 12, by striking the words "state  
3 accountants" and inserting the following: "state-ac-  
4 countants the auditor of state".

By BLANSHAN of Greene

H-3300 FILED MARCH 6, 1989

*adopted 3-20-89 (p. 847)*

H-3450

HOUSE FILE 451

1 Amend amendment, H-3389, to House File 451 as  
2 follows:  
3 1. Page 2, by striking lines 5 through 7.

H-3450 FILED MARCH 20, 1989  
ADOPTED *3-20-89 (p. 848)* BY MERTZ of Kossuth

## HOUSE FILE 451

S-3564

1 Amend House File 451 as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking line 8 and inserting the  
4 following: "chapter 37, entities organized under  
5 chapter 28E having gross receipts in excess of one  
6 hundred thousand dollars in a fiscal year, merged  
7 areas, area education agencies, and all".

8 2. Page 1, by striking line 18 and inserting the  
9 following:

10 "Subject to the exceptions and requirements of  
11 subsection 2 and subsection 4, paragraph "c",".

12 3. Page 1, by striking line 27 and inserting the  
13 following:

14 "b. A city, school district, area education  
15 agency, entity organized under chapter 28E, county,  
16 county hospital, or".

17 4. Page 1, by inserting after line 30 the  
18 following:

19 "c. The governing body of a city, school district,  
20 area education agency, entity organized under chapter  
21 28E, county, county hospital, or memorial hospital  
22 contracting with or employing a certified public  
23 accountant to perform an audit shall notify the  
24 auditor of state of the selection by June 1 of the  
25 year to be audited. If the governing body fails to  
26 notify the auditor of state of the selection, the  
27 auditor of state may perform the audit required in  
28 subsection 1."

29 5. Page 2, by striking line 9 and inserting the  
30 following: "county hospital, memorial hospital,  
31 entity organized under chapter 28E, merged area,  
32 area".

33 6. Page 2, by striking line 27 and inserting the  
34 following: "subdivision. If the governmental  
35 subdivision has not contracted with or employed a  
36 certified public accountant to perform an audit of the  
37 fiscal year in which the petition is received by the  
38 auditor of state, the auditor of state may perform an  
39 audit required by subsection 1 or 3."

40 7. Page 3, by striking line 17 and inserting the  
41 following: "the state. The guidelines shall include  
42 a requirement that the certified public accountant  
43 immediately notify the auditor of state regarding any  
44 suspected embezzlement or theft. The auditor shall  
45 also provide standard reporting".

46 8. Page 4, by striking lines 5 and 6 and  
47 inserting the following: "conducted pursuant to  
48 subsections 1 through 3 in an amount approved by the  
49 executive council. The funds collected shall be".

50 9. Page 4, by striking lines 29 through 31 and

S-3564

Page 2

1 inserting the following:  
 2 "Failure to file such the report with the auditor  
 3 of state within thirty days after receiving  
 4 notification of not receiving the audit report shall  
 5 bar such the accountant from making any city, or  
 6 school governmental subdivision audits thereafter  
 7 under the provisions of section 11.6 for the  
 8 following fiscal year."

9 10. Page 6, by striking lines 33 and 34 and  
 10 inserting the following:

11 "Sec. \_\_\_\_ . APPLICABILITY. This Act applies to  
 12 audits of the fiscal year ending June 30, 1989, and  
 13 subsequent fiscal years."

14 11. Title page, by striking lines 6 and 7 and  
 15 inserting the following: "providing properly related  
 16 matters, and providing for the applicability of the  
 17 Act."

By COMMITTEE ON STATE GOVERNMENT  
 BOB M. CARR, Chairperson

S-3564 FILED APRIL 5, 1989

*adopted 4-20-89 (p. 589) - motion to reconsider -  
 out of order  
 5-4-89 (p. 1938)*

HOUSE FILE 451

S-3640

1 Amend the amendment, S-3564, to House File 451, as  
2 amended, passed, and reprinted by the House, as  
3 follows:

4 1. Page 1, line 22, by striking the words "con-  
5 tracting with or employing" and inserting the  
6 following: "utilizing the auditor of state instead  
7 of".

8 2. Page 1, line 24, by striking the words "of the  
9 selection".

10 3. Page 1, line 26, by striking the word "selec-  
11 tion" and inserting the following: "decision to use  
12 the auditor of state".

13 4. Page 1, line 28, by inserting after the figure  
14 "1" the following: "only if provisions are not made  
15 by the governing body to contract for the audit".

16 5. Page 1, by inserting after line 45 the fol-  
17 lowing:

18 " . Page 3, by striking lines 25 and 26 and in-  
19 serting the following: "council. The auditor of  
20 state shall obtain payment from a certified public  
21 accountant for advisory and"".

22 6. Page 1, by inserting after line 49 the follow-  
23 ing:

24 " . Page 4, line 11, by inserting after the  
25 word "account." the following: "However, the filing  
26 fee established shall not exceed fifty dollars and  
27 shall not be collected for the filing of the report of  
28 examination if the audit was performed by the auditor  
29 of state.""

30 7. By numbering and renumbering as necessary.

By ELAINE SZYMONIAK

S-3640 FILED APRIL 11, 1989

3640A - adopted } 4-20-89 (p. 1588)  
3640B - lost

HOUSE FILE 451

S-3843

1 Amend House File 451, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 3, line 31, by inserting after the word  
4 "counties" the following: "and the Iowa hospital  
5 association".

6 2. Page 3, line 35, by striking the word "audit"  
7 and inserting the following: "audits".

8 3. Page 4, line 2, by striking the word  
9 "association" and inserting the following:

10 "associations".

By AL STURGEON

S-3843 FILED APRIL 20, 1989

ADOPTED

4-20-89 (p. 1589) - motion to reconsider 4-21-89 (p. 1607)  
motion lost 5-2-89 (p. 1822)

HOUSE FILE 451

S-3620

- 1 Amend the amendment, S-3564, to House File 451 as  
2 amended, passed, and reprinted by the House, as  
3 follows:  
4 1. Page 1, by inserting after line 11 the  
5 following:  
6 " Page 1, by striking lines 24 through 26."  
7 2. Page 1, by striking line 14 and inserting the  
8 following:  
9 "2. a. A city, merged area school, school  
10 district, area education".  
11 3. Page 1, by striking line 19 and inserting the  
12 following:  
13 "b. The governing body of a city, merged area  
14 school, school district,".  
15 4. By numbering and renumbering as necessary.
- By JOHN P. KIBBIE                      BERL E. PRIEBE  
RICHARD V. RUNNING                    BILL HUTCHINS  
KEN SCOTT                                WALLY E. HORN  
LEONARD BOSWELL                        JAMES RIORDAN  
MARK R. HAGERLA                        CALVIN O. HULTMAN  
RICHARD VANDE HOEF                    PAT DELUHERY  
ALVIN MILLER                            C. JOSEPH COLEMAN  
DON GETTINGS                            WILMER RENSINK  
EUGENE FRAISE                           LARRY MURPHY

S-3620 FILED APRIL 10, 1989

adopted 4-20-89 (p. 1588)

HOUSE FILE 451

S-4060

1 Amend House File 451, as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by inserting before line 1, the  
4 following:

5 "Section 1. Section 11.2, unnumbered paragraph 1,  
6 Code 1989, is amended to read as follows:

7 The auditor of state shall annually, and oftener if  
8 deemed necessary, make a full settlement between the  
9 state and all state officers and departments and all  
10 persons receiving or expending state funds, and shall  
11 annually make a complete audit of the books and  
12 accounts of every department of the state. However,  
13 the state board of regents may elect to have the audit  
14 of its books and accounts conducted by certified  
15 public accountants, certified in the state of Iowa, in  
16 the same manner and subject to the same conditions as  
17 provided for merged area schools under section 11.6."

18 2. Title page, line 2, by inserting after the  
19 word "of" the following: "the state and its".

20 3. By renumbering as necessary.

By JACK NYSTROM  
BOB CARR

MICHAEL E. GRONSTAL  
LARRY MURPHY

S-4060 FILED MAY 2, 1989

LOST 5289(p1837)

HOUSE FILE 451

S-4064

1 Amend House File 451, as amended, passed, and re-  
2 printed by the House, as follows:

A 3 1. Page 4, line 13, by inserting after the word  
4 "year." the following: "The filing fee established  
5 shall be based upon the complexity of the audit and  
6 developed on a graduated scale with a minimum fee of  
7 fifty dollars and a maximum fee of one hundred fifty  
8 dollars.

9 The auditor of state shall develop a program for  
10 reviewing selected work papers on the basis of once  
11 every five years, using generally accepted principles  
12 of audit review for quality assurance. A report shall  
13 be made to the general assembly by January 15, 1990,  
14 detailing such a review program, including an analysis  
15 of its costs."

B 16 2. Page 4, by inserting after line 13 the fol-  
17 lowing:

18 "11. Notwithstanding subsection 10, the filing fee  
19 collected for the filing of a report of examination  
20 shall not be collected if the audit was performed by  
21 the auditor of state."

By ELAINE SZYMONIAK

S-4064 FILED MAY 2, 1989

DIVISION A-LOST, DIVISION B-ADOPTED 5289(p1837)



HOUSE FILE 451

S-4104

- 1 Amend the amendment, S-3564, to House File 451 as  
2 amended, passed, and reprinted by the House, as  
3 follows:  
4 1. Page 1, by inserting after line 11 the  
5 following:  
6 " . Page 1, line 26, by inserting after the  
7 word "state." the following: "However, the auditor of  
8 state shall annually contract with certified public  
9 accountants under section 11.32 for the audit of at  
10 least five merged area schools."  
11 2. By numbering and renumbering as necessary.

By BOB CARR  
JACK NYSTROM

S-4104 FILED MAY 4, 1989  
OUT OF ORDER

5-4-89 (p.1938)

## SENATE AMENDMENT TO HOUSE FILE 451

H-4446

1 Amend House File 451 as amended, passed, and  
2 reprinted by the House, as follows:

3 1. Page 1, by striking line 8 and inserting the  
4 following: "chapter 37, entities organized under  
5 chapter 28E having gross receipts in excess of one  
6 hundred thousand dollars in a fiscal year, merged  
7 areas, area education agencies, and all".

8 2. Page 1, by striking line 18 and inserting the  
9 following:

10 "Subject to the exceptions and requirements of  
11 subsection 2 and subsection 4, paragraph "c",".

12 3. Page 1, by striking lines 24 through 26.

13 4. Page 1, by striking line 27 and inserting the  
14 following:

15 "2. a. A city, merged area school, school  
16 district, area education agency, entity organized  
17 under chapter 28E, county, county hospital, or".

18 5. Page 1, by inserting after line 30 the  
19 following:

20 "b. The governing body of a city, merged area  
21 school, school district, area education agency, entity  
22 organized under chapter 28E, county, county hospital,  
23 or memorial hospital utilizing the auditor of state  
24 instead of a certified public accountant to perform an  
25 audit shall notify the auditor of state by June 1 of  
26 the year to be audited. If the governing body fails  
27 to notify the auditor of state of the decision to use  
28 the auditor of state, the auditor of state may perform  
29 the audit required in subsection 1 only if provisions  
30 are not made by the governing body to contract for the  
31 audit."

32 6. Page 2, by striking line 9 and inserting the  
33 following: "county hospital, memorial hospital,  
34 entity organized under chapter 28E, merged area,  
35 area".

36 7. Page 2, by striking line 27 and inserting the  
37 following: "subdivision. If the governmental  
38 subdivision has not contracted with or employed a  
39 certified public accountant to perform an audit of the  
40 fiscal year in which the petition is received by the  
41 auditor of state, the auditor of state may perform an  
42 audit required by subsection 1 or 3."

43 8. Page 3, by striking line 17 and inserting the  
44 following: "the state. The guidelines shall include  
45 a requirement that the certified public accountant  
46 immediately notify the auditor of state regarding any  
47 suspected embezzlement or theft. The auditor shall  
48 also provide standard reporting".

49 9. Page 3, line 31, by inserting after the word  
50 "counties" the following: "and the Iowa hospital

H-4446

Page 2

- 1 association".
- 2 10. Page 3, line 35, by striking the word "audit"
- 3 and inserting the following: "audits".
- 4 11. Page 4, line 2, by striking the word
- 5 "association" and inserting the following:
- 6 "associations".
- 7 12. Page 4, by striking lines 5 and 6 and
- 8 inserting the following: "conducted pursuant to
- 9 subsections 1 through 3 in an amount approved by the
- 10 executive council. The funds collected shall be".
- 11 13. Page 4, by inserting after line 13 the fol-
- 12 lowing:
- 13 "11. Notwithstanding subsection 10, the filing fee
- 14 collected for the filing of a report of examination
- 15 shall not be collected if the audit was performed by
- 16 the auditor of state."
- 17 14. Page 4, by striking lines 29 through 31 and
- 18 inserting the following:
- 19 "Failure to file ~~such~~ the report with the auditor
- 20 of state within thirty days after receiving
- 21 notification of not receiving the audit report shall
- 22 bar ~~such~~ the accountant from making any city, or
- 23 ~~school~~ governmental subdivision audits thereafter
- 24 under the ~~provisions of section 11-18~~ 11.6 for the
- 25 following fiscal year."
- 26 15. Page 6, by striking lines 33 and 34 and
- 27 inserting the following:
- 28 "Sec. \_\_\_\_ . APPLICABILITY. This Act applies to
- 29 audits of the fiscal year ending June 30, 1989, and
- 30 subsequent fiscal years."
- 31 16. Title page, by striking lines 6 and 7 and
- 32 inserting the following: "providing properly related
- 33 matters, and providing for the applicability of the
- 34 Act."
- 35 17. By renumbering, relettering, or redesignating
- 36 and correcting internal references as necessary.

RECEIVED FROM THE SENATE

H-4446 FILED MAY 4, 1989

*Concurred 5-5-89 (p.2511)*

HOUSE FILE 451

H-4449

- 1 Amend the Senate amendment, H-4446, to House File
- 2 451, as amended, passed, and reprinted by the House,
- 3 as follows:
- 4 1. By striking page 1, line 49, through page 2,
- 5 line 6.
- 6 2. By renumbering as necessary.

By BLANSHAN of Greene

H-4449 FILED MAY 4, 1989

*adopted 5-5-89 (p.2511)*

HOUSE AMENDMENT TO SENATE AMENDMENT TO  
HOUSE FILE 451

S-4134

1 Amend the Senate amendment, H-4446, to House File  
2 451, as amended, passed, and reprinted by the House,  
3 as follows:

4 1. By striking page 1, line 49, through page 2,  
5 line 6.

6 2. By renumbering as necessary.

RECEIVED FROM THE HOUSE

S-4134 FILED MAY 5, 1989

CONCURRED

5-5-89 (p. 1990)

HSB 205

STATE GOVERNMENT

*Nov*

HOUSE FILE 451

BY (PROPOSED COMMITTEE ON  
STATE GOVERNMENT BILL)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_

Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_

Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to audits, amending provisions governing audits  
2 of governmental subdivisions and revising the powers and  
3 duties of the auditor of state with respect to such audits,  
4 providing for payment to the auditor of state for certain  
5 advisory and consultative services, providing properly related  
6 matters, and providing an effective date.

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

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1 Section 1. Section 11.6, Code 1989, is amended by striking  
2 the section and inserting in lieu thereof the following:

3 11.6 EXAMINATION OF GOVERNMENTAL SUBDIVISIONS -- CONSULTA-  
4 TIVE SERVICES -- ASSOCIATION OF COUNTIES.

5 1. The financial condition and transactions of all cities  
6 and city offices, counties, county hospitals organized under  
7 chapters 347 and 347A, memorial hospitals organized under  
8 chapter 37, merged areas, area education agencies, and all  
9 school offices in school districts, shall be examined at least  
10 once each year, except that cities having a population of  
11 seven hundred or more but less than two thousand shall be  
12 examined at least once every four years, and cities having a  
13 population of less than seven hundred may be examined as  
14 otherwise provided in this section. The examination shall  
15 cover the fiscal year next preceding the year in which the  
16 audit is conducted. The examination of school offices shall  
17 include an audit of activity funds. Examinations shall be  
18 made by certified public accountants, certified in the state  
19 of Iowa, and they shall be paid from the proper public funds  
20 of the governmental subdivision.

21 2. A township or city for which examinations are not re-  
22 quired under subsection 1 may contract with, or employ, cer-  
23 tified public accountants for an examination of its financial  
24 transactions and condition of its funds. A financial examina-  
25 tion is mandatory on application by one hundred or more tax-  
26 payers, or if there are fewer than five hundred taxpayers in  
27 the township or city, then by fifteen percent of the  
28 taxpayers. Payment for the examination shall be made from the  
29 proper public funds of the township or city.

30 3. In addition to the powers and duties under other provi-  
31 sions of the Code, the auditor of state may at any time, if  
32 the auditor of state has probable cause to believe such action  
33 is necessary to the public interest because of a material  
34 deficiency in an audit filed with the auditor of state or  
35 because of a substantial failure of the audit to comply with

1 the standards and procedures established and published by the  
2 auditor of state, cause to be made a complete or partial audit  
3 of the financial condition and transactions of any city,  
4 county, county hospital, memorial hospital, merged area, area  
5 education agency, school corporation, township, or other  
6 governmental subdivision, or an office of any of these, even  
7 though an audit for the same period has been made by certified  
8 public accountants. The state audit shall be paid from the  
9 proper public funds available in the office of the auditor of  
10 state.

11 4. The auditor of state may upon reasonable notice review  
12 the audit work papers prepared by a certified public  
13 accountant in the performance of an audit or examination  
14 conducted pursuant to this section.

15 5. An audit required by this section shall be completed  
16 within nine months following the end of the fiscal year that  
17 is subject to the audit. At the request of the governmental  
18 subdivision, the executive council may extend the nine-month  
19 time limitation upon a finding that the extension is necessary  
20 and not contrary to the public interest and that the failure  
21 to meet the deadline was not intentional.

22 6. The auditor of state shall make guidelines available to  
23 the public setting forth accounting and auditing standards and  
24 procedures and audit and legal compliance programs to be  
25 applied in the examination of the governmental subdivisions of  
26 the state. The auditor shall also provide standard reporting  
27 formats for use in reporting the results of an examination of  
28 a governmental subdivision.

29 7. The auditor of state shall provide advice and counsel  
30 to public entities and certified public accountants concerning  
31 audit and examination matters. The auditor of state shall  
32 establish a fee schedule based upon the prevailing rate for  
33 the service rendered which shall be approved by the executive  
34 council. The auditor of state shall obtain payment from a  
35 public entity or certified public accountant for advisory and

1 consultation services rendered pursuant to this subsection.  
2 The auditor of state may waive any charge provided in this  
3 subsection and may determine to provide certain services with-  
4 out cost.

5 8. The Iowa state association of counties shall keep ac-  
6 counts as required by the auditor of state. These accounts  
7 shall be audited annually by a certified public accountant  
8 certified in the state of Iowa. The audit shall state all  
9 moneys expended for expenses incurred by and salaries paid to  
10 legislative representatives and lobbyists of the association.

11 Sec. 2. Section 11.19, unnumbered paragraph 4, Code 1989,  
12 is amended to read as follows:

13 Failure to file ~~such~~ the report with the auditor of state  
14 shall bar ~~such~~ the accountant from making any city, or school  
15 audits thereafter under ~~the provisions of~~ section ~~11.18~~ 11.6.

16 Sec. 3. Section 123.58, Code 1989, is amended to read as  
17 follows:

18 123.58 AUDITING.

19 All provisions of sections 11.6, 11.7, 11.10, 11.11, 11.14,  
20 ~~11.18~~, 11.21, and 11.23, relating to auditing of financial  
21 records of governmental subdivisions which are not  
22 inconsistent with this chapter are applicable to the division  
23 and its offices, warehouses, and depots.

24 Sec. 4. Section 125.55, Code 1989, is amended to read as  
25 follows:

26 125.55 AUDITS.

27 All licensed substance abuse programs are subject to annual  
28 audit either by the auditor of state or in lieu of the  
29 examination by state accountants the substance abuse program  
30 may contract with or employ certified public accountants to  
31 conduct the audit, in accordance with sections ~~11.18~~ 11.6 and  
32 11.19. The audit format shall be as prescribed by the auditor  
33 of state. The certified public accountant shall submit a copy  
34 of the audit to the director. A licensed substance abuse  
35 program is also subject to special audits as the director



1 requests. The licensed substance abuse program or the  
2 department shall pay all expenses incurred by the auditor of  
3 state in conducting an audit under this section.

4 Sec. 5. Section 230A.16, subsection 3, Code 1989, is  
5 amended to read as follows:

6 3. Arrange for the financial condition and transactions of  
7 the community mental health center to be audited once each  
8 year by the auditor of state. However, in lieu of an audit by  
9 state accountants, the local governing body of a community  
10 mental health center organized under this chapter may contract  
11 with or employ certified public accountants to conduct the  
12 audit, pursuant to the applicable terms and conditions  
13 prescribed by sections ~~11.7~~ 11.6 and 11.19 and audit format  
14 prescribed by the auditor of state. Copies of each audit  
15 shall be furnished by the accountant to the administrator of  
16 the division of mental health, mental retardation, and  
17 developmental disabilities, and the board of supervisors  
18 supporting the audited community mental health center.

19 Sec. 6. Section 279.38, unnumbered paragraph 1, Code 1989,  
20 is amended to read as follows:

21 Boards of directors of school corporations may pay, out of  
22 funds available to them, reasonable annual dues to the Iowa  
23 association of school boards. The financial condition and  
24 transactions of the Iowa association of school boards shall be  
25 audited in the same manner as school corporations as provided  
26 in section ~~11.7~~ 11.6. In addition, annually the Iowa  
27 association of school boards shall publish a listing of the  
28 school districts and the annual dues paid by each and shall  
29 publish an accounting of all moneys expended for expenses  
30 incurred by and salaries paid to legislative representatives  
31 and lobbyists of the association.

32 Sec. 7. Section 364.5, unnumbered paragraph 2, Code 1989,  
33 is amended to read as follows:

34 The financial condition and the transactions of the league  
35 of Iowa municipalities shall be audited in the same manner as

1 cities as provided in section ~~11.18~~ 11.6.

2 Sec. 8. Section 601K.98, Code 1989, is amended to read as  
3 follows:

4 601K.98 AUDIT.

5 Each community action agency shall be audited annually but  
6 shall ~~in-no-case~~ not be required to obtain a duplicate audit  
7 to meet the requirements of this section. In lieu of an audit  
8 by the auditor of state, the community action agency may  
9 contract with or employ a certified public accountant to  
10 conduct the audit, pursuant to the applicable terms and  
11 conditions prescribed by sections ~~11.18~~ 11.6 and 11.19 and an  
12 audit format prescribed by the auditor of state. Copies of  
13 each audit shall be furnished to the division within three  
14 months following the annual audit.

15 Sec. 9. Sections 11.9 and 11.18, Code 1989, are repealed.

16 Sec. 10. This Act, being deemed of immediate importance,  
17 takes effect upon enactment.

18 EXPLANATION

19 This bill revises provisions relating to audits of  
20 governmental subdivisions. It provides for all such audits to  
21 be conducted by certified public accountants. The auditor of  
22 state would establish guidelines setting forth accounting and  
23 auditing standards and procedures and standard reporting  
24 formats and would have the authority upon reasonable notice to  
25 review the work papers of the certified public accountant.  
26 The period for completion of an annual governmental  
27 subdivision audit would be shortened from fifteen months to  
28 nine months.

29 The auditor of state could conduct a complete or partial  
30 state audit if there is probable cause to believe the action  
31 is necessary to the public interest because of a material  
32 deficiency in the audit filed by the certified public  
33 accountant or because of a substantial failure of the audit to  
34 comply with the standards and procedures established by the  
35 auditor of state.

1 The auditor of state would establish a fee schedule for  
2 advisory and consultative services to public entities and  
3 certified public accountants.

4 The bill repeals existing provisions relating to the audits  
5 of cities, merged areas, and schools. Those audit provisions  
6 are combined with the provisions relating to counties and  
7 other governmental subdivisions. The bill also repeals a  
8 provision relating to reimbursements to county, municipal, and  
9 school auditors.

10 The bill may impose a state mandate as described in chapter  
11 25B.

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HOUSE FILE 451

AN ACT

RELATING TO AUDITS, AMENDING PROVISIONS GOVERNING AUDITS OF GOVERNMENTAL SUBDIVISIONS AND REVISING THE POWERS AND DUTIES OF THE AUDITOR OF STATE WITH RESPECT TO SUCH AUDITS, PROVIDING FOR PAYMENT TO THE AUDITOR OF STATE FOR CERTAIN ADVISORY AND CONSULTATIVE SERVICES, PROVIDING FOR FILING FEES, PROVIDING PROPERLY RELATED MATTERS, AND PROVIDING FOR THE APPLICABILITY OF THE ACT.

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

Section 1. Section 11.6, Code 1989, is amended by striking the section and inserting in lieu thereof the following:

11.6 EXAMINATION OF GOVERNMENTAL SUBDIVISIONS -- CONSULTATIVE SERVICES -- ASSOCIATION OF COUNTIES.

1. The financial condition and transactions of all cities and city offices, counties, county hospitals organized under chapters 347 and 347A, memorial hospitals organized under chapter 37, entities organized under chapter 288 having gross receipts in excess of one hundred thousand dollars in a fiscal year, merged areas, area education agencies, and all school offices in school districts, shall be examined at least once each year, except that cities having a population of seven hundred or more but less than two thousand shall be examined at least once every four years, and cities having a population of less than seven hundred may be examined as otherwise provided in this section. The examination shall cover the fiscal year next preceding the year in which the audit is

conducted. The examination of school offices shall include an audit of activity funds.

Subject to the exceptions and requirements of subsection 2 and subsection 4, paragraph "c", examinations shall be made as determined by the governmental subdivision either by the auditor of state or by certified public accountants, certified in the state of Iowa, and they shall be paid from the proper public funds of the governmental subdivision.

2. a. A city, merged area school, school district, area education agency, entity organized under chapter 28E, county, county hospital, or memorial hospital desiring to contract with or employ certified public accountants shall utilize procedures which include a request for proposals.

b. The governing body of a city, merged area school, school district, area education agency, entity organized under chapter 28E, county, county hospital, or memorial hospital utilizing the auditor of state instead of a certified public accountant to perform an audit shall notify the auditor of state by June 1 of the year to be audited. If the governing body fails to notify the auditor of state of the decision to use the auditor of state, the auditor of state may perform the audit required in subsection 1 only if provisions are not made by the governing body to contract for the audit.

J. A township or city for which examinations are not required under subsection 1 may contract with or employ the auditor of state or certified public accountants for an examination of its financial transactions and condition of its funds. A financial examination is mandatory on application by one hundred or more taxpayers, or if there are fewer than five hundred taxpayers in the township or city, then by fifteen percent of the taxpayers. Payment for the examination shall be made from the proper public funds of the township or city.

4. In addition to the powers and duties under other provisions of the Code, the auditor of state may at any time cause to be made a complete or partial reaudit of the

financial condition and transactions of any city, county, county hospital, memorial hospital, entity organized under chapter 28E, merged area, area education agency, school corporation, township, or other governmental subdivision, or an office of any of these, if one of the following conditions exists:

a. The auditor of state has probable cause to believe such action is necessary in the public interest because of a material deficiency in an audit of the governmental subdivision filed with the auditor of state or because of a substantial failure of the audit to comply with the standards and procedures established and published by the auditor of state.

b. The auditor of state receives from an elected official or employee of the governmental subdivision a written request for a complete or partial reaudit of the governmental subdivision.

c. The auditor of state receives a petition signed by at least fifty eligible electors of the governmental subdivision requesting a complete or partial reaudit of the governmental subdivision. If the governmental subdivision has not contracted with or employed a certified public accountant to perform an audit of the fiscal year in which the petition is received by the auditor of state, the auditor of state may perform an audit required by subsection 1 or 3.

The state audit shall be paid from the proper public funds available in the office of the auditor of state. In the event the audited governmental subdivision recovers damages from a person performing a previous audit due to negligent performance of that audit or breach of the audit contract, the auditor of state shall be entitled to reimbursement on an equitable basis for funds expended from any recovery made by the governmental subdivision.

5. The auditor of state may, within three years of filing, during normal business hours upon reasonable notice of at

least twenty-four hours, review the audit work papers prepared by a certified public accountant in the performance of an audit or examination conducted pursuant to this section.

6. An audit required by this section shall be completed within nine months following the end of the fiscal year that is subject to the audit. At the request of the governmental subdivision, the auditor of state may extend the nine-month time limitation upon a finding that the extension is necessary and not contrary to the public interest and that the failure to meet the deadline was not intentional.

7. The auditor of state shall make guidelines available to the public setting forth accounting and auditing standards and procedures and audit and legal compliance programs to be applied in the examination of the governmental subdivisions of the state. The guidelines shall include a requirement that the certified public accountant immediately notify the auditor of state regarding any suspected embezzlement or theft. The auditor shall also provide standard reporting formats for use in reporting the results of an examination of a governmental subdivision.

8. The auditor of state shall provide advice and counsel to public entities and certified public accountants concerning audit and examination matters. The auditor of state shall establish a fee schedule based upon the prevailing rate for the service rendered which shall be approved by the executive council. The auditor of state shall obtain payment from a public entity or certified public accountant for advisory and consultation services rendered pursuant to this subsection. The auditor of state may waive any charge provided in this subsection and may determine to provide certain services without cost.

9. The Iowa state association of counties shall keep accounts as required by the auditor of state. These accounts shall be audited annually by either the auditor of state or a certified public accountant certified in the state of Iowa.

The audit shall state all moneys expended for expenses incurred by and salaries paid to legislative representatives and lobbyists of the association.

10. The auditor of state shall establish and collect a filing fee for the filing of each report of examination conducted pursuant to subsections 1 through 3 in an amount approved by the executive council. The funds collected shall be maintained in a segregated account for use by the office of the auditor of state in performing audits conducted pursuant to subsection 4 and for work paper reviews conducted pursuant to subsection 5. Any funds collected by the auditor pursuant to subsection 4 shall be deposited in this account. Notwithstanding section 8.33, the funds in this account shall not revert at the end of any fiscal year.

11. Notwithstanding subsection 10, the filing fee collected for the filing of a report of examination shall not be collected if the audit was performed by the auditor of state.

Sec. 2. Section 11.9, Code 1989, is amended to read as follows:

11.9 COUNTY, MUNICIPAL AND SCHOOL AUDITORS' SALARIES AND EXPENSES.

County Except as otherwise provided in section 11.6, subsection 4, for re-audits, county, municipal and school auditors and their assistants shall, in addition to salary, be reimbursed for their actual and necessary expenses. Salary payments shall include a prorated amount for vacation and sick leave. All payments shall be paid from funds in the state treasury upon certification of the auditor of state, and the general fund shall be reimbursed as provided in sections 11.20 and 11.21.

Sec. 3. Section 11.19, unnumbered paragraph 4, Code 1989, is amended to read as follows:

Failure to file such the report with the auditor of state within thirty days after receiving notification of not

receiving the audit report shall bar such the accountant from making any city-or-school governmental subdivision audits thereafter under the provisions of section ~~11.18~~ 11.6 of the following fiscal year.

Sec. 4. Section 123.58, Code 1989, is amended to read as follows:

123.58 AUDITING.

All provisions of sections 11.6, 11.7, 11.10, 11.11, 11.14, ~~11.18~~, 11.21, and 11.23, relating to auditing of financial records of governmental subdivisions which are not inconsistent with this chapter are applicable to the division and its offices, warehouses, and depots.

Sec. 5. Section 125.55, Code 1989, is amended to read as follows:

125.55 AUDITS.

All licensed substance abuse programs are subject to annual audit either by the auditor of state or in lieu of the examination by ~~state-accountants~~ the auditor of state the substance abuse program may contract with or employ certified public accountants to conduct the audit, in accordance with sections ~~11.18~~ 11.6 and 11.19. The audit format shall be as prescribed by the auditor of state. The certified public accountant shall submit a copy of the audit to the director. A licensed substance abuse program is also subject to special audits as the director requests. The licensed substance abuse program or the department shall pay all expenses incurred by the auditor of state in conducting an audit under this section.

Sec. 6. Section 230A.16, subsection 3, Code 1989, is amended to read as follows:

3. Arrange for the financial condition and transactions of the community mental health center to be audited once each year by the auditor of state. However, in lieu of an audit by state accountants, the local governing body of a community mental health center organized under this chapter may contract

with or employ certified public accountants to conduct the audit, pursuant to the applicable terms and conditions prescribed by sections ~~11.6~~ 11.6 and 11.19 and audit format prescribed by the auditor of state. Copies of each audit shall be furnished by the accountant to the administrator of the division of mental health, mental retardation, and developmental disabilities, and the board of supervisors supporting the audited community mental health center.

Sec. 7. Section 279.38, unnumbered paragraph 1, Code 1989, is amended to read as follows:

Boards of directors of school corporations may pay, out of funds available to them, reasonable annual dues to the Iowa association of school boards. The financial condition and transactions of the Iowa association of school boards shall be audited in the same manner as school corporations as provided in section ~~11.6~~ 11.6. In addition, annually the Iowa association of school boards shall publish a listing of the school districts and the annual dues paid by each and shall publish an accounting of all moneys expended for expenses incurred by and salaries paid to legislative representatives and lobbyists of the association.

Sec. 8. Section 264.5, unnumbered paragraph 2, Code 1989, is amended to read as follows:

The financial condition and the transactions of the league of Iowa municipalities shall be audited in the same manner as cities as provided in section ~~11.6~~ 11.6.

Sec. 9. Section 601K.98, Code 1989, is amended to read as follows:

**501K.98 AUDIT.**

Each community action agency shall be audited annually but shall in no case not be required to obtain a duplicate audit to meet the requirements of this section. In lieu of an audit by the auditor of state, the community action agency may contract with or employ a certified public accountant to conduct the audit, pursuant to the applicable terms and

conditions prescribed by sections ~~11.6~~ 11.6 and 11.19 and an audit format prescribed by the auditor of state. Copies of each audit shall be furnished to the division within three months following the annual audit.

Sec. 10. Section 11.18, Code 1989, is repealed.

Sec. 11. APPLICABILITY. This Act applies to audits of the fiscal year ending June 30, 1989, and subsequent fiscal years.

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DONALD D. AVENSON  
Speaker of the House

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JO ANN ZIMMERMAN  
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 451, Seventy-third General Assembly.

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JOSEPH O'HERN  
Chief Clerk of the House

Approved May 31, 1989

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TERRY E. BRANSTAD  
Governor