

Senate Study Bill 1144

SENATE/HOUSE FILE _____
BY (PROPOSED AUDITOR OF
STATE BILL)

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

A BILL FOR

1 An Act relating to the responsibilities and duties of the auditor
2 of state.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
4 TLSB 1217XD 83
5 ec/sc/14

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1 1 Section 1. Section 11.1, Code 2009, is amended to read as
1 2 follows:
1 3 11.1 DEFINITIONS.
1 4 1. For purposes of this chapter, unless the context
1 5 otherwise requires:
1 6 a. The term "department" shall be construed to mean
1 7 "Department" means any authority charged by law with official
1 8 responsibility for the expenditure of public money of the
1 9 state and any agency receiving money from the general revenues
1 10 of the state.
1 11 b. "Examination" means procedures that are less in scope
1 12 than an audit but which are directed toward reviewing
1 13 financial activities and compliance with legal requirements.
1 14 c. "Governmental subdivision" means cities and
1 15 administrative agencies established by cities, hospitals or
1 16 health care facilities established by a city, counties, county
1 17 hospitals organized under chapters 347 and 347A, memorial
1 18 hospitals organized under chapter 37, entities organized under
1 19 chapter 28E, community colleges, area education agencies, and
1 20 school districts.
1 21 d. "Regents institutions" means the institutions governed
1 22 by the board of regents under section 262.7.
1 23 2. As used in this chapter, unless the context otherwise
1 24 requires, "book", "list", "record", or "schedule" kept by a
1 25 county auditor, assessor, treasurer, recorder, sheriff, or
1 26 other county officer means the county system as defined in
1 27 section 445.1.
1 28 Sec. 2. Section 11.6, subsection 3, Code 2009, is amended
1 29 to read as follows:
1 30 3. a. A township or city for which examinations audits
1 31 are not required under subsection 1 may contract with or
1 32 employ the auditor of state or certified public accountants
1 33 for an audit or examination of its financial transactions and
1 34 condition of its funds. A financial examination is mandatory
1 35 Payment for the audit or examination shall be made from the
2 1 proper public funds of the township or city.
2 2 b. The auditor of state shall conduct an audit or
2 3 examination on application by one hundred or more taxpayers
2 4 eligible electors residing in the township or city, as
2 5 applicable, or if there are the population of the township or
2 6 city is fewer than five hundred taxpayers in the township or
2 7 city, then by fifteen percent of the taxpayers registered
2 8 voters in the township or city, as applicable. The auditor of
2 9 state may conduct an audit or examination of a township or
2 10 city on application by an employee or elected official of such
2 11 township or city. A copy of the applications shall be filed
2 12 with the auditor of state. Payment for the audit or
2 13 examination shall be made from the proper public funds of the
2 14 township or city.
2 15 Sec. 3. Section 11.14, Code 2009, is amended to read as
2 16 follows:
2 17 11.14 REPORTS == PUBLIC INSPECTION.
2 18 1. A written report of such examination an audit or
2 19 examination shall be made in triplicate signed and verified by

2 20 the officers making the examination; one copy to be provided
2 21 to the governmental subdivision and filed with the auditor of
2 22 state, one copy with the officer under investigation, and one
2 23 copy to the county auditor who shall transmit same to the
2 24 board of supervisors if a county office is under
2 25 investigation, or with the president of the school board if a
2 26 school is under investigation, or with the mayor and the
2 27 council if a city office is under examination. All reports
2 28 shall be open to public inspection, including copies on file
2 29 in the office of the state auditor, and refusal on the part of
2 30 any public official to permit such inspection when such
2 31 reports have been filed with the state auditor shall
2 32 constitute a simple misdemeanor.

2 33 2. In addition to the foregoing subsection 1, notice that
2 34 the report has been filed shall be forwarded immediately to
2 35 each newspaper, radio station or television station located in
3 1 the county, municipality or school district governmental
3 2 subdivision which is under investigation or audit; except
3 3 that. However, if there is no newspaper, radio station, or
3 4 television station located therein in the governmental
3 5 subdivision, such notice shall be sent to the official
3 6 newspapers of the county.

3 7 Sec. 4. Section 11.19, Code 2009, is amended to read as
3 8 follows:

3 9 11.19 AUDITOR'S POWERS AND DUTIES.

3 10 1. Where an audit or examination is made under contract
3 11 with, or employment of, certified or registered public
3 12 accountants, the auditor shall, in all matters pertaining to
3 13 an authorized audit or examination, have all of the powers and
3 14 be vested with all the authority of state auditors employed by
3 15 the auditor of state, and the cost and expense of the audit or
3 16 examination shall be paid by the city, school district, or
3 17 township governmental subdivision procuring the audit or
3 18 examination. An itemized sworn A detailed statement of the
3 19 per diem and expense cost of the auditor audit or examination
3 20 shall be filed with the clerk of the city, township, or school
3 21 district, before payment thereof governmental subdivision.
3 22 Upon completion of such audit or examination, a signed copy
3 23 thereof of the report and a detailed, itemized statement of
3 24 cost, including hours spent performing the audit or
3 25 examination, shall be filed by the accountant employed with
3 26 the auditor of state in a manner specified by the auditor of
3 27 state.

3 28 All reports shall be open to public inspection, including
3 29 copies on file in the office of the state auditor, and refusal
3 30 on the part of any public official to permit such inspection
3 31 when such reports have been filed with the state auditor,
3 32 shall constitute a simple misdemeanor.

3 33 In addition to the foregoing, notice that the report has
3 34 been filed shall be forwarded immediately to each newspaper,
3 35 radio station or television station located in the city,
4 1 school district or township which is under investigation or
4 2 audit; except that if there is no newspaper, radio station or
4 3 television station located therein, the notice shall be sent
4 4 to the official newspapers of the county.

4 5 2. Failure to file the report and the statement of cost
4 6 with the auditor of state within thirty days after receiving
4 7 notification of not receiving the audit report and the
4 8 statement of cost shall bar the accountant from making any
4 9 governmental subdivision audits or examinations under section
4 10 11.6 for the following fiscal year.

4 11 Sec. 5. Section 11.21, Code 2009, is amended to read as
4 12 follows:

4 13 11.21 REPAYMENT == OBJECTIONS.

4 14 1. Upon payment by the state of the salary and expenses,
4 15 the auditor of state shall file with the warrant-issuing
4 16 officer of the county, municipality or school, governmental
4 17 subdivision whose offices were audited or examined, a sworn
4 18 statement consisting of the itemized expenses paid and
4 19 prorated salary costs paid under section 11.20. Upon audit
4 20 and approval by the board of supervisors, council or school
4 21 board, the warrant-issuing officer shall draw a warrant for
4 22 the amount on the county, or on the general fund of the
4 23 municipality or school in favor of the auditor of state, which
4 24 warrant shall be placed to the credit of the general fund of
4 25 the state governing body of the governmental subdivision,
4 26 payment shall be made from the proper public funds of the
4 27 governmental subdivision. In the event of the disapproval by
4 28 the governing body of the governmental subdivision of any
4 29 items of said included on the statement by the county,
4 30 municipality, or school authorities, written objections shall

4 31 be filed with the auditor of state within thirty days from the
4 32 filing thereof of the sworn statement with the warrant=issuing
4 33 officer of the governmental subdivision. Disapproved items of
4 34 the statement shall be paid the auditor of state upon
4 35 receiving final decisions emanating from public hearing
5 1 established by the auditor of state.
5 2 2. Whenever the county board of supervisors, the school
5 3 board, or the council shall file governing body of the
5 4 governmental subdivision files written objections on the
5 5 question of compensation and expenses with the auditor of
5 6 state, the auditor or the auditor's representative shall hold
5 7 a public hearing in the municipality governmental subdivision
5 8 where the audit or examination was made and shall give the
5 9 complaining board notice of the time and place of hearing.
5 10 After such hearing the auditor shall have the power to reduce
5 11 the compensation and expenses of the auditor whose bills have
5 12 been questioned. Any auditor who shall be found guilty of
5 13 falsifying an expense voucher or engagement report shall be
5 14 immediately discharged by the auditor of state and shall not
5 15 be eligible for re-employment. Such auditor must thereupon
5 16 reimburse the auditor of state for all such compensation and
5 17 expenses so found to have been overpaid and in the event of
5 18 failure to do so, the auditor of state may collect the same
5 19 amount from the auditor's surety by suit, if necessary.
5 20 Sec. 6. Section 11.28, Code 2009, is amended to read as
5 21 follows:
5 22 11.28 INDIVIDUAL AUDIT OR EXAMINATION REPORTS == COPIES.
5 23 1. The individual audit Audit or examination reports shall
5 24 include applicable exhibits and, schedules to report data
5 25 similar to that required by section 11.4, findings, and
5 26 recommendations. The format of the reports shall as nearly as
5 27 possible correspond and be prepared similar in form to the
5 28 audit reports rendered by certified public accountants comply
5 29 with applicable professional standards or procedures
5 30 established by the auditor of state. The reports shall
5 31 include information as to the assets and liabilities of the
5 32 various departments and institutions audited as of the
5 33 beginning and close of the fiscal year audited, the receipts
5 34 and expenditures of cash, the disposition of materials and
5 35 other properties, and the net income and net operating cost.
6 1 The Where applicable, the reports shall also set forth the
6 2 average cost per year for the inmates, members, clients,
6 3 patients, and students served in the various classifications
6 4 of expenses. The reports shall make comparisons of the
6 5 average costs and classifications, and shall give such other
6 6 information, suggestions, and recommendations as may be deemed
6 7 of advantage and to the best interests of the taxpayers of the
6 8 state.
6 9 2. The daily audit report of the state treasury shall be
6 10 submitted to the director of the department of administrative
6 11 services and the director of the department of management.
6 12 Copies of all individual audit reports of all state
6 13 departments and establishments shall be transmitted to the
6 14 directors' offices after the completion of each audit, and
6 15 copies of all local government audits shall, until otherwise
6 16 provided, be also supplied to the directors' offices. Copies
6 17 of the local government audit reports shall also be supplied
6 18 to the officers of the counties, schools, and cities, as
6 19 provided by law. Summaries of the findings, recommendations,
6 20 and comparisons, together with any other information deemed
6 21 essential, shall be printed and distributed to members of the
6 22 general assembly.
6 23 Sec. 7. NEW SECTION. 11.42 DISCLOSURES PROHIBITED.
6 24 1. Notwithstanding chapter 22, information received during
6 25 the course of any audit or examination, including allegations
6 26 of misconduct or noncompliance, and all audit or examination
6 27 work papers shall be maintained as confidential.
6 28 2. Information maintained as confidential as provided by
6 29 this section may be disclosed for any of the following
6 30 reasons:
6 31 a. As necessary to complete the audit or examination.
6 32 b. As necessary to explain a decision by the auditor not
6 33 to conduct an audit or reaudit.
6 34 c. To the extent the auditor is required by law to report
6 35 the same or to testify in court.
7 1 3. Upon completion of an audit or examination, a report
7 2 shall be prepared as required by section 11.28 and all
7 3 information included in the report shall be public
7 4 information.
7 5 4. Any violation of this section shall be grounds for
7 6 termination of employment with the auditor of state.

EXPLANATION

7 7
7 8 This bill makes changes relative to the responsibilities
7 9 and duties of the auditor of state.
7 10 Code section 11.1 is amended to define examination as a
7 11 procedure less in scope than an audit but which is directed at
7 12 reviewing financial activities and compliance with legal
7 13 requirements. Governmental subdivision is also defined to
7 14 mean cities, administrative agencies of cities, city
7 15 hospitals, counties, county hospitals, memorial hospitals,
7 16 chapter 28E entities, community colleges, area education
7 17 agencies, and school districts.
7 18 Code section 11.6(3), concerning requests for an audit of a
7 19 township or city, is amended. The bill modifies how the
7 20 public can request an audit. The bill provides that an audit
7 21 can be requested by application of 100 or more eligible
7 22 electors, rather than taxpayers, of the township or city if
7 23 the population of the township or city is 500 or more people.
7 24 If less than 500 people, then the bill provides that 15
7 25 percent of registered voters can make application for an
7 26 audit.
7 27 Code section 11.14, concerning reports and public
7 28 inspection, is amended to provide that written audit or
7 29 examination reports shall be provided to the governmental
7 30 subdivision and filed with the auditor of state. Current
7 31 requirements to produce reports in triplicate and to deliver
7 32 copies to certain designated individuals is eliminated.
7 33 Code section 11.17, concerning prohibited disclosures, is
7 34 repealed, but the substance of the Code section is transferred
7 35 to new Code section 11.42.
8 1 Code section 11.19, concerning the auditor's powers and
8 2 duties, is amended to eliminate the requirement that reports
8 3 be open to public inspection and eliminates the criminal
8 4 penalty for failing to permit inspection of reports that have
8 5 been filed with the auditor of state. Provisions concerning
8 6 the forwarding of notice that a report has been filed to the
8 7 local media are also stricken from this Code section. Code
8 8 section 11.14 still provides that the report is available for
8 9 public inspection and submitted to local media.
8 10 Code section 11.21, concerning repayment of auditors, is
8 11 amended to provide that the provisions of this Code section
8 12 apply to governmental subdivisions.
8 13 Code section 11.28, concerning individual audit reports, is
8 14 amended by striking requirements relative to the submission of
8 15 the daily audit report and required copies of certain audit
8 16 reports. The bill also provides that the format of the
8 17 reports shall comply with applicable professional standards or
8 18 procedures established by the auditor.
8 19 LSB 1217XD 83
8 20 ec/sc/14.1