Senate Study Bill 1223

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

An Act concerning audit and review functions of the auditor of state relative to governmental subdivisions.
BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
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Section 1. Section 11.1, Code 2009, is amended to read as follows:

11.1 DEFINITIONS.

1. For purposes of this chapter, unless the context otherwise requires:

a. ~~The term "department" shall be construed to mean~~ "Department" means any authority charged by law with official responsibility for the expenditure of public money of the state and any agency receiving money from the general revenues of the state.

b. "Examination" means procedures that are less in scope than an audit but which are directed toward reviewing financial activities and compliance with legal requirements.

c. "Governmental subdivision" means cities and administrative agencies established by cities, hospitals or health care facilities established by a city, counties, county hospitals organized under chapters 347 and 347A, memorial hospitals organized under chapter 37, entities organized under chapter 28E, community colleges, area education agencies, and school districts.

d. "Regents institutions" means the institutions governed by the board of regents under section 262.7.

2. As used in this chapter, unless the context otherwise requires, "book", "list", "record", or "schedule" kept by a county auditor, assessor, treasurer, recorder, sheriff, or other county officer means the county system as defined in section 445.1.

Sec. 2. Section 11.6, subsection 1, paragraph a, subparagraph (1), Code 2009, is amended to read as follows:

(1) ~~The~~ Except for entities organized under chapter 28E having budgeted gross receipts of one hundred thousand dollars or less in a fiscal year, 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 28E 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,~~ governmental subdivisions shall be ~~examined~~ audited at least once each year~~, except that cities~~. 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~~ budgeted gross receipts of one hundred thousand dollars but less than two million dollars in a fiscal year shall be examined at least once each year pursuant to procedures established by the office of auditor of state and the report of the examination shall be filed with the office of the auditor of state and the examined city. However, cities having ~~a population of less than seven hundred~~ budgeted gross receipts of less than one hundred thousand dollars in a fiscal year 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~~ audit of school ~~offices~~ districts shall include an audit of all

school funds including categorical funding provided by the state, the certified annual financial report, the certified enrollment as provided in section 257.6, supplementary weighting as provided in section 257.11, and the revenues and expenditures of any nonprofit school organization established pursuant to section 279.62. Differences in certified enrollment shall be reported to the department of management. The ~~examination~~ audit of school ~~offices~~ districts shall include at a minimum a determination that the laws of the state are being followed, that categorical funding is not used to supplant other funding except as otherwise provided, that supplementary weighting is pursuant to an eligible sharing condition, and that postsecondary courses provided in accordance with section 257.11 and chapter 261E supplement, rather than supplant, school district courses. The ~~examination~~ audit of a city that owns or operates a municipal utility providing local exchange services pursuant to chapter 476 shall include ~~an audit~~ performing tests of the city's compliance with section 388.10. The ~~examination~~ audit of a city that owns or operates a municipal utility providing telecommunications services pursuant to section 388.10 shall include ~~an audit~~ performing tests of the city's compliance with section 388.10.

Sec. 3. Section 11.36, Code 2009, is amended by adding the following new subsection:

NEW SUBSECTION. 4. When, in the auditor of state's judgment, the auditor of state finds sufficient information is available to demonstrate a governmental subdivision may not have substantially complied with the laws, rules, regulations, and contractual agreements governing public funds, the auditor of state shall establish actions to be taken to determine whether substantial compliance with those laws, rules, regulations, and contractual agreements has been achieved by the governmental subdivision receiving public funds. Payment for the examination shall be made from the proper public funds of the governmental subdivision.

EXPLANATION

This bill makes changes relating to the duties and responsibilities of the auditor of state relative to governmental subdivisions.

Code section 11.1 is amended to define examination as a procedure less in scope than an audit but which is directed at reviewing financial activities and compliance with legal requirements. Governmental subdivision is also defined to mean cities, administrative agencies of cities, city hospitals, counties, county hospitals, memorial hospitals, chapter 28E entities, community colleges, area education agencies, and school districts.

Code section 11.6(1), concerning what governmental subdivisions are subject to audit or examination is amended. The bill amends language concerning the auditing of cities by eliminating the requirement that cities with a population between 700 and 2,000 shall have an audit at least once in four years. The bill provides that cities with budgeted gross receipts of at least $100,000, but less than $2 million, shall be examined at least once each year pursuant to procedures established by the auditor and a report of the examination shall be filed with the auditor and the examined city. The bill provides that cities with budgeted gross receipts of less than $100,000 may be examined.

Code section 11.36, concerning the review by the auditor of entities receiving public moneys, is amended. The Code section is amended to provide that the auditor has the authority to investigate a governmental subdivision if the auditor of state gains information of noncompliance that is sufficient to warrant an investigation. If an examination is warranted, the governmental subdivision is required to pay for the examination.

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