



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

To: Members of the General Assembly
From: State Auditor Mary Mosiman, CPA
Date: December 22, 2017
Subject: Proposed Legislation from the Office of Auditor of State

The State Auditor's Office is submitting a bill for consideration during the 2018 Legislative session. The purpose of the bill is to ensure work performed by the Office is reimbursed, and to make mandatory audits more efficient by giving the State Auditor's Office the discretion to tailor the scope of such audits.

The first proposed change addresses requests from Members of the General Assembly for procedures relating to State agencies. While Legislative requests are a priority for the Office, the combination of declining appropriations and an increase in legislative requests make it challenging for the Office to find the resources to fulfill those requests timely. Under current law, any work performed as a result of such requests would only be reimbursable to the Office if performed on billable agencies as defined under Iowa Code section 11.5B. Work performed on non-billable agencies is not reimbursable to the State Auditor's Office. The new section 11.5C would allow the Office of Auditor of State to use the Performance of Duty process of the Executive Council, as defined in Iowa Code section 7D.29, to be reimbursed for services provided to non-billable state agencies as a result of a request from a State Legislator.

The second proposed change aims to make petition audits more efficient by giving the State Auditor's Office the discretion to tailor such audits. Under current law, a petitioned city must contract to conduct a full audit of its finances, even if a full audit is not necessary to address citizen concerns or is impractical based on the size of the city. The amendment to section 11.6, subsection 3 allows the Auditor of State to prescribe a narrower set of procedures based on petitioner concerns or any other relevant factors. It does this by requiring cities receiving an audit petition to forward a copy of that petition to the Auditor of State. After reviewing the petition, the Auditor of State may decide an examination is more appropriate than a full audit. The Auditor of State would prescribe the scope of the examination, but cities would retain their ability to choose either the Auditor of State or a private CPA firm to conduct the examination.

The third proposed change addresses receivables that carry forward into the fiscal year after the work is performed. Under current law, governmental subdivisions that cannot afford to reimburse our Office in the year the work is performed often request to make installment payments with our Office, or to make payments in subsequent fiscal years. Annually, these receipts from the past four years have averaged \$10,676 – an upward trend compared to past years. Those receipts currently flow through to the General Fund. The new section 11.21, subsection 3 will instead allow our Office to retain such revenues for use in the year received, as opposed to the year the work was performed. Reimbursement for billable work is critical to our Office's operations because it is our primary source of revenue, and this change will allow us to capture that revenue more fully while continuing to be flexible with clients if needed.

The proposed bill will benefit the State in three ways. First, it ensures the resources are available for the State Auditor's Office to address any future requests from Members of the General Assembly. Second, it relieves some small cities of the financial burden of mandatory audits while continuing to provide targeted, specific oversight to those cities. Third, it fairly reimburses the State Auditor's Office for the work it performs, even in cases when the local government requires additional time to reimburse the Office. For those reasons, I respectfully request your support for this bill as it proceeds through the Legislative process.