

## HOUSE BILL NO. 41

INTRODUCED BY W. STAHL

BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THE DEPARTMENT OF ADMINISTRATION WITH DISCRETION TO DESIGNATE AN INDEPENDENT AUDITOR TO PERFORM AN AUDIT OF A LOCAL GOVERNMENT ENTITY; AND AMENDING SECTION 2-7-506, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 2-7-506, MCA, is amended to read:

**"2-7-506. Audit by independent auditor.** (1) The department may prepare and maintain a roster of independent auditors authorized to conduct audits of local government entities. The roster must be available to local government entities subject to the reporting requirements of 2-7-503.

(2) The department, in consultation with the board, shall adopt rules governing the:

(a) criteria for the selection of the independent auditor;

(b) procedures and qualifications for placing applicants on the roster;

(c) procedures for reviewing the qualifications of independent auditors on the roster to justify their continuance on the roster; and

(d) fees payable to the department for application for placement on the roster.

(3) An audit made by an independent auditor must be pursuant to a contract entered into by the governing body or managing or executive officer of the local government. The department must be a party to the contract and the contract may not be executed until it is signed by the department. All contracts for conducting audits must be in a form prescribed or approved by the department.

(4) The department shall notify the local government entity of a required audit, the date the report is due, and the requirement that the local government entity, the independent auditor, and the department must be parties to the contract.

(5) If a local government entity fails to present a signed contract to the department for approval within 90 days of receipt of the audit notice, the department ~~shall~~ may designate an independent auditor to perform the audit. The costs incurred by the department in arranging the audit must be paid by the local government entity

1 to the department in the manner of other claims against the local government entity."

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