



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

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

- END -

I hereby certify that the within bill,  
HB 0041, originated in the House.

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Chief Clerk of the House

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011.

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2011.

HOUSE BILL NO. 41  
INTRODUCED BY W. STAHL  
BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

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