

1 HOUSE BILL NO. 65

2 INTRODUCED BY M. FUNK

3 BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

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5 A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THAT LOCAL GOVERNMENTS SUBMIT FEES FOR
6 SPECIAL AUDITS OR REVIEWS TO THE STATE TREASURER RATHER THAN THE DEPARTMENT OF
7 REVENUE; AMENDING SECTION 2-7-503, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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11 **Section 1.** Section 2-7-503, MCA, is amended to read:

12 **"2-7-503. Financial reports and audits of local government entities.** (1) The governing body or
13 managing or executive officer of a local government entity, other than a school district or associated cooperative,
14 shall ensure that a financial report is made every year. A school district or associated cooperative shall comply
15 with the provisions of 20-9-213. The financial report must cover the preceding fiscal year, be in a form prescribed
16 by the department, and be completed and submitted to the department for review within 6 months of the end of
17 the reporting period.

18 (2) The department shall prescribe a uniform reporting system for all local government entities subject
19 to financial reporting requirements, other than school districts. The superintendent of public instruction shall
20 prescribe the reporting requirements for school districts.

21 (3) (a) The governing body or managing or executive officer of each local government entity receiving
22 revenue or financial assistance in the period covered by the financial report in excess of the threshold dollar
23 amount established by the director of the office of management and budget pursuant to 31 U.S.C. 7502(a)(3),
24 but regardless of the source of revenue or financial assistance, shall cause an audit to be made at least every
25 2 years. The audit must cover the entity's preceding 2 fiscal years. The audit must commence within 9 months
26 from the close of the last fiscal year of the audit period. The audit must be completed and submitted to the
27 department for review within 1 year from the close of the last fiscal year covered by the audit.

28 (b) The governing body or managing or executive officer of a local government entity that does not meet
29 the criteria established in subsection (3)(a) shall at least once every 4 years, if directed by the department, or,
30 in the case of a school district, if directed by the department at the request of the superintendent of public

1 instruction, cause a financial review, as defined by department rule, to be conducted of the financial statements
2 of the entity for the preceding fiscal year.

3 (4) An audit conducted in accordance with this part is in lieu of any financial or financial and compliance
4 audit of an individual financial assistance program that a local government is required to conduct under any other
5 state or federal law or regulation. If an audit conducted pursuant to this part provides a state agency with the
6 information that it requires to carry out its responsibilities under state or federal law or regulation, the state agency
7 shall rely upon and use that information to plan and conduct its own audits or reviews in order to avoid a
8 duplication of effort.

9 (5) In addition to the audits required by this section, the department may at any time conduct or contract
10 for a special audit or review of the affairs of any local government entity referred to in this part. The special audit
11 or review must, to the extent practicable, build upon audits performed pursuant to this part.

12 (6) The fee for the special audit or review must be a charge based upon the costs incurred by the
13 department in relation to the special audit or review. The audit fee must be paid by the local government entity
14 to the ~~department of revenue~~ state treasurer and must be deposited in the enterprise fund to the credit of the
15 department.

16 (7) Failure to comply with the provisions of this section subjects the local government entity to the
17 penalties provided in 2-7-517."

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19 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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