

1 SENATE BILL NO. 372

2 INTRODUCED BY F. MOORE

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LOCAL GOVERNMENT FINANCIAL REPORTING AND
5 AUDITING REQUIREMENTS; PROVIDING THAT REVENUE OR FINANCIAL ASSISTANCE RECEIVED BY A
6 LOCAL GOVERNMENT IN EXCESS OF AN AMOUNT ESTABLISHED BY THE DIRECTOR OF THE OFFICE
7 OF MANAGEMENT AND BUDGET CAUSES AN AUDIT EVERY 2 YEARS; LIMITING THE AMOUNT THAT
8 CERTAIN LOCAL GOVERNMENTS ARE REQUIRED TO PAY FOR FILING AN AUDIT REPORT OR
9 FINANCIAL REPORT; AMENDING SECTIONS 2-7-503 AND 2-7-514, MCA; AND PROVIDING AN EFFECTIVE
10 DATE."

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

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

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

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

24 (3) (a) The governing body or managing or executive officer of each local government entity receiving
25 revenue or financial assistance in the period covered by the financial report that is in excess of \$500,000 and that
26 is also in excess of the threshold dollar amount established by the director of the office of management and
27 budget pursuant to 31 U.S.C. 7502(a)(3), regardless of the source of revenue or financial assistance, shall cause
28 an audit to be made at least every 2 years. The audit must cover the entity's preceding 2 fiscal years. The audit
29 must commence within 9 months from the close of the last fiscal year of the audit period. The audit must be
30 completed and submitted to the department for review within 1 year from the close of the last fiscal year covered

1 by the audit.

2 (b) The governing body or managing or executive officer of a local government entity that does not meet
3 the criteria established in subsection (3)(a) shall at least once every 4 years, if directed by the department, or,
4 in the case of a school district, if directed by the department at the request of the superintendent of public
5 instruction, cause a financial review, as defined by department rule, to be conducted of the financial statements
6 of the entity for the preceding fiscal year.

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

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

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

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

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22 **Section 2.** Section 2-7-514, MCA, is amended to read:

23 **"2-7-514. Filing of audit report and financial report.** (1) Completed audit reports must be filed with
24 the department. Completed financial reports must be filed with the department as provided in 2-7-503(1). The
25 state superintendent of public instruction shall file with the department a list of school districts subject to audit
26 under 2-7-503(3). The list must be filed with the department within 6 months after the close of the fiscal year.

27 (2) At the time that the financial report is filed or, in the case of a school district, when the audit report
28 is filed with the department, the local government entity shall pay to the department a filing fee. The department
29 shall charge a filing fee to any local government entity required to have an audit under 2-7-503, which fee must
30 be based upon the costs incurred by the department in the administration of this part. Notwithstanding the

1 provisions of 20-9-343, the filing fees for school districts required by this section must be paid by the office of
2 public instruction. The department shall adopt the fee schedule by rule based upon the local government entities'
3 revenue amounts, except that a local government meeting the requirements of 2-7-503(3)(b) shall pay only the
4 minimum filing fee set by the department in rule.

5 (3) Copies of the completed audit and financial reports must be made available by the department and
6 the local government entity for public inspection during regular office hours."

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8 NEW SECTION. **Section 3. Effective date.** [This act] is effective July 1, 2017.

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