Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

House Bill 4184 (as passed by the House)
Sponsor: Representative Richard Ball
House Committee: Intergovernmental and Regional Affairs
Senate Committee: Local, Urban and State Affairs

Date Completed: 6-9-09

CONTENT

The bill would amend the uniform system of accounting Act to revise procedures related to county audits. The bill would do the following:

- **Delete requirements for the State to publish annual county financial reports and examine county financial affairs.**
- **Require a county to obtain and pay for an annual audit.**
- **Require the State Treasurer to prescribe minimum auditing procedures and standards.**
- **Prescribe the information that would have to be included in an annual county audit.**

Annual Financial Report

Under the Act, it is the duty of each county office to make an annual financial report and file a copy in the Office of the State Treasurer within six months after the close of the fiscal year. The report must contain an accurate statement showing, for each fiscal year, the amount of all collections and receipts from all sources, and their disposition, all accounts due the public treasury but not collected, the amount of indebtedness, the cost of operation of all industrial activities and financial results obtained, balance of funds on hand at the close of each fiscal period, and any other information as required by the State Treasurer. The bill would retain these provisions.

The substance of the reports must be arranged by the State Treasurer and published at the State's expense in an annual volume of comparative statistics, in a form that shows the comparative receipts from the various revenue sources and the comparative costs of county government. A sufficient number of copies must be published to furnish a copy to each member of the Legislature, a copy to each county office, and 200 copies for general distribution. The bill would delete these requirements.

Annual Audit

The Act provides that the State Treasurer is the supervisor of the accounts of all county offices, and allows him or her to examine, or cause to be examined, the books, accounts, and financial affairs of each county office. The bill would retain these provisions.

An examination must be made at least once per year, or as often as the State Treasurer considers it to be for the public good. The State Treasurer may employ auditors, examiners, and assistants as he or she considers necessary. The number and compensation of these employees is subject to the approval of the State Administrative Board and must be within the limits of the amount appropriated for that purpose. In addition to compensation, they must be paid their necessary traveling expenses, which, when audited and approved by the State Treasurer, must be paid out of the fund appropriated for that purpose. The State Treasurer must receive his or her actual traveling expenses incurred while engaged in administering the Act, which must be paid out of the funds appropriated for that purpose. The bill would delete these provisions.

The bill would require a county to obtain an annual audit of its financial records, accounts, and procedures, and would allow a county to retain certified public accountants (CPAs) to perform the audits. If a county failed to provide for an audit, the State Treasurer either would have to perform the audit or would have to appoint a CPA to perform it. The entire cost an audit would have to be borne by the county.

The State Treasurer would have to prescribe minimum auditing procedures and standards, which would have to conform as nearly as practicable to generally accepted auditing standards and procedures established by the American Institute of CPAs.

A report of the auditing procedures applied in each audit would have to be prepared on a form provided for this purpose by the State Treasurer. He or she could require that the audit report and/or the report of auditing procedures required to be filed with the State Treasurer be filed in an electronic format that he or she prescribed. One copy of every audit report and one copy of the report of auditing procedures applied would have to be filed with the State Treasurer.

The copies of the reports would have to be filed with the State Treasurer within six months after the end of the fiscal year of a county for which an audit had been performed. The chief administrative officer (CAO) of a county could request an extension of the filing date from the State Treasurer, who could grant the request for reasonable cause. A CAO who requested an extension would have to inform the county's governing body in writing within 10 days of making the request.

Every audit report would have to do all of the following:

-- State that the audit was conducted in accordance with generally accepted auditing standards and with the standards prescribed by the State Treasurer.
-- State that financial statements in the audit reports were prepared in accordance with generally accepted accounting principles and with applicable rules and regulations of any State department or agency, and describe any deviations from those principles, rules, or regulations in detail.
-- Disclose any material deviations by the county from generally accepted accounting practices or from applicable rules and regulations of any State department or agency.
-- Disclose any fiscal irregularities, including any defalcations, misfeasance, nonfeasance, or malfeasance that came to the auditor's attention.

A financial audit of a county that was performed by a CPA in a manner consistent with auditing procedures and standards established by the State Treasurer and that was filed with him or her would constitute an audit of county accounts by competent State authority for purposes of Article IX, Section 21 of the State Constitution. (That section requires the Legislature to provide by law for the maintenance of uniform accounting systems by local government and the auditing of county accounts by competent State authority and other units of government as provided by law.)

"Chief administrative officer" would mean that term as defined in the Uniform Budgeting and Accounting Act, i.e., any of the following:

-- The manager of a village, or, if a village does not employ a manager, the village president.
-- The city manager of a city, or, if a city does not employ a manager, the mayor of the city.
-- The superintendent of a local school district or, if the district does not have a superintendent, the person having general administrative control of the district.
-- The superintendent of an intermediate school district, or, if the district does not have a superintendent, the person having general administrative control of the district.
-- The manager of a township, or, if the township does not employ a manager, the township supervisor.
-- The elected county executive or appointed county manager of a county; or, if the county has not adopted an optional unified form of county government, the appointed controller of the county; or, if the county has not appointed a controller, an individual designated by the county board of commissioners.
-- The official granted general administrative control of an authority or organization of government established by law who may spend funds of the authority or organization.
-- A person granted general administrative control of a public school academy by its board of directors, or other designated person.

MCL 21.44 & 21.45 Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would have little to no fiscal impact on the State or local units of government. The bill largely would adjust the statute to reflect current practices.

Fiscal Analyst: David Zin