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## **HB2103 Written Testimony**

Chair Grayber, Co-chair Lewis, Co-Chair Tran, and members of the Committee,

My name is Amy John and I'm an audit manager with the Secretary of State Audits Division. I am submitting my written testimony for the January 24<sup>th</sup>, 2023 public hearing on HB2103.

Periodically, revisions are needed in Municipal Audit Law to update terminology, better align with current practice and professional standards, and adjust requirements to further the goal of improved transparency and accountability of local governments. As the Program Manager, I have fielded many calls from auditors and municipalities requesting amendments to the law and asking for clarification or assistance where the current statutes are unclear or outdated.

HB2103 proposes to provide terminology updates and general cleanup. Specifically, the proposed changes will:

1. Update and clarify definitions to better align with professional accounting and auditing standards;
2. Remove the specific fee amount for the Municipal Auditor License (which specifies a "not to exceed" amount that has not kept up with inflation), giving the Oregon Board of Accountancy more complete regulatory oversight of the license; and
3. More clearly define terms to assist with compliance and remove outdated or unnecessary language.
  - a. For example, current statute includes "expenditures" in two different contexts and has a separate definition in each context. The bill will require expenditures to be defined in rule and will be used consistently throughout statute.
  - b. Current portions of statute specify tasks the auditor must perform, such as inquiring into the principals of accounting and methods followed in summarizing and reporting its financial transactions. Auditing standards have evolved and require auditors to complete these tasks as part of performing engagements according to national professional standards, specifically the American Institute of Certified Public Accountants (AICPA). The current law is now redundant and unnecessary.
4. Repeal ORS 297.455 which allows audit reports to be completed by federal auditors. This has never been done and is extremely unlikely, the law is unnecessary; and repeal ORS 297.459 which requires copies of the financial audits of counties to be provided to the Department of Revenue (DOR does not need these, copies are available online).

5. ORS 297.465 amends the law to allow the Secretary of State to notify the Oregon Board of Accountancy of a municipal auditor's failure to follow prescribed standards. The proposal amends the term "shall" to "may" which provides this notification as a mechanism to ensure compliance, but removes a requirement implied with "shall" and allows for professional judgment of the Secretary of State to work with auditors as appropriate prior to involving the Oregon Board of Accountancy;
6. Updates the requirement to provide mailing addresses of governing body members to allow email addresses as a means of communication rather than requiring the physical mailing address.
7. 297.701 removes provision for those on the roster as a PA (professional accountant) as of August 5, 1959 remain without the requirement of being a CPA. No such licensees remain on the roster making this provision unnecessary.
8. Remove references to calendar year as this is either redundant or not applicable. Local governments operate on a fiscal year and all Municipal Audit Law requirements may be applied within that context.

I urge you to support HB2103 to update terminology, more closely align with industry professional standards, increase understandability, and provide the Board of Accountancy the ability to administer licenses under their purview.

Thank you,

Amy John