

SECRETARY OF STATE

# **Updates to Municipal Audit Law HB 2110 A**



March 2nd 2023

Senate Committee on Labor and Business

# AGENCY GOALS

## MISSION

**Build trust** between Oregonians and their state government so Oregonians can trust the public services and the public servants who can make a difference and their everyday lives.

## VISION

We envision an Oregon without barriers where everyone has **equitable** access to our democracy, available tools to achieve economic success, our state resources are efficiently utilized and accountable to the public, and where we honestly acknowledge our state's history. We lead with our values and believe every voice should be heard.

## VALUES

### ACCESS FOR ALL

We seek to identify and actively eliminate barriers.

### AUTHENTICITY

We are honest and true with ourselves and others.

### CLARITY

We share stories, using plain language to increase understanding and impact.

### RESPECT

We strive to understand all viewpoints.

# DELIVERING SERVICES TO OREGONIANS

## **Audits**

As chief auditor of public accounts, the Secretary's mission: Protect the public interest while helping improve Oregon government.

## **Business Services**

Uses the purchasing power of state government for the cost-effective and accountable acquisition of goods and services, while ensuring the agency's business runs efficiently

## **Corporation**

Provides information to support business, and ensures registration processes are fast, simple and easy as possible.

## **Elections**

Oversees state elections, ensuring that voting reflects the will of the citizenry. It's also in charge of the initiative, referendum and referral process.

## **Human Resources**

Recruiting talented team members is Human Resources' core function.

## **Information Systems**

Provides information technology design and infrastructure and software development, testing and maintenance.

## **State Archives**

Besides shepherding public access to these important pieces of Oregon history, the Archives Division, known to many as the Oregon State Archives, publishes the Oregon Administrative Rules and produces the Blue Book , the state directory and almanac.



# **Municipal Audits:**

**Promoting transparency  
& accountability**

## **Oregon has 1800 Local Governments**

- Counties
- Cities
- School districts
- Fire districts
- Other special districts

### **What we do**

Administer annual filings: receive annual filings and make them available to the public.

Create or facilitate resources to assist governments and auditors in complying with Municipal Audit Law, including maintaining the Minimum Standards for Audits and Reviews (OAR 162-010 and 162-040).

# HB 2110 A: Improvements to Municipal Audit Law

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Current law has remained relatively unchanged since 1941. Revisions are needed to update terminology to better align with current practice and professional standards and adjust requirements to further the goal of **improved transparency and accountability** of local governments.

1. Increase reporting thresholds for audit exemption
2. Replace review reports with Agreed Upon Procedures (AUP)
3. Eliminate ineffective withholdings provision
4. Increase filing fees
5. Terminology updates and general clean-up

# HB 2110 A: Improvements to Municipal Audit Law

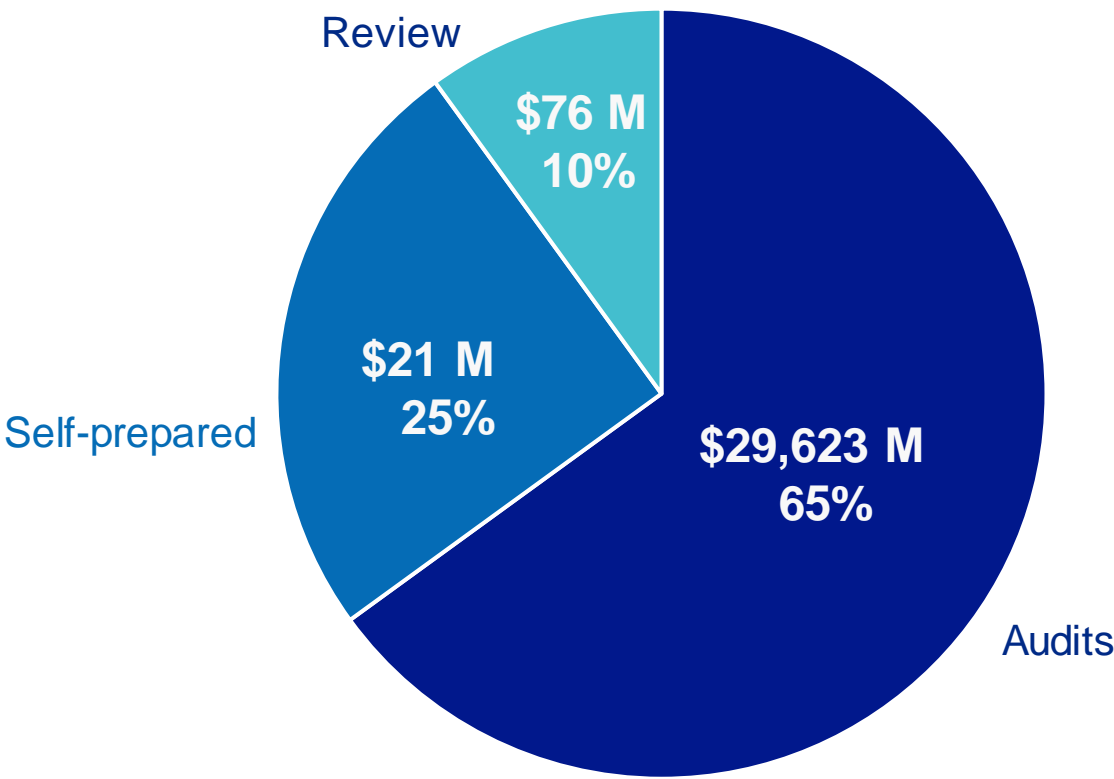
## Proposal: Increase reporting thresholds for audit exemption

- increase audit requirement from \$500,000 to \$1,000,000
- cut-off for In Lieu reports from \$150,000 to \$250,000

FILING TYPE	LOCAL GOVERNMENT SPENDING	HB2110 THRESHOLDS
Audit*	> \$500,000	>\$1,000,000
Review/AUP	\$150,000 - \$500,000	\$250,000 to \$1,000,000
Self-prepared	= < \$150,000	= < \$250,000

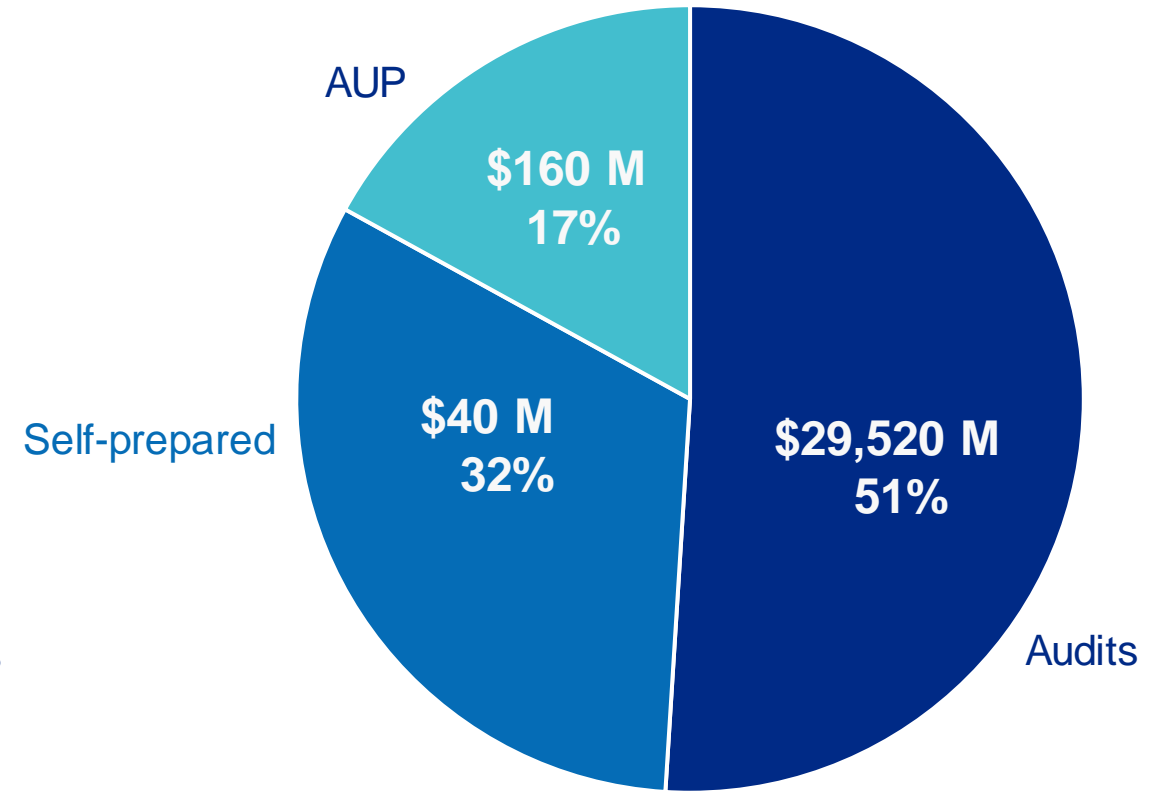
# HB 2110 A: Improvements to Municipal Audit Law

Current Filing Type



■ Audits ■ Self-prepared ■ Reviews

Proposed Filing Type



■ Audits ■ Self-prepared ■ AUP

# HB 2110 A: Improvements to Municipal Audit Law

**Proposal:** Replace review reports with Agreed Upon Procedures (AUP)

Review Reports	Agreed Upon Procedures (AUP)
Performed by a licensed municipal auditor; accompanied by financial statements	Performed by a licensed municipal auditor
Less in scope than an audit (inquiry and analytical procedures);	Less in scope than an audit. More specific procedures performed by the auditor as dictated by rule
	Report includes results of procedures over the municipality's operations, internal controls, and compliance.
Do not target specific needs/risks of smaller governments	Directly targets risks in local government
The procedures would be developed in cooperation with the Oregon Board of Accountancy and in cooperation with the Oregon Society of CPAs and the municipal audit community	The procedures would be developed in cooperation with the Oregon Board of Accountancy and in cooperation with the Oregon Society of CPAs and the municipal audit community



# **HB 2110 A: Improvements to Municipal Audit Law**



## **Proposal: Eliminate ineffective withholdings provision**

Current provision withholds state funds from cities and counties that do not file timely reports. This provision requires other state agencies to perform manual workarounds, which are timely and costly, to withhold 10% of the funding otherwise due.

100% of the funds withheld are returned to the city or county once their report is filed; none is held back as a fine or to cover administrative costs.

**Since the statute was implemented in 2015, it has not resulted in increased or more timely compliance.**

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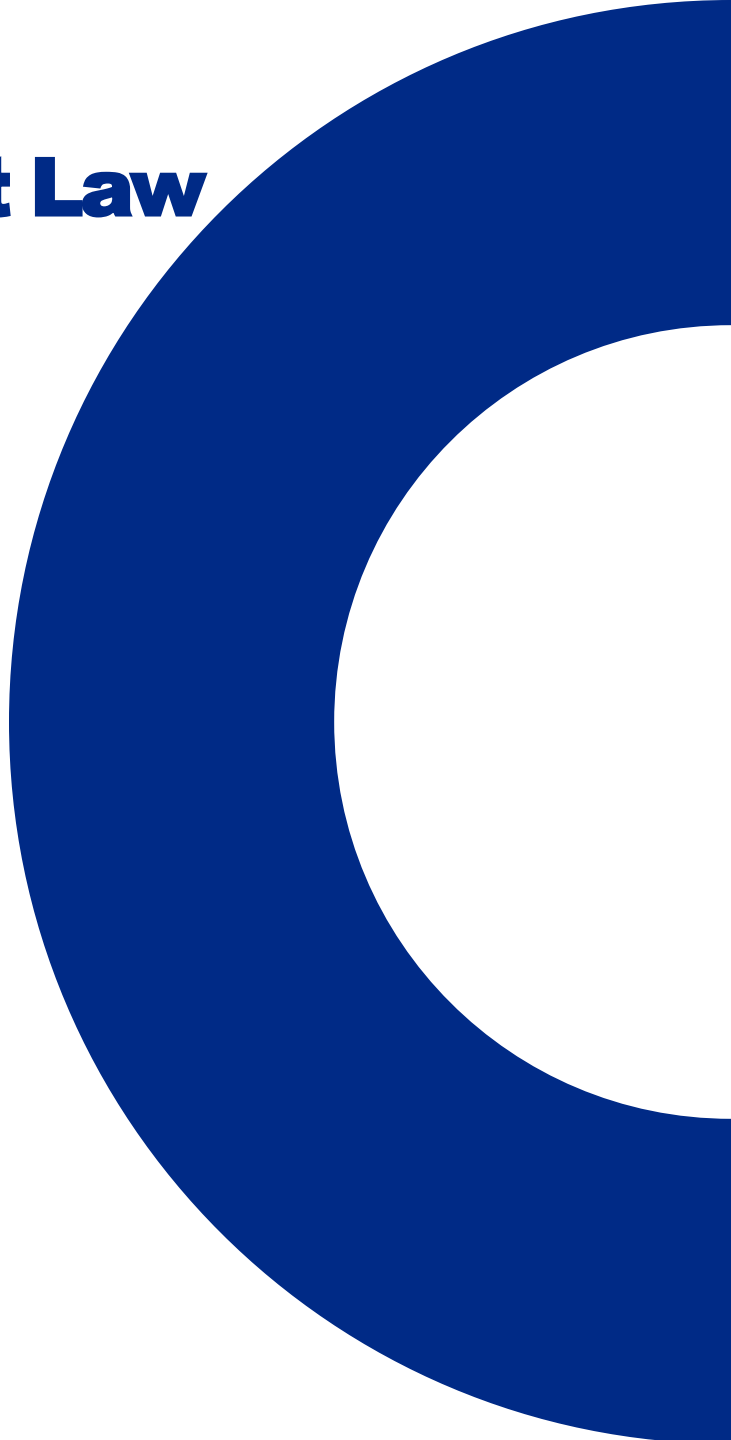
## Increase filing fees

Current Fees per ORS 297

Over	Not over	Fee
-	50,000	\$ 20
50,000	<b>150,000</b>	\$ 40
150,000	<b>500,000</b>	\$ 150
500,000	1,000,000	\$ 200
1,000,000	5,000,000	\$ 250
5,000,000	10,000,000	\$ 300
10,000,000	50,000,000	\$ 350
50,000,000		\$ 400

Proposed Fees

Over	Not over	Fee
-	50,000	\$ 40
50,000	150,000	\$ 80
150,000	<b>250,000</b>	\$ 150
250,000	500,000	\$ 250
500,000	<b>1,000,000</b>	\$ 300
1,000,000	5,000,000	\$ 350
5,000,000	10,000,000	\$ 400
10,000,000	50,000,000	\$ 450
50,000,000		\$ 500



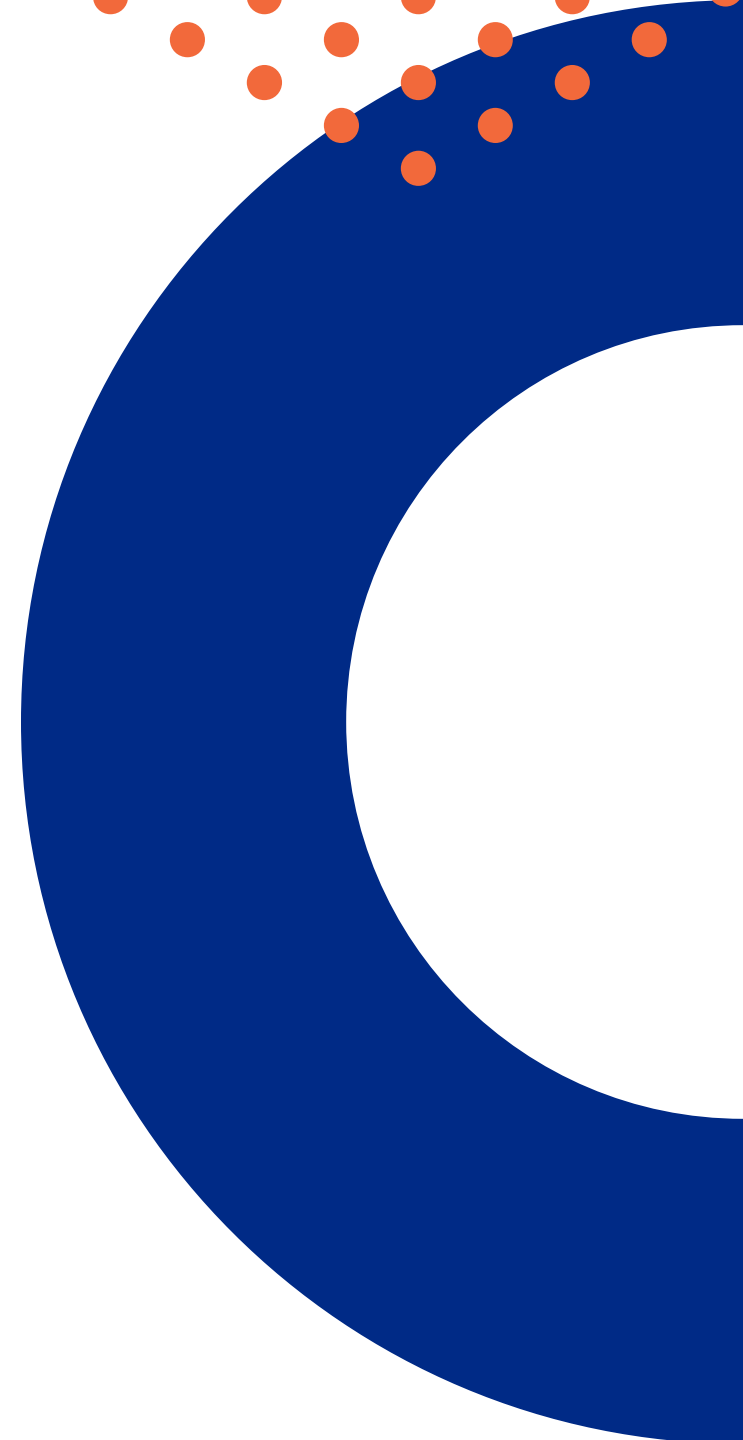
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## **Updating Terminology and General Cleanup**

- Remove the specific fee amount for the Municipal Auditor License
- Clearly define terms such as “expenditures”
- Remove redundant language that specifies tasks auditors must perform
- Repeal the statute that allows reports to be completed by federal auditors
- Amends statute for the SOS in notifying the Oregon Board of Accountancy around a municipal auditor
- Updates requirements to provide governing body members emails addresses instead of mailing address
- Removes references to calendar year and use fiscal year instead

**QUESTIONS?**





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