Legislative Analysis

HOUSE FISCAL AGENCY
Mitchell Bean, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

COUNTY UNIFORM ACCOUNTING SYSTEM

House Bill 4184
Sponsor: Rep. Richard Ball
Committee: Intergovernmental and Regional Affairs

Complete to 4-27-09

A SUMMARY OF HOUSE BILL 4184 AS INTRODUCED 2-5-09

The bill would amend Public Act 71 of 1919, which establishes a uniform system of accounting and reporting for county governments, to revise the system of financial auditing for counties. Among other things, the bill would require a county to obtain an annual audit of its financial records, accounts, and procedures, and allows county officials to retain a certified public accountant to do so. If a county failed to provide an audit, the state treasurer would either conduct the audit or appoint a CPA to perform one. The entire cost of the audit would be borne by the county.

(Reportedly, the bill would establish in law the current practice in which the counties themselves have their audits conducted on an annual basis. The statute would be updated to reflect this practice.)

The state treasurer would prescribe minimum auditing procedures and standards, and these would have to conform to the generally accepted standards established by the American Institute of Certified Public Accountants.

In addition to the annual audit, a report of the auditing procedures would have to be prepared on a form provided by the state treasurer. The state treasurer could require that the audit report, or the report of auditing procedures, or both, be filed in a prescribed electronic format. One copy of both the audit and the report of auditing procedures would have to be filed with the state treasurer within six months after the end of the county's fiscal year.

The chief administrative officer of a county could request an extension of the filing date, and the state treasurer could grant such a request for reasonable cause. An officer 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 had been conducted in accord with generally accepted auditing standards, and with the standards prescribed by the state treasurer.

- State that financial statements in the audit reports had been prepared in accord with generally accepted accounting principles and following the applicable rules and regulations of any state department or agency (with any deviations described in detail).

- o Disclose any material deviations by the county from generally accepted accounting practices, or from applicable rules and regulations of any state department or agency.

- o Disclose any fiscal irregularities including, but not limited to, any defalcation (such as embezzlement), misfeasance, nonfeasance, or malfeasance that came to the auditor's attention.

A financial audit described above would constitute an audit of county accounts by competent state authority for purposes of Section 21 of Article IX of the State Constitution of 1963.

Definition. The bill would define "chief administrative officer" to mean that term as used in Section 2b(3)(f) of the Uniform Budgeting and Accounting Act. [There, the term includes "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 controller of the county appointed under Public Act 156 of 1851, or if the county has not appointed a controller, an individual designated by the county board of commissioners of the county."]

Deleted provisions. The law now requires that the state treasurer arrange for and publish, at state expense, an annual volume of comparative statistics, showing the sources of revenue and the comparative costs of county government. A copy of the report must be published for each member of the Legislature, and each county office, as well as 200 copies for general distribution. House Bill 4184 would eliminate this provision of the law.

Currently, the state treasurer must examine, at least once each year or as often as the state treasurer considers it to be for the public good, the accounts of all 83 county offices. The state treasurer can employ auditors and assistants for this purpose, and the State Administrative Board determines their number and level of compensation. The law also allows for travel reimbursement for the state treasurer and the examiners when they undertake this annual task. House Bill 4184 would eliminate this provision, but retain the state treasurer's authority to examine the books and accounts of each county office.

MCL 21.44 and 21.45

FISCAL IMPACT:

The bill would have minimal fiscal impact on the State of Michigan and county governments. The bill would eliminate the statutory language that the state treasurer has the responsibility to conduct financial audits of the counties and may employ auditors and examiners to do so. The bill would establish in law the current practice in which the counties themselves have their audits conducted on an annual basis. Under the bill's provisions, the state treasurer would only conduct an audit if a county does not provide for one. Because the State of Michigan is not currently conducting these audits, there is no significant fiscal impact to the State of Michigan. For similar reasons, since counties are financing the annual audits currently, this bill's requirement that they continue this financing would have a minimal fiscal impact to counties as well.

Legislative Analyst: J. Hunault
Fiscal Analyst: Jim Stansell
Viola Bay Wild