

Legislative Analysis



MODIFY TIMING FOR AUDITING RECREATIONAL AUTHORITIES

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House Bill 4408 as referred to second committee

Sponsor: Rep. Aaron Miller

1st Committee: Local Government and Municipal Finance

2nd Committee: Ways and Means

Complete to 5-24-19

BRIEF SUMMARY: House Bill 4408 would amend the Recreational Authorities Act to modify the requirement for an annual audit depending on whether a recreational authority levies and collects a tax under the act.

FISCAL IMPACT: House Bill 4408 would reduce audit costs for recreational authorities no longer required to conduct an annual audit of their finances. The cost reduction would be specific to the authority affected by the provisions of the bill and equal to the cost of the audit it no longer had to obtain.

THE APPARENT PROBLEM:

The Recreational Authorities Act currently requires the board of a recreational authority to obtain an annual audit of the authority's finances. This requirement puts a heavy burden on smaller recreational authorities that do not collect a tax under the act, to the point that some authorities have reported spending most of their annual budget on the audit. Legislation has been offered to allow biennial audits for certain authorities.

THE CONTENT OF THE BILL:

The bill would create two separate auditing requirements, depending on whether or not the authority levies and collects a tax under the act:

- If the authority does levy a tax, it would have to have an annual audit (as the act currently requires).
- If the authority does not levy a tax, it would have to conduct an audit at least biennially (every two years). If, however, any audit disclosed a material deviation from generally accepted accounting practices or from applicable rules and regulations of a state department or agency or disclosed any fiscal irregularity, defalcation, misfeasance, nonfeasance, or malfeasance, the Department of Treasury could require an audit to be conducted in the next year.

MCL 123.1157

BACKGROUND INFORMATION:

Committee testimony indicated that the bill would affect at least two recreational authorities specifically, River Country Recreational Authority in St. Joseph County and the Sparta Recreational Authority in Kent County, both of which are small recreational authorities that do not collect a millage to fund their activities. No comprehensive list of Michigan recreational authorities was available, however, so there may be additional recreational authorities in the same situation.

POSITIONS:

A representative of the River Country Recreational Authority testified in support of the bill. (5-15-19)

The Michigan Townships Association indicated support for the bill. (5-15-19)

The Department of Treasury indicated a neutral position regarding the bill. (5-15-19)

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