

1 HB452  
2 206352-2  
3 By Representatives Chestnut, Lawrence and Sorrells  
4 RFD: State Government  
5 First Read: 12-MAR-20

SYNOPSIS: Under existing law, the mayor of a city or town, at least once a year, is required to appoint an independent public accountant or the Department of Examiners of Public Accounts to conduct an examination of all books and accounts of the city or town since the preceding examination and to make a full report of the audit to the city council upon completion of the report.

In lieu of the existing requirements, this bill would require the mayor or city manager of a municipality with certain annual expenditures to cause to be conducted an annual or biennial audit of the financial affairs and transactions of the municipality and to make an annual or biennial report of the audit to the city council upon completion of the report.

This bill would also permit the mayor or city manager of a municipality with certain annual expenditures to provide a report of agreed upon procedures in lieu of a biennial audit report.

1  
2 A BILL  
3 TO BE ENTITLED  
4 AN ACT  
5

6 Relating to municipalities, to amend Section  
7 11-43-85, Code of Alabama 1975, and to create the Chestnut  
8 Accountability Municipal Audit Clarification Act, to require  
9 the mayor or city manager of a municipality with certain  
10 annual expenditures to cause to be conducted an annual or  
11 biennial audit of the financial affairs and transactions of  
12 the municipality and to make an annual or biennial report of  
13 the audit to the city council upon completion of the report;  
14 and to permit the mayor or city manager of a municipality with  
15 certain annual expenditures to provide a report of agreed upon  
16 procedures in lieu of a biennial audit report.

17 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

18 Section 1. Section 11-43-85, Code of Alabama 1975,  
19 is amended to read as follows:

20 "§11-43-85.

21 ~~In cities and towns, the mayor, at least once a~~  
22 ~~year, shall appoint an independent public accountant or the~~  
23 ~~Department of Examiners of Public Accounts to conduct an~~  
24 ~~examination in accordance with generally accepted auditing~~  
25 ~~standards of all books and accounts of the city or town since~~  
26 ~~the preceding examination and to make a full report thereof in~~  
27 ~~writing, under oath, to be submitted to the council at its~~

1 ~~first meeting after the completion of such report, and the~~  
2 ~~same shall be spread upon the minutes of the council. For his~~  
3 ~~services said independent public accountant or the Department~~  
4 ~~of Examiners of Public Accounts shall be paid such sum as may~~  
5 ~~be agreed upon.~~

6 "(a) This act shall be known and may be cited as the  
7 Chestnut Accountability Municipal Audit Clarification Act.

8 "(b) (1) In a municipality with annual expenditures  
9 of three hundred thousand dollars (\$300,000) or more, the  
10 mayor or city manager shall provide for and cause to be made  
11 an annual audit of the financial affairs and transactions of  
12 all funds and activities of the municipality by an independent  
13 public accountant for each fiscal year of the municipality.

14 "(2) Except as provided in subdivision (3), in a  
15 municipality with annual expenditures of less than three  
16 hundred thousand dollars (\$300,000), the mayor or city manager  
17 shall provide for and cause to be made a biennial audit by an  
18 independent public accountant of the financial affairs and  
19 transactions of all funds and activities of the municipality  
20 by an independent public accountant for each fiscal year of  
21 the municipality. The audit conducted pursuant to this  
22 subdivision shall include each fiscal year since the preceding  
23 audit.

24 "(3) In a municipality with annual expenditures of  
25 less than one hundred thousand dollars (\$100,000), the city  
26 council may elect to provide for and direct the mayor or city  
27 manager to cause to be made, in lieu of the biennial audit

1 required under subdivision (b) (2), an annual report that  
2 complies with procedures established by the Department of  
3 Examiners of Public Accounts. The annual report shall be  
4 provided to the Department of Examiners of Public Accounts and  
5 shall constitute an annual audit report. The report shall  
6 include all of the following:

7 "a. Proof and reconciliation of cash.

8 "b. Confirmation of cash balances.

9 "c. A list of all bank balances.

10 "d. A statement of cash receipts and cash  
11 disbursements.

12 "e. A statement of compliance with state law.

13 "f. A report of agreed upon procedures.

14 "(c) A municipal audit under this section shall be  
15 conducted in accordance with generally accepted auditing  
16 standards in a format prescribed by the Department of  
17 Examiners of Public Accounts.

18 "(d) (1) A municipal audit or annual report under  
19 this section shall be provided to the Department of Examiners  
20 of Public Accounts in accordance with Section 41-5A-12.1.

21 "(2) In addition to the requirements of subdivision  
22 (1), a municipal audit report under subdivision(b) (3) shall be  
23 submitted to the city council at its first meeting after  
24 completion of the report and shall be spread upon the minutes  
25 of the council."

1                   Section 2. This act shall become effective on the  
2   first day of the third month following its passage and  
3   approval by the Governor, or its otherwise becoming law.