

1 HB378  
2 197350-2  
3 By Representative Chestnut  
4 RFD: State Government  
5 First Read: 09-APR-19

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8 SYNOPSIS: Under existing law, the Department of  
9 Examiners of Public Accounts is required to perform  
10 periodic audits of books, records, vouchers, and  
11 accounts of every state and county office, officer,  
12 bureau, board, commission, corporation,  
13 institution, department, and agency.

14 This bill would create the Municipal Audit  
15 Accountability Act.

16 This bill would authorize the department,  
17 upon suspecting fraud or mismanagement of funds, to  
18 perform an audit on any municipality.

19 This bill would provide for instances in  
20 which the governing body of a municipality may  
21 request an audit by the department.

22 This bill would require the department to  
23 establish and maintain a repository of independent  
24 audit reports received from municipalities.

25 This bill would authorize the department to  
26 perform an audit, at the expense of the

1           municipality, on any municipality that fails to  
2           have an audit conducted as required.

3           This bill would also provide for financial  
4           penalties against municipal officials who fail or  
5           refuse to have an audit performed as required or to  
6           submit an independent audit report as required.

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8                           A BILL  
9                           TO BE ENTITLED  
10                          AN ACT

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12           Relating to the Department of Examiners of Public  
13   Accounts; to create the Municipal Audit Accountability Act; to  
14   authorize the department to perform an audit of a municipality  
15   when fraud or mismanagement of funds is suspected; to  
16   authorize the governing body of a municipality to request an  
17   audit by the department under certain circumstances; to  
18   require the department to establish and maintain a repository  
19   of independent audit reports received from municipalities; to  
20   authorize the department to perform an audit, at the expense  
21   of the municipality, on any municipality that fails to have an  
22   audit conducted as required; and to impose financial penalties  
23   against municipal officials who fail or refuse to have an  
24   audit performed or to submit an independent audit report as  
25   required.

26   BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1           Section 1. (a) This section shall be known and may  
2 be cited as the Municipal Audit Accountability Act.

3           (b) Any provision of law to the contrary  
4 notwithstanding, if the Department of Examiners of Public  
5 Accounts suspects fraud or mismanagement of funds by a  
6 municipality, the department may examine the books, records,  
7 vouchers, and accounts of the municipality.

8           (c) If the mayor of a municipality does not provide  
9 for an audit or examination to be conducted on a municipality  
10 as required by law, or when fraud or mismanagement of funds by  
11 a municipality is suspected, a majority of the members of the  
12 governing body of the municipality, by resolution, may submit  
13 a written request to the department for an examination by the  
14 department of the books, records, vouchers, and accounts of  
15 the municipality. The department, pursuant to a cursory  
16 review, shall determine whether an in-depth audit by the  
17 department is necessary as required by law or by evidence of  
18 fraud or mismanagement, and, if warranted by the department,  
19 shall conduct a formal audit or examination during the six  
20 month period following that determination.

21           (d) If a municipality has an independent audit or  
22 examination of the books, records, vouchers, and accounts of  
23 the municipality conducted, the governing body of the  
24 municipality, upon receipt of the final report of the  
25 independent audit or examination, shall provide a copy of the  
26 report to the department within 60 days after completion. The  
27 department shall establish a repository of independent audit

1 reports received, provide, on a weekly basis, notice to the  
2 public of reports received, and, upon request, provide copies  
3 of reports received to the public.

4 (e) Any municipality in which the municipal officer  
5 or municipal governing body fails or willfully refuses to have  
6 a financial audit conducted, or to comply with subsection (d),  
7 shall be subject to an audit by the department. The department  
8 shall assess the costs of the audit against the municipality.  
9 Before performing an audit under this subsection, the  
10 department shall notify the municipality of its intent to  
11 perform an audit, and the municipality shall have 30 days,  
12 from the date of the notice, to either file a completed audit  
13 report or, if an audit is currently pending, provide the  
14 department with the name and address of the independent public  
15 accountant retained to perform the audit and an estimated time  
16 for completion.

17 (f) If the department determines that a municipal  
18 officer or municipal governing body has failed or willfully  
19 refused to have a financial audit conducted or to comply with  
20 subsection (e), unless the municipal officer or municipal  
21 governing body can demonstrate to the department that it has  
22 made a good faith effort to perform as required by this  
23 section, the department shall levy a penalty of up to two  
24 hundred fifty dollars (\$250) per week, for each week the  
25 failure or refusal continues. Any penalties imposed and  
26 collected pursuant to this subsection shall be paid into the  
27 State General Fund.

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.