Local Mandate Fiscal Impact Estimate Kentucky Legislative Research Commission 2016 Regular Session

Part I: Measure Information

Bill Request #: 1465					
Bill #: SB 168 GA					
Bill Subject/Title: AN ACT relating to municipal audits.					
Sponsor: Senator Stephen A. West					
Unit of Government: City County Urban-County Charter County Consolidated Local Government					
Office(s) Impacted:					
Requirement: <u>X</u> Mandatory <u>X</u> Optional					
Effect on Powers & Duties: X Modifies Existing X Adds New Eliminates Existing					

Part II: Purpose and Mechanics

The purpose of SB 168 is to allow the Auditor to conduct a special audit or examination of a city government or any of its agencies or departments and to require the Auditor to bill the city audited for the actual expense of the audit or examination performed. KRS Chapter 43.050 currently provides for the general functions of the Auditor of Public Accounts. SB 168 Section 1 would amend KRS 43.050 to add the ability for the Auditor to perform a special audit or examination of a city government or any of its agencies or departments.

SB 168 Section 2 would amend KRS 91A.040, which relates to annual city audits and the publication of those audits, to allow the Department for Local Government to make available upon request *either* an electronic or paper copy of the audit report instead of requiring the Department to send a copy to the LRC or the Auditor of Public Accounts as a matter of course. Section 2 of SB 168 would also require the Auditor to bill the city for the actual expense of the audit or examination conducted. The actual expense is to include the hours of work performed on the audit as well as reasonable associated costs. The bill submitted is required to include a statement of the hourly rate, total hours, and total costs for the entire audit or examination.

Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost

The potential cost of SB 168 is difficult to estimate. This is for a couple of reasons. First, it is the position of both the Auditor of Public Accounts and the Kentucky League of Cities that the Auditor already has the authority that is granted in the bill. It is also an internal policy of the Auditor to bill local governments for audits conducted only when allegations are substantiated. If after the preliminary assessment it is determined that there is no basis for moving forward with a deeper investigation into the allegations or audit request, then the Auditor does not bill for the preliminary assessment. There is no indication that this policy would change. Since the current practice is what would be codified in SB 168, the express authority granted would not change financial practices of the Auditor.

Second, billing for examination is based on the scope of the audit and the hourly rate of the auditors. Agencies and governments of different sizes require different level resources for an audit to be conducted. The scope of these audits can vary greatly. From 2008 through 2015, 20 special audits were performed by the Auditor. The actual cost of these audits ranged anywhere from \$6,000 or \$7,000 to almost \$80,000.

Data Source(s): <u>Auditor of Public Accounts; KLC; LRC Staff</u>

Preparer:	Dale Hardy	Reviewer:	JWN	Date:	2/18/16
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