Local Government Mandate Statement Kentucky Legislative Research Commission 2022 Regular Session

Part I: Measure Information

Bill Request #: 948			
Bill #: HB 588			
Document ID #: 6125			
Bill Subject/Title: AN ACT relating to county audits.			
Sponsor: Representative John Blanton			
Unit of Government:	City	X County	X Urban-County Unified Local
-	X Charter County	X Consolidated Local	
Office(s) Impacted:	Fiscal Court, County	Clerk, County Sheriff	
Requirement: X Mandatory Optional			
Effect on Powers & Duties:	_ Modifies Existing _	X Adds New El	iminates Existing

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 588 provides that all audits of county officials conducted by the Auditor of Public Accounts (APA) shall be completed by August 1 following the calendar year that is the focus of the audit. Likewise, all county government budget audits conducted by the APA shall be completed by February 1 following the fiscal year that is the focus of the audit. These are the same deadlines private CPA firms must currently adhere.

If a fiscal court, county clerk, or sheriff opts to employ a certified public accountant to conduct an audit, then they must notify the APA of their intention at least 120 days prior to the close of the period to be audited. The APA has thirty days from the receipt of intent to inform the fiscal court, county clerk, or sheriff that it will perform the audit if the offices:

- have not been audited by the APA within the preceding three years,
- received an adverse, disclaimed, or qualified opinion in the audit of the year immediately preceding the year to be audited for reasons other than being based upon an accounting basis prescribed or permitted by the Department of Local Government and the laws of this state; or

- the audit of the preceding year was not completed timely.

The fiscal impact of HB 588 on local governments is indeterminable, but could be moderate for some counties. These offices are required to complete audits. At a cost of \$65 to \$95 per hour, the impact could be moderate for some counties. Actual audit hours can vary significantly depending on the audit environment and what issues might be uncovered.

HB 588 does not provide for penalties or withholding of payment if the APA fails to complete the audits. However, a benefit for the local government might be an expedited audit in order to meet deadlines, thus limiting the dedication of time and personnel that might be needed to assist the APA at the local level. For fiscal year 2020, local governments were billed \$4,990,736 by the APA. In recent history, county governments have almost entirely used the APA or a firm under contract with the APA to complete these audits.

Counties also need to be aware that deadlines may force the scope of the audit to be limited, thus leasing to a disclaimed or modified audit opinion. This could affect a number of financial areas including grant funding, borrowing, and bond rating.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II refers to HB 588 as introduced. There are no prior versions of this bill.

Data Source(s): LRC Staff

Preparer: Wendell F. Butler **Reviewer:** KHC **Date:** 3/7/22