

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3757-03
Bill No.: SB 615
Subject: State Auditor; Counties and County Government
Type: Original
Date: January 21, 2020

Bill Summary: This proposal modifies provisions relating to audits of counties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Auditor (SAO)** state because they are unable to predict how many counties will fall into the parameters set by this legislation, they cannot accurately estimate fiscal costs or savings for this proposal.

The SAO further states they do not charge third class counties for performance audits and do not hire third-party auditors to conduct such audits. The SAO stated, there were 10 third class county audit reports released in 2019.

Oversight notes §29.005 RSMo, defines “Performance Audits” as “audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against identified criteria. Performance audit objectives shall include, but not be limited to, the following:

- (a) Effectiveness and results. This objective may measure the extent to which an entity, organization, activity, program, or function is achieving its goals and objectives;
- (b) Economy and efficiency. This objective shall assess the costs and resources used to achieve results of an entity, organization, activity, program, or function;
- © Internal control. This objective shall assess one or more components of an entity's internal control system, which is designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable legal requirements; and
- (d) Compliance. This objective shall assess compliance with criteria established by provisions of laws, regulations, contracts, and grant agreements or by other requirements that could affect the acquisition, protection, use, and disposition of an entity's resources and the quantity, quality, timeliness, and cost of services the entity produces and delivers”.

Oversight assumes the proposal would simply specify when the State Auditor shall not conduct a performance audit of a county of the third classification (if the county commission passes a resolution to not be subject to such an audit and the county has undergone an audit examination by a licensed CPA at least once in the preceding two years).

Subsection 29.230.3 states “the political subdivision shall pay the actual cost of audit”; however, the SAO states they do not charge 3rd class counties for these audits. Therefore, Oversight will assume these changes will not result in a savings to county governments. Oversight will also

ASSUMPTION (continued)

assume the State Auditor's Office would not realize a savings if not required to conduct certain performance audits, but would simply allocate their resources to other pending audits. Counties may opt to have the audit conducted by a CPA firm (and pay for these services), but that would be at their discretion.

Officials from the following counties Andrew, Atchison, Barton, Benton, Bollinger, Clark, Clinton, Grundy, Henry, Lincoln, Lewis, Lawrence, Linn, Marion, Mercer, McDonald, Perry, Pike, Polk, Ripley, Scotland, Shelby, Wright, Wayne, and Texas were requested to provide a response regarding the fiscal impact of the proposal, but did not respond to **Oversight's** request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

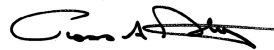
L.R. No. 3757-03
Bill No. SB 615
Page 5 of 5
January 21, 2020

SOURCES OF INFORMATION

Office of the State Auditor



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January 21, 2020



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