**** JOINT RESOLUTION NO. ****

INTRODUCED BY ****

BY REQUEST OF THE ****

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA REQUESTING AN INTERIM STUDY OF LOCAL GOVERNMENT AUDIT REQUIREMENTS AND COSTS.

WHEREAS, local governments expressed concerns about financial audit costs during the Revenue Interim Committee's Senate Joint Resolution 8 study of special districts; and

WHEREAS, the Revenue Interim Committee has learned that the existing requirement for a full governmental audit for a special district with more than $1 million dollars in assets has proven to be impractical, expensive, and difficult to obtain; and

WHEREAS, while there continues to be a need for a heightened financial scrutiny of special districts with more than $1 million dollars in assets, there should be a level of review available that is not a full governmental audit and that can be conducted by any certified public accountant; and

WHEREAS, the Revenue Interim Committee recommends a study focused on financial audit requirements and costs because the concern extends beyond special districts to audits of cities and counties; and

WHEREAS, other states are also discussing local government financial audits and state associations of certified public accountants are beginning to work together on recommendations; and

WHEREAS, recent legislation addressing local government financial audits has not alleviated concerns about costs.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the Legislative Council be requested to designate an appropriate interim committee or statutory committee, pursuant to section 5-5-217, MCA, to study local government financial audit requirements and costs.

BE IT FURTHER RESOLVED, that study activities include:

(1) gathering data on which cities, counties, and special districts are required to conduct financial audits and the costs of the audits;

(2) examining factors that impact financial audit costs;

(3) determining whether financial audits are required by state or federal statute, regulation, program requirements, or some other authority;

(4) reviewing financial audit requirements, the value of the information contained within the financial audit, and whether there are alternatives to financial audits for some entities; and

(5) tracking the work of state associations on this topic and developing, in consultation with accounting experts and associations, a new level of financial compliance review that is appropriate for entities utilizing taxpayer dollars and that can be conducted by any certified public accountant.

BE IT FURTHER RESOLVED, that any findings or conclusions be presented to and reviewed by an appropriate committee designated by the Legislative Council.

BE IT FURTHER RESOLVED, that all aspects of the study, including presentation and review requirements, be concluded prior to September 15, 2028.

BE IT FURTHER RESOLVED, that the final results of the study, including any findings, conclusions, comments or recommendations of the appropriate committee, be reported to the 69th Legislature.

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