



Senate

General Assembly

File No. 558

February Session, 2004

Senate Bill No. 607

Senate, April 13, 2004

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING STATE AUDITS OF CERTAIN MUNICIPAL BUDGETS BY THE AUDITORS OF PUBLIC ACCOUNTS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 2-90 of the general statutes, as amended by section
2 232 of public act 03-6 of the June 30 special session, is repealed and the
3 following is substituted in lieu thereof (*Effective July 1, 2004*):

4 (a) The Auditors of Public Accounts shall organize the work of their
5 office in such manner as they deem most economical and efficient and
6 shall determine the scope and frequency of any audit they conduct.

7 (b) Said auditors, with the Comptroller, shall, at least annually and
8 as frequently as they deem necessary, audit the books and accounts of
9 the Treasurer, including, but not limited to, trust funds, as defined in
10 section 3-13c, and certify the results to the Governor. The auditors
11 shall, at least annually and as frequently as they deem necessary, audit
12 the books and accounts of the Comptroller and certify the results to the

13 Governor. They shall examine and prepare certificates of audit with
14 respect to the financial statements contained in the annual reports of
15 the Treasurer and Comptroller, which certificates shall be made part of
16 such annual reports. In carrying out their responsibilities under this
17 section, said auditors may retain independent auditors to assist them.

18 (c) Said auditors shall audit, on a biennial basis if deemed most
19 economical and efficient, or as frequently as they deem necessary, the
20 books and accounts of : [each officer; department;] (1) Each officer,
21 department, commission, including the Connecticut Commission on
22 Arts, Tourism, Culture, History and Film, [;] board and court of the
23 state government; (2) all institutions supported by the state; [and] (3)
24 all public and quasi-public bodies, politic and corporate, created by
25 public or special act of the General Assembly and not required to be
26 audited or subject to reporting requirements [.] under the provisions of
27 chapter 111; and (4) any municipality that receives state funding in an
28 amount greater than thirty per cent of its annual operating budget.
29 Each such audit may include an examination of performance in order
30 to determine effectiveness in achieving expressed legislative purposes.
31 Each such audit of a municipality shall include any recommendations
32 for programmatic and management efficiencies and financial
33 improvements. The auditors shall report their findings and
34 recommendations to the Governor, the State Comptroller, the joint
35 standing committee of the General Assembly having cognizance of
36 matters relating to appropriations and the budgets of state agencies,
37 and the Legislative Program Review and Investigations Committee.

38 (d) The Auditors of Public Accounts may enter into such contractual
39 agreements as may be necessary for the discharge of their duties. Any
40 audit or report which is prepared by a person, firm or corporation
41 pursuant to any contract with the Auditors of Public Accounts shall
42 bear the signature of the person primarily responsible for the
43 preparation of such audit or report. As used in this subsection, the
44 term "person" means a natural person.

45 (e) If the Auditors of Public Accounts discover, or if it should come

46 to their knowledge, that any unauthorized, illegal, irregular or unsafe
47 handling or expenditure of state funds or any breakdown in the
48 safekeeping of any resources of the state has occurred or is
49 contemplated, they shall forthwith present the facts to the Governor,
50 the State Comptroller, the clerk of each house of the General Assembly,
51 the Legislative Program Review and Investigations Committee and the
52 Attorney General. Any Auditor of Public Accounts neglecting to make
53 such a report, or any agent of the auditors neglecting to report to the
54 Auditors of Public Accounts any such matter discovered by [him] such
55 agent or coming to [his] the knowledge of such agent shall be fined not
56 more than one hundred dollars or imprisoned not more than six
57 months or both.

58 (f) All reports issued or made pursuant to this section shall be
59 retained in the offices of the Auditors of Public Accounts for a period
60 of not less than five years. The auditors shall file one copy of each such
61 report with the State Librarian.

62 (g) Each state agency shall keep its accounts in such form and by
63 such methods as to exhibit the facts required by said auditors and, the
64 provisions of any other general statute notwithstanding, shall make all
65 records and accounts available to them or their agents, upon demand.

66 (h) Where there are statutory requirements of confidentiality with
67 regard to such records and accounts or examinations of
68 nongovernmental entities which are maintained by a state agency,
69 such requirements of confidentiality and the penalties for the violation
70 thereof shall apply to the auditors and to their authorized
71 representatives in the same manner and to the same extent as such
72 requirements of confidentiality and penalties apply to such state
73 agency. In addition, the portion of any audit or report prepared by the
74 Auditors of Public Accounts that concerns the internal control
75 structure of a state information system shall not be subject to
76 disclosure under the Freedom of Information Act, as defined in section
77 1-200.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004</i>

APP *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Auditors	GF - Cost	\$2.41-\$3.37 million	\$2.41-\$3.37 million
Comptroller Misc. Accounts (Fringe Benefits)	GF - Cost	\$0.48- \$0.68 million	\$1.10 -\$1.544 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill requires the Auditors of Public Accounts to biennially audit municipalities that receive more than 30% of their annual operating budget from the state and make recommendations for programmatic and management efficiencies and financial improvements.

Based on an analysis of FY 03 municipal operating budgets, 42 municipalities would require audits resulting in annual cost of \$2.41 - \$3.37 million to the Auditors of Public Accounts and associated fringe benefits between \$0.48 - \$0.68 million in FY 05 and \$1.10 - \$1.54 million in FY 06. The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The total fringe benefit reimbursement rate as a percentage of payroll is 45.82%, effective July 1, 2003. However, first year fringe benefit costs for new positions do not include pension costs lowering the rate to 20.23% in FY 05. The state's pension contribution is based upon the prior year's certification by the actuary for the State Employees Retirement System.

The costs incurred by the Auditors are contingent on the size of the municipality and complexity of the audit performed. Based on FY 03 figures, there are 9 large cities with populations over 50,000; 18

medium sized towns with populations between 10,000 – 49,999; and 15 small cities under 10,000 which would require biennial audits under the bill. These towns were: Ansonia, Ashford, Bridgeport, Bristol, Brooklyn, Canterbury, Chaplin, Colchester, Coventry, Derby, East Hartford, Griswold, Groton, Hartford, Killingly, Lebanon, Ledyard, Lisbon, Mansfield, Meriden, Montville, Naugatuck, New Britain, New Haven, New London, Norwich, Plainfield, Plymouth, Pomfret, Preston, Putnam, Scotland, Somers, Sprague, Stafford, Sterling, Thompson, Vernon, Voluntown, Waterbury, West Haven and Windham.

Estimated Costs to Audit Each Large City
Audit is anticipated to take a Full Year

Personnel	Salary Range		Annualized Costs	
Principal Auditor	78,202	102,950	78,202	102,950
Associate Auditor	64,565	85,584	64,565	85,584
Auditor II	46,438	69,320	46,438	69,320
Auditor II	46,438	69,320	46,438	69,320
Total for One Large City			235,643	327,174

Estimated Costs to Audit Each Medium City
Audit is Anticipated to take Half a Year

Personnel	Salary Range		Annualized Costs	
Principal Auditor	78,202	102,950	39,101	51,475
Associate Auditor	64,565	85,584	32,283	42,792
Auditor II	46,438	69,320	23,219	34,660
Auditor II	46,438	69,320	23,219	34,660
Total for One Medium City			117,822	163,587

Estimated Costs to Audit Each Small Municipality
Audit is Anticipated to take 4 Months

Personnel	Salary Range		Annualized Costs	
Principal Auditor	78,202	102,950	26,067	34,317
Auditor II	46,438	69,320	15,479	23,107
Total for One Small Municipality			41,547	57,423

Municipalities that are audited will still require separate auditors to audit financial statements and comply with the single audit act, thus passage of this bill will result in no municipal savings.

OFA Bill Analysis

SB 607

AN ACT CONCERNING STATE AUDITS OF CERTAIN MUNICIPAL BUDGETS BY THE AUDITORS OF PUBLIC ACCOUNTS.**SUMMARY:**

The bill requires the Auditors of Public Accounts to biennially audit municipalities that receive more than 30% of their annual operating budget from the state and make recommendations for programmatic and management efficiencies and financial improvements.

EFFECTIVE DATE: July 1, 2004

BACKGROUND***Qualifying Municipalities***

Based on an analysis of FY 03 municipal budgets, 42 municipalities receive more than 30% of their annual operating budget from the state. These municipalities are: Ansonia, Ashford, Bridgeport, Bristol, Brooklyn, Canterbury, Chaplin, Colchester, Coventry, Derby, East Hartford, Griswold, Groton, Hartford, Killingly, Lebanon, Ledyard, Lisbon, Mansfield, Meriden, Montville, Naugatuck, New Britain, New Haven, New London, Norwich, Plainfield, Plymouth, Pomfret, Preston, Putnam, Scotland, Somers, Sprague, Stafford, Sterling, Thompson, Vernon, Voluntown, Waterbury, West Haven and Windham.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Report

Yea 49 Nay 0