



# Senate

General Assembly

**File No. 559**

January Session, 2013

Substitute Senate Bill No. 620

*Senate, April 18, 2013*

The Committee on Planning and Development reported through SEN. CASSANO, S. of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT ESTABLISHING A PILOT PROGRAM TO AUDIT CERTAIN MUNICIPALITIES AND REQUIRING A UNIFORM SYSTEM OF ACCOUNTING FOR MUNICIPAL REVENUES AND EXPENDITURES.***

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

1 Section 1. (*Effective July 1, 2013*) For the fiscal year commencing July  
2 1, 2013, the Auditors of Public Accounts shall conduct a pilot program  
3 to audit the budget and financial condition of (1) one municipality  
4 with a population equal to or less than thirty thousand, (2) one  
5 municipality with a population of more than thirty thousand but less  
6 than seventy-five thousand, and (3) one municipality with a  
7 population equal to or more than seventy-five thousand. As part of  
8 such pilot program, the auditors shall prepare a report of their review  
9 and make recommendations for programmatic savings, efficiencies,  
10 financial improvements and reforms for each of the selected  
11 municipalities and shall submit such reports not later than February 5,  
12 2014, to the joint standing committees of the General Assembly having  
13 cognizance of matters relating to planning and development,

14 appropriations and finance, revenue and bonding.

15 Sec. 2. (NEW) (*Effective from passage*) Not later than January 1, 2015,  
16 the Secretary of the Office of Policy and Management shall, in  
17 consultation with organizations that work with municipalities,  
18 develop and implement a uniform system of accounting for municipal  
19 revenues and expenditures.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2013</i>	New section
Sec. 2	<i>from passage</i>	New section

**PD**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 14 \$	FY 15 \$
Auditors	GF - Cost	Potential Significant	None

**Municipal Impact:** None

**Explanation**

The bill requires the Auditors of Public Accounts to audit three municipalities. The Auditors must prepare a report with recommendations on programmatic savings, efficiencies, and financial improvements by February 5, 2014.

There are two approaches to performing an audit of three cities: 1) hire additional full-time staff or 2) contract with a certified public accounting (CPA) firm to perform this work. As the bill requires the Auditors to conduct a pilot program and report on the program in the first year, it is anticipated that the Auditors would contract a Certified Public Accounting (CPA) firm to perform these audits. Depending on the size of the municipality and the complexity of the audit, the costs would vary.

The costs to audit a small town could range from \$25,000 - \$150,000, while the costs to audit one large city could range from \$750,000 - \$1.5 million. In 2000, the Auditors contracted a CPA firm to conduct a performance audit of the University of Connecticut Health Center at a cost of \$582,000.

The bill also requires the Office of Policy and Management (OPM)

to develop and implement a uniform system of accounting for municipal revenues and expenditures. There is no fiscal impact under this requirement, as OPM is currently working towards implementation.

In December, 2012 the State Bond Commission allocated \$450,000 in new General Obligation bonds to OPM to develop a Uniform Chart of Accounts (UCOA) that will standardize the classification and reporting of financial data among all municipalities and Boards of Education. This would allow municipalities to more accurately compare the costs of programs and services.

It is anticipated that OPM will work with an external consultant, municipalities, and the State Department of Education (SDE) to develop the benchmarking system. PA 12-116, The Education Reform Act, authorizes SDE to develop and implement a chart of accounts to be used at the school and district level. For the fiscal year ending June 30, 2015, and each subsequent fiscal year, local boards of education are to implement UCOA by completing and filing annual financial reports with the SDE using the chart of accounts being developed with these bond funds.

### ***The Out Years***

There is no ongoing fiscal impact as the cost identified above would terminate in FY 14.

**OLR Bill Analysis****sSB 620*****AN ACT ESTABLISHING A PILOT PROGRAM TO AUDIT CERTAIN MUNICIPALITIES AND REQUIRING A UNIFORM SYSTEM OF ACCOUNTING FOR MUNICIPAL REVENUES AND EXPENDITURES.*****SUMMARY:**

This bill requires the Auditors of Public Accounts to conduct a pilot program in FY 14 to audit the budget and financial condition of three municipalities, one each with a population of (1) 30,000 or fewer, (2) between 30,001 and 75,000, and (3) more than 75,000. The auditors must report on the pilot by February 5, 2014 to the Planning and Development; Appropriations; and Finance, Revenue, and Bonding committees. The report must contain recommendations for programmatic savings, efficiencies, financial improvements, and reforms for each municipality.

The bill also requires the Office of Policy and Management secretary to develop and implement, in consultation with organizations that work with municipalities, a uniform accounting system for municipal revenues and expenditures.

EFFECTIVE DATE: July 1, 2013, except that the provision regarding the uniform accounting system is effective upon passage.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (04/02/2013)