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**HOUSE BILL NO. 1075**

Offered January 8, 2014

A *BILL to amend and reenact §§ 15.2-2511 and 30-140 of the Code of Virginia, relating to audits of certain political subdivisions.*

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Patron—Jones

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Referred to Committee on Counties, Cities and Towns

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 15.2-2511 and 30-140 of the Code of Virginia are amended and reenacted as follows:**

**§ 15.2-2511. Audit of local government records, etc.; Auditor of Public Accounts; audit of shortages.**

A. Localities shall have all their accounts and records, including all accounts and records of their constitutional officers, audited annually as of June 30 by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts. The certified public accountant shall present a detailed written report to the local governing body at a public session by the following December 31. Every locality shall contract for the performance of the annual audit not later than April 1 of each fiscal year and such contract shall incorporate the provisions of this section relating to audit specifications and report date. The report shall be preserved by the clerk of the local governing body, and shall be open to public inspection at all times by any qualified voter.

The accounts and records of any county or city officer listed in Article VII, Section 4 of the Constitution of Virginia, hereinafter referred to as "constitutional officers," shall be subject to the provisions of this section.

When the annual audit conducted pursuant to this subsection includes the clerk of the circuit court, the audit shall satisfy the requirement of an audit pursuant to § 30-134.

In the event a locality fails to obtain the annual audit prescribed by this subsection, the Auditor of Public Accounts may undertake the audit or may employ the services of certified public accountants and charge the full cost of such services to the locality. However, no part of the cost and expense of such audit shall be paid by any locality whose governing body has its accounts audited for the fiscal years in question as prescribed above and furnishes the Auditor of Public Accounts with a copy of such audit.

B. Except where otherwise authorized by statute, the Auditor of Public Accounts shall audit the accounts of local governments and constitutional officers only when (i) special circumstances require an audit, or (ii) there is suspected fraud or inappropriate handling of funds which may affect the financial interests of the Commonwealth. However, the Auditor of Public Accounts shall also audit the accounts of a local government at any other time upon a majority vote of the local governing body, with all expenses of the audit to be borne by the requesting locality. In all instances, such audits shall be carried out with the approval of the Joint Legislative Audit and Review Commission.

Any shortage existing in the accounts of the locality or constitutional officer, as ascertained by the audit, shall be made public within 30 days after the shortage is discovered, and a brief statement thereof shall be sent by the Auditor of Public Accounts to the members and clerk of the local governing body and to the circuit court for the locality, and shall be filed in the clerk's office of such court.

C. The provisions of this section shall apply to all counties and cities, to all towns having a population of 3,500 or over, and to all towns constituting a separate school division regardless of their population.

D. *Each town with a population of less than 3,500 that does not have a separate school division shall have all of its accounts and records audited annually by an independent certified public accountant in accordance with the specifications furnished by the Auditor of Public Accounts. No audit, however, shall be required for any fiscal year during which such town's financial transactions did not exceed the sum of \$25,000.*

As used in this subsection, "financial transactions" does not include financial transactions involving notes, bonds, or other evidences of indebtedness of such entity the proceeds of which are held or advanced by a corporate trustee or other financial institution and not received or disbursed directly by such entity.

In the event an audit is not required, the entity shall file a statement under oath certifying that the transactions did not exceed such sum and, as to all transactions involving notes, bonds, or other evidences of indebtedness that are exempted, the statement shall be accompanied by an affidavit from the trustee or financial institution certifying that it has performed the duties required under the agreement governing such transactions. Notwithstanding the foregoing, the Auditor of Public Accounts

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59 *may require an audit if he deems it to be necessary to determine the propriety of the entity's financial*  
60 *transactions.*

61 **§ 30-140. Certain political subdivisions to file report of audit; period in which report kept as**  
62 **public record; when audit not required; sworn statement of exempted entities; publication of**  
63 **summary of financial condition; repeal of conflicting provisions.**

64 A. Each authority, commission, district or other political subdivision the members of whose  
65 governing body are not elected by popular vote shall annually, within three months after the end of its  
66 fiscal year, have an audit performed covering its financial transactions for such fiscal year according to  
67 the specifications of the Auditor of Public Accounts and file with the Auditor of Public Accounts a copy  
68 of the report, unless exempted in accordance with subsection B. The Auditor of Public Accounts shall  
69 receive such reports and keep the same as public records for a period of ten years from their receipt.

70 B. No audit, however, shall be required for any fiscal year during which such entity's financial  
71 transactions did not exceed the sum of ~~\$5,000~~ \$25,000.

72 As used in this section, "financial transactions" shall not include financial transactions involving  
73 notes, bonds or other evidences of indebtedness of such entity the proceeds of which are held or  
74 advanced by a corporate trustee or other financial institution and not received or disbursed directly by  
75 such entity.

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77 transactions did not exceed such sum and, as to all transactions involving notes, bonds or other  
78 evidences of indebtedness which are exempted, the statement shall be accompanied by an affidavit from  
79 the trustee or financial institution certifying that it has performed the duties required under the  
80 agreement governing such transactions. Notwithstanding the foregoing, the Auditor of Public Accounts  
81 may require an audit if he deems it to be necessary to determine the propriety of the entity's financial  
82 transactions.

83 In the case of a water and sewer authority required by a governing body to have an audit conducted  
84 as specified in § 15.2-5145, the authority shall file the certified audit with the Auditor of Public  
85 Accounts.

86 At the time the report required by this section is filed with the Auditor of Public Accounts every  
87 such authority, commission, district or other political subdivision, except those exempted from the audit  
88 report requirement, shall publish, in a newspaper of general circulation in the county, city or town  
89 wherein the authority, commission, district or other political subdivision is located, a summary statement  
90 reflecting the financial condition of the authority, commission, district or other political subdivision,  
91 which shall include a reference to where the detailed statement may be found.

92 Any provision of law, general or special, which by its terms requires an audit that is not required by  
93 this section shall be repealed to the extent of any conflict.