

1 State of Arkansas  
2 88th General Assembly  
3 Regular Session, 2011  
4

# A Bill

HOUSE BILL 1579

5 By: Representatives Summers, T. Bradford, English, Vines  
6 By: Senators B. Sample, E. Williams  
7

## For An Act To Be Entitled

8  
9 AN ACT TO AMEND STATUTES CONCERNING AUDITS PERFORMED  
10 BY THE DIVISION OF LEGISLATIVE AUDIT; AND FOR OTHER  
11 PURPOSES.  
12  
13

## Subtitle

14  
15 TO AMEND STATUTES CONCERNING AUDITS  
16 PERFORMED BY THE DIVISION OF LEGISLATIVE  
17 AUDIT.  
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20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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22 SECTION 1. Arkansas Code § 10-4-412(b) and (c), concerning audits of  
23 counties and municipalities, are amended to read as follows:

24 (b) FINANCIAL AUDITS.

25 (1)(A) For purposes of this subsection, a financial audit shall  
26 be planned and conducted, and the results of the work reported in accordance  
27 with auditing standards generally accepted in the United States and  
28 Government Auditing Standards issued by the Comptroller General of the United  
29 States.

30 (B) The report shall include a report on internal control  
31 over financial reporting and on compliance and other matters based on an  
32 audit of financial statements performed in accordance with the Government  
33 Auditing Standards.

34 (2) REGULATORY BASIS ~~OF PRESENTATION~~.

35 (A) For county and municipal financial audits, the  
36 financial statements shall be presented on a fund-basis format with, at a



1 minimum, the general fund and the street or road fund presented separately,  
 2 and all other funds included in the audit presented in the aggregate.

3 (B) The financial statements shall consist of the  
 4 following:

- 5 (i) A balance sheet;
- 6 (ii) A statement of revenues (receipts), expenditures  
 7 (disbursements), and changes in fund equity (balances);
- 8 (iii) A comparison of the final adopted budget to the  
 9 actual expenditures for the general fund and street or road fund of the  
 10 entity; and
- 11 (iv) Notes to the financial statements.

12 (C) The report shall include as supplemental information a  
 13 schedule of capital assets, including:

- 14 (i) ~~land~~ Land;
- 15 (ii) ~~buildings~~ Buildings; and
- 16 (iii) ~~equipment~~ Equipment.

17 (3) ~~ALTERNATIVE BASIS OF PRESENTATION~~. As an alternative to the  
 18 ~~presentation~~ basis prescribed in subdivision (b)(2) of this section, the  
 19 governing body of a municipality or a county may adopt an annual resolution  
 20 requiring its annual financial audit to be performed and financial statements  
 21 presented in accordance with the standards prescribed by the Governmental  
 22 Accounting Standards Board, the American Institute of Certified Public  
 23 Accountants, and the United States Government Accountability Office, if  
 24 applicable.

25 (c) ~~MUNICIPAL~~ AGREED-UPON PROCEDURES.

26 (1) As an alternative to a financial audit, the Legislative  
 27 Auditor may conduct an agreed-upon procedures engagement of the records and  
 28 accounts of all municipal or county offices, officials, or employees.

29 (2) For purposes of this subsection, agreed-upon procedures  
 30 engagements shall be conducted in accordance with standards established by  
 31 the American Institute of Certified Public Accountants and subject to the  
 32 minimum procedures prescribed by the ~~Legislative Auditor~~ Legislative Joint  
 33 Auditing Committee.

34 (3)(A) Unless otherwise provided by law, the governing body  
 35 of a municipality may choose and employ accountants licensed and in good  
 36 standing with the Arkansas State Board of Public Accountancy to conduct

1 agreed-upon ~~procedure~~ procedures engagements.

2 (B) All reports shall be filed with the Legislative Auditor  
3 within ten (10) days of issuance.

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5 SECTION 2. Arkansas Code § 10-4-417(d), concerning the presentation and  
6 filing of audit reports, is amended to read as follows:

7 (d)(1) The governing body and executive official of an entity of the  
8 state or political subdivision of the state shall receive a copy of the  
9 entity's audit report prior to presentation to the Legislative Joint Auditing  
10 Committee.

11 (2) Until the reports are presented to the Legislative Joint  
12 Auditing Committee or approved for early release by the Cochairs of the  
13 Legislative Joint Auditing Committee ~~cochairs~~, the reports are not considered  
14 public information and are not open to public inspection.

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16 SECTION 3. Arkansas Code § 10-4-417 is amended to add an additional  
17 subsection to read as follows:

18 (e) The exemption from public inspection under subsections (c) and (d)  
19 of this section applies to all reports in the custody or possession of any  
20 person before presentation of the report to the Legislative Joint Auditing  
21 Committee or approval for early release, regardless of the actual physical  
22 location of the report.