

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas  
2 85th General Assembly  
3 Regular Session, 2005  
4

As Engrossed: H1/27/05 S2/1/05

# A Bill

HOUSE BILL 1185

5 By: Representatives Roebuck, Blount, Bright, Burris, Dickinson, L. Evans, George, Jeffrey, J. Johnson,  
6 Kenney, Maloch, S. Prater, Rogers, Sullivan, Wyatt

7 By: *Senator Wilkins*  
8  
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## For An Act To Be Entitled

11 AN ACT TO AMEND ARKANSAS CODE § 10-4-202 TO  
12 CLARIFY AUDIT REQUIREMENTS FOR SCHOOLS,  
13 MUNICIPALITIES, AND COUNTIES; AND FOR OTHER  
14 PURPOSES.

### Subtitle

17 TO CLARIFY AUDIT REQUIREMENTS.  
18  
19

20 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
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22 SECTION 1. Arkansas Code § 10-4-202 is amended to read as follows:

23 10-4-202. Audits authorized – Independent audits.

24 (a)~~(1)~~ The Legislative Auditor has the power and duty, acting through  
25 his or her duly authorized employees, to conduct audits of the records and  
26 accounts of all offices, officials or employees of counties, municipalities,  
27 school districts, county school boards, and educational cooperatives.

28 ~~(2) In the alternative, upon approval of the Legislative Joint~~  
29 ~~Auditing Committee, the Legislative Auditor may conduct:~~

30 ~~(A) A compilation or a report of agreed upon procedures of~~  
31 ~~the records and accounts of all officials or employees of incorporated towns;~~  
32 ~~or~~

33 ~~(B) A report of agreed upon procedures of cities of the~~  
34 ~~second class.~~

35 (b)~~(1)~~ School And Educational Cooperative Audits.

36 Nothing contained in subsection (a) of this section shall be so



1 construed as to abridge the right of any school district, or any educational  
 2 cooperative, ~~or any municipality~~ to choose and employ accountants licensed  
 3 and in good standing with the Arkansas State Board of Public Accountancy to  
 4 conduct ~~these~~ audits and present financial statements in accordance with  
 5 regulations prescribed by the State Board of Education or the Department of  
 6 Education, or in the alternative, in accordance with the guidelines and  
 7 format of the Government Auditing Standards issued by the Comptroller General  
 8 of the United States Government Accounting Standards Board, the American  
 9 Institute of Certified Public Accountants, and the United States Government  
 10 Accountability Office.

11 ~~(2) In the alternative, with the approval of the Committee:~~

12 ~~(A) An incorporated town may employ such licensed~~  
 13 ~~accountants to conduct a compilation or a report of agreed upon procedures as~~  
 14 ~~provided in subdivision (b)(2)(B) of this section in accordance with~~  
 15 ~~standards issued by the American Institute of Certified Public Accountants;~~  
 16 ~~or~~

17 ~~(B)(i) A city of the second class may employ such licensed~~  
 18 ~~accountants to conduct and prepare a report of agreed upon procedures.~~

19 ~~(ii) The agreed upon procedures and format of the~~  
 20 ~~report shall be prescribed by the Legislative Auditor and shall include at a~~  
 21 ~~minimum:~~

22 ~~(a) A reconciliation and confirmation of cash;~~

23 ~~(b) A cash basis balance sheet;~~

24 ~~(c) A statement of cash receipts and~~  
 25 ~~disbursements; and~~

26 ~~(d) A report on compliance with certain~~  
 27 ~~Arkansas laws.~~

28 ~~(3)(A) A certified copy of each audit, compilation, or agreed-~~  
 29 ~~upon procedures report shall be filed with the Division of Legislative Audit~~  
 30 ~~in a timely manner after completion of the report.~~

31 ~~(B) All compilation reports and reports of agreed upon~~  
 32 ~~procedures allowed in this section shall be presented to the appropriate~~  
 33 ~~governing body in the same manner as audit reports.~~

34 (c) Municipal And County Audits.

35 (1) Nothing contained in subsection (a) of this section shall be  
 36 construed to abridge the right of a municipality to choose and employ

1 accountants licensed and in good standing with the Arkansas State Board of  
2 Public Accountancy to conduct audits and present financial statements as  
3 outlined in this subsection (c).

4 (2) Regulatory Basis Of Presentation.

5 (A) The financial statements shall be presented on a fund  
6 basis with, as a minimum, the general fund and the street or road fund  
7 presented separately with all other funds included in the audit presented in  
8 the aggregate.

9 (B) The financial statements shall consist of:

- 10 (i) A balance sheet;  
11 (ii) A statement of revenues (receipts),  
12 expenditures (disbursements), and changes in fund equity (balance);  
13 (iii) A comparison of the final adopted budget to  
14 the actual expenditures (disbursements) for the general fund and street or  
15 road fund of the entity; and  
16 (iv) Notes to the financial statements.

17 (C) The report shall include as supplemental information a  
18 schedule of general fixed assets, including land, buildings, and equipment.

19 (3) Alternative Basis Of Presentation. In the alternative, upon  
20 the adoption of an annual resolution by the governing body of the  
21 municipality or county, the audit may be performed in accordance with  
22 guidelines and format prescribed by the Government Accounting Standards  
23 Board, the American Institute of Certified Public Accountants, and the United  
24 States Government Accountability Office.

25 (4) For the purposes of this section, an audit shall be planned,  
26 conducted, and the results of the work reported in accordance with generally  
27 accepted government auditing standards, if applicable.

28 (d) Municipal And County Agreed-Upon Procedures Report.

29 (1) As an alternative to an audit, the Legislative Auditor may  
30 conduct an agreed-upon procedures engagement of the records and accounts of  
31 all municipal or county offices, officials, or employees.

32 (2) Unless otherwise provided by law, the governing body of a  
33 municipality may choose and employ accountants licensed and in good standing  
34 with the Arkansas State Board of Public Accountancy to conduct agreed-upon  
35 procedure engagements.

36 (3) For the purposes of this section, agreed-upon procedures

1 engagements shall be conducted in accordance with standards established by  
2 the American Institute of Certified Public Accountants and subject to the  
3 minimum procedures prescribed by the Legislative Auditor.

4 (e) Monitoring By The Legislative Joint Auditing Committee. The  
5 Legislative Joint Auditing Committee shall monitor the reports prescribed in  
6 this section to ensure that the reports meet the needs of the General  
7 Assembly, the public entities, and the general public.

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9 SECTION 2. EMERGENCY CLAUSE. It is found and determined by the  
10 General Assembly of the State of Arkansas that the provisions of this act are  
11 of critical importance to preserve the efficient operations of the Division  
12 of Legislative Audit and provide the flexibility needed to supply the General  
13 Assembly and the Legislative Joint Auditing Committee information vital and  
14 necessary to fulfill their constitutional and statutory mandates. Therefore,  
15 an emergency is declared to exist and this act being immediately necessary  
16 for the preservation of the public peace, health, and safety shall become  
17 effective on:

18 (1) The date of its approval by the Governor;

19 (2) If the bill is neither approved nor vetoed by the Governor,  
20 the expiration of the period of time during which the Governor may veto the  
21 bill; or

22 (3) If the bill is vetoed by the Governor and the veto is  
23 overridden, the date the last house overrides the veto.

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25 */s/ Roebuck*  
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