LOCAL GOVERNMENT AUDIT REPORTS
HOUSE BILL 5503/PUBLIC ACT 0738

JANUARY, 2015

SUMMARY

House Bill 5503—"Audit Disclosure" the auditor for a County or municipality is to provide a copy of the management letter and audited financial statements to each member of the county or divisible board, and discuss the audit with the board in person or electronically. If the county or municipality has an Internet site, it must post the information there.

KEY PROVISIONS

- Within 60 days of the close of an audit of the counties' or municipalities' funds and accounts the auditor conducting the audit shall:
  1. Provide a copy of any management letter and copy of any audited financial statements to each member of the County or municipal board, and;
  2. Present the information from the audit to the county board either in person or by live phone or web connection during a public meeting.

- If the local government entity maintains an Internet website, the governing board shall post the information contained in any management letter or financial statements on its website.

ISSUES

- The plain language of House Bill 5503 is general in nature and does not provide the auditor with direction in fulfilling the requirements of this legislative act.

- Certain provisions of House Bill 5503 potentially conflict with audit standards thereby creating a dilemma for the auditor in fulfilling audit standards and compliance with Illinois Law.

- Recognizing the generality of the legislative language, the use of dated terms and potential conflict with audit standards, the Illinois CPA Society government relations staff work with the Senate sponsors of this legislation to clarify provisions and ensure an express legislative intent to add meaning to the generalized language of this legislation.

- Attached is the Senate transcript of floor debate for House Bill 5503 that provides clarification on outdated terms and reporting requirements.

CITATIONS/KEY DATES

House Bill 5503/ Public Act 98-0738
Public Act 98-0738 is effective January 1, 2015
SAFE HARBOR

The information provided on House Bill 2747 is a summary of the new requirements on state and federal pass-through awards recipients. This document is for informational purposes only and is not intended to serve as legal advice or a seminal document on state grant requirements.
Thank you, Mr. President and Members of the Senate. House Bill 5503 amends the County (sic) (Counties) Code and requires auditors of a municipality or county's finances to provide a copy of the annual management (letter) and audited financial reports to each member of the county board or city council and provide a presentation of that letter to the local board. I'm aware of no opposition and urge an Aye vote.

PRESIDING OFFICER: (SENIOR MUÑOZ)

Is there any discussion? Senator Mulroe, for what purpose do you seek recognition?

SENATOR MULROE:

Questions of the sponsor.

PRESIDING OFFICER: (SENIOR MUÑOZ)

Sponsor indicates he will yield.

SENATOR MULROE:

Senator Connelly, for purposes of legislative intent, can you tell us what is a management letter?

PRESIDING OFFICER: (SENIOR MUÑOZ)

Senator Connelly.

SENATOR CONNELLY:

Audit standards require auditors to report significant deficiencies and material weaknesses in writing to those charged with governance of the organization. Auditors present these deficiencies and weaknesses in the management letter.

PRESIDING OFFICER: (SENIOR MUÑOZ)

Senator Mulroe.

SENATOR MULROE:

Can you tell us who provides the county board with the audited financial statements?
PRESIDING OFFICER: (SENATOR MUÑOZ)

Senator Connelly.

SENATOR CONNELLY:

Again, as a part of the audit process, management physically distributes to the governing board as a whole with audit documents.

PRESIDING OFFICER: (SENATOR MUÑOZ)

Senator Mulroe.

SENATOR MULROE:

Does this legislation require the auditor to present the audit to the entire county board?

PRESIDING OFFICER: (SENATOR MUÑOZ)

Senator Connelly.

SENATOR CONNELLY:

Excellent question, Senator. No. The auditor could present the audit to the entire county board. Another option is for the auditor to present the audit to the county finance or audit committee. Presentation to either of these committees generally satisfies audit standards.

PRESIDING OFFICER: (SENATOR MUÑOZ)

Senator Mulroe.

SENATOR MULROE:

One last question, Senator Connelly. Does this posting requirement include information of internal control weaknesses or deficiencies?

PRESIDING OFFICER: (SENATOR MUÑOZ)

Senator Connelly.

SENATOR CONNELLY:

Thank you, again, Senator. No. Obviously, sensitive information of this nature would have to be redacted in order to
not open the floodgates of material weaknesses in a governmental organization's internal controls. And, again, I thank you for those questions.

PRESIDING OFFICER: (SENATOR MUÑOZ)

There being no further discussion, the question is, shall House Bill 5503 pass. All those in favor, vote Aye. Opposed, Nay. The voting is open. Have all voted who wish? Have all voted who wish? Have all voted who wish? Take the record. On that question, there are 57 voting Aye, 0 voting Nay, 0 voting Present. House Bill 5503, having received the required constitutional majority, is declared passed. House Bill 5504. Senator Link. Indicates he wishes to proceed. Mr. Secretary, read the bill.

SECRETARY ANDERSON:

House Bill 5504.

(Secretary reads title of bill)

3rd Reading of the bill.

PRESIDING OFFICER: (SENATOR MUÑOZ)

Senator Link.

SENATOR LINK:

Thank you, Mr. President. This bill amends the Illinois Highway Code, repealing a provision allowing the Director of State Police to request a designated sign in honor of an Illinois State Trooper who was killed in the line of duty. I know of no opposition to the bill.

PRESIDING OFFICER: (SENATOR MUÑOZ)

Is there any discussion? Any discussion? There being none, the question is, shall House Bill 5504 pass. All those in favor will vote Aye. Opposed, Nay. The voting is open. Have all voted who wish? Have all voted who wish? Have all voted who wish? Take