

By: Representative Yates

To: State Affairs

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 1225

1 AN ACT TO AMEND SECTION 21-35-31, MISSISSIPPI CODE OF 1972,
2 TO AUTHORIZE THE STATE AUDITOR, IN HIS DISCRETION, TO REVIEW AND
3 EXAMINE MUNICIPALITIES UNDER CERTAIN PRESCRIBED CONDITIONS; AND
4 FOR RELATED PURPOSES.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

6 **SECTION 1.** Section 21-35-31, Mississippi Code of 1972, is
7 amended as follows:

8 * * *

9 21-35-31. (1) The governing authority of every municipality
10 in the state shall have the municipal books audited annually,
11 before the close of the next succeeding fiscal year, in accordance
12 with procedures and reporting requirements prescribed by the State
13 Auditor. The municipality shall pay for the audit or report out
14 of its general fund. No advertisement shall be necessary before
15 entering into the contract, and it shall be entered into as a
16 private contract. The audit or report shall be made upon a
17 uniform formula set up and promulgated by the State Auditor, as
18 the head of the State Department of Audit, or the director
19 thereof, appointed by him, as designated and defined in Title 7,



20 Chapter 7, Mississippi Code of 1972, or any office or officers
21 hereafter designated to replace or perform the duties imposed
22 by * * * that chapter. Two (2) copies of the audit or report
23 shall be mailed to the * * * State Auditor within thirty (30) days
24 after completion. The State Auditor, at the end of each fiscal
25 year, shall submit to the Legislature a composite report showing
26 any information concerning municipalities in this state that the
27 Auditor deems pertinent and necessary to the Legislature for use
28 in its deliberations. A synopsis of the audit or report, in a
29 format prescribed by the State Auditor, shall be published within
30 thirty (30) days by the governing authority of each municipality
31 in a newspaper published in the municipality or, if no newspaper
32 is published in a municipality, in any newspaper having a general
33 circulation published in the county wherein the municipality is
34 located. The publication of the audit or report may be made as
35 provided in Section 21-17-19. Publication shall be made one (1)
36 time, and the governing authority of each municipality shall be
37 authorized to pay only one-half (1/2) of the legal rate prescribed
38 by law for such legal publication.

39 (2) It shall be the duty of the State Auditor to determine
40 whether each municipality has complied with the requirements of
41 subsection (1) of this section. If, upon examination, the State
42 Auditor determines that a municipality has not initiated efforts
43 to comply with the requirements of subsection (1), the State
44 Auditor shall file a certified written notice with the clerk of



45 the municipality notifying the governing authority of the
46 municipality that a certificate of noncompliance will be issued to
47 the * * * Department of Revenue and to the Attorney General thirty
48 (30) days immediately following the date of the filing of the
49 notice unless within that period, the municipality substantially
50 complies with the requirements of subsection (1). If, after
51 thirty (30) days from the giving of the notice, the municipality,
52 in the opinion of the State Auditor, has not substantially
53 initiated efforts to comply with the requirements of subsection
54 (1), the State Auditor shall issue a certificate of noncompliance
55 to the clerk of the municipality, * * * Department of Revenue and
56 the Attorney General. Thereafter, the * * * Department of Revenue
57 shall withhold from all allocations and payments to the
58 municipality that would otherwise be payable the amount necessary
59 to pay one hundred fifty percent (150%) of the cost of preparing
60 the required audit or report as contracted for by the State
61 Auditor. The cost shall be determined by the State Auditor after
62 receiving proposals for the audit or report required in subsection
63 (1) of this section. The State Auditor shall notify the * * *
64 Department of Revenue of the amount in writing, and the * * *
65 Department of Revenue shall transfer that amount to the State
66 Auditor. The State Auditor is authorized to escalate, budget and
67 expend these funds in accordance with rules and regulations of the
68 Department of Finance and Administration consistent with the
69 escalation of federal funds. All remaining funds shall be



70 retained by the State Auditor to offset the costs of administering
71 these contracts. The State Auditor shall not unreasonably delay
72 the issuance of a written notice of cancellation of a certificate
73 of noncompliance but shall promptly issue a written notice of
74 cancellation of certificate of noncompliance upon an affirmative
75 showing by the municipality that it has come into substantial
76 compliance.

77 (3) At the discretion of the State Auditor, the Auditor may
78 review and examine a municipality using methods and procedures
79 prescribed by the State Auditor whenever any of the following
80 occur:

81 (a) The audits filed by the municipality during the
82 preceding three (3) years contain an adverse opinion or disclaimer
83 of opinion; or

84 (b) Any audit has been performed by an audit firm with
85 a grade of "Pass with Deficiencies" or "Fail" on the firm's most
86 recent peer review; or

87 (c) The municipality's contract auditor has received a
88 violation relating to a government audit from the Mississippi
89 State Board of Public Accountancy in the preceding three (3)
90 years.

91 **SECTION 2.** This act shall take effect and be in force from
92 and after July 1, 2024.

