

1 State of Arkansas  
2 82nd General Assembly  
3 Regular Session, 1999

# A Bill

HOUSE BILL 1398

4  
5 By: Representatives Lancaster, Bond, Booker, Broadway, Carson, Creekmore, Davis, Eason, Elliott,  
6 Ferguson, Gipson, Gullett, Hickinbotham, Hunt, J. Jeffress, Judy, King, Milligan, Morris, Parks, Scrimshire,  
7 R. Smith, Trammell  
8 By: Senators Fitch, Critcher, Wooldridge

## For An Act To Be Entitled

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11 "AN ACT TO AMEND ACT 272 OF 1997, AS CODIFIED AT  
12 ARKANSAS CODE ANNOTATED 14-234-119 THROUGH 14-234-122,  
13 REQUIRING CERTAIN WATER AND SEWER SERVICE PROVIDERS TO  
14 OBTAIN AN ANNUAL AUDIT OR AGREED UPON PROCEDURES  
15 REPORT; AND FOR OTHER PURPOSES."

## Subtitle

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18 "AN ACT TO REQUIRE ANNUAL AUDITS OR  
19 PERFORMANCE OF AGREED UPON PROCEDURES OF  
20 WATER AND SEWER SERVICE PROVIDERS."

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24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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26 SECTION 1. Arkansas Code Annotated § 14-234-119 is amended to read as  
27 follows:

28 "14-234-119. Annual Audits and Procedures.

29 (a) ~~Any county, municipality, improvement district, or other entity~~  
30 ~~receiving public funds or public grants that provides water or sewage services~~  
31 ~~and having at least one hundred (100) service connections shall procure an~~  
32 ~~annual financial audit of the system.~~ Any county, municipality, improvement  
33 district, or not-for-profit association or entity receiving fees from  
34 customers for providing water or sewage services shall obtain an annual  
35 financial audit of the system if the system has at least five hundred (500)  
36 service connections during any fiscal year.

1 (b)(1) Any county, municipality, improvement district, or not-for-profit  
 2 association or entity receiving fees from customers for providing water or  
 3 sewage services and having at least one hundred (100) but less than five  
 4 hundred (500) service connections during any fiscal year shall obtain an  
 5 annual audit or an annual report of agreed upon procedures (AUP).

6 (2) The agreed upon procedures and format of the report shall be  
 7 prescribed by the Legislative Auditor and shall include as a minimum:

8 (A) Proof and reconciliation of cash;

9 (B) Confirmation of cash balances;

10 (C) A statement of assets and liabilities on a cash basis;

11 (D) A statement of cash receipts and cash disbursements;

12 (E) A test of water/sewer revenues tracing deposits to  
 13 source documents; and

14 (F) A report of agreed upon procedures.

15 ~~(b)(c) Such audits or agreed upon procedures reports shall be completed~~  
 16 ~~within one year conducted following each system's fiscal year end and shall~~  
 17 ~~include a management letter.~~

18 ~~(c) (d) Each such entity shall choose and employ accountants, licensed~~  
 19 ~~and in good standing with the Arkansas State Board of Public Accountancy, to~~  
 20 ~~conduct these audits in accordance with Government Auditing Standards issued~~  
 21 ~~by the Comptroller General of the United States."~~

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 23 SECTION 2. Arkansas Code Annotated § 14-234-120 is amended to read as  
 24 follows:

25 "14-234-120. Filing of letter of completion audit report.

26 ~~Copies of each audit report and the accompanying management letter shall~~  
 27 ~~be filed with the Division of Legislative Audit within one (1) year from the~~  
 28 ~~close of the fiscal year. The Division of Legislative Audit shall present the~~  
 29 ~~audit reports and accompanying management letters to the Legislative Joint~~  
 30 ~~Auditing Committee.~~

31 (a) Within thirty (30) days of completion of the audit report or the  
 32 report of agreed upon procedures, the accountant performing the audit or  
 33 agreed upon procedures shall submit a letter of completion to the Legislative  
 34 Auditor. The letter shall contain at least the following information:

35 (1) Date of letter of completion;

36 (2) Name of the entity engaging the accountants;

1           (3) Time period covered by the audit report or agreed upon  
 2 procedures report;

3           (4) Date of the audit report or agreed upon procedures report;

4           (5) Name, title, address, and telephone number of the entity's  
 5 contact person;

6           (6) Name, title, address, and telephone number of the accountant  
 7 performing the audit or the agreed upon procedures; and

8           (7) Signature of the accountant.

9           (b) Upon request by the Legislative Auditor, the accountant shall  
 10 furnish a copy of the audit report or report of agreed upon procedures to the  
 11 Division of Legislative Audit within thirty (30) days of the date of request."

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 13           SECTION 3. Arkansas Code Annotated § 14-234-121 is amended to read as  
 14 follows:

15           "14-234-121. Review of audit report by board.

16           Each audit report or report of agreed upon procedures, ~~with accompanying~~  
 17 ~~management letter,~~ shall be reviewed by the appropriate board at the next  
 18 regularly scheduled open meeting after receiving the audit report or the  
 19 report of agreed upon procedures from the accountant."

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 21           SECTION 4. Arkansas Code Annotated § 14-234-122 is amended to read as  
 22 follows:

23           "14-234-122. Penalty provision.

24           Any entity not complying with §§ 14-234-119 -- 14-234-121 ~~shall not be~~  
 25 ~~eligible to receive any funding or grants flowing through agencies of the~~  
 26 ~~State of Arkansas.~~ may be subject to fines up to one thousand dollars (\$1,000)  
 27 by the Department of Health, the Department of Environmental Quality, or the  
 28 Arkansas Soil and Water Conservation Commission and any permits or licenses  
 29 obtained from these agencies are subject to cancellation or non-renewal."

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 31           SECTION 5. Effective Date.

32           The provisions of this Act are applicable for fiscal periods beginning  
 33 January 1, 1999 or thereafter.

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 35           SECTION 6. All provisions of this Act of a general and permanent nature  
 36 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code

1 Revision Commission shall incorporate the same in the Code.

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SECTION 7. If any provision of this Act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Act are declared to be severable.

SECTION 8. All laws and parts of laws in conflict with this Act are hereby repealed.

SECTION 9. EMERGENCY CLAUSE. It is hereby found and determined by the Legislative Joint Auditing Committee and the General Assembly that it is vital that monies collected by water and sewer providers are properly accounted for. Therefore, an emergency is declared to exist and this act being immediately necessary for the preservation of the public peace, health and safety shall become effective on the date of its approval by the Governor. If the bill is neither approved nor vetoed by the Governor, it shall become effective on the expiration of the period of time during which the Governor may veto the bill. If the bill is vetoed by the Governor and the veto is overridden, it shall become effective on the date the last house overrides the veto.