

ASK THE LEAGUE, AUG. 2014

How can towns employ the services of an outside professional auditing firm?

There are two ways a town can hire an outside auditing firm. The first is to eliminate the office of the elected auditor. This option is available for all towns except those with a charter specifically providing for the election or appointment of the office of town auditor. Under state law, a town can only eliminate the office of auditor by vote of paper ballot (as opposed to Australian ballot) at its annual meeting. If approved, the selectboard must contract with a state licensed certified public accountant to perform an annual financial audit of all town accounts. The term of office of any auditor in office on the date of the vote will expire 45 days after that vote, or when the selectboard enters into a contract with a public accountant, whichever occurs first. The vote to eliminate the office of town auditor will remain in effect until rescinded by the voters in the same manner it was approved. 17 V.S.A. § 2651b.

The second option is to hire a licensed public accountant to perform an annual audit of all town funds without eliminating the office of auditor. This is a decision that may be made by vote of the selectboard or by the voters of the town at a duly-warned special or annual town meeting. Such a meeting must be called in response to a written petition signed by at least five percent of the legal voters of the town. The article presented must be in substantially the following form:

“To see if the [*city, town, or village*] will vote to instruct the [*legislative body*] to employ a certified public accountant or public accountant licensed in this State, to perform an annual financial audit of all funds of the [*city, town, or village*].”

Regardless of the method utilized, the hiring of a public accountant does not excuse the town from the auditors’ statutory duties. The selectboard must assume all other duties of the town auditor including the distribution of the public accountant’s findings, which have to be mailed or otherwise distributed by the selectboard in the same manner as a report prepared by an elected auditor.

The annual financial audits performed by the public accountant have to conform to generally-accepted government auditing standards which include providing the selectboard with a report on internal controls on financial reporting. If the public accountant finds material weaknesses or significant deficiencies in the town’s internal controls, or if the report of the public accountant or auditor is qualified, adverse, or disclaimed, then the following additional steps must be taken:

1. (T)he auditor or public accountant shall present the findings or opinion to the legislative body of the town and explain those material weaknesses or significant deficiencies or his or her opinion at a meeting duly warned for the purpose;
2. after the audit report is delivered to the legislative body of a municipality, the notice for the next meeting of the legislative body shall also notify the voters of the availability of the audit report and the accompanying report on internal control over financial reporting;

3. the next published annual report of the town shall include a summary of material weaknesses or significant deficiencies found in the internal controls over financial reporting or a statement that the audit report sets forth an opinion that is qualified, adverse, or disclaimed; and
 4. the legislative body shall post the audit report and the accompanying report on internal control over financial reporting on the municipality's website, if the municipality has a website.
- 24 V.S.A. § 1690.

For information on internal financial controls as well as on training for locally elected auditors, please contact Abby Friedman, VLCT Municipal Assistance Center Director, at 800-649-7915 or afriedman@vlct.org.

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