

The Oregon Secretary of State, Division of Audits publishes and periodically updates the Minimum Standards for Audits of Oregon Municipal Corporations. The Oregon Department of Revenue publishes and periodically updates Oregon Budget Law. Municipal Auditors in Oregon are required to comply with the requirements set forth in these Minimum Standards. It should also be noted that it is the responsibility of the users to determine if the publication is current.

The Governmental Accounting and Auditing Strategic Interest Team of the Oregon Society of CPAs is providing the following suggested audit guidance and disclosures for **Oregon Budget Law** for the Minimum Standards. The committee makes no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, or suitability of the program and procedures herein. The objective is to provide auditors with guidance, and a starting point, but should not be considered a replacement for professional judgment. Representatives of the Oregon Secretary of State, Audits Division have reviewed this document and provided input, however, the document should not be considered authoritative or all-inclusive.

If you have questions or find errors, please contact us at profdev@orcpa.org or 503-641-7200 / 800-255-1470, ext. 3.

**GOVERNMENTAL AUDIT PROGRAM FOR
OREGON BUDGET LAW
([OAR Chapter 162 Division 10 Chapter 0260 and ORS 294](#))**

Government Entity: _____

Statement of Net Position Date: _____

AUDIT OBJECTIVES

In addition to auditing the accounts and financial statements of a municipal corporation, the independent auditor is required to review its fiscal affairs. The review shall include, but not necessarily be limited to, determining if financial operations have been carried out in accordance with appropriate legal provisions including federal and state laws, charter provisions, court orders, ordinances, resolutions, and rules and regulations issues by other governmental agencies. It is the auditor's responsibility to disclose in the audit report material instances of noncompliance with such legal provisions.

Compliance with legal requirements relating to the preparation, adoption, and execution of the annual or biennial budget for the year being audited, and the preparation and adoption of the budget for the next succeeding year shall be disclosed. Also, the auditor shall disclose the financial or organizational level at which the governing body makes the annual appropriations. The minimum levels of legal appropriation are established in ORS 294.

To determine that budget and budget process conform to Oregon local budget law.

Review of operations shall provide evidence sufficient to comment with respect to sections 162-010-0260 of the Minimum Standards and ORS 294.

Budget Process Testing Audit Program			
ORS	Suggested Procedures	Performed by and Date	WP Ref
	1. For ongoing clients we will have tested the budget in the prior year audit. Obtain a copy of final budget and budget documents submitted to the assessor's office for the next fiscal year.		
	2. For new clients: A. Obtain the prior year's budget document. B. Review prior year's Minimum Standards report for any budget related findings.		
Budget Process Document			
	Obtain the original budget and evaluate:		
(294.331) (294.426) (7)	1. Budget Officer – with respect to the budget officer was the following in compliance: A. The governing body appointed the budget officer, unless otherwise provide by county or city charter. B. Files copy of budget in office of governing body immediately following distribution of budget to committee.		
(294.414) (9) (294.428)	2. Budget committee – with respect to the budget committee was the following in compliance: A. Committee shall at its first meeting elect a presiding officer from its members. B. Duty of the committee to review or revise and approve the budget document.		
(294.403)	3. The budget document contains a budget message		
(294.426) (5) (294.426) (5)	4. Publication process for the budget committee meeting is followed: A. Proof of publication. B. Budget committee meeting publication options (select appropriate option): a. First notice of budget committee meeting advertised 5 to 30 days prior to meeting and second notice of budget committee meeting advertised 5 to 30 days prior to meeting. b. A notice may be published once in the newspaper 30 to 5 days before the meeting and also be published prominently on the municipal corporation's internet website for at least 10 days before the meeting. The		

Budget Process Testing Audit Program			
ORS	Suggested Procedures	Performed by and Date	WP Ref
(294.426) (5) & 294.311(35)	<p>newspaper notice must contain web address for the internet posting.</p> <p>c. Mailed to or hand delivered to every address no later than 10 days before meeting if no newspaper is published in the district.</p>		
(294.438) (294.438) & (294.311) (35) (294.448)	<p>5. Publication process for the budget hearing is followed:</p> <p>A. Proof of publication.</p> <p>B. Budget hearing publication options (select appropriate option):</p> <p>a. Budget summary and notice of budget hearing advertised 5 to 30 days before budgeting hearing.</p> <p>b. Mailed to or hand delivered to every address no later 5 to 30 days before meeting if no newspaper is published in the district.</p> <p>c. If budget requirements do not exceed \$100,000, the financial summary and notice of hearing may be posted for at least 20 days in 3 conspicuous places.</p>		
(294.456) (1)(c)(A) (294.408) (294.456)	<p>6. Conclusion of the budget process.</p> <p>A. Changes, if made after public hearing of budget, cannot increase estimated expenditures of any fund more than 10 percent or \$5,000, whichever is greater, of published estimates.</p> <p>B. Procedures completed by close of fiscal year or current budget period, for most Oregon municipalities June 30, of year preceding year to which adopted budget is applicable.</p> <p>C. Levy the taxes, if applicable.</p> <p>D. If the budget was adopted after the beginning of the fiscal period to which it applies, determine if expenditures were made prior to its adoption. If there were such expenditures, determine if appropriations were properly made.</p> <p>E. Agree amounts on the resolution to the budget document.</p>		
	<p>7. Consider footing and cross-footing a sample of the adopted budget. If the budget is produced in the accounting software package this step is not considered necessary.</p>		
(294.358)	<p>8. Budget document show:</p> <p>A. Actual for the two fiscal years preceding the current year or two budget periods preceding the current budget period</p>		

Budget Process Testing Audit Program			
ORS	Suggested Procedures	Performed by and Date	WP Ref
	<ul style="list-style-type: none"> B. Estimated expenditures/budget for the current year C. Ensuing budget period Adopted (can also include Proposed and Approved, but not required by statute) 		
(294.358)	9. Test a sample of preceding years actual resources and expenditures agree to audited financial statements.		
(294.361) (2)	10. Test to ensure budgeted transfers out and transfers in are equal.		
(294.388)	11. Resources must be equal to requirements.		
(294.361) (2) (a) (294.361) (2) (k) (294.398)	12. Budget Resources and Unappropriated Ending Fund Balance – with respect to budget resources was the following in compliance: <ul style="list-style-type: none"> A. Estimate of beginning cash balances for the ensuing year is reasonable. B. Estimate of delinquent tax collection included if fund has been tax-supported is reasonable. C. Estimate unappropriated ending fund balance for each fund, for use in the fiscal period following that for which the budget is being prepared. 		
294.438	13. Financial Summary – with respect to the financial summary was the following in compliance: <ul style="list-style-type: none"> A. On LB-1, UR-1, CC-1, or ED-1, items in the requirements by object classification agree with the adopted amounts on the governing bodies resolution. B. Items in financial summary portion of the LB-1, UR-1, CC-1 or ED-1 agree to the amounts on the budget detailed sheet. C. FTE classification in the financial summary – requirements and FTE is reasonable and the total requirements agree with the total requirements in the financial summary – requirements by object classification. D. Summary of property tax levies is shown on From LB-1 and the property tax levy rate agree with the governing bodies adopted rate. E. Statement of indebtedness is shown on forms LB-1, UR-1, CC-1 or ED-1. 		
(294.456)	14. Making appropriations:		

Budget Process Testing Audit Program			
ORS	Suggested Procedures	Performed by and Date	WP Ref
(294.456) (3) (a) (A)	A. Each fund or program contains appropriation by organizational unit or program for each fund (that is the total of all amounts for personnel services, materials and services, and capital outlay).		
(294.456) (3) (a) (B)	B. When organizational unit or program do not apply by personal services, material and services, capital outlay, debt service, special payments, interfund transfers, and operating contingencies.		
OAR 150-294-0430	C. Operating contingency is only budgeted in a fund with expenditures for personnel, material and services, and/or capital outlay		
(294.388) (6)	D. With respect to debt service each estimate must include separate amounts for principal and interest for each bond issue in each fund.		
Supplemental Budgets (Current Year Budget)			
(294.471) (1) (a)	1. One or more of the following circumstances must exist: A. An occurrence, condition or need that had not been ascertained at the time the budget was adopted.		
(294.471) (1) (b)	B. A pressing necessity that could not reasonably be foreseen when preparing the original budget.		
(294.471) (1) (c)	C. Funds were made available by another unit of federal, state or local government or the costs are to be borne by a private individual corporation or company, and the availability of funds could not have been known at the time the budget was adopted.		
(294.471) (1) (d)	D. Request for services or facilities the cost of which is paid for by others.		
(294.471) (1) (e)	E. Proceeds from the involuntary destruction, involuntary conversion, or sale of property have necessitated the immediate purchase, construction, or acquisition of different facilities in order to carry on the governmental operation.		
(294.471) (1) (f)	F. More property taxes received than estimated.		
(294.471) (1) (g)	G. Local option approved/certified for extension on assessment and tax roll (i.e. September election).		
(294.471) (1) (i)	H. Add debt service when general obligation bonds are approved in the May election.		
(294.471) (3)	2. If expenditures in supplemental budget differ by less than 10 percent of regular budget, supplemental budget may be adopted at a regular meeting of the governing body. Notice of meeting published by one of the methods prescribed in 294.311(35) not less than 5 days prior to meeting.		

Budget Process Testing Audit Program			
ORS	Suggested Procedures	Performed by and Date	WP Ref
(294.471) (3)	3. If expenditures in supplemental budget differ by 10 percent or greater of the regular budget, the supplemental budget shall be published in the same manner and according to the same procedures as the annual budget.		
(294.471) (3)	4. If expenditures in supplemental budget differ by 10 percent or greater of the regular budget, the governing body shall hold a public hearing on the supplemental budget.		
(294.471) (3)	5. Following the hearing, the governing body shall make additional appropriations and may thereafter make additional expenditures as authorized by such appropriations.		
Transfers of Appropriations (Current Year Budget)			
(294.463)	1. Transfers may be made between appropriations within a fund by board resolution. Resolution must state: The need for the transfer; the purpose for the authorized expenditure, and the amount transferred.		
(294.463)	2. Contingency appropriation transfers not to exceed 15 percent of total fund appropriations without supplemental budget.		
(294.463)	3. Transfers of appropriations, or appropriation and resources may be made from one fund to any other fund by resolution. Authorization of resolution by governing body of the municipal government must pre-date any transfer of appropriation.		

Budget Reporting			
	1. Schedule of Original and Final Budget Amounts - We obtained or prepared a schedule of original and final budget amounts for use in the budgetary comparison schedule and compared amounts to the original budget and final amended budget.		
	2. We analytically reviewed and investigated unusual or unexpected variances between:		
	a. Original and final budget amounts		
	b. Actual and final budget amounts		
General			

Budget Process Testing Audit Program			
ORS	Suggested Procedures	Performed by and Date	WP Ref
	1. Prepare a summary of audit findings and conclusions for inclusion in the audit report and/or management letter if necessary.		
	2. Make comment on compliance in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting on an Audit of Financial Statements Performed in Accordance with <i>Oregon State Regulation</i> .		
	3. Obtain written representations from management that all information and records pertaining to the preparation, adoption and execution of the budget have been made available.		