AN ACT

Amending the act of May 26, 1947 (P.L.318, No.140), entitled "An act relating to the practice of public accounting; providing for the examination, education and experience requirements for certification of certified public accountants and for the licensing of certified public accountants, public accountants and firms; requiring continuing education and peer review; providing for the organization and ownership of firms and for the procedures and grounds for discipline and reinstatement of licensees; prescribing the powers and duties of the State Board of Accountancy and the Department of State; providing for ownership of working papers and confidentiality; regulating the professional responsibility of licensees; defining unlawful acts and acts not unlawful; providing penalties; and repealing existing laws," providing for local government accounting.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. The act of May 26, 1947 (P.L.318, No.140), known as the CPA Law, is amended by adding a section to read:

Section 15.1. Local Government Accounting.--(a) The board shall adopt standards for municipalities which shall establish minimally required internal control systems for municipalities to promote financial accountability and transparency, including the following:
(1) Control environment.
(2) Risk assessment.
(3) Control activities.
(4) Information and communication.
(5) Monitoring.

(b) Not later than six months after the effective date of this section, the board shall adopt training materials for the personnel of a municipality to implement the standards under this section.

(c) The following shall apply:
(1) Not later than one year after the effective date of this section, a municipality shall adopt the standards issued by the board under this section, and the chief financial officer of a municipality shall certify to the board the following:
   (i) The municipality has adopted the standards issued by the board.
   (ii) Each of the personnel required to receive the training for internal control standards established by the board has completed its training.
(2) Certification under this section may be transmitted to the board electronically.

(d) Not less than thirty days after the end of a municipality's fiscal year, the municipality shall submit a report on municipal finances and internal control systems to:
(1) The board.
(2) The Auditor General.
(3) The Department of Community and Economic Development.
(4) The General Assembly.

(e) The board shall notify the Governor and the State Treasurer if a municipality has failed to adopt the minimally
required internal control standards established under this section. The following shall apply:

(1) The Governor shall direct Commonwealth agencies to suspend part or all of the payments of State funds which the municipality was to receive until the municipality adopts the internal control standards established under this section.

(2) A Commonwealth agency shall notify the State Treasurer of the suspended payment under paragraph (1) and the State Treasurer may not release the funds until notified by the board that the municipality has adopted the standards for internal controls under this section.

(f) If upon review of the report by a municipality under subsection (d) the board finds erroneous or irregular material variances, losses, shortages or thefts of municipal or governmental funds, the board shall:

(1) Determine the amount of funds involved and report the amount to the appropriate government and law enforcement officials.

(2) Determine the internal control weaknesses of the municipality that contributed to or was responsible for the board's finding under this subsection.

(3) Make written recommendations to the municipality on how the municipality may correct the issue and strengthen internal controls to prevent future occurrences of the finding by the board.

(g) The board shall promulgate rules and regulations necessary for the implementation of this section.

(h) The following words and phrases when used in this section shall have the meanings given to them in this subsection unless the context clearly indicates otherwise:
"Commonwealth agency." An agency of the executive branch under the direct or policy supervision of the Governor.

"Municipality." A county, city, township, borough, school district or political subdivision of the Commonwealth.

"Personnel." An officer or employee of a municipality whose official duties include receiving, processing, depositing, disbursing or otherwise having access to money belonging to:

(1) The Federal Government.
(2) The Commonwealth.
(3) A municipality or governmental entity.

Section 2. This act shall take effect in 180 days.