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**Monitoring Municipalities in Financial Distress**

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## Monitoring Municipalities in Financial Distress

### Sec. 7-394a-1. Procedures for monitoring municipalities in financial distress

(a) The Secretary shall produce a report containing, but not limited to, information relative to material non-compliance with regulation Section 7-392-1 or evidence of unsound or irregular financial practices in relation to commonly accepted standards for governmental management and finance. The Secretary's report will be sent for review to:

(1) The Chief Executive Officer of such municipality or audited agency or the Superintendent of such applicable school district, and

(2) Such other municipal officials as the Secretary may determine appropriate for review, comment and clarification.

The entity shall have thirty (30) days from the date of receipt of the report to provide written comments.

(b) If upon review of the comments from the affected entity and upon the recommendation of the staff, the Secretary finds evidence of conditions as stated in Sec. 7-394a-1 (a), the Secretary shall provide the Municipal Finance Advisory Commission (hereafter referred to as the Commission) the report on his findings.

A copy of the report submitted to the Commission shall be filed by the Secretary with:

(1) The Chief Executive Officer of such municipality or audited agency or the Superintendent of such applicable school district and, in the case of a town, city or borough, with the clerk of such town, city or borough, and

(2) The Auditors of Public Accounts.

(c) Evidence of any unsound or irregular financial practice in relation to commonly accepted standards for governmental management and finance shall include, but is not limited, to the following:

(1) An Independent Public Accountant's report which contains a qualification or disclaimer.

(2) Deficiencies in internal controls as disclosed by the Independent Public Accountant's report on internal controls.

(3) Significant instances of noncompliance with local, state or federal laws and regulations.

(4) Other fiscal indicators which may reflect a potentially unhealthy fiscal situation.

(d) The Commission may require the Chief Executive Officer of the municipality or audited agency or the Superintendent of such applicable school district to provide information on the municipality's financial practices including, but not limited to: accounting procedures, fiscal controls, contractual agreements, grants and expenditures.

(e) The Commission may require the Chief Executive Officer of the municipality or audited agency or the Superintendent of such applicable school district to appear before the Commission to discuss the financial condition of the municipality and the implementation of remedial measures to improve its financial condition.

(f) The Commission may make recommendations, in writing, to improve the municipality, school district or audited agency's financial condition. A copy of any such recommendations shall be submitted to:

(1) The Chief Executive Officer of such municipality or audited agency or the Superintendent of such school district and, in the case of a town, city or borough, with the clerk of such town, city or borough; and

(2) The Auditors of Public Accounts.  
(Effective April 23, 1990)