

ENGROSSED SENATE  
BILL NO. 217

By: Long (Ed) of the Senate  
and  
Begley of the House

An Act relating to schools and state government;  
amending 70 O.S. 1991, Sections 3909 and 3910, and  
74 O.S. 1991, Section 213, which relate to audit  
procedures and reports, special audits and  
accounting services; removing requirement that  
special audit of Oklahoma State Regents for Higher  
Education and institutions within The Oklahoma  
State System of Higher Education be performed every  
five years; removing State Regents from certain  
requirements for special audits; removing power of  
State Auditor and Inspector to initiate certain  
audits; empowering certain entities to request  
special audits of certain institutions; removing  
provision that allows specific audit to be  
substituted for certain audit; deleting obsolete  
language; modifying time limitations relating to  
certain accounting services; and declaring an  
emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 70 O.S. 1991, Section 3909, is  
amended to read as follows:

Section 3909. ~~(a)~~ A. In addition to such other audits as may be required of or desired by the various boards of regents responsible for the institutions of The Oklahoma State System of Higher Education, each board shall annually obtain the services of an independent accounting firm or individual holding a permit to practice public accounting in this state to perform a complete financial audit for the preceding fiscal year of each institution for which the board is responsible. The Oklahoma State Regents for Higher Education shall likewise annually obtain the services of an independent accounting firm or individual holding a permit to practice public accounting in this state to perform a complete financial audit of all the offices, operations, and accounts of the State Regents which are not subject to the control of other boards of regents.

~~(b)~~ B. Each board of regents shall appoint a standing Audit Committee of the board consisting of not fewer than three (3) board members. The Audit Committee shall be responsible for establishing the qualifications of any accounting firm or individual seeking to be hired to perform an audit for the board and shall recommend to the board the firms or individuals whom the board shall invite to submit competitive bids. The full board shall select the auditor from among the competitive bidders. Audit committees shall not recommend any firm or individual unwilling to meet the following specifications. Said specifications shall be among the terms and conditions of any contract awarded:

~~(1)~~ 1. All revolving fund accounts, special accounts, special agency accounts, auxiliary enterprise accounts, and technical area school district accounts, if any, shall be included within the scope of the audit;

~~(2)~~ 2. Where operations of constituent agencies or technical area school districts are relevant to the complete financial audit

of the institution, records of those enterprises shall be included within the scope of the audit;

~~(3)~~ 3. To the extent required by subsection (d) of Section 4306 of ~~Title 70 of the Oklahoma Statutes~~ this title, records of college- or university-related foundations shall be included within the scope of the audit;

~~(4)~~ 4. At the conclusion of the audit, the auditor shall meet with the President of the institution and the Audit Committee to review the audit report to be issued, the management letter or other comments or suggestions to be issued, and any other findings; and

~~(5)~~ 5. Findings of material weaknesses, qualifications of the auditor's report other than those deriving from inadequate plant records, and of defalcations, or a report of lack of such findings, shall be communicated in writing to the board, the State Auditor and Inspector, the Legislative Service Bureau, and the Oklahoma State Regents for Higher Education with or in advance of the filing of the audit report required by Section 452.10 of Title 74 of the Oklahoma Statutes; and such written communications shall include any responses or other comments which the President or the Audit Committee wishes to have included.

~~(e)~~ C. The State Auditor and Inspector, ~~whenever he deems it appropriate, and at least once each five (5) years, or~~ shall conduct a special audit of an institution of higher education within The Oklahoma State System of Higher Education upon receiving written requests to do so by any of the following: the Governor, Attorney General, President Pro Tempore of the Senate ~~or~~, the Speaker of the House of Representatives, ~~shall conduct a special audit of the Oklahoma State Regents for Higher Education and of each other component of The Oklahoma State System of Higher Education~~ the governing board of an institution of higher education or the president of an institution of higher education. The special audit shall include, but not necessarily be limited to, a compliance audit

as defined in subsection B of Section 213 of Title 74 of the Oklahoma Statutes. The State Auditor and Inspector shall have the power to take custody of any records ~~he deems~~ necessary to the performance of the audit but shall minimize actual physical removal of or denial of access to such records. At the conclusion of the audit, the State Auditor and Inspector shall meet with the President of the institution and the Audit Committee of the board which governs the component audited to review the audit report to be issued. The report, when issued, shall include any responses to the audit which the President or the Audit Committee wishes to have included and shall be presented to the full board, the Legislative Service Bureau, and the Oklahoma State Regents for Higher Education with or in advance of the filing required by Section 452.10 of Title 74 of the Oklahoma Statutes. The cost of such audit shall be borne by the audited entity and may be defrayed in whole or in part by any federal funds available for that purpose.

~~(d)~~ D. Each board of regents shall require the employment of a sufficient number of internal auditors to meet the board's fiduciary responsibilities. The internal auditors shall submit a report directly and simultaneously to the audit committee of the board and the President of the institution; all members of the board of regents governing the institution, however, shall receive all internal audit reports and the board of regents shall, at least annually, review and prescribe the plan of work to be performed by the internal auditors.

~~(e)~~ E. Any person who alters or destroys records needed for the performance of an audit or causes or directs a subordinate to do such acts shall be guilty of a felony punishable by imprisonment in the State Penitentiary for a period of not more than five (5) years or by a fine of not more than Twenty Thousand Dollars (\$20,000.00), or by both such fine and imprisonment. Such person shall also be subject to immediate removal from office or employment.

SECTION 2. AMENDATORY 70 O.S. 1991, Section 3910, is amended to read as follows:

Section 3910. A board of regents shall not contract for or otherwise obtain the services of an independent accounting firm or individual to perform financial audits for an institution for more than ~~five (5)~~ three (3) consecutive years, ~~beginning with the fiscal year 1988~~. If an independent accounting firm or individual has conducted financial audits of an institution of higher education for ~~five (5)~~ three (3) consecutive years, the board shall not obtain the auditing services of said firm or individual for said institution for at least two (2) years.

SECTION 3. AMENDATORY 74 O.S. 1991, Section 213, is amended to read as follows:

Section 213. A. It shall be the duty of the State Auditor and Inspector to examine and report upon the books and financial accounts of the several public, educational, charitable, penal and reformatory institutions belonging to the state; to prescribe and enforce correct methods of keeping financial accounts of the state institutions, ~~by himself or duly appointed deputy,~~ and instruct the proper officers thereof in the performance of their duties concerning the same; to examine the books and accounts of all public institutions under the control of the state at least once each year. Any officer of such public, educational, charitable, penal and reformatory institutions who shall refuse or willfully neglect to comply with such direction of the State Auditor and Inspector within ~~such a~~ reasonable time ~~as he may prescribe,~~ shall be guilty of a misdemeanor.

B. ~~The State Auditor and Inspector shall perform a special audit on each institution of higher education at least once every five (5) years.~~ The State Auditor and Inspector shall perform a special audit on common school districts, and area vocational-technical districts, ~~and institutions of higher education upon~~

receiving written ~~requests~~ request to do so by any of the following:  
the Governor, Attorney General, President Pro Tempore of the Senate  
~~and the~~ or Speaker of the House of Representatives. The State  
Auditor and Inspector shall perform a special audit on an  
institution of higher education within The Oklahoma State System of  
Higher Education upon receiving written request to do so by any of  
the following: the Governor, the Attorney General, the President  
Pro Tempore of the Senate, the Speaker of the House of  
Representatives, the governing board of the institution of higher  
education, or the president of the institution of higher education.  
The special audit shall include, but not necessarily be limited to,  
a compliance audit. The special audit shall be conducted according  
to the American Institute of Certified Public Accountants'  
"Statements on Auditing Standards". Such audits shall be designed  
to review items for management's compliance with statutes,  
regulations, policies and internal control procedures or other items  
applicable to each institution. ~~The special audit shall be in lieu~~  
~~of the audit required by Section 22-103 of Title 70 of the Oklahoma~~  
~~Statutes, for the year in which the special audit is performed~~  
entity. The costs of any such audit shall be borne by the audited  
entity and may be defrayed, in whole or in part, by any federal  
funds available for that purpose.

SECTION 4. It being immediately necessary for the preservation  
of the public peace, health and safety, an emergency is hereby  
declared to exist, by reason whereof this act shall take effect and  
be in full force from and after its passage and approval.

Passed the Senate the 24th day of February, 1993.

President of the Senate

Passed the House of Representatives the \_\_\_\_ day of  
\_\_\_\_\_, 1993.

Speaker of the House of  
Representatives