

STATE OF OKLAHOMA

2nd Session of the 44th Legislature (1994)

HOUSE BILL NO. 1842

By: Crocker

AS INTRODUCED

An Act relating to schools and state government;
amending 70 O.S. 1991, Section 3909, as amended by
Section 1, Chapter 287, O.S.L. 1993 (70 O.S. Supp.
1993, Section 3909), which relates to audit
procedures, reports and special audits accounting
services; adding requirement for special audit of
institutions within The Oklahoma State System of
Higher Education to be performed every five years;
authorizing the State Regents for Higher Education
to request certain audits; stating intent to
implement cap on administrative expenses; requiring
institutions to make administrative expenditure
reports; authorizing the Oklahoma State Regents for
Higher Education to establish guidelines for
administrative expenses; amending 74 O.S. 1991,
Section 213, as amended by Section 3, Chapter 287,
O.S.L. 1993 (74 O.S. Supp. 1993, Section 213),
which relates to certain audit duties of the State
Auditor and Inspector; requiring certain audits of
higher education institutions by the State Auditor
and Inspector; providing for codification;
providing an effective date; and declaring an
emergency.

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

SECTION 1. AMENDATORY 70 O.S. 1991, Section 3909, as amended by Section 1, Chapter 287, O.S.L. 1993 (70 O.S. Supp. 1993, Section 3909), is amended to read as follows:

Section 3909. 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. 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. 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. 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. To the extent required by subsection (d) of Section 4306 of this title, records of college- or university-related foundations shall be included within the scope of the audit;

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. 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.

C. ~~Whenever the~~ The State Auditor and Inspector whenever he or she deems it appropriate, and at least once each five (5) years, or upon receiving a written request to do so by the Governor, Attorney General, President Pro Tempore of the Senate, the Speaker of the House of Representatives, the governing board of an institution of higher education, the Oklahoma State Regents for Higher Education or the president of an institution of higher education, ~~the State~~

~~Auditor and Inspector~~ shall conduct a special audit of ~~any~~ each institution of higher education within The Oklahoma State System 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 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. 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. 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. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3914 of Title 70, unless there is created a duplication in numbering, reads as follows:

A. It is the intent of the Legislature that the Oklahoma State Regents for Higher Education implement a cap on the level of administrative expenditures under the functional category of Institutional Support. The budgetary caps for fiscal year 1995 to be implemented beginning July 1, 1994 shall be: each institution within the Comprehensive Tier not to exceed ten percent (10%) of Part I of the Education and General Budget; each Four-year University not to exceed thirteen percent (13%) of Part I of the Education and General Budget; and each Two-year College not to exceed sixteen percent (16%) of Part I of the Education and General Budget. For fiscal year 1996, beginning July 1, 1995, and thereafter, the budgetary caps shall be: each institution within the Comprehensive Tier not to exceed nine percent (9%) of Part I of the Education and General Budget; each Four-year University not to exceed twelve percent (12%) of Part I of the Education and General Budget; and each Two-year College not to exceed fourteen percent (14%) of Part I of the Education and General Budget.

B. Each public higher education institution shall file a progress report of administrative expenditures as set forth in subsection A of this section showing compliance with the enumerated goals. Such report shall be filed with the Governor, the Speaker of the House of Representatives, the President Pro Tempore of the Senate, the Office of the State Regents for Higher Education, the Student Advisory Council to the State Regents, and the Faculty Advisory Council to the State Regents by December 1 of each year.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3915 of Title 70, unless there is created a duplication in numbering, reads as follows:

Each institution of higher education in The Oklahoma State System of Higher Education shall make an annual report to the Oklahoma State Regents for Higher Education on its administrative expenditures. The Regents shall establish uniform guidelines and criteria for the classification of administrative expenditures which institutions shall follow when reporting administrative expenses.

SECTION 4. AMENDATORY 74 O.S. 1991, Section 213, as amended by Section 3, Chapter 287, O.S.L. 1993 (74 O.S. Supp. 1993, 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 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 a reasonable time 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 upon receiving a written request to do so by any of the following: the Governor, Attorney General, President Pro Tempore of the Senate or Speaker of the House of Representatives.

The State Auditor and Inspector shall perform a special audit on any institution of higher education within The Oklahoma State System of Higher Education whenever the State Auditor and Inspector deems it appropriate or upon receiving a 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 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 5. This act shall become effective July 1, 1994.

SECTION 6. 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.

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