

SHORT TITLE: Schools and duties of the State Auditor and Inspector;  
providing for annual special audits of ten common school districts;  
codification; effective date; emergency.

STATE OF OKLAHOMA

1st Session of the 45th Legislature (1995)

SENATE BILL NO. 441

By: Long (Lewis)

AS INTRODUCED

An Act relating to common school audits; amending 70 O.S. 1991, Section 22-103, as amended by Section 9, Chapter 361, O.S.L. 1993 (70 O.S. Supp. 1994, Section 22-103), which relates to school audits; providing exception; requiring payment of certain fees for annual special audits; creating Special Audits Revolving Fund; requiring State Auditor and Inspector to perform certain annual special audits; providing for cost; 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 22-103, as amended by Section 9, Chapter 361, O.S.L. 1993 (70 O.S. Supp. 1994, Section 22-103), is amended to read as follows:

Section 22-103. A. The board of education of each school district in this state shall provide for and cause to be made an annual audit of such school district for each fiscal year, except upon notification from the State Auditor and Inspector that a special audit will be performed that year. ~~Said~~ The audit shall ~~be~~ consist of a financial audit and a compliance audit of all funds of the school district, including the records of all student activity funds designated in Section 5-129 of this title. Such audit or

audits shall be made at the end of the fiscal year; provided, however, the local board of education may require that audits be made at more frequent intervals.

B. Findings of material weaknesses, qualifications of the auditor's report and of defalcations, or a report of lack of such findings, shall be communicated in writing to the board. Upon completion of an audit, the auditor shall conduct the final exit interview at a meeting of the board. No part of the final exit interview shall be conducted with any employee of the board except in open meeting of the board; provided, portions of the final exit interview related to matters which the board is authorized by law to consider in executive session may be so considered.

C. All public accountants and certified public accountants, as a condition of being approved by the State Board of Education to perform the annual audits of school districts pursuant to this section, shall comply with the most recent "Governmental Auditing Standards" of the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the United States General Accounting Office. A copy of the peer review performed in accordance with the above standards shall be filed with the State Board of Education. Should the results of said peer review indicate that material deficiencies exist in the audit work performed by the reviewed auditing firm, the State Board of Education shall so notify the Oklahoma Accountancy Board. The State Board of Education shall immediately remove the reviewed firm from the approved list of school auditors for a period of at least two (2) years or until such time as the firm has demonstrated satisfactory correction of the deficiencies reported in the peer review.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 22-114 of Title 70, unless there is created a duplication in numbering, reads as follows:

Beginning with the 1995-96 school year, each local board of education shall pay an annual fee of Four Hundred Dollars (\$400.00) to the State Board of Education to pay for annual special audits, as set out in Section 4 of this act. The annual special audit fees shall be deposited to the Special Audits Revolving Fund as created in Section 3 of this act.

SECTION 3. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 213.3 of Title 74, unless there is created a duplication in numbering, reads as follows:

There is hereby created in the State Treasury a revolving fund for the State Board of Education, to be designated as the "Special Audits Revolving Fund". The revolving fund shall be a continuing fund not subject to fiscal year limitations, and shall consist of fees paid to the State Board of Education for annual special audits. All monies may be budgeted and expended by the State Board of Education for expenses accrued pursuant to Section 4 of this act. Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of State Finance for approval and payment.

SECTION 4. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 213.4 of Title 74, unless there is created a duplication in numbering, reads as follows:

A. Beginning with the 1997-98 school year, the State Auditor and Inspector shall perform annual special audits on ten common school districts, to be selected at random by the State Auditor and Inspector. Each common school district that will be audited shall be notified a year in advance by the State Auditor and Inspector.

B. The special audit shall include, but not be limited to, a financial audit and 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.

C. The cost of the audit shall be borne by the audited entity. Provided, the maximum cost of the audit shall be Twenty Thousand Dollars (\$20,000.00).

SECTION 5. This act shall become effective July 1, 1995.

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.

45-1-0068

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