

1 ENGROSSED HOUSE AMENDMENT
TO
2 ENGROSSED SENATE BILL NO. 2034 By: Coffee of the Senate
3 and
4 Sullivan of the House
5
6

7 An Act relating to schools; amending 70 O.S. 2001,
8 Sections 22-104, as amended by Section 15, Chapter
9 472, O.S.L 2005, 22-108, 22-109, and 22-110, as
10 amended by Section 16, Chapter 472, O.S.L. 2005 (70
11 O.S. Supp. 2009, Sections 22-104, 22-110), which
12 relate to the Oklahoma Public School Audit Law;
13 modifying eligibility requirements for accountants to
14 enter into certain audit contracts; transferring
15 certain duties from the State Board of Education to
16 the State Auditor and Inspector; providing an
17 effective date; and declaring an emergency.

18 AUTHORS: Add the following House Coauthors: Kern and Fields

19 AMENDMENT NO. 1. Strike the title, enacting clause and entire bill
20 and insert

21 "An Act relating to school audits; amending 70 O.S.
22 2001, Sections 22-104, as amended by Section 15,
23 Chapter 472, O.S.L. 2005, 22-108, 22-109 and 22-110,
24 as amended by Section 16, Chapter 472, O.S.L. 2005
(70 O.S. Supp. 2009, Sections 22-104 and 22-110),
which relate to the Oklahoma Public School Audit
Law; modifying eligibility requirements for
accountants to enter into certain audit contracts;
transferring certain duties from the State Board of
Education to the State Auditor and Inspector;
requiring school districts to pay cost of certain
audit; amending 74 O.S. 2001, Section 213, as
amended by Section 4, Chapter 250, O.S.L. 2009 (74

1 O.S. Supp. 2009, Section 213), which relates to
2 special audits; removing certain limitation;
3 providing an effective date; and declaring an
4 emergency.

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

6 SECTION 1. AMENDATORY 70 O.S. 2001, Section 22-104, as
7 amended by Section 15, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009,
8 Section 22-104), is amended to read as follows:

9 Section 22-104. A. The audit of each public school shall be
10 made in accordance with generally accepted auditing standards as
11 defined by the American Institute of Certified Public Accountants
12 and shall comply with the most recent Government Auditing Standards
13 issued by the United States Government Accountability Office, except
14 in those instances in which such standards are in violation of the
15 laws of the State of Oklahoma or the rules ~~and regulations~~ of the
16 State Board of Education.

17 B. All accountants or partnerships of accountants, before
18 entering into audit contracts required ~~under this article~~ pursuant
19 to the Oklahoma Public School Audit Law, shall satisfy the State
20 ~~Board of Education~~ Auditor and Inspector that such accountant or at
21 least one partner of a partnership of accountants ~~is~~ is:

22 1. Is a resident of the State of Oklahoma ~~with~~ with;

23 2. Has at least two (2) years of public accounting experience
24 ~~and is~~ is;

1 3. Is currently maintaining an office in the State of Oklahoma;
2 and

3 4. Has completed a minimum of eight (8) clock hours of
4 continuing education credit in school district accountancy during
5 the prior year approved by the State Auditor and Inspector.

6 Any certified public accountant who is also an attorney licensed
7 to practice law in the state and has engaged in the private practice
8 of law for at least two (2) years shall be deemed to meet the
9 experience requirement as provided in paragraph 2 of this section
10 subsection.

11 C. Accountants or partnerships of accountants shall submit
12 their application with the most recent peer review and any letter of
13 comment for approval or disapproval by the State ~~Board of Education~~
14 Auditor and Inspector for the current audit year on or before the
15 first day of January of each calendar year. If and when the State
16 of Oklahoma requires all auditors to be licensed by the Oklahoma
17 Accountancy Board, each accountant or partnership of accountants
18 shall also satisfy the ~~State Board of Education~~ requirement that
19 such accountants or partnership of accountants has been so licensed
20 and is held in good standing by the Oklahoma Accountancy Board
21 during the period in which the audit was conducted before being
22 placed on the list of approved school auditors. Provided, that any
23 accountant approved prior to the requirement of such license and who
24 is still in good standing with the State ~~Board of Education~~ Auditor

1 and Inspector shall continue to be eligible for approval and
2 inclusion on the list of approved auditors.

3 D. All accountants or partnerships of accountants entering into
4 audit contracts required ~~under this article~~ pursuant to the Oklahoma
5 Public School Audit Law shall carry a minimum of Two Hundred Fifty
6 Thousand Dollars (\$250,000.00) accountants' professional liability
7 insurance or the total amount of the budget being audited, whichever
8 is less.

9 SECTION 2. AMENDATORY 70 O.S. 2001, Section 22-108, is
10 amended to read as follows:

11 Section 22-108. A. Each audit required by ~~this act~~ the
12 Oklahoma Public School Audit Law shall be completed and the audit
13 report thereon shall be submitted by the auditor to the local board
14 of education within ten (10) months after the close of the fiscal
15 year of the local board of education.

16 B. One copy of the audit report shall be filed by the local
17 board of education in the office of the county clerk of the county
18 wherein the principal office of the local board of education is
19 located.

20 C. One copy of the audit report shall be maintained by the
21 local board of education as a public record for public inspection at
22 all reasonable times at the office of the local board of education.
23 All records shall be kept at least five (5) years.

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1 D. The local board of education shall forward a copy of the
2 audit report to the State Board of Education and the State Auditor
3 and Inspector within thirty (30) days after receipt of ~~said the~~ the
4 audit. The State Board of Education shall retain such copy in its
5 office as a public record where it shall be available for public
6 inspection at all reasonable times. ~~A copy of the audit report~~
7 ~~shall be available to the State Auditor and Inspector from the State~~
8 ~~Board of Education upon request by the State Auditor and Inspector~~
9 ~~at all reasonable times.~~

10 E. The State Board of Education may make inquiries it deems
11 necessary to determine that each school is properly complying with
12 ~~this article~~ the Oklahoma Public School Audit Law. If within eleven
13 (11) months after the end of the fiscal year of the public school a
14 copy of the audit report has not been received by the State Board of
15 Education, an inquiry shall be made by the State Board of Education
16 as to why such report has not been filed. Should the State Board of
17 Education find that the local board of education has failed to cause
18 an annual audit to be commenced, the State Board of Education shall
19 make a written demand on ~~said the~~ the board to complete and file such
20 annual audit within thirty (30) days of the date of such demand.

21 SECTION 3. AMENDATORY 70 O.S. 2001, Section 22-109, is
22 amended to read as follows:

23 Section 22-109. The State ~~Board of Education~~ Auditor and
24 Inspector shall examine all reports submitted to it and shall

1 determine whether ~~said~~ the reports comply with the provisions of
2 ~~this article~~ the Oklahoma Public School Audit Law. If the State
3 ~~Board of Education~~ Auditor and Inspector finds that they have not
4 been complied with, the ~~Board~~ State Auditor and Inspector shall
5 notify the local board of education and the auditor who submitted
6 ~~said~~ the audit report by submitting to them a statement of
7 deficiencies. If the deficiencies are not corrected within ninety
8 (90) days from the date of the statement of deficiencies or within
9 twelve (12) months after the end of the fiscal year of the local
10 district, whichever is later, the State ~~Board of Education~~ Auditor
11 and Inspector shall make or cause an audit to be made in the manner
12 provided for in Section 22-108 of this ~~article~~ title. Any school
13 district audited pursuant to this section shall pay for the cost of
14 the audit.

15 SECTION 4. AMENDATORY 70 O.S. 2001, Section 22-110, as
16 amended by Section 16, Chapter 472, O.S.L. 2005 (70 O.S. Supp. 2009,
17 Section 22-110), is amended to read as follows:

18 Section 22-110. A. In any case where an accountant or
19 partnership of accountants has knowingly issued an audit report,
20 required under the provisions of ~~this article~~ the Oklahoma Public
21 School Audit Law, containing any false or misleading statements, the
22 State ~~Board of Education~~ Auditor and Inspector shall report such
23 violation in writing to the board of education of such public school
24 and in the case of Licensed Public Accountants, Certified Public

1 Accountants, or partnerships of Certified Public Accountants, to the
2 Oklahoma Accountancy Board. The State ~~Board of Education~~ Auditor
3 and Inspector shall revoke their rights to perform such audits in
4 the future.

5 B. Any member of the governing body of the local board of
6 education or any member, officer, employee or agency of any
7 department, board or commission of the public school who knowingly
8 and willfully furnishes to the auditor or to ~~his~~ an employee of the
9 auditor any false or fraudulent information shall be deemed guilty
10 of malfeasance, and upon conviction, the court shall enter judgment
11 that such person so convicted shall be removed from office or
12 employment of ~~said~~ the public school. It shall be the duty of the
13 court rendering such judgment to cause immediate notice of such
14 removal from office or employment to be given to the proper officer
15 of the school district so that the vacancy thus caused may be
16 filled.

17 SECTION 5. AMENDATORY 74 O.S. 2001, Section 213, as
18 amended by Section 4, Chapter 250, O.S.L. 2009 (74 O.S. Supp. 2009,
19 Section 213), is amended to read as follows:

20 Section 213. A. It shall be the duty of the State Auditor and
21 Inspector to examine and report upon the books and financial
22 accounts of the public, educational, charitable, penal and
23 reformatory institutions belonging to the state; to prescribe and
24 enforce correct methods of keeping financial accounts of the state

1 institutions and instruct the proper officers thereof in the
2 performance of their duties concerning the same; to examine the
3 books and accounts of all public institutions under the control of
4 the state at least once each year. Any officer of such public,
5 educational, charitable, penal and reformatory institutions who
6 shall refuse or willfully neglect to comply with such direction of
7 the State Auditor and Inspector within a reasonable time shall be
8 guilty of a misdemeanor.

9 B. Each board of regents of institutions in The Oklahoma State
10 System of Higher Education shall require a quality control review of
11 the internal audit function required pursuant to subsection D of
12 Section 3909 of Title 70 of the Oklahoma Statutes for each
13 institution under its governance at least once every three (3)
14 years. This review shall be in accordance with the "Quality
15 Assurance Review Manual for Internal Auditing" developed by the
16 Institute of Internal Auditors or any successor organization
17 thereto. A copy of the report on the quality control review shall
18 be filed with the State Auditor and Inspector.

19 C. The State Auditor and Inspector shall perform a special
20 audit on common school districts and technology center districts
21 upon receiving a written request to do so by any of the following:
22 the Governor, Attorney General, President Pro Tempore of the Senate,
23 Speaker of the House of Representatives, State Board of Education,
24 or the technology center school district board. The State Auditor

1 and Inspector shall perform a special audit on any institution of
2 higher education within The Oklahoma State System of Higher
3 Education whenever the State Auditor and Inspector deems it
4 appropriate or upon receiving a written request to do so by any of
5 the following: the Governor, the Attorney General, the President
6 Pro Tempore of the Senate, the Speaker of the House of
7 Representatives, the governing board of the institution of higher
8 education, or the president of the institution of higher education.
9 The special audit shall include, but not necessarily be limited to,
10 a compliance audit. The special audit shall be conducted according
11 to the American Institute of Certified Public Accountants'
12 "Statements on Auditing Standards". Such audits shall be designed
13 to review items for management's compliance with statutes, rules,
14 policies and internal control procedures or other items applicable
15 to each entity. The costs of any such audit shall be borne by the
16 audited entity and may be defrayed, in whole or in part, by any
17 federal funds available for that purpose.

18 D. In addition to any special audit conducted by the State
19 Auditor and Inspector as provided for in subsection C of this
20 section, the State Auditor and Inspector shall, contingent upon the
21 availability of funding, perform a special audit, without notice, on
22 not more than four common school districts ~~with an average daily~~
23 ~~membership (ADM) of less than one thousand (1,000)~~ each year. The
24

1 special audit shall be in a form as determined by the State Auditor
2 and Inspector.

3 E. The State Auditor and Inspector shall perform a special
4 audit without notice on the office of any district attorney or on
5 any division of the Department of Corrections upon receiving a
6 written request to do so by any of the following: the Governor, the
7 Attorney General, or joint request of the President Pro Tempore of
8 the Senate and the Speaker of the House of Representatives. The
9 State Auditor and Inspector shall perform a special audit without
10 notice on any penal institution, corrections program, contract for
11 service or prison bed space provided to the Department of
12 Corrections, or any program administered by a district attorney's
13 office or staff of such office whenever the State Auditor and
14 Inspector deems it appropriate or upon receiving a written request
15 to do so by any of the following: the Governor, the Attorney
16 General, or joint request of the President Pro Tempore of the Senate
17 and the Speaker of the House of Representatives. The special audit
18 shall include, but not necessarily be limited to, a compliance
19 audit. Such audits shall be designed to review items for compliance
20 with statutes, rules, policies and internal control procedures or
21 other items applicable to each entity. The costs of any such audit
22 shall be paid by the state agency and may be defrayed, in whole or
23 in part, by any federal funds available for that purpose through any
24 audited program.

1 SECTION 6. This act shall become effective July 1, 2010.

2 SECTION 7. It being immediately necessary for the preservation
3 of the public peace, health and safety, an emergency is hereby
4 declared to exist, by reason whereof this act shall take effect and
5 be in full force from and after its passage and approval."

6 Passed the House of Representatives the 7th day of April, 2010.

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9 Presiding Officer of the House of
10 Representatives

11 Passed the Senate the ____ day of _____, 2010.

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14 Presiding Officer of the Senate
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