

THE HOUSE OF REPRESENTATIVES  
Monday, March 2, 2009

Committee Substitute for  
House Bill No. 1592

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 1592 - By: COODY of the House.

An Act relating to schools; amending 70 O.S. 2001, Section 5-116a, which relates to bonds for officers and employees; requiring the superintendent and certain other employees of a school district to furnish a surety bond; setting amount of the surety bond; modifying authorization for a school district to provide surety bond coverage for certain officers and employees; amending 74 O.S. 2001, Section 213, which relates to examination of public institutions by the State Auditor and Inspector; requiring the State Auditor and Inspector to conduct a special audit of a certain number of school districts each year; making audits contingent upon funding; limiting size of school district; directing the State Auditor and Inspector to determine the form of the special audit; providing an effective date; and declaring an emergency.

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

1 SECTION 1. AMENDATORY 70 O.S. 2001, Section 5-116a, is amended to read  
2 as follows:

3 Section 5-116a. A. The superintendent of a school district and any financial officer  
4 or any other employee of a school district responsible for the custody of, supervision of, or  
5 control and authority to expend school district funds shall be required to furnish a surety  
6 bond in the penal sum of not less than One Hundred Thousand Dollars (\$100,000.00) or  
7 an amount otherwise set by law or set by the State Board of Education, to be approved as

1 provided by law, and to assure the faithful performance of the duties of the covered  
2 officer and employees.

3 B. ~~Whenever, by any presently existing law of this state or by any law hereafter~~  
4 ~~enacted,~~ the superintendent or any officer or other employee of any school district is  
5 required to furnish a surety bond as a prerequisite to employment, such as provided for  
6 in this section or any other law, the requirement as to terms, conditions, penalty, amount  
7 or quality or type of surety shall be ~~and is hereby deemed and defined~~ to mean the  
8 furnishing of a separate bond or surety contract for each individual officer or employee,  
9 or the furnishing of a "blanket bond" ~~which is defined as.~~ For purposes of this section,  
10 "blanket bond" means a school district officer and employees blanket position bond which  
11 covers all officers and employees up to the penalty of the bond for each officer and  
12 employee and the full penalty of the bond is always enforced during its term and no  
13 restoration is necessary and there is no additional premium after a loss is paid. ~~Such~~  
14 ~~bond~~

15 C. All surety bonds as required by this section or other laws shall be furnished by a  
16 company duly qualified under the insurance laws of this state and shall be purchased by  
17 the school district. ~~The~~ Each surety bond shall be payable to the school district and,  
18 whenever possible, conditioned on the faithful performance of the duties of the  
19 individuals covered during their employment or term of office and that they will properly  
20 account for all monies and property received by virtue of their position or employment.

21 SECTION 2. AMENDATORY 74 O.S. 2001, Section 213, is amended to read as  
22 follows:

1 Section 213. A. It shall be the duty of the State Auditor and Inspector to examine  
2 and report upon the books and financial accounts of the public, educational, charitable,  
3 penal and reformatory institutions belonging to the state; to prescribe and enforce correct  
4 methods of keeping financial accounts of the state institutions and instruct the proper  
5 officers thereof in the performance of their duties concerning the same; to examine the  
6 books and accounts of all public institutions under the control of the state at least once  
7 each year. Any officer of such public, educational, charitable, penal and reformatory  
8 institutions who shall refuse or willfully neglect to comply with such direction of the  
9 State Auditor and Inspector within a reasonable time shall be guilty of a misdemeanor.

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

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

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

13 D. In addition to any special audit conducted by the State Auditor and Inspector as  
14 provided for in subsection C of this section, the State Auditor and Inspector shall,  
15 contingent upon the availability of funding, perform a special audit, without notice, on  
16 not more than four common school districts with an average daily membership (ADM) of  
17 less than one thousand (1,000) each year. The special audit shall be in a form as  
18 determined by the State Auditor and Inspector.

19 E. The State Auditor and Inspector shall perform a special audit without notice on  
20 the office of any district attorney or on any division of the Department of Corrections  
21 upon receiving a written request to do so by any of the following: the Governor, the  
22 Attorney General, or joint request of the President Pro Tempore of the Senate and the

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

13 SECTION 3. This act shall become effective July 1, 2009.

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

17 COMMITTEE REPORT BY: COMMITTEE ON COMMON EDUCATION, dated 02-26-09  
18 - DO PASS, As Amended.