

1 STATE OF OKLAHOMA

2 2nd Session of the 55th Legislature (2016)

3 COMMITTEE SUBSTITUTE  
4 FOR

5 SENATE BILL NO. 937

6 By: Thompson

7 COMMITTEE SUBSTITUTE

8 An Act relating to schools; amending 70 O.S. 2011,  
9 Section 22-103, which relates to annual audits;  
10 requiring boards of education to change auditors  
11 every five years; allowing renewal of certain  
12 contract if the term does not exceed certain number  
13 of years; amending 70 O.S. 2011, Section 22-104,  
14 which relates to school auditing standards; requiring  
15 auditor to report in accordance with certain  
16 guidance; requiring firms receiving certain grade to  
17 be subject to certain review; providing an effective  
18 date; and declaring an emergency.

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

20 SECTION 1. AMENDATORY 70 O.S. 2011, Section 22-103, is  
21 amended to read as follows:

22 Section 22-103. A. The board of education of each school  
23 district in this state shall provide for and cause to be made an  
24 annual audit of such school district for each fiscal year. ~~Said~~ The  
audit shall be 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

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

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

14 C. 1. The board of education of each school district in this  
15 state shall change the auditor used for audits required by this  
16 section every five (5) years.

17 2. A board of education that is under contract with an auditor  
18 as of the effective date of this act may be allowed to serve out the  
19 term of the contract. Upon expiration of the contract, the board of  
20 education may renew the auditor's contract; provided, however, the  
21 length of the new contract in combination with the length of  
22 previous contract(s) shall not exceed five (5) years.

23 SECTION 2. AMENDATORY 70 O.S. 2011, Section 22-104, is  
24 amended to read as follows:

1 Section 22-104. A. 1. The audit of the financial statements  
2 and compliance requirements of each public school district shall be  
3 made in accordance with auditing standards generally accepted in the  
4 United States as defined by the American Institute of Certified  
5 Public Accountants or its successor organization and shall comply  
6 with the most recent Government Auditing Standards issued by the  
7 United States Government Accountability Office.

8 2. The auditor's opinions shall state whether the financial  
9 statements of the school district were prepared in accordance with:

10 a. accounting principles generally accepted in the United  
11 States, or

12 b. accounting and financial reporting regulations  
13 prescribed or permitted by the State Department of  
14 Education,

15 3. The auditor shall also report in accordance with:

16 a. Government Auditing Standards on the school district's  
17 internal control over financial reporting and  
18 compliance with certain provisions of laws,  
19 regulations, contracts, grant agreements and other  
20 matters, and

21 b. ~~the United States Office of Management and Budget~~  
22 ~~Circular A-133, as required~~ Uniform Guidance-2 C.F.R.  
23 Part 200, Uniform Administrative Requirement, Cost  
24 Principles and Audit Requirements for Federal Awards.

1 B. All firms, as defined by the Oklahoma Accountancy Act,  
2 before entering into audit contracts required pursuant to the  
3 Oklahoma Public School Audit Law, shall satisfy the State Auditor  
4 and Inspector that the registrant, as defined by the Oklahoma  
5 Accountancy Act, has an individual responsible for the audits of  
6 school districts who:

7 1. Has at least two (2) years of experience auditing public  
8 entities;

9 2. Has completed a minimum of eight (8) clock hours of  
10 continuing education credit in school district accounting and  
11 auditing as defined by the Governmental Accounting Standards Board  
12 (GASB) and the Office of the Comptroller General during the prior  
13 year; and

14 3. Is licensed by and is in good standing with the Oklahoma  
15 Accountancy Board.

16 C. 1. Firms shall submit their application to perform audits  
17 of a school district with their most recent peer review, which must  
18 include the audit of at least one school district, if the firm has  
19 performed such an audit, and any letter of comment for approval or  
20 disapproval by the State Auditor and Inspector for the current audit  
21 year on or before the first day of January of each calendar year.

22 2. Any firm submitting an application which has received a  
23 grade of "pass with deficiency" during their most recent peer review  
24

1 shall be subject to a pre-issuance review of any school district  
2 audit by the State Auditor and Inspector.

3 D. 1. Until June 30, 2014, all firms entering into audit  
4 contracts required pursuant to the Oklahoma Public School Audit Law  
5 shall carry a minimum of Two Hundred Fifty Thousand Dollars  
6 (\$250,000.00) accountants' professional liability insurance or the  
7 total amount of the budget being audited, whichever is less.

8 2. Beginning July 1, 2014, all firms entering into audit  
9 contracts required pursuant to the Oklahoma Public School Audit Law  
10 shall carry a minimum of Five Hundred Thousand Dollars (\$500,000.00)  
11 accountants' professional liability insurance or the total amount of  
12 the budget being audited, whichever is less.

13 3. Proof of such insurance shall be submitted to the State  
14 Auditor and Inspector prior to entering into a contract.

15 SECTION 3. This act shall become effective July 1, 2016.

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

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