

A-Engrossed Senate Bill 800

Ordered by the Senate April 27
Including Senate Amendments dated April 27

Sponsored by Senator WHITSETT, Representative GARRARD; Senators BEYER, G GEORGE, L GEORGE, Representatives BOQUIST, BUTLER, KOMP, KRIEGER, KRUMMEL, LIM, MAURER, RILEY, SHIELDS

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

[Requires school district and education service district to make annual financial report to public. Allows resident of district to petition to require district to provide report. Allows resident to initiate independently funded private audit of district financial records.]

[Provides for withholding of State School Fund grants from any district that does not make financial report to public or make financial records available to independent auditor.]

Requires accountant under contract to perform school district audit to make determinations regarding district's accounting systems and compliance with legal requirements in conducting financial affairs. Requires school district board to determine measures necessary to correct any deficiencies disclosed in accountant's opinion or audit report and to adopt resolution setting forth proposed corrective measures.

Requires Secretary of State and Department of Education, within 60 days of receiving school district board resolution, to acknowledge board's plan to correct deficiencies or to notify board of deficiencies that, if not corrected, could result in withholding of funds.

Allows Secretary of State or Department of Education to certify to Superintendent of Public Instruction failure of school district board to take corrective action during course of two successive audits. Requires Superintendent of Public Instruction, upon receipt of certificate, to withhold 10 percent of payments from State School Fund otherwise distributed to school district.

A BILL FOR AN ACT

1
2 Relating to education districts.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. (1)(a) In performing an audit required under ORS 328.465, the accountant**
5 **under contract with the school district or county shall determine whether the school district**
6 **has:**

7 **(A) Followed generally accepted governmental accounting principles in reporting the**
8 **district's financial condition and operations;**

9 **(B) Established appropriate accounting systems and internal controls; and**

10 **(C) Substantially complied with legal requirements in conducting the district's financial**
11 **affairs.**

12 **(b) The determination shall either be included in the signed expression of opinion or**
13 **otherwise disclosed in the audit report.**

14 **(2) Upon receipt of the opinion or audit report, the school district board shall determine**
15 **the measures the board considers necessary to correct any deficiencies disclosed in the**
16 **opinion or audit report. The board shall adopt a resolution setting forth the corrective**
17 **measures the board proposes and the period of time estimated to complete the measures.**

18 **(3) Within 60 days after a school district files a copy of its audit report with the Secre-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 tary of State or the Department of Education, a copy of the resolution prepared under sub-
2 section (2) of this section shall also be filed. Upon receipt of the audit report and the
3 resolution, the Secretary of State and the Department of Education shall either acknowledge
4 the school district board's plans to correct deficiencies cited in the opinion or audit report
5 or notify the school district board of those deficiencies which, if not corrected, could result
6 in withholding of funds under this section. At the request of the school district board, the
7 Secretary of State or the Department of Education shall make suggestions for correcting
8 those deficiencies. If the school district board does not agree with the notification by the
9 Secretary of State or the Department of Education, the board shall be granted an opportu-
10 nity for a conference regarding the notification, audit determinations or corrective measures
11 to be taken.

12 (4) If the Secretary of State or the Department of Education concurs with the determi-
13 nation made under subsection (1) of this section in two successive audits of the same school
14 district and determines that the school district board has not taken adequate action to cor-
15 rect the deficiencies cited in the notifications given under subsection (3) of this section, the
16 Secretary of State or the Department of Education may certify these facts to the Super-
17 intendent of Public Instruction. The certificate of the Secretary of State or the Department
18 of Education shall only be issued after notice, opportunity to be heard and hearing pursuant
19 to the provisions of ORS chapter 183 governing contested cases. The hearing shall be held
20 within the jurisdiction of the school district.

21 (5)(a) Upon receipt of a certificate from the Secretary of State or the Department of
22 Education under subsection (4) of this section, the Superintendent of Public Instruction shall
23 withhold from distribution to the school district 10 percent of the payments from the State
24 School Fund otherwise to be distributed to the school district under ORS 327.008.

25 (b) The moneys withheld shall be disbursed to the school district after the Superinten-
26 dent of Public Instruction has received notice from the Secretary of State or the Department
27 of Education that the school district board:

28 (A) Has taken action to follow generally accepted governmental accounting principles in
29 reporting financial condition and operations;

30 (B) Has taken action to establish appropriate accounting systems and internal controls;
31 and

32 (C) Will substantially comply with legal requirements in conducting its financial affairs.

33 (6) The Secretary of State or the Department of Education may not issue a certificate
34 under subsection (4) of this section for failure to follow generally accepted governmental
35 accounting principles if a school district has followed accounting practices authorized by
36 state law.

37 (7) As used in this section, "generally accepted governmental accounting principles"
38 means those accounting principles sanctioned by recognized authoritative bodies such as the
39 National Council on Governmental Accounting, the American Institute of Certified Public
40 Accountants, the Financial Accounting Standards Board or their successors.

41 **SECTION 2.** Section 1 of this 2007 Act applies to audits that are contracted for on or
42 after the effective date of this 2007 Act.