

B-Engrossed Senate Bill 800

Ordered by the House May 22
Including Senate Amendments dated April 27 and House Amendments
dated May 22

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 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 accounting principles in reporting the district's financial**
8 **condition and operations; and**

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

11 **(b) The determination shall be included in the report as required by ORS 297.465.**

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

16 **(3) Within 60 days after a school district files a copy of its audit report with the Secre-**
17 **tary of State or the Department of Education, a copy of the resolution prepared under sub-**
18 **section (2) of this section shall also be filed. Upon receipt of the audit report and the**
19 **resolution, the Secretary of State and the Department of Education shall either acknowledge**
20 **the school district board's plans to correct deficiencies cited in the audit report or notify the**
21 **school district board of those deficiencies that, if not corrected, could result in the with-**

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 holding of funds under this section. At the request of the school district board, the Secretary
2 of State or the Department of Education shall make suggestions for correcting those defi-
3 ciencies. If the school district board does not agree with the notification by the Secretary
4 of State or the Department of Education, the board shall be granted an opportunity for a
5 conference regarding the notification, audit determinations or corrective measures to be
6 taken.

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

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

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

23 (A) Has taken action to ensure that the school district will follow generally accepted ac-
24 counting principles in reporting the district's financial condition and operations; and

25 (B) Will ensure that the school district substantially complies with legal requirements in
26 conducting the district's financial affairs.

27 (6) The Secretary of State or the Department of Education may not issue a certificate
28 under subsection (4) of this section for failure to follow generally accepted accounting prin-
29 ciples if a school district has followed accounting practices authorized by state law.

30 (7) As used in this section, "generally accepted accounting principles" means those ac-
31 counting principles sanctioned by recognized authoritative bodies such as the Governmental
32 Accounting Standards Board, the Financial Accounting Standards Board or their successors.

33 SECTION 2. Section 1 of this 2007 Act applies to audits for fiscal periods ending on or
34 after the effective date of this 2007 Act.

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