

# House Bill 2783

Sponsored by Representative THATCHER (Pre-session filed.)

## 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 **as introduced**.

Creates Director of Legislative Audit Office appointed by Joint Legislative Audit Committee. Expands pool of members eligible to serve on committee. Authorizes director to conduct performance and management audits of state agencies and programs and other state-funded programs. Requires director to maintain Government Waste Hotline.

Repeals statutory authority of Secretary of State to conduct performance and program audits.  
Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to audits; creating new provisions; amending ORS 171.425, 171.580, 171.585, 182.568, 244.050,  
3 291.100, 291.272, 297.030, 297.040, 297.210, 297.230 and 419C.001; repealing ORS 171.590, 177.170,  
4 177.180, 297.065 and 297.070; and declaring an emergency.

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

6 **SECTION 1. As used in sections 1 to 7 of this 2011 Act, "state agency" has the meaning**  
7 **given that term in ORS 291.272.**

8 **SECTION 2. (1) The Joint Legislative Audit Committee shall select the Director of the**  
9 **Legislative Audit Office, who shall serve at the pleasure of the committee and under its di-**  
10 **rection.**

11 **(2) Pursuant to the policies and directions of the committee, the director shall:**

12 **(a) Conduct performance and management audits of state agencies and programs and**  
13 **other state-funded programs; and**

14 **(b) Maintain the Government Waste Hotline established under section 6 of this 2011 Act.**

15 **(3) Pursuant to the policies and directions of the committee, the director may enter into**  
16 **contracts to carry out the functions of the director.**

17 **SECTION 3. (1) In conducting an audit under section 2 of this 2011 Act:**

18 **(a) The Director of the Legislative Audit Office may examine and inspect all accounts,**  
19 **books, records, files, papers and documents and all financial affairs of any public body as**  
20 **defined in ORS 174.109.**

21 **(b) The director may cause a search to be made of and extracts to be taken from any**  
22 **account, book, record, file, paper or document in the custody of any public officer without**  
23 **paying any fee for the search or extract. Any public officer having custody of the account,**  
24 **book, record, file, paper or document shall make any search requested by the director and**  
25 **furnish the extracts as requested.**

26 **(c) The director may issue:**

27 **(A) Subpoenas compelling at a specified time and place the appearance and sworn testi-**  
28 **mony of any person who the director reasonably believes may be able to provide information**  
29 **relating to any audit or other investigation being undertaken under this section; and**

**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 (B) Subpoenas duces tecum compelling the production of any account, book, record, file,  
 2 paper, document or other evidence that the director reasonably believes may relate to an  
 3 audit or other investigation being undertaken under this section.

4 (2) If a person fails to comply with any subpoena issued under subsection (1) of this  
 5 section, a judge of the circuit court of any county, on application of the director, shall  
 6 compel obedience by proceedings for contempt as in the case of disobedience of the require-  
 7 ments of a subpoena issued from the circuit court.

8 **SECTION 4.** (1) Subject to the approval of the Joint Legislative Audit Committee, the  
 9 Director of the Legislative Audit Office may employ and fix the compensation of such pro-  
 10 fessional assistants and clerical and other employees as the director finds necessary for the  
 11 effective conduct of the work under the charge of the director.

12 (2) The committee shall fix the salary of the director.

13 (3) Subject to the limitations otherwise provided by law for expenses of state officers, the  
 14 director and employees of the director shall be reimbursed for all actual and necessary ex-  
 15 penses incurred in performing their duties.

16 **SECTION 5.** (1) As used in this section, “working papers” means the notes, internal  
 17 memoranda and records of work performed by the Director of the Legislative Audit Office  
 18 on audits and other investigations undertaken under sections 1 to 7 of this 2011 Act, includ-  
 19 ing any project evidence collected and developed by the director.

20 (2) The director and any employees of the director are not required to disclose any  
 21 working papers.

22 **SECTION 6.** (1) The Joint Legislative Audit Committee shall establish a toll-free tele-  
 23 phone line that is available to public employees and members of the public for the purpose  
 24 of reporting waste, inefficiency or abuse by state agencies, state employees or persons under  
 25 contract with state agencies.

26 (2) The toll-free telephone line established under this section shall be known as the  
 27 Government Waste Hotline. The committee shall prepare a written notice that explains the  
 28 purpose of the hotline. The notice shall prominently display the telephone number for the  
 29 hotline and shall be posted in all offices of state agencies. If a state agency’s office is open  
 30 to members of the public, the notice shall be posted in a place where the public is likely to  
 31 see the notice.

32 (3) The committee shall publicize the availability of the hotline through print and elec-  
 33 tronic media.

34 **SECTION 7.** (1) The Joint Legislative Audit Committee shall designate one employee of  
 35 the Director of the Legislative Audit Office to be responsible for reports of waste, ineffi-  
 36 ciency or abuse received through the Government Waste Hotline. The employee designated  
 37 under this section shall log all reports received through the hotline.

38 (2) Except as provided in subsections (3) and (4) of this section, the committee, the di-  
 39 rector or an employee of the director may not disclose:

40 (a) The identity of any person making a report through the hotline;

41 (b) The contents of a report of waste, inefficiency or abuse received through the hotline;

42 or

43 (c) The contents and results of any investigation conducted under this section.

44 (3)(a) The committee shall conduct an initial investigation of each report of waste, inef-  
 45 ficiency or abuse made by public employees and members of the public through the hotline.

1 Following the initial investigation, the committee shall determine whether a report should  
2 be investigated further and shall assign any investigation to the director.

3 (b) If the committee or director determines during the investigation that a violation of  
4 any provision of ORS chapter 244 may be occurring or may have occurred, the committee  
5 or director shall notify the Oregon Government Ethics Commission.

6 (c) If the committee or director determines during the investigation that fraud or other  
7 criminal activity may be occurring or may have occurred, the committee or director shall  
8 notify the appropriate law enforcement agency.

9 (4) Upon completion of an investigation under this section:

10 (a) The committee shall determine whether officers or employees of a state agency are  
11 engaging in activities that constitute waste, inefficiency or abuse.

12 (b) If the committee determines that waste, inefficiency or abuse has occurred, the di-  
13 rector shall prepare a written determination and may include other information about the  
14 nature of the investigation performed by the committee or director about the committee's  
15 determination. Upon request, the director shall send a copy of the written determination  
16 with any other information included by the committee to the person who made the report  
17 of waste, inefficiency or abuse.

18 (c) If the committee determines that officers or employees of a state agency or public  
19 body are involved in activities that constitute waste, inefficiency or abuse, the committee  
20 shall notify the state agency or public body and deliver a copy of the committee's written  
21 determination to the agency or body.

22 (d) If the committee determines that waste, inefficiency or abuse has occurred and has  
23 issued a written determination or provided notice to a state agency or public body under this  
24 subsection, the committee or director shall disclose to the public the contents of the report  
25 of waste, inefficiency or abuse received through the Government Waste Hotline, the contents  
26 and results of the investigation conducted under this section and a copy of the written de-  
27 termination or notice.

28 (5) The committee shall prepare a biennial report and submit it to each regular session  
29 of the Legislative Assembly. The report shall describe the number, nature and resolution of  
30 reports made through the Government Waste Hotline and shall identify savings resulting  
31 from improved efficiencies or the elimination of waste or abuse resulting from reports re-  
32 ceived under section 6 of this 2011 Act and investigations conducted under this section.

33 **SECTION 8.** ORS 297.030 is amended to read:

34 297.030. The audits[, *reviews or investigations*] authorized to be made by the Secretary of State  
35 may be assigned to the Division of Audits as a part of its functions and duties.

36 **SECTION 9.** ORS 297.040 is amended to read:

37 297.040. The costs and expenses of conducting audits authorized by ORS 297.030 shall be paid  
38 from whatever funds are appropriated by law for use in carrying out the provisions of the respective  
39 laws relating thereto. The costs and expenses shall be charged and billed to such funds or activities  
40 in the same manner as are costs and expenses charged and billed for audits[, *reviews,*  
41 *investigations*] and system installations to municipal corporations and the various state departments,  
42 boards and commissions.

43 **SECTION 10.** ORS 297.210 is amended to read:

44 297.210. (1)(a) The Secretary of State, as State Auditor, shall have the **financial** accounts [*and*  
45 *financial affairs*] of state departments, boards, commissions, institutions and state-aided institutions

1 and agencies of the state *[reviewed or]* audited as the Secretary of State considers advisable or  
2 necessary.

3 (b) The Secretary of State, as State Auditor, may conduct audits of the business practices of  
4 school districts and education service districts pursuant to a contract with the Department of Edu-  
5 cation authorized by ORS 326.133.

6 (c) The Secretary of State may subpoena witnesses, require the production of books and papers  
7 and rendering of reports in such manner and form as the Secretary of State requires and may do  
8 all things necessary to secure a full and thorough investigation. The Secretary of State shall report,  
9 in writing, to the Governor **and the Joint Legislative Audit Committee**. The report shall include  
10 a copy of the report on each audit.

11 (2) The Secretary of State may audit *[or review]* any institution or department of the state gov-  
12 ernment at any time the executive head of the institution or department, for any reason, retires from  
13 the head's office or position. The secretary need not conduct an audit *[or review]* under this sub-  
14 section if:

15 (a) The institution or department has been the subject of an audit *[or review]* of financial con-  
16 trols within the six months immediately preceding the retirement of the executive head of the in-  
17 stitution or department; or

18 (b) The secretary has not received a report within the 12 months immediately preceding the  
19 retirement of the executive head of the institution or department indicating that the executive head  
20 of the institution or department was unable or unwilling to follow state law, rules, policies or pro-  
21 cedures.

22 (3) The Secretary of State shall employ auditors upon such terms and for such compensation as  
23 the Secretary of State determines are advantageous and advisable.

24 (4) If a person fails to comply with any subpoena issued under subsection (1) of this section, a  
25 judge of the circuit court of any county, on application of the Secretary of State, shall compel obe-  
26 dience by proceedings for contempt as in the case of disobedience of the requirements of a subpoena  
27 issued from the circuit court.

28 **SECTION 11.** ORS 297.230 is amended to read:

29 297.230. (1) The Division of Audits shall estimate in advance the expenses that it will incur  
30 during the biennium in carrying out the provisions of ORS 297.030, 297.120 and 297.210, and shall  
31 charge officers, departments, boards and commissions of state government and other public bodies  
32 for their share of such expenses for periods within the biennium and in sufficient amounts to provide  
33 reasonable cash operating requirements for the Division of Audits within the biennial period. Each  
34 officer, department, board or commission or other public body shall pay to the credit of the Division  
35 of Audits Account such charge as an administrative expense from funds or appropriations available  
36 to it in the same manner as other claims against the state or public body are paid.

37 (2) *[Payments authorized under this section shall be consistent with ORS 171.580 and 171.585.]*  
38 The Division of Audits shall report to the *[Joint Legislative Audit Committee established under ORS*  
39 *171.580]* **Emergency Board created under ORS 291.324 or the Joint Committee on Ways and**  
40 **Means created by ORS 171.555** when estimated expenses for an audit authorized under subsection  
41 (1) of this section exceed the estimated expenses for a biennium.

42 (3) All moneys received from the various state departments, boards, commissions, institutions  
43 and state-aided institutions and agencies of the state in the payment of the costs of audits *[and re-*  
44 *views]* under this section and ORS 297.210 shall be credited to the Division of Audits Account.

45 **SECTION 12.** ORS 171.425 is amended to read:

1 171.425. The State Archivist shall allow the Legislative Fiscal Officer, the Legislative Adminis-  
 2 trator, the Legislative Counsel, **the Director of the Legislative Audit Office** or the Legislative  
 3 Revenue Officer to borrow and temporarily have possession of [*such*] **any** legislative records [*as*  
 4 *such*] **the administrator, counsel, director or officer** requests.

5 **SECTION 13.** ORS 171.580 is amended to read:

6 171.580. (1) There is created a Joint Legislative Audit Committee consisting of [*the cochairs of*  
 7 *the Joint Committee on Ways and Means, members of the House of Representatives appointed by the*  
 8 *Speaker and members of the Senate appointed by the President.*]:

9 **(a) Five members of the House of Representatives appointed by the Speaker of the House**  
 10 **of Representatives, one of whom must be a member of the Joint Committee on Ways and**  
 11 **Means or, if there is no joint committee, a member of the committee in the House of Rep-**  
 12 **resentatives that has jurisdiction over appropriations; and**

13 **(b) Five members of the Senate appointed by the President of the Senate, one of whom**  
 14 **must be a member of the Joint Committee on Ways and Means or, if there is no joint com-**  
 15 **mittee, a member of the committee in the Senate that has jurisdiction over appropriations.**

16 (2) The **Joint Legislative Audit** Committee has a continuing existence and [*may*] **shall** meet,  
 17 act and conduct [*its*] **the committee's** business during sessions of the Legislative Assembly or any  
 18 recess [*thereof*] **in a session** and in the interim between sessions.

19 (3) The term of a member [*shall expire*] **expires** upon the convening of the Legislative Assembly  
 20 in regular session next following the commencement of the member's term. When a vacancy occurs  
 21 in the membership of the committee in the interim between sessions, until [*such*] **the** vacancy is  
 22 filled, the membership of the committee [*shall be considered not to*] **does not** include the vacant po-  
 23 sition for the purpose of determining whether a quorum is present and a quorum is a majority of the  
 24 remaining members.

25 (4)(a) Members of the committee shall receive an amount equal to that authorized under ORS  
 26 171.072 from funds appropriated to the Legislative Assembly for each day spent in the performance  
 27 of their duties as members of the committee or any subcommittee [*thereof*] **of the committee** in lieu  
 28 of reimbursement for in-state travel expenses. [*However,*]

29 **(b)** When engaged in out-of-state travel, members shall [*be entitled to receive their actual and*  
 30 *necessary expenses therefor*] **receive the expenses actually and necessarily incurred** in lieu of the  
 31 amount authorized by **paragraph (a)** of this subsection.

32 **(c)** Payment **under this subsection** shall be made from funds appropriated to the [*Legislative*  
 33 *Assembly*] **Director of the Legislative Audit Office.**

34 [(5)] **(4)** The committee may not transact business unless a quorum is present. A quorum consists  
 35 of a majority of committee members from the House of Representatives and a majority of committee  
 36 members from the Senate.

37 [(6)] **(5)** Action by the committee requires the affirmative vote of a majority of committee mem-  
 38 bers from the House of Representatives and a majority of committee members from the Senate.

39 [(7)] **(6)** The [*Legislative Fiscal Office*] **director** shall furnish to the committee [*such*] **the** services  
 40 of personnel and [*such other facilities as*] **the facilities that** are necessary to enable the committee  
 41 to carry out its functions as directed by law[, *with such assistance as the Division of Audits and*  
 42 *Oregon Department of Administrative Services can provide*].

43 **SECTION 14.** ORS 171.585 is amended to read:

44 171.585. The Joint Legislative Audit Committee shall:

45 (1) Review all audits and make recommendations for change or remediation by the agency or

1 other organization under review to the Emergency Board, the Joint **Committee on Ways and Means**  
 2 [*Committee*] and other persons receiving the audit report under ORS 192.245.

3 (2) Accept requests for performance and [*program*] **management** audits from individual  
 4 legislators[,] **and** legislative committees[, *the Division of Audits, the Budget and Management Divi-*  
 5 *sion and the Legislative Fiscal Office*].

6 [(3) *In conjunction with the Director of the Division of Audits, set priorities on the basis of risk*  
 7 *assessment for performance and program audits and program evaluations.*]

8 [(4) (3) With the advice and assistance of the [*Legislative Fiscal Officer, the Administrator of the*  
 9 *Budget and Management Division and the Director of the Division of Audits*] **Director of the Leg-**  
 10 **islative Audit Office**, determine the type of audit, evaluation or review utilizing criteria to include  
 11 but not be limited to the nature and scope of the task, the time frame involved, necessary profes-  
 12 sional guidelines, economy, efficiency, cost and cost responsibility.

13 [(5) (4) Not later than 12 months after the issuance of an audit report, review the actions of  
 14 an agency or other government organization for compliance with the recommendations of the audit  
 15 report.

16 [(6) (5) Assign tasks to the [*Legislative Fiscal Office, the Budget and Management Division, the*  
 17 *Division of Audits or a special task force*] **director**.

18 [(7) (6) Review state agency performance measures and make recommendations for change.

19 **SECTION 15.** ORS 244.050 is amended to read:

20 244.050. (1) On or before April 15 of each year the following persons shall file with the Oregon  
 21 Government Ethics Commission a verified statement of economic interest as required under this  
 22 chapter:

23 (a) The Governor, Secretary of State, State Treasurer, Attorney General, Commissioner of the  
 24 Bureau of Labor and Industries, Superintendent of Public Instruction, district attorneys and mem-  
 25 bers of the Legislative Assembly.

26 (b) Any judicial officer, including justices of the peace and municipal judges, except any pro tem  
 27 judicial officer who does not otherwise serve as a judicial officer.

28 (c) Any candidate for a public office designated in paragraph (a) or (b) of this subsection.

29 (d) The Deputy Attorney General.

30 (e) The Legislative Administrator, the Legislative Counsel, the Legislative Fiscal Officer, **the**  
 31 **Director of the Legislative Audit Office**, the Secretary of the Senate and the Chief Clerk of the  
 32 House of Representatives.

33 (f) The Chancellor and Vice Chancellors of the Oregon University System and the president and  
 34 vice presidents, or their administrative equivalents, in each institution under the jurisdiction of the  
 35 State Board of Higher Education.

36 (g) The following state officers:

37 (A) Adjutant General.

38 (B) Director of Agriculture.

39 (C) Manager of State Accident Insurance Fund Corporation.

40 (D) Water Resources Director.

41 (E) Director of Department of Environmental Quality.

42 (F) Director of Oregon Department of Administrative Services.

43 (G) State Fish and Wildlife Director.

44 (H) State Forester.

45 (I) State Geologist.

- 1 (J) Director of Human Services.
- 2 (K) Director of the Department of Consumer and Business Services.
- 3 (L) Director of the Department of State Lands.
- 4 (M) State Librarian.
- 5 (N) Administrator of Oregon Liquor Control Commission.
- 6 (O) Superintendent of State Police.
- 7 (P) Director of the Public Employees Retirement System.
- 8 (Q) Director of Department of Revenue.
- 9 (R) Director of Transportation.
- 10 (S) Public Utility Commissioner.
- 11 (T) Director of Veterans' Affairs.
- 12 (U) Executive director of Oregon Government Ethics Commission.
- 13 (V) Director of the State Department of Energy.
- 14 (W) Director and each assistant director of the Oregon State Lottery.
- 15 (X) Director of the Department of Corrections.
- 16 (Y) Director of the Oregon Department of Aviation.
- 17 (Z) Executive director of the Oregon Criminal Justice Commission.
- 18 (AA) Director of the Oregon Business Development Department.
- 19 (BB) Director of the Office of Emergency Management.
- 20 (CC) Director of the Employment Department.
- 21 (DD) Chief of staff for the Governor.
- 22 (EE) Administrator of the Office for Oregon Health Policy and Research.
- 23 (FF) Director of the Housing and Community Services Department.
- 24 (GG) State Court Administrator.
- 25 (HH) Director of the Department of Land Conservation and Development.
- 26 (II) Board chairperson of the Land Use Board of Appeals.
- 27 (JJ) State Marine Director.
- 28 (KK) Executive director of the Oregon Racing Commission.
- 29 (LL) State Parks and Recreation Director.
- 30 (MM) Public defense services executive director.
- 31 (NN) Chairperson of the Public Employees' Benefit Board.
- 32 (OO) Director of the Department of Public Safety Standards and Training.
- 33 (PP) Chairperson of the Oregon Student Assistance Commission.
- 34 (QQ) Executive director of the Oregon Watershed Enhancement Board.
- 35 (RR) Director of the Oregon Youth Authority.
- 36 (SS) Director of the Oregon Health Authority.
- 37 (h) Any assistant in the Governor's office other than personal secretaries and clerical personnel.
- 38 (i) Every elected city or county official.
- 39 (j) Every member of a city or county planning, zoning or development commission.
- 40 (k) The chief executive officer of a city or county who performs the duties of manager or prin-
- 41 cipal administrator of the city or county.
- 42 (L) Members of local government boundary commissions formed under ORS 199.410 to 199.519.
- 43 (m) Every member of a governing body of a metropolitan service district and the executive of-
- 44 ficer thereof.
- 45 (n) Each member of the board of directors of the State Accident Insurance Fund Corporation.

1 (o) The chief administrative officer and the financial officer of each common and union high  
2 school district, education service district and community college district.

3 (p) Every member of the following state boards and commissions:

4 (A) Board of Geologic and Mineral Industries.

5 (B) Oregon Business Development Commission.

6 (C) State Board of Education.

7 (D) Environmental Quality Commission.

8 (E) Fish and Wildlife Commission of the State of Oregon.

9 (F) State Board of Forestry.

10 (G) Oregon Government Ethics Commission.

11 (H) Oregon Health Policy Board.

12 (I) State Board of Higher Education.

13 (J) Oregon Investment Council.

14 (K) Land Conservation and Development Commission.

15 (L) Oregon Liquor Control Commission.

16 (M) Oregon Short Term Fund Board.

17 (N) State Marine Board.

18 (O) Mass transit district boards.

19 (P) Energy Facility Siting Council.

20 (Q) Board of Commissioners of the Port of Portland.

21 (R) Employment Relations Board.

22 (S) Public Employees Retirement Board.

23 (T) Oregon Racing Commission.

24 (U) Oregon Transportation Commission.

25 (V) Wage and Hour Commission.

26 (W) Water Resources Commission.

27 (X) Workers' Compensation Board.

28 (Y) Oregon Facilities Authority.

29 (Z) Oregon State Lottery Commission.

30 (AA) Pacific Northwest Electric Power and Conservation Planning Council.

31 (BB) Columbia River Gorge Commission.

32 (CC) Oregon Health and Science University Board of Directors.

33 (DD) Capitol Planning Commission.

34 (q) The following officers of the State Treasurer:

35 (A) Chief Deputy State Treasurer.

36 (B) Chief of staff for the office of the State Treasurer.

37 (C) Director of the Investment Division.

38 (r) Every member of the board of commissioners of a port governed by ORS 777.005 to 777.725  
39 or 777.915 to 777.953.

40 (s) Every member of the board of directors of an authority created under ORS 441.525 to 441.595.

41 (2) By April 15 next after the date an appointment takes effect, every appointed public official  
42 on a board or commission listed in subsection (1) of this section shall file with the Oregon Govern-  
43 ment Ethics Commission a statement of economic interest as required under ORS 244.060, 244.070  
44 and 244.090.

45 (3) By April 15 next after the filing deadline for the primary election, each candidate described



1 in subsection (1) of this section shall file with the commission a statement of economic interest as  
 2 required under ORS 244.060, 244.070 and 244.090.

3 (4) Within 30 days after the filing deadline for the general election, each candidate described in  
 4 subsection (1) of this section who was not a candidate in the preceding primary election, or who  
 5 was nominated for public office described in subsection (1) of this section at the preceding primary  
 6 election by write-in votes, shall file with the commission a statement of economic interest as re-  
 7 quired under ORS 244.060, 244.070 and 244.090.

8 (5) Subsections (1) to (4) of this section apply only to persons who are incumbent, elected or  
 9 appointed public officials as of April 15 and to persons who are candidates on April 15. Subsections  
 10 (1) to (4) of this section also apply to persons who do not become candidates until 30 days after the  
 11 filing deadline for the statewide general election.

12 (6) If a statement required to be filed under this section has not been received by the commis-  
 13 sion within five days after the date the statement is due, the commission shall notify the public of-  
 14 ficial or candidate and give the public official or candidate not less than 15 days to comply with the  
 15 requirements of this section. If the public official or candidate fails to comply by the date set by the  
 16 commission, the commission may impose a civil penalty as provided in ORS 244.350.

17 **SECTION 16.** ORS 291.100 is amended to read:

18 291.100. (1) It is the intent of the Legislative Assembly, in funding the development and imple-  
 19 mentation of a new statewide financial management system, that statewide financial management  
 20 systems and policies support program-driven budget planning and execution, based on timely and  
 21 accurate statewide managerial cost accounting information and that such systems support legislative  
 22 program evaluation and performance **and management** auditing of statewide programs and services.

23 (2) The Oregon Department of Administrative Services shall devise and supervise statewide fi-  
 24 nancial management systems for all state agencies by preparing policies and procedures for imple-  
 25 menting and operating financial management systems for all agencies in state government and  
 26 measuring implementation. In order to assure that the state's investment in a modern and complete  
 27 statewide financial management system is fully implemented, every agency and unit of state gov-  
 28 ernment shall:

29 (a) Cooperate and comply fully with policies and procedures and deadlines prepared by the  
 30 Oregon Department of Administrative Services for establishing a database for the financial man-  
 31 agement system.

32 (b) Comply fully with policies and procedures prepared by the Oregon Department of Adminis-  
 33 trative Services for operation of the financial management system.

34 (3) The Oregon Department of Administrative Services shall report to the Legislative Assembly  
 35 no later than December 1 of even-numbered years:

36 (a) Progress in implementing the financial management system as to preparation of financial  
 37 statements, nonfinancial management information and the ability of the system to support legislative  
 38 program evaluation and performance **and management** auditing.

39 (b) Compliance by each agency and unit of state government with policies and procedures of the  
 40 Oregon Department of Administrative Services for implementation of the financial management  
 41 system.

42 (4) After a review of the Oregon Department of Administrative Services report by the Legisla-  
 43 tive Fiscal Officer, the Joint Legislative Audit Committee may schedule a hearing for any agency  
 44 or unit of state government to review compliance with this section and policies and procedures of  
 45 the Oregon Department of Administrative Services, prior to any appropriation approval by the

1 Legislative Assembly, as provided in ORS 171.585 (1).

2 **SECTION 17.** ORS 291.272 is amended to read:

3 291.272. As used in ORS 291.272 to 291.278, unless the context requires otherwise:

4 (1) "Administrative expenses" has the meaning defined by ORS 291.305.

5 (2) "Department" means the Oregon Department of Administrative Services.

6 (3) "Governmental service expenses" means the expenses of state government that are attrib-  
7 able to the operation, maintenance, administration and support of state government generally, and  
8 includes the following:

9 (a) Administrative expenses of the Oregon Department of Administrative Services supported out  
10 of the General Fund.

11 (b) Sixty percent of the expenditures of the Legislative Assembly out of moneys appropriated  
12 from the General Fund, and all of the expenditures incurred in the administration of the duties of  
13 the Emergency Board.

14 (c) Sixty percent of the expenditures incurred in the administration of the duties of the Joint  
15 Committee on Ways and Means and the Emergency Board.

16 (d) Sixty percent of the expenditures incurred out of moneys appropriated from the General  
17 Fund in the administration of the duties of the Legislative Counsel Committee.

18 (e) **Sixty percent of the expenditures incurred out of moneys appropriated from the**  
19 **General Fund in the administration of the duties of the Joint Legislative Audit Committee.**

20 [(e)] (f) Expenditures of the Secretary of State in the administration of the office of the State  
21 Archivist, of historic properties programs, and of the administrative rules publication program.

22 [(f)] (g) Seventy-five percent of the administrative expenses of the Office of the Governor in-  
23 curred out of moneys appropriated from the General Fund.

24 (4) "State agency" means every state officer, board, commission, department, institution, branch  
25 or agency of the state government, whose costs are paid wholly or in part from funds held in the  
26 State Treasury, and includes the Legislative Assembly, the courts and their officers and committees.

27 **SECTION 18.** ORS 419C.001 is amended to read:

28 419C.001. (1) The Legislative Assembly declares that in delinquency cases, the purposes of the  
29 Oregon juvenile justice system from apprehension forward are to protect the public and reduce ju-  
30 venile delinquency and to provide fair and impartial procedures for the initiation, adjudication and  
31 disposition of allegations of delinquent conduct. The system is founded on the principles of personal  
32 responsibility, accountability and reformation within the context of public safety and restitution to  
33 the victims and to the community. The system shall provide a continuum of services that emphasize  
34 prevention of further criminal activity by the use of early and certain sanctions, reformation and  
35 rehabilitation programs and swift and decisive intervention in delinquent behavior. The system shall  
36 be open and accountable to the people of Oregon and their elected representatives.

37 (2)(a) Programs, policies and services shall be regularly and independently audited. [*Audits per-*  
38 *formed under this subsection must include program audits and performance audits, as defined in ORS*  
39 *297.070.*] **The Joint Legislative Audit Committee shall select and oversee the program and**  
40 **management audits conducted under this subsection.** Programs, policies and services that were  
41 established before, on or after June 30, 1995, are subject to audit under this subsection.

42 (b) The programs, policies and services of county juvenile departments shall be subject to reg-  
43 ular review pursuant to this subsection.

44 (c) The [*Secretary of State*] **director** shall perform an audit that includes the performance of  
45 county juvenile departments.

1        *[(d) ORS 297.405 to 297.555 do not apply to an audit conducted pursuant to this subsection.]*

2        *[(e)]* **(d)** Notwithstanding ORS 297.040, the costs and expenses of audits conducted under this  
 3 subsection may not be charged to the county juvenile departments. The *[Secretary of State]* **director**  
 4 shall pay the costs and expenses of audits conducted under this subsection from funds available to  
 5 the *[Secretary of State]* **director**.

6        (3) To facilitate an audit under subsection (2) of this section:

7        (a) The *[Secretary of State]* **Director of the Legislative Audit Office** may subpoena witnesses,  
 8 require the production of books and papers and the rendering of reports in such manner and form  
 9 as the *[Secretary of State]* **director** requires and may do all things necessary to secure a full and  
 10 thorough investigation.

11        (b) The custodian of information that the *[Secretary of State deems]* **director considers** neces-  
 12 sary to conduct the audit shall provide the *[Secretary of State or the auditor selected by the Secretary*  
 13 *of State]* **director** access to the information notwithstanding the fact that the information may be  
 14 made confidential or access to the information restricted by ORS 419A.255 or another law. Infor-  
 15 mation obtained by the *[Secretary of State or the auditor pursuant to]* **director under** this paragraph  
 16 and made confidential by ORS 419A.255 or another law may be used by the *[Secretary of State, the*  
 17 *officers and employees of the Secretary of State or the auditor]* **director, employees of the director**  
 18 **or the committee** solely for the purpose of performing the audit required by subsection (2) of this  
 19 section and may not be used or disclosed for any other purpose.

20        **SECTION 19.** ORS 182.568 is amended to read:

21        182.568. (1) Each state agency that is audited by the Secretary of State under ORS *[297.070 or]*  
 22 *297.210* **or by the Director of the Legislative Audit Office under section 2 of this 2011 Act** shall  
 23 review the audit report issued by the secretary **or the director** and identify any audit recommen-  
 24 dations that present an opportunity for continuous improvement for the agency.

25        (2) Not later than three months after the date the secretary **or the director** issues the audit  
 26 report, the state agency shall report in writing to the Committee on Performance Excellence. The  
 27 report shall describe the opportunities for continuous improvement identified by the agency.

28        (3) Not later than six months after the date the secretary **or the director** issues the audit re-  
 29 port, the state agency shall report in writing to the committee. The report shall describe a plan for  
 30 addressing the opportunities for continuous improvement identified by the agency under subsection  
 31 (2) of this section.

32        **SECTION 20.** ORS 171.590, 177.170, 177.180, 297.065 and 297.070 are repealed.

33        **SECTION 21.** Pursuant to sections 6 and 7 of this 2011 Act and the repeal of ORS 177.170  
 34 and 177.180 by section 20 of this 2011 Act, the duties, functions and powers of the Secretary  
 35 of State relating to the Government Waste Hotline are imposed upon, transferred to and  
 36 vested in the Joint Legislative Audit Committee.

37        **SECTION 22.** (1) The Secretary of State shall deliver to the Joint Legislative Audit  
 38 Committee all records and property within the jurisdiction of the secretary that relate to the  
 39 duties, functions and powers transferred by section 21 of this 2011 Act.

40        (2) The committee shall take possession of the records and property and employ them in  
 41 the exercise of the duties, functions and powers transferred by section 21 of this 2011 Act.

42        **SECTION 23.** (1) The unexpended balances of amounts authorized to be expended by the  
 43 Secretary of State for the biennium beginning July 1, 2011, from revenues dedicated, contin-  
 44 uously appropriated, appropriated or otherwise made available for the purpose of adminis-  
 45 tering and enforcing the duties, functions and powers transferred by section 21 of this 2011

1 Act are appropriated and transferred to and are available for expenditure by the Joint Leg-  
 2 islative Audit Committee for the biennium beginning July 1, 2011, for the purpose of admin-  
 3 istering and enforcing the duties, functions and powers transferred by section 21 of this 2011  
 4 Act.

5 (2) The expenditure classifications, if any, established by Acts authorizing or limiting  
 6 expenditures by the Secretary of State related to the duties, functions and powers trans-  
 7 ferred by section 21 of this 2011 Act remain applicable to expenditures by the Joint Legisla-  
 8 tive Audit Committee under this section.

9 SECTION 24. The transfer of duties, functions and powers to the Joint Legislative Audit  
 10 Committee by section 21 of this 2011 Act does not affect any action, proceeding or prose-  
 11 cution involving or with respect to such duties, functions and powers begun before and  
 12 pending at the time of the transfer.

13 SECTION 25. Sections 1 to 7 and 21 to 24 of this 2011 Act, the amendments to ORS  
 14 171.425, 171.580, 171.585, 182.568, 244.050, 291.100, 291.272, 297.030, 297.040, 297.210, 297.230 and  
 15 419C.001 by sections 8 to 19 of this 2011 Act and the repeal of ORS 171.590, 177.170, 177.180,  
 16 297.065 and 297.070 by section 20 of this 2011 Act become operative on January 1, 2012.

17 SECTION 26. The Secretary of State and the Joint Legislative Audit Committee may take  
 18 any action before the operative date specified in section 25 of this 2011 Act that is necessary  
 19 to enable the secretary and the committee to exercise, on and after the operative date  
 20 specified in section 25 of this 2011 Act, all the duties, functions and powers conferred upon  
 21 the secretary and the committee by sections 1 to 7 and 21 to 24 of this 2011 Act, the  
 22 amendments to ORS 171.425, 171.580, 171.585, 182.568, 244.050, 291.100, 291.272, 297.030, 297.040,  
 23 297.210, 297.230 and 419C.001 by sections 8 to 19 of this 2011 Act and the repeal of ORS 171.590,  
 24 177.170, 177.180, 297.065 and 297.070 by section 20 of this 2011 Act.

25 SECTION 27. This 2011 Act being necessary for the immediate preservation of the public  
 26 peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect  
 27 on its passage.