

Enrolled Senate Bill 27

Printed pursuant to Senate Interim Rule 213.28 by order of the President of the Senate in conformance with pre-session filing rules, indicating neither advocacy nor opposition on the part of the President (at the request of Superintendent of Public Instruction Susan Castillo for Department of Education)

CHAPTER

AN ACT

Relating to audits of education districts; amending ORS 327.137, 328.465 and 328.467; and declaring an emergency.

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

SECTION 1. ORS 328.465 is amended to read:

328.465. (1) All *[common and union high]* school district boards **and education service district boards** shall cause to have prepared an annual audit of the books and accounts of the **school district or education service district** in the manner set forth in subsection (2) or (3) of this section. The audit *[statements]* **reports** must be filed with the administrative office for the county **in which the administrative office of the district is located** on or before November 1 of the year in which the audit is conducted.

(2) The *[district school board]* **school district board or education service district board** may contract for its audit with the administrative office for the county in which the administrative office of the school district **or education service district** is located. The administrative office for the county shall secure the services of accountants who shall audit the books and accounts of the districts and file with the administrative office for the county a statement setting forth the financial condition of each district. A copy of the audit report of the district shall be sent to the appropriate *[district]* board **of the district**. Each district, upon receipt of billing from the administrative office for the county, shall pay its share of the audit costs.

(3) *[The district board may employ]* **A school district board or an education service district board may contract with** accountants to audit the books and accounts of the district.

(4) Accountants *[employed under]* **under contract as described in** subsection (2) or (3) of this section must be selected from the roster of authorized municipal accountants maintained by the Oregon Board of Accountancy under ORS 297.670.

(5) The audit required by this section *[shall]* **must** include an audit of those factors that are used to compute the State School Fund distribution under ORS **327.011, 327.013 or 327.019**.

SECTION 2. ORS 328.467 is amended to read:

328.467. (1)(a) In performing an audit required under ORS 328.465, the accountant under contract with *[the school district or county]* **a county, a school district board or an education service district board** shall determine whether the school district **or education service district** has:

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

(B) Substantially complied with legal requirements in conducting the district's financial affairs.
(b) The determination shall be included in the **audit** report as required by ORS 297.465.

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

(3) Within 60 days after [a school district files a copy of its] **the** audit report **is filed** with the Secretary of State [or] **and** the Department of Education, a copy of the resolution prepared under subsection (2) of this section [shall] **must** also be filed. Upon receipt of the audit report and the resolution, the Secretary of State and the Department of Education [shall] **must** either acknowledge the [school district board's] plans **of the school district board or education service district board** to correct deficiencies cited in the audit report or notify the [school district] board of those deficiencies that, if not corrected, could result in the withholding of funds under this section. At the request of [the school district] a board, the Secretary of State or the Department of Education shall make suggestions for correcting those deficiencies. If the [school district] board does not agree with the notification by the Secretary of State or the Department of Education, the board shall be granted an opportunity for a conference regarding the notification, audit determinations or corrective measures to be taken.

(4) If the Secretary of State or the Department of Education concurs with the determination made under subsection (1) of this section in two successive audits of the same school district **or education service district** and determines that the school district board **or education service district board** has not taken adequate action to correct the deficiencies cited in the notifications given under subsection (3) of this section, the Secretary of State or the Department of Education may certify those facts to the Superintendent of Public Instruction. The certificate of the Secretary of State or the Department of Education shall be issued only after notice, opportunity to be heard and hearing pursuant to the provisions of ORS chapter 183 governing contested cases. The hearing shall be held within the jurisdiction of the [school] district.

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

(b) The moneys withheld shall be disbursed to the school district **or education service district** after the Superintendent of Public Instruction has received notice from the Secretary of State or the Department of Education that the school district board **or education service district board**:

(A) Has taken action to ensure that the [school] district will follow generally accepted accounting principles in reporting the district's financial condition and operations; and

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

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

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

SECTION 3. ORS 327.137 is amended to read:

327.137. (1) Every common or union high school district **or education service district** shall file a copy of its audit report with the Department of Education within six months of the end of the fiscal year for which the audit is required. If the audit report, as submitted to the district, fails to provide the detail necessary for the computation required in the administration of ORS 327.006 to 327.133, 327.348, 327.355, 327.357, 327.360, 327.731, 328.542 and 530.115 and this section, the district shall submit the necessary information on forms provided by the department within the time pre-

scribed for filing the audit in this section. Any district failing to file a copy of its **audit** report under this section or ORS 327.133 shall not receive any payments from the State School Fund until such reports are filed.

(2) Notwithstanding the timeline provided by this section and pursuant to rules adopted by the State Board of Education, the Superintendent of Public Instruction may waive a reporting date or specify an alternative date to provide the audit report or information if a human-created disaster or a natural disaster affects the ability of a **school district or an education service district** to provide the audit report or information by a specified date.

SECTION 4. ORS 327.137, as amended by section 15, chapter 846, Oregon Laws 2007, and section 7, chapter 184, Oregon Laws 2009, is amended to read:

327.137. (1) Every common or union high school district **or education service district** shall file a copy of its audit report with the Department of Education within six months of the end of the fiscal year for which the audit is required. If the audit report, as submitted to the district, fails to provide the detail necessary for the computation required in the administration of ORS 327.006 to 327.133, 327.348, 327.731, 328.542 and 530.115 and this section, the district shall submit the necessary information on forms provided by the department within the time prescribed for filing the audit in this section. Any district failing to file a copy of its **audit** report under this section or ORS 327.133 shall not receive any payments from the State School Fund until such reports are filed.

(2) Notwithstanding the timeline provided by this section and pursuant to rules adopted by the State Board of Education, the Superintendent of Public Instruction may waive a reporting date or specify an alternative date to provide the audit report or information if a human-created disaster or a natural disaster affects the ability of a **school district or an education service district** to provide the audit report or information by a specified date.

SECTION 5. This 2011 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2011 Act takes effect July 1, 2011.

Passed by Senate April 13, 2011

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Robert Taylor, Secretary of Senate

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Peter Courtney, President of Senate

Passed by House June 1, 2011

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Bruce Hanna, Speaker of House

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Arnie Roblan, Speaker of House

Received by Governor:

.....M.,....., 2011

Approved:

.....M.,....., 2011

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John Kitzhaber, Governor

Filed in Office of Secretary of State:

.....M.,....., 2011

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Kate Brown, Secretary of State