

Senate Bill 27

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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**.

Requires education service district to prepare annual audit of books and accounts of district.
Declares emergency, effective July 1, 2011.

A BILL FOR AN ACT

1
2 Relating to audits of education districts; amending ORS 327.137, 328.465 and 328.467; and declaring
3 an emergency.

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

5 **SECTION 1.** ORS 328.465 is amended to read:

6 328.465. (1) All [*common and union high*] school district boards **and education service district**
7 **boards** shall cause to have prepared an annual audit of the books and accounts of the **school** dis-
8 trict **or education service district** in the manner set forth in subsection (2) or (3) of this section.
9 The audit [*statements*] **reports** must be filed with the administrative office for the county **in which**
10 **the administrative office of the district is located** on or before November 1 of the year in which
11 the audit is conducted.

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

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

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

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

27 **SECTION 2.** ORS 328.467 is amended to read:

28 328.467. (1)(a) In performing an audit required under ORS 328.465, the accountant under contract
29 with [*the school district or county*] **a county, a school district board or an education service**
30 **district board** shall determine whether the school district **or education service district** has:

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 (A) Followed generally accepted accounting principles in reporting the district's financial con-
2 dition and operations; and

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

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

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

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

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

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

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

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

39 (B) Will ensure that the [school] district substantially complies with legal requirements in con-
40 ducting the district's financial affairs.

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

45 (7) As used in this section, "generally accepted accounting principles" means those accounting

1 principles sanctioned by recognized authoritative bodies such as the Governmental Accounting
2 Standards Board, the Financial Accounting Standards Board or their successors.

3 **SECTION 3.** ORS 327.137 is amended to read:

4 327.137. (1) Every common or union high school district **or education service district** shall file
5 a copy of its audit report with the Department of Education within six months of the end of the
6 fiscal year for which the audit is required. If the audit report, as submitted to the district, fails to
7 provide the detail necessary for the computation required in the administration of ORS 327.006 to
8 327.133, 327.348, 327.355, 327.357, 327.360, 327.731, 328.542 and 530.115 and this section, the district
9 shall submit the necessary information on forms provided by the department within the time pre-
10 scribed for filing the audit in this section. Any district failing to file a copy of its **audit** report under
11 this section or ORS 327.133 shall not receive any payments from the State School Fund until such
12 reports are filed.

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

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

20 327.137. (1) Every common or union high school district **or education service district** shall file
21 a copy of its audit report with the Department of Education within six months of the end of the
22 fiscal year for which the audit is required. If the audit report, as submitted to the district, fails to
23 provide the detail necessary for the computation required in the administration of ORS 327.006 to
24 327.133, 327.348, 327.731, 328.542 and 530.115 and this section, the district shall submit the necessary
25 information on forms provided by the department within the time prescribed for filing the audit in
26 this section. Any district failing to file a copy of its **audit** report under this section or ORS 327.133
27 shall not receive any payments from the State School Fund until such reports are filed.

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

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

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