

CHAPTER 491 (HB 689)

AN ACT relating to audits of school district cooperatives and school districts.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 43 IS CREATED TO READ AS FOLLOWS:

- (1) *The Auditor of Public Accounts shall be responsible for an annual audit of the funds contained in each school district cooperative, school district consortium, school district corporation, and any other entity formed by school districts in an agreement made pursuant to KRS 65.210 to 65.300, with the cost of the audit to be borne by the audited entity.*
- (2) *A school district cooperative, school district consortium, school district corporation, or other entity formed by school districts in an agreement made pursuant to KRS 65.210 to 65.300 may employ a certified public accountant to audit the books, accounts, and papers of the cooperative, consortium, corporation, or other entity in lieu of the audit required by subsection (1) of this section, if the Auditor of Public Accounts declines in writing to assume responsibility for performing the audit or fails to respond in writing within thirty (30) days of receiving the cooperative's, consortium's, corporation's, or other entity's written notice of its intent to employ a certified public accountant to conduct the audit. The cooperative, consortium, corporation, or other entity shall not enter into any contract with a certified public accountant for an audit unless the Auditor of Public Accounts has declined in writing to assume responsibility for performing the audit or has failed to respond within thirty (30) days of receipt of a written request for an audit.*
- (3) (a) *Any contract with a certified public accountant entered into as a result of the Auditor of Public Accounts either declining to assume responsibility of performing the audit or failing to respond within thirty (30) days of receipt of a written request for an audit shall specify the following:*
 1. *That the certified public accountant shall forward a copy of the audit report and management letters to the Auditor of Public Accounts for review;*
 2. *That the Auditor of Public Accounts shall have the right to review the certified public accountant's work papers before and after the release of the audit; and*
 3. *That after review of the certified public accountant's work papers, if discrepancies are found, the Auditor of Public Accounts shall notify the audited entity of the discrepancies. If the certified public accountant does not correct these discrepancies prior to the release of the audit, the Auditor of Public Accounts may conduct its own audit to verify the findings of the certified public accountant's report.*
- (b) *If an audit verifying the findings of the certified public accountant's report is conducted by the Auditor of Public Accounts, the total audit expense incurred by the audited entity shall be an allowable expenditure and shall be paid by the audited entity to the Auditor of Public Accounts. If the audit conducted by the Auditor of Public Accounts discloses discrepancies in the audit by the certified public accountant, the findings of the Auditor of Public Accounts shall be deemed official for all purposes.*

LEGISLATIVE RESEARCH COMMISSION PDF VERSION

Section 2. KRS 156.265 is amended to read as follows:

- (1) There shall be a State Committee for School District Audits comprised of the Governor, or a person designated by him, the Attorney General, *the Auditor of Public Accounts*, a person designated by the *Legislative Research Commission to represent the Office of Education Accountability*,~~[secretary of the Finance and Administration Cabinet]~~ and the *commissioner of education*~~[chief state school officer]~~. The *Auditor of Public Accounts*~~[Governor, or the person designated by him,]~~ shall be the *chair*~~[chairman]~~ of the committee.
- (2) The committee shall have the accounts of each board audited not less than once every~~[two~~ (2)] fiscal *year*~~[years]~~. The committee also may, at any time, cause to be made a comprehensive and complete audit of any board. Upon the written request of the state board, the *commissioner of education*~~[chief state school officer]~~, the Attorney General, the Auditor of Public Accounts, the Governor, or the Office of Education Accountability, the committee may cause the accounts of a board to be audited. Each audit shall cover such period of time, and shall include such auditing procedures and standards, as the committee may designate.
- (3) Audits authorized under this section are in addition to any audits contemplated under KRS 11.090, 156.200 or KRS Chapter 43.
- (4) The actual expense of any audit authorized under this section shall be borne equally by the district board of education and by the committee from funds allocated to it.
- (5) *The committee shall meet at least quarterly. Additional or special meetings may be called by the chair.*

Approved April 21, 2000