

CHAPTER 59

(SB 186)

AN ACT relating to the Auditor of Public Accounts.

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

➔Section 1. KRS 43.020 is amended to read as follows:

The Auditor shall ~~reside and~~ keep his *or her* office at the seat of government.

➔Section 2. KRS 43.030 is amended to read as follows:

- (1) The Auditor shall appoint for the duration of his or her own term, subject to removal by the Auditor at any time, one (1) assistant auditor of public accounts, who shall be a certified public accountant and who has been a citizen and resident of the state for at least two (2) years. The assistant auditor shall have direct supervision over all technical work and technical assistants, and shall otherwise aid the Auditor in the performance of his or her duties, *except that the assistant auditor of public accounts may exercise a full or partial recusal from this supervision requirement in regard to the consulting function authorized in Section 4 of this Act if needed to comply with the professional standards of accountancy.* If the Auditor is absent or is rendered incapable of performing his or her duties, or if a vacancy in the office occurs, the assistant auditor shall perform the duties of Auditor until the necessity therefor ceases to exist. He or she shall take the constitutional oath.
- (2) The Auditor may employ other subordinate personnel subject to the provisions of KRS 12.060. All employees with status as defined in KRS 18A.005 who are engaged in auditing or investigations shall possess a minimum of a four (4) year college degree. No less than ninety percent (90%) of all employees engaged in financial auditing or financial investigations shall have twenty (20) semester hours or thirty (30) quarter hours of accounting, or alternately, shall be a certified public accountant. Not more than two (2) persons charged with the conduct of audits and investigations may substitute year-for-year responsible experience acceptable to the Personnel Cabinet for the required college education and accounting hours.
- (3) The Auditor and his or her sureties are liable on his or her official bond for the acts of the assistant auditor and clerks.
- (4) Nothing in this section shall be deemed to affect the provisions of KRS 11.090 or other legislation authorizing audits.

➔Section 3. KRS 43.040 is amended to read as follows:

- (1) Upon ~~this resignation or~~ the expiration of *the Auditor's*~~his~~ term of office, the Auditor shall *file a certification of the inventory of the office with the Secretary of State and shall deliver the inventory to the Auditor's*~~with the aid of the Secretary of State, make an inventory of the books, furniture and stationery belonging to the office, file the inventory in the Office of the Secretary of State, and deliver the books, furniture and stationery to his~~ successor.
- (2) *In the event of a vacancy in the office of Auditor, the assistant auditor of public accounts shall file a certification of the inventory of the office with the Secretary of State and shall deliver the inventory to the Auditor's successor.*

➔Section 4. KRS 43.050 is amended to read as follows:

- (1) The Auditor constitutes an agency independent of the administrative departments enumerated in KRS 12.020, it being the policy of the General Assembly to provide for the independent auditing of the accounts, financial transactions, and performance of all spending agencies of the state through a disinterested auditor, who is entirely independent of the state administration whose affairs he is called upon to audit.
- (2) The Auditor ~~may~~*shall*:
 - (a) Audit annually, and at such other times as may be deemed expedient, the accounts of all state agencies, all private and semiprivate agencies receiving state aid or having responsibility for the handling of any state funds, the accounts, records, and transactions of the budget units, and the general accounts of the state;~~[-]~~

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- (b) Make a complete audit and verification of all moneys handled for the account of the state government by local officials charged with the collection of fees or other money for or on behalf of the state, when an audit is demanded in writing by the Legislative Research Commission, the secretary of the Finance and Administration Cabinet, or the Governor, and may make an audit when it is not so demanded;~~[-]~~
- (c) Examine periodically the performance, management, conduct, and condition of all asylums, prisons, institutions for the intellectually disabled, and eleemosynary institutions; public works owned, operated, or partly owned by the state, or in the conduct or management of which the state has any financial interest or legal power; and state agencies. The examinations shall give special attention to the faithful and economical application of any money appropriated by the state to the institution, public works, or state agency examined, or of any money in which the state has an interest;~~[-]~~
- (d) Examine annually the management and condition of the offices of the Finance and Administration Cabinet, the State Treasurer, and the chief state school officer, to determine whether the laws regulating their duties are being fully complied with, and all money received by them for the state fully accounted for;~~[-]~~
- (e) Examine, at least biennially, the Finance and Administration Cabinet's compliance with this section and KRS 48.111 and 56.800 to 56.823. Within sixty (60) days of the completion of each examination, the Auditor shall report his findings and recommendations to the Capital Projects and Bond Oversight Committee;~~[-]~~
- (f) Audit periodically all state revenue collections, and, if he finds that collections are not being satisfactorily made, report that fact to the authority whose duty it is to make the collections;~~[-]~~
- (g) Make special audits and investigations when required by the Governor;~~[-]~~
- (h) Investigate the means of accounting for, controlling, and insuring the safe custody of all property of the state, and verify the existence and condition of such property charged to, or held in the custody of any state agency;~~[-]~~
- (i) Audit the statements of financial condition and operations of the state government, and certify in writing the results of the audit and examination with the comments he deems necessary for the information of the General Assembly;~~[-]~~
- (j) Report immediately in writing to the Governor, ~~each member of~~ the Legislative Research Commission, and the secretary of the Finance and Administration Cabinet, any unauthorized, illegal, irregular, or unsafe handling or expenditure of state funds, or other improper practice of financial administration, or evidence that any such handling, expenditure, or practice is contemplated, and any obstruction of the Auditor or his agents during the conduct of any audit or investigation of a state agency; **and**~~[-]~~
- (k) Assist the Legislative Research Commission at hearings and investigations conducted by it and cooperate with the Legislative Research Commission in the preparation of its reports to the General Assembly.
- ~~[(l) Keep accounts showing the costs of his own operations and of each separate audit and investigation made by him, and the accounts he deems necessary to provide a record of warrants of the state outstanding as of the end of each calendar month.]~~
- (3) The Auditor may investigate and examine into the conduct of all state and county officers who are authorized to receive, collect, or disburse any money for the state, or who manage or control any property belonging to the state or in which the state is interested, or who make estimates or records that are used as a basis by any state agency in the disbursement of public funds.
- (4) The Auditor may conduct a special audit or examination of a city government or any of its agencies or departments.
- (5) ***Except where otherwise provided, any expenses incurred by the Auditor for audits, examinations, investigations, or reviews shall be charged to the entity that is the subject of the audit, examination, investigation, or review. The Auditor shall maintain a record of all time expenses for each audit, examination, investigation, or review.***
- (6) ***The Auditor may provide consulting services, in accordance with auditing standards generally accepted in the United States and government auditing standards, to state or local government entities and associations***

of such entities, including special purpose governmental entities, and may charge a mutually agreed upon rate for those services, including:

- (a) *Providing training and technical presentations;*
 - (b) *Developing audit guides applicable to those entities;*
 - (c) *Developing question and answer documents to promote understanding of technical issues or standards; and*
 - (d) *Collaborating with other professional organizations to advance auditing of government entities and programs.*
- (7) The Auditor shall not be responsible for the keeping of any accounts of the state, except accounts relating to his own operations~~[, and records of outstanding warrants]~~. He shall not be responsible for the collection of any money due the state, or for the handling or custody of any state funds or property except in the process of counting and verifying the amounts of the funds or property in the course of the audits provided for in this section.

➔Section 5. KRS 43.060 is amended to read as follows:

The Auditor shall *audit annually the Commonwealth's Comprehensive Annual Financial Report, in accordance with generally accepted government auditing standards, and may at any other time the Auditor thinks necessary audit or examine the books, accounts, and papers of the State Treasurer and the Finance and Administration Cabinet*~~[make audits of the accounts of the State Treasurer and the Finance and Administration Cabinet not less than once each month. He shall ascertain, by personal examination of the books, accounts, and papers in the office of the Finance and Administration Cabinet, the money received by it each month, the sources from which received, and the money paid by it into the State Treasury each month. He shall carefully examine into the books, accounts, and papers in the office of the State Treasury, and ascertain the amounts of money paid into and out of the State Treasury each month, and shall ascertain the amount of money on hand by counting it and by personal inquiry of the cashier of each bank or depository in which any state money has been placed or deposited. The Auditor shall compare the vouchers and receipts of the Finance and Administration Cabinet and the State Treasurer, and state the accounts of each, and make a thorough investigation of their offices. The investigations and audits required by this section shall be made between the first day and the tenth day of each month, and at any other time the Auditor thinks necessary]~~.

➔Section 6. KRS 43.090 is amended to read as follows:

- (1) Immediately upon completion of each audit and investigation, except those provided for in KRS 43.070, the Auditor shall prepare a report of his *or her* findings and recommendations. He *or she* shall furnish one (1) copy of the report to the head of the agency to which the report pertains, one (1) copy to the Governor, one (1) copy to the secretary of the Finance and Administration Cabinet, one (1) copy to the Legislative Research Commission, and one (1) copy to the state librarian. The agency to which an Auditor's draft report pertains shall respond in writing to any adverse or critical audit findings and to any recommendations contained in the draft report within fifteen (15) days of receipt of the draft report. The Auditor shall distribute the agency's response to those entitled by this subsection to a copy of the audit report. Within sixty (60) days of the completion of the final audit *or examination* report, the agency to which an Auditor's report pertains shall notify the Legislative Research Commission and the Auditor of the audit recommendations it has implemented and of the audit recommendations it has not implemented. The agency shall state the reasons for its failure to implement any recommendation made in the final audit *or examination* report.~~[The Auditor shall prepare and transmit to each member of the General Assembly, by December 15 immediately preceding the convening of each regular session of the General Assembly, a printed report of his activities summarizing the findings and recommendations in his report on each audit or investigation made since the last preceding biennial report to the General Assembly listing, by state agency, the audit recommendations that have not been implemented and the reasons given by state agencies for nonimplementation, and presenting such other findings and recommendations as he sees fit to make. He shall file a copy of this report with the Governor and five (5) copies with the state librarian.]~~ All audit reports *and agency responses* shall be, *subject to KRS 61.870 to 61.884, posted online in a publicly searchable format*~~[public documents to which taxpayers shall have access]~~.
- (2) The Auditor shall, within a reasonable time after the examination of each county as provided in KRS 43.070, make a written report to the Governor, the General Assembly, the Attorney General, the state librarian, and the fiscal court and county attorney of the county examined, calling attention in specific terms to any mismanagement, misconduct, misapplication or illegal appropriation, or extravagant use of money received or

disbursed by any officer of the county examined. In addition, said report shall be sent to a newspaper having general circulation in the county examined, and the letter of transmittal accompanying the report shall be published in said newspaper in accordance with the provisions of KRS Chapter 424. ***All audit reports and responses shall be, subject to KRS 61.870 to 61.884, posted online in a publicly searchable format.***

➔Section 7. KRS 43.200 is amended to read as follows:

- (1) There is hereby created in the Auditor of Public Accounts office a scholarship program for economically disadvantaged students planning to major in accounting at Kentucky institutions of higher education agreeing to provide matching funds.
- (2) Up to four (4) students each year ~~may~~~~shall~~ be selected by the Auditor as eligible to receive a scholarship for up to four (4) years while pursuing an accounting degree. Each individual scholarship shall be subject to review annually.
- (3) The annual scholarship amount shall be set by the Auditor in an amount required to cover the average cost of room, board, tuition, and fees at Kentucky public institutions, as well as living expenses. In addition, the scholarship shall include full-time summer employment with the Auditor's office.
- (4) Upon receiving their accounting degree, recipients of the scholarship shall be required to work one (1) year for the Auditor's office for each year they received the scholarship.
- (5) Recipients failing to complete an accounting program or failing to fulfill the service requirement shall become liable to the Auditor's office for the sum of all scholarship funds received plus interest for the entire period. The rate of interest shall be determined when the scholarship is awarded. The debt may be deferred for cause by the Auditor and a schedule for repayment may be established.
- (6) The Auditor's office shall execute appropriate contracts and promissory notes with scholarship recipients.

Signed by Governor March 27, 2020.