

KENTUCKY GENERAL ASSEMBLY AMENDMENT FORM
2016 REGULAR SESSION
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Amend printed copy of HB 438

On page 3, beginning on line 17, delete Section 3 in its entirety and insert in lieu thereof the following:

"➔SECTION 3. A NEW SECTION OF KRS CHAPTER 147A IS CREATED TO READ AS FOLLOWS:

(1) (a) Beginning no later than July 1, 2017, the Auditor of Public Accounts shall perform a preliminary study of the fifteen (15) area development districts that includes but is not limited to an evaluation of policies, procedures, and internal controls; an analysis of financial activities; the administration of questionnaires to or the conduct of interviews with the board of directors, executive director, and other select employees; and other pertinent evaluation procedures as determined by the Auditor.

(b) If issues or concerns are identified by the Auditor of Public Accounts in the preliminary study, then an examination, if warranted, of those issues and concerns shall be performed on the identified area development district.

(2) The Auditor of Public Accounts or the Auditor's authorized agent shall have access to examine all books, accounts, reports, vouchers, correspondence, files, records, money, and property of each area development district. The board of directors for each area

Amendment No. HFA 2

Sponsor: Rep. Jim DeCesare

Committee Amendment: _____

Signed: _____

Floor Amendment: _____

LRC Drafter: Montgomery, Carla

Adopted: _____

Date: _____

Rejected: _____

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development district shall permit access to and examination of all of the above upon request of the Auditor or any authorized agent of the Auditor.

(3) Upon completion of any examination pursuant to this section, the Auditor of Public Accounts shall submit recommendations to the board of directors to remedy any issues and concerns of the examination.

(4) The board of directors shall have forty-five (45) days to submit a corrective action plan to the Auditor of Public Accounts and initiate corrective action based on the recommendations submitted under subsection (3) of this section.

(5) The Auditor of Public Accounts or the Auditor's authorized agent shall have all powers and authority set forth in KRS Chapter 43 in performing the preliminary study and any examinations under this section.

(6) (a) The cost for the preliminary study shall be borne by the area development districts; however, the expense may be paid from resources received by the area development districts from the Commonwealth or the federal government to the extent permitted by applicable state and federal laws and regulations. The expense for the preliminary study shall be allocated among the area development districts based on total resources; and

(b) Any examination expenses shall be billed by the Auditor of Public Accounts to the examined area development district which shall be responsible to pay the Auditor the actual expenses of the examination.

(7) The preliminary study shall be completed by June 30, 2018, and any examinations pursuant to this section shall be initiated by June 30, 2021.

(8) The Auditor of Public Accounts shall send copies of the preliminary study, and any examinations, which shall include the Auditor's recommendations and the area development districts' response to recommendations, to:

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- (a) The Legislative Research Commission, which shall disburse the materials to the chairs of the Interim Joint Committees on Appropriations and Revenue, Health and Welfare, Labor and Industry, State Government, Local Government, Economic Development and Tourism, and Education;
- (b) The Attorney General; and
- (c) The appropriate cabinet and executive agency.

➔SECTION 4. A NEW SECTION OF KRS CHAPTER 147A IS CREATED TO READ AS FOLLOWS:

- (1) Effective July 1, 2017, no area development district shall enter into any contract with a certified public accountant or firm to perform an audit unless the Auditor of Public Accounts has declined in writing to perform the audit or has failed to respond within thirty (30) days of receipt of a written request. The area development district shall furnish the Auditor of Public Accounts with a comprehensive statement of the scope and nature of the proposed audit. The actual expense of an audit performed by the Auditor of Public Accounts shall be billed to the audited area development district.
- (2) When an audit of an area development district is performed by a certified public accountant or firm, the Auditor of Public Accounts shall have the right to review the certified public accountant's or firm's work papers before and after the release of the audit.
- (3) After preliminary review of the work papers, should discrepancies be found, the Auditor of Public Accounts shall notify the audited entity of the discrepancies. If the certified public accountant or firm does not correct those 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 or firm's report. If an audit verifying the findings of the certified public accountant's report is conducted by the Auditor of Public Accounts, the

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actual expense of the audit shall be billed to the area development district."