

1 AN ACT relating to area development districts.

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

3 ➔Section 1. KRS 147A.070 is amended to read as follows:

- 4 (1) **Subject to the requirements of subsection (3) of this section,** the board of directors  
5 in each district may appoint an executive director **and deputy executive director** and  
6 fix ~~the~~<sup>his</sup> salary **for each position**. The executive director shall perform, in the  
7 name of the board, such functions and duties and may exercise such authority of the  
8 board as the board may delegate to **the executive director. The deputy executive**  
9 **director, if one is hired, shall perform such functions and duties as designated by**  
10 **the executive director**~~him~~.
- 11 (2) The board of directors in each district may elect from its membership an executive  
12 committee and delegate to the committee any of the following duties:
- 13 (a) To employ such staff members as may be required for the operations of the  
14 district;
- 15 (b) To manage the financial assets and obligations of the district;
- 16 (c) To guide the activities of the district between meetings of the board; and
- 17 (d) To perform such other duties as the board might delegate to it.
- 18 (3) **On or after the effective date of this Act, an open position for the executive**  
19 **director or deputy executive director with an area development district shall be**  
20 **advertised by the board of directors in a manner designed to provide adequate**  
21 **notice of the opening and sufficient time for interested applicants to apply.**  
22 **Advertisement of an open position shall, at a minimum, be published on the Web**  
23 **site of the district and published in accordance with KRS Chapter 424 at a**  
24 **minimum for a period of twenty-one (21) days.**
- 25 (4) **Bonuses, awards, one (1) time salary adjustments, special salary enhancements,**  
26 **or severance pay for any employee, unless severance pay is provided pursuant to**  
27 **a contract approved by the board, that do not constitute a permanent change in**

1 the employee's compensation shall not be made or awarded to any employee of a  
2 district.

3 ➔SECTION 2. A NEW SECTION OF KRS 147A.050 TO 147A.140 IS  
4 CREATED TO READ AS FOLLOWS:

5 (1) By December 31 of each year beginning in 2017, the Cabinet for Health and  
6 Family Services and the Education and Workforce Development Cabinet shall,  
7 following any year in which the cabinet awarded federal or state funds to an area  
8 development district, prepare and submit a detailed report to the Legislative  
9 Research Commission and area development district board members. The report  
10 shall include the total amount of state and federal funds distributed to each area  
11 development district, broken down by funding source and program from the  
12 preceding fiscal year.

13 (2) By December 31 of each year beginning in 2017, each area development district  
14 shall, following any year in which the area development district receives state or  
15 federal funds, prepare and submit a detailed report to the Legislative Research  
16 Commission and area development board members. The report shall include the  
17 following financial information from the preceding fiscal year:

18 (a) For each allocation, distribution, award, or grant of state or federal funds,  
19 the total amount, the percentage of the total amount, and a description of  
20 the specific types of expenditures made for or allocated to:

21 1. Administrative costs;

22 2. Direct expenditures; and

23 3. Indirect expenditures;

24 (b) Allocation, distribution, award, or grant funds not expended, and an  
25 explanation of why the funds were not expended;

26 (c) The total amount of reserves carried forward by the area development  
27 district, identification of the source of those funds, and an explanation of

1 why the funds are being carried forward; and

2 (d) For each program:

3 1. A list of direct services provided by the district;

4 2. A list of service providers contracted by the district and the services  
5 provided by those providers;

6 3. The number of eligible persons for the program, number of persons  
7 served by the program, and, if applicable, number of people on waiting  
8 lists for the program; and

9 4. The performance measures required by the contract used to evaluate  
10 the area development district's actions.

11 (3) The Legislative Research Commission shall distribute the report to the  
12 appropriate interim joint committees and to the budget review subcommittee that  
13 has jurisdiction over the Cabinet for Health Family Services or the Education  
14 and Workforce Development Cabinet.

15 ➔SECTION 3. A NEW SECTION OF KRS 147A.050 TO 147A.140 IS  
16 CREATED TO READ AS FOLLOWS:

17 (1) By January 1, 2018, each area development district and any board, committee, or  
18 other organization created by an area development district shall:

19 (a) Comply with the provisions of KRS 61.870 to 61.884;

20 (b) Comply with the provisions of KRS 61.800 to 61.850;

21 (c) Comply with state and federal procurement statutes and administrative  
22 regulations, as applicable;

23 (d) Comply with and be subject to the provisions of KRS 65A.070 by either  
24 adopting a code of ethics or abiding by the applicable code of ethics  
25 pursuant to KRS 65A.070;

26 (e) Adopt policies to address conflicts of interest for employees and board  
27 members of the area development districts, which shall include a

1           prohibition on employees and board members having any interest, either  
2           direct or indirect, in any contract entered into by the area development  
3           district or any agency created by the area development district;

4           (f) Be subject to the provisions of KRS 61.101 to 61.103;

5           (g) Subject to the provisions of subsection (4) of Section 1 of this Act, adopt,  
6           implement, and maintain a detailed and equitable compensation policy for  
7           its employees; and

8           (h) Establish and maintain an independent process to receive, analyze,  
9           investigate and resolve concerns relating to the area development district,  
10           including alleged violations of the code of ethics or any of the provisions of  
11           this section. The process shall include a monthly reporting requirement to  
12           the board members of the area development district of any reported  
13           concerns or alleged violations. If the process finds a reasonable likelihood  
14           that a violation exists, then that alleged violation shall be reported to the  
15           Department for Local Government, the Auditor of Public Accounts, and the  
16           Attorney General; and

17           (2) By July 1, 2020, each area development district and any board, committee, or  
18           other organization created by an area development district shall provide public  
19           access to financial information in compliance with the provisions of KRS  
20           65.312(4).

21           ➔SECTION 4. A NEW SECTION OF KRS 147A.050 TO 147A.140 IS  
22           CREATED TO READ AS FOLLOWS:

23           (1) No area development district shall enter into any contract with a certified public  
24           accountant or firm to perform an audit unless the Auditor of Public Accounts has  
25           declined in writing to perform the audit or has failed to respond within thirty (30)  
26           days of receipt of a written request. The area development district shall furnish  
27           the Auditor of Public Accounts with a comprehensive statement of the scope and

1 nature of the proposed audit. The actual expense of an audit performed by the  
2 Auditor of Public Accounts shall be billed to the audited area development  
3 district.

4 (2) Any contract with a certified public accountant or firm entered into as a result of  
5 the Auditor of Public Accounts either declining to perform the audit or failing to  
6 respond within thirty (30) days of receipt of a written request for an audit shall  
7 specify the following:

8 (a) That the certified public accountant shall forward a copy of the audit report  
9 and management letters to the Auditor of Public Accounts for review;

10 (b) That the Auditor of Public Accounts shall have the right to review the  
11 certified public accountant or firm's work papers before and after the  
12 release of the audit; and

13 (c) That after review of the certified public accountant or firm's work papers,  
14 should discrepancies be found, the Auditor of Public Accounts shall notify  
15 the audited entity of the discrepancies. If the certified public accountant or  
16 firm does not correct these discrepancies prior to the release of the audit,  
17 the Auditor of Public Accounts may conduct its own audit to verify the  
18 findings of the certified public accountant's report.

19 (3) If an audit verifying the findings of the certified public accountant or firm's  
20 report is conducted by the Auditor of Public Accounts, the actual expense of the  
21 audit shall be billed to the area development district.

22 ➔Section 5. Section 4 of this Act shall take effect on July 1, 2018.