

By: Senator(s) Kirby

To: Judiciary, Division A

COMMITTEE SUBSTITUTE
FOR
SENATE BILL NO. 2236

1 AN ACT TO AMEND SECTION 7-7-211, MISSISSIPPI CODE OF 1972, TO
2 PROVIDE A CIVIL PENALTY UPON SURETIES WHICH FAIL WITHIN A CERTAIN
3 PERIOD OF TIME TO PAY, OR TO GIVE THE STATE AUDITOR REASONS FOR
4 NONPAYMENT, ON THE BOND OF PUBLIC OFFICIALS; AND FOR RELATED
5 PURPOSES.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

7 **SECTION 1.** Section 7-7-211, Mississippi Code of 1972, is
8 amended as follows:

9 7-7-211. The department shall have the power and it shall be
10 its duty:

11 (a) To identify and define for all public offices of
12 the state and its subdivisions generally accepted accounting
13 principles as promulgated by nationally recognized professional
14 organizations and to consult with the State Fiscal Officer in the
15 prescription and implementation of accounting rules and
16 regulations;

17 (b) To prescribe, for all public offices of regional
18 and local subdivisions of the state, systems of accounting,
19 budgeting and reporting financial facts relating to said offices
20 in conformity with legal requirements and with generally accepted
21 accounting principles as promulgated by nationally recognized
22 professional organizations; to assist such subdivisions in need of
23 assistance in the installation of such systems; to revise such
24 systems when deemed necessary, and to report to the Legislature at
25 periodic times the extent to which each office is maintaining such
26 systems, along with such recommendations to the Legislature for
27 improvement as seem desirable;

28 (c) To study and analyze existing managerial policies,
29 methods, procedures, duties and services of the various state
30 departments and institutions upon written request of the Governor,
31 the Legislature or any committee or other body empowered by the
32 Legislature to make such request to determine whether and where
33 operations can be eliminated, combined, simplified and improved;

34 (d) To postaudit each year and, when deemed necessary,
35 preaudit and investigate the financial affairs of the departments,
36 institutions, boards, commissions or other agencies of state
37 government, as part of the publication of a comprehensive annual
38 financial report for the State of Mississippi. In complying with
39 the requirements of this subsection, the department shall have the
40 authority to conduct all necessary audit procedures on an interim
41 and year-end basis;

42 (e) To postaudit and, when deemed necessary, preaudit
43 and investigate separately the financial affairs of (i) the
44 offices, boards and commissions of county governments and any
45 departments and institutions thereof and therein; (ii) public
46 school districts, departments of education and junior college
47 districts; and (iii) any other local offices or agencies which
48 share revenues derived from taxes or fees imposed by the state
49 Legislature or receive grants from revenues collected by
50 governmental divisions of the state; the cost of such audits,
51 investigations or other services to be paid as follows: Such part
52 shall be paid by the state from appropriations made by the
53 Legislature for the operation of the State Department of Audit as
54 may exceed the sum of One Hundred Dollars (\$100.00) per day for
55 the services of each staff person engaged in performing the audit
56 or other service, which sum shall be paid by the county, district,
57 department, institution or other agency audited out of its general
58 fund or any other available funds from which such payment is not
59 prohibited by law;

60 (f) To postaudit and, when deemed necessary, preaudit
61 and investigate the financial affairs of the levee boards;
62 agencies created by the Legislature or by executive order of the
63 Governor; profit or nonprofit business entities administering
64 programs financed by funds flowing through the State Treasury or
65 through any of the agencies of the state, or its subdivisions; and
66 all other public bodies supported by funds derived in part or
67 wholly from public funds, except municipalities which annually
68 submit an audit prepared by a qualified certified public
69 accountant using methods and procedures prescribed by the
70 department;

71 (g) To make written demand, when necessary, for the
72 recovery of any amounts representing public funds improperly
73 withheld, misappropriated and/or otherwise illegally expended by
74 an officer, employee or administrative body of any state, county
75 or other public office, and/or for the recovery of the value of
76 any public property disposed of in an unlawful manner by a public
77 officer, employee or administrative body, such demands to be made
78 (i) upon the person or persons liable for such amounts and upon
79 the surety on official bond thereof, and/or (ii) upon any
80 individual, partnership, corporation or association to whom the
81 illegal expenditure was made or with whom the unlawful disposition
82 of public property was made, if such individual, partnership,
83 corporation or association knew or had reason to know through the
84 exercising of reasonable diligence that the expenditure was
85 illegal or the disposition unlawful. Such demand shall be
86 premised on competent evidence, which shall include at least one
87 (1) of the following: (i) sworn statements, (ii) written
88 documentation, (iii) physical evidence, or (iv) reports and
89 findings of government or other law enforcement agencies. Other
90 provisions notwithstanding, a demand letter issued pursuant to
91 this subsection shall remain confidential by the State Auditor
92 until the individual against whom the demand letter is being filed

93 has been served with a copy of such demand letter. If, however,
94 such individual cannot be notified within fifteen (15) days using
95 reasonable means and due diligence, such notification shall be
96 made to the individual's bonding company, if he or she is bonded.
97 Each such demand shall be paid into the proper treasury of the
98 state, county or other public body through the office of the
99 department in the amount demanded within thirty (30) days from the
100 date thereof, together with interest thereon in the sum of one
101 percent (1%) per month from the date such amount or amounts were
102 improperly withheld, misappropriated and/or otherwise illegally
103 expended. In the event, however, such person or persons or such
104 surety shall refuse, neglect or otherwise fail to pay the amount
105 demanded and the interest due thereon within the allotted thirty
106 (30) days, the State Auditor shall have the authority and it shall
107 be his duty to institute suit, and the Attorney General shall
108 prosecute the same in any court of the state to the end that there
109 shall be recovered the total of such amounts from the person or
110 persons and surety on official bond named therein; and the amounts
111 so recovered shall be paid into the proper treasury of the state,
112 county or other public body through the State Auditor. In any
113 case where written demand is issued to a surety on the official
114 bond of such person or persons and the surety refuses, neglects or
115 otherwise fails within ninety (90) days to either pay the amount
116 demanded and the interest due thereon or to give the State Auditor
117 a written response with specific reasons for nonpayment, then the
118 surety shall be subject to a civil penalty in an amount of twelve
119 percent (12%) of the bond, not to exceed Ten Thousand Dollars
120 (\$10,000.00), to be deposited into the State General Fund;

121 (h) To investigate any alleged or suspected violation
122 of the laws of the state by any officer or employee of the state,
123 county or other public office in the purchase, sale or the use of
124 any supplies, services, equipment or other property belonging
125 thereto; and in such investigation to do any and all things

126 necessary to procure evidence sufficient either to prove or
127 disprove the existence of such alleged or suspected violations.
128 The Department of Investigation of the State Department of Audit
129 may investigate, for the purpose of prosecution, any suspected
130 criminal violation of the provisions of this chapter. For the
131 purpose of administration and enforcement of this chapter, the
132 enforcement employees of the Department of Investigation of the
133 State Department of Audit have the powers of a law enforcement
134 officer of this state, and shall be empowered to make arrests and
135 to serve and execute search warrants and other valid legal process
136 anywhere within the State of Mississippi. All enforcement
137 employees of the Department of Investigation of the State
138 Department of Audit hired on or after July 1, 1993, shall be
139 required to complete the Law Enforcement Officers Training Program
140 and shall meet the standards of the program.

141 (i) To issue subpoenas, with the approval of, and
142 returnable to, a judge of a chancery or circuit court, in termtime
143 or in vacation, to examine the records, documents or other
144 evidence of persons, firms, corporations or any other entities
145 insofar as such records, documents or other evidence relate to
146 dealings with any state, county or other public entity. The
147 circuit or chancery judge must serve the county in which the
148 records, documents or other evidence is located; or where all or
149 part of the transaction or transactions occurred which are the
150 subject of the subpoena;

151 (j) In any instances in which the State Auditor is or
152 shall be authorized or required to examine or audit, whether
153 preaudit or postaudit, any books, ledgers, accounts or other
154 records of the affairs of any public hospital owned or owned and
155 operated by one or more political subdivisions or parts thereof or
156 any combination thereof, or any school district, including
157 activity funds thereof, it shall be sufficient compliance
158 therewith, in the discretion of the State Auditor, that such

159 examination or audit be made from the report of any audit or other
160 examination certified by a certified public accountant and
161 prepared by or under the supervision of such certified public
162 accountant. Such audits shall be made in accordance with
163 generally accepted standards of auditing, with the use of an audit
164 program prepared by the State Auditor, and final reports of such
165 audits shall conform to the format prescribed by the State
166 Auditor. All files, working papers, notes, correspondence and all
167 other data compiled during the course of the audit shall be
168 available, without cost, to the State Auditor for examination and
169 abstracting during the normal business hours of any business day.
170 The expense of such certified reports shall be borne by the
171 respective hospital, or any available school district funds other
172 than minimum program funds, subject to examination or audit. The
173 State Auditor shall not be bound by such certified reports and
174 may, in his or their discretion, conduct such examination or audit
175 from the books, ledgers, accounts or other records involved as may
176 be appropriate and authorized by law.

177 (k) The State Auditor shall have the authority to
178 contract with qualified public accounting firms to perform
179 selected audits required in subsections (d), (e) and (f) of this
180 section, if funds are made available for such contracts by the
181 Legislature, or if funds are available from the governmental
182 entity covered by subsections (d), (e) and (f). Such audits shall
183 be made in accordance with generally accepted standards of
184 auditing, with the use of an audit program prepared by the State
185 Auditor, and final reports of such audits shall conform to the
186 format prescribed by the State Auditor. All files, working
187 papers, notes, correspondence and all other data compiled during
188 the course of the audit shall be available, without cost, to the
189 State Auditor for examination and abstracting during the normal
190 business hours of any business day.

191 (1) The State Auditor shall have the authority to
192 establish training courses and programs for the personnel of the
193 various state and local governmental entities under the
194 jurisdiction of the Office of the State Auditor. The training
195 courses and programs shall include, but not be limited to, topics
196 on internal control of funds, property and equipment control and
197 inventory, governmental accounting and financial reporting, and
198 internal auditing. The State Auditor is authorized to charge a
199 fee from the participants of these courses and programs, which fee
200 shall be deposited into the Department of Audit Special Fund.
201 State and local governmental entities are authorized to pay such
202 fee and any travel expenses out of their general funds or any
203 other available funds from which such payment is not prohibited by
204 law.

205 (m) Upon written request by the Governor or any member
206 of the State Legislature, the State Auditor may audit any state
207 funds and/or state and federal funds received by any nonprofit
208 corporation incorporated under the laws of this state.

209 (n) To conduct performance audits of personal or
210 professional service contracts by state agencies on a random
211 sampling basis, or upon request of the State Personal Service
212 Contract Review Board under Section 25-9-120(3).

213 **SECTION 2.** This act shall take effect and be in force from
214 and after July 1, 2004.