

By: Senator(s) Chaney, Flowers, Michel, Hyde-Smith, Lee (35th), Pickering, Kirby, Carmichael, Wilemon, Doxey, White, Davis, Morgan, Brown, Burton, Nunnelee, Jackson (15th), Ross, King

To: Judiciary, Division A

COMMITTEE SUBSTITUTE  
FOR  
SENATE BILL NO. 2463

1 AN ACT TO AMEND SECTION 7-7-211, MISSISSIPPI CODE OF 1972, TO  
2 CLARIFY THE AUTHORITY OF THE STATE AUDITOR TO AUDIT PUBLIC FUNDS  
3 FLOWING INTO NONPROFIT CORPORATIONS; AND FOR RELATED PURPOSES.

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

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

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

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

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

26 (c) To study and analyze existing managerial policies,  
27 methods, procedures, duties and services of the various state

28 departments and institutions upon written request of the Governor,  
29 the Legislature or any committee or other body empowered by the  
30 Legislature to make such request to determine whether and where  
31 operations can be eliminated, combined, simplified and improved;

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

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

58 (f) To postaudit and, when deemed necessary, preaudit  
59 and investigate the financial affairs of the levee boards;  
60 agencies created by the Legislature or by executive order of the

61 Governor; profit or nonprofit business entities administering  
62 programs financed by funds flowing through the State Treasury or  
63 through any of the agencies of the state, or its subdivisions; and  
64 all other public bodies supported by funds derived in part or  
65 wholly from public funds, except municipalities which annually  
66 submit an audit prepared by a qualified certified public  
67 accountant using methods and procedures prescribed by the  
68 department;

69 (g) To make written demand, when necessary, for the  
70 recovery of any amounts representing public funds improperly  
71 withheld, misappropriated and/or otherwise illegally expended by  
72 an officer, employee or administrative body of any state, county  
73 or other public office, and/or for the recovery of the value of  
74 any public property disposed of in an unlawful manner by a public  
75 officer, employee or administrative body, such demands to be made  
76 (i) upon the person or persons liable for such amounts and upon  
77 the surety on official bond thereof, and/or (ii) upon any  
78 individual, partnership, corporation or association to whom the  
79 illegal expenditure was made or with whom the unlawful disposition  
80 of public property was made, if such individual, partnership,  
81 corporation or association knew or had reason to know through the  
82 exercising of reasonable diligence that the expenditure was  
83 illegal or the disposition unlawful. Such demand shall be  
84 premised on competent evidence, which shall include at least one  
85 (1) of the following: (i) sworn statements, (ii) written  
86 documentation, (iii) physical evidence, or (iv) reports and  
87 findings of government or other law enforcement agencies. Other  
88 provisions notwithstanding, a demand letter issued pursuant to  
89 this subsection shall remain confidential by the State Auditor  
90 until the individual against whom the demand letter is being filed  
91 has been served with a copy of such demand letter. If, however,  
92 such individual cannot be notified within fifteen (15) days using  
93 reasonable means and due diligence, such notification shall be

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

120 (h) To investigate any alleged or suspected violation  
121 of the laws of the state by any officer or employee of the state,  
122 county or other public office in the purchase, sale or the use of  
123 any supplies, services, equipment or other property belonging  
124 thereto; and in such investigation to do any and all things  
125 necessary to procure evidence sufficient either to prove or  
126 disprove the existence of such alleged or suspected violations.

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

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

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

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

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

190 (l) The State Auditor shall have the authority to  
191 establish training courses and programs for the personnel of the  
192 various state and local governmental entities under the

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

204 (m) Upon written request by the Governor or any member  
205 of the State Legislature, or on his own motion, the State Auditor  
206 may audit any state funds, state and federal funds, or any other  
207 funds flowing through the State Treasury, any state agency, any  
208 political subdivision of the state or any school district that are  
209 received by any nonprofit corporation incorporated under the laws  
210 of this state;

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

215 (o) To annually postaudit the Chickasawhay Natural Gas  
216 District. The Department of Audit shall charge the Chickasawhay  
217 Natural Gas District, audited by the authority of this paragraph,  
218 the sum of Thirty Dollars (\$30.00) per hour for each hour of staff  
219 time devoted to the auditing of the district. The Chickasawhay  
220 Natural Gas District shall pay for the audit fees from any sums  
221 available to the district for its general operations.

222 **SECTION 2.** This act shall take effect and be in force from  
223 and after its passage.