

By: Representatives Brown,
Watson

To: Education

HOUSE BILL NO. 18
(As Passed the House)

1 AN ACT TO AMEND SECTION 37-9-18, MISSISSIPPI CODE OF 1972, TO
2 AUTHORIZE THE STATE SUPERINTENDENT OF PUBLIC EDUCATION TO APPOINT
3 A FINANCIAL ADVISOR FOR SCHOOL DISTRICTS; AND FOR RELATED
4 PURPOSES.

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

6 **SECTION 1.** Section 37-9-18, Mississippi Code of 1972, is
7 amended as follows:

8 37-9-18. (1) The superintendent of schools shall furnish to
9 the school board a financial statement of receipts and
10 disbursements, by funds, on or before the last working day of the
11 following month covering the prior month. The school board shall
12 be authorized to investigate and audit all financial records of
13 the superintendent of schools at any and all times.

14 (2) The State Auditor, in his discretion, shall audit the
15 financial records of school districts. The State Auditor shall
16 give reasonable notice to school districts regarding the times
17 during which he will perform such audits. In any fiscal year in
18 which the State Auditor is not scheduled to perform an audit, the
19 school board shall cause all the financial records of the
20 superintendent of schools to be audited by a certified public
21 accountant licensed to practice accounting in the State of
22 Mississippi. If the school board so elects by resolution adopted
23 each year, the audit shall be performed by the State Auditor.
24 Contracts for the audit of public school districts shall be let by
25 the school board in the manner prescribed by the State Auditor.
26 The audit shall be conducted in accordance with generally accepted
27 auditing standards and generally accepted accounting principles,
28 and the report presented thereon shall be in accordance with

29 generally accepted accounting principles. If the auditor's
30 opinion on the general purpose financial statements is a
31 disclaimer, as that term is defined by generally accepted auditing
32 standards, or if the State Auditor determines the existence of
33 serious financial conditions in the district, the State Auditor
34 shall immediately notify the State Board of Education. Upon
35 receiving the notice, the State Superintendent of Public Education
36 *shall* direct the school district to immediately cease all
37 expenditures until a financial advisor is appointed *by the state*
38 *superintendent*. However, if the disclaimer is a result of
39 conditions caused by Hurricane Katrina 2005 and applies to fiscal
40 years 2005 and/or 2006, then the Superintendent of Education may
41 appoint a financial advisor, and may direct the school district to
42 immediately cease all expenditures until a financial advisor is
43 appointed. The financial advisor shall be an agent of the State
44 Board of Education and shall be a certified public accountant or a
45 qualified business officer. The financial advisor shall, *with the*
46 *approval of the State Board of Education*:

47 (a) Approve or disapprove all expenditures and all
48 financial obligations of the district;

49 (b) Ensure compliance with any statutes and State Board
50 of Education rules or regulations concerning expenditures by
51 school districts;

52 (c) Review salaries and the number of all district
53 personnel and make recommendations to the local school board of
54 any needed adjustments. Should such recommendations necessitate
55 the reduction in local salary supplement, such recommended
56 reductions shall be only to the extent which will result in the
57 salaries being comparable to districts similarly situated, as
58 determined by the State Board of Education. The local school
59 board, in considering either a reduction in personnel or a
60 reduction in local supplements, shall not be required to comply
61 with the time limitations prescribed in Sections 37-9-15 and

62 37-9-105 and, further, shall not be required to comply with
63 Sections 37-19-11 and 37-19-7(1) in regard to reducing local
64 supplements and the number of personnel;

65 (d) Work with the school district's business office to
66 correct all inappropriate accounting procedures and/or uses of
67 school district funds and to prepare the school district's budget
68 for the next fiscal year; and

69 (e) Report frequently to the State Board of Education
70 on the corrective actions being taken and the progress being made
71 in the school district. The financial advisor shall serve until
72 such time as corrective action and progress is being made in such
73 school district as determined by the State Board of Education with
74 the concurrence of the State Auditor, or until such time as an
75 interim conservator is assigned to such district by the State
76 Board of Education under Section 37-17-6. The school district
77 shall be responsible for all expenses associated with the use of
78 the financial advisor. If the audit report reflects a failure by
79 the school district to meet accreditation standards, the State
80 Board of Education shall proceed under Section 37-17-6.

81 (3) When conducting an audit of a public school district,
82 the Auditor shall test to insure that the school district is
83 complying with the requirements of Section 37-61-33(3)(a)(iii)
84 relating to classroom supply funds. The audit must include a
85 report of all classroom supply funds carried over from previous
86 years. Based upon the audit report, the State Auditor shall
87 compile a report on the compliance or noncompliance by all school
88 districts with the requirements of Section 37-61-33(3)(a)(iii),
89 which report must be submitted to the Chairmen of the Education
90 and Appropriations Committees of the House of Representatives and
91 Senate.

92 (4) In the event the State Auditor does not perform the
93 audit examination, then the audit report of the school district
94 shall be reviewed by the State Auditor for compliance with

95 applicable state laws before final payment is made on the audit by
96 the school board. All financial records, books, vouchers,
97 cancelled checks and other financial records required by law to be
98 kept and maintained in the case of municipalities shall be
99 faithfully kept and maintained in the office of the superintendent
100 of schools under the same provisions and penalties provided by law
101 in the case of municipal officials.

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