

By: Representative Moore

To: Education

COMMITTEE SUBSTITUTE
FOR
HOUSE BILL NO. 34

1 AN ACT TO AMEND SECTION 37-9-18, MISSISSIPPI CODE OF 1972, TO
2 REQUIRE THAT FINANCIAL ADVISORS APPOINTED BY THE STATE
3 SUPERINTENDENT OF PUBLIC EDUCATION TO DISTRICTS WITH SERIOUS
4 FINANCIAL CONDITIONS SHALL BE INDEPENDENT CONTRACTORS UNLESS
5 EMPLOYED BY THE STATE OF MISSISSIPPI; AND FOR RELATED PURPOSES.

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

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

9 37-9-18. (1) (a) The State Board of Education shall
10 promulgate rules and regulations concerning the type of financial
11 reports required to be submitted by the superintendent of schools
12 to the local school board, and the frequency with which the
13 reports shall be submitted. The rules and regulations promulgated
14 by the board shall include:

15 (i) A requirement that the reports be listed as an
16 agenda item for discussion at a regularly scheduled meeting of the
17 board;

18 (ii) A requirement that the minutes of the board
19 meeting reflect that the reports were discussed;



20 (iii) A requirement that each board member present
21 be provided a copy of all required reports; and

22 (iv) A requirement that a copy of all required
23 reports be included in the official minutes of the board meeting
24 at which the reports were discussed.

25 (b) The State Board of Education is authorized to
26 require school districts to submit any of the required reports to
27 the State Department of Education on a basis determined by the
28 department.

29 (c) Failure to comply with any of the rules and
30 regulations established by the State Board of Education with
31 regard to reporting requirements shall constitute a violation of
32 the Mississippi Public School Accountability Standards.

33 (2) The State Auditor shall audit the financial records of
34 school districts in accordance with Section 7-7-211(e). The State
35 Auditor shall give reasonable notice to school districts regarding
36 the times during which the State Auditor will perform such audits.
37 In any fiscal year in which the State Auditor is not scheduled to
38 perform an audit, the school board shall cause all the financial
39 records of the superintendent of schools to be audited in
40 accordance with Section 7-7-211(e). If the school board so elects
41 by resolution adopted each year, the audit shall be performed by
42 the State Auditor. Contracts for the audit of public school
43 districts shall be let by the school board in the manner
44 prescribed by the State Auditor. The audit shall be conducted in



45 accordance with generally accepted auditing standards and
46 generally accepted accounting principles, and the report presented
47 thereon shall be in accordance with generally accepted accounting
48 principles. If the Auditor's opinion on the general purpose
49 financial statements is a disclaimer, as that term is defined by
50 generally accepted auditing standards, or if the State Auditor
51 determines the existence of serious financial conditions in the
52 district, the State Auditor shall immediately notify the State
53 Board of Education. Upon receiving the notice, the State
54 Superintendent of Public Education shall direct the school
55 district to immediately cease all expenditures until a financial
56 advisor is appointed by the state superintendent. However, if the
57 disclaimer is a result of conditions caused by Hurricane Katrina
58 2005 and applies to fiscal years 2005 and/or 2006, then the
59 Superintendent of Education may appoint a financial advisor, and
60 may direct the school district to immediately cease all
61 expenditures until a financial advisor is appointed. The
62 financial advisor shall be an agent of the State Board of
63 Education and shall be a certified public accountant or a
64 qualified business officer. Unless the financial advisor is an
65 employee of the State of Mississippi, they shall be deemed an
66 independent contractor. The financial advisor shall, with the
67 approval of the State Board of Education:

68 (a) Approve or disapprove all expenditures and all
69 financial obligations of the district;



70 (b) Ensure compliance with any statutes and State Board
71 of Education rules or regulations concerning expenditures by
72 school districts;

73 (c) Review salaries and the number of all district
74 personnel and make recommendations to the local school board of
75 any needed adjustments. Should such recommendations necessitate
76 the reduction in local salary supplement, such recommended
77 reductions shall be only to the extent which will result in the
78 salaries being comparable to districts similarly situated, as
79 determined by the State Board of Education. The local school
80 board, in considering either a reduction in personnel or a
81 reduction in local supplements, shall not be required to comply
82 with the time limitations prescribed in Sections 37-9-15 and
83 37-9-105 and, further, shall not be required to comply with
84 Sections 37-19-11 and 37-19-7(1) in regard to reducing local
85 supplements and the number of personnel;

86 (d) Work with the school district's business office to
87 correct all inappropriate accounting procedures and/or uses of
88 school district funds and to prepare the school district's budget
89 for the next fiscal year;

90 (e) Report frequently to the State Board of Education
91 on the corrective actions being taken and the progress being made
92 in the school district. The financial advisor shall serve until
93 such time as corrective action and progress is being made in such
94 school district as determined by the State Board of Education with



95 the concurrence of the State Auditor, or until such time as an
96 interim conservator is assigned to such district by the State
97 Board of Education under Section 37-17-6. The school district
98 shall be responsible for all expenses associated with the use of
99 the financial advisor. If the audit report reflects a failure by
100 the school district to meet accreditation standards, the State
101 Board of Education shall proceed under Section 37-17-6; and

102 (f) If a financial advisor is appointed to a school
103 district in accordance with this subsection and it is determined
104 by the financial advisor and/or any other official of the school
105 district that an audit by a certified public accountant for that
106 district was deficient in any manner, the financial advisor and/or
107 any other official of the school district shall, within thirty
108 (30) days, refer the matter to the State Board of Public
109 Accountancy for follow-up and possible disciplinary action. Any
110 disciplinary action by the State Board of Public Accountancy with
111 regard to the certified public accountant shall, within thirty
112 (30) days after notifying such certified public accountant, be
113 reported to the Office of State Auditor.

114 (3) (a) When conducting an audit of a public school
115 district, the State Auditor shall test to insure that the school
116 district is complying with the requirements of Section
117 37-61-33(3)(a)(iii) relating to classroom supply funds. The audit
118 must include a report of all classroom supply funds carried over
119 from previous years. Based upon the audit report, the State



120 Auditor shall compile a report on the compliance or noncompliance
121 by all school districts with the requirements of Section
122 37-61-33(3) (a) (iii), which report must be submitted to the
123 Chairmen of the Education and Appropriations Committees of the
124 House of Representatives and Senate.

125 (b) When conducting an audit of a public school
126 district, the State Auditor shall test to insure correct and
127 appropriate coding at the function level. The audit must include
128 a report showing correct and appropriate functional level
129 expenditure codes in expenditures by the school district.
130 Compliance standards for this audit provision shall be established
131 by the Office of the State Auditor. Based upon the audit report,
132 the State Auditor shall compile a report on the compliance or
133 noncompliance by all public school districts with correct and
134 appropriate coding at the function level, which report must be
135 submitted to the Chairmen of the Education and Appropriations
136 Committees of the House of Representatives and Senate.

137 (4) In the event the State Auditor does not perform the
138 audit examination, then the audit report of the school district
139 shall be reviewed by the State Auditor for compliance with
140 applicable state laws before final payment is made on the audit by
141 the school board. All financial records, books, vouchers,
142 cancelled checks and other financial records required by law to be
143 kept and maintained in the case of municipalities shall be
144 faithfully kept and maintained in the office of the superintendent



145 of schools under the same provisions and penalties provided by law
146 in the case of municipal officials.

147 **SECTION 2.** This act shall take effect and be in force from
148 and after July 1, 2016.

