

By: Representatives Brown, Broomfield, Scott To: Education
(17th), Smith (35th), Thomas, Warren,
Whittington

HOUSE BILL NO. 1069

1 AN ACT TO AMEND SECTION 37-9-18, MISSISSIPPI CODE OF 1972, TO
2 REQUIRE AUDITS OF PUBLIC SCHOOL DISTRICTS TO INCLUDE TESTS FOR
3 COMPLIANCE WITH STATUTORY REQUIREMENTS RELATING TO THE
4 DISTRIBUTION AND USE OF CLASSROOM SUPPLY FUNDS, AND TO REQUIRE THE
5 STATE AUDITOR TO REPORT TO THE HOUSE AND SENATE EDUCATION AND
6 APPROPRIATIONS COMMITTEES ON SCHOOL DISTRICTS' COMPLIANCE OR
7 NONCOMPLIANCE WITH THOSE REQUIREMENTS; AND FOR RELATED PURPOSES.

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

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

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

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



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

45 (a) Approve or disapprove all expenditures and all
46 financial obligations of the district;

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

50 (c) Review salaries and the number of all district
51 personnel and make recommendations to the local school board of
52 any needed adjustments. Should such recommendations necessitate
53 the reduction in local salary supplement, such recommended
54 reductions shall be only to the extent which will result in the
55 salaries being comparable to districts similarly situated, as
56 determined by the State Board of Education. The local school
57 board, in considering either a reduction in personnel or a
58 reduction in local supplements, shall not be required to comply
59 with the time limitations prescribed in Sections 37-9-15 and
60 37-9-105 and, further, shall not be required to comply with
61 Sections 37-19-11 and 37-19-7(1) in regard to reducing local
62 supplements and the number of personnel.



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

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

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

(4) In the event the State Auditor does not perform the audit examination, then the audit report of the school district shall be reviewed by the State Auditor for compliance with applicable state laws before final payment is made on the audit by the school board. All financial records, books, vouchers, cancelled checks and other financial records required by law to be



96 kept and maintained in the case of municipalities shall be
97 faithfully kept and maintained in the office of the superintendent
98 of schools under the same provisions and penalties provided by law
99 in the case of municipal officials.

100 **SECTION 2.** This act shall take effect and be in force from
101 and after July 1, 2002.

