

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 84th General Assembly
3 Regular Session, 2003
4

As Engrossed: S3/20/03 H4/7/03

A Bill

SENATE BILL 751

5 By: Senator Wilkins
6 By: Representative Roebuck
7
8

For An Act To Be Entitled

10 AN ACT TO AMEND ARKANSAS CODE § 10-3-402 RELATING
11 TO THE LEGISLATIVE JOINT AUDITING COMMITTEE AND
12 THE DIVISION OF LEGISLATIVE AUDIT; AND FOR OTHER
13 PURPOSES.
14

Subtitle

15 TO AMEND THE CODE RELATING TO THE
16 LEGISLATIVE JOINT AUDITING COMMITTEE AND
17 THE DIVISION OF LEGISLATIVE AUDIT.
18
19
20

21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
22

23 *SECTION 1. Arkansas Code § 10-3-402 is amended to read as follows:*
24 *10-3-402. Purpose.*

25 *(a) It is determined that adequate information is not available at*
26 *each biennial session of the General Assembly through which the members of*
27 *the General Assembly may determine the needs and legislative requirements of*
28 *the various ~~agencies and departments of the state government~~ entities of the*
29 *state and political subdivisions of the state and that the impartial periodic*
30 *auditing of ~~each agency and department~~ any entity or political subdivision of*
31 *the state will provide information which will facilitate the discharge by the*
32 *General Assembly of its legislative responsibilities ~~in respect to each~~*
33 *~~agency and department.~~*

34 *(b) ~~It is further determined that the sixty-day legislative session is~~*
35 *~~not adequate time in which to audit each agency and department of the state~~*
36 *~~government and that the size and scope of state governmental activity has~~*



1 ~~grown to such an extent in recent years that auditing should be a continuing~~
2 ~~process~~ Due to time restraints and the size, complexity, and scope of the
3 entities of the state and its political subdivisions, it is determined that
4 the sixty-day legislative session is not adequate time in which to audit
5 entities of the state and political subdivisions of the state, or affiliates
6 thereof.

7 (c) It is further determined that the Legislative Joint Auditing
8 Committee shall exist and operate as a joint interim committee of the General
9 Assembly and in such capacity shall serve the General Assembly as the proper
10 agency to provide for the impartial auditing, independently of the ~~executive~~
11 ~~branch of state government, of each office, department, institution, board,~~
12 ~~commission, and agency of state government~~ entities of the state and
13 political subdivisions of the state.

14 (d) It is not the intent of this act, nor shall this act be construed,
15 to infringe upon or deprive the executive or judicial branches of state
16 government or its political subdivisions of any rights, powers, or duties
17 vested in or imposed upon them by the Constitution of Arkansas.

18 (e) It is the intent of this act merely to provide the General
19 Assembly with adequate information which will facilitate the exercise by it
20 of its constitutional powers and none other.

21 (f) For the purposes of this subchapter:

22 (1) "Affiliate" means any nonprofit or other entity whose
23 exclusive or primary purpose or function is to directly or indirectly benefit
24 or assist an entity of the state or a political subdivision of the state, and
25 meets the following criteria:

26 (A) The economic resources received or held by the
27 affiliate are entirely or almost entirely for the direct benefit of the
28 entity or political subdivision of the state, its component units, or its
29 constituents, or

30 (B) The entity or political subdivision of the state or
31 its component units is entitled to, or has the ability to otherwise access, a
32 majority of the economic resources received or held by the affiliate
33 organization;

34 (2) "Audit" means an audit, review, report of agreed upon
35 procedures, compilation, examination, investigation, or other report or
36 procedure approved by the Legislative Joint Auditing Committee for an entity;

1 (3) "Entity of the state" means the state as a whole or any
 2 official, office, employee, department, institution of higher education,
 3 board, commission, or agency of the state, or function thereof;

4 (4) "Non-affiliate" means any entity receiving, disbursing, or
 5 handling public grants or funds; and

6 (5) "Political subdivision of the state" means any county,
 7 municipality, public school district, educational cooperative,
 8 quasigovernmental entity, any employee or official thereof, or any function
 9 thereof.

10 (g) As used in (f)(1)(B) of this section, "the ability to otherwise
 11 access" means:

12 (1) The affiliate honors requests to provide resources to the
 13 primary government;

14 (2) Historically, the governmental unit has received, directly
 15 or indirectly, a majority of the economic resources provided by the
 16 affiliate; or

17 (3) The affiliate and an entity or political subdivision of the
 18 state are financially interrelated by:

19 (A) The affiliate having the ability to influence the
 20 operating and financial decisions of the governmental entity; or

21 (B) The governmental entity having an ongoing economic
 22 interest in the net assets of the affiliate.

23
 24
 25 SECTION 2. Arkansas Code § 10-3-403(a)(3) is amended to read as
 26 follows:

27 (3) The Speaker of the House, the President Pro Tempore of the
 28 Senate, the immediate ~~past chair or~~ past cochair of the Committee, and the
 29 ~~cochair~~ cochairs and co-vice chairs of the Legislative Council shall be ex
 30 officio members of the Committee and shall enjoy all the rights and
 31 privileges of other members of the Committee.

32
 33 SECTION 3. Arkansas Code § 10-3-406(b) is amended to read as follows:

34 (b)(1)(A) Meetings of the committee during the legislative session
 35 shall be called by either cochair of the committee who shall be the person
 36 who served in the capacity prior to the commencement of the current General

1 Assembly.

2 (B) In such meetings, the primary consideration should be
3 given to matters that require immediate attention and that cannot wait until
4 the new committee is appointed and organized.

5 (2) If House and Senate members have selected their respective
6 cochair for the subsequent biennial period, either new cochair may call a
7 meeting of the committee during or after legislative sessions.

8

9 SECTION 4. Arkansas Code § 10-3-407(a) is amended to read as follows:

10 (a)(1) The duties of the Legislative Joint Auditing Committee shall be
11 to provide for the auditing of ~~each department, institution, board,~~
12 ~~commission, office, and agency of the state government~~ any entity of the
13 state or political subdivision of the state for the purpose of furnishing the
14 General Assembly with information vital to the discharge of its
15 constitutional duties.

16 (2) In addition, the Legislative Joint Auditing Committee has
17 the authority to audit the books and records of affiliates and to audit
18 transactions relating to public funds received, handled, or disbursed by non-
19 affiliates.

20

21 SECTION 5. Arkansas Code §§ 10-3-410 and 10-3-411 are amended to read
22 as follows:

23 10-3-410. Abolishment or consolidation of agencies.

24 The Legislative Joint Auditing Committee is authorized to recommend to
25 the General Assembly the abolishment or consolidation of any ~~state agencies,~~
26 ~~boards, or commissions~~ entity of the state or political subdivision of the
27 state which the Committee deems appropriate as a result of its review of
28 audits performed by its staff ~~on the agencies, boards, or commissions.~~

29

30 10-3-411. Investigation of state or local entities - Subpoenas -
31 Contempt.

32 (a)(1) The Legislative Joint Auditing Committee shall have the
33 authority to conduct investigations pertaining to the ~~financial~~ affairs of
34 any ~~state agency, institution, department, board, commission, or office, or~~
35 ~~pertaining to the operation of any county, city, town, or school district,~~
36 ~~or any agency or instrumentality thereof~~ entity of the state, political

1 subdivision of the state, or affiliates thereof, whenever the Committee shall
2 determine that investigations are necessary to make a proper determination
3 with respect to the ~~financial~~ operations thereof, or of the collection,
4 handling, administration, or expenditure of any ~~public~~ funds ~~allocated~~
5 ~~thereto~~ received, handled, or disbursed thereby.

6 (2) In connection with investigations regarding any entity of
7 the state, political subdivisions of the state, or affiliates thereof, or
8 regarding transactions relating to public funds received, handled, or
9 disbursed by non-affiliates, the Legislative Joint Auditing Committee has the
10 authority to examine any or all books, records, or any other data or systems
11 relative to the investigation, irrespective by whom holds the records or
12 where the records are located.

13 (b) In connection with any investigations, the Committee shall have
14 the right and power to subpoena witnesses and to issue subpoenas duces tecum.

15 (c) All subpoenas shall be issued by either cochair of the committee,
16 or by either co-vice chair acting in the absence of the cochair, after the
17 issuance thereof has been approved by a majority vote of the membership of
18 the committee at a duly called meeting with all members of the committee
19 having received no fewer than six (6) days' advance notice thereof.

20 ~~(d) The reasons for, and purposes of, the proposed subpoena or~~
21 ~~subpoenas, including the names of the persons or the nature and~~
22 ~~identification of all books, records, and documents for which subpoenas are~~
23 ~~being considered, shall be furnished in writing to the members of the~~
24 ~~Committee in the notice mailed to the members not less than six (6) days in~~
25 ~~advance of the meeting at which the question of issuing the subpoenas is to~~
26 ~~be considered. No subpoenas shall be issued under the provisions of this~~
27 ~~section until such time as any individual or the individual holding the~~
28 ~~books, records, or documents sought by the Committee has received a formal~~
29 ~~written invitation to appear before the Committee by certified registered~~
30 ~~mail, at least thirty (30) days prior to a regular or special meeting of the~~
31 ~~Legislative Joint Auditing Committee and that individual has failed or~~
32 ~~refused to appear before the Committee at such meeting.~~

33 ~~(e)~~(d) The cochairs and the co-vice chairs of the committee are
34 authorized to administer oaths.

35 ~~(f)~~(e)(1) Subpoenas issued by the Committee shall be served by the
36 sheriff of the county in which the person, books, records, or documents

1 subpoenaed are located, and the sheriff shall be entitled to the same fees
2 for the service of process as provided by law for service of process issued
3 by the circuit court.

4 (2) However, the Committee may, at its option, direct the
5 Arkansas State Police to serve any subpoena.

6 ~~(g)(f)~~ Witnesses subpoenaed to appear before the Committee shall be
7 entitled to witness fees and travel allowances at the same rate as provided
8 by law for witnesses subpoenaed to appear in civil actions in circuit court.

9 ~~(h)(g)~~ The fees for the serving of subpoenas and all witness fees and
10 travel allowances shall be paid from funds appropriated for the maintenance
11 and operation of the Legislative Joint Auditing Committee.

12 (h)(1) It is a Class D felony for any person subpoenaed by the
13 Legislative Joint Auditing Committee to knowingly fail or refuse to appear
14 and testify or submit papers, files, and records material and pertinent to
15 the examination.

16 (2) It is a Class D felony for any person to knowingly give any
17 false testimony before the Legislative Joint Auditing Committee.

18 ~~(i)~~ ~~If any person subpoenaed to appear before the Committee shall fail~~
19 ~~to appear or to produce books, documents, or records subpoenaed by the~~
20 ~~Committee, the fact shall be certified to the circuit court of the county in~~
21 ~~which the hearing is held, and the circuit court shall punish the person for~~
22 ~~contempt of the General Assembly, in the same manner as punishment for~~
23 ~~contempt is imposed for failure to respond to a subpoena or directive of the~~
24 ~~circuit court.~~

25 ~~(j)(1)(i)(1)(A)~~ It is the intent of this section to authorize the
26 Legislative Joint Auditing Committee to issue subpoenas and to compel the
27 attendance of witnesses, and to administer oaths when necessary, to make full
28 investigations or determinations whenever the Committee determines them to be
29 necessary with respect to the ~~financial~~ affairs of any ~~state agency,~~
30 ~~institution, department, board, commission, or office, or pertaining to the~~
31 ~~operation of any county, city, town, or school district, or any agency of~~
32 ~~instrumentality thereof~~ entity of the state, a political subdivision of the
33 state, affiliate thereof, or non-affiliates, whenever the Committee shall
34 determine that investigations are necessary for the Committee to discharge
35 its duties ~~in keeping the General Assembly informed with respect to the~~
36 ~~financial operations of those state agencies, counties, or school districts,~~

1 ~~or the collection, handling, administration, or expenditure of any public~~
2 ~~funds allocated thereto.~~

3 (B) It is not the intent of this section to repeal,
4 reduce, or diminish the authority vested by law in the Legislative Auditor to
5 issue subpoenas whenever the Legislative Auditor determines that they are
6 necessary to assist his or her staff in making a complete audit.

7 (2) This section shall be cumulative to Acts 1955, No. 105, and
8 all laws amendatory thereto.

9
10 SECTION 6. Arkansas Code §§10-3-422 through 10-3-424 are repealed.

11 ~~10-3-422. State agency requests—Recommendations.~~

12 ~~(a) Any request presented to the Committee to conduct a federal audit,~~
13 ~~as defined in § 10-3-423, shall first be reviewed by the Federal Audit~~
14 ~~Subcommittee for the purpose of making a recommendation to the Committee to~~
15 ~~either grant or deny the request for the audit by the Division of Legislative~~
16 ~~Audit.~~

17 ~~(b) When any request for a federal audit is denied by the Committee,~~
18 ~~the requesting entity shall be informed of the denial and shall be advised to~~
19 ~~secure the appropriate federal audit required by the respective federal~~
20 ~~agency and to inform the Committee when arrangements for the federal audit~~
21 ~~have been made.~~

22 ~~(c) The Committee may also request that a copy of the federal audit~~
23 ~~report be furnished to it when the audit is completed and made available to~~
24 ~~the entity to assure that the future eligibility of the State of Arkansas and~~
25 ~~its subdivisions to receive various forms of federal funding is not~~
26 ~~jeopardized.~~

27
28 ~~10-3-423. Federal audit defined.~~

29 ~~For purposes of § 10-3-421 [repealed] and §§ 10-3-422—10-3-424, the~~
30 ~~term "federal audit" means a financial compliance audit required as a~~
31 ~~condition of being awarded a federal grant or other federal funding with the~~
32 ~~compliance audit requirements mandating specific audit procedures which are~~
33 ~~outside the scope of the normal audits conducted by the Division of~~
34 ~~Legislative Audit and which often require the reporting of audit results~~
35 ~~under separate cover in a format which is often considerably different from~~
36 ~~the format of the other audit reports rendered by the Division of Legislative~~

~~Audit, and which are frequently required to cover a reporting period not coinciding with that of the fiscal year of the receiving entity. The term "federal audit" shall not include audits of federal revenue sharing funds received by a state agency or local unit of government under the State and Local Fiscal Assistance Act of 1972 and amendments thereto which have in the past been conducted by the Division of Legislative Audit as an extension of the normal audit of an entity.~~

~~10-3-424. Application of § 10-3-421 [repealed] and §§ 10-3-422—10-3-424.~~

~~The provisions of § 10-3-421 [repealed] and §§ 10-3-422—10-3-424 shall apply to requests for federal audits by any state agency, board, commission, department, officer, or other authority of the government of the State of Arkansas, including local school districts, state-supported colleges and universities, vocational technical schools, counties and municipalities, and instrumentalities thereof.~~

SECTION 7. Arkansas Code § 10-4-101 is amended to read as follows:

10-4-101. Division of Legislative Audit created - Authority - Exemption.

(a) There is created under the authority of the Arkansas General Assembly a Division of Legislative Audit.

(b) The Division of Legislative Audit shall be headed by a Legislative Auditor who is vested with the authority ~~and responsibility~~ of auditing ~~each agency, department, board, commission, council, officer, or official of the state government of Arkansas or any function thereof, receiving state-appropriated funds, cash funds, or any other fund derived under the authority or by virtue of state law~~ entities of the state, political subdivisions of the state, affiliates thereof, and transactions relating to public funds received, handled, or disbursed by non-affiliates.

(c)(1) ~~However, any licensing board may be exempt from the provision of this section~~ retain the services of a private certified public accountant or private public accountant to conduct the board's audit if it files an annual audit with the Legislative Auditor.

(2) As used in this subsection, the term "audit" means an annual financial report, which includes as a minimum, the expression of an opinion by an independent auditor on the fairness with which the licensing board's

1 financial statements present, in all material respects, financial position,
2 results of operations, and, if required its cash flows, in conformity with
3 generally accepted accounting principles.

4 (d) For the purposes of this subchapter:

5 (1) "Affiliate" means any nonprofit or other entity whose
6 exclusive or primary purpose or function is to directly or indirectly benefit
7 or assist an entity of the state or a political subdivision of the state, and
8 meets the following criteria:

9 (A) The economic resources received or held by the
10 affiliate are entirely or almost entirely for the direct benefit of the
11 entity or political subdivision of the state, its component units, or its
12 constituents, or

13 (B) The entity or political subdivision of the state or
14 its component units is entitled to, or has the ability to otherwise access, a
15 majority of the economic resources received or held by the affiliate
16 organization;

17 (2) "Audit" means an audit, review, report of agreed upon
18 procedures, compilation, examination, investigation, or other report or
19 procedure approved by the Legislative Joint Auditing Committee for an entity;

20 (3) "Entity of the state" means the state as a whole or any
21 official, office, employee, department, institution of higher education,
22 board, commission, or agency of the state, or function thereof;

23 (4) "Non-affiliate" means any entity receiving, disbursing, or
24 handling public grants or funds; and

25 (5) "Political subdivision of the state" means any county,
26 municipality, public school district, educational cooperative,
27 quasigovernmental entity, any employee or official thereof, or any function
28 thereof.

29 (e) As used in (d)(1)(B) of this section, "the ability to otherwise
30 access" means:

31 (1) The affiliate honors requests to provide resources to the
32 primary government;

33 (2) Historically, the governmental unit has received, directly
34 or indirectly, a majority of the economic resources provided by the
35 affiliate; or

36 (3) The affiliate and an entity or political subdivision of the

1 state are financially interrelated by:

2 (A) The affiliate having the ability to influence the
3 operating and financial decisions of the governmental entity; or

4 (B) The governmental entity having an ongoing economic
5 interest in the net assets of the affiliate.

6
7 SECTION 8. Arkansas Code § 10-4-102(b) and (c) are amended to read as
8 follows:

9 (b) The Legislative Auditor shall not be related in the second degree
10 of consanguinity or affinity to any ~~state~~ officer, department head, or
11 disbursing officer of any ~~department, office, or agency~~ entity of the state
12 ~~whom under this act it shall be his or her duty to audit~~ or any political
13 subdivision audited by the Division of Legislative Audit.

14 (c) The Legislative Auditor shall not serve in any ex officio capacity
15 on any administrative board or commission or have any financial interest in
16 the transactions of any ~~department, board, bureau, institution, commission,~~
17 ~~or agency of the state~~ entity of the state or political subdivision of the
18 state.

19
20 SECTION 9. Arkansas Code §§ 10-4-105 and 10-4-106 are amended to read
21 as follows:

22 10-4-105. Legislative Auditor - Oath ~~and bond.~~

23 ~~(a) Upon appointment, the Legislative Auditor shall qualify by taking~~
24 ~~the constitutional oath and executing a bond to cover his official acts and~~
25 ~~the acts of his employees, to be approved by the Legislative Joint Auditing~~
26 ~~Committee, payable to the State of Arkansas, in the sum of twenty-five~~
27 ~~thousand dollars (\$25,000), conditioned upon the faithful discharge of his~~
28 ~~duties, with a surety company authorized to do business in the State of~~
29 ~~Arkansas.~~

30 ~~(b) The premium due the surety company for the execution of such bond~~
31 ~~shall be paid for by the state.~~

32 ~~(c) The person so appointed as Legislative Auditor, within ten (10)~~
33 ~~days after his or her appointment, shall file in the office of the Secretary~~
34 ~~of State his or her oath and approved bond; and if he or she shall fail to do~~
35 ~~so, the Committee or a majority of the membership thereof shall appoint some~~
36 ~~other qualified person to fill the office.~~

1 ~~(d) The Legislative Auditor may require any of his or her employees to~~
2 ~~post bond to reimburse him or her for any loss that he or she might incur on~~
3 ~~his or her bond due to the acts of such employees.~~

4
5 10-4-106. Duties of Legislative Auditor.

6 (a) The Legislative Auditor shall have the authority and it shall be
7 ~~his or her~~ the Legislative Auditor's duty to:

8 (1)(A) ~~Perform an audit~~ audits of ~~all~~ accounts, books, and other
9 ~~financial records of the state government of any state officer, department,~~
10 ~~board, bureau, institution, commission, or agency thereof~~ any entity of the
11 state or political subdivision of the state and to prepare a written report
12 of such audit ~~to the General Assembly and any other person hereafter~~
13 ~~designated.~~

14 (B) All reports or summaries thereof shall be presented to
15 the Legislative Joint Auditing Committee.

16 (C) In addition, reports or summaries thereof may be
17 presented to the General Assembly or any other legislative committee;

18 (2) Personally, or by ~~his or her~~ duly the Legislative Auditor's
19 authorized assistants, examine and audit ~~all fiscal~~ books, records, and
20 accounts of ~~all~~ custodians of public funds, and ~~of all~~ disbursing officers of
21 ~~the state government of Arkansas making independent verification of all~~
22 ~~assets, liabilities, revenues, and expenditures of the state, its~~
23 ~~departments, boards, bureaus, institutions, commissions, or agencies~~ any
24 entity of the state or political subdivision of the state thereof now in
25 existence or hereafter created;

26 (3)(A) Make any recommendations to the General Assembly in
27 respect to the alteration or improvement of the accounting system used by any
28 ~~office, agency, department, board, commission, and institution of the state~~
29 ~~government~~ entity of the state, in which connection the Legislative Auditor
30 shall make available to the Chief Fiscal Officer of the State a copy of any
31 recommendations.

32 (B)(i) In respect to any accounting systems established
33 for any ~~state agency, office, department, board, commission, or institution~~
34 ~~pursuant to the state fiscal code or otherwise~~ entity of the state, the
35 Legislative Auditor may recommend to the General Assembly any changes which
36 in his or her opinion might improve the accounting system, which

1 recommendation in each instance shall be made available to the Chief Fiscal
2 Officer of the State;

3 (ii) In cases where the Legislative Auditor finds that the
4 accounting system prescribed by the Chief Fiscal Officer of the State has not
5 been installed or followed by any ~~agency, officer, or department~~ entity of
6 the state or may be improved, he or she shall report the failure to the
7 General Assembly and may make such recommendations as he or she considers
8 advisable or necessary for the alteration or correction of the accounting
9 system;

10 (4) Require the aid and assistance of all executives and
11 officials, auditors, accountants, and other employees of each and every
12 ~~department, board, bureau, institution, commission, or agency of the state~~
13 entity of the state, political subdivision of the state, or affiliate thereof
14 at all times in the inspection, examination, and audit of any and all of
15 their books, accounts, and records ~~of the several departments~~; and

16 (5)(A) Cause to be maintained a sufficient accounting of the
17 audit costs incurred by the Division of Legislative Audit in auditing
18 entities of the state ~~agencies, boards, commissions, and colleges and~~
19 ~~universities~~, and in order to provide a basis for determining a reasonable
20 reimbursement from these entities for the cost of the auditing of federal
21 funds received by these entities, with the funds being charged with the
22 reimbursements.

23 (B) In the event it is determined by the Legislative Joint
24 Auditing Committee that the reimbursement for the auditing of funds is
25 appropriate, the Legislative Auditor and the Director of the Department of
26 Finance and Administration shall develop guidelines for effecting proper
27 budgetary and accounting procedures for such reimbursements by fund
28 transfers.

29 (b)(1) As soon as practical after the close of each fiscal year, the
30 Legislative Auditor shall certify to the Chief Fiscal Officer of the State
31 the amount of funds expended during the fiscal year just ending which is to
32 be allocated to the ~~State Audit Program~~ State Audit Function and to the ~~Local~~
33 ~~Audit Program~~ Local Audit Function.

34 (2) The Chief Fiscal Officer of the State shall utilize this
35 certification in determining those expenses which are eligible to be
36 reimbursed from the Ad Valorem Tax Trust Fund.

1 (c)(1)(A) *The Legislative Auditor shall have access at all times to*
2 *all of the books, accounts, reports, ~~confidential or otherwise~~, vouchers, or*
3 *other records, confidential or otherwise, of information in any ~~state office,~~*
4 *~~department, board, bureau, or institution of this state~~ entity of the state,*
5 *political subdivision of the state, or any affiliate thereof.*

6 (B) *In addition, the Legislative Auditor shall have access*
7 *at all times to any books, accounts, reports, vouchers, or other records,*
8 *confidential or otherwise, of a non-affiliate necessary to audit transactions*
9 *relating to public funds received, handled, or disbursed by the non-*
10 *affiliate.*

11 (2)(A) *Nothing in this section shall be so construed as*
12 *authorizing or permitting the publication of information prohibited by law.*

13 (B) *Records that are exempt from public disclosure by the*
14 *custodian remain exempt from public disclosure in the working papers of the*
15 *Division of Legislative Audit.*

16 (C) *All records, documents, correspondence, or other data*
17 *that would disclose identification of donors to affiliates or non-affiliates*
18 *are exempt from public disclosure.*

19 (D) *Any working papers or other data relating to donor*
20 *information of affiliates or non-affiliates are confidential and shall not be*
21 *disclosed.*

22 (d) *The Legislative Auditor shall execute the duties and*
23 *responsibilities of the position of Legislative Auditor as provided by law.*
24

25 SECTION 10. *Arkansas Code § 10-4-107(a) is amended to read as follows:*

26 (a) *The Legislative Auditor is designated as disbursing officer for*
27 *the division, and all vouchers issued in the payment of salaries and expenses*
28 *incurred in the operations of the division shall be approved by the*
29 *Legislative Auditor or the Legislative Auditor's authorized designees before*
30 *they are paid.*
31

32 SECTION 11. *Arkansas Code § 10-4-108(d) is amended to read as follows:*

33 (d) *It is the intention and desire of the General Assembly to free the*
34 *Legislative Auditor and his or her staff from partisan politics, and it is*
35 *declared to be against public policy for any member of the General Assembly*
36 *or any official or employee of the entities of the state or political*

1 ~~subdivisions of the state government or any board, bureau, department, or~~
 2 ~~institution thereof~~ to recommend or suggest the appointment of any person to
 3 a position on the staff of the Legislative Auditor.

4
 5 SECTION 12. Arkansas Code § 10-4-109(b) is amended to read as follows:

6 (b)(1) Any member of the General Assembly ~~may~~, by written request
 7 filed with the Committee at least six (6) days prior to any regular or
 8 special meeting of the committee, may request a special auditing of any
 9 ~~agency of the state~~ entity for which the Legislative Joint Auditing Committee
 10 and the Division of Legislative Audit has the authority to audit.

11 (2) Upon the vote of the majority of the membership of the
 12 Committee approving the request, the Legislative Auditor shall ~~make~~ conduct
 13 the audit.

14
 15 SECTION 13. Arkansas Code §§ 10-4-110 through 10-4-112 are amended to
 16 read as follows:

17 10-4-110. Audit ~~and biennial~~ reports.

18 (a) Copies of each state agency audit report shall be ~~filed with~~ made
 19 available to the agency concerned, the Legislative Joint Auditing Committee,
 20 the Secretary of State, and the Chief Fiscal Officer of the State.

21 ~~(b)(1) The Legislative Auditor shall file a biennial report with the~~
 22 ~~Legislative Council, the Governor, the Speaker of the House of~~
 23 ~~Representatives, the Lieutenant Governor, each member of the General~~
 24 ~~Assembly, the Chief Fiscal Officer of the State, in the office of the~~
 25 ~~Secretary of State, and in the office of each county clerk.~~

26 ~~(2) Each biennial report shall contain, among other things,~~
 27 ~~copies of, or the substance of, reports made to the various departments,~~
 28 ~~bureaus, institutions, and boards, as well as a summary of recommendations~~
 29 ~~made in regard thereto.~~

30 ~~(e)(b)~~ Reports shall ~~also~~ may contain specific recommendations to the
 31 General Assembly for the amendment of existing laws or the passage of new
 32 laws designed to improve the functioning of ~~various departments, boards,~~
 33 ~~bureaus, institutions, or agencies of state government~~ entities of the state
 34 and political subdivisions of the state to the end that more efficient
 35 service may be rendered and the cost of government reduced.

36 ~~(d)(c)~~ All ~~recommendations submitted by the Legislative Auditor shall~~

1 ~~be confined to those matters properly coming within his or her jurisdiction,~~
2 ~~which is to see that the laws passed by the General Assembly dealing with the~~
3 ~~expenditure of public moneys are in all respects carefully observed and that~~
4 ~~the attention of the General Assembly is directed to all cases of violations~~
5 ~~of the law and to those instances where there is need for change of existing~~
6 ~~laws or the passage of new laws to secure the efficient spending of public~~
7 ~~funds.~~ The Legislative Auditor shall not include in his or her
8 recommendations to the General Assembly any recommendations as to the sources
9 from which taxes shall be raised to meet the governmental expense.

10 ~~(e)~~(d) All reports of the Legislative Auditor shall call attention to
11 any funds which, in his or her opinion, have not been expended in accordance
12 with law or appropriation by the General Assembly and shall make
13 recommendations to the General Assembly as to the manner or form of
14 appropriations which will avoid any such improper expenditure of money in the
15 future.

16 ~~(f) The Committee shall direct the printing or mimeographing of such~~
17 ~~number of any reports as it thinks necessary and proper.~~

18 ~~(g)~~(e)(1) All reports ~~filed with the Secretary of State and each~~
19 ~~county clerk shall be open to public inspection after presentation to the~~
20 ~~Legislative Joint Auditing Committee or approved for release by the cochairs~~
21 ~~of the Legislative Joint Auditing Committee.~~

22 (2) All final reports produced after January 1, 2002 shall be
23 available for viewing or downloading from the Internet.

24
25 10-4-111. Report of improper or illegal practices.

26 (a) If a state agency audit report ~~or other statutorily allowed~~
27 ~~examination~~ presented to the Legislative Joint Auditing Committee or the
28 appropriate standing subcommittee thereof reflects evidence of improper
29 practices of financial administration or inadequacy of fiscal records, the
30 Legislative Auditor shall report the same to the Governor, the appropriate
31 department head or heads affected thereby, and the governing body of the
32 department.

33 (b) If an audit report ~~or other statutorily allowed examination~~
34 presented to the Committee or the appropriate standing subcommittee thereof
35 reflects evidence of apparent unauthorized disbursements or unaccounted for
36 funds or property by a public official or employee, the Legislative Auditor

1 shall forthwith report the transactions in writing to the prosecuting
 2 attorney for the county in which the public agency or political subdivision
 3 is located, the Governor, the appropriate department head or heads affected
 4 thereby, and the governing body of the department or political subdivision.

5 (c)(1) The Legislative Auditor shall notify and cooperate with the
 6 appropriate prosecuting attorney on all matters that appear to involve a
 7 criminal offense.

8 (2) Upon request, and with the approval of the cochairs and co-
 9 vicechairs of the Committee, the Legislative Auditor shall cooperate in any
 10 other investigations by the appropriate prosecuting attorney, the Department
 11 of Arkansas State Police, or any other law enforcement agency.

12 (d) The Legislative Auditor may request the appropriate prosecuting
 13 attorney to petition the court to order, as part of any disposition or
 14 adjudication, the payment, by a defendant, of costs incurred by the Division
 15 of Legislative Audit in investigating any unauthorized disbursements or
 16 unaccounted for funds or property related to a defendant.

17 ~~(d)(e)(1)~~ While the Committee is not established as an agency to
 18 effect, through its own direct action the correction of improper practices of
 19 financial administration or inadequacy of fiscal records, the prosecution of
 20 defaulting public officials, or the improvement of accounting systems in any
 21 ~~state department~~ entity of the state or political subdivision of the state,
 22 nevertheless, it is determined that the action or nonaction on the part of
 23 the appropriate public officials in respect to the correction of such matters
 24 when called to their attention or in respect to the institution of criminal
 25 proceedings, where proper, has a pertinent bearing upon the question of the
 26 necessity for future remedial legislation.

27 (2) It is for this reason that the Committee is authorized to
 28 inform public officials to the extent provided by law of the findings of the
 29 Legislative Auditor in respect to any such matters.

30

31 10-4-112. ~~Examination of bank records~~ Business, financial, and other
 32 records.

33 (a) ~~In verifying any of the audits made, the Legislative Auditor shall~~
 34 ~~have the right to ascertain the amounts on deposit in any banks belonging to~~
 35 ~~any department, board, commission, bureau, institution, or other agency of~~
 36 ~~the state government required to be audited, and shall have the right to~~

1 ~~audit the account on the books of such bank~~ In the performance of the
 2 Legislative Auditor's duties, the Legislative Auditor or the Legislative
 3 Auditor's authorized assistants may confirm, audit, and examine all accounts
 4 or records, confidential or otherwise, regarding any entity of the state,
 5 political subdivision of the state, or any affiliate thereof held in any
 6 financial institution or other business entity, regardless of location or
 7 form of record.

8 (b)(1) In addition thereto, the Legislative Auditor shall have the
 9 right to audit the bank account of any officer or employee of any ~~state~~
 10 ~~office, department, institution, bureau, board, commission, or other state~~
 11 ~~agency~~ entity of the state, political subdivision of the state, or affiliate
 12 thereof, or the bank account of any other person or firm doing business with
 13 ~~the state~~ an entity of the state, political subdivision of the state, or
 14 affiliate thereof, if the Legislative Auditor has reason to believe that the
 15 auditing of the accounts is necessary for the verifying of any audits made
 16 under the authority of this act.

17 (c) No bank, financial institution, or other entity shall be liable
 18 for making available to the Legislative Auditor any of the information
 19 required under the provisions of this section.

20
 21 SECTION 14. Arkansas Code § 10-4-113 (a) is amended to read as
 22 follows:

23 (a) It shall be the duty of the Legislative Auditor to give notice and
 24 proof of loss together with any other supporting papers or evidence to the
 25 Chief Fiscal Officer of the State of any shortage or other liability of any
 26 officer or employee of ~~the state~~ any entity of the state that may be
 27 determined in the course of or as a result of any audit.

28
 29 SECTION 15. Arkansas Code § 10-4-113(c)(1) is amended to read as
 30 follows:

31 (c)(1) In all criminal or civil actions brought as the result of the
 32 findings set forth in any ~~audit~~ report of the Legislative Auditor, the
 33 Legislative Auditor or his or her assistants ~~making the audit~~ shall upon
 34 request of the proper officers of the court give testimony and otherwise make
 35 their services available in the prosecution of any action.

36

1 SECTION 16. Arkansas Code § 10-4-114 is amended to read as follows:
2 10-4-114. Subpoenas - Witnesses - Penalty for failure to appear -
3 Perjury.

4 (a)(1) The Legislative Auditor may issue subpoenas in connection with
5 any audit or other investigation of any entity of the state, political
6 subdivision of the state, affiliate thereof, or non-affiliate.

7 (2) The Legislative Auditor or any of his or her authorized
8 assistants shall have the power in ~~making~~ conducting any audit or examination
9 to administer oaths and cause to be summoned to appear before them at a time
10 and place and with such papers, files, and records as may be named in the
11 summons, any person or persons whose testimony may be desired or deemed
12 necessary in the audit or examination.

13 (b) The power of the Legislative Auditor or any of his or her
14 assistants to administer oaths and summon records as mentioned ~~in subsection~~
15 ~~(a) of this section~~ above shall apply to all ~~state~~ employees and officials of
16 the state, its political subdivisions, or any functions or affiliate thereof,
17 as well as to any other person, business, firm, corporation, or association
18 receiving, disbursing, or handling public grants or funds or doing business
19 with any the state, its political subdivisions, or any affiliate thereof
20 ~~agency~~ that the Legislative Auditor or any of his or her authorized
21 assistants may have reason to believe have information or records that are
22 necessary to a full determination of matters pertaining to any audit
23 authorized in this act.

24 (c) Any person summoned to appear before the Legislative Auditor or
25 any of his or her authorized assistants to testify or submit papers, files,
26 and records as required in this section shall receive the same compensation
27 as is received by persons serving as witnesses in circuit courts of this
28 state.

29 ~~(d)(1) Any person who willfully fails or refuses to appear and testify~~
30 ~~or submit papers, files, and records material and pertinent to the~~
31 ~~examination, or willfully refuses to answer any material or pertinent~~
32 ~~questions propounded to him or her by the Legislative Auditor or any of his~~
33 ~~or her assistants, shall be deemed guilty of a misdemeanor. Upon conviction~~
34 ~~by a court of competent jurisdiction, that person shall be fined in any sum~~
35 ~~not less than one hundred dollars (\$100) nor more than five hundred dollars~~
36 ~~(\$500), and any person appearing and willfully and corruptly giving any~~

1 ~~false testimony that is material to the investigation of his or her official~~
 2 ~~conduct and pertinent to the examination before the Legislative Auditor or~~
 3 ~~any of his assistants shall be deemed guilty of perjury It is a Class D~~
 4 ~~felony for any person subpoenaed by the Legislative Joint Auditing Committee~~
 5 ~~to knowingly fail or refuse to appear and testify or submit papers, files,~~
 6 ~~and records material pertinent to the examination.~~

7 ~~(2) It is a Class D felony for any person to knowingly give any~~
 8 ~~false testimony before the Legislative Joint Auditing Committee.~~

9
 10 SECTION 17. Arkansas Code § 10-4-115(b) is amended to read as follows:

11 (b)(1) He or she shall also keep ~~a complete file of copies, paper or~~
 12 ~~otherwise~~, of all audit reports, examinations, investigations, and any and
 13 all other reports or releases issued by him or her or his or her office ~~and a~~
 14 ~~complete file of audit.~~

15 ~~(2) Audit~~ work papers and other evidence pertaining to work of
 16 the division ~~shall be maintained for at least three (3) years after~~
 17 ~~completion of the report.~~

18
 19 SECTION 18. Arkansas Code § 10-4-116 is repealed.

20 ~~10-4-116. Seal Effect.~~

21 ~~(a) The Secretary of State shall procure an official seal for the~~
 22 ~~Division of Legislative Audit.~~

23 ~~(b) Every paper or photostatic copy thereof executed by the~~
 24 ~~Legislative Auditor in pursuance of law and sealed with the seal of his or~~
 25 ~~her office shall be received in evidence in any court or other tribunal and~~
 26 ~~may be recorded in the same manner and with like effect as deeds regularly~~
 27 ~~acknowledged.~~

28
 29 SECTION 19. Arkansas Code § 10-4-117 is amended to read as follows:

30 10-4-117. Audit of data processing operations.

31 (a) The Division of Legislative Audit ~~shall have~~ has the authority to
 32 conduct audits of all or any part of automated data processing operations or
 33 systems of any ~~state agency~~ entity of the state or political subdivision of
 34 the state.

35 ~~(b) For the purposes of this section, "state agencies" means any state~~
 36 ~~agency, board, commission, department, institution, or state supported~~

1 ~~community college, college, or university of the State of Arkansas.~~

2 ~~(e)(b)(1) Data processing machine usage charges incurred in the~~
 3 ~~performance of audits or audit-related tasks by the division will shall be~~
 4 ~~absorbed by the state agency processing data for the computer application~~
 5 ~~being accessed or audited provided that the use will not interfere with or~~
 6 ~~impede normal processing by the data processing installation entity of the~~
 7 ~~state or political subdivision of the state being audited.~~

8 (2) The data processing provider shall provide requested data or
 9 other information or services to the Division of Legislative Audit in a
 10 timely manner.

11 (c) The Department of Information Systems, its successor agency, or
 12 other entities of the state or political subdivisions of the state, providing
 13 Internet, network, or other computer services or information to an entity of
 14 the state, a political subdivision of the state, or an affiliate thereof,
 15 shall provide access to any or all data, support, or other necessary
 16 information services to the Division of Legislative Audit in connection with
 17 their functions at no cost to the division.

18 (d) In connection with any audit by the Division of Legislative Audit,
 19 contractual providers of data processing or other computer related services
 20 to entities of the state or political subdivisions of the state, shall
 21 cooperate and provide requested information at no cost to the Division.

22 (e) All contracts for data processing or other computer services for
 23 entities of the state or political subdivisions of the state shall contain a
 24 right to audit clause.

25
 26 SECTION 20. Arkansas Code § 10-4-118(a) is amended to read as follows:

27 (a) To provide for a consistent and understandable financial format,
 28 all audit reports prepared by private certified public accountants or public
 29 accountants of ~~state or local educational institutions, boards, or~~
 30 ~~commissions, and other state agencies~~ entities of the state or political
 31 subdivisions of the state shall be in the substantial form as reports
 32 prepared by the Legislative Auditor ~~or a similar governmental entity.~~

33
 34 SECTION 21. Arkansas Code § 10-4-119 is amended to read as follows:

35 10-4-119. Continuing professional education courses.

36 (a) ~~The~~ In addition to contracting with private entities, the Division

1 of Legislative Audit ~~is authorized to~~ may contract and pay entities of the
2 ~~state agencies or institutions of higher education~~ or any of their part-time
3 or full-time employees for services rendered, materials, supplies, or other
4 expenses incurred in conducting continuing professional education courses for
5 the staff of the division.

6 (b) Any funds received by ~~the~~ public employees under the provisions of
7 this section shall be considered supplemental to their regular salaried
8 positions and shall not be subject to the restrictions of § 6-63-307, § 19-4-
9 1604, or other statutory salary limitations regarding line item maximums or
10 grades and steps.

11 (c) These provisions apply whether the public employee is paid
12 directly or indirectly by ~~the state agency or institution of higher education~~
13 an entity of the state.

14
15 SECTION 22. Arkansas Code § 10-4-201 is repealed.

16 ~~10-4-201. Division of Local Affairs and Audits—Directors.~~

17 ~~(a) The Legislative Auditor shall appoint a Director of the Division~~
18 ~~of Local Affairs and Audits who shall serve at his or her pleasure.~~

19 ~~(b) The Director of the Division of Local Affairs and Audits of the~~
20 ~~Division of Legislative Audit, with the approval of the Legislative Joint~~
21 ~~Auditing Committee, shall appoint the directors of the respective Divisions~~
22 ~~of County Audits, Municipal Audits, and School Audits within the Division of~~
23 ~~Local Affairs and Audits.~~

24 ~~(c) With respect to the administration of the various laws of this~~
25 ~~state governing local audits, the Director of the Division of Local Audits~~
26 ~~shall possess all powers, functions, and duties with respect to local audits~~
27 ~~as formerly vested in the Office of the State Comptroller as ex officio~~
28 ~~Director of Local Audits, or in the Director of Administration.~~

29 ~~(d) All personnel within the Division of Local Affairs and Audits of~~
30 ~~the Division of Legislative Audit shall be named by the director with the~~
31 ~~approval of the Legislative Auditor and shall serve at the pleasure of the~~
32 ~~director and the Committee.~~

33
34 SECTION 23. Arkansas Code §§ 10-4-202 through 10-4-204 are amended to
35 read as follows:

36 10-4-202. Audits authorized - Independent audits.

1 (a)~~(1)~~ ~~The Legislative Auditor has the power and duty~~ authority,
 2 acting through his or her duly authorized employees, to conduct audits of the
 3 records and accounts of all officials or employees of counties,
 4 municipalities, school districts, county school boards, and educational
 5 cooperatives any political subdivision of the state or affiliates thereof,
 6 and transactions relating to public funds received, handled, or disbursed by
 7 non-affiliates.

8 ~~(2) In the alternative, upon approval of the Legislative Joint~~
 9 ~~Auditing Committee, the Legislative Auditor may conduct:~~

10 ~~(A) A compilation or a report of agreed upon procedures of~~
 11 ~~the records and accounts of all officials or employees of incorporated towns;~~
 12 ~~or~~

13 ~~(B) A report of agreed upon procedures of cities of the~~
 14 ~~second class.~~

15 **(b) For the purposes of this subchapter:**

16 **(1) "Affiliate" means any nonprofit or other entity whose**
 17 **exclusive or primary purpose or function is to directly or indirectly benefit**
 18 **or assist an entity of the state or a political subdivision of the state, and**
 19 **meets the following criteria:**

20 **(A) The economic resources received or held by the**
 21 **affiliate are entirely or almost entirely for the direct benefit of the**
 22 **entity or political subdivision of the state, its component units, or its**
 23 **constituents, or**

24 **(B) The entity or political subdivision of the state or its**
 25 **component units is entitled to, or has the ability to otherwise access, a**
 26 **majority of the economic resources received or held by the affiliate**
 27 **organization;**

28 **(2) "Audit" means an audit, review, report of agreed upon**
 29 **procedures, compilation, examination, investigation, or other report or**
 30 **procedure approved by the Legislative Joint Auditing Committee for an entity;**

31 **(3) "Entity of the state" means the state as a whole or any**
 32 **official, office, employee, department, institution of higher education,**
 33 **board, commission, or agency of the state, or function thereof;**

34 **(4) "Non-affiliate" means any entity receiving, disbursing, or**
 35 **handling public grants or funds; and**

36 **(5) "Political subdivision of the state" means any county,**

1 municipality, public school district, educational cooperative,
 2 quasigovernmental entity, any employee or official thereof, or any function
 3 thereof.

4 (c) As used in (b)(1)(B) of this section, “the ability to otherwise
 5 access” means:

6 (1) The affiliate honors requests to provide resources to the
 7 primary government;

8 (2) Historically, the governmental unit has received, directly
 9 or indirectly, a majority of the economic resources provided by the
 10 affiliate; or

11 (3) The affiliate and an entity or political subdivision of the
 12 state are financially interrelated by:

13 (A) The affiliate having the ability to influence the
 14 operating and financial decisions of the governmental entity; or

15 (B) The governmental entity having an ongoing economic
 16 interest in the net assets of the affiliate.

17 ~~(b)(1)(d)(1)(A)~~ Nothing contained in subsection (a) of this section
 18 shall be so construed as to abridge the right of any school district, any
 19 educational cooperative, or any municipality to choose and employ accountants
 20 licensed and in good standing with the Arkansas State Board of Public
 21 Accountancy to conduct these audits in accordance with Government Auditing
 22 Standards issued by the Comptroller General of the United States.

23 (B) As used in this subsection (d), “audit” means an
 24 annual financial report, which includes as a minimum, the expression of an
 25 opinion by an independent auditor on the fairness with which the financial
 26 statements present, in all material respects, financial position, results of
 27 operations, and, if required its cash flows, in conformity with generally
 28 accepted accounting principles.

29 ~~(2) In the alternative, with the approval of the Committee:~~

30 ~~(A) An incorporated town may employ such licensed~~
 31 ~~accountants to conduct a compilation or a report of agreed upon procedures as~~
 32 ~~provided in subdivision (b)(2)(B) of this section in accordance with~~
 33 ~~standards issued by the American Institute of Certified Public Accountants;~~
 34 ~~or~~

35 ~~(B)(i) A city of the second class may employ such licensed~~
 36 ~~accountants to conduct and prepare a report of agreed upon procedures.~~

1 ~~(ii) The agreed upon procedures and format of the~~
 2 ~~report shall be prescribed by the Legislative Auditor and shall include at a~~
 3 ~~minimum:~~

4 ~~(a) A reconciliation and confirmation of cash;~~

5 ~~(b) A cash basis balance sheet;~~

6 ~~(c) A statement of cash receipts and~~
 7 ~~disbursements; and~~

8 ~~(d) A report on compliance with certain~~
 9 ~~Arkansas laws.~~

10 ~~(3)(A)(2)(A)~~ A certified copy of each ~~audit, compilation, or~~
 11 ~~agreed upon procedures~~ report shall be filed with the Division of Legislative
 12 Audit in a timely manner after completion of the report.

13 (B) All ~~compilation reports and reports of agreed upon~~
 14 ~~procedures~~ allowed in this section shall be presented to the appropriate
 15 governing body ~~in the same manner as audit reports.~~

16 (3)(A) Audits conducted by private licensed accountants under
 17 this section shall include any specific procedures, tests, reports, exhibits,
 18 or schedules prescribed by the Legislative Auditor and approved by the
 19 Legislative Joint Auditing Committee.

20 (B) Any specific required procedures or formats shall be
 21 available from the Division of Legislative Audit.

22
 23 10-4-203. Records and reports.

24 (a) Insofar as it is practical to do so, and not inconsistent with the
 25 law or professional guidelines, the ~~Director of the Division of Local Affairs~~
 26 ~~and Audits of the Division of Legislative Audit shall~~ Legislative Auditor may
 27 establish uniform systems of record-keeping within the respective counties,
 28 school districts, ~~and municipalities, or other public entity.~~

29 (b) The ~~director~~ Legislative Auditor may require, on forms prescribed
 30 and furnished by him or her, the filing with the division of financial
 31 reports at such times as he or she shall deem advisable.

32
 33 10-4-204. Verifying transactions.

34 In verifying any transaction or in determining the nature or manner of
 35 handling any matter under investigation during the course of any audit, ~~the~~
 36 ~~Director of the Division of Local Affairs and Audits of the Division of~~

1 ~~Legislative Audit~~ the Legislative Auditor or the Legislative Auditor's
 2 authorized assistants shall have the right to examine the accounts, records,
 3 or other data, confidential or otherwise, of any officer or employee of any
 4 county, school district, or municipality political subdivision of the state
 5 or affiliate thereof, or the records of any banking or financial institution,
 6 ~~or~~ business concern, or individual, with regard to transactions or matters
 7 under investigation, and to require, of the proper officer of any banking or
 8 financial institution, ~~or~~ business concern, or individual, verified
 9 statements with relation to any such transactions or matters.

10
 11 SECTION 24. Arkansas Code § 10-4-205(b) is amended to read as follows:

12 ~~(b)(1) After the report of each audit shall have been completed, one~~
 13 ~~(1) certified copy of the report shall be retained by the Director of the~~
 14 ~~Division of Local Affairs and Audits of the Division of Legislative Audit. In~~
 15 ~~addition, one (1) certified copy shall be filed. After reports have been~~
 16 presented to the Legislative Joint Auditing Committee, the reports shall be
 17 available for viewing or downloading from the Internet.

18 ~~(A) With respect to county audits, with the county judge~~
 19 ~~and the county clerk. The clerk of the county court shall promptly notify~~
 20 ~~each member of the quorum court of the county by mail that the audit has been~~
 21 ~~completed and filed in the office of the county clerk, and it shall be a~~
 22 ~~matter of public record;~~

23 ~~(B) With respect to school district audits, with the~~
 24 ~~Department of Education, the county school supervisor, and the chairman or~~
 25 ~~president of the board of directors of the particular school district when~~
 26 ~~the records and accounts of that district have been audited; and~~

27 ~~(C) With respect to municipal audits, with the mayor or~~
 28 ~~other chief magistrate of the city and the city clerk or town recorder.~~

29 ~~(2) Each audit report, when so filed, shall be a public document~~
 30 ~~and shall be subject to and made available for the inspection of any~~
 31 ~~interested taxpayer or citizen.~~

32
 33 SECTION 25. Arkansas Code § 10-4-206 is amended to read as follows:

34 10-4-206. Auditors, accountants, and employees.

35 ~~(a) No auditor or employee of the Division of Local Affairs and Audits~~
 36 ~~or of the Division of Legislative Audit shall assist in or conduct the audit~~

1 of the books of any county official if the auditor or employee or the spouse
 2 of either of them is related in the first degree of consanguinity to ~~any~~ that
 3 county-official whose office is subject to be audited by the Division of
 4 ~~Local Affairs and Audits~~ Legislative Audit.

5 ~~(b) Each auditor or accountant shall be required to furnish bond of~~
 6 ~~such penalty as shall be determined by the Director of the Division of Local~~
 7 ~~Affairs and Audits of the Division of Legislative Audit. Any auditor or~~
 8 ~~accountant who shall knowingly or willfully make or publish any false~~
 9 ~~statement or report concerning the affairs or conditions of any officer or~~
 10 ~~office under audit shall be immediately discharged by the director, and he or~~
 11 ~~she and the surety on his or her bond shall be liable to the individuals~~
 12 ~~injured thereby.~~

13
 14 SECTION 26. Arkansas Code § 10-4-207 is repealed.

15 ~~10-4-207. Audit of county hospitals.~~

16 ~~The Division of Local Affairs and Audits of the Division of Legislative~~
 17 ~~Audit is authorized to make an audit of any hospital owned and operated by~~
 18 ~~any county in this state when an audit is requested by the proper authorities~~
 19 ~~of the hospital.~~

20
 21 SECTION 27. Arkansas Code § 10-4-208 is amended to read as follows:

22 10-4-208. Audit of publicly funded educational institutions and
 23 municipalities - Requirements of report by independent accountant.

24 (a) ~~The audit of every publicly funded educational institution~~
 25 municipality, public school district, county school board, or educational
 26 cooperative shall be performed by the Division of Legislative Audit or other
 27 independent person licensed to practice accounting by the Arkansas State
 28 Board of Public Accountancy to be selected by the governing body of the
 29 ~~educational institution~~ entity.

30 ~~(b) Any statutorily required audit of an educational institution~~
 31 ~~performed by an independent accountant shall include as a minimum and as an~~
 32 ~~integral part of the annual financial report a review and comments on~~
 33 ~~substantial compliance with each of the following:~~

34 ~~(1) Management letter for audit of political subdivisions, §§~~
 35 ~~14-75-101—14-75-104;~~

36 ~~(2) School officials prohibited from having interest in sales to~~

1 ~~school and from receiving pecuniary profits for favorable actions, §§ 6-13-~~
 2 ~~628;~~

3 ~~(3) School elections, §§ 6-14-102, 6-14-118;~~

4 ~~(4) Management of schools, §§ 6-13-617—6-13-620, 6-13-701;~~

5 ~~(5) Revolving Loan Fund, §§ 6-19-114(a), 6-20-801 et seq.;~~

6 ~~(6) District finances, §§ 6-20-402, 6-20-409;~~

7 ~~(7) District school bonds, §§ 6-20-1208, 6-20-1210(a) and (b);~~

8 ~~(8) Teachers and employees, §§ 6-17-201(b) and (c), 6-17-203—~~
 9 ~~6-17-206, 6-17-301, 6-17-401;~~

10 ~~(9) Teachers' salaries, the Minimum Foundation Program Aid Act,~~
 11 ~~§§ 6-17-803(b), 6-17-907, 6-17-908(a) and (b), 6-17-911—6-17-915, 6-17-918,~~
 12 ~~and 6-17-919;~~

13 ~~(10) Surety bonds if district has a district treasurer, § 19-1-~~
 14 ~~403;~~

15 ~~(11) Deposit of funds, §§ 19-8-104, 19-8-106;~~

16 ~~(12) Investment of funds, § 19-1-504; and~~

17 ~~(13) Improvement contracts, §§ 22-9-202—22-9-205.~~

18 ~~(e)(b) The governing body of the educational institution municipality,~~
 19 ~~public school district, county school board, or educational cooperative shall~~
 20 ~~require the independent accountant to present the annual financial report in~~
 21 ~~conformity with the format and guidelines as prescribed by the appropriate~~
 22 ~~professional organizations, such as, but not limited to, the American~~
 23 ~~Institute of Certified Public Accountants, the National Council on~~
 24 ~~Governmental Accounting, and the National Association of College and~~
 25 ~~University Business Officers Division of Legislative Audit.~~

26 ~~(d)(1) The audit reports and accompanying comments and recommendations~~
 27 ~~relating to any publicly funded school, educational cooperative, vocational-~~
 28 ~~technical school, or institution of higher education prepared in accordance~~
 29 ~~with the provisions of § 6-1-101 or other Code provisions shall be reviewed~~
 30 ~~by the applicable board or governing body.~~

31 ~~(2)(A) The audit report and accompanying comments and~~
 32 ~~recommendations shall be reviewed at the first regularly scheduled meeting~~
 33 ~~following receipt of the audit report if the audit report is received by the~~
 34 ~~board or governing body prior to ten (10) days before the regularly scheduled~~
 35 ~~meeting.~~

36 ~~(B) If the audit report is received by the board or~~

1 ~~governing body within ten (10) days before a regularly scheduled meeting, the~~
2 ~~audit report may be reviewed at the next regularly scheduled meeting after~~
3 ~~the ten day period.~~

4 ~~(3) The board or governing body shall take appropriate action~~
5 ~~relating to each finding and recommendation contained in the audit report.~~

6 ~~(4) The minutes of the board or governing body shall document~~
7 ~~the review of the findings and recommendations and the action taken by the~~
8 ~~board or governing body.~~

9
10 SECTION 28. Arkansas Code § 10-4-214 is amended to read as follows:

11 10-4-214. ~~Schedule of fixed~~ Capital assets.

12 Any municipality or school district in the State of Arkansas engaging
13 the services of an independent accountant for the purpose of conducting a
14 statutorily required audit of the municipality or school district shall
15 require the accountant to review and comment on the adequacy and extent of
16 accounting controls relating to ~~fixed~~ capital assets of the municipality or
17 school district in the audit report issued by the accountant ~~and to include a~~
18 ~~schedule of fixed assets of the municipality or school district as an~~
19 ~~integral part of the report.~~

20
21 SECTION 29. Arkansas Code § 10-4-215(b) is amended to read as follows:

22 (b) ~~If any discrepancy is noted in the audit, the county officer shall~~
23 ~~be notified of the meeting of the Committee at which the audit is being~~
24 ~~considered in order that the county officer may be present when the audit is~~
25 ~~considered by the Committee and make himself or herself available to discuss~~
26 ~~the audit with the members of the Committee. ~~The notice shall be furnished~~~~
27 ~~to the county officer by the Legislative Auditor at least six (6) days prior~~
28 ~~to the meeting of the Committee at which the audit is to be considered, by~~
29 ~~mailing a copy of the notice to the county officer by ordinary mail.~~

30
31 SECTION 30. Arkansas Code §10-4-216 is repealed.

32 ~~10-4-216. Bonds of county officers.~~

33 ~~(a)(1) Under such method of procedure and by use of such formulas as~~
34 ~~shall be determined by the State Board of Finance, the Director of the~~
35 ~~Division of Local Affairs and Audits of the Division of Legislative Audit~~
36 ~~shall fix the amounts of the penalties of the bonds to be furnished by all~~

1 ~~county officers required by law to furnish bond.~~

2 ~~(2)(A) On or before December 1 of each year, he or she shall~~
 3 ~~certify to the clerks of the county courts the amounts of the bonds as so~~
 4 ~~determined, which certification shall be made available for the inspection of~~
 5 ~~all such officers.~~

6 ~~(B) The certifications so made shall be deemed to~~
 7 ~~constitute sufficient notice of the contents thereof to each of the county~~
 8 ~~officers.~~

9 ~~(b) Nothing contained in this section shall be so construed as to~~
 10 ~~amend or repeal any law in which the amount of the penalty of the bond to be~~
 11 ~~furnished by any officer has been fixed in a specific amount.~~

12
 13 SECTION 31. Arkansas Code § 10-4-217(a) is amended to read as follows:

14 (a) It shall be the duty of ~~the Director of the Division of Local~~
 15 ~~Affairs and Audits~~ of the Division of Legislative Audit, with approval of the
 16 Legislative Joint Auditing Committee, to give notice and make proof of loss
 17 to and demand payment of the surety on any bond executed by any officer in
 18 which the audit report of the records of that officer reflects any shortage
 19 or other liability for which that officer and his or her surety may in anyway
 20 be liable.

21
 22 SECTION 32. Arkansas Code § 10-4-218 is amended to read as follows:

23 10-4-218. Administrative cost.

24 (a) The administrative cost of ~~the Division of Local Affairs and~~
 25 ~~Audits of~~ auditing the political subdivisions of the state by the Division of
 26 Legislative Audit shall be paid from the ~~annual gross collections of taxes on~~
 27 ~~bus and truck lines and private car companies, which are deposited in the~~
 28 ~~State Treasury for the benefit of counties and municipalities and which are~~
 29 ~~to be used to defray the cost of auditing counties, municipalities, and~~
 30 ~~school districts~~ Ad Valorem Tax Fund as prescribed by § 19-5-906.

31 (b) In the event these taxes, or any part thereof, are no longer
 32 collected or deposited in the State Treasury, or there is a diminution in
 33 these taxes, then the operating cost of ~~the division~~ auditing the political
 34 subdivisions of the state by the Division of Legislative Audit shall be paid
 35 from other moneys deposited in the General Revenue Fund Account.

36

1 SECTION 33. Arkansas Code § 10-4-219(a) is amended to read as follows:

2 (a) The audit reports and accompanying comments and recommendations
3 relating to any county or municipality ~~of this state prepared pursuant to the~~
4 ~~provisions of § 10-4-202, § 14-58-101, or other Code provisions~~ shall be
5 reviewed by the applicable legislative governing body.

6
7 SECTION 34. Arkansas Code § 10-4-219(b)(2) is amended to read as
8 follows:

9 (2) If the audit report is received by the board or governing body
10 within ten (10) days ~~of~~ before a regularly scheduled meeting, the audit
11 report ~~may~~ shall be reviewed at the ~~next~~ regularly scheduled meeting ~~after~~
12 the ten-day period falling within the ten-day period or at the next following
13 regularly scheduled meeting.

14 /s/ Wilkins

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