

Stricken language would be deleted from and underlined language would be added to law as it existed prior to the 82nd General Assembly.

1 State of Arkansas
2 82nd General Assembly
3 Regular Session, 1999

As Engrossed: H3/19/99

A Bill

SENATE BILL 837

4
5 By: Senator Mahony
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For An Act To Be Entitled

8
9 "AN ACT TO PLACE SCHOOL DISTRICTS NOT RECEIVING TIMELY
10 AUDITS IN FISCAL DISTRESS; TO REFER QUESTIONABLE
11 AUDITS TO THE STATE BOARD OF PUBLIC ACCOUNTANCY FOR
12 REVIEW; AND FOR OTHER PURPOSES. "
13

Subtitle

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15 "AN ACT PLACING SCHOOL DISTRICTS WITH
16 LATE AUDITS IN FISCAL DISTRESS AND
17 REFERING QUESTIONABLE AUDITS TO THE
18 STATE BOARD OF PUBLIC ACCOUNTANCY. "
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21 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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SECTION 1. Filing of audit reports.

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24 (a) Unless a shorter period is prescribed by law or regulation, all
25 school districts' annual audits not conducted by the Division of Legislative
26 Audit shall be completed and filed with the Department of Education and the
27 Division of Legislative Audit within eighteen (18) months following the end of
28 each fiscal year.

29
30 (b) All school district contracts for audit services with private
31 certified public accountants shall contain a provision requiring completion of
32 the audit and filing of the audit reports by the auditor with the Department
33 of Education and the Division of Legislative Audit within eighteen (18) months
34 following the end of each June 30 fiscal year.

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36 (c) The Division of Legislative Audit shall annually provide the
Department of Education a list of school districts audited by the Division of
Legislative Audit and update the Department of Education of any changes

1 throughout the year.

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3 SECTION 2. Fiscal distress for failure to file.

4 (a) Any school district failing to file an audit report required by
5 section 1 of this act within the eighteen (18) month time period shall
6 automatically be considered by the Department of Education to be in fiscal
7 distress.

8 (b) By January 31 of each year, the Department of Education, by
9 certified mail, shall notify school districts failing to file required audit
10 reports that the school district is considered in fiscal distress.

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12 SECTION 3. Questionable audit reports.

13 (a) If the Department of Education or the Legislative Joint Auditing
14 Committee is concerned that a particular audit may be substandard or seriously
15 questionable with respect to applicable professional auditing standards, the
16 Department of Education or the Legislative Joint Auditing Committee may file a
17 complaint on the audit report to the Arkansas State Board of Public
18 Accountancy.

19 (b) The board shall review all audit reports and working papers filed
20 with the board under this act. The board shall determine whether the report
21 is in general conformity with applicable professional standards, state laws
22 and regulations and take appropriate action.

23
24 SECTION 4. List of ineligible accountants.

25 (a) The Department of Education shall maintain a list of accountants or
26 accounting firms ineligible to conduct school district audits. Accountants or
27 accounting firms placed on the ineligibility list by the Department of
28 Education shall be ineligible to conduct school audits for a period determined
29 by the Department of Education, but shall not exceed a five (5) year period
30 from the end of the fiscal year for which the audit report was contracted to
31 be prepared.

32 (b) Before entering into contracts for audit services, school districts
33 shall inquire with the Department of Education which accountants are
34 ineligible to conduct public school audits.

35 (c) The Department of Education may place accountants or accounting
36 firms on the ineligibility list for any of the following reasons:

1 (1) If in the opinion of the Department of Education or the Legislative Joint
2 Auditing Committee that a school district audit report is not filed within the
3 eighteen (18) month time period with the Department of Education and the
4 Division of Legislative Audit because of neglect or fault of the certified
5 public accountant or accounting firm;

6 (2) If the Arkansas State Board of Public Accountancy's Quality Review
7 Committee reports to the Department of Education and the Legislative Joint
8 Auditing Committee that a school district audit report shows evidence of lack
9 of general conformity with applicable professional standards, state laws and
10 regulations, or evidence that the report is substandard or seriously
11 questionable; or

12 (3) Other compelling reason that the Department of Education believes
13 justifies being placed on the ineligibility list.

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15 SECTION 5. All provisions of this act of a general and permanent nature
16 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
17 Revision Commission shall incorporate the same in the Code.

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19 SECTION 6. If any provision of this act or the application thereof to
20 any person or circumstance is held invalid, such invalidity shall not affect
21 other provisions or applications of the act which can be given effect without
22 the invalid provision or application, and to this end the provisions of this
23 act are declared to be severable.

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25 SECTION 7. All laws and parts of laws in conflict with this act are
26 hereby repealed.

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28 SECTION 8. EMERGENCY CLAUSE. It is hereby found and determined by the
29 Eighty-second General Assembly that the proper accounting and auditing of
30 school districts is of vital importance to the citizens and tax-payers of the
31 State of Arkansas, that timely filing of audit reports is necessary to
32 determine the proper accounting of school funds, and that audit reports are
33 performed in accordance with professional standards and state laws and
34 regulations. Therefore, an emergency is declared to exist and this act being
35 immediately necessary for the preservation of the public peace, health and
36 safety shall become effective on June 15, 1999.

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/s/ Mahony