

SENATE BILL NO. 389

INTRODUCED BY VAN VALKENBURG, CRIPPEN

IN THE SENATE

FEBRUARY 14, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON EDUCATION & CULTURAL RESOURCES.

FIRST READING.

FEBRUARY 19, 1991 COMMITTEE RECOMMEND BILL
DO PASS. REPORT ADOPTED.

FEBRUARY 20, 1991 PRINTING REPORT.

FEBRUARY 21, 1991 SECOND READING, DO PASS.

FEBRUARY 22, 1991 ENGROSSING REPORT.

THIRD READING, PASSED.
AYES, 45; NOES, 4.

TRANSMITTED TO HOUSE.

IN THE HOUSE

MARCH 4, 1991 INTRODUCED AND REFERRED TO COMMITTEE
ON EDUCATION & CULTURAL RESOURCES.

FIRST READING.

APRIL 2, 1991 COMMITTEE RECOMMEND BILL BE
CONCURRED IN AS AMENDED. REPORT
ADOPTED.

APRIL 6, 1991 SECOND READING, CONCURRED IN.

ON MOTION, RULES SUSPENDED. BILL
PLACED ON THIRD READING THIS DAY.

THIRD READING, CONCURRED IN.
AYES, 96; NOES, 0.

RETURNED TO SENATE WITH AMENDMENTS.

IN THE SENATE

APRIL 17, 1991 RECEIVED FROM HOUSE.

SECOND READING, AMENDMENTS

APRIL 18, 1991

CONCURRED IN.

THIRD READING, AMENDMENTS
CONCURRED IN.

APRIL 19, 1991

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Senate* BILL NO. *389*
 2 INTRODUCED BY *Van Valkenburg*
 3

4 A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE AUTHORITY
 5 OF THE LEGISLATIVE AUDITOR TO CONDUCT AUDITS OF
 6 SCHOOL-RELATED ORGANIZATIONS THAT RECEIVE A MAJORITY OF
 7 THEIR FUNDING FROM SCHOOL DISTRICTS; REQUIRING THAT PRIOR TO
 8 TRANSFERRING FUNDS TO THE ORGANIZATION, THE SCHOOL DISTRICT
 9 REQUIRE A WRITTEN AUTHORIZATION OF CONSENT TO AUDIT;
 10 PROVIDING FOR PAYMENT OF THE AUDIT COSTS; PROVIDING CRITERIA
 11 FOR THE AUDIT; AND PROVIDING AN EFFECTIVE DATE."
 12

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 NEW SECTION. **Section 1.** Audits of school-related
 15 organizations -- costs -- criteria. (1) The legislative
 16 auditor may conduct or have conducted an audit of the
 17 records of organizations that receive a majority of their
 18 funding from dues, fees, or assessments paid by public
 19 school districts in this state or from activities, a
 20 majority of the participants of which are required to be
 21 public school students of this state.

22 (2) Before public funds are transferred to the
 23 organization, a school district shall obtain the
 24 organization's written consent to:

25 (a) the audit provided for in subsection (1); and

1 (b) pay the costs of the audit.

2 (3) An audit of an organization performed under this
 3 section must determine if:

4 (a) the organization is carrying out only those
 5 activities or programs authorized by state law and its
 6 articles of incorporation, bylaws, and policies;

7 (b) expenditures are made in furtherance of authorized
 8 activities in accordance with applicable laws and its
 9 articles of incorporation, bylaws, and policies;

10 (c) the organization properly collects and accounts for
 11 all revenues and receipts arising from its activities in
 12 accordance with generally accepted accounting principles;

13 (d) the assets of the organization or the assets in its
 14 custody are adequately safeguarded and are controlled and
 15 used in an efficient manner; and

16 (e) reports and financial statements fully disclose the
 17 nature and scope of the activities conducted and provide a
 18 proper basis for evaluating the operations of the
 19 organization.

20 NEW SECTION. **Section 2.** Codification instruction.
 21 [Section 1] is intended to be codified as an integral part
 22 of Title 2, chapter 7, and the provisions of Title 2,
 23 chapter 7, apply to [section 1].

24 NEW SECTION. **Section 3.** Effective date. [This act] is
 25 effective July 1, 1991.

-End-
 -2-

INTRODUCED BILL
 SB 389



STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for SB0389, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

An act extending the authority of the Legislative Auditor to conduct audits of school-related organizations that receive a majority of their funding from school districts; requiring that prior to transferring funds to the organization, the school district require a written authorization of consent to audit; providing for payment of the audit costs; providing criteria for the audit; and providing an effective date.

ASSUMPTIONS:

1. The Legislative Auditor will not conduct these audits but will contract with a licensed CPA to conduct the audits. The cost of the audit will be borne by the entity (Section 1 (2)(b)).
2. The audits will be presented to the Legislative Audit Committee at a public hearing. The Audit Committee meets approximately 8 times a year so no additional meetings are assumed necessary.
3. The Legislative Auditor will use his established contract audit process.
4. No additional FTE will be necessary to administer these additional audits.
5. These audits will be conducted on a biennial basis for a two year period.
6. The legislation covers six entities in the state of Montana.
7. Costs incurred by the Legislative Auditor in the administration of these contracts will be reimbursed by the entity under audit (a contract provision).
8. Audits of entities involved will have an average contract cost of \$2,500.
9. Current law is represented by the executive budget request for the Office of Legislative Auditor.

FISCAL IMPACT:

Office of the Legislative Auditor

	FY 92			FY 93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
<u>Expenditures:</u>						
Operating Expenses	337,200	344,700	7,500	312,100	319,600	7,500
<u>Funding:</u>						
General Fund (01)	171,972	171,972	0	159,171	159,171	0
Audit Fees (02)	<u>165,228</u>	<u>172,728</u>	<u>7,500</u>	<u>152,929</u>	<u>160,429</u>	<u>7,500</u>
Total	337,200	344,700	7,500	312,100	319,600	7,500
<u>Revenues:</u>						
Audit Fees/School-Related Org.(02)	0	7,500	7,500	0	7,500	7,500

by Rod Sundsted 2/18/91
 ROD SUNDSTED, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Fred R. Van Valkenburg 2-18-91
 FRED R. VAN VALKENBURG, PRIMARY SPONSOR DATE
 Fiscal Note for SB0389, as introduced **SB 389**

Fiscal Note Request, SB0389

Form BD-15

Page 2

EFFECT ON COUNTY OR OTHER LOCAL REVENUE OR EXPENDITURES:

Audit costs will be borne by local organizations affected by the bill. School districts will be responsible for the costs of obtaining written consent from organizations before they receive funds.

TECHNICAL NOTES:

There is no definition for "organization" and no specific methodology for determining how and for which period a majority of funding is to be calculated.

APPROVED BY COMM. ON EDUCATION AND CULTURAL RESOURCES

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Senate BILL NO. *389*
Va. Culbertson

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT EXTENDING THE AUTHORITY OF THE LEGISLATIVE AUDITOR TO CONDUCT AUDITS OF SCHOOL-RELATED ORGANIZATIONS THAT RECEIVE A MAJORITY OF THEIR FUNDING FROM SCHOOL DISTRICTS; REQUIRING THAT PRIOR TO TRANSFERRING FUNDS TO THE ORGANIZATION, THE SCHOOL DISTRICT REQUIRE A WRITTEN AUTHORIZATION OF CONSENT TO AUDIT; PROVIDING FOR PAYMENT OF THE AUDIT COSTS; PROVIDING CRITERIA FOR THE AUDIT; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1.** Audits of school-related organizations -- costs -- criteria. (1) The legislative auditor may conduct or have conducted an audit of the records of organizations that receive a majority of their funding from dues, fees, or assessments paid by public school districts in this state or from activities, a majority of the participants of which are required to be public school students of this state.

(2) Before public funds are transferred to the organization, a school district shall obtain the organization's written consent to:

(a) the audit provided for in subsection (1); and

- (b) pay the costs of the audit.
- (3) An audit of an organization performed under this section must determine if:
 - (a) the organization is carrying out only those activities or programs authorized by state law and its articles of incorporation, bylaws, and policies;
 - (b) expenditures are made in furtherance of authorized activities in accordance with applicable laws and its articles of incorporation, bylaws, and policies;
 - (c) the organization properly collects and accounts for all revenues and receipts arising from its activities in accordance with generally accepted accounting principles;
 - (d) the assets of the organization or the assets in its custody are adequately safeguarded and are controlled and used in an efficient manner; and
 - (e) reports and financial statements fully disclose the nature and scope of the activities conducted and provide a proper basis for evaluating the operations of the organization.

NEW SECTION. **Section 2.** Codification instruction. [Section 1] is intended to be codified as an integral part of Title 2, chapter 7, and the provisions of Title 2, chapter 7, apply to [section 1].

NEW SECTION. **Section 3.** Effective date. [This act] is effective July 1, 1991.



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 25 effective July 1, 1991.

-End-
 -2-

THIRD READING
 SB 389



HOUSE STANDING COMMITTEE REPORT

April 1, 1991

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that Senate Bill 389 (third reading copy -- blue) be concurred in as amended .

Signed: Ted Schye
Ted Schye, Chairman

Carried by: Rep. Forrester

And, that such amendments read:

1. Title, lines 6 and 7.
Strike: "SCHOOL-RELATED" on line 6
Following: "ORGANIZATIONS"
Strike: remainder of line 6 through "DISTRICTS" on line 7
Insert: "REFERRED TO IN SECTION 2-3-203(2), MCA"
2. Title, line 8.
Strike: "SCHOOL DISTRICT"
Insert: "MEMBER"
3. Page 1, lines 17 through 21.
Following: "organizations" on line 17
Strike: remainder of line 17 through "state" on line 21
Insert: "referred to in 2-3-203(2)"
4. Page 1, line 23.
Following: "a"
Strike: "school district"
Insert: "member"

SB 389

HOUSE

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6 SCHOOL-RELATED ORGANIZATIONS THAT--RECEIVE--A--MAJORITY-OF
7 THEIR-FUNDING-FROM-SCHOOL-DISTRICTS REFERRED TO IN SECTION
8 2-3-203(2), MCA; REQUIRING THAT PRIOR TO TRANSFERRING FUNDS
9 TO THE ORGANIZATION, THAT THE SCHOOL--DISTRICT MEMBER
10 REQUIRE A WRITTEN AUTHORIZATION OF CONSENT TO AUDIT;
11 PROVIDING FOR PAYMENT OF THE AUDIT COSTS; PROVIDING CRITERIA
12 FOR THE AUDIT; AND PROVIDING AN EFFECTIVE DATE."

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19 funding from dues, fees, or assessments paid by public
20 school districts in this state or from activities, a
21 majority of the participants of which are required to be
22 public school students of this state REFERRED TO IN
23 2-3-203(2).

24 (2) Before public funds are transferred to the
25 organization, a school--district MEMBER shall obtain the

1 organization's written consent to:

- 2 (a) the audit provided for in subsection (1); and
3 (b) pay the costs of the audit.
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5 section must determine if:
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24 of Title 2, chapter 7, and the provisions of Title 2,
25 chapter 7, apply to [section 1].

SB 0389/02

1 NEW SECTION. **Section 3.** **Effective date.** [This act] is
2 **effective July 1, 1991.**

-End-