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BILL ANALYSIS

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House Bill 5457 (Substitute S-4 as reported by the Committee of the Whole)  
Sponsor: Representative Brian Palmer  
House Committee: Education  
Senate Committee: Education

### **CONTENT**

The bill would amend the Revised School Code to do the following:

- Provide that intermediate school districts (ISDs) would be subject to random audits conducted by an independent auditor under the direction of the Department of Treasury.
- Require an audit to address at least three aspects of an ISD's operations.
- Require the Department to select five ISDs for random audits every two years.
- Allow the Department to direct an audit of additional ISDs if it considered appropriate.
- Require an independent auditor to submit an audit report to the Center for Educational Performance and Information, which would have to give a copy to the Department, the ISD board, the Department of Education, and legislative standing committees with jurisdiction over education issues.
- Require the Treasury Department to notify an ISD if an audit disclosed that the intermediate school board or an ISD official or employee had violated any State law governing ISDs' financial operations; and allow the ISD to appeal that determination.
- Require the Treasury Department, if it did not find that the determination was inaccurate or the situation had been corrected, to file a copy of the audit report with the Attorney General.
- Require the Attorney General to commence, or direct a prosecuting attorney to commence, proceedings against the ISD board, official, or employee if the Attorney General considered it appropriate.
- Require the Treasury Department to pay the costs of the random audits, subject to an appropriation.

The bill would take effect on July 1, 2006.

Proposed MCL 380.622a

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would have an indeterminate impact on the Department of Treasury depending on the number of audit hours required. The average cost of contracted audits is approximately \$85 per hour. Under the bill, amounts spent for audits would be contingent upon annual appropriations. Costs to the Department of Attorney General would depend on the number of reports citing violations of State laws filed with the Attorney General.

Date Completed: 11-9-04

Fiscal Analyst: Bill Bowerman