

SUBSTITUTE FOR
HOUSE BILL NO. 5457

A bill to amend 1976 PA 451, entitled
"The revised school code,"
(MCL 380.1 to 380.1852) by adding section 622a.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 622a. (1) In addition to the annual financial audit
2 required under section 622, an intermediate school district is
3 subject to an audit of the matters described in this section
4 conducted by an independent auditor under the direction of the
5 department of treasury under this section. An audit conducted
6 under this section shall be based in part on an examination of an
7 intermediate school district's accounts, financial records, and
8 accounting procedures and shall address at least 3 of the
9 following aspects of the intermediate school district's
10 operations, as directed by the department of treasury:

11 (a) Whether intermediate school board members, intermediate

1 school district administrators, and intermediate school district
2 employees are adhering to ethics policies adopted by the
3 intermediate school board or required by state law.

4 (b) Whether intermediate school board members, intermediate
5 school district administrators, and intermediate school district
6 employees are adhering to conflict of interest policies adopted
7 by the intermediate school board or required by state law. This
8 includes, but is not limited to, policies and practices with
9 regard to contracts in which an intermediate school board member,
10 an intermediate school district administrator, or an intermediate
11 school district employee who is involved in the contracting
12 process, or a family member of an intermediate school board
13 member, an intermediate school district administrator, or an
14 intermediate school district employee who is involved in the
15 contracting process, has a substantial conflict of interest; and
16 policies and practices with regard to an intermediate school
17 district administrator negotiating, handling, presenting, or
18 recommending a contract in which the administrator or a family
19 member of the administrator has a substantial conflict of
20 interest. As used in this subdivision, "substantial conflict of
21 interest" means that term as defined in section 634(5).

22 (c) Whether a modification to an existing contract was made
23 during the audit period that resulted in an additional financial
24 obligation to the intermediate school district and the
25 modification was not competitively bid.

26 (d) Whether the intermediate school district's policies and
27 practices for responding to requests received under the freedom

1 of information act, 1976 PA 442, MCL 15.231 to 15.246, and the
2 intermediate school district's actual responses to requests made
3 during the audit period under that act, were in compliance with
4 that act. This part of the audit shall include, but is not
5 limited to, an examination of whether the costs charged for
6 responding to requests exceeded the costs permitted under that
7 act.

8 (e) Whether intermediate school board members, intermediate
9 school district administrators, and intermediate school district
10 employees are adhering to travel guidelines and practices adopted
11 by the intermediate school board or required by state law.

12 (f) Whether the intermediate school district has accurately
13 accounted for and reported all information relating to stipends,
14 salaries, benefits, or other compensation paid to intermediate
15 school district administrators.

16 (g) Whether the intermediate school district has used public
17 funds in violation of law to pay for food, gifts, or other items
18 not used for instructional purposes.

19 (2) The department of treasury shall direct the random audits
20 of intermediate school districts under this section as follows:

21 (a) The department of treasury shall select the intermediate
22 school districts to be audited under this section on a random
23 basis.

24 (b) The department of treasury shall announce between July 1
25 and July 15 of each calendar year the intermediate school
26 districts that will be subject that year to an audit under this
27 section for the immediately preceding school fiscal year.

1 (c) The department of treasury shall select 5 intermediate
2 school districts for audit under this section every 2 years.

3 (d) Upon request by the department of treasury, the
4 intermediate school district shall notify the department of
5 treasury of the name, address, and contact person of the
6 independent auditor selected by the intermediate school board to
7 perform the annual financial audit for the intermediate school
8 district. The department of treasury shall enter into an
9 auditing procedures agreement with the selected independent
10 auditor, identifying the matters to be audited and establishing
11 the rate of payment, which shall be no more than the rate the
12 department would charge for the same type of audit unless the
13 intermediate school board is already under contract with an
14 independent auditing firm for the year to be audited, to oversee
15 the conduct of the audit by the independent auditor to the extent
16 the department of treasury considers necessary to meet the
17 purposes of this section.

18 (e) An intermediate school board and intermediate school
19 district officials shall provide all information requested by the
20 independent auditors or the department of treasury and shall
21 cooperate with them to the fullest extent possible.

22 (f) The independent auditor shall submit an audit report of
23 the audit to the center for educational performance and
24 information in the form and manner prescribed by the center for
25 educational performance and information. The center for
26 educational performance and information shall submit a copy of
27 the audit report of each audit conducted under this section to

1 the department of treasury, to the applicable intermediate school
2 board, to the senate and house standing committees having
3 jurisdiction over education legislation, to the department, and,
4 subject to subdivision (g), to the attorney general if the
5 department of treasury considers it appropriate.

6 (g) If the department of treasury determines that an audit
7 conducted under this section has disclosed that the intermediate
8 school board or any intermediate school district official or
9 employee has violated any state law governing the financial
10 operations of an intermediate school district, then the
11 department of treasury shall file a copy of the report with the
12 attorney general. The attorney general shall review the report
13 and, if the attorney general considers it appropriate, shall
14 commence or direct the prosecuting attorney for the county in
15 which the violations occurred to commence appropriate proceedings
16 against the intermediate school board or the official or
17 employee. These proceedings shall include at least a civil
18 action in a court of competent jurisdiction for the recovery of
19 any public money determined by the audit to have been illegally
20 expended and for the recovery of any public property determined
21 by the audit to have been converted or misappropriated.

22 (3) In addition to the intermediate school districts selected
23 for a random audit under subsection (2), the department of
24 treasury may also direct an audit under this section of 1 or more
25 additional intermediate school districts selected by the
26 department of treasury if the department of treasury considers
27 that additional audit or audits to be appropriate. Subsection

1 (2)(d), (e), (f), and (g) apply to an audit under this
2 subsection.

3 (4) An audit under this section shall be performed in
4 accordance with standards issued by the American institute of
5 certified public accountants and with government audit standards
6 issued by the United States general accounting office.

7 (5) The department of treasury shall pay the costs of the
8 additional audit conducted under this section. The department of
9 treasury's obligation under this section is limited to the amount
10 of a separate line item appropriation identified for the purpose
11 of funding the department of treasury's duties under this section
12 and included in the annual appropriations act making
13 appropriations for the department of treasury.