

House Bill 1164

By: Representatives Wade of the 9<sup>th</sup>, Hatchett of the 155<sup>th</sup>, Jones of the 47<sup>th</sup>, Erwin of the 32<sup>nd</sup>, Gambill of the 15<sup>th</sup>, and others

A BILL TO BE ENTITLED

AN ACT

1 To amend Title 20 of the Official Code of Georgia Annotated, relating to education, so as to  
2 require the State Board of Education to appoint an audit committee; to provide for minimum  
3 responsibilities of such committee; to provide for such committee to request, receive, and  
4 review reports; to provide additional criteria for the designation of local school systems and  
5 state charter schools as high-risk local or moderate-risk local by the Department of Audits  
6 and Accounts; to provide for reports of such designations to the Office of Student  
7 Achievement; to require local school systems and state charter schools to annually certify  
8 compliance with annual audit and reporting requirements and that they are not delinquent in  
9 certain required payments; to provide for local school system and state charter school  
10 responses to the Department of Education regarding financial irregularities or budget deficits;  
11 to revise requirements for public notice of financial conditions of local school systems; to  
12 provide for unilateral amendment or termination of local school system performance  
13 contracts by the State Board of Education under certain circumstances; to provide for limited  
14 contract extensions for local school superintendents when his or her local school system is  
15 designated as a high-risk local school system; to provide for additional reporting  
16 requirements by the Office of Student Achievement; to expand the authority of the Office of  
17 Student Achievement to conduct performance audits and reviews, including audits and  
18 reviews regarding the appropriateness and impact of the use of waivers by schools and local

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19 school systems; to provide for applicability; to make conforming changes; to amend  
20 Chapter 6 of Title 50 of the Official Code of Georgia Annotated, relating to the Department  
21 of Audits and Accounts, so as to revise provisions for financial audits of local school systems  
22 by and on behalf of the Department of Audits and Accounts; to provide for such audits of  
23 state charter schools; to require the Department of Audits and Accounts to develop and  
24 implement a program of progressive monitoring, supports, and interventions to local school  
25 systems and state charter schools; to provide for investigations of local school systems and  
26 state charter schools by the state auditor; to provide for an effective date; to provide for  
27 related matters; to repeal conflicting laws; and for other purposes.

28 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

29 **SECTION 1.**

30 Title 20 of the Official Code of Georgia Annotated, relating to education, is amended in  
31 Article 1 of Chapter 2, relating to the State Board of Education, by revising Code Section  
32 20-2-6, relating to inspection committees, as follows:

33 "20-2-6.

34 (a) The State Board of Education is authorized to appoint committees composed of  
35 members of the state board as a majority vote of the state board may determine to travel  
36 within this state and inspect the institutions and facilities under its jurisdiction and control.

37 (b) The State Board of Education shall appoint an audit committee composed of members  
38 of the state board. The audit committee shall meet no less than six times each fiscal year  
39 and at the call of the chairperson or a majority of the members of such committee. The  
40 audit committee shall be responsible for, at a minimum, assessing the financial conditions  
41 and risks of the state's public education system by making routine examination of financial  
42 reporting, internal controls, and adherence to state law and the policies, rules, and  
43 regulations of the state board by the Department of Education, the State Charter Schools

44 Commission, the Department of Juvenile Justice, and the public schools of this state. The  
 45 audit committee shall be authorized to request, receive, and review audit reports and other  
 46 reports from local boards of education or other public school governing bodies, local  
 47 school systems, local school superintendents, the Office of Student Achievement, the State  
 48 Charter Schools Commission, the Department of Juvenile Justice, the Department of Audits  
 49 and Accounts, the Department of Community Health, or any state agency, board, or  
 50 authority with information relevant to the financial conditions and risks of the state's public  
 51 education system. No less than twice each fiscal year, the audit committee shall request  
 52 reports from the state health benefit plan, the Teachers Retirement System of Georgia, and  
 53 the Georgia Public School Employees Retirement System that identify each public school  
 54 employer that has not, for any reason, timely remitted the full amount of any obligation to  
 55 such entity, respectively, for more than 120 days at any time during the preceding 180  
 56 days. The audit committee shall forward such reports to the Department of Audits and  
 57 Accounts, the Office of Student Achievement, and the State Charter Schools Commission."

58 **SECTION 2.**

59 Said title is further amended in Article 3 of Chapter 2, relating to local boards of education,  
 60 by revising Code Section 20-2-67, relating to local school system or school subject to  
 61 corrective action plan for budget deficit, financial operations form, publication, and mailing  
 62 to Department of Education and local governing body, as follows:

63 "20-2-67.

64 (a) As used in this Code section, the term:

65 (1) 'Local school system' means and includes local school systems and completion  
 66 special schools provided for in Article 31C of this chapter.

67 (2) 'State charter school' shall have the same meaning as set forth in Code Section  
 68 20-2-2081.

69 (a.1)(1) Each local school system and state charter school shall:

70 (A) Provide for and cause to be made an annual audit report of the financial affairs and  
 71 transactions of all funds and activities of the local school system or state charter school  
 72 for each fiscal year in accordance with the provisions of Code Section 50-6-6; and  
 73 (B) By December 31 each year, submit to the Department of Audits and Accounts:  
 74 (i) An annual audit readiness certification attesting that audit readiness requirements  
 75 established by the Department of Audits and Accounts have been met; and  
 76 (ii) An annual certification attesting that such local school system or state charter  
 77 school is not delinquent in any required payments to:  
 78 (I) The state health benefit plan;  
 79 (II) The Teachers Retirement System of Georgia;  
 80 (III) The Georgia Public School Employees Retirement System; or  
 81 (IV) The Department of Labor.  
 82 (2) The certifications required under paragraph (1) of this subsection shall be signed by:  
 83 (A) For local school systems, the local school superintendent, the chief financial officer  
 84 or finance director, and the chairperson of the local board of education or other public  
 85 school governing body; and  
 86 (B) For state charter schools, the chief administrator, the chief financial officer or  
 87 finance director, and the chairperson of the governing body.  
 88 (3) Any local school system or state charter school that does not comply with the  
 89 requirement of paragraphs (1) and (2) of this subsection shall be designated a high-risk  
 90 local school system or state charter school by the Department of Audits and Accounts.  
 91 (a.2) When an audit by the Department of Audits and Accounts finds and reports  
 92 irregularities or budget deficits in the fund accounting information regarding a local school  
 93 system, or a school within the local school system, or a state charter school, or when the  
 94 Department of Audits and Accounts finds significant indicators of fiscal concern regarding  
 95 a local school system or state charter school, the Department of Audits and Accounts shall  
 96 report the such findings of irregularities or budget deficits to the State Board of Education,

97 the Office of Student Achievement, and the local board of education or other governing  
98 body.

99 (a.3) The Department of Audits and Accounts shall designate local school systems or state  
100 charter schools that have had reported irregularities or budget deficits for three or more  
101 consecutive years require Tier 3 or Tier 4 monitoring, supports, and interventions, as  
102 provided for in Code Section 50-6-6.1, as high-risk local school systems or state charter  
103 schools and shall designate local school systems and state charter schools that have had  
104 reported irregularities or budget deficits for one year or two consecutive years require  
105 Tier 2 monitoring, supports, and interventions, as provided for in Code Section 50-6-6.1,  
106 as moderate-risk local school systems or state charter schools.

107 (a.4) Each local school system or state charter school that is designated a high-risk or  
108 moderate-risk local school system or state charter school shall be audited by the  
109 Department of Audits and Accounts, notwithstanding any provision of Code Section 50-6-6  
110 to the contrary.

111 (b) The State Board of Education shall inform the superintendent of the local school  
112 system or the chief administrator of the state charter school of the irregularities or budget  
113 deficits regarding a local school system's or a school's fund accounting information,  
114 including the findings of the Department of Audits and Accounts, as provided for in  
115 subsection (a.2) of this Code section, and if a local school system or state charter school  
116 has been designated as a high-risk local school system or moderate-risk local school system  
117 or state charter school. The Within 60 days of being designated as a high-risk or  
118 moderate-risk local school system or state charter school, the local school superintendent  
119 or state charter school chief administrator shall submit to the Department of Education, the  
120 Department of Audits and Accounts, and the Office of Student Achievement a response to  
121 the findings, and such response shall include any plan or other information required under  
122 policies, rules, regulations, or guidance promulgated by the Department of Audits and  
123 Accounts pursuant to Code Section 50-6-6 or 50-6-6.1 and a corrective action plan

124 ~~approved by the local board of education at a board meeting within 120 days of receiving~~  
125 ~~notice of designation as a high-risk local school system or moderate-risk local school~~  
126 ~~system, as defined by rules and regulations adopted by the State Board of Education~~  
127 ~~designed to correct the financial irregularities or budget deficits for the school or school~~  
128 ~~system. From the time such irregularity or budget deficit is discovered until the time it is~~  
129 ~~eliminated a local school system or state charter school is designated as a moderate-risk or~~  
130 ~~high-risk local school system or state charter school until such time as the local school~~  
131 ~~system or state charter school is under neither designation, the local school superintendent~~  
132 ~~or state charter school chief administrator shall present to each member of the local board~~  
133 ~~of education or other governing body for his or her review and written acknowledgment~~  
134 ~~a monthly report containing all anticipated expenditures by budget function for such school~~  
135 ~~or school system during the current month. The report shall be presented to members of~~  
136 ~~the local board members of education or other governing body on or before the tenth~~  
137 ~~business day of each month. Each monthly report shall be signed by each member of ~~that~~~~  
138 ~~the local board of education or other governing body and recorded and retained in the~~  
139 ~~minutes of the meeting of the local board of education or other governing body.~~

140 (c) Not later than September 30 of the year, each local board of education or other  
141 governing body shall cause to be published in the official county organ wherein the local  
142 school system is located once a week for two weeks a statement of actual financial  
143 operations for such schools or school system ~~identified by the Department of Audits and~~  
144 ~~Accounts as having financial irregularities~~ designated as a moderate-risk or high-risk local  
145 school system by the Department of Audits and Accounts pursuant to subsection (a.3) of  
146 this Code section. Such statement of actual financial operations shall be in a form to be  
147 specified and prescribed by the state auditor for the purpose of indicating the current  
148 financial status of the schools or school system. Prior to publication, such form shall be  
149 executed by the local board of education or other governing body and signed by each

150 member of ~~said~~ such local board of education or other governing body and the local school  
151 superintendent.

152 (d) A copy of the actual financial operations form required to be published by  
153 subsection (c) of this Code section shall be mailed by each local board of education or  
154 other governing body to the Department of Education and the local county board of  
155 commissioners or local municipal governing authority. A current copy of said form shall  
156 be maintained on file in the central administrative office of the local school system for  
157 public inspection for a period of at least two years from the date of its publication. Copies  
158 of the statement shall be made available on request."

159

### SECTION 3.

160 Said title is further amended in Article 4 of Chapter 2, relating to increased flexibility for  
161 local school systems, by revising subsection (c) of Code Section 20-2-83, relating to state  
162 board approval of local school board flexibility contract, as follows:

163 "(c) The terms of the contract shall also include specific requirements relating to  
164 maintaining or achieving financial stability of the local school system, including ensuring  
165 that the local school system has not been designated as a high-risk local school system by  
166 the Department of Audits and Accounts pursuant to Code Section 20-2-67, or if it has been  
167 designated as a high-risk local school system, that it has a written corrective action plan in  
168 place and that local school system board members and appropriate personnel participate  
169 in required training to address the deficiencies. The terms of the contract shall also include  
170 specific provisions authorizing the State Board of Education to unilaterally amend and  
171 terminate the contract upon being notified by the Department of Audits and Accounts that  
172 the local school system has been designated by the Department of Audits and Accounts as  
173 requiring Tier 4 monitoring, supports, and interventions, as provided for in Code Section  
174 50-6-6.1."

175 **SECTION 4.**

176 Said title is further amended in Article 5 of Chapter 2, relating to local school  
 177 superintendents, by revising Code Section 20-2-101, relating to appointment of school  
 178 superintendents, as follows:

179 "20-2-101.

180 (a)(1) ~~Except as provided in paragraph (2) of this subsection, each local school~~  
 181 ~~superintendent Superintendents of each school system~~ shall be employed by the local  
 182 board of education under written contracts for a term of not less than one year and not  
 183 more than three years. Any provision of any such contract which provides for an  
 184 extension of the duration of employment thereunder, whether automatic or contingent  
 185 upon the occurrence of one or more events, shall be void if that extension would result  
 186 in employment under the contract, as extended, for a period which exceeds three years.

187 (2) At any time a local school system is designated as a high-risk local school system by  
 188 the Department of Audits and Accounts pursuant to Code Section 20-2-67, the local  
 189 school superintendent's contract of employment shall not be extended for a term which  
 190 exceeds 12 months. Any such term which exceeds 12 months shall be void.

191 (b)(1) No person shall be eligible to be appointed, ~~or employed, or to serve as a local~~  
 192 ~~school superintendent of schools of any county or independent school system~~ unless such  
 193 person is of good moral character, has never been convicted of any crime involving moral  
 194 turpitude, and possesses acceptable business or management experience as specified by  
 195 the Professional Standards Commission or the minimum valid certificate or a letter of  
 196 eligibility for said certificate required by the Professional Standards Commission.

197 (2) No person shall be eligible to be appointed, employed, or to serve as a local school  
 198 ~~superintendent of schools of any county or independent school system~~ who has an  
 199 immediate family member sitting on the local board of education for ~~such~~ the local school  
 200 system or who has an immediate family member hired as or promoted to a principal,  
 201 assistant principal, or system administrative staff on or after July 1, 2009, by ~~that~~ such

202 local school system. As used in this ~~subsection~~ paragraph, the term 'immediate family  
203 member' means a spouse, child, sibling, or parent or the spouse of a child, sibling, or  
204 parent whose term as a member of the local board of education or whose employment as  
205 a principal, assistant principal, or system administrative staff in the local school system  
206 began on or after January 1, 2010. Nothing in this ~~Code section~~ paragraph shall affect  
207 the employment of any person who is employed by a local school system on or before  
208 July 1, 2009, or who is employed by a local school system when an immediate family  
209 member becomes the local school superintendent for ~~that~~ such local school system.

210 (c) ~~Superintendents~~ Local school superintendents shall have such additional qualifications  
211 as may be prescribed by local law or policies of the local board of education ~~for that school~~  
212 ~~district~~, not inconsistent with the provisions of this chapter.

213 (d) At any time during the 12 months immediately preceding the expiration of an  
214 appointed local school superintendent's contract or term of office, or when a vacancy in the  
215 office of local school superintendent occurs, the local board of education may appoint and  
216 employ a successor local school superintendent in accordance with the above provisions  
217 of this Code section, notwithstanding that the terms of some or all of the local board of  
218 education members will expire before ~~the employment of the superintendent so appointed~~  
219 ~~and employed~~ such employment begins.

220 (e) A local school superintendent may concurrently serve as a principal, teacher, or in  
221 another staff position as directed by the local board of education in its sole discretion and  
222 in accordance with the terms of the contract between the local school superintendent and  
223 the local board of education. A local school superintendent may also serve concurrently  
224 as local school superintendent of one or more local school systems in accordance with the  
225 terms of his or her respective contracts and upon approval by each affected local school  
226 system.

227 (f) No substantive or procedural right regarding employment or termination of  
228 employment of a local school superintendent by a local school system shall be created by

229 this Code section. Rather, the terms and conditions of employment of a local school  
230 superintendent by a local school system shall be determined exclusively by the contract  
231 between those parties and may include, without being limited to, the conditions under and  
232 procedures by which ~~that~~ such contract may be terminated prior to the end of the term of  
233 ~~that~~ such contract."

234 **SECTION 5.**

235 Said title is further amended in Article 31 of Chapter 2, the "Charter Schools Act of 1998,"  
236 by revising subsection (c) of Code Section 20-2-2063.2, relating to charter systems, as  
237 follows:

238 "(c) Prior to approval or denial of a charter petition for a charter system, the state board  
239 shall receive and give all due consideration to the recommendation and input from the  
240 Office of District Flexibility established in subsection (b) of Code Section 20-2-2069. The  
241 state board shall approve the charter if the state board finds, after receiving input from the  
242 Office of District Flexibility, that the petition complies with the rules, regulations, policies,  
243 and procedures promulgated pursuant to Code Section 20-2-2063 and the provisions of this  
244 title, is in the public interest, and promotes school level governance. A charter for a charter  
245 system shall include the interventions, sanctions, and loss of governance consequences  
246 contained in Code Section 20-14-41. A charter for a charter system shall require that the  
247 local school system has not been designated as a high-risk local school system by the  
248 Department of Audits and Accounts pursuant to Code Section 20-2-67, or if it has been  
249 designated as a high-risk local school system, the charter shall require that the local school  
250 system has a written corrective action plan in place and that local school system board  
251 members and appropriate personnel participate in required training to address the  
252 deficiencies. The charter for a charter system shall also include specific provisions  
253 authorizing the State Board of Education to unilaterally amend and terminate the charter  
254 upon being notified that the charter system has been designated by the Department of

255 Audits and Accounts as requiring Tier 4 monitoring, supports, and interventions, as  
 256 provided for in Code Section 50-6-6.1."

257 **SECTION 6.**

258 Said title is further amended in Part 2 of Article 2 of Chapter 14, relating to the Office of  
 259 Student Achievement, by revising paragraph (2) of subsection (a) of Code Section 20-14-27,  
 260 relating to required reports and publication format, as follows:

261 "(2)(A) An annual report regarding elementary and secondary education shall be  
 262 submitted no later than December 1 of each year, commencing December 1, 2001. The  
 263 elementary and secondary education report shall be an evaluation of the progress made  
 264 on performance indicators identified and defined by the office and approved by the  
 265 alliance for all elementary and secondary education programs administered by the  
 266 Department of Education.

267 (B) The elementary and secondary education report shall include:

268 (i) The most recent individual school and local school system ratings provided for in  
 269 subsection (d) of Code Section 20-14-33;

270 (ii) Reports prepared by the office as provided for in subsection (a) of Code  
 271 Section 20-14-49.13; and

272 (iii) Results ~~The elementary and secondary education report shall include information~~  
 273 ~~concerning results~~ of the state's investment in each public school and each public  
 274 school system;"

275 **SECTION 7.**

276 Said title is further amended in Part 3 of Article 2 of Chapter 14, relating to accountability  
 277 assessment, by revising Code Section 20-14-35, relating to office powers, on-site audits,  
 278 reporting findings and recommendations, and authorization of other school audits, as follows:

279 "20-14-35.

280 (a) The office may:

281 (1) Conduct on-site performance audits of any school at any time, subject to the approval  
282 of the director;

283 (2) Raise or lower any performance rating as a result of the audit; ~~and~~

284 (3) Review school fund accounting information and records to determine effective and  
285 efficient expenditure of state funds as allocated; and

286 (4) Conduct on-site performance audits of or otherwise review the use and reporting of  
287 any waivers authorized by law, including, but not limited to, waivers provided for in  
288 Code Sections 20-2-82, 20-2-244, 20-2-2063.2, and 20-2-2065, by any school, subject  
289 to the approval of the director. Such performance audits and reviews shall include an  
290 evaluation of the use of waivers in compliance with the applicable charter system contract  
291 or strategic waivers school system contract, student achievement trends during the current  
292 school year and preceding three school years, and any evidence of misuse of waivers or  
293 reporting irregularities.

294 (b) The director shall determine the frequency of on-site audits by the office according to  
295 annual comprehensive analyses of student performance and equity in relation to the  
296 academic excellence indicators and fund accounting assessments as adopted under  
297 subsection (b) of Code Section 20-14-34.

298 (c) In making an on-site school performance audit, the auditor shall obtain information  
299 from administrators, teachers, and parents of students enrolled in the local school system  
300 or other public school. The audit may not be closed until information is obtained from each  
301 of those sources. The office shall adopt rules regarding obtaining information from parents  
302 and using that information in the auditor's report and obtaining information from teachers  
303 in a manner that prevents a school or school system from screening the information.

304 (d) The auditors shall report to the local board of education, the local school council, and  
305 appropriate school administrators and shall report findings and recommendations

306 concerning any necessary improvements or intervention strategies. ~~School Performance~~  
 307 audit reports shall be provided to ~~the alliance and~~ the State Board of Education, ~~except that~~  
 308 performance audit reports provided for under paragraph (4) of subsection (a) or  
 309 paragraph (3) of subsection (e) of this Code section shall also be provided to the  
 310 chairperson of the House Committee on Education, the chairperson of the Senate Education  
 311 and Youth Committee, the chairperson of the House Committee on Appropriations, and the  
 312 chairperson of the Senate Appropriations Committee and the Department of Audits and  
 313 Accounts and shall be posted on the website of the Office of Student Achievement.

314 (e) The director may authorize other ~~school performance~~ audits of any school to be  
 315 conducted under the following circumstances:

316 (1) When excessive numbers of absences of students eligible to be tested on state  
 317 assessment instruments are determined; ~~or~~

318 (2) When a school or school system has not provided student performance information  
 319 to the Department of Education's educational information system as required under  
 320 subsection (b) of Code Section 20-2-167; or

321 (3) When a local school system is designated as a high-risk local school system by the  
 322 Department of Audits and Accounts pursuant to Code Section 20-2-67.

323 (f) Following the second and fourth years of each local school system's charter system  
 324 contract or strategic waivers school system contract, the office shall report to the State  
 325 Board of Education:

326 (1) Whether such local school system is designated as a high-risk local school system by  
 327 the Department of Audits and Accounts pursuant to Code Section 20-2-67; and

328 (2) Which schools, if any, from such local school system are identified for  
 329 comprehensive or targeted support under the federal Elementary and Secondary  
 330 Education Act for having performed in the bottom 5 percent of Title I schools for three  
 331 years (CSI: Tier IV schools)."

332 **SECTION 8.**

333 Said title is further amended in Part 3B of Article 2 of Chapter 14, relating to financial  
334 transparency in education, by revising subsection (c) of Code Section 20-14-49.11, relating  
335 to financial information on websites, as follows:

336 "(c) Each local school system and each state charter school which maintains a website shall  
337 post in a prominent location on its website a link to where the information listed in  
338 subsections (a) and (b) of this Code section and the following information can be found on  
339 the Department of Education's website:

340 (1) The annual budget submitted to the State Board of Education pursuant to  
341 subsection (c) of Code Section 20-2-167;

342 (2) The annual personnel report prepared by the state auditor pursuant to Code Section  
343 50-6-27;

344 (3) The most recent five years of audits conducted by the Department of Audits and  
345 Accounts and any additional independent audits conducted pursuant to ~~subsection (a) of~~  
346 Code Section 50-6-6 ~~and any additional independent audits conducted pursuant to~~  
347 ~~subsection (b) of Code Section 50-6-6;~~

348 (4) Any findings of irregularities, ~~or budget deficits,~~ or significant indicators of fiscal  
349 concern regarding a local school system reported by the Department of Audits and  
350 Accounts pursuant to Code Section 20-2-67; and

351 (5) For a local board of education which imposes a sales tax for educational purposes  
352 pursuant to Part 2 of Article 3 of Chapter 8 of Title 48, the information required pursuant  
353 to Code Section 48-8-141 as provided to the Department of Audits and Accounts for  
354 posting on such department's searchable website pursuant to subsection (g) of Code  
355 Section 50-6-32."

356

**SECTION 9.**

357 Said title is further amended in said part by revising Code Section 20-14-49.13, relating to  
 358 reporting of percentage of students with each state funded characteristic included in Code  
 359 Section 20-2-161, online sortable database, underlying fiscal data for financial efficiency  
 360 ratings, and inter-agency cooperation, as follows:

361 "20-14-49.13.

362 (a) The office shall report ~~the~~:

363 (1) The percentage of students with each state funded characteristic included in Code  
 364 Section 20-2-161 at the local school system and school levels;

365 (2) The relative financial performance of local school systems and schools; and

366 (3) Each local school system that is designated as a high-risk school system or  
 367 moderate-risk school system as provided for in Code Section 20-2-67.

368 (b) The office shall create and publish an online sortable ~~data base~~ database for each local  
 369 school system and school on per student expenditures used to determine the financial  
 370 efficiency rating calculated by the office pursuant to Code Section 20-14-33 and as  
 371 delineated in Section 1111(h)(1)(C)(x) of the federal Elementary and Secondary Education  
 372 Act, as amended by the federal Every Student Succeeds Act.

373 ~~(c) The office shall report the relative financial performance of local school systems and~~  
 374 ~~schools~~ Reserved.

375 (d) The Department of Education shall publish annually on its website all underlying fiscal  
 376 data that inform the financial efficiency rating calculated by the office pursuant to Code  
 377 Section 20-14-33 and an explanation of the fiscal data that inform the financial efficiency  
 378 rating on a disaggregated basis.

379 (e) All state and local government entities, including the Department of Education,  
 380 Department of Audits and Accounts, Office of Planning and Budget, the office, and local  
 381 school systems shall cooperate with and assist each other in complying with this part."

382 **SECTION 10.**

383 Chapter 6 of Title 50 of the Official Code of Georgia Annotated, relating to the Department  
 384 of Audits and Accounts, is amended by revising Code Section 50-6-6, relating to audit of  
 385 school and university systems, additional audits authorized, standards, and reports, as  
 386 follows:

387 "50-6-6.

388 (a) As used in this Code section, the term:

389 (1) 'Local school system' means and includes each local school system and each  
 390 completion special school, as provided for in Article 31C of this chapter, in this state.

391 (2) 'State charter school' shall have the same meaning as set forth in Code Section  
 392 20-2-2081.

393 (a.1) It shall be the duty of the Department of Audits and Accounts to:

394 (1) Perform or cause to be performed an annual financial and compliance audit of  
 395 financial transactions and accounts of:

396 (A) Each local school system and state charter school; and ~~thoroughly to audit and~~  
 397 ~~check the books and accounts of the county superintendents of schools and treasurers~~  
 398 ~~of local school systems, of municipal systems, of the~~

399 (B) The several units of the University System of Georgia; and of all other schools  
 400 receiving state aid; and ~~making~~

401 (2) Issue in conjunction with each such audit required under paragraph (1) of this  
 402 subsection suitable reports that comply with state and federal rules and regulations for  
 403 such audits ~~regular and annual reports to the State School Superintendent, showing the~~  
 404 ~~amount received, for what purpose received, and for what purposes expended.~~

405 (a.2) No state aid or public ~~All such funds of any kind shall be held by officials~~ any  
 406 official or employee of any local board of education or other public school governing body,  
 407 local school system, state charter school, institution of the University System of Georgia,

408 or any other school receiving state aid for any length of time in one or more of his or her  
409 must be kept in banks separate from their individual bank accounts.

410 (b) Notwithstanding any other provisions of this chapter, ~~the local boards~~ each local board  
411 of education of the several county, independent, and area public school systems of this state  
412 or other public school governing body shall be authorized to have an additional audit made  
413 of the books, records, and accounts financial affairs and transactions of all funds and  
414 activities of the public school system schools over which any such board or governing body  
415 has jurisdiction; provided, however, that such additional audit authorized under this  
416 subsection shall not be relied upon by a local school system or state charter school in lieu  
417 of the audit by the Department of Audits and Accounts required under subsection (a.1) of  
418 this Code section, nor shall such additional audit be deemed to satisfy the requirements of  
419 subsection (a.1) of this Code section, except as provided for in subsection (e) of this Code  
420 section. ~~The local boards of education~~ Such boards and governing bodies shall be  
421 authorized to employ certified public accountants of this state to make the additional audits  
422 authorized under this subsection and to expend funds for ~~the~~ such audits which are received  
423 by any such board or governing body for educational purposes. Each report of any audit  
424 conducted as provided for in this subsection shall be completed and a copy of such report  
425 shall be forwarded to the Department of Audits and Accounts within ten days of such  
426 report being issued to the local school system.

427 (c)(1) ~~Except as provided in paragraph (2) of this subsection, all~~ All audits of such public  
428 school systems provided for in subsections (a.1), (b), and (e) of this Code section shall  
429 be conducted in accordance with generally accepted governmental auditing standards  
430 over financial statements in conformity with generally accepted accounting principles of  
431 governmental accounting or other basis of accounting authorized by this Code section and  
432 shall include tests of the accounting records and other auditing procedures as considered  
433 necessary in the circumstances of such audit. ~~conformity with generally accepted~~  
434 ~~standards and principles of governmental accounting and auditing and~~ Such audits shall

435 be subject to the standards, rules, and ethics promulgated by the Georgia Society of  
436 Certified Public Accountants and the American Institute of Certified Public Accountants.  
437 The ~~audit report of each such audit~~ shall include the auditor's ~~unqualified~~ opinion upon  
438 the presentation of the financial position and the results of the operations of the ~~public~~  
439 ~~local~~ school system or state charter school which is audited. ~~If the auditor is unable to~~  
440 ~~express an unqualified opinion, he shall so state and shall further detail the reasons for~~  
441 ~~qualification or disclaimer of opinion including recommendations necessary to make~~  
442 ~~possible future unqualified opinions.~~

443 (2) The Department of Audits and Accounts shall be authorized to prepare financial  
444 statements and conduct audits using a regulatory basis of accounting as an alternative to  
445 generally accepted accounting principles. The Department of Audits and Accounts, in  
446 consultation with the Department of Education, shall create and maintain an optional  
447 regulatory basis of accounting framework and shall make such framework available to  
448 local school systems and state charter schools.

449 (d) The Department of Audits and Accounts shall establish minimum audit readiness  
450 requirements and audit scheduling priorities based on risk assessment, readiness, and  
451 available resources. The Department of Audits and Accounts shall be authorized to delay  
452 the commencement of an audit when minimum readiness requirements are not met.  
453 Repeated failure to meet audit readiness requirements in a timely manner may be deemed  
454 by the Department of Audits and Accounts to constitute a deficiency in internal control or  
455 governance and may be reported as such in audit findings. The Department of Audits and  
456 Accounts shall report chronic audit readiness failures to the State Board of Education and  
457 the General Assembly.

458 (e)(1) The state auditor shall have discretionary authority to engage certified public  
459 accountants of this state to perform audits required under subsection (a.1) of this Code  
460 section and to authorize local school systems and state charter schools to engage certified  
461 public accountants to perform audits required under subsection (a.1) of this Code section;

462 provided, however, that such certified public accountants shall comply with requirements  
463 set forth by the Department of Audits and Accounts as it relates to scope, methodology,  
464 state compliance procedures, and risk assessment; and, provided, further, that no local  
465 school system or state charter school shall engage a certified public accountant or any  
466 other person or organization to perform such an audit without written authorization from  
467 the state auditor.

468 (2) The state auditor shall annually submit a written report to the State Board of  
469 Education of the local school systems and state charter schools that were audited by  
470 certified public accountants pursuant to this subsection.

471 (f) The Department of Audits and Accounts shall adopt rules, regulations, guidance, and  
472 procedures necessary to implement this Code section."

473 **SECTION 11.**

474 Said chapter is further amended by adding a new Code section to read as follows:

475 "50-6-6.1.

476 (a) As used in this Code section, the term:

477 (1) 'Local school system' means and includes each local school system and each  
478 completion special school, as provided for in Article 31C of this chapter, in this state.

479 (2) 'State charter school' shall have the same meaning as set forth in Code Section  
480 20-2-2081.

481 (b) By July 1, 2026, the Department of Audits and Accounts shall develop and begin  
482 implementing a program, the purpose of which is to:

483 (1) Monitor the fiscal condition of each local school system and state charter school in  
484 this state;

485 (2) Provide progressive levels of monitoring, supports, and interventions to local school  
486 systems and state charter schools, ranging from technical assistance and audit services  
487 to significant interventions including strict compliance requirements; and

488 (3) Provide reports of the fiscal condition of local school systems and state charter  
489 schools at appropriate intervals.

490 (c) The program shall consider indicators of fiscal concern, including, but not limited to:

491 (1) Revenue and fund balance indicators;

492 (2) Cash flow and liquidity indicators;

493 (3) Debt and obligations indicators;

494 (4) Pension and other post-employment benefits (OPEB);

495 (5) Budget and management indicators;

496 (6) Audit and compliance indicators;

497 (7) Enrollment and revenue base indicators;

498 (8) State compliance indicators;

499 (9) Fraud and criminal activity indicators; and

500 (10) Any other fiscal condition of the local school system or state charter school the state  
501 auditor deems to have a detrimental effect on the local school system's or state charter  
502 school's ability to continue providing required educational programs and services.

503 (d) The program shall include a graduated four-tiered framework for the assessment of  
504 the fiscal conditions of each local school system or state charter school with an escalating  
505 course of monitoring, supports, and interventions aligned with each tier, with the following  
506 designations and descriptions:

507 (1) Tier 1 - Fiscally Sound: a local school system or state charter school is showing no  
508 signs of fiscal stress;

509 (2) Tier 2 - Fiscal Watch: a local school system or state charter school is showing signs  
510 of fiscal stress and is required to comply with a state-approved corrective action and  
511 fiscal recovery plan;

512 (3) Tier 3 - Fiscal Distress: a local school system or state charter school is required to  
513 comply with a state-approved comprehensive fiscal plan to return the local school system  
514 or state charter school to fiscal stability within a specified time frame; and

515 (4) Tier 4 - Critical Fiscal Emergency: a local school system or state charter school is  
516 required to strictly comply with a state-approved intervention plan and shall not be  
517 eligible to receive advance distributions of state allotted funds distributed under Article 6  
518 of Chapter 2 of Title 20, the 'Quality Basic Education Act,' except as recommended by  
519 the state auditor and approved by the State Board of Education.

520 (e)(1) Each local school system or state charter school determined by the state auditor  
521 to require Tier 2 monitoring, supports, and interventions shall be deemed a 'moderate-risk  
522 local school system' or a 'moderate-risk state charter school' as provided for in Code  
523 Section 20-2-67.

524 (2) Each local school system and state charter school determined by the state auditor to  
525 require Tier 3 or Tier 4 monitoring, supports, and interventions shall be deemed a  
526 'high-risk local school system' or 'high-risk state charter school' as provided for in Code  
527 Section 20-2-67.

528 (f) In consultation with the State Board of Education, the Office of Student Achievement,  
529 and the State Charter School Commission, the Department of Audits and Accounts shall  
530 promulgate policies, rules, regulations, and guidance that provide for and specify with  
531 detail:

532 (1) The conditions and indicators for each of the tiers provided for in subsection (d) of  
533 this Code section;

534 (2) The conditions under which a local school system or state charter school may move  
535 from one such tier to another;

536 (3) The state-level monitoring, supports, and interventions to be made available to local  
537 school systems or state charter schools at each tier; and

538 (4) When a strict compliance standard shall be applied to a local school system or state  
539 charter school by the Department of Audits and Accounts or the State Board of Education  
540 which shall include, but shall not be limited to, any intervention plan adopted by

541 resolution of the local board of education or other governing body of the local school  
542 system as provided for in Code Section 20-2-166.

543 (g) The program required under this Code section shall be fully implemented by the  
544 beginning of the 2028-2029 school year. The state auditor shall have discretionary  
545 authority to prioritize which local school systems and state charter schools are the subject  
546 of monitoring, supports, and intervention under such program; provided, however, that  
547 such discretion is exercised on the basis of objective criteria provided in writing by the  
548 state auditor to the State Board of Education; and provided, further, that, if the State Board  
549 of Education or State School Superintendent refers a local school system or state charter  
550 school for monitoring, supports, or interventions under such program, the state auditor shall  
551 promptly evaluate and determine whether such local school system or state charter school  
552 shall be the subject of monitoring, supports, and intervention under such program."

553 **SECTION 12.**

554 Said chapter is further amended by revising Code Section 50-6-28, relating to investigatory  
555 duties generally, as follows:

556 "50-6-28.

557 (a) It shall be the duty of the state auditor to make an investigation as a part of his or her  
558 audit of each and every department of the state government. When there are facts, records,  
559 circumstances, or information that indicate mismanagement or misconduct on the part of  
560 any official or employee of any department of the state government during either a past or  
561 present administration, it shall be the duty of the state auditor to make the full investigation,  
562 as provided in Code Section 50-6-29, of the department, official, or employee.

563 (b) The state auditor shall be authorized to make an investigation of any local school  
564 system or state charter school, as such terms are defined in Code Section 50-6-6, in the  
565 state. When there are facts, records, circumstances, or information that indicate  
566 mismanagement or misconduct on the part of any official or employee of any local school

567 system or state charter school in the state during either a past or present administration, it  
568 shall be the duty of the state auditor to make the full investigation, as provided in Code  
569 Section 50-6-29, of the local school system, state charter school, official, or employee."

570 **SECTION 13.**

571 This Act shall become effective on July 1, 2026.

572 **SECTION 14.**

573 All laws and parts of laws in conflict with this Act are repealed.