

The House Committee on Education offers the following substitute to HB 1164:

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 or moderate-risk by the Department of Audits and
6 Accounts; to provide for reports of such designations to the Office of Student Achievement;
7 to require local school systems and state charter schools to annually certify compliance with
8 annual audit and reporting requirements and that they are not delinquent in certain required
9 payments; to provide for local school system and state charter school responses to the
10 Department of Education regarding financial irregularities or budget deficits; to revise
11 requirements for public notice of financial conditions of local school systems; to provide for
12 unilateral amendment or termination of performance contracts by the State Board of
13 Education under certain circumstances; to provide for limited contract extensions for local
14 school superintendents when his or her local school system is designated as a high-risk local
15 school system; to provide for additional reporting requirements by the Office of Student
16 Achievement; to expand the authority of the Office of Student Achievement to conduct
17 performance audits and reviews, including audits and reviews regarding the appropriateness
18 and impact of the use of waivers by schools and local school systems; to provide for

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19 applicability; to make conforming changes; to amend Chapter 6 of Title 50 of the Official
20 Code of Georgia Annotated, relating to the Department of Audits and Accounts, so as to
21 revise provisions for financial audits of local school systems by and on behalf of the
22 Department of Audits and Accounts; to provide for such audits of state charter schools; to
23 require the Department of Audits and Accounts to develop and implement a program of
24 progressive monitoring, supports, and interventions to local school systems and state charter
25 schools; to provide for investigations of local school systems and state charter schools by the
26 state auditor; to provide for an effective date; to provide for related matters; to repeal
27 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 state auditor or his or her designee from the Department of Audits and Accounts and a
41 representative of the State Charter Schools Commission shall be in attendance at such
42 meetings of the audit committee. The audit committee shall be responsible for, at a
43 minimum, reviewing reports on the fiscal conditions of local school systems, state charter

44 schools, and completion special schools that are designated as high-risk or moderate-risk,
45 as provided for in Code Section 20-2-67, and assessing the financial conditions and risks
46 of the state's public education system by making routine examination of financial reporting,
47 internal controls, and adherence to state law and the policies, rules, and regulations of the
48 state board by the Department of Education, the State Charter Schools Commission, the
49 Department of Juvenile Justice, and the public schools of this state. The audit committee
50 shall be authorized to request, receive, and review audit reports and other reports from local
51 boards of education or other public school governing bodies, local school systems, local
52 school superintendents, the Office of Student Achievement, the State Charter Schools
53 Commission, the Department of Juvenile Justice, the Department of Audits and Accounts,
54 the Department of Community Health, or any state agency, board, or authority with
55 information relevant to the financial conditions and risks of the state's public education
56 system. No less than twice each fiscal year, the state health benefit plan, the Teachers
57 Retirement System of Georgia, and the Georgia Public School Employees Retirement
58 System shall provide to the audit committee a report of reconciled payments owed by each
59 local school system, state charter school, and completion special school that has not, for
60 any reason, timely remitted the full amount of any obligation for more than 120 days at any
61 time during the preceding 180 days. The audit committee shall forward such reports to the
62 Department of Audits and Accounts, the Office of Student Achievement, and the State
63 Charter Schools Commission."

64

SECTION 2.

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

69 "20-2-67.

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

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

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

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

76 (A) Provide for and cause to be made an annual audit report of the financial affairs and
77 transactions of all funds and activities of the local school system or state charter school
78 for each fiscal year in accordance with the provisions of Code Section 50-6-6; and

79 (B) By December 31 each year, submit to the Department of Audits and Accounts:

80 (i) An annual audit readiness certification attesting that audit readiness requirements
81 established by the Department of Audits and Accounts have been met; and

82 (ii) An annual certification attesting that such local school system or state charter
83 school is not delinquent in any required payments to:

84 (I) The state health benefit plan;

85 (II) The Teachers Retirement System of Georgia;

86 (III) The Georgia Public School Employees Retirement System; or

87 (IV) The Department of Labor.

88 (2) The certifications required under paragraph (1) of this subsection shall be signed by:

89 (A) For local school systems, the local school superintendent, the chief financial officer
90 or finance director, and the chairperson of the local board of education or other public
91 school governing body; and

92 (B) For state charter schools, the chief administrator, the chief financial officer or
93 finance director, and the chairperson of the governing body.

94 (3) Any local school system or state charter school that does not comply with the
95 requirement of paragraphs (1) and (2) of this subsection shall be designated a high-risk
96 local school system or state charter school by the Department of Audits and Accounts.
97 (a.2) When an audit by the Department of Audits and Accounts finds and reports
98 irregularities or budget deficits in the fund accounting information regarding a local school
99 system, or a school within the local school system, or a state charter school, or when the
100 Department of Audits and Accounts finds significant indicators of fiscal concern regarding
101 a local school system or state charter school, the Department of Audits and Accounts shall
102 report the such findings of irregularities or budget deficits to the State Board of Education,
103 the Office of Student Achievement, and the local board of education or other governing
104 body.
105 (a.3) The Department of Audits and Accounts shall designate local school systems or state
106 charter schools ~~that have had reported irregularities or budget deficits for three or more~~
107 ~~consecutive years~~ require Tier 3 or Tier 4 monitoring, supports, and interventions, as
108 provided for in Code Section 50-6-6.1, as high-risk local school systems or state charter
109 schools and shall designate local school systems and state charter schools ~~that have had~~
110 ~~reported irregularities or budget deficits for one year or two consecutive years~~ require
111 Tier 2 monitoring, supports, and interventions, as provided for in Code Section 50-6-6.1,
112 as moderate-risk local school systems or state charter schools.
113 (a.4) Each local school system or state charter school that is designated a high-risk or
114 moderate-risk local school system or state charter school shall be audited by the
115 Department of Audits and Accounts, notwithstanding any provision of Code Section 50-6-6
116 to the contrary.
117 (b) The State Board of Education shall inform the superintendent of the local school
118 system or the chief administrator of the state charter school ~~of the irregularities or budget~~
119 ~~deficits regarding a local school system's or a school's fund accounting information,~~
120 including the findings of the Department of Audits and Accounts, as provided for in

121 subsection (a.2) of this Code section, and if a local school system or state charter school
122 has been designated as a high-risk local school system or moderate-risk local school system
123 or state charter school. The Within 60 days of being designated as a high-risk or
124 moderate-risk local school system or state charter school, the local school superintendent
125 or state charter school chief administrator shall submit to the Department of Education, the
126 Department of Audits and Accounts, and the Office of Student Achievement a response to
127 the findings, and such response shall include any plan or other information required under
128 policies, rules, regulations, or guidance promulgated by the Department of Audits and
129 Accounts pursuant to Code Section 50-6-6 or 50-6-6.1 and a corrective action plan
130 approved by the local board of education at a board meeting within 120 days of receiving
131 notice of designation as a high-risk local school system or moderate-risk local school
132 system, as defined by rules and regulations adopted by the State Board of Education
133 designed to correct the financial irregularities or budget deficits for the school or school
134 system. From the time such irregularity or budget deficit is discovered until the time it is
135 eliminated a local school system or state charter school is designated as a moderate-risk or
136 high-risk local school system or state charter school until such time as the local school
137 system or state charter school is under neither designation, the local school superintendent
138 or state charter school chief administrator shall present to each member of the local board
139 of education or other governing body for his or her review and written acknowledgment
140 a monthly report containing all anticipated expenditures by budget function for such school
141 or school system during the current month. The report shall be presented to members of
142 the local board members of education or other governing body on or before the tenth
143 business day of each month. Each monthly report shall be signed by each member of that
144 the local board of education or other governing body and recorded and retained in the
145 minutes of the meeting of the local board of education or other governing body.
146 (c) Not later than September 30 of the year, each local board of education or other
147 governing body shall cause to be published in the official county organ wherein the local

148 school system is located once a week for two weeks a statement of actual financial
 149 operations for such schools or school system ~~identified by the Department of Audits and~~
 150 ~~Accounts as having financial irregularities~~ designated as a moderate-risk or high-risk local
 151 school system by the Department of Audits and Accounts pursuant to subsection (a.3) of
 152 this Code section. Such statement of actual financial operations shall be in a form to be
 153 specified and prescribed by the state auditor for the purpose of indicating the current
 154 financial status of the schools or school system. Prior to publication, such form shall be
 155 executed by the local board of education or other governing body and signed by each
 156 member of ~~said such local board of education or other governing body~~ and the local school
 157 superintendent.

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

165 **SECTION 3.**

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

169 "(c) The terms of the contract shall also include specific requirements relating to
 170 maintaining or achieving financial stability of the local school system, including ensuring
 171 that the local school system has not been designated as a high-risk local school system by
 172 the Department of Audits and Accounts pursuant to Code Section 20-2-67, or if it has been
 173 designated as a high-risk local school system, that it has a written corrective action plan in

174 place and that local school system board members and appropriate personnel participate
 175 in required training to address the deficiencies. The terms of the contract shall also include
 176 specific provisions authorizing the State Board of Education to unilaterally amend and
 177 terminate the contract upon being notified by the Department of Audits and Accounts that
 178 the local school system has been designated by the Department of Audits and Accounts as
 179 a high-risk local school system."

180 **SECTION 4.**

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

184 "20-2-101.

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

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

196 (b)(1) No person shall be eligible to be appointed, ~~or employed, or to serve as a local~~
 197 school superintendent of schools of any county or independent school system unless such
 198 person is of good moral character, has never been convicted of any crime involving moral
 199 turpitude, and possesses acceptable business or management experience as specified by

200 the Professional Standards Commission or the minimum valid certificate or a letter of
201 eligibility for said certificate required by the Professional Standards Commission.

202 (2) No person shall be eligible to be appointed, employed, or to serve as a local school
203 ~~superintendent of schools of any county or independent school system~~ who has an
204 immediate family member sitting on the local board of education for ~~such~~ the local school
205 system or who has an immediate family member hired as or promoted to a principal,
206 assistant principal, or system administrative staff on or after July 1, 2009, by ~~that~~ such
207 local school system. As used in this ~~subsection~~ paragraph, the term 'immediate family
208 member' means a spouse, child, sibling, or parent or the spouse of a child, sibling, or
209 parent whose term as a member of the local board of education or whose employment as
210 a principal, assistant principal, or system administrative staff in the local school system
211 began on or after January 1, 2010. Nothing in this ~~Code section~~ paragraph shall affect
212 the employment of any person who is employed by a local school system on or before
213 July 1, 2009, or who is employed by a local school system when an immediate family
214 member becomes the local school superintendent for ~~that~~ such local school system.

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

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

225 (e) A local school superintendent may concurrently serve as a principal, teacher, or in
226 another staff position as directed by the local board of education in its sole discretion and

227 in accordance with the terms of the contract between the local school superintendent and
228 the local board of education. A local school superintendent may also serve concurrently
229 as local school superintendent of one or more local school systems in accordance with the
230 terms of his or her respective contracts and upon approval by each affected local school
231 system.

232 (f) No substantive or procedural right regarding employment or termination of
233 employment of a local school superintendent by a local school system shall be created by
234 this Code section. Rather, the terms and conditions of employment of a local school
235 superintendent by a local school system shall be determined exclusively by the contract
236 between those parties and may include, without being limited to, the conditions under and
237 procedures by which ~~that~~ such contract may be terminated prior to the end of the term of
238 ~~that~~ such contract."

239

SECTION 5.

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

243 "(c) Prior to approval or denial of a charter petition for a charter system, the state board
244 shall receive and give all due consideration to the recommendation and input from the
245 Office of District Flexibility established in subsection (b) of Code Section 20-2-2069. The
246 state board shall approve the charter if the state board finds, after receiving input from the
247 Office of District Flexibility, that the petition complies with the rules, regulations, policies,
248 and procedures promulgated pursuant to Code Section 20-2-2063 and the provisions of this
249 title, is in the public interest, and promotes school level governance. A charter for a charter
250 system shall include the interventions, sanctions, and loss of governance consequences
251 contained in Code Section 20-14-41. A charter for a charter system shall require that the
252 local school system has not been designated as a high-risk local school system by the

253 Department of Audits and Accounts pursuant to Code Section 20-2-67, or if it has been
 254 designated as a high-risk local school system, the charter shall require that the local school
 255 system has a written corrective action plan in place and that local school system board
 256 members and appropriate personnel participate in required training to address the
 257 deficiencies. The charter for a charter system shall also include specific provisions
 258 authorizing the State Board of Education to unilaterally amend and terminate the charter
 259 upon being notified that the charter system has been designated by the Department of
 260 Audits and Accounts as a high-risk state charter school."

261 **SECTION 6.**

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

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

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

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

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

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

279 **SECTION 7.**

280 Said title is further amended in Part 3 of Article 2 of Chapter 14, relating to accountability
281 assessment, by revising Code Section 20-14-35, relating to office powers, on-site audits,
282 reporting findings and recommendations, and authorization of other school audits, as follows:
283 "20-14-35.

284 (a) The office may:

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

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

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

290 (4) Conduct on-site performance audits of or otherwise review the use and reporting of
291 any waivers authorized by law for use by any local education agency, as such term is
292 defined in Code Section 20-2-167.3, subject to the approval of the director. Such
293 performance audits and reviews shall include an evaluation of the use of waivers in
294 compliance with any applicable contract that authorizes the use of waivers by the local
295 education agency, student achievement trends during the current school year and
296 preceding three school years, and any evidence of misuse of waivers or reporting
297 irregularities.

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

302 (c) In making an on-site school performance audit, the auditor shall obtain information
303 from administrators, teachers, and parents of students enrolled in the local school system
304 or other public school. The audit may not be closed until information is obtained from each
305 of those sources. The office shall adopt rules regarding obtaining information from parents

306 and using that information in the auditor's report and obtaining information from teachers
307 in a manner that prevents a school or school system from screening the information.

308 (d) The auditors shall report to the local board of education, the local school council, and
309 appropriate school administrators and shall report findings and recommendations
310 concerning any necessary improvements or intervention strategies. School Performance
311 audit reports shall be provided to the alliance and the State Board of Education, except that
312 performance audit reports provided for under paragraph (4) of subsection (a) or
313 paragraph (3) of subsection (e) of this Code section shall also be provided to the
314 chairperson of the House Committee on Education, the chairperson of the Senate Education
315 and Youth Committee, the chairperson of the House Committee on Appropriations, and the
316 chairperson of the Senate Appropriations Committee and the Department of Audits and
317 Accounts and shall be posted on the website of the Office of Student Achievement.

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

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

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

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

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

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

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

336 **SECTION 8.**

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

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

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

346 (2) The annual personnel report prepared by the state auditor pursuant to Code Section
 347 50-6-27;

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

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

355 (5) For a local board of education which imposes a sales tax for educational purposes
 356 pursuant to Part 2 of Article 3 of Chapter 8 of Title 48, the information required pursuant
 357 to Code Section 48-8-141 as provided to the Department of Audits and Accounts for

358 posting on such department's searchable website pursuant to subsection (g) of Code
 359 Section 50-6-32."

360 **SECTION 9.**

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

365 "20-14-49.13.

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

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

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

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

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

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

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

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

386

SECTION 10.

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

391 "50-6-6.

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

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

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

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

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

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

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

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

409 (a.2) No state aid or public All such funds of any kind shall be held by officials any
410 official or employee of any local board of education or other public school governing body,
411 local school system, state charter school, institution of the University System of Georgia,
412 or any other school receiving state aid for any length of time in one or more of his or her
413 must be kept in banks separate from their individual bank accounts.

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

431 (c) All audits ~~of such public school systems~~ provided for in subsections (a.1), (b), and (e)
432 of this Code section shall be conducted in accordance with generally accepted
433 governmental auditing standards over financial statements in conformity with generally
434 accepted accounting principles of governmental accounting and shall include tests of the
435 accounting records and other auditing procedures as considered necessary in the

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

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

454 (e)(1) The state auditor shall have discretionary authority to engage certified public
455 accountants of this state to perform audits required under subsection (a.1) of this Code
456 section and to authorize local school systems and state charter schools to engage certified
457 public accountants to perform audits required under subsection (a.1) of this Code section;
458 provided, however, that:

459 (A) Such certified public accountants shall comply with requirements set forth by the
460 Department of Audits and Accounts as it relates to scope, methodology, state
461 compliance procedures, and risk assessment;

462 (B) No local school system or state charter school shall engage a certified public
 463 accountant or any other person or organization to perform an audit required under
 464 subsection (a.1) of this Code section without written authorization from the state
 465 auditor; and

466 (C) No local school system or state charter school shall engage the same certified
 467 public accountant or any other person or organization to both perform an audit required
 468 under subsection (a.1) of this Code section and provide audit readiness services in
 469 conjunction with the annual audit readiness certification required under
 470 division (a.1)(1)(B)(i) of Code Section 20-2-67 without written authorization from the
 471 state auditor. The state auditor shall provide such authorization only in exceptional
 472 cases due to reasonable cost considerations or scarcity of locally available professional
 473 service providers.

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

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

479 **SECTION 11.**

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

481 "50-6-6.1.

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

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

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

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

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

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

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

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

497 (1) Revenue and fund balance indicators;

498 (2) Cash flow and liquidity indicators;

499 (3) Debt and obligations indicators;

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

501 (5) Budget and management indicators;

502 (6) Audit and compliance indicators;

503 (7) Enrollment and revenue base indicators;

504 (8) State compliance indicators;

505 (9) Fraud and criminal activity indicators; and

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

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

- 513 (1) Tier 1 - Fiscally Sound: a local school system or state charter school is showing no
514 signs of fiscal stress;
- 515 (2) Tier 2 - Fiscal Watch: a local school system or state charter school is showing signs
516 of fiscal stress and is required to comply with a state-approved corrective action and
517 fiscal recovery plan;
- 518 (3) Tier 3 - Fiscal Distress: a local school system or state charter school is required to
519 comply with a state-approved comprehensive fiscal plan to return the local school system
520 or state charter school to fiscal stability within a specified time frame; and
- 521 (4) Tier 4 - Critical Fiscal Emergency: a local school system or state charter school is
522 required to strictly comply with a state-approved intervention plan and shall not be
523 eligible to receive advance distributions of state allotted funds distributed under Article 6
524 of Chapter 2 of Title 20, the 'Quality Basic Education Act,' except as recommended by
525 the state auditor and approved by the State Board of Education.
- 526 (e)(1) Each local school system or state charter school determined by the state auditor
527 to require Tier 2 monitoring, supports, and interventions shall be deemed a 'moderate-risk
528 local school system' or a 'moderate-risk state charter school' as provided for in Code
529 Section 20-2-67.
- 530 (2) Each local school system and state charter school determined by the state auditor to
531 require Tier 3 or Tier 4 monitoring, supports, and interventions shall be deemed a
532 'high-risk local school system' or 'high-risk state charter school' as provided for in Code
533 Section 20-2-67.
- 534 (f) In collaboration with the State Board of Education, the Office of Student Achievement,
535 and the State Charter School Commission, the Department of Audits and Accounts shall
536 promulgate policies, rules, regulations, and guidance that provide for and specify with
537 detail:
- 538 (1) The conditions and indicators for each of the tiers provided for in subsection (d) of
539 this Code section;

540 (2) The conditions under which a local school system or state charter school may move
541 from one such tier to another;
542 (3) The state-level monitoring, supports, and interventions to be made available to local
543 school systems or state charter schools at each tier; and
544 (4) When a strict compliance standard shall be applied to a local school system or state
545 charter school by the Department of Audits and Accounts or the State Board of Education
546 which shall include, but shall not be limited to, any intervention plan adopted by
547 resolution of the local board of education or other governing body of the local school
548 system as provided for in Code Section 20-2-166.
549 (g) The program required under this Code section shall be fully implemented by the
550 beginning of the 2028-2029 school year. The state auditor shall have discretionary
551 authority to prioritize which local school systems and state charter schools are the subject
552 of monitoring, supports, and intervention under such program; provided, however, that
553 such discretion is exercised on the basis of objective criteria provided in writing by the
554 state auditor to the State Board of Education; and provided, further, that, if the State Board
555 of Education or State School Superintendent refers a local school system or state charter
556 school for monitoring, supports, or interventions under such program, the state auditor shall
557 promptly evaluate and determine whether such local school system or state charter school
558 shall be the subject of monitoring, supports, and intervention under such program."

559 **SECTION 12.**

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

562 "50-6-28.

563 (a) It shall be the duty of the state auditor to make an investigation as a part of his or her
564 audit of each and every department of the state government. When there are facts, records,
565 circumstances, or information that indicate mismanagement or misconduct on the part of

566 any official or employee of any department of the state government during either a past or
567 present administration, it shall be the duty of the state auditor to make the full investigation,
568 as provided in Code Section 50-6-29, of the department, official, or employee.

569 (b) The state auditor shall be authorized to make an investigation of any local school
570 system or state charter school, as such terms are defined in Code Section 50-6-6, in the
571 state. When there are facts, records, circumstances, or information that indicate
572 mismanagement or misconduct on the part of any official or employee of any local school
573 system or state charter school in the state during either a past or present administration, it
574 shall be the duty of the state auditor to make the full investigation, as provided in Code
575 Section 50-6-29, of the local school system, state charter school, official, or employee."

576 **SECTION 13.**

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

578 **SECTION 14.**

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