

\_\_\_\_\_ 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

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

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

**SECTION 1.**

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

"20-2-6.

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

(b) The State Board of Education shall appoint an audit committee composed of members of the state board. The audit committee shall meet no less than six times each fiscal year and at the call of the chairperson or a majority of the members of such committee. The state auditor or his or her designee from the Department of Audits and Accounts and a representative of the State Charter Schools Commission shall be in attendance at such meetings of the audit committee. The audit committee shall be responsible for, at a minimum, reviewing reports on the fiscal conditions of local school systems, state charter

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

## SECTION 2.

Said title is further amended in Article 3 of Chapter 2, relating to local boards of education,  
 by revising Code Section 20-2-67, relating to local school system or school subject to  
 corrective action plan for budget deficit, financial operations form, publication, and mailing  
 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.

(3) Any local school system or state charter school that does not comply with the requirement of paragraphs (1) and (2) of this subsection shall be designated a high-risk local school system or state charter school by the Department of Audits and Accounts.

(a.2) When an audit by the Department of Audits and Accounts finds and reports irregularities or budget deficits in the fund accounting information regarding a local school system, or a school within the local school system, or a state charter school, or when the Department of Audits and Accounts finds significant indicators of fiscal concern regarding a local school system or state charter school, the Department of Audits and Accounts shall report the such findings of irregularities or budget deficits to the State Board of Education, the Office of Student Achievement, and the local board of education or other governing body.

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

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

(b) The State Board of Education shall inform the superintendent of the local school system or the chief administrator of the state charter school of the irregularities or budget deficits regarding a local school system's or a school's fund accounting information, including the findings of the Department of Audits and Accounts, as provided for in

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

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

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

### SECTION 3.

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

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

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

#### SECTION 4.

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

"20-2-101.

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

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

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



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

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

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

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

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

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

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

## SECTION 5.

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

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

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

## SECTION 6.

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

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

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

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

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

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

## SECTION 7.

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

(a) The office may:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### SECTION 8.

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

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

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

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

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

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

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

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

### SECTION 9.

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

"20-14-49.13.

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

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

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

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

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

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

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

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

## SECTION 10.

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

"50-6-6.

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

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

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

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

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

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

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

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



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

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

(c) ~~All audits of such public school systems~~ provided for in subsections (a.1), (b), and (e)  
of this Code section shall be conducted in accordance with generally accepted  
governmental auditing standards over financial statements in conformity with generally  
accepted accounting principles of governmental accounting and shall include tests of the  
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;

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

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

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

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

## **SECTION 11.**

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

"50-6-6.1.

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

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

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

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

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

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

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

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

(1) Revenue and fund balance indicators;

(2) Cash flow and liquidity indicators;

(3) Debt and obligations indicators;

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

(5) Budget and management indicators;

(6) Audit and compliance indicators;

(7) Enrollment and revenue base indicators;

(8) State compliance indicators;

(9) Fraud and criminal activity indicators; and

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

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

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

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

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

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

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

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

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

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

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

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

(4) When a strict compliance standard shall be applied to a local school system or state charter school by the Department of Audits and Accounts or the State Board of Education which shall include, but shall not be limited to, any intervention plan adopted by resolution of the local board of education or other governing body of the local school system as provided for in Code Section 20-2-166.

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

## SECTION 12.

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

"50-6-28.

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

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

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

### **SECTION 13.**

This Act shall become effective on July 1, 2026.

### **SECTION 14.**

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