

10363

I N A S S E M B L Y

May 24, 2016

Introduced by M. of A. GALEF -- read once and referred to the Committee
on Education

AN ACT to amend the education law, in relation to making internal audit
functions optional by school districts unless an audit by the comp-
troller reveals deficiencies

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. Subdivisions 1, 2 and 7 of section 2116-b of the education
2 law, subdivisions 1 and 7 as added by chapter 263 of the laws of 2005,
3 and subdivision 2 as amended by section 4 of part A of chapter 57 of the
4 laws of 2013, are amended and a new subdivision 8 is added to read as
5 follows:

6 1. No later than July first, two thousand six, each school district
7 shall establish an internal audit function to be in operation no later
8 than the following December thirty-first. Such function shall include:
9 (a) development of a risk assessment of district operations, including
10 but not limited to, a review of financial policies and procedures and
11 the testing and evaluation of district internal controls; (b) [an annu-
12 al] A review and update of such risk assessment; and (c) preparation of
13 reports[, at least annually or more frequently as the trustees or board
14 of education may direct,] which analyze significant risk assessment
15 findings, recommend changes for strengthening controls and reducing
16 identified risks, and specify timeframes for implementation of such
17 recommendations.

18 2. School districts of less than eight teachers, school districts with
19 actual general fund expenditures totaling less than five million dollars
20 in the previous school year, or school districts with actual enrollment
21 of less than one thousand five hundred students in the previous school
22 year shall be exempt from this requirement. Any school district claiming
23 such exemption shall [annually] certify to the commissioner that such
24 school district meets the requirements set forth in this subdivision.

25 7. Nothing in this section shall be construed as requiring a school
26 district in any city with a population of one hundred twenty-five thou-
27 sand or more to replace or modify an existing internal audit function

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

LBD02084-01-5

1 where such function already exists by special or local law, so long as
2 the superintendent of the district [annually] certifies to the commis-
3 sioner that the existing internal audit function meets or exceeds the
4 requirements of this section.

5 8. NOTWITHSTANDING ANY OTHER PROVISION OF LAW TO THE CONTRARY, THE
6 INTERNAL AUDIT FUNCTION ESTABLISHED PURSUANT TO THIS SECTION SHALL BE
7 OPTIONAL BY ALL SCHOOL DISTRICTS UNLESS THE COMPTROLLER FINDS DEFICIEN-
8 CIES IN THE AUDIT PERFORMED PURSUANT TO SECTION THIRTY-THREE OF THE
9 GENERAL MUNICIPAL LAW. IF DEFICIENCIES ARE FOUND BY THE COMPTROLLER,
10 SCHOOL DISTRICTS SHALL PERFORM BIENNIAL INTERNAL AUDITS UNTIL THE COMP-
11 TROLLER CONDUCTS ANOTHER AUDIT OF SUCH SCHOOL DISTRICT.

12 S 2. This act shall take effect on the first of July next succeeding
13 the date on which it shall have become a law.