§ 240. Yearly audit. 1. The franchised corporation shall, at its own expense, cause its annual financial statements to be audited in accordance with generally accepted auditing standards by a qualified independent certified public accountant approved by the franchise oversight board. The annual financial statements shall be prepared on a comparative basis for the current and prior fiscal year and shall present the financial position and results of operations in conformity with generally accepted accounting principles. Three manually-signed copies of the audited financial statements, together with the report thereon of the franchised corporation's independent certified public accountant shall be filed: one with the franchise oversight board, one with such franchised corporation and one with the office of the attorney general, not later than ninety days following the end of the fiscal year. All such annual financial statements and yearly audits shall be subject to audit by the state comptroller and shall be public records.

2. The franchised corporation shall require the independent certified public accountant to render the following additional reports:

a. a report on material weakness in accounting, internal controls, and business and management practices discovered in the ordinary course of preparing such audited financial statements. Whenever in the opinion of the independent certified public accountant there exists no material weaknesses in accounting, internal controls and business and management practices, no report shall be required; and

b. a report expressing the opinion of the independent certified public accountant that based on his or her examination of the financial statements the franchised corporation has followed, in all material respects, during the period covered by his or her examination, the system of accounting and internal control as filed with the franchise oversight board. Whenever in the opinion of the independent certified public accountant the franchised corporation has deviated from the system of accounting and internal controls filed with the franchise oversight board or the accounts, records, and control procedures examined are not maintained by the franchised corporation in accordance with generally accepted accounting standards the report shall enumerate

such deviations. The independent certified public accountant shall also report on areas of the system no longer considered effective, and shall make recommendations in writing regarding improvements in the system of accounting and internal controls.

3. If the independent certified public accountant who was previously engaged to audit the franchised corporation's financial statements resigns or is dismissed as the franchised corporation's auditor, or another independent certified public accountant is engaged as auditor, the franchised corporation shall file a report with the franchise oversight board within ten days following the end of the month in which such event occurs, setting forth the following:

a. the date of such resignation, dismissal, or engagement;

b. whether in connection with the audits of the two most recent years preceding such resignation, dismissal, or engagement there were any disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of the former accountant would have caused such accountant to make reference in connection with such accountant's report to the subject matter of the disagreement; including a description of each such disagreement. The disagreements to be reported include those resolved and those not resolved; and

c. whether the former accountant's report on the financial statements for any of the past two years contained an adverse opinion or disclaimer of opinion or was qualified. The nature of such adverse opinion, disclaimer of opinion, or qualification shall be described.

4. Upon direction of the franchise oversight board, the franchised corporation shall, at its own expense, cause its business and managerial practices to be audited.