



January 19, 2017

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## SENATE BILL No. 159

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DIGEST OF SB 159 (Updated January 17, 2017 11:51 am - DI 120)

**Citations Affected:** IC 5-11.

**Synopsis:** State examiner findings. Specifies requirements for corrective action when audited entities fail to comply with certain guidelines or laws. Requires an audited entity to file a corrective action plan following findings of noncompliance in two consecutive examination reports. Specifies actions that the audit committee may take if an audited entity fails to comply with a corrective action plan.

**Effective:** July 1, 2017.

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### Niemeyer

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January 4, 2017, read first time and referred to Committee on Tax and Fiscal Policy.  
January 18, 2017, amended, reported favorably — Do Pass.

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SB 159—LS 6490/DI 97





January 19, 2017

First Regular Session of the 120th General Assembly (2017)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2016 Regular Session of the General Assembly.

## SENATE BILL No. 159

A BILL FOR AN ACT to amend the Indiana Code concerning state and local administration.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 5-11-5-1.5 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
3 1, 2017]: **Sec. 1.5. (a) As used in this section, "audited entity"**  
4 **includes only the following:**  
5 (1) **A state agency (as defined in IC 4-13-1-1).**  
6 (2) **A public hospital.**  
7 (3) **A municipality.**  
8 (4) **A body corporate and politic.**  
9 (5) **A state educational institution.**  
10 (6) **An entity to the extent that the entity is required to be**  
11 **examined under IC 5-11-1-9 or another law.**  
12 (b) **If an examination report contains a finding that an audited**  
13 **entity failed to observe a uniform compliance guideline established**  
14 **under IC 5-11-1-24(a) or to comply with a specific law, the audited**  
15 **entity shall take action to address the audit finding.**  
16 (c) **If a subsequent examination report of the audited entity**  
17 **contains a finding that is the same as or substantially similar to the**

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1 finding contained in the previous examination report described in  
2 subsection (b), the public officer of the audited entity shall file a  
3 corrective action plan as a written response to the report under  
4 section 1(b) of this chapter.

5 (d) The state board of accounts shall create guidelines for use by  
6 an audited entity to establish a corrective action plan described in  
7 subsection (c). The guidelines must include a requirement that the  
8 issue that is the subject of a finding described in subsection (c)  
9 must be corrected not later than six (6) months after the date on  
10 which the corrective action plan is filed.

11 (e) The state board of accounts shall review each corrective  
12 action plan during the next succeeding audit following the date on  
13 which the corrective action plan is filed under subsection (c). If a  
14 corrective action plan is not implemented or the issue that is the  
15 subject of the finding is not corrected within six (6) months, the  
16 state board of accounts shall prepare a memorandum  
17 summarizing:

- 18 (1) the examination report finding;
- 19 (2) the corrective action plan;
- 20 (3) the manner by which the examination report finding was  
21 or was not addressed; and
- 22 (4) a recommended course of action.

23 (f) The state board of accounts shall present to the audit  
24 committee established by IC 2-5-1.1-6.3 a memorandum described  
25 in subsection (e). If the audit committee determines that further  
26 action should be taken, the audit committee may do any of the  
27 following:

- 28 (1) Request a written statement from the public officer of the  
29 audited entity.
- 30 (2) Request the personal attendance of the public officer of the  
31 audited entity at the next audit committee meeting.
- 32 (3) Request that the public officer of the audited entity take  
33 corrective action.
- 34 (4) Notify the office of management and budget (in the case of  
35 an audited entity that is a state agency, a body corporate and  
36 politic, or a state educational institution) or the department of  
37 local government finance (in the case of any other audited  
38 entity) that the audited entity refused to:
  - 39 (A) correct the audited entity's failure to observe a  
40 uniform compliance guideline established under  
41 IC 5-11-1-24(a); or
  - 42 (B) comply with a specific law;



1 with notice of the recommendation published on the general  
2 assembly's Internet web site.  
3 (5) Refer the facts drawn from the examination and the  
4 actions taken under this section for investigation and  
5 prosecution of a violation of IC 5-11-1-10 or IC 5-11-1-21 to  
6 the:  
7 (A) inspector general, in the case of an audited entity that  
8 is a state agency, a body corporate and politic, or a state  
9 educational institution; or  
10 (B) prosecuting attorney of the county in which a violation  
11 of IC 5-11-1-10 or IC 5-11-1-21 may have been committed,  
12 in the case of any other audited entity;  
13 with notice of the referral published on the general assembly's  
14 Internet web site.  
15 (6) Recommend that legislation be introduced in the general  
16 assembly to amend any statute under which the audited entity  
17 is found to be noncompliant.



## COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 159, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 2, line 11, delete "all" and insert "**each**".

Page 2, line 12, delete "plans" and insert "**plan during the next succeeding audit following the date on which the corrective action plan is**".

Page 2, line 24, delete "shall do at least one (1)" and insert "**may do any**".

Page 2, line 28, delete "Require" and insert "**Request**".

Page 2, line 30, delete "Order" and insert "**Request that**".

Page 2, line 30, delete "to".

Page 2, line 32, delete "department of local government finance" and insert "**office of management and budget (in the case of an audited entity that is a state agency, a body corporate and politic, or a state educational institution) or the department of local government finance (in the case of any other audited entity)**".

Page 2, delete lines 40 through 42, begin a new line block indented and insert:

**"(5) Refer the facts drawn from the examination and the actions taken under this section for investigation and prosecution of a violation of IC 5-11-1-10 or IC 5-11-1-21 to the:**

**(A) inspector general, in the case of an audited entity that is a state agency, a body corporate and politic, or a state educational institution; or**

**(B) prosecuting attorney of the county in which a violation of IC 5-11-1-10 or IC 5-11-1-21 may have been committed, in the case of any other audited entity;**

**with notice of the referral published on the general assembly's Internet web site.**

**(6) Recommend that legislation be introduced in the general assembly to amend any statute under which the audited entity**



**is found to be noncompliant."**

Delete page 3.

and when so amended that said bill do pass.

(Reference is to SB 159 as introduced.)

HERSHMAN, Chairperson

Committee Vote: Yeas 13, Nays 0.

