

Amendment to HB 121-FN

1 Amend the title of the bill by replacing it with the following:

2

3 AN ACT relative to school district financial requirements and district probation processes.

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5 Amend the bill by replacing all after the enacting clause with the following:

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7 1 Department of Revenue Administration; Municipal and Property Division; Audit. Amend RSA
8 21-J:19 to read as follows:

9 21-J:19 Audit.

10 I. Any town, or school district, or village district or precinct, at the annual meeting or at a
11 special meeting, or the selectmen of any town, or the governing body of any city, or the school board
12 of any school district, or the commissioners of any village district or precinct, may hire a certified
13 public accountant or a public accountant licensed by the state under RSA 309-A:8 to conduct ~~such~~
14 ~~an audit within~~ **and complete such audit no later than** one year after the close of the
15 municipality's **or school district's** fiscal year in accordance with audit guidelines and applicable
16 statutes.

17 II. Every audit made by independent public accountants licensed under RSA 309-A:8, except
18 examinations for special limited purposes, shall cover the accounts and records of all officials
19 responsible for the receipt, custody, and disbursement of public funds. The audit reports shall
20 include a summary of findings and recommendations regarding compliance with applicable statutory
21 provisions of law, and the adequacy of accounting and business procedures pursued by the unit of
22 government examined. Management letters, so-called, shall be included as part of the official audit
23 findings and recommendations. Contracts executed between local units of government and counties
24 and independent public accountants shall stipulate that all accounts and funds of the governmental
25 unit are to be audited and a report of audit prepared in accordance with this section. A written or
26 printed report of every completed audit shall be made to the proper local officials including a
27 summary of the findings and recommendations of the auditors and a copy of such summary shall be
28 published in the next annual report following the fiscal year in which the audit was completed. **A**
29 **copy of the completed audit shall be posted on the governing body's website and the**
30 **findings and recommendations reviewed at the next public meeting of the governing body.**

31 2 Department of Revenue Administration; Municipal and Property Division; Audit on Motion of
32 Commissioner. Amend RSA 21-J:20 to read as follows:

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1 21-J:20 Audit on Motion of Commissioner. The commissioner may cause ~~[aa]~~ ***a financial or***
2 ***forensic*** audit to be made of the accounts of any city, town, school district, or village district or
3 precinct, ~~[as often as once in 2 years, or]~~ whenever conditions appear ~~[to him]~~ to warrant such audit.
4 ***The commissioner shall consult with the commissioner of the department of education if***
5 ***the conditions are related to a school district.*** The accounts of all county officers shall be
6 audited annually by a certified public accountant, and a complete report of such audit shall be made
7 available to the public.

8 3 Department of Revenue Administration; Municipal and Property Division; Failure to
9 Complete Audit. RSA 21-J:20-a is repealed and reenacted to read as follows:

10 21-J:20-a Notification Required; Failure to Complete Audit.

11 I. Upon completion of an audit made pursuant to RSA 21-J:19 or RSA 21-J:20, each city,
12 town, school district, village district, county, or precinct shall provide notification to the department
13 of the completed audit and a copy of such audit shall be sent to the department. If a required audit
14 is not completed by the due date of such audit, the commissioner:

15 (a) May levy a fine of up to \$500 per day for every day of noncompliance, commencing 60
16 days after the department has provided written notice to the municipality, political subdivision,
17 school district, or county of the intent to levy such fine; or

18 (b) Shall not consider the unreserved fund balance of the municipality, political
19 subdivision, school district, or county when setting tax rates if the department questions the validity
20 of the financial data due to the lack of an audit.

21 II. The municipality, political subdivision, or county may petition the commissioner for
22 waiver of the fine in instances where the failure to complete a statutorily required audit by the due
23 date of such audit was due to reasonable cause. If a waiver is granted, the municipality, political
24 subdivision, or county shall within 90 days of receiving the waiver from the department provide the
25 department an executed contract binding the municipality, political subdivision, or county, to
26 conduct the required audit with an entity licensed and certified to do so, and within a time frame
27 approved by the commissioner. Fines collected by the department pursuant to this section shall be
28 deposited in the general fund. The department shall notify the commissioner of the department of
29 education of the completion or failure to complete the audit by the due date of such audit by each
30 school district or waiver granted by the commissioner. School districts failing to complete the audit
31 shall be listed on the department of education website and the chair of the state board of education
32 shall be notified.

33 III. The department shall adopt rules for the criteria to be used in the determination of
34 granting a waiver of fines, for issuing fines, and the amount of the fines.

35 4 Department of Revenue Administration; Municipal and Property Division; Publication of
36 Report of Audit. Amend RSA 21-J:21 to read as follows:

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1 1-J:21 Publication of Report of Audit. A written or printed report of every completed audit shall
2 be made to the proper local officials including [~~a summary of~~] the findings and recommendations of
3 the auditors and a copy of such [~~summary~~] shall be published in the next annual report, **a complete**
4 **copy of the audit shall be posted on the governing body's website, and reviewed at the next**
5 **public meeting of the governing body** following the fiscal year in which the audit was completed.
6 If, in the opinion of the governing board of a city or the selectmen, school board, county or village
7 district commissioners, the whole report of audit should be published, the report may be published.
8 If such [~~summary of~~] findings and recommendations [~~is~~] **are** not so published, the commissioner, at
9 the expense of the county, city, town, or district affected thereby, may cause such [~~summary~~] to be
10 separately published and, **if available**, distributed or published in a newspaper having a general
11 circulation in said county, city, town, or district.

12 5 School Money; Penalty for Failure to File a Report. Amend RSA 198:4-f, I to read as follows:

13 I. A school district, city, chartered public school, or public academy shall file the reports due
14 under RSA 198:4-d[~~-III~~] no later than September 1 of each year.

15 6 New Paragraph; School Money; Penalty for Failure to File Report. Amend RSA 198:4-f by
16 inserting after paragraph III the following new paragraph:

17 IV. A school district, city, chartered public school that is greater than 6 months late in
18 complying with the audit requirements pursuant to RSA 21-J:19 and RSA 194-B:10 may have state
19 aid withheld by the commissioner of the department of education for just cause. In determining just
20 cause, the commissioner of the department education, or designee, shall reach out to the auditor
21 performing the work and the auditee to determine if the auditee has caused unreasonable delays.
22 The commissioner of the department of education shall notify the governing body 30 days prior to
23 withholding state aid.

24 7 New Section; The State School Organization; State Probation. Amend RSA 186 by inserting
25 after section 5 the following new section:

26 186:5-a Public School District Probation.

27 I. After reasonable notice has been provided to all affected parties, the state board may place
28 a public school district on probationary status for up to 6 months under the following circumstances:

29 (a) The school commits a material violation of any of the conditions, standards, or
30 administrative rules.

31 (b) The school fails to meet generally accepted standards for fiscal management.

32 (c) The school significantly violates state or federal law.

33 (d) The school becomes insolvent or financially unstable.

34 (e) The school fails to comply with the reporting requirements in accordance with RSA
35 198:4-f.

36 (f) The school fails to comply with state or federal reporting requirements.

37 (g) The school fails to remedy the causes of its probation.

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1 II. Notice of the placement on probation shall be provided in writing to the district's school
2 board members, superintendent or staff authorized to perform superintendent services, posted on
3 the district and department's website, the governor, commissioner of the department revenue
4 administration, senate president, speaker of the house, and the chairs of the senate and house
5 education funding and policy committees.

6 III. The department and state board shall consult with the district school board on the
7 development and implementation of a remedial plan to address specific areas of concern.

8 IV. The state board may place a public school district on probationary status for up to 6
9 months to allow the implementation of a remedial plan.

10 V. After the probationary period, if the remedial plan is unsuccessful in addressing the
11 concerns, the department shall appoint or hire an administrator to oversee the corrections identified
12 pursuant to RSA 186:5-a, I. The department may draw a warrant for payment of the administrator.
13 The state board may authorize the administrator, for a period of up to one year, to:

14 (1) Override any decisions of the school district's board or the school district
15 superintendent, or both, concerning the management and operation of the school district, and
16 initiate and make decisions concerning the management and operation of the school district.

17 (2) Attend any and all meetings of the school district's board and administrative
18 staff and provide updates on corrective actions being taken.

19 (3) Establish and implement a strategy designed to promote family and community
20 involvement.

21 (4) Supervise the day-to-day activities of the school district's staff, including
22 reassigning the duties and responsibilities of personnel in a manner that, in the determination of the
23 administrator, best suits the needs of the school district.

24 (5) Place on extended leave, suspend, or terminate for cause the school district's
25 superintendent or business manager, or both. The administrator is not authorized to provide a
26 severance or buyout package to the school district's superintendent or business manager if the school
27 district is placed into probation by the state board of education. A person terminated pursuant to
28 this paragraph may appeal the administrator's decision to the state board of education if an appeal
29 is filed with the state board within 30 days of receiving notice of the termination.

30 (6) Authorize pupils to transfer from schools operated by the school district to
31 schools operated by another school district that is not currently on probation, pursuant to RSA 193:3,
32 I(g).

33 (7) Appoint a staff person to perform superintendent services pursuant to RSA 194-
34 C:5, II(a).

35 (8) Appoint a chief fiscal officer who shall possess the powers and duties of the school
36 district's business manager and any other duties regarding budgeting, accounting, and other
37 financial matters that are assigned to the school district by law.

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1 (9) Appoint a competent independent public accountant to audit the accounts of the
2 school district if not previously done by the department of revenue administration.

3 (10) Reorganize the school district's financial accounts, management, and budgetary
4 systems to improve financial responsibility and reduce financial inefficiency within the district.

5 (11) Establish school district fiscal guidelines and a system of internal controls,
6 including internal administrative controls and internal accounting controls, with provisions for
7 internal audits.

8 (12) Provide monthly updates to the department and state board.

9 (13) Once the administrator's corrective actions have been completed, they shall
10 provide a verbal and written report to the department and state board outlining the actions taken,
11 needed steps forward, and monitoring recommendations.

12 8 Regular School Districts; Auditors. RSA 671:5 is repealed and reenacted to read as follows:

13 671:5 Auditors. School districts shall hire independent auditors pursuant to RSA 21-J:19.

14 9 Repeal. The following are repealed:

15 I. RSA 193-H:5, relative to power of the department of education to take control of daily
16 operations of local schools.

17 II. RSA 198:4-d, VI, relative to school money; reports required.

18 10 Effective Date. This act shall take effect upon its passage.

2025-3086h

AMENDED ANALYSIS

This bill:

I. Revises the audit process for towns, school districts, or village districts, including penalties for failures to comply.

II. Repeals the election of school district auditors.

III. Allows the state board of education to place a public school district on probationary status and to institute a remedial plan.

IV. Requires the department of education to hire an administrator to oversee a public school district that remains on probationary status and provides duties and powers to that role.