State of Arkansas
92nd General Assembly
Regular Session, 2019

A Bill

HOUSE BILL 1983

By: Representative Warren

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING THE INTERNAL AUDIT SECTION OF THE DEPARTMENT OF FINANCE AND ADMINISTRATION; TO MAKE TECHNICAL CHANGES CONCERNING THE INTERNAL AUDIT SECTION; TO CHANGE THE NAME OF THE INTERNAL AUDIT SECTION TO THE OFFICE OF INTERNAL AUDIT; AND FOR OTHER PURPOSES.

Subtitle

TO MAKE TECHNICAL CHANGES CONCERNING THE INTERNAL AUDIT SECTION; AND TO CHANGE THE NAME OF THE INTERNAL AUDIT SECTION TO THE OFFICE OF INTERNAL AUDIT.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 19-4-105, as amended by Acts 2019, Nos. 298 and 315, is amended to read as follows:

19-4-105. Continuing studies and investigations — Duties of Chief Fiscal Officer of the State and <u>Office of</u> Internal Audit ~~Section~~ — Exemption of internal audit documentation from Freedom of Information Act of 1967.

(a) The Chief Fiscal Officer of the State is directed to make continuing studies and investigations of the operation of state agencies and to make recommendations to the General Assembly, the Legislative Council, and the Governor about improvements which should be made in order to:

(1) Safeguard against excessive expenditures of appropriations and funds;

(2) Promote economy, efficiency, and control in the operation of

state agencies;

(3) Properly execute budgets; and

(4) Accomplish the purposes of this chapter as intended by the General Assembly.

(b) The Office of Internal Audit ~~Section~~ created under the Department of Finance and Administration by Governor's Executive Order ~~99-08~~ 18-01 shall conduct its audits using the suggested standards for the professional practice of internal auditing as adopted by the Institute of Internal Auditors.

(c) The Office of Internal Audit ~~Section~~ shall:

(1) Review the financial and operating controls and the transactions of state agencies to determine the level of conformity with established laws, standards, rules, and procedures;

(2) Review the various functions within an enterprise to appraise the efficiency and economy of operations and the effectiveness with which those functions achieve the stated objectives, including without limitation a review of established internal control activities;

(3) Investigate reported occurrences of fraud, embezzlement, theft, waste, abuse, or mismanagement of state resources;

(4) Recommend controls to prevent occurrences of fraud, embezzlement, theft, waste, abuse, or mismanagement of state resources;

(5) Assist state agencies to resolve areas of concern;

(6) Assist state agencies in establishing appropriate internal controls that will prevent errors or irregularities;

(7) Provide objective analysis, appraisals, and recommendations concerning the activities it reviews; and

(8) Perform other functions as directed by the Governor, Chief Fiscal Officer of the State, or other board or government entity charged with authority over the Office of Internal Audit ~~Section~~ by executive order.

(d) After an audit is completed, the Office of Internal Audit ~~Section~~ shall file a written final report concerning the actions and determinations made under this section with:

(1) The Chief Fiscal Officer of the State;

(2) The Governor;

(3) ~~The State Board of Finance;~~

~~(4)~~ Arkansas Legislative Audit; and

~~(5)~~(4) Any other board or government entity charged with authority over the Office of Internal Audit ~~Section~~ by executive order.

(e) Employees of the Office of Internal Audit ~~Section~~ shall:

(1) Be employed by the Governor or other board or government entity charged with authority over the Office of Internal Audit ~~Section~~ by executive order; and

(2) Serve at the pleasure of the Governor or other board or government entity charged with authority over the Office of Internal Audit ~~Section~~ by executive order.

(f)(1) All internal audit documentation, including notes, memoranda, preliminary drafts of audit reports, and other data gathered in the preparation of internal audit reports by the Office of Internal Audit ~~Section, privileged and confidential and are exempt from~~ are exempt from disclosure under the Freedom of Information Act of 1967, § 25-19-101 et seq., and any other law of the State of Arkansas, except as provided in subdivision (f)(2) of this section.

(2)(A) The exemption shall not apply to completed internal audits of the Office of Internal Audit ~~Section~~ after a final report of the internal audit has been presented to:

(i) The Chief Fiscal Officer of the State;

(ii) The Governor or the Governor's designee;

(iii) ~~The State Board of Finance;~~

~~(iv)~~ Arkansas Legislative Audit; or

~~(v)~~(iv) Any other board or government entity charged with authority over the Office of Internal Audit ~~Section~~ by executive order.

(B) The final report and copies of any supporting documentation shall then be open to public inspection and copying, except ~~for documents that are~~ records specifically exempt from disclosure under the Freedom of Information Act of 1967, § 25-19-101 et seq., or other law.

(g)(1) The Office of Internal Audit ~~Section~~ shall conduct an annual project review and efficiency study of the Arkansas Department of Transportation to include without limitation a review of the processes, procedures, procurement processes, projects, appeals procedures and expenditures.

(2) The results a study under this section shall be reported to the Legislative Council no later than October 1 of each year, with the first

report to be submitted by October 1, 2021.