

1 AN ACT relating to the Office of the Auditor of Public Accounts.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 43 IS CREATED TO
4 READ AS FOLLOWS:

5 **(1) The Office of Government Efficiency is hereby created as an office within the**
6 **Auditor of Public Accounts to evaluate and recommend improvements to the**
7 **efficiency, cost-effectiveness, and performance of state agencies and their**
8 **programs and operations.**

9 **(2) The office shall:**

10 **(a) Conduct performance audits and fiscal and operational reviews of state**
11 **agencies to identify inefficiencies, waste, compliance with law, and**
12 **opportunities for cost savings;**

13 **(b) Develop and recommend best practices for streamlining government**
14 **operations; and**

15 **(c) Monitor the implementation of efficiency-related recommendations and**
16 **report its findings to the Governor and Legislative Research Commission**
17 **pursuant to KRS 43.090.**

18 **(3) The Auditor shall submit an annual report by June 30 of each year, detailing the**
19 **office's findings, recommendations, and cost-saving measures to the Governor**
20 **and the Legislative Research Commission for referral to appropriate legislative**
21 **committees.**

22 **(4) Notwithstanding any provision of KRS Chapter 18A, KRS 64.640, or other statute**
23 **to the contrary, the Auditor may:**

24 **(a) Appoint additional classified and unclassified staff as he or she deems**
25 **necessary to carry out the office's duties, subject to available funds; and**

26 **(b) Seek additional funding through cost-saving initiatives and efficiency-**
27 **related grants.**

1 (5) The office shall be funded through appropriations made by the General
2 Assembly, through the Auditor of Public Accounts' billing authority pursuant to
3 KRS 43.050, and through any federal grants obtained for the purpose of
4 government efficiency.

5 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 43 IS CREATED TO
6 READ AS FOLLOWS:

7 The Office of the Auditor of Public Accounts shall contain the following offices and
8 divisions:

9 (1) The Office of the Deputy Auditor, which shall have the following offices:

10 (a) Office of Local Government Audits;

11 (b) Office of State Government Audits and Technology;

12 (c) Office of Special Investigations;

13 (d) Office of Quality Assurance; and

14 (e) Office of Government Efficiency;

15 (2) The Office of Planning and Management, which shall have the following
16 divisions:

17 (a) Division of Information Technology Services;

18 (b) Division of Financial Management; and

19 (c) Division of Human Resource Administration;

20 (3) The Office of Legal and Records Services, which shall contain the Division of
21 Records Management; and

22 (4) The Commonwealth Office of the Ombudsman, which shall contain the following
23 offices and divisions:

24 (a) Office of Citizen Services and Policy Integrity;

25 (b) Office of Program Performance, which shall contain the:

26 1. Division of Quality Control; and

27 2. Division of Program Access Compliance;

1 (c) Office of Professional Integrity and Employee Development; and

2 (d) Office of Policy and Research.

3 ➔Section 3. KRS 43.010 is amended to read as follows:

4 As used in this chapter, unless the context requires otherwise:

5 (1) "Auditor" means the Auditor of Public Accounts.

6 (2) "Budget unit" means a department or other unit of organization for which separate
7 appropriations are made from those for any other organization unit.

8 (3) "State agency" means any state officer, cabinet, office, department, board,
9 commission, institution, division, or other person or functional group that is
10 authorized to exercise or does exercise any executive or administrative jurisdiction,
11 powers, duties, rights or obligations of the state government conferred or imposed
12 by law or exercised, performed, or discharged by legal authority in compliance with
13 law.

14 (4) "Writing" or "written" means letters, words, or numbers, or their equivalent, set
15 down by handwriting, typewriting, printing, photostating, photographing, magnetic
16 impulse, mechanical or electronic recording, or other form of data compilation.

17 ➔Section 4. KRS 43.030 is amended to read as follows:

18 (1) The Auditor shall appoint for the duration of his or her own term, subject to
19 removal by the Auditor at any time, one (1) deputy~~assistant~~ auditor~~of public~~
20 ~~accounts~~, who shall be a certified public accountant and who has been a citizen and
21 resident of the state for at least two (2) years. Except for the Office of the
22 Ombudsman as established in KRS 43.035, the deputy~~assistant~~ auditor shall have
23 direct supervision over all technical work and technical assistants, and shall
24 otherwise aid the Auditor in the performance of his or her duties, except that the
25 deputy~~assistant~~ auditor~~of public accounts~~ may exercise a full or partial recusal
26 from this supervision requirement in regard to the consulting function authorized in
27 KRS 43.050 if needed to comply with the professional standards of accountancy. If

1 the Auditor is absent or is rendered incapable of performing his or her duties, or if a
2 vacancy in the office occurs, the ~~deputy~~~~assistant~~ auditor shall perform the duties
3 of Auditor until the necessity therefor ceases to exist. He or she shall take the
4 constitutional oath.

5 (2) The Auditor may employ other subordinate personnel subject to the provisions of
6 KRS 12.060. All employees with status as defined in KRS 18A.005 who are
7 operating under the authority of the deputy auditor and engaged in auditing or
8 investigations that are required to be performed in accordance with generally
9 accepted government auditing standards shall possess a minimum of a four (4)
10 year college degree. No less than ninety percent (90%) of all employees engaged in
11 financial auditing or financial investigations required to be performed in
12 accordance with generally accepted government auditing standards shall have
13 twenty (20) semester hours or thirty (30) quarter hours of accounting, or alternately,
14 shall be a certified public accountant. Not more than two (2) persons charged with
15 the conduct of audits and investigations may substitute year-for-year responsible
16 experience acceptable to the Personnel Cabinet for the required college education
17 and accounting hours.

18 (3) The Auditor and his or her sureties are liable on his or her official bond for the acts
19 of the ~~deputy~~~~assistant~~ auditor and clerks.

20 (4) Nothing in this section shall be deemed to affect the provisions of KRS 11.090 or
21 other legislation authorizing audits.

22 ➔Section 5. KRS 43.050 is amended to read as follows:

23 (1) The Auditor constitutes an agency independent of the administrative departments
24 enumerated in KRS 12.020, it being the policy of the General Assembly to provide
25 for the independent auditing of the accounts, financial transactions, and
26 performance of all spending agencies of the state through a disinterested auditor,
27 who is entirely independent of the state administration whose affairs he is called

1 upon to audit.

2 (2) The Auditor may:

3 (a) Audit annually, and at such other times as may be deemed expedient, the
4 accounts of all state agencies, all private and semiprivate agencies receiving
5 state aid or having responsibility for the handling of any state funds, the
6 accounts, records, and transactions of the budget units, and the general
7 accounts of the state;

8 (b) Make a complete audit and verification of all moneys handled for the account
9 of the state government by local officials charged with the collection of fees
10 or other money for or on behalf of the state, when an audit is demanded in
11 writing by the Legislative Research Commission, the secretary of the Finance
12 and Administration Cabinet, or the Governor, and may make an audit when it
13 is not so demanded;

14 (c) Examine periodically the performance, management, conduct, and condition
15 of all asylums, prisons, institutions for the intellectually disabled, and
16 eleemosynary institutions; public works owned, operated, or partly owned by
17 the state, or in the conduct or management of which the state has any financial
18 interest or legal power; and state agencies. The examinations shall give
19 special attention to the faithful and economical application of any money
20 appropriated by the state to the institution, public works, or state agency
21 examined, or of any money in which the state has an interest;

22 (d) Examine annually the management and condition of the offices of the Finance
23 and Administration Cabinet, the State Treasurer, and the chief state school
24 officer, to determine whether the laws regulating their duties are being fully
25 complied with, and all money received by them for the state fully accounted
26 for;

27 (e) Examine, at least biennially, the Finance and Administration Cabinet's

- 1 compliance with this section and KRS 48.111 and 56.800 to 56.823. Within
2 sixty (60) days of the completion of each examination, the Auditor shall
3 report his findings and recommendations to the Capital Projects and Bond
4 Oversight Committee;
- 5 (f) Audit periodically all state revenue collections, and, if he finds that
6 collections are not being satisfactorily made, report that fact to the authority
7 whose duty it is to make the collections;
- 8 (g) Make special audits and investigations when ~~required~~requested by the
9 Governor;
- 10 (h) Investigate the means of accounting for, controlling, and insuring the safe
11 custody of all property of the state, and verify the existence and condition of
12 such property charged to, or held in the custody of any state agency;
- 13 (i) Audit the statements of financial condition and operations of the state
14 government, and certify in writing the results of the audit and examination
15 with the comments he deems necessary for the information of the General
16 Assembly;
- 17 (j) Report immediately in writing to the Governor, the Legislative Research
18 Commission, and the secretary of the Finance and Administration Cabinet,
19 any unauthorized, illegal, irregular, or unsafe handling or expenditure of state
20 funds, or other improper practice of financial administration, or evidence that
21 any such handling, expenditure, or practice is contemplated, and any
22 obstruction of the Auditor or his or her agents during the conduct of any audit
23 or investigation of a state agency; and
- 24 (k) Assist the Legislative Research Commission at hearings and investigations
25 conducted by it and cooperate with the Legislative Research Commission in
26 the preparation of its reports to the General Assembly.
- 27 (3) The Auditor may investigate and examine into the conduct of all state and county

1 officers who are authorized to receive, collect, or disburse any money for the state,
2 or who manage or control any property belonging to the state or in which the state
3 is interested, or who make estimates or records that are used as a basis by any state
4 agency in the disbursement of public funds.

5 (4) The Auditor may conduct a special audit or examination of a city government or
6 any of its agencies or departments.

7 (5) Except where otherwise provided, any expenses incurred by the Auditor for audits,
8 examinations, investigations, or reviews shall be charged to the entity that is the
9 subject of the audit, examination, investigation, or review. The Auditor shall
10 maintain a record of all time expenses for each audit, examination, investigation, or
11 review.

12 (6) The Auditor may provide consulting services, in accordance with auditing standards
13 generally accepted in the United States and government auditing standards, to state
14 or local government entities and associations of such entities, including special
15 purpose governmental entities, and may charge a mutually agreed upon rate for
16 those services, including:

17 (a) Providing training and technical presentations;

18 (b) Developing audit guides applicable to those entities;

19 (c) Developing question and answer documents to promote understanding of
20 technical issues or standards; and

21 (d) Collaborating with other professional organizations to advance auditing of
22 government entities and programs.

23 (7) The Auditor shall not be responsible for the keeping of any accounts of the state,
24 except accounts relating to his or her own operations. The Auditor shall not be
25 responsible for the collection of any money due the state, or for the handling or
26 custody of any state funds or property except in the process of counting and
27 verifying the amounts of the funds or property in the course of the audits provided

1 for in this section.

2 ➔Section 6. KRS 43.080 is amended to read as follows:

- 3 (1) (a) The Auditor and his or her authorized agents shall have access at all times to
4 and may at any time examine any and all information, including but not
5 limited to books, accounts, reports, vouchers, correspondence files, records,
6 information technology systems, databases, premises, money, and property
7 of any state agency or budget unit, which the Auditor or agents deem
8 necessary to properly audit, investigate, examine, or review the state agency
9 or budget unit.
- 10 (b) Every officer or employee of any state~~[such]~~ agency or budget unit having
11 such records or property in his or her possession or under his or her control
12 shall permit access to and examination of them upon the request of the
13 Auditor or any agent authorized by him or her to make such request.
- 14 (c) Every officer or employee of any state agency or budget unit shall be
15 allowed to participate in interviews outside the presence of any supervisor,
16 official, or counsel representing that or any other agency or unit and shall
17 not be retaliated against for doing so.
- 18 (2) The Auditor and his or her assistants shall have access at all times to the premises,
19 papers, books and records of the asylums, prisons, institutions for the intellectually
20 disabled and eleemosynary institutions, and public works that he or she is
21 authorized to examine, and of any county officer who receives or disburses county
22 funds.
- 23 (3) The Auditor and his or her authorized agents may administer oaths, issue
24 subpoenas, issue subpoenas duces tecum, and compel the attendance of witnesses
25 and the production of testimony and evidence relating to any subject under audit,
26 examination, investigation, or review by them~~[may require information on oath~~
27 ~~from any person touching any matters relative to any account that the Auditor is~~

1 ~~required to state, audit or settle. The Auditor may administer the oath himself, or~~
2 ~~have it done by any officer authorized to administer an oath].~~

3 (4) (a) The Auditor and his **or her authorized agents may petition a Circuit Court**
4 **having jurisdiction over the matter, officer, or employee for injunctive or**
5 **other relief to enforce compliance with this section, including but not**
6 **limited to obedience as to process or investigative demands issued under it,**
7 **and may recover all costs, including attorney's fees, of bringing and**
8 **enforcing the action**~~[assistants may issue process and compel the attendance~~
9 ~~of witnesses before them, and administer oaths and compel witnesses to~~
10 ~~testify in any of the investigations the Auditor is authorized to make].~~

11 **(b) Upon petition, a Circuit Court may grant a protective order staying the**
12 **enforcement of any unlawful process issued under this section.**

13 ➔Section 7. KRS 43.990 is amended to read as follows:

14 (1) Any officer who prevents, attempts to prevent or obstructs an examination by the
15 Auditor, under the provisions of paragraph (c) of subsection (2) of KRS 43.050, or
16 of subsection (3) of KRS 43.050, into his **or her** official conduct, or the conduct or
17 condition of the office in his **or her** charge or with which he **or she** is connected,
18 except when the office constitutes a state agency, is guilty of a high misdemeanor,
19 and, upon conviction on indictment in the Franklin Circuit Court, shall be fined five
20 hundred dollars (\$500) and removed by the Governor. Any person, other than an
21 officer, who prevents, attempts to prevent or obstructs such an examination shall be
22 fined one thousand dollars (\$1,000).

23 (2) If the Auditor fails or refuses without good cause to perform the duties imposed
24 upon him **or her** by KRS 43.060, he **or she** shall be fined not less than two hundred
25 and fifty dollars (\$250) nor more than one thousand dollars (\$1,000) for each
26 offense.

27 (3) Any county officer who prevents, attempts to prevent or obstructs an examination

1 by the Auditor, under KRS 43.070, into his or her official conduct, or the conduct
2 or condition of the office in his or her charge or with which he or she is connected,
3 is guilty of a high misdemeanor, and shall, upon indictment and conviction in the
4 Franklin Circuit Court, be fined five hundred dollars (\$500). Any person, other than
5 a county officer, who prevents, attempts to prevent or obstructs such an
6 examination shall be fined one thousand dollars (\$1,000).

7 (4) Any officer or other person who fails or refuses to permit the access and
8 examination provided for in subsection (1) of KRS 43.080, or who interferes with
9 such examination, shall be fined not less than one hundred dollars (\$100), or
10 imprisoned in the county jail for not less than one (1) month nor more than twelve
11 (12) months, or both. Each refusal by an officer shall constitute a separate offense.

12 (5) Any person who has custody of any premises, papers, books or records of an
13 asylum, prison, institution for the intellectually disabled or eleemosynary institution
14 or public works, other than a state agency, that the Auditor is authorized to examine
15 under paragraph (c) of subsection (2) of KRS 43.050, under subsection (3) of KRS
16 43.050, and under subsection (2) of KRS 43.080, who fails or refuses, when called
17 upon by the Auditor for that purpose, to permit him or her to inspect any of such
18 premises, papers, books or records, shall, upon conviction on indictment in the
19 Franklin Circuit Court, be fined not more than five hundred dollars (\$500) and be
20 subject to removal by the Governor.

21 (6) Any person who refuses to be sworn when required by the Auditor to be sworn for
22 the purpose mentioned in subsection (3) of KRS 43.080, or who fails, without legal
23 excuse, to attend or testify, shall be fined not more than one hundred dollars
24 (\$100).

25 (7) In the case of disobedience of a subpoena or subpoena duces tecum or a refusal
26 to testify as required pursuant to KRS 43.080(3), the Circuit Court having
27 jurisdiction of the person who refused to be sworn or to whom the subpoena or

1 *subpoena duces tecum was issued, may adjudge the person guilty of contempt of*
2 *court and punish him or her as provided by law in other contempt cases*~~[Any~~
3 ~~witness called by the Auditor under subsection (4) of KRS 43.080 who fails,~~
4 ~~without legal excuse, to attend or testify shall be fined not more than two hundred~~
5 ~~and fifty dollars (\$250)].~~

6 ➔Section 8. There is hereby appropriated Restricted Funds in the amount of
7 \$4,861,500 in fiscal year 2025-2026 to the Auditor of Public Accounts to fund the Office
8 of Government Efficiency established in Section 1 of this Act.