

STATE OF OKLAHOMA

2nd Session of the 44th Legislature (1994)

HOUSE BILL NO. 2611

By: Kinnamon

AS INTRODUCED

An Act relating to public finance; amending 62 O.S. 1991, Sections 71.1, 89.2, 89.7, 89.9, 89.10 and 89.11, which relate to the Cash Management and Investment Oversight Commission and the Office of State Treasurer and duties related thereto; amending 74 O.S. 1991, Section 150.5, which relates to the Oklahoma State Bureau of Investigation; creating the State Board of Money Management; providing for membership of State Board of Money Management; providing for organization of State Board of Money Management; prohibiting certain members from being registered voters of same political party; providing for chairmanship and vice-chairmanship; providing for meetings; providing for compensation and travel reimbursement; authorizing State Board of Money Management to organize committees; specifying duties and responsibilities of committees; providing for ability and duty of State Board of Money Management to invest state funds and prescribing procedures related thereto; authorizing promulgation of rules; providing procedures for decisions by State Board of Money Management; requiring open meetings; requiring open records;

making exception to requirement for compliance with Open Meeting Act under certain circumstances; prescribing procedures related to certain types of meetings; requiring certain affirmative vote by State Board of Money Management based upon nature of contract; authorizing custodial bank or financial institution; providing procedures for selection of bank or financial institution; requiring certain business presence and defining term; prohibiting employment of certain persons or entities based upon certain adjudications; requiring auditor; prescribing duties of auditor; requiring written reports; providing for disqualification of certain persons or entities; providing for investment of funds by State Board of Money Management; modifying duties and responsibilities of State Treasurer; prescribing standards and procedures with respect to investment of state funds; requiring investment performance reports and specifying content thereof; providing for distribution of reports; requiring anti-collusion affidavits; requiring reports regarding compensation of certain persons; modifying duties and responsibilities of State Treasurer; modifying certain statutory references; deleting references to Cash Management and Investment Oversight Commission; requiring certain financial statements; providing for monitoring system for electronic bidding transactions; providing procedures for destruction of or modifications to certain electronic records; authorizing inspection of records; prescribing penalties for certain willful

conduct; requiring background investigations to be conducted by State Board of Money Management; providing for certain recommendations by Oklahoma State Bureau of Investigation; providing for cessation of functions of Cash Management and Investment Oversight Commission; providing for assumption of duties by State Board of Money Management; making provision for certain members of the Cash Management and Investment Oversight Commission; providing for transfer of certain materials to State Board of Money Management; providing for effective date of authority regarding investment of state funds; authorizing preparation for assumption of investment duties by State Board of Money Management; providing for transfer of certain items from State Treasurer's Office to State Board of Money Management; authorizing State Board of Money Management to enter into certain contracts on certain date; providing for codification; providing effective dates; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 62 O.S. 1991, Section 71.1, is amended to read as follows:

Section 71.1 A. There is hereby created the ~~Cash Management and Investment Oversight Commission~~ State Board of Money Management. The ~~Commission~~ State Board of Money Management shall consist of ~~five~~ seven (7) members as follows:

1. The Governor, or designee;

2. The Director of State Finance, or designee;

~~2.~~ 3. The ~~Bank Commissioner~~ State Treasurer, or designee;

~~3.~~ 4. The State Auditor and Inspector, or designee;

5. One citizen member appointed by the Speaker of the House of Representatives who shall have a demonstrated expertise in public or private investment finance and who shall serve at the Speaker's pleasure;

~~4.~~ 6. One citizen member appointed by the President Pro Tempore of the State Senate who shall ~~be a certified public accountant or public accountant with~~ have a demonstrated expertise in public or private ~~auditing procedures~~ investment finance and who shall serve at the President Pro Tempore's pleasure; and

~~5.~~ ~~One citizen member appointed by the State Treasurer who shall have a demonstrated expertise in public or private investment funds management and who shall serve at the State Treasurer's pleasure~~

7. One citizen member appointed by the Governor who shall have a demonstrated expertise in public or private investment finance and who shall serve at the Governor's pleasure.

B. The appointed members shall have no direct or indirect business relationship with the State Treasurer or the State Treasurer's Office. No more than two of the appointed members shall be registered voters of the same political party.

C. The initial meeting shall be called by the Governor before September 1, ~~1991~~ 1994. The Governor shall serve as chairperson of the State Board of Money Management. The ~~Commission~~ Board shall elect from its membership a ~~chairperson and~~ vice-chairperson. ~~Such officers~~ The vice-chairperson shall serve a one-year term and may be reelected.

D. The ~~Commission~~ Board shall hold regular meetings at least ~~one~~ once each ~~quarter~~ month, the date, time and place to be set by the ~~Commission~~ Board. The Legislative Service Bureau shall provide

the administrative support required by the ~~Commission~~ Board.

~~Meetings of the Commission shall be subject to the Open Meeting Act, and its records shall be public records pursuant to the Open Records Act.~~

~~E. The Commission shall review the reports prepared by the State Treasurer pursuant to Section 89.7 of this title and Section 7 of this act. The Commission shall review with the State Treasurer investment strategies and practices and the development of internal auditing procedures and practices.~~

~~F.~~ Members of the ~~Commission~~ Board shall serve without compensation, except for travel, pursuant to the State Travel Reimbursement Act, to be paid by the appointing authority.

~~G.~~ F. The ~~Commission~~ Board may make written recommendations for changes in legislation regarding the investment or management of state funds to the Legislature or in the policies or procedures and practices of the State Treasurer to the State Treasurer.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 71.2 of Title 62, unless there is created a duplication in numbering, reads as follows:

A. The State Board of Money Management may organize itself into the following committees as it may decide for the proper execution of its statutory duties and responsibilities:

1. An Investment Committee to oversee the investment of all state funds pursuant to standards established by the Board or to supervise the investment of all state funds as may be provided by contracts between the Board and third parties:

- a. the Investment Committee shall provide the Board or cause to be provided to the Board a monthly report showing the nature or identity of every asset managed by the Board or pursuant to the direction and control of the Board, the original cost of the asset and the market value of each asset as of a date certain,

- b. the Investment Committee shall provide the Board or cause to be provided to the Board a monthly summary of every transaction with respect to each and every asset managed by the Board or pursuant to the direction and control of the Board which occurs during the relevant reporting period, and
- c. the Investment Committee shall develop and implement a system to account for periodic changes in the value of any security purchased at a premium or at a discount in order to accurately reflect the value of the security;

2. An Audit Committee to ensure that proper internal financial controls are developed, implemented and monitored in order to provide an accurate analysis of the investment activity conducted by the Board or at the direction of the Board; and

3. A Personnel Committee to ensure that any person or other legal entity hired or retained by the Board or otherwise responsible in any way for the handling, accounting or investment of state funds is professionally qualified to perform the tasks for which such person or entity is hired or retained and to ensure that no person or other legal entity is permitted to undertake any task related to the handling, accounting or investment of state funds if such person or entity fails to conform to standards established by law or by the rules of the Board.

B. The State Board of Money Management shall have the absolute right to make final decisions regarding the investment of state funds whether or not the Board retains a person to provide advice regarding such investment. The Board may employ persons experienced in the investment of public funds in order to assist with decisions regarding such investments or the Board may retain a person or persons experienced in the investment of public funds in order to provide such assistance on such terms or for such periods of time as

the Board may deem to be in the best interest of discharging its statutory duties. If the Board does not employ or retain a person to provide such investment advice, then the full responsibility for the investment of state funds shall be imposed upon the Board.

—C. The State Board of Money Management shall be authorized to promulgate rules which prescribe specific standards for the investment of state funds under its control. Any decision regarding the investment of state funds shall be made according to the rules so promulgated.

D. A majority of the members constituting the members of the Board shall be a quorum for the transaction of business. All decisions regarding the employment or retention of any person or persons who will have responsibility for the investment of state funds shall be made by an affirmative vote of not less than four (4) members of the Board. The meetings of the State Board of Money Management shall be subject to the provisions of the Oklahoma Open Meeting Act. The records of the Board shall be subject to the provisions of the Oklahoma Open Records Act. The Board shall keep a full and complete record of all actions taken during any meeting.

1. If the Board is required by exigent circumstances to reach a decision regarding the investment of state funds based upon rapidly changing economic conditions which would preclude the possibility of an emergency meeting under the Open Meeting Act with the required notice prescribed therefor and strict compliance with such notice provision would seriously jeopardize the interests of the State of Oklahoma in keeping its funds secure from economic loss, the Board may meet without notice and may conduct its business telephonically or by other electronic means.

2. If the Board takes such emergency action without the notice required by the Open Meeting Act, then upon the first business day following the action so taken without notice, the Board shall follow the procedures required for the holding of a regular or special

meeting and shall cause a written record to be prepared which explains in detail the reasons for having conducted a meeting in the manner prescribed by paragraph 1 of this subsection.

E. Any contract or other agreement pursuant to which any person, firm, company, corporation or other legal entity executes transactions involving the investment of state funds or pursuant to which advice, counsel or guidance is provided to the Board or any subcommittee shall be executed by an affirmative vote of at least four (4) members constituting the State Board of Money Management prior to the rendition of any advice or service pursuant to the agreement. The vote for approval of any such contract or other agreement shall be taken in an open meeting of the Board.

F. The State Board of Money Management shall be authorized to engage the services of one custodial bank or other financial institution as may be authorized by law to engage in transactions related to the investment of state funds. The Board shall be required to conduct a competitive bidding process in order to select the custodial bank or other financial institution. Any financial institution selected by the Board to serve as a custodial bank shall, at the time of its official selection by the Board to perform the specified services and at all times during the existence of any contractual relationship with the Board for performance of such services, maintain a substantial business presence within the State of Oklahoma. For purposes of this subsection, a custodial bank or financial institution shall be deemed to have a substantial business presence within the state if any three (3) of the following conditions are met:

1. The entity is registered with the Oklahoma Secretary of State to transact business in the State of Oklahoma and has a registered agent for service of process located within the State of Oklahoma;

2. The entity maintains a business office at a physical location within the state which is occupied by at least one (1) natural person for an average period of forty (40) hours per week, exclusive of holidays;

3. The entity owns property within the state with a value based upon acquisition cost of at least Twenty Thousand Dollars (\$20,000.00) as of the date upon which the Board enters into any contract with the entity for the investment or management of funds under its control;

4. The entity is required to file and does file an Oklahoma income tax return or returns based upon the domicile of the entity or the residence of any natural persons, as applicable, or the entity files any required return and pays the tax imposed by Section 2370 of Title 68 of the Oklahoma Statutes;

5. The entity is contractually obligated to occupy real property within the state for a term of at least one (1) year beyond the date as of which the Board enters into any contract with the entity for the investment or management of funds under its control.

G. The State Board of Money Management shall not employ or retain any person, firm, company, corporation or other legal entity if the prospective employee or other entity has been adjudicated of an offense involving fraud, dishonesty, deceit or other misconduct under federal or state securities law. A criminal background investigation shall be conducted by the Board prior to the date any person or other legal entity will be responsible for the investment of state funds.

H. The State Board of Money Management shall engage the services of an auditor. The auditor may be an employee of the Board or the Board may enter into a contract for the performance of periodic audits. Audits shall be made as required by the Board or pursuant to rules promulgated by the Board. The auditor engaged by the Board shall:

1. Monitor the investment activity of the Board or of any person, firm, or other legal entity retained by the Board to provide advice regarding the investment of state funds or to make investment decisions on behalf of the Board regarding the investment of state funds;

2. Audit the accounts maintained by the State Treasurer; and

3. Prepare a daily report which identifies purchase transactions, sale transactions and other transactions related to the investment of state funds whether such transactions are executed by the Board or an employee of the Board or a person, firm or other legal entity retained by the Board to assist with the investment of state funds. Such report shall be filed with the Board, the Office of State Finance and the State Auditor and Inspector.

I. The Board shall submit a written report at the end of every other month of the calendar year which specifically identifies entities with whom or with which the Board has transacted business related to investment of any state funds during the applicable reporting period. Any person or entity to whom or to which any form of compensation has been or will be paid for services rendered to the Board related to the investment of state funds shall be identified in the report.

J. The Board shall make recommendations to the Attorney General for disqualification of any person or entity from performing any service on behalf of the Board or the State Treasurer if the Board determines that such person or entity has violated any law, rule, regulation, policy or procedure governing prohibited transactions in state funds.

SECTION 3. AMENDATORY 62 O.S. 1991, Section 89.2, is amended to read as follows:

Section 89.2 A. The ~~State Treasurer is directed to~~ State Board of Money Management shall invest the maximum amount of funds under ~~his~~ its control consistent with good business practices; provided

that the ~~Treasurer~~ Board shall keep eighty percent (80%) or more of the money under ~~his~~ its control invested during each fiscal year based on the average daily balances during said fiscal year. Except as otherwise provided for by law, such investments shall earn not less than the rate for comparable maturities on United States Treasury obligations. Except as otherwise provided for by law, the ~~State Treasurer~~ State Board of Money Management may purchase and invest only in:

1. Obligations of the United States Government, its agencies and instrumentalities;

2. Collateralized or insured certificates of deposit and other evidences of deposit at banks, savings banks, savings and loan associations and credit unions located in this state;

3. Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings bank, a savings and loan association or a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit shall not exceed ten percent (10%) of the cash available for investment which may be invested pursuant to this section. Not more than one-half (1/2) of the ten percent (10%) limit shall be invested in any one financial institution specified in this paragraph;

4. Prime banker's acceptances which are eligible for purchase by the Federal Reserve System and which do not exceed two hundred seventy (270) days' maturity. Purchases of prime banker's acceptances shall not exceed ten percent (10%) of the cash available for investment which may be invested pursuant to this section. Not more than three-fourths (3/4) of the ten percent (10%) limit shall be invested in any one commercial bank pursuant to this paragraph;

5. Prime commercial paper which shall not have a maturity that exceeds one hundred eighty (180) days nor represent more than ten percent (10%) of the outstanding paper of an issuing corporation. Purchases of prime commercial paper shall not exceed seven and

one-half percent (7 1/2%) of the cash available for investment which may be invested pursuant to this section;

6. Investment grade obligations of state and local governments. Purchases of investment grade obligations of state and local governments shall not exceed ten percent (10%) of the cash available for investment which may be invested pursuant to this section; and

7. Repurchase agreements provided that such agreements are included within the written investment policy required by subsection C of this section that have underlying collateral consisting of those items and those restrictions specified in paragraphs 1 through 6 of this subsection.

B. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

C. Investments of public funds by the ~~State Treasurer~~ State Board of Money Management shall be made in accordance with written policies developed by ~~the State Treasurer~~ the Board or rules promulgated by the Board. The written investment policies or rules shall address provide for a system of investment of state funds which takes into account the following needs and which makes an appropriate balance of competing needs given the nature of financial markets in which transactions with state funds are to take place:

1. liquidity~~;~~i
2. diversification~~;~~i
3. safety of principal~~;~~i
4. yield~~;~~i
5. maturity and quality~~;~~i and
6. capability of investment management~~, with.~~.

All written policies developed by or rules promulgated by the State Board of Money Management as authorized by this section shall place primary emphasis on safety of principal for invested state funds and upon liquidity. To the extent practicable taking into account the need to use sound investment judgment, the ~~written~~ investment ~~policies~~ system shall include provision for utilization of a system of competitive bidding in the investment of state funds. Such system shall be designed to maximize yield within each class of investment instrument, consistent with the safety of the funds invested.

The investment ~~policy~~ system shall specify the general philosophy, policies and procedures to be followed in the investment of state monies by the ~~State Treasurer~~ State Board of Money Management. The investment ~~policy~~ system shall include, but not be limited to, the following:

1. Policy objectives for investment of public funds;
2. Performance measure objectives;
3. Authority for investment program;
4. Possible use of an investment ~~advisory committee~~ advisor;
5. Reporting and documentation of investments;
6. Authorized investment instruments;
7. Diversification of investment risk;
8. Maturity limitations;
9. Selections of financial institutions;
10. Interest controls;
11. Safekeeping of investments; and
12. Investment ethics; ~~and~~
- ~~13. Formal adoption of policy.~~

D. ~~Not later than September 1, 1987 and~~ On July 1 of each year ~~thereafter,~~ the ~~State Treasurer~~ State Board of Money Management shall forward a copy of the written investment policy to ~~the~~ ~~Governor,~~ the Speaker of the House of Representatives, the President

Pro Tempore of the Senate, the Attorney General, the Bank Commissioner, ~~and the Director of State Finance~~ and the Administrator of the Department of Securities. ~~In addition, the State Treasurer~~ The Board shall maintain one copy of the investment policy in ~~the~~ its office ~~of the State Treasurer~~ for public inspection during regular business hours. Copies of any modifications to the investment policy shall be forwarded to the ~~Governor,~~ Speaker of the House of Representatives, President Pro Tempore of the Senate, ~~and each member of the Cash Management and Investment Oversight Commission~~ the Attorney General, the Bank Commissioner and the Administrator of the Department of Securities.

E. On and after July 1, 1987, no public funds or monies subject to the control of the State ~~Treasurer~~ Board of Money Management shall remain invested in any bank or financial institution which directly or through its subsidiaries has outstanding loans to the Republic of South Africa or its instrumentalities. The State ~~Treasurer~~ Board of Money Management shall prescribe forms concerning South African loans to be completed by each bank and financial institution in which state funds or monies subject to the control of the State ~~Treasurer~~ Board of Money Management are invested pursuant to this section.

SECTION 4. AMENDATORY 62 O.S. 1991, Section 89.7, is amended to read as follows:

Section 89.7 A. The State ~~Treasurer~~ Board of Money Management shall prepare quarterly and annual investment performance reports ~~of the State Treasurer's Office~~ which summarize recent market conditions, economic developments and anticipated investment conditions and the investment plan performance, including portfolio diversification and rates of return measured against the investment plan of the ~~State Treasury~~ Board. The investment performance reports shall be made within thirty (30) calendar days after the end of the respective reporting period. The investment performance

reports shall specify the investment strategies employed in the most recent reporting period and describe the investment portfolio of the state in terms of:

1. Securities;
2. Maturities;
3. Fund type;
4. Financial institutions from which securities were purchased, including the amounts and the city and state of location;
5. Investment return compared to budgetary expectations;
6. Average yield; and
7. Average life of the portfolio.

The investment performance reports shall also indicate any areas of concern which the State ~~Treasurer~~ Board of Money Management has concerning the basic investment strategies being employed. The investment performance reports shall contain:

- a. combined and individual rates of return and a list of all losses by category of investment, over periods of time;
- b. the rate of return on deposits and all fees and expenses charged as to all depository financial institutions of the State Treasury and a specific review of the adequacy of the collateralization; and
- c. any other information that the State ~~Treasurer~~ Board of Money Management may include; ~~and~~
- ~~d. such other information that the Cash Management and Investment Oversight Commission created by Section 2 of this act may request and that the State Treasurer agrees to include in the investment performance reports.~~

~~B. To the extent that the State Treasurer should have reason to know, the~~ The State Treasurer Board of Money Management shall also include in the investment performance reports a listing of all

payments, fees, commissions, or other compensation received by any person, including but not limited to individuals, financial institutions, or investment companies or corporations, which have an investment agreement, contract, or other arrangement with the ~~State Treasurer Board~~, or who receive any compensation as a result of a transaction involving the investment of state monies or funds or the purchase, sale, or trade of securities or bonds involving the ~~Office of the State Treasurer Board of Money Management~~. Said listings shall also include the social security or federal identification number of any person, including but not limited to individuals, financial institutions, or investment companies or corporations, receiving payments, fees, commissions, or other compensation.

C. The annual investment performance report shall be written in simple and easily understood language containing:

- a. an analysis of the written investment plans developed by the ~~Treasurer~~ State Board of Money Management as required by law;
- b. a quantitative analysis of the performance of all depository financial institutions approved by the State Treasurer, with regard to monies deposited;
- c. the result of the analyses prepared pursuant to subparagraphs a and b of this paragraph compared with similar data for other states;
- d. recommendations on administrative and legislative changes which are necessary to improve the performance of the State Treasury in accordance with current standards for large public fund portfolio management; and
- e. a listing by object code of the expenses of the State Treasury as audited by the independent auditor provided by Section 7 89.10 of this ~~act~~ title.

D. The State ~~Treasurer~~ Board of Money Management shall distribute the investment performance reports to the ~~Governor~~, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, ~~the State Auditor and Inspector~~, and the Attorney General, ~~and members of the Cash Management and Investment Oversight Commission~~. Upon request, the State ~~Treasurer~~ Board of Money Management shall make the annual investment performance report available to the members of the Legislature and the general public. The annual investment performance report shall also include an investment plan for the ensuing fiscal year.

E. The State Treasurer shall require all employees in the State Treasury to sign an anti-collusion affidavit. The members of the State Board of Money Management and each employee, agent, representative or independent contractor compensated or retained by the Board shall sign an anti-collusion affidavit.

F. The State ~~Treasurer~~ Board of Money Management shall require an anti-collusion affidavit from brokers or other persons offering investment services to the State Treasury. The State Treasurer and all members of the State Board of Money Management shall be prohibited from employing or doing business with any brokers or persons offering investment services to the State ~~Treasurer~~ Board of Money Management who have not executed such an affidavit.

G. The State Board of Money Management shall require from brokers or other persons offering investment services or any other type of service to the Board reports detailing any persons or firms who received any form of compensation and the amount of compensation for such services pertaining to any transactions involving state funds.

H. The ~~Cash Management and Investment Oversight Commission~~ State Treasurer shall certify that the State ~~Treasurer~~ Board of Money Management has delivered ~~to the Commission~~ the quarterly and annual investment performance reports required by Section 89.7 of

this title and the annual financial report required by this section. If the ~~Commission~~ State Treasurer determines that these reports have not been delivered by the ~~State Treasurer~~ Board as required by law, the ~~Commission~~ Treasurer shall notify in writing ~~the Governor,~~ the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the Attorney General, ~~and the State Auditor and Inspector.~~

SECTION 5. AMENDATORY 62 O.S. 1991, Section 89.9, is amended to read as follows:

Section 89.9 A. The Attorney General shall prescribe and provide forms to the Office of the State Treasurer and the State Board of Money Management for sworn statements and affidavits regarding collusion activities. Such sworn statement form shall be similar to the sworn statement forms provided for in Sections 85.22 and 85.23 of Title 74 of the Oklahoma Statutes. All concerns, including but not limited to financial institutions and investment companies, entering into an agreement or contract awarded by the Office of the State Treasurer or with the State Board of Money Management shall have on file with the Office of the State Treasurer or with the State Board of Money Management, respectively, a current sworn statement.

B. The Attorney General shall prescribe and provide forms to the Office of the State Treasurer and the State Board of Money Management for sworn statements and affidavits regarding employee nepotism. Such sworn statement and affidavit shall state that the Office of the State Treasurer employee or the employee of the State Board of Money Management is not related by affinity or consanguinity within the third degree to any person offering investment services to the Office of the State Treasurer or to the State Board of Money Management. The statement and affidavit shall be signed by each employee ~~of the Office of the State Treasurer~~ employed prior to the effective date of this act and by any new

employee of the Office of the State Treasurer or the State Board of Money Management hired after the effective date of this act.

SECTION 6. AMENDATORY 62 O.S. 1991, Section 89.10, is amended to read as follows:

Section 89.10 A. The State Treasurer and the State Board of Money Management shall prepare an annual financial statement. Said statement shall be prepared substantially in accordance with the reporting requirements set forth by the Governmental Accounting Standards Board or any successor entity. The State Treasurer and the State Board of Money Management shall prescribe and implement sound accounting and recordkeeping practices consistent with and to facilitate compliance with all reporting requirements as set forth by law.

B. The annual financial statement of the State Treasurer and of the State Board of Money Management shall be delivered ~~by the State Treasurer~~ to the State Auditor and Inspector within sixty (60) calendar days after the close of the state fiscal year.

C. The State Auditor and Inspector shall perform an audit of the annual financial statement of the State Treasury as of and for each state fiscal year. Such audit shall be conducted in accordance with Generally Accepted Auditing Standards established by the American Institute of Certified Public Accountants or its successor and governmental auditing standards established by the Comptroller General of the United States. The State Auditor and Inspector shall complete said audit not later than ninety (90) calendar days after the State Treasurer delivers the financial statement to the State Auditor and Inspector. The annual audit report and related financial statements shall be delivered by the State Auditor and Inspector to the Governor, Speaker of the House of Representatives, President Pro Tempore of the Senate, and the Attorney General ~~and the members of the Cash Management and Investment Oversight Commission created by Section 2 of this act.~~ The annual audits of

the State Treasury shall be given a top priority by the State Auditor and Inspector. The State Auditor and Inspector shall conduct unannounced cash audits of the State Treasury at least once a quarter.

D. In order for the State Treasurer to meet the reporting requirements mandated by this section, the State Auditor and Inspector, upon request of the State Treasurer, shall provide the State Treasurer with any assistance necessary to convert the accounting system of the State Treasury. Further assistance for the conversion may be provided by other state agencies if the State Treasurer requests such assistance through the Office of the Governor.

SECTION 7. AMENDATORY 62 O.S. 1991, Section 89.11, is amended to read as follows:

Section 89.11 A. The State ~~Treasurer~~ Board of Money Management shall develop and implement a system of procedures to record and audit all transactions, including electronic investment bidding transactions with outside financial concerns. Said system of procedures shall be promulgated pursuant to the Administrative Procedures Act.

B. The State Auditor and Inspector must approve any proposed destruction of any transaction records, including electronic investment bidding transactions. Any approved destructions or changes of such transactions shall be detailed in writing by the State Auditor and Inspector or his designee.

C. The State Auditor and Inspector, the Attorney General and other authorized law enforcement officers are authorized to inspect any transaction records or documents, including electronic investment bidding transactions created pursuant to this section.

D. The willful delay of such inspections or any other violations of this act by the State Treasurer, any employee of the State Treasurer, the State Board of Money Management, or any other

person or firm shall, upon conviction, be a felony and shall be punishable by imprisonment in the State Penitentiary for a term not to exceed five (5) years, by a fine of Ten Thousand Dollars (\$10,000.00) or by both such imprisonment and fine.

SECTION 8. AMENDATORY 74 O.S. 1991, Section 150.5, is amended to read as follows:

Section 150.5 A. Oklahoma State Bureau of Investigation investigations not covered under Section 150.2 of this title shall be initiated at the request of the following persons:

1. The Governor;
2. The Attorney General;
3. The Council on Judicial Complaints upon a vote by a majority of said Council; or

4. The chairman of any Legislative Investigating Committee which has been granted subpoena powers by resolution, upon authorization by a vote of the majority of said Committee. Such requests for investigations shall be submitted in writing and shall contain specific allegations of wrongdoing under the laws of the State of Oklahoma.

B. The Governor may initiate special background investigations with the written consent of the person who is the subject of the investigation.

C. The chairman of any Senate committee which is fulfilling the statutory responsibility for approving nominations made by the Governor may, upon a vote by a majority of the committee and with the written consent of the person who is to be the subject of the investigation, initiate a special background investigation of any nominee for the Oklahoma Horse Racing Commission as established by Provision No. 1, State Question No. 553, Initiative Petition No. 315 (3A O.S. Supp. 1982, Section 201). The Bureau shall submit a report to the committee within thirty (30) days of the receipt of the request. Any consideration by the committee of a report from the

Bureau shall be for the exclusive use of the committee and shall be considered only in executive session.

D. All records relating to any investigation being conducted by the Bureau shall be confidential and shall not be open to the public or to the Commission except as provided in Section 150.4 of this title; provided, however, officers and agents of the Bureau may disclose, at the discretion of the Director, such investigative information to officers and agents of federal, state, county, or municipal law enforcement agencies and to district attorneys, in the furtherance of criminal investigations within their respective jurisdictions. Any unauthorized disclosure of any information contained in the confidential files of the Bureau shall be a misdemeanor. The person or entity authorized to initiate investigations in this section shall receive a report of the results of the requested investigation. The person or entity requesting the investigation may give that information only to the appropriate prosecutorial officer or agency having statutory authority in the matter if that action appears proper from the information contained in the report, and shall not reveal or give such information to any other person or agency. Violation hereof shall be deemed willful neglect of duty and shall be grounds for removal from office.

E. The State Board of Money Management must initiate a complete background investigation with the written consent of the person who is the subject of the investigation pursuant to subsection G of Section 2 of this act. The Director of the Oklahoma State Bureau of Investigation shall recommend to the State Board of Money Management that persons whose investigations reveal past felony convictions or crimes of moral turpitude should not be employed by the State Board of Money Management.

SECTION 9. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 71.1a of Title 62, unless there is created a duplication in numbering, reads as follows:

A. On the effective date of Section 1 of this act, all functions, duties and activities of the Cash Management and Investment Oversight Commission shall cease. Upon such date, the State Board of Money Management shall assume its duties and responsibilities as provided by law.

B. An elected or appointed official serving on the Cash Management and Investment Oversight Commission on the effective date of Section 1 of this act who is also designated by the provisions of this act to serve on the State Board of Money Management shall be qualified to serve on the Board on and after the effective date of Section 1 of this act and thereafter for the period of time allowed by virtue of holding office.

C. The citizen members of the Cash Management and Investment Oversight Commission serving on the effective date of Section 1 of this act shall be eligible for appointment to the State Board of Money Management, but shall not automatically be appointed to the Board upon the effective date of Section 1 of this act.

D. On the effective date of Section 1 of this act, all property, files, records, information and other resources of the Cash Management and Investment Oversight Commission shall be transferred to the State Board of Money Management.

E. The State Board of Money Management shall not have the power to invest state funds until the effective date specified by Section 11 of this act. Upon the date as of which the State Board of Money Management is created by operation of Section 1 of this act, it shall perform all duties and functions which would otherwise have been performed by the Cash Management and Investment Oversight Commission.

F. Upon the effective date specified in Section 10 of this act, the State Board of Money Management shall begin preparations for undertaking the investment of all state funds on the date specified by Section 11 of this act. The State Board of Money Management

shall be authorized to examine all books, records, files and other material or resources controlled by the State Treasurer and the State Treasurer shall permit unrestricted access to such material or resources to all members of the Board or persons acting on behalf of the Board in order to permit the Board to assume the duties for investment of state funds as provided by law.

G. Upon the effective date specified by Section 11 of this act, all resources, personnel, information, books, records, files, equipment and material required by the State Board of Money Management for the proper execution of its duties shall be transferred from the Office of the State Treasurer to the State Board of Money Management.

H. The State Board of Money Management shall be authorized to contract for such services as may be required in order to effect a transition between investment of state funds prior to the effective date specified by Section 11 of this act and investment of state funds on and after that date. The State Board of Money Management shall be authorized to begin the selection process for a custodial bank or other financial institution to assist with or provide services related to the investment of state funds under the control of the Board.

SECTION 10. Section 1 of this act shall become effective September 1, 1994.

SECTION 11. Sections 2, 3, 4, 5, 6, 7 and 8 of this act shall become effective July 1, 1995.

SECTION 12. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

