

STATE OF OKLAHOMA

1st Session of the 46th Legislature (1997)

COMMITTEE SUBSTITUTE

FOR

HOUSE BILL NO. 1817

By: Askins of the House

and

Hobson of the Senate

COMMITTEE SUBSTITUTE

An Act relating to public funds; amending 19 O.S. 1991, Section 121, which relates to deposits by county treasurers; eliminating restriction for use of surety bonds for certain purposes; amending 62 O.S. 1991, Sections 7.5a, 41.21, as last amended by Section 9, Chapter 290, O.S.L. 1996, 72.5, 275.1, 275.2, 275.8 and 516.3 (62 O.S. Supp. 1996, Section 41.21), which relate to procedures used by the State Treasurer; authorizing designee of certain administrative authorities to countersign vouchers; deleting reference to rules and regulations; authorizing procedures; authorizing State Treasurer to accept certain securities or instruments as collateral; authorizing State Treasurer to develop standards regarding securities or instruments; modifying authorized securities and investments; modifying procedures for producing certain records; modifying references; modifying authorized methods for certain duplication; authorizing State Treasurer to accept certain securities and other instruments as collateral; modifying authorized securities and collateral; amending 67 O.S. 1991, Sections 301 and 309, which relate to records; modifying authorized method for duplication of certain records; repealing Section 13, Chapter 277, O.S.L. 1994, as amended by Section 24, Chapter 382, O.S.L. 1994 (62 O.S. Supp. 1996, Section 88.1A), which relates to certain linked deposits; providing an effective date; and declaring an emergency.

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

SECTION 1. AMENDATORY 19 O.S. 1991, Section 121, is amended to read as follows:

Section 121. The county treasurer of each county shall deposit daily (not later than the immediately next banking day) all the funds and monies of whatever kind that shall come into his possession by virtue of his office as such county treasurer in his name as county treasurer in one (1) or more banks located in the

county and designated by the board of county commissioners as county depositories. Provided, before the deposit of any such funds aforesaid, the county treasurer shall take from each of said banks security in a sum equal to the largest approximate amount that may be deposited in each bank respectively at any one time; said security is mandatorily required to be pledged, taken, approved, held and withdrawn under the provisions of the Unit Collateral System prescribed in ~~62 O.S. 1951 Sections 516.1 - 516.10 inclusive; provided, notwithstanding any provision of said Unit Collateral Act, no surety company bond shall be received or accepted in lieu of such securities~~ Sections 516.1 et seq. of Title 62 of the Oklahoma Statutes.

Each bank in which said county funds are deposited shall receive all monies, checks, or drafts at par and for deposit only to the credit of said county treasurer in his official capacity, and that each bank shall promptly honor the checks, drafts, or vouchers of the treasurer of said county on such deposit.

SECTION 2. AMENDATORY 62 O.S. 1991, Section 7.5a, is amended to read as follows:

Section 7.5a The State Treasurer shall prescribe the forms and manner of issuance of vouchers against agency clearing accounts and agency special accounts in the State Treasury. All vouchers drawn against agency clearing accounts and agency special accounts shall be signed by an authorized person designated by the administrative authority of the agency and countersigned by the principal fiscal officer of the agency or another person specifically designated by the administrative authority. No voucher shall be paid by the State Treasurer without such signature and countersignature.

SECTION 3. AMENDATORY 62 O.S. 1991, Section 41.21, as last amended by Section 9, Chapter 290, O.S.L. 1996 (62 O.S. Supp. 1996, Section 41.21), is amended to read as follows:

Section 41.21 A. Except as otherwise provided by subsections B, C, D, E, F, G and H of this section, procedures for effecting payment of claims or payrolls shall include the following:

1. All miscellaneous claims and payroll claims which are to be used to authorize the payment of money from the State Treasury, shall be filed with the Director of State Finance for audit and settlement prior to being filed for payment with the State Treasurer; provided, the Director of State Finance may establish alternative procedures for the settlement of claims through the Office of State Finance whenever such procedures are deemed more advantageous and consistent with the requirements of this act. Such procedures may include, but are not limited to, at the discretion of the Director of State Finance:

- a. a procedure to permit consolidated payment to vendors for claims involving more than one agency of the state when audit and settlement of such claims, as hereinafter provided, can in all respects be accomplished,
- b. procedures based upon valid statistical sampling models for preaudit of claims, except for payroll claims and travel claims, against contracts, purchase orders and other commitments before entering such claims against the appropriation allotment accounts, and
- c. policies, procedures and performance criteria for the participation of agencies or departments, not authorized in subsections B through H of this section, to engage in an alternative system for the settlement of claims through the Office of State Finance; and

2. After claims or payrolls or both have been properly audited and recorded against the respective contracts, purchase orders, other commitments and appropriation allotment accounts, the Division of Central Accounting and Reporting shall certify such claims or payrolls to the State Treasurer for payment. It shall be the responsibility of the Division of Central Accounting and Reporting to determine:

- a. that all material legal requirements concerning the expenditure of monies involved in each claim or payroll have been complied with, and
- b. that funds have been properly and legally allotted for the payment of the claim or payroll and that a sufficient balance exists for the payment of same.

Sufficient space shall be provided on each claim and payroll for the Director of State Finance to indicate that the claim or payroll has been approved for payment by the Division of Central Accounting and Reporting. The Director of State Finance shall authorize bonded employees in the Division of Central Accounting and Reporting to execute the signed approval of each claim or payroll which shall be certified to the State Treasurer for payment.

B. The Department of Human Services is authorized to establish an encumbrance and preaudit system for settlement of claims relating to public assistance, social service benefits and medical benefits to or for persons eligible under applicable federal laws and regulations, Oklahoma Statutes, and policies established by the Oklahoma Commission for Human Services. The following programs shall be eligible for this procedure:

1. Aid to Families with Dependent Children;
2. Aid to Aged, Blind and Disabled;
3. Medical Assistance;
4. Day Care;
5. Refugee Resettlement;
6. Low Income Heating and Energy Assistance;
7. General Assistance;
8. Crippled Children;
9. Social Services under Title XX of the U.S. Social Security Act, 42 U.S.C., Section 301 et seq.;
10. Adoption Subsidies;
11. Foster Care;
12. Medical Examination;
13. Area Agencies on Aging;

14. Any contract for service for which the Department of Central Services has approved as qualifying for a fixed and uniform rate pursuant to Section 85.7 of Title 74 of the Oklahoma Statutes;

15. Sheltered Workshops;

16. Contracted Group Homes;

17. Rehabilitative Client Interpreters;

18. Rehabilitative Client Drivers; and

19. Maternal and Child Health Services Block Grant.

The Department of Human Services shall provide to the Director of State Finance, for approval prior to inclusion in this procedure, detailed listings of the type of payments to be made for each of these programs. The Department of Human Services shall provide the Director of State Finance a daily report of the dollar amount of claims settled and checks or warrants written, the dollar amount of checks or warrants canceled, and the dollar amount of checks or warrants canceled by statutes.

C. The State Department of Rehabilitation Services is authorized to establish an encumbrance and preaudit system for settlement of claims relating to social service benefits and medical benefits to or for persons eligible under applicable federal laws and regulations, Oklahoma Statutes, and policies established by the Commission for Rehabilitation Services for the following programs:

1. Vocational and other rehabilitation;

2. Educational services;

3. Disability Determination Services; and

4. Visual Services.

The State Department of Rehabilitation Services shall provide to the Director of State Finance, for approval prior to inclusion in this procedure, detailed listings of the type of payments to be made for each of these programs. The State Department of Rehabilitation Services shall provide the Director of State Finance a daily report of the dollar amount of claims settled and checks or warrants written, the dollar amount of checks or

warrants canceled, and the dollar amount of checks or warrants canceled by statutes.

D. The Oklahoma State Regents for Higher Education and the Director of State Finance shall jointly establish a system for the settlement of claims, excepting payroll, by entities of The Oklahoma State System of Higher Education. The settlement system shall include policy, procedures, and performance criteria for participation. The State Regents are authorized to approve or disapprove the participation of any institution or other entity of the State System in the claims settlement system.

E. Agencies administering certain major federal assistance programs are authorized to establish a preaudit and settlement system for claims or payments or both relating to the purposes of the stated federal assistance programs. The State Treasurer shall ~~promulgate rules and regulations~~ establish procedures for the state in accordance with Federal Banking and National Automated Clearing House Association standards and agencies shall be required to utilize automated clearing house procedures ~~and regulations~~ established by the State Treasurer provided that no individual or entity shall be required to have a bank account unless required by federal law or federal regulation. Agencies shall be further required to present these transactions to the Office of State Finance in a summarized format and shall include any accounting information necessary as determined by the Director of State Finance including, but not limited to, information related to Public Law 101-453 the Cash Management Improvement Act, 31 U.S.C., Sections 3335, 6501 and 6503. Expenditures for administration of the stated federal assistance programs shall not be eligible for these procedures.

The following programs shall be eligible for this procedure:

1. National School Lunch Program;
2. Job Training Partnership Act, 29 U.S.C., Section 1501 et seq.;
3. Chapter 1 Programs - Local Education Agencies;
4. Pell Grant Program;
5. School Breakfast Program;

6. Federal, State and Local Partnerships for Educational Improvement;
7. Unemployment Trust Fund;
8. Special Education State Grants;
9. Alcohol and Drug Abuse and Mental Health Services Block Grant;
10. Child and Adult Care Food Program;
11. Special Supplemental Food Program for Women, Infants and Children;
12. Community Development Block Grant;
13. Community Services Block Grant;
14. Vocational Education - Basic Grants to States;
15. Capitalization Grants for State Revolving Funds;
16. Highway Planning and Construction (contractor estimates and right-of-way payments);
17. Special Milk Program;
18. Summer Food Service;
19. U.S. Departments of Health and Human Services, Housing and Urban Development, Education, and the Bureau of Indian Affairs grant awards administered by the Oklahoma Department of Education and ultimately received by eligible subrecipients;
20. Home Investment Partnership Program;
21. Emergency Shelter Grant Program;
22. Rental Rehabilitation;
23. Emergency Homeless Program;
24. Weatherization;
25. Employment Service;
26. Veterans State Nursing Home Care;
27. Cooperative Extension Service;
28. Rehabilitative Services-Base Support;
29. Medical Assistance;
30. Social Security Disability Insurance;
31. Food Stamps;
32. Payments to States for Child Care Assistance;
33. Drug Free Schools and Communities - State Grants;
34. Drug Control and System Improvement - Formula Grant;

35. Disaster Assistance; and

36. Low Income Heating and Energy Assistance.

The Director of State Finance shall establish a disbursing fund which shall receive all federal, state matching and other funds which make up the total funding sources for each of the above federal programs.

F. The Director of State Finance shall be authorized to process payments for federal tax withholding without claim forms. The Director of State Finance shall establish a separate fund for the purpose of accumulating federal income tax withholding from payrolls and remitting same to the United States Treasury.

G. The Department of Education and the State Department of Vocational and Technical Education are authorized to establish a preaudit and settlement system for claims and/or payments of state funded assistance to school districts and institutions within the Oklahoma State System of Higher Education. The payment system shall be neutral as to interest income to the state and the school districts.

H. The Director of State Finance shall be authorized to process, without claim forms, interest payments to the U.S. Treasury as required by Public Law 191-453, the Cash Management Improvement Act, 31 U.S.C., Sections 3335, 6501 and 6503. Agencies are responsible for the accrual of such interest liability of the state and shall provide payment to the Office of State Finance in the amount and method prescribed by the Office of State Finance. Any liability of the U.S. Treasury as determined by Public Law 191-453, the Cash Management Improvement Act, 31 U.S.C., Sections 3335, 6501 and 6503 shall be deposited in the State Treasury and transferred by the Director of State Finance to the General Revenue Fund of the state subsequent to final determination and necessary audit resolution.

I. The State Treasurer shall write checks or warrants in payment of claims and payrolls certified to him or her for payment by the Division of Central Accounting and Reporting or the Department of Human Services or institutions within The Oklahoma State System of Higher Education. The State Treasurer, at his or

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her discretion and within such limitations as he or she may prescribe, may authorize the Director of State Finance, the Department of Human Services, or an institution within The Oklahoma State System of Higher Education to write the checks or warrants for payment of claims and payrolls that have been certified by the respective agency. The Director of State Finance, the Department of Human Services, and The Oklahoma State System of Higher Education institutions shall provide the State Treasurer a register of each payment for each check or warrant written. Provided, in lieu of checks or warrants:

1. The Director of State Finance may, with the concurrence of the State Treasurer, establish a procedure to effect the settlement of interagency claims by transfer entry; and

2. At the discretion of the State Treasurer, payment of claims and payrolls may be made by the electronic transfer of funds.

Such optional settlement modes may be implemented when the authorized officer or officers of the state are satisfied such modes will substantially operate to the benefit of the state and without sacrifice to the security and integrity of the monies and records of the state.

J. The Director of State Finance is authorized to use a numeric or alphanumeric designation to cross-reference claims or payrolls to check warrant numbers, transfer entry or optional settlement mode used in the payment thereof.

SECTION 4. AMENDATORY 62 O.S. 1991, Section 72.5, is amended to read as follows:

Section 72.5 A. For purposes of securing public deposits, the State Treasurer may accept as collateral only those securities and other instruments listed below. To insure the safety of public funds, the State Treasurer may establish standards which restrict, or limit further, any of the types or classes of securities or instruments listed below which may be accepted. The State Treasurer may select the following securities ~~are eligible~~ and instruments for the purpose of securing public deposits:

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

2. Obligations of this state or of a county, municipality, or school district of this state or of an instrumentality of this state or a county, municipality or school district of this state; ~~and~~

3. General obligation bonds of any other state of the United States; and

4. A surety bond if:

- a. subject to the terms and conditions of the bond, it is irrevocable and absolute,
- b. the surety bond is issued by an insurance company authorized to do business in Oklahoma,
- c. the issuer of the surety bond does not provide surety bonds for any one financial institution in an amount that exceeds ten percent (10%) of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance, and
- d. the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the State Treasurer.

B. A financial institution may substitute different forms of collateral from time to time, provided that each meets the requirements of this section and the rules and regulations of the State Treasurer.

SECTION 5. AMENDATORY 62 O.S. 1991, Section 275.1, is amended to read as follows:

Section 275.1 All warrants issued by the Oklahoma Public Welfare Commission and the State Treasurer, in payment of assistance to the needy, aged persons, blind or dependent children, shall be micro-filmed or duplicated in a manner acceptable to the Archives and Records Commission, by the Department of Institutions, Social and Rehabilitative Human Services, starting with the fiscal year beginning July 1, 1947,

~~and thereafter,~~ provided further that the Department of ~~Institutions, Social and Rehabilitative~~ Human Services is hereby authorized and directed to destroy said warrants, by burning, shredding, chemical process or any other method which will insure the complete destruction thereof, after microfilm or other copies are made thereof. Permanent microfilm or other copies of said warrants shall be maintained by the Department of ~~Institutions, Social and Rehabilitative~~ Human Services.

SECTION 6. AMENDATORY 62 O.S. 1991, Section 275.2, is amended to read as follows:

Section 275.2 Warrant registers maintained by the State Treasurer, listing warrants issued in payment to the needy persons referred to in Section ~~±~~ 275.1 of this title, shall be destroyed in the manner hereinabove provided by said officers upon receipt of notice from the Department of ~~Institutions, Social and Rehabilitative~~ Human Services that warrants listed thereon have been microfilmed or duplicated in a manner acceptable to the Archives and Records Commission.

SECTION 7. AMENDATORY 62 O.S. 1991, Section 275.8, is amended to read as follows:

Section 275.8 All state bonds, bond interest coupons and duplicates of receipts redeemed by the State Treasurer and delivered to the Director of State Finance as provided by Section 41.19 of this title, ~~starting with the fiscal year beginning July 1, 1947, and thereafter,~~ shall be delivered by the Director of State Finance to the Archives and Records Commission to be retained in accordance with the provisions of Sections ~~564 through 571~~ 305 through 317 of Title ~~74~~ 67 of the Oklahoma Statutes. ~~Beginning October 1, 1989, all~~ All warrants redeemed by the State Treasurer, along with microfilm of the corresponding warrants or other duplicates of the warrants acceptable to the Archives and Records Commission, shall be delivered by the State Treasurer to the Archives and Records Commission to be retained in accordance with the provisions of Sections ~~564 through 571~~ 305 through 317 of Title ~~74~~ 67 of the Oklahoma Statutes. Said microfilm or other

duplication shall be in accordance with requirements established for such records by the Archives and Records Commission.

SECTION 8. AMENDATORY 62 O.S. 1991, Section 516.3, is amended to read as follows:

Section 516.3 A. For the purposes of securing public deposits, the State Treasurer may accept as collateral only those securities and other instruments listed below. To insure the safety of public funds, the State Treasurer may establish standards which restrict, or limit further, any of the types or classes of securities or instruments listed below which may be accepted. The class and character of collateral securities, other than letters of credit or surety bonds as set forth in subsection B of this section, that may be pledged and taken, for the purposes of Sections 516.1 through 516.10 of this title and other laws which require or allow collateral for public fund deposits, to secure the deposit of public funds in excess of the amount or amounts insured by an agency of the United States Government shall be limited and restricted to negotiable instruments, payable to bearer, or certified registered public obligation or registered public obligation ~~as follows:~~

~~1. United States Bonds, Treasury Notes or Treasury Certificates, or bonds or certificates payable by the Treasurer of the United States issued by an agency of the United States pursuant to the authority of an Act of Congress and only if the full faith and credit of the United States is pledged to the payment thereof;~~

~~2. Obligations of, or obligations which are fully guaranteed as to principal and interest by, the United States, including guaranteed portions of said obligations but only to the extent of the guarantee;~~

~~3. Notes, bonds, or debentures issued or insured by the Veterans Administration or the Federal Housing Administration;~~

~~4. Obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or of any federal farm credit~~

~~bank, or federal land bank or banks or federal home loan bank notes or bonds;~~

~~5. State of Oklahoma Bonds, Treasury Notes or Treasury Certificates, or bonds or certificates payable by the State Treasurer and issued by an agency of the State of Oklahoma pursuant to an act of the Legislature and only if the full faith and credit of the state is pledged to the payment thereof;~~

~~6. Bonds issued by any county in the State of Oklahoma;~~

~~7. Bonds issued by any school district or board of education in any county in the State of Oklahoma;~~

~~8. Bonds issued by any city or town in the State of Oklahoma only if pledge of ad valorem levy appears in the face of such bonds to assure the payment thereof, regardless of other revenue pledged, and only where the net sinking fund indebtedness of such city or town as of the last preceding June 30, plus any additional bond issues, not including funding or refunding issues since made subsequent, does not exceed thirty percent (30%) of the valuation certified as disclosed by the budget thereof last filed with the State Auditor and Inspector;~~

~~9. Revenue or general obligation bonds, escrowed to maturity in direct government obligations where the full faith and credit of the United States is pledged to secure both principal and interest; or~~

~~10. Revenue bonds or notes issued by a public trust which operates a public utility and of which the depositing entity is the sole beneficiary excluding obligations which are industrial development bonds as defined in Section 103 of the Internal Revenue Code of 1954, as amended, and regulations promulgated thereto.~~

~~B. In lieu of said securities or any of them, a surety company bond in all respects as otherwise provided by law for state depository banks may be pledged and taken. The State Treasurer may select, but shall not be required to accept, the following:~~

~~1. Obligations, including letters of credit, of the United States Government, its agencies and instrumentalities;~~

2. Obligations of this state or of a county, municipality, or school district of this state or of an instrumentality of this state or a county, municipality or school district of this state;

3. General obligation bonds of any other state of the United States; and

4. A surety bond if:

- a. subject to the terms and conditions of the bond, it is irrevocable and absolute,
- b. the surety bond is issued by an insurance company authorized to do business in Oklahoma,
- c. the issuer of the surety bond does not provide surety bonds for any one financial institution in an amount that exceeds ten percent (10%) of the surety bond insurer's policyholders' surplus and contingency reserve, net of reinsurance, and
- d. the claims-paying ability of the authorized insurance company is rated, at all relevant times, in the highest category by at least two nationally recognized rating agencies acceptable to the State Treasurer.

SECTION 9. AMENDATORY 67 O.S. 1991, Section 301, is amended to read as follows:

Section 301. A. 1. Any public officer of the state or any county, public trust, authority or agency, city, municipality, district or legal subdivision thereof, may cause any or all records, papers or documents kept by him to be photographed, microphotographed ~~or~~, reproduced on film, or duplicated in a manner acceptable to the State Archives and Records Commission. The custodian of the records may permit any record to be removed from his office for the purpose of photographic filming or other duplication, and his responsibility for their care and return shall continue during the times of their removal from the area controlled by the custodian of the records during photographic or duplication processes. The custodian of the records shall, before delivering any records for photographing, duplication or microphotographing make a complete catalog list of the records to

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be filmed and retain the same until the records are returned. He may require a bond, and shall require written receipt identifying each record removed from his custody. Such photographic film shall comply with the minimum standards of quality for film, processing, and storage of permanent photographic records promulgated by the Archives and Records Commission. Any other media containing duplicates of records shall comply with standards promulgated by the Archives and Records Commission. The device used to reproduce such records on such film or other media shall accurately reproduce the original thereof in all details. Such photographs, microphotographs ~~or~~, photographic film or other duplicates shall be deemed to be original records for all purposes, including introduction in evidence in all courts or administrative agencies. A transcript, exemplification, or certified copy thereof, for all purposes recited herein, shall be deemed to be a transcript, exemplification, or certified copy of the original.

2. The original photographs, microphotographs ~~or~~, film or other media containing duplicate records shall be stored in a maximum security vault and only be removed therefrom for the purpose of making copies thereof as the custodian of the records may require. At the election of the custodian of the records, however, the master negative or copy may, immediately upon being made, be deposited with the Oklahoma Department of Libraries which shall retain it in a maximum security vault and furnish such copies thereof as may be required for the purposes of the custodian of the records. The cost of any photographic, microphotographic, reproduction or filming service requested by and furnished to a state agency or subdivision of government shall be paid to the Department of Libraries rendered on the basis of fee schedules established by the Archives and Records Commission.

3. A copy of such photographs, microphotographs ~~or~~, reproductions on film or other duplicates properly certified and cataloged shall be placed in conveniently accessible files and provisions made for preserving, examining and using the same, including reproduction of same. There shall be available for use

by the public at least two devices for viewing, and at least one of said devices shall provide for reproducing the photographic or other duplicate records. Such copies shall be certified by their custodian as true copies of the originals, and the copies so certified shall have the same force and effect as the originals. A statement in writing describing the record and certifying it to be a true copy, and attached securely to the reproduction, will be deemed a sufficient certification. Any viewing devices in use at the time of the passage of this act may continue to be used, although such device does not provide a reproducing system.

B. The provisions of this section shall not affect and are cumulative to the provisions of the Records Management Act, Section 201 et seq. of this title and Sections 564 through 576 of Title 74 of the Oklahoma Statutes.

SECTION 10. AMENDATORY 67 O.S. 1991, Section 309, is amended to read as follows:

Section 309. Any microfilm, duplicate created in a manner acceptable to the State Archives and Records Commission, or microphotograph film, of any original record or archives shall be deemed to be an original record or archive for all purposes and shall be admissible in evidence in all courts or administrative agencies the same as the originals. A facsimile exemplification or certified copy thereof shall for all purposes recited herein be deemed to be a description exemplification or certified copy of the original.

SECTION 11. REPEALER Section 13, Chapter 277, O.S.L. 1994, as amended by Section 24, Chapter 382, O.S.L. 1994 (62 O.S. Supp. 1996, Section 88.1A), is hereby repealed.

SECTION 12. This act shall become effective July 1, 1997.

SECTION 13. 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.

