

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                               STATE OF OKLAHOMA

3                               2nd Session of the 57th Legislature (2020)

4   HOUSE BILL 3269

By: Boles of the House

5                                               and

6                                               **Hall** of the Senate

7  
8                                               AS INTRODUCED

9  
10           An Act relating to cities and towns; amending 11 O.S.  
11           2011, Sections 17-105, as last amended by Section 1,  
12           Chapter 82, O.S.L. 2017 and 17-107 (11 O.S. Supp.  
13           2019, Section 17-105), which relate to municipal  
14           finances; modifying minimum municipal income for  
15           which certain audits shall be required; making  
16           certain audits biennial; replacing certain auditing  
17           procedures with procedures prescribed by the State  
18           Auditor and Inspector; modifying time certain audit  
19           report is due; redirecting certain funds; creating  
20           the Special Investigative Unit Auditing Revolving  
21           Fund; providing for expenditures; providing for  
22           codification; repealing 11 O.S. 2011, Section 17-108,  
23           which relates to municipal trust exemptions; and  
24           providing an effective date.

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

SECTION 1.           AMENDATORY           11 O.S. 2011, Section 17-105, as  
last amended by Section 1, Chapter 82, O.S.L. 2017 (11 O.S. Supp.  
2019, Section 17-105), is amended to read as follows:

Section 17-105. A. The governing body of each municipality  
with ~~an income of Twenty-five Thousand Dollars (\$25,000.00)~~ Fifty

1 Thousand Dollars (\$50,000.00) or more to its general fund in revenue  
2 to all funds, including component units of which the municipality is  
3 a beneficiary, during a fiscal year shall cause to be prepared, by  
4 an independent licensed public accountant or a certified public  
5 accountant, an annual financial statement audit to be conducted in  
6 accordance with auditing standards generally accepted in the United  
7 States of America and "Government Auditing Standards" as issued by  
8 the Comptroller General of the United States. Such audit shall be  
9 ordered within thirty (30) days of the close of each fiscal year.  
10 Copies shall be filed with the State Auditor and Inspector within  
11 six (6) months after the close of the fiscal year in accordance with  
12 the provisions of ~~Sections 3022 and 3023~~ paragraph 2 of subsection A  
13 of Section 212A of Title 68 74 of the Oklahoma Statutes and with the  
14 governing body of the municipality.

15 B. The governing body of each municipality with ~~an income of~~  
16 ~~Twenty-five Thousand Dollars (\$25,000.00)~~ Fifty Thousand Dollars  
17 (\$50,000.00) or more to its general fund during a fiscal year in  
18 total revenue to all funds, including component units of which the  
19 municipality is a beneficiary, and with a population of less than  
20 two thousand five hundred (2,500) as of the most recent Federal  
21 Decennial Census, and for whom an annual financial statement audit  
22 is not required by another law, regulation or contract, shall cause  
23 to be prepared, by an independent licensed public accountant or a  
24 certified public accountant, ~~an annual~~ a biennial financial

1 statement audit in accordance with auditing standards generally  
2 accepted in the United States and Government Auditing Standards as  
3 issued by the Comptroller General of the United States, ~~or an~~. Each  
4 biennial audit shall cover the two (2) preceding years. The  
5 governing body of each municipality may alternatively request  
6 biennial agreed-upon-procedures engagement over certain financial  
7 information and compliance requirements to be performed in  
8 ~~accordance with the applicable attestation standards of The American~~  
9 ~~Institute of Certified Public Accountants. The specific procedures~~  
10 ~~to be performed are as follows for the fiscal year:~~

11 1. ~~Prepare a schedule of changes in fund balances for each fund~~  
12 ~~and determine compliance with the statutory prohibition of creating~~  
13 ~~fund balance deficits;~~

14 2. ~~Prepare a budget and actual financial schedule for the~~  
15 ~~General Fund and any other significant funds listing separately each~~  
16 ~~federal fund and determine compliance with the legal level of~~  
17 ~~appropriations by comparing expenditures and encumbrances to~~  
18 ~~authorized appropriations;~~

19 3. ~~Agree material bank account balances to bank statements, and~~  
20 ~~trace significant reconciling items to subsequent clearance;~~

21 4. ~~Compare uninsured deposits to fair value of pledged~~  
22 ~~collateral;~~

23 5. ~~Compare use of material restricted revenues and resources to~~  
24 ~~their restrictions;~~

1       ~~6. Determine compliance with requirements for separate funds,~~  
2 and

3       ~~7. Determine compliance with reserve account and debt service~~  
4 ~~coverage requirements of bond indentures.~~

5       Such prescribed by the State Auditor and Inspector. Each  
6 biennial agreed-upon-procedures engagement shall cover the two (2)  
7 preceding years. The audit or agreed-upon-procedures engagement  
8 shall be ordered within thirty (30) days of the close of ~~each~~ the  
9 fiscal year that the audit is due. Copies shall be filed with the  
10 State Auditor and Inspector within six (6) months after the close of  
11 the fiscal year in accordance with the provisions of ~~Sections 3022~~  
12 ~~and 3023,~~ paragraph 2 of subsection A of Section 212A of Title 68 74  
13 of the Oklahoma Statutes and with the governing body of the  
14 municipality.

15       C. The municipal income requirements in subsections A and B of  
16 this section shall not include any grant monies provided to a  
17 municipality from any federal, state, or other governmental entity.

18       SECTION 2.       AMENDATORY       11 O.S. 2011, Section 17-107, is  
19 amended to read as follows:

20       Section 17-107. If a municipality does not file a copy of its  
21 audit or agreed-upon-procedures report as provided in Section 17-105  
22 of this title, the State Auditor and Inspector shall notify the  
23 Oklahoma Tax Commission which shall withhold from the municipality  
24 its monthly allocations of gasoline taxes until the audit report is

1 filed. If a report is not filed within ~~two (2) years~~ one (1) year  
2 after the close of the fiscal year in the case of an annual audit,  
3 or the second fiscal year of a biennial audit period, the funds  
4 being withheld shall be remitted by the Oklahoma Tax Commission to  
5 the ~~county in which the incorporated city or town is located and~~  
6 ~~deposited to the county highway fund of that county to be used as~~  
7 ~~otherwise provided by law~~ Special Investigative Unit Auditing  
8 Revolving Fund created pursuant to Section 3 of this act.

9 SECTION 3. NEW LAW A new section of law to be codified  
10 in the Oklahoma Statutes as Section 17-107A of Title 11, unless  
11 there is created a duplication in numbering, reads as follows:

12 There is hereby created in the State Treasury a revolving fund  
13 for the State Auditor and Inspector to be designated the "Special  
14 Investigative Unit Auditing Revolving Fund". The fund shall be a  
15 continuing fund, not subject to fiscal year limitations, and shall  
16 consist of all monies received by the State Auditor and Inspector  
17 from funds withheld from a municipality's allocations of gasoline  
18 taxes as provided in Section 17-107 of Title 11 of the Oklahoma  
19 Statutes. All monies accruing to the credit of said fund are hereby  
20 appropriated and may be budgeted and expended by the State Auditor  
21 and Inspector. Expenditures from said fund shall be made upon  
22 warrants issued by the State Treasurer against claims filed as  
23 prescribed by law with the Director of the Office of Management and  
24 Enterprise Services for approval and payment.

1       SECTION 4.       REPEALER       11 O.S. 2011, Section 17-108, is  
2 hereby repealed.

3       SECTION 5.   This act shall become effective July 1, 2020.

4       SECTION 6.   It being immediately necessary for the preservation  
5 of the public peace, health or safety, an emergency is hereby  
6 declared to exist, by reason whereof this act shall take effect and  
7 be in full force from and after its passage and approval.

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9 COMMITTEE REPORT BY: COMMITTEE ON COUNTY AND MUNICIPAL GOVERNMENT,  
10 dated 02/13/2020 - DO PASS, As Coauthored.

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