

STATE OF OKLAHOMA

2nd Session of the 57th Legislature (2020)

HOUSE BILL 3269

By: Boles

AS INTRODUCED

An Act relating to cities and towns; amending 11 O.S. 2011, Sections 17-105, as last amended by Section 1, Chapter 82, O.S.L. 2017 and 17-107 (11 O.S. Supp. 2019, Section 17-105), which relate to municipal finances; modifying minimum municipal income for which certain audits shall be required; making certain audits biennial; replacing certain auditing procedures with procedures prescribed by the State Auditor and Inspector; modifying time certain audit report is due; redirecting certain funds; creating the Special Investigative Unit Auditing Revolving Fund; providing for expenditures; providing for codification; repealing 11 O.S. 2011, Section 17-108, which relates to municipal trust exemptions; and 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 Thousand Dollars (\$50,000.00) or more ~~to its general fund in revenue~~ to all funds, including component units of which the municipality is a beneficiary, during a fiscal year shall cause to be prepared, by

1 an independent licensed public accountant or a certified public
2 accountant, an annual financial statement audit to be conducted in
3 accordance with auditing standards generally accepted in the United
4 States of America and "Government Auditing Standards" as issued by
5 the Comptroller General of the United States. Such audit shall be
6 ordered within thirty (30) days of the close of each fiscal year.
7 Copies shall be filed with the State Auditor and Inspector within
8 six (6) months after the close of the fiscal year in accordance with
9 the provisions of ~~Sections 3022 and 3023~~ paragraph 2 of subsection A
10 of Section 212A of Title ~~68~~ 74 of the Oklahoma Statutes and with the
11 governing body of the municipality.

12 B. The governing body of each municipality with ~~an income of~~
13 ~~Twenty-five Thousand Dollars (\$25,000.00)~~ Fifty Thousand Dollars
14 (\$50,000.00) or more ~~to its general fund during a fiscal year in~~
15 total revenue to all funds, including component units of which the
16 municipality is a beneficiary, and with a population of less than
17 two thousand five hundred (2,500) as of the most recent Federal
18 Decennial Census, and for whom an annual financial statement audit
19 is not required by another law, regulation or contract, shall cause
20 to be prepared, by an independent licensed public accountant or a
21 certified public accountant, ~~an annual~~ a biennial financial
22 statement audit in accordance with auditing standards generally
23 accepted in the United States and Government Auditing Standards as
24 issued by the Comptroller General of the United States, ~~or an~~. Each

1 biennial audit shall cover the two (2) preceding years. The
2 governing body of each municipality may alternatively request
3 biennial agreed-upon-procedures engagement over certain financial
4 information and compliance requirements to be performed in
5 accordance with the applicable attestation standards of The American
6 Institute of Certified Public Accountants. The specific procedures
7 to be performed are as follows for the fiscal year:

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

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

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

18 4. ~~Compare uninsured deposits to fair value of pledged~~
19 ~~collateral;~~

20 5. ~~Compare use of material restricted revenues and resources to~~
21 ~~their restrictions;~~

22 6. ~~Determine compliance with requirements for separate funds;~~
23 ~~and~~

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

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

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

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

18 Section 17-107. If a municipality does not file a copy of its
19 audit or agreed-upon-procedures report as provided in Section 17-105
20 of this title, the State Auditor and Inspector shall notify the
21 Oklahoma Tax Commission which shall withhold from the municipality
22 its monthly allocations of gasoline taxes until the audit report is
23 filed. If a report is not filed within ~~two (2) years~~ one (1) year
24 after the close of the fiscal year in the case of an annual audit,

1 or the second fiscal year of a biennial audit period, the funds
2 being withheld shall be remitted by the Oklahoma Tax Commission to
3 ~~the county in which the incorporated city or town is located and~~
4 ~~deposited to the county highway fund of that county to be used as~~
5 ~~otherwise provided by law~~ Special Investigative Unit Auditing
6 Revolving Fund created pursuant to Section 3 of this act.

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

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

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

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

SECTION 6. It being immediately necessary for the preservation of the public peace, health or 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.

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