

STATE OF OKLAHOMA

1st Session of the 58th Legislature (2021)

COMMITTEE SUBSTITUTE
FOR

HOUSE BILL NO. 1058

By: Boles

COMMITTEE SUBSTITUTE

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. 2020, 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; modifying municipal income requirements; redirecting certain funds; creating the Special Investigative Unit Auditing Revolving Fund; providing for revenue and expenditures; providing for codification; and repealing 11 O.S. 2011, Section 17-108, which relates to municipal trust exemptions; providing an effective date; and declaring an emergency.

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. 2020, 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)~~ nine (9) months after the
11 close of the fiscal year in accordance with the provisions of
12 ~~Sections 3022 and 3023~~ paragraph 2 of subsection A of Section 212A
13 of Title ~~68~~ 74 of the Oklahoma Statutes and with the governing body
14 of the 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 The municipal income requirements shall also not include income of
19 any public trust established under Sections 176 through 180.4 of
20 Title 60 of the Oklahoma Statutes with a municipality as the
21 beneficiary of the trust; provided, that income from trusts
22 established principally for the purpose of operating electric,
23 water, wastewater, and sanitation utilities shall be included for
24 purposes of the municipal income requirements.

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

3 Section 17-107. If a municipality does not file a copy of its
4 audit or agreed-upon-procedures report as provided in Section 17-105
5 of this title, the State Auditor and Inspector shall notify the
6 Oklahoma Tax Commission which shall withhold from the municipality
7 its monthly allocations of gasoline taxes until the audit report is
8 filed. If a report is not filed within ~~two (2) years~~ one (1) year
9 after the close of the fiscal year in the case of an annual audit,
10 or the second fiscal year of a biennial audit period, the funds
11 being withheld shall be remitted by the Oklahoma Tax Commission to
12 the ~~county in which the incorporated city or town is located and~~
13 ~~deposited to the county highway fund of that county to be used as~~
14 ~~otherwise provided by law~~ Special Investigative Unit Auditing
15 Revolving Fund created pursuant to Section 3 of this act.

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

19 There is hereby created in the State Treasury a revolving fund
20 for the State Auditor and Inspector to be designated the "Special
21 Investigative Unit Auditing Revolving Fund". The fund shall be a
22 continuing fund, not subject to fiscal year limitations, and shall
23 consist of all monies received by the State Auditor and Inspector
24 from funds withheld from a municipality's allocations of gasoline

1 taxes as provided in Section 17-107 of Title 11 of the Oklahoma
2 Statutes and all monies received from legislative appropriations.
3 All monies accruing to the credit of said fund are hereby
4 appropriated and may be budgeted and expended by the State Auditor
5 and Inspector for the purpose of offsetting expenses incurred from
6 special investigative audit activities relating to municipal
7 government. Expenditures from said fund shall be made upon warrants
8 issued by the State Treasurer against claims filed as prescribed by
9 law with the Director of the Office of Management and Enterprise
10 Services for approval and payment.

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

13 SECTION 5. This act shall become effective July 1, 2021.

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

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