

1                   **HOUSE OF REPRESENTATIVES - FLOOR VERSION**

2                                   STATE OF OKLAHOMA

3                           1st Session of the 58th Legislature (2021)

4   ENGROSSED SENATE  
5   BILL NO. 870

By: Rader of the Senate

and

Pfeiffer of the House

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7  
8  
9       An Act relating to the State Auditor and Inspector;  
10      amending 74 O.S. 2011, Section 212, as last amended  
11      by Section 1, Chapter 187, O.S.L. 2014 (74 O.S. Supp.  
12      2020, Section 212), which relates to duties and  
13      powers; deleting certain duties of the Oklahoma Tax  
14      Commission and the State Auditor and Inspector;  
15      removing delivery of certain report; modifying type  
16      and frequency of audit required; deleting certain  
17      requirement to furnish office space; and providing an  
18      effective date.

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

20       SECTION 1.       AMENDATORY       74 O.S. 2011, Section 212, as last  
21      amended by Section 1, Chapter 187, O.S.L. 2014 (74 O.S. Supp. 2020,  
22      Section 212), is amended to read as follows:

23       Section 212.   A.   STATE TREASURER AND OKLAHOMA TAX COMMISSION

24       1.   The State Treasurer ~~and the Oklahoma Tax Commission~~ shall  
prepare annual financial statements in accordance with the reporting  
requirements set forth by the Governmental Accounting Standards  
Board (GASB).   The State Treasurer ~~and the Tax Commission~~ shall

1 prescribe and implement sound internal control, accounting and  
2 recordkeeping practices consistent with and to facilitate compliance  
3 with all reporting requirements as set forth by law.

4 2. The annual financial statements of the State Treasurer ~~and~~  
5 ~~the Tax Commission~~ shall be delivered by the State Treasurer ~~and the~~  
6 ~~Tax Commission~~ to the State Auditor and Inspector within ninety (90)  
7 calendar days after the close of the state fiscal year.

8 3. The State Auditor and Inspector shall perform an audit of  
9 the annual financial statements of the State Treasurer ~~and the Tax~~  
10 ~~Commission~~ for each state fiscal year. Such audits shall be  
11 conducted in accordance with auditing standards generally accepted  
12 in the United States and the standards applicable to financial  
13 audits contained in Government Auditing Standards, latest revised  
14 edition, issued by the Comptroller General of the United States.  
15 The State Auditor and Inspector shall complete the audits not later  
16 than ninety (90) calendar days after the financial statements are  
17 delivered to the State Auditor and Inspector. The annual audit  
18 reports and related financial statements shall be delivered by the  
19 State Auditor and Inspector to the Governor, President Pro Tempore  
20 of the Senate, and Speaker of the House of Representatives. The  
21 annual audit report and related financial statements of the State  
22 Treasurer shall also be delivered to the Attorney General and the  
23 members of the Cash Management and Investment Oversight Commission  
24 created by Section 71.1 of Title 62 of the Oklahoma Statutes. ~~The~~

1 ~~annual audit report and related financial statements of the Tax~~  
2 ~~Commission shall also be delivered to the Director of the Office of~~  
3 ~~Management and Enterprise Services and the Legislative Service~~  
4 ~~Bureau.~~ The State Auditor and Inspector shall conduct unannounced  
5 cash audits of the State Treasury at least once each quarter.

6 4. The audit of the Tax Commission shall be ~~continuous in~~  
7 ~~nature~~ an operational audit performed annually. ~~The Tax Commission~~  
8 ~~shall furnish the necessary office space for the employees of the~~  
9 ~~State Auditor and Inspector making the audit and, to~~ To the extent  
10 of the amount included in the Tax Commission's appropriation  
11 ~~therefor,~~ the Tax Commission shall pay the expenses of the ~~audits,~~  
12 audit including personal services, equipment and supplies, from the  
13 appropriation.

14 B. STATE AGENCIES

15 1. Except as otherwise provided by law, the State Auditor and  
16 Inspector shall audit at least once every two (2) fiscal years the  
17 books and accounts of all state agencies whose duty it is to  
18 collect, disburse or manage funds of the state. The State Auditor  
19 and Inspector shall audit a state agency each fiscal year if that  
20 state agency is required to be audited on an annual basis pursuant  
21 to the federal Single Audit Act of 1984, as amended, 31 U.S.C.,  
22 Section 7501 et seq. If the state agency is audited only once every  
23 two (2) fiscal years, the audit shall cover both fiscal years.

1       2. Except as otherwise provided by law, the scope of audits  
2 performed by the State Auditor and Inspector shall include all funds  
3 collected, disbursed, or managed by a state agency including, but  
4 not limited to, all special, revolving, depository, canteen, or  
5 other nonstate funds.

6       3. As used in this section, "state agency" means every agency,  
7 board, or commission included in the primary government of the State  
8 of Oklahoma. For purposes of this paragraph, the primary government  
9 of the State of Oklahoma includes all agencies, boards, and  
10 commissions included in the primary government in the State of  
11 Oklahoma Comprehensive Annual Financial Report. The agencies,  
12 boards, and commissions included in the primary government of the  
13 State of Oklahoma shall be determined using criteria set by the  
14 Governmental Accounting Standards Board.

15       4. As used in this subsection, "audit" means any of the  
16 following:

- 17           a. "financial audit", which means an audit of financial  
18 statements in order to express an opinion on the  
19 fairness with which they are presented in conformity  
20 with generally accepted accounting principles or any  
21 other comprehensive basis of accounting, as defined by  
22 the American Institute of Certified Public  
23 Accountants' Professional Standards, latest revised  
24 edition. Financial audits must be conducted in

1           accordance with auditing standards generally accepted  
2           in the United States and the standards applicable to  
3           financial audits contained in Government Auditing  
4           Standards, latest revised edition, issued by the  
5           Comptroller General of the United States,

6           b.   "operational audit", which means an audit conducted in  
7           accordance with applicable Government Auditing  
8           Standards, the purpose of which is to evaluate  
9           management's performance in administering assigned  
10          responsibilities in accordance with applicable laws,  
11          administrative rules, and other policies and  
12          guidelines and to determine the extent to which the  
13          internal control, as designed and placed in operation,  
14          promotes and encourages the achievement of  
15          management's control objectives in the categories of  
16          compliance, reliability of financial records and  
17          reports, and safeguarding of assets,

18          c.   "performance audit", which means an audit of a  
19          program, activity, or function of a state agency  
20          conducted in accordance with applicable Government  
21          Auditing Standards. The term includes, but is not  
22          limited to, an audit to assess program, activity, or  
23          function effectiveness, economy and efficiency,  
24          internal control, or compliance,

- 1           d.    "special or investigative audit", which means an audit  
2                with respect to a particular situation which may be,  
3                but is not required to be, conducted in accordance  
4                with applicable Government Auditing Standards, and  
5           e.    any other type of engagement conducted in accordance  
6                with Government Auditing Standards.

7           C.    GUBERNATORIAL REQUEST

8           Whenever called upon to do so by the Governor, it shall be the  
9   duty of the State Auditor and Inspector to examine the books and  
10   accounts of any officer of the state or any of the officer's  
11   predecessors. The cost of the audit shall be borne by the entity to  
12   be audited.

13          D.    COUNTY TREASURER

14          The State Auditor and Inspector shall examine without notice all  
15   books and accounts of each county treasurer of the state twice each  
16   year.

17          E.    DISTRICT ATTORNEYS

18          1.    The State Auditor and Inspector shall annually audit the  
19   books and accounts of the several offices of the district attorneys  
20   of this state. The audits shall be reported in separate reports for  
21   each entity. The audit may include, but shall not be limited to,  
22   the audit of the financial records, performance measures, and  
23   compliance with state or federal statutes and rules, and compliance  
24

1 with any regulations of state or federal programs. The expense of  
2 the audits shall be paid by the entity audited.

3 2. The State Auditor and Inspector shall examine and file a  
4 report of the accounts established within the office of each  
5 district attorney for bogus check programs, drug task force  
6 programs, child support collection programs, and any other programs  
7 receiving any nonstate funds. The reports shall be filed with the  
8 President Pro Tempore of the Senate, the Speaker of the House of  
9 Representatives, and the Executive Coordinator of the District  
10 Attorneys Council.

11 F. DEPARTMENT OF CORRECTIONS

12 The State Auditor and Inspector shall perform an annual audit,  
13 as defined in paragraph 4 of subsection B of this section, of the  
14 books and accounts of the Department of Corrections. The scope of  
15 the audit shall be determined by the State Auditor and Inspector  
16 using a risk-based approach. The audit may include, but shall not  
17 be limited to, the audit of the financial records, performance  
18 measures, and compliance with any state or federal statutes and  
19 rules, and compliance with any regulations of state or federal  
20 programs. The expense of the audits shall be paid by the Department  
21 of Corrections.

22 G. OKLAHOMA EMPLOYEES INSURANCE AND BENEFITS BOARD

23 The State Auditor and Inspector shall cause to be audited the  
24 books and accounts of the office of the Oklahoma Employees Insurance

1 and Benefits Board. The audit may include, but shall not be limited  
2 to, the audit of the financial records, performance measures,  
3 compliance with any state or federal statutes and rules, and  
4 compliance with any regulations of state programs. The audit shall  
5 be contracted out to private audit firms. The cost of the audit  
6 shall be borne by the Oklahoma Employees Insurance and Benefits  
7 Board.

#### 8 H. DISTRICT ATTORNEY REQUEST

9 Whenever called upon to do so by any of the several district  
10 attorneys of the state, it shall be the duty of the State Auditor  
11 and Inspector to examine the books and accounts of any officer of  
12 any public entity. The cost of the audit shall be borne by the  
13 entity audited.

#### 14 I. COUNTY OFFICERS BY REQUEST

15 Upon request of the county commissioners of any county or the  
16 Governor, the State Auditor and Inspector shall examine the books  
17 and accounts of all or any of the officers or custodians of the  
18 various funds of the county; and payment for such examination shall  
19 be made by the county so examined.

#### 20 J. AUDITORS

21 The State Auditor and Inspector shall have power to employ  
22 auditors. No auditor shall examine the books or records of the  
23 county of the auditor's residence in counties of under two hundred  
24 thousand (200,000) population according to the most recent Federal



1 Decennial Census. The State Auditor and Inspector may employ on an  
2 as-needed basis only, legal counsel to carry out the statutory  
3 duties of the Office of the State Auditor and Inspector.

4 K. EXAMINATION OF LEVIES

5 It shall be the duty of the State Auditor and Inspector to  
6 examine all levies to raise public revenue to see that they are made  
7 according to law and constitutional provisions. The State Auditor  
8 and Inspector shall have the power to order all excessive or  
9 erroneous lines (levies) to be corrected by the proper officers, and  
10 shall report any irregularities to the Governor, the Speaker of the  
11 House of Representatives and the President Pro Tempore of the  
12 Senate.

13 L. PETITION AUDITS

14 1. The State Auditor and Inspector shall audit the books and  
15 records of any subdivision of the State of Oklahoma upon petition  
16 signed by the requisite number of voters registered in the  
17 subdivision and meeting the requirements set out in this subsection.

18 2. The petition must contain the number of signatures  
19 equivalent to ten percent (10%) of the registered voters of the  
20 subdivision as determined by the county election board or, if the  
21 county election board determines that the number of registered  
22 voters in the subdivision cannot be determined due to boundary lines  
23 not conforming to precinct lines, the required number of petitioners  
24 shall be twenty-five percent (25%) of the total number of persons

1 voting in the last general election. If the subdivision is a public  
2 trust, the required number of petitioners shall be the same as those  
3 required for an audit of its beneficiary. The appropriate county  
4 election board shall provide the number of signatures so required  
5 upon request.

6 3. The petition shall be in the form of an affidavit wherein  
7 the signatory shall declare upon oath or affirmation that the  
8 information given is true and correct and that he or she is a  
9 citizen of the entity to be audited. The petition shall clearly  
10 state that falsely signing shall constitute perjury. It shall  
11 include the signature of the individual, the name of the signatory  
12 in printed form, the individual's residential address, the date of  
13 signing, the public entity to be audited and the anticipated range  
14 of the cost of the audit provided by the State Auditor and  
15 Inspector.

16 4. Any person desiring to petition for an audit shall list the  
17 areas, items or concerns they want to be audited, and request from  
18 the State Auditor and Inspector the anticipated range of cost of the  
19 audit. Within thirty (30) days from the receipt of the request, the  
20 State Auditor and Inspector shall mail a petition form to the person  
21 requesting the information which shall state the anticipated range  
22 of the cost and the items or concerns to be audited. The  
23 circulators of the petition shall have thirty (30) days from the  
24 date the petition is mailed by the State Auditor and Inspector to

1 obtain the requisite number of signatures and return it to the State  
2 Auditor and Inspector.

3 5. Upon collection of the required number of signatures, the  
4 person desiring the audit shall present the signed petitions to the  
5 State Auditor and Inspector. Within thirty (30) days of receipt of  
6 the petitions, the State Auditor and Inspector shall present the  
7 petitions to the county election board located in the county in  
8 which the subdivision is located.

9 6. The county election board shall determine whether the  
10 signers of the petition are registered voters of the county in which  
11 the subdivision to be audited is located and whether the petition  
12 has the requisite number of signatures of such registered voters.  
13 The county election board shall certify the petition as having the  
14 required number of signatures or as failing to have the required  
15 number of signatures and return it to the State Auditor and  
16 Inspector.

17 7. The cost of the audit shall be borne by the public entity  
18 audited. Upon notification by the State Auditor and Inspector of  
19 receipt of the petition, certified by the county election board as  
20 having the required number of signatures, the public entity shall  
21 encumber funds in an amount specified by the State Auditor and  
22 Inspector, which shall be within the range of anticipated cost  
23 stated on the petition from any funds not otherwise specifically  
24 appropriated or allocated. Payment for the audit from such

1 encumbered funds shall be made as work progresses, and final payment  
2 shall be made on or before its publication.

3 8. The names of the signers of any petition shall be  
4 confidential and neither the State Auditor and Inspector, the county  
5 election board nor the county treasurer may release them to any  
6 other person or entity except upon an order from a court of  
7 competent jurisdiction.

8 M. PENALTIES FOR NONPAYMENT

9 Except as otherwise provided by law, the cost of any services  
10 provided by the State Auditor and Inspector or as specified in an  
11 audit contract shall be borne by the entity or fund audited and  
12 shall be due and payable upon receipt of progress billing during the  
13 course of an audit. Any such costs not paid within ninety (90) days  
14 of the date of receipt of billing shall incur a penalty of Ten  
15 Dollars (\$10.00) per day for each day from the date of receipt of  
16 billing.

17 SECTION 2. This act shall become effective November 1, 2021.

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19 COMMITTEE REPORT BY: COMMITTEE ON APPROPRIATIONS AND BUDGET, dated  
20 04/15/2021 - DO PASS.

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