



1 SECTION 1. AMENDATORY 11 O.S. 2021, Section 17-105, as  
2 last amended by Section 1, Chapter 287, O.S.L. 2024 (11 O.S. Supp.  
3 2025, Section 17-105), is amended to read as follows:

4 Section 17-105. A. The governing body of each municipality  
5 with Fifty Thousand Dollars (\$50,000.00) or more in total revenue to  
6 all funds, including component units of which the municipality is a  
7 beneficiary, during a fiscal year shall cause to be prepared, by an  
8 independent licensed public accountant or a certified public  
9 accountant, an annual financial statement audit to be conducted in  
10 accordance with auditing standards generally accepted in the United  
11 States of America and Government Auditing Standards as issued by the  
12 Comptroller General of the United States. Such audit shall be  
13 ordered within thirty (30) days of the close of each fiscal year.  
14 Copies shall be filed with the State Auditor and Inspector within  
15 six (6) months after the close of the fiscal year in accordance with  
16 the provisions of the Municipal Audit Reform Act of 2022 and with  
17 the governing body of the municipality.

18 B. The governing body of each municipality with Fifty Thousand  
19 Dollars (\$50,000.00) or more in total revenue to all funds,  
20 including component units of which the municipality is a  
21 beneficiary, and with a population of less than two thousand five  
22 hundred (2,500) as of the most recent Federal Decennial Census, and  
23 for whom an annual financial statement audit is not required by  
24 another law, regulation or contract, shall cause to be prepared, by

1 an independent licensed public accountant or a certified public  
2 accountant, ~~a biennial~~ an annual financial statement audit in  
3 accordance with auditing standards generally accepted in the United  
4 States and Government Auditing Standards as issued by the  
5 Comptroller General of the United States. ~~Each biennial audit shall~~  
6 ~~cover the two (2) preceding years.~~

7 ~~The governing body of each municipality may alternatively~~  
8 ~~request a biennial,~~ or an agreed-upon-procedures engagement.

9 ~~Agreed-upon procedures~~ An agreed-upon-procedures engagement required  
10 under the Municipal Audit Reform Act of 2022 shall be performed in  
11 accordance with the applicable attestation standards of the American  
12 Institute of Certified Public Accountants.

13 The audit or agreed-upon-procedures engagement shall be ordered  
14 within thirty (30) days of the close of the fiscal year that the  
15 audit is due. Copies shall be filed with the State Auditor and  
16 Inspector within ~~nine (9) months~~ six (6) months after the close of  
17 the fiscal year in accordance with the provisions of paragraph 2 of  
18 subsection A of Section 212A of Title 74 of the Oklahoma Statutes  
19 and with the governing body of the municipality, with the deadline  
20 to order and file the audit or agreed-upon-procedures engagement  
21 eligible for extension by the State Auditor and Inspector for  
22 special circumstances or emergencies.

23 C. The municipal income requirements in subsections A and B of  
24 this section shall not include any grant monies provided to a

1 municipality from any federal, state, or other governmental entity.  
2 The municipal income requirements shall not include income of any  
3 public trust established under Sections 176 through 180.4 of Title  
4 60 of the Oklahoma Statutes with a municipality as the beneficiary  
5 of the trust; provided, income from trusts established principally  
6 for the purpose of operating electric, water, wastewater, and  
7 sanitation utilities shall be included for purposes of the municipal  
8 income requirements.

9 D. The governing body of each municipality that requests ~~the~~  
10 ~~biennial~~ an agreed-upon-procedures engagement as provided in  
11 subsection B of this section shall:

12 1. Determine the establishment of policies related to  
13 adjustments, write-downs, or write-offs for various receivables due  
14 to the municipality or the utility-related trust and select a sample  
15 of adjustments to test for adherence to policies and for appropriate  
16 supporting documentation;

17 2. Obtain two (2) months of bank statements of the general fund  
18 and utility fund and confirm that cash deposits were made in the  
19 appropriate accounts and verify utility billing receipts or posting  
20 reports agree with the daily deposits;

21 3. Agree upon a pay rate for the city manager or town  
22 administrator, city or town clerk, city or town treasurer, and  
23 payroll clerk, to be authorized and documented in the personnel file  
24 or in approved meeting minutes. If any employee received

1 compensation over and above his or her authorized salary or hourly  
2 rate, the payroll clerk, upon request, shall provide appropriate  
3 documentation of authorization for such pay. The requirements of  
4 this paragraph shall not include expense reimbursements but shall  
5 include any allowances considered taxable;

6 4. Determine the establishment of policies of use, proper  
7 municipal purpose, and adherence to prescribed policies for entities  
8 that use debit or credit cards;

9 5. Select a sample of transactions to test for supporting  
10 documentation;

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

14 7. Agree material fiscal year-end bank account balances to bank  
15 statements and trace significant reconciling items to subsequent  
16 clearance and determine if any bank accounts exist that are not  
17 under city council purview;

18 8. Compare uninsured deposits at fiscal year-end to the fair  
19 value of pledged collateral;

20 9. Inquire if any instances of known fraud, illegal acts, or  
21 noncompliance with laws and regulations have occurred; and

22 10. Compare the use of material-restricted revenues and  
23 resources to the restrictions of the governing body of the  
24 municipality.

1 E. A public trust with a municipal government or governments as  
2 the beneficiary that meet the same financial requirements  
3 established in subsection B of this section may, as an alternative  
4 to obtaining an audit as required in Section 180.1 of Title 60 of  
5 the Oklahoma Statutes, follow the ~~biennial~~ agreed-upon-procedures  
6 engagement outlined in subsection D of this section.

7 SECTION 2. AMENDATORY 11 O.S. 2021, Section 17-107, as  
8 amended by Section 3, Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2025,  
9 Section 17-107), is amended to read as follows:

10 Section 17-107. If a municipality does not file a copy of its  
11 audit or agreed-upon-procedures report as provided in Section 17-105  
12 of this title, the State Auditor and Inspector shall notify the  
13 Oklahoma Tax Commission which shall withhold from the municipality  
14 its monthly allocations of gasoline taxes until notified by the  
15 Office of the State Auditor and Inspector that the audit report has  
16 been filed. If a report is not filed within two (2) years after the  
17 close of the fiscal year in the case of an annual audit, or ~~the~~  
18 ~~second fiscal year of a biennial audit period~~ an agreed-upon-  
19 procedures engagement, the funds being withheld shall be remitted by  
20 the Oklahoma Tax Commission to the State Auditor and Inspector's  
21 Special Investigative Unit Auditing Revolving Fund created pursuant  
22 to Section ~~4~~ 17-107A of this ~~act~~ title.

23 SECTION 3. NEW LAW A new section of law not to be  
24 codified in the Oklahoma Statutes reads as follows:

1       A. The Legislature finds as a result of Enrolled House Bill No.  
2 2362 of the 2nd Session of the 59th Oklahoma Legislature, effective  
3 November 1, 2024, the Municipal Audit Reform Act of 2022 was not  
4 repealed. Any monies still withheld by the Oklahoma Tax Commission  
5 for the 2022 fiscal year audits shall be released to the counties;  
6 any monies still withheld for the 2023 fiscal year audits by the  
7 Oklahoma Tax Commission for the Special Investigative Unit Auditing  
8 Revolving Fund shall be released to the Office of the State Auditor  
9 and Inspector for purposes consistent with law.

10       B. The Oklahoma Tax Commission shall release all funds withheld  
11 for failure to file the 2024 audit required under Section 17-105 of  
12 Title 11 of the Oklahoma Statutes, after the close of the 2026  
13 fiscal year to the Office of the State Auditor and Inspector for  
14 purposes consistent with law.

15       SECTION 4. This act shall become effective July 1, 2026.

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

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21 COMMITTEE REPORT BY: COMMITTEE ON GOVERNMENT OVERSIGHT, dated  
22 02/24/2026 - DO PASS, As Coauthored.

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