

1 STATE OF OKLAHOMA

2 2nd Session of the 60th Legislature (2026)

3 HOUSE BILL 3463

By: Boles

6 AS INTRODUCED

7 An Act relating to cities and towns; amending 11 O.S.  
8 2021, Section 17-105, as last amended by Section 1,  
9 Chapter 287, O.S.L. 2024 (11 O.S. Supp. 2025, Section  
10 17-105), which relates to annual audits of  
11 municipalities; requiring submission of annual  
12 financial statement audit by certain municipalities;  
13 permitting agreed-upon-procedures engagement;  
14 requiring copies be filed with State Auditor and  
15 Inspector six months after the close of the fiscal  
16 year; amending 11 O.S. 2021, Section 17-107, as  
17 amended by Section 3, Chapter 254, O.S.L. 2022 (11  
18 O.S. Supp. 2025, Section 17-107), which relates to  
19 failure of municipalities to file audit or agreed-  
20 upon-procedures report; modifying period of  
21 withholding funds; clarifying citation; clarifying  
22 passage of House bill made section effectively not  
23 repealed; directing the Oklahoma Tax Commission to  
24 release certain funds; clarifying timeline for  
providing for noncodification; 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. 2021, Section 17-105, as

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

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

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

1 States and Government Auditing Standards as issued by the  
2 Comptroller General of the United States. ~~Each biennial audit shall~~  
3 ~~cover the two (2) preceding years.~~

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

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

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

20 C. The municipal income requirements in subsections A and B of  
21 this section shall not include any grant monies provided to a  
22 municipality from any federal, state, or other governmental entity.  
23 The municipal income requirements shall not include income of any  
24 public trust established under Sections 176 through 180.4 of Title

1 60 of the Oklahoma Statutes with a municipality as the beneficiary  
2 of the trust; provided, income from trusts established principally  
3 for the purpose of operating electric, water, wastewater, and  
4 sanitation utilities shall be included for purposes of the municipal  
5 income requirements.

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

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

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

18 3. Agree upon a pay rate for the city manager or town  
19 administrator, city or town clerk, city or town treasurer, and  
20 payroll clerk, to be authorized and documented in the personnel file  
21 or in approved meeting minutes. If any employee received  
22 compensation over and above his or her authorized salary or hourly  
23 rate, the payroll clerk, upon request, shall provide appropriate  
24 documentation of authorization for such pay. The requirements of

1 this paragraph shall not include expense reimbursements but shall  
2 include any allowances considered taxable;

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

6       5. Select a sample of transactions to test for supporting  
7 documentation;

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

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

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

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

19       10. Compare the use of material-restricted revenues and  
20 resources to the restrictions of the governing body of the  
21 municipality.

22       E. A public trust with a municipal government or governments as  
23 the beneficiary that meet the same financial requirements  
24 established in subsection B of this section may, as an alternative

1 to obtaining an audit as required in Section 180.1 of Title 60 of  
2 the Oklahoma Statutes, follow the ~~biennial~~ agreed-upon-procedures  
3 engagement outlined in subsection D of this section.

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

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

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

22 A. The Legislature finds as a result of Enrolled House Bill No.  
23 2362 of the 2nd Session of the 59th Oklahoma Legislature, effective  
24 November 1, 2024, the Municipal Audit Reform Act of 2022 was not

1      repealed. Any monies still withheld by the Oklahoma Tax Commission  
2      for the 2022 fiscal year audits shall be released to the counties;  
3      any monies still withheld for the 2023 fiscal year audits by the  
4      Oklahoma Tax Commission for the Special Investigative Unit Auditing  
5      Revolving Fund shall be released to the Office of the State Auditor  
6      and Inspector for purposes consistent with law.

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

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

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

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18              60-2-14057              MJ              01/13/26

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