

1 ENGROSSED SENATE AMENDMENT
TO
2 ENGROSSED HOUSE
BILL NO. 2362

By: Boles of the House

and

Garvin of the Senate

7 An Act relating to cities and towns; amending 11
8 O.S. 2021, Section 17-105, as amended by Section
2, Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2022,
9 Section 17-105), which relates to annual audits
of municipalities; providing agreed-upon-
10 procedures; directing the governing body of each
municipality to carry out certain audit
11 procedures; and providing an effective date.

13 AMENDMENT NO. 1. Page 1, strike the title, enacting clause and
entire bill and insert

15 "An Act relating to cities and towns; amending 11
16 O.S. 2021, Section 17-105, as amended by Section 2,
Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2023, Section
17-105), which relates to annual audits of
17 municipalities; providing agreed-upon procedures;
directing the governing body of each municipality to
18 carry out certain audit procedures; updating
statutory references; amending 60 O.S. 2021, Section
19 180.1, which relates to annual audits; allowing
certain public trusts to follow certain audit
20 procedures; and providing an effective date.

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

1 SECTION 1. AMENDATORY 11 O.S. 2021, Section 17-105, as
2 amended by Section 2, Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2023,
3 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 ~~this act~~ the Municipal Audit Reform Act of 2022
17 and with 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 financial statement audit in accordance with
3 auditing standards generally accepted in the United States and
4 Government Auditing Standards as issued by the Comptroller General
5 of the United States. Each biennial audit shall cover the two (2)
6 preceding years.

7 The governing body of each municipality may alternatively
8 request a biennial agreed-upon-procedures engagement ~~to be~~
9 ~~prescribed by the State Auditor and Inspector, developed in~~
10 ~~collaboration with a representative from a statewide organization~~
11 ~~that has represented municipal governments for at least fifty (50)~~
12 ~~years, a representative from an organization that advises or trains~~
13 ~~municipal clerks and treasurers, and a certified public accountant.~~
14 ~~Each biennial agreed-upon-procedures engagement shall cover the two~~
15 ~~(2) preceding years.~~

16 ~~For engagements performed for the fiscal year ending June 30,~~
17 ~~2023, the prescribed procedures developed under the terms of this~~
18 ~~subsection will be utilized on a one-year basis ending June 30,~~
19 ~~2024. The procedures shall then be submitted to the Legislature for~~
20 ~~ratification. If the rules are not ratified by the Legislature on~~
21 ~~or before December 31, 2023, the Municipal Audit Reform Act of 2022~~
22 ~~shall sunset and be repealed as a matter of law. Agreed-upon~~
23 ~~procedures required under this act~~ the Municipal Audit Reform Act of
24 2022 shall be performed in accordance with the applicable

1 attestation standards of The American Institute of Certified Public
2 Accountants.

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

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 The municipal income requirements shall not include income of any
17 public trust established under Sections 176 through 180.4 of Title
18 60 of the Oklahoma Statutes with a municipality as the beneficiary
19 of the trust; provided, income from trusts established principally
20 for the purpose of operating electric, water, wastewater, and
21 sanitation utilities shall be included for purposes of the municipal
22 income requirements.

23

24

1 D. The governing body of each municipality that requests the
2 biennial agreed-upon-procedures engagement provided in subsection B
3 of this section shall:

4 1. Determine the establishment of policies related to
5 adjustments, write-downs, or write-offs for various receivables due
6 to the municipality or the utility-related trust and select a sample
7 of adjustments to test for adherence to policies and for appropriate
8 supporting documentation;

9 2. Obtain two (2) months of bank statements of the general fund
10 and utility fund and confirm that cash deposits were made in the
11 appropriate accounts and verify utility billing receipts or posting
12 reports agree to the daily deposits;

13 3. Agree upon a pay rate for the city manager/town
14 administrator, city/town clerk, city/town treasurer, and payroll
15 clerk, to be authorized and documented in the personnel file or in
16 approved meeting minutes. If any employee received compensation
17 over and above his or her authorized salary or hourly rate, the
18 payroll clerk, upon request, shall provide appropriate documentation
19 of authorization for such pay. The requirements of this paragraph
20 shall not include expense reimbursements but shall include any
21 allowances considered taxable;

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

1 5. Select a sample of transactions to test for supporting
2 documentation;

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

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

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

12 9. Inquire if any instances of known fraud, illegal acts, or
13 noncompliance with law and regulations have occurred; and

14 10. Compare the use of material-restricted revenues and
15 resources to the restrictions of the governing body of the
16 municipality.

17 E. A public trust with a municipal government or governments as
18 the beneficiary that meet the same financial requirements
19 established in subsection B of this section may, in alternative to
20 obtaining an audit as required in Section 180.1 of Title 60 of the
21 Oklahoma Statutes, follow the biennial agreed-upon-procedures
22 engagements outlined in subsection D of this section.

23 SECTION 2. AMENDATORY 60 O.S. 2021, Section 180.1, is
24 amended to read as follows:

1 Section 180.1. A. The trustees of every trust created for the
2 benefit and furtherance of any public function with the State of
3 Oklahoma or any county or municipality as the beneficiary or
4 beneficiaries thereof, with assets or revenues in excess of Fifty
5 Thousand Dollars (\$50,000.00) or with outstanding debt obligations,
6 must cause an audit to be made of the financial statements of the
7 trust, such audit to be ordered within thirty (30) days of the close
8 of each fiscal year of the trust. The audit shall be filed in
9 accordance with the requirements set forth for financial statement
10 audits in Section 212A of Title 74 of the Oklahoma Statutes.

11 B. The trustees of a trust which has more than Fifty Thousand
12 Dollars (\$50,000.00) in revenues or assets, and for whom an annual
13 financial statement audit is not required by another law, regulation
14 or contract, shall cause to be conducted, by an independent licensed
15 public accountant or a certified public accountant, an annual audit
16 of the trust's financial statements in accordance with auditing
17 standards generally accepted in the United States and Government
18 Auditing Standards as issued by the Comptroller General of the
19 United States or an agreed-upon-procedures engagement over certain
20 financial information and compliance requirements to be performed in
21 accordance with the applicable attestation standards of The American
22 Institute of Certified Public Accountants. The specific procedures
23 to be performed are:

24

1 1. Prepare a schedule of revenues, expenditures/expenses and
2 changes in fund balances/net assets for each fund and determine
3 compliance with any applicable trust or other prohibitions for
4 creating fund balance deficits;

5 2. Agree material bank account balances to bank statements, and
6 trace significant reconciling items to subsequent clearance;

7 3. Compare uninsured deposits to fair value of pledged
8 collateral;

9 4. Compare use of material-restricted revenues and resources to
10 their restrictions;

11 5. Determine compliance with requirements for separate funds;
12 and

13 6. Determine compliance with reserve account and debt service
14 coverage requirements of bond indentures.

15 Such engagement shall be ordered within thirty (30) days of the
16 close of each fiscal year of the trust. Copies of the annual audit
17 or agreed-upon-procedures report shall be filed with the State
18 Auditor and Inspector within six (6) months after the close of the
19 fiscal year and with the trustees and governing body of the
20 beneficiaries.

21 C. Public trusts which have less than Fifty Thousand Dollars
22 (\$50,000.00) in revenue and less than Fifty Thousand Dollars
23 (\$50,000.00) in assets, and for whom an annual financial statement
24 audit is not required by another law, regulation or contract and any

1 public trust which did not have financial activity exceeding Fifty
2 Thousand Dollars (\$50,000.00) since its last audit shall be exempt
3 from the requirements of subsections A and B of this section unless
4 the public trust has outstanding debt obligations.

5 D. A public trust with a municipal government or governments as
6 the beneficiary that meet the same financial requirements
7 established in subsection B of Section 17-105 of Title 11 of the
8 Oklahoma Statutes may, in alternative to obtaining an audit as
9 required in this section, follow the biennial agreed-upon-procedures
10 engagements outlined in subsection D of Section 17-105 of Title 11
11 of the Oklahoma Statutes.

12 SECTION 3. This act shall become effective November 1, 2024.”

13 Passed the Senate the 23rd day of April, 2024.

14

15

16

17

18

19

20

21

22

23

24

Presiding Officer of the Senate

17 Passed the House of Representatives the ____ day of _____,
18 2024.

Presiding Officer of the House
of Representatives

1 ENGROSSED HOUSE
2 BILL NO. 2362

By: Boles of the House

3 and

4 Garvin of the Senate

5
6
7 An Act relating to cities and towns; amending 11
8 O.S. 2021, Section 17-105, as amended by Section
9 2, Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2022,
10 Section 17-105), which relates to annual audits
11 of municipalities; providing agreed-upon-
12 procedures; directing the governing body of each
13 municipality to carry out certain audit
14 procedures; and providing an effective date.

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

16 SECTION 4. AMENDATORY 11 O.S. 2021, Section 17-105, as
17 amended by Section 2, Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2022,
18 Section 17-105), is amended to read as follows:

19 Section 17-105. A. The governing body of each municipality
20 with Fifty Thousand Dollars (\$50,000.00) or more in total revenue to
21 all funds, including component units of which the municipality is a
22 beneficiary, during a fiscal year shall cause to be prepared, by an
23 independent licensed public accountant or a certified public
24 accountant, an annual financial statement audit to be conducted in
accordance with auditing standards generally accepted in the United
States of America and Government Auditing Standards as issued by the

1 Comptroller General of the United States. Such audit shall be
2 ordered within thirty (30) days of the close of each fiscal year.
3 Copies shall be filed with the State Auditor and Inspector within
4 six (6) months after the close of the fiscal year in accordance with
5 the provisions of this act and with the governing body of the
6 municipality.

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

20 The governing body of each municipality may alternatively
21 request a biennial agreed-upon-procedures engagement ~~to be~~
22 ~~prescribed by the State Auditor and Inspector, developed in~~
23 ~~collaboration with a representative from a statewide organization~~
24 ~~that has represented municipal governments for at least fifty (50)~~

1 ~~years, a representative from an organization that advises or trains~~
2 ~~municipal clerks and treasurers, and a certified public accountant.~~
3 ~~Each biennial agreed-upon procedures engagement shall cover the two~~
4 ~~(2) preceding years.~~

5 ~~For engagements performed for the fiscal year ending June 30,~~
6 ~~2023, the prescribed procedures developed under the terms of this~~
7 ~~subsection will be utilized on a one-year basis ending June 30,~~
8 ~~2024. The procedures shall then be submitted to the Legislature for~~
9 ~~ratification. If the rules are not ratified by the Legislature on~~
10 ~~or before December 31, 2023, the Municipal Audit Reform Act of 2022~~
11 ~~shall sunset and be repealed as a matter of law. Agreed-upon~~
12 ~~procedures required under this act shall be performed in accordance~~
13 ~~with the applicable attestation standards of The American Institute~~
14 ~~of Certified Public Accountants.~~

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

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

11 D. The governing body of each municipality that requests the
12 biennial agreed-upon-procedures engagement of subsection B of this
13 section shall:

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

19 2. Obtain two (2) months of bank statements of the General Fund
20 and Utility Fund and confirm that cash deposits were made in the
21 appropriate account(s) and verify utility billing receipts and/or
22 posting reports agree to the daily deposits;

23 3. For the following four positions: city manager/town
24 administrator, city/town clerk, city/town treasurer, and payroll

1 clerk, the governing body shall agree upon a pay rate to be
2 authorized and documented in the personnel file or in approved
3 meeting minutes. Inquire of the payroll clerk or equivalent if any
4 employees received compensation over and above their authorized
5 salary or hourly rate, and if so, trace to appropriate documentation
6 of authorization for such pay. This shall not include expense
7 reimbursements, but shall include any allowances considered taxable;

8 4. For entities that use debit or credit cards, determine the
9 establishment of policies of use, select a sample of transactions to
10 test for supporting documentation, proper municipal purpose, and
11 adherence to prescribed policies;

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

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

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

21 8. Inquire if any instances of known fraud, illegal acts, or
22 noncompliance with law and regulations have occurred; and

23 9. Compare the use of material-restricted revenues and
24 resources to their restrictions.

