

SENATE CHAMBER

STATE OF OKLAHOMA

DISPOSITION

FLOOR AMENDMENT

No. 1

COMMITTEE AMENDMENT

(Date)

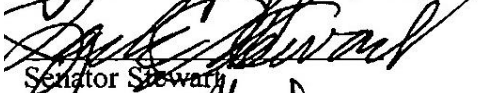
I move to amend House Bill No. 2362 by substituting the attached floor substitute (Request #3569) for the title, enacting clause and entire body of the measure.

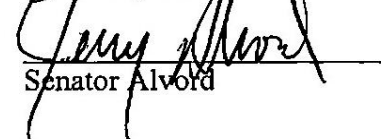
Submitted by:


Senator Jessica Garvin

I hereby grant permission for the floor substitute to be adopted.

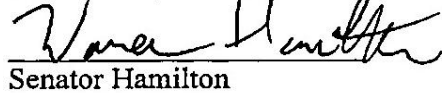

Senator Garvin, Chair (required)


Senator Stewart


Senator Alvord

Senator Bergstrom

Senator Floyd

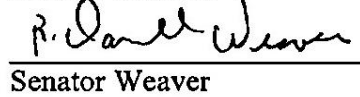

Senator Hamilton

Senator Treat, President Pro Tempore


Senator Murdock


Senator Rogers

Senator Seifried


Senator Weaver

Senator Young

Senator McCortney, Majority Floor Leader

Note: General Government committee majority requires six (6) members' signatures.

Garvin-MSBB-FS-HB2362
3/5/2024 11:33 AM

(Floor Amendments Only)

Date and Time Filed: 3-5-24 3:06pm *Jed*

Untimely

Amendment Cycle Extended

Secondary Amendment

1 STATE OF OKLAHOMA

2 2nd Session of the 59th Legislature (2024)

3 FLOOR SUBSTITUTE
4 FOR ENGROSSED

5 HOUSE BILL NO. 2362

By: Boles of the House

and

Garvin of the Senate

7
8
9 FLOOR SUBSTITUTE

10 An Act relating to cities and towns; amending 11 O.S.
11 2021, Section 17-105, as amended by Section 2,
12 Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2023, Section
13 17-105), which relates to annual audits of
14 municipalities; providing agreed-upon procedures;
15 directing the governing body of each municipality to
16 carry out certain audit procedures; updating
17 statutory references; amending 60 O.S. 2021, Section
18 180.1, which relates to annual audits; allowing
19 certain public trusts to follow certain audit
20 procedures; and providing an effective date.

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

22 SECTION 1. AMENDATORY 11 O.S. 2021, Section 17-105, as
23 amended by Section 2, Chapter 254, O.S.L. 2022 (11 O.S. Supp. 2023,
24 Section 17-105), is amended to read as follows:

Section 17-105. A. The governing body of each municipality
with Fifty Thousand Dollars (\$50,000.00) or more in total revenue to
all funds, including component units of which the municipality is a
beneficiary, during a fiscal year shall cause to be prepared, by an

1 independent licensed public accountant or a certified public
2 accountant, an annual financial statement audit to be conducted in
3 accordance with auditing standards generally accepted in the United
4 States of America and Government Auditing Standards as issued by the
5 Comptroller General of the United States. Such audit shall be
6 ordered within thirty (30) days of the close of each fiscal year.
7 Copies shall be filed with the State Auditor and Inspector within
8 six (6) months after the close of the fiscal year in accordance with
9 the provisions of ~~this act~~ the Municipal Audit Reform Act of 2022
10 and with the governing body of the municipality.

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

24

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

10 ~~For engagements performed for the fiscal year ending June 30,~~
11 ~~2023, the prescribed procedures developed under the terms of this~~
12 ~~subsection will be utilized on a one-year basis ending June 30,~~
13 ~~2024. The procedures shall then be submitted to the Legislature for~~
14 ~~ratification. If the rules are not ratified by the Legislature on~~
15 ~~or before December 31, 2023, the Municipal Audit Reform Act of 2022~~
16 ~~shall sunset and be repealed as a matter of law. Agreed-upon~~
17 ~~procedures required under this act~~ the Municipal Audit Reform Act of
18 2022 shall be performed in accordance with the applicable
19 attestation standards of The American Institute of Certified Public
20 Accountants.

21 The audit or agreed-upon-procedures engagement shall be ordered
22 within thirty (30) days of the close of the fiscal year that the
23 audit is due. Copies shall be filed with the State Auditor and
24 Inspector within nine (9) months after the close of the fiscal year

1 in accordance with the provisions of paragraph 2 of subsection A of
2 Section 212A of Title 74 of the Oklahoma Statutes and with the
3 governing body of the municipality, with the deadline to order and
4 file the audit or agreed-upon procedures eligible for extension by
5 the State Auditor and Inspector for special circumstances or
6 emergencies.

7 C. The municipal income requirements in subsections A and B of
8 this section shall not include any grant monies provided to a
9 municipality from any federal, state, or other governmental entity.
10 The municipal income requirements shall not include income of any
11 public trust established under Sections 176 through 180.4 of Title
12 60 of the Oklahoma Statutes with a municipality as the beneficiary
13 of the trust; provided, income from trusts established principally
14 for the purpose of operating electric, water, wastewater, and
15 sanitation utilities shall be included for purposes of the municipal
16 income requirements.

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

20 1. Determine the establishment of policies related to
21 adjustments, write-downs, or write-offs for various receivables due
22 to the municipality or the utility-related trust and select a sample
23 of adjustments to test for adherence to policies and for appropriate
24 supporting documentation;

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

5 3. Agree upon a pay rate for the city manager/town
6 administrator, city/town clerk, city/town treasurer, and payroll
7 clerk, to be authorized and documented in the personnel file or in
8 approved meeting minutes. If any employee received compensation
9 over and above his or her authorized salary or hourly rate, the
10 payroll clerk, upon request, shall provide appropriate documentation
11 of authorization for such pay. The requirements of this paragraph
12 shall not include expense reimbursements but shall include any
13 allowances considered taxable;

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

17 5. Select a sample of transactions to test for supporting
18 documentation;

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

22 7. Agree material fiscal year-end bank account balances to bank
23 statements and trace significant reconciling items to subsequent
24

1 clearance and determine if any bank accounts exist that are not
2 under city council purview;

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

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

7 10. Compare the use of material-restricted revenues and
8 resources to the restrictions of the governing body of the
9 municipality.

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

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

18 Section 180.1. A. The trustees of every trust created for the
19 benefit and furtherance of any public function with the State of
20 Oklahoma or any county or municipality as the beneficiary or
21 beneficiaries thereof, with assets or revenues in excess of Fifty
22 Thousand Dollars (\$50,000.00) or with outstanding debt obligations,
23 must cause an audit to be made of the financial statements of the
24 trust, such audit to be ordered within thirty (30) days of the close

1 of each fiscal year of the trust. The audit shall be filed in
2 accordance with the requirements set forth for financial statement
3 audits in Section 212A of Title 74 of the Oklahoma Statutes.

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

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

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

23 3. Compare uninsured deposits to fair value of pledged
24 collateral;

1 4. Compare use of material-restricted revenues and resources to
2 their restrictions;

3 5. Determine compliance with requirements for separate funds;
4 and

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

7 Such engagement shall be ordered within thirty (30) days of the
8 close of each fiscal year of the trust. Copies of the annual audit
9 or agreed-upon-procedures report shall be filed with the State
10 Auditor and Inspector within six (6) months after the close of the
11 fiscal year and with the trustees and governing body of the
12 beneficiaries.

13 C. Public trusts which have less than Fifty Thousand Dollars
14 (\$50,000.00) in revenue and less than Fifty Thousand Dollars
15 (\$50,000.00) in assets, and for whom an annual financial statement
16 audit is not required by another law, regulation or contract and any
17 public trust which did not have financial activity exceeding Fifty
18 Thousand Dollars (\$50,000.00) since its last audit shall be exempt
19 from the requirements of subsections A and B of this section unless
20 the public trust has outstanding debt obligations.

21 D. A public trust with a municipal government or governments as
22 the beneficiary that meet the same financial requirements
23 established in subsection B of Section 17-105 of Title 11 of the
24 Oklahoma Statutes may, in alternative to obtaining an audit as

1 required in this section, follow the biennial agreed-upon-procedures
2 engagements outlined in subsection D of Section 17-105 of Title 11
3 of the Oklahoma Statutes.

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

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