

1 STATE OF OKLAHOMA

2 1st Session of the 56th Legislature (2017)

3 HOUSE BILL 1511

By: Strohm

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5  
6 AS INTRODUCED

7 An Act relating to state government; amending 74 O.S.  
8 2011, Section 212, as last amended by Section 1,  
9 Chapter 187, O.S.L. 2014 (74 O.S. Supp. 2016, Section  
10 212), which relates to audits of government entities;  
11 authorizing performance audits of school districts;  
12 and providing an effective date.

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

14 SECTION 1. AMENDATORY 74 O.S. 2011, Section 212, as last  
15 amended by Section 1, Chapter 187, O.S.L. 2014 (74 O.S. Supp. 2016,  
16 Section 212), is amended to read as follows:

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

18 1. The State Treasurer and the Oklahoma Tax Commission shall  
19 prepare annual financial statements in accordance with the reporting  
20 requirements set forth by the Governmental Accounting Standards  
21 Board (GASB). The State Treasurer and the Tax Commission shall  
22 prescribe and implement sound internal control, accounting and  
23 recordkeeping practices consistent with and to facilitate compliance  
24 with all reporting requirements as set forth by law.

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

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

1 Bureau. The State Auditor and Inspector shall conduct unannounced  
2 cash audits of the State Treasury at least once each quarter.

3 4. The audit of the Tax Commission shall be continuous in  
4 nature. The Tax Commission shall furnish the necessary office space  
5 for the employees of the State Auditor and Inspector making the  
6 audit and, to the extent of the amount included in the Tax  
7 Commission's appropriation therefor, the Tax Commission shall pay  
8 the expenses of the audits, including personal services, equipment  
9 and supplies, from the appropriation.

10 B. STATE AGENCIES

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

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

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

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

12           a. "financial audit", which means an audit of financial  
13 statements in order to express an opinion on the  
14 fairness with which they are presented in conformity  
15 with generally accepted accounting principles or any  
16 other comprehensive basis of accounting, as defined by  
17 the American Institute of Certified Public  
18 Accountants' Professional Standards, latest revised  
19 edition. Financial audits must be conducted in  
20 accordance with auditing standards generally accepted  
21 in the United States and the standards applicable to  
22 financial audits contained in Government Auditing  
23 Standards, latest revised edition, issued by the  
24 Comptroller General of the United States,

- 1           b. "operational audit", which means an audit conducted in  
2           accordance with applicable Government Auditing  
3           Standards, the purpose of which is to evaluate  
4           management's performance in administering assigned  
5           responsibilities in accordance with applicable laws,  
6           administrative rules, and other policies and  
7           guidelines and to determine the extent to which the  
8           internal control, as designed and placed in operation,  
9           promotes and encourages the achievement of  
10          management's control objectives in the categories of  
11          compliance, reliability of financial records and  
12          reports, and safeguarding of assets,
- 13          c. "performance audit", which means an audit of a  
14          program, activity, or function of a state agency  
15          conducted in accordance with applicable Government  
16          Auditing Standards. The term includes, but is not  
17          limited to, an audit to assess program, activity, or  
18          function effectiveness, economy and efficiency,  
19          internal control, or compliance,
- 20          d. "special or investigative audit", which means an audit  
21          with respect to a particular situation which may be,  
22          but is not required to be, conducted in accordance  
23          with applicable Government Auditing Standards, and  
24

1 e. any other type of engagement conducted in accordance  
2 with Government Auditing Standards.

3 C. GUBERNATORIAL REQUEST

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

9 D. COUNTY TREASURER

10 The State Auditor and Inspector shall examine without notice all  
11 books and accounts of each county treasurer of the state twice each  
12 year.

13 E. DISTRICT ATTORNEYS

14 1. The State Auditor and Inspector shall annually audit the  
15 books and accounts of the several offices of the district attorneys  
16 of this state. The audits shall be reported in separate reports for  
17 each entity. The audit may include, but shall not be limited to,  
18 the audit of the financial records, performance measures, and  
19 compliance with state or federal statutes and rules, and compliance  
20 with any regulations of state or federal programs. The expense of  
21 the audits shall be paid by the entity audited.

22 2. The State Auditor and Inspector shall examine and file a  
23 report of the accounts established within the office of each  
24 district attorney for bogus check programs, drug task force

1 programs, child support collection programs, and any other programs  
2 receiving any nonstate funds. The reports shall be filed with the  
3 President Pro Tempore of the Senate, the Speaker of the House of  
4 Representatives, and the Executive Coordinator of the District  
5 Attorneys Council.

6 F. DEPARTMENT OF CORRECTIONS

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

17 G. OKLAHOMA EMPLOYEES INSURANCE AND BENEFITS BOARD

18 The State Auditor and Inspector shall cause to be audited the  
19 books and accounts of the office of the Oklahoma Employees Insurance  
20 and Benefits Board. The audit may include, but shall not be limited  
21 to, the audit of the financial records, performance measures,  
22 compliance with any state or federal statutes and rules, and  
23 compliance with any regulations of state programs. The audit shall  
24 be contracted out to private audit firms. The cost of the audit

1 shall be borne by the Oklahoma Employees Insurance and Benefits  
2 Board.

3 H. DISTRICT ATTORNEY REQUEST

4 Whenever called upon to do so by any of the several district  
5 attorneys of the state, it shall be the duty of the State Auditor  
6 and Inspector to examine the books and accounts of any officer of  
7 any public entity. The cost of the audit shall be borne by the  
8 entity audited.

9 I. COUNTY OFFICERS BY REQUEST

10 Upon request of the county commissioners of any county or the  
11 Governor, the State Auditor and Inspector shall examine the books  
12 and accounts of all or any of the officers or custodians of the  
13 various funds of the county; and payment for such examination shall  
14 be made by the county so examined.

15 J. COMMON SCHOOL DISTRICTS

16 The State Auditor and Inspector shall have the authority to  
17 conduct a performance audit of the common school districts of the  
18 state. The State Auditor and Inspector may determine the frequency  
19 of the performance audits and the number of common school districts  
20 for which a performance audit is conducted each year. As used in  
21 this subsection, "performance audit" means an audit of a program,  
22 activity or function of a common school district conducted in  
23 accordance with applicable Government Auditing Standards. The term  
24 includes, but is not limited to, an audit to assess program,



1 activity, or function effectiveness, economy and efficiency,  
2 internal control, or compliance.

3 K. AUDITORS

4 The State Auditor and Inspector shall have power to employ  
5 auditors. No auditor shall examine the books or records of the  
6 county of the auditor's residence in counties of under two hundred  
7 thousand (200,000) population according to the most recent Federal  
8 Decennial Census. The State Auditor and Inspector may employ on an  
9 as-needed basis only, legal counsel to carry out the statutory  
10 duties of the Office of the State Auditor and Inspector.

11 ~~K.~~ L. EXAMINATION OF LEVIES

12 It shall be the duty of the State Auditor and Inspector to  
13 examine all levies to raise public revenue to see that they are made  
14 according to law and constitutional provisions. The State Auditor  
15 and Inspector shall have the power to order all excessive or  
16 erroneous lines (levies) to be corrected by the proper officers, and  
17 shall report any irregularities to the Governor, the Speaker of the  
18 House of Representatives and the President Pro Tempore of the  
19 Senate.

20 ~~L.~~ M. PETITION AUDITS

21 1. The State Auditor and Inspector shall audit the books and  
22 records of any subdivision of the State of Oklahoma upon petition  
23 signed by the requisite number of voters registered in the  
24 subdivision and meeting the requirements set out in this subsection.

1        2. The petition must contain the number of signatures  
2 equivalent to ten percent (10%) of the registered voters of the  
3 subdivision as determined by the county election board or, if the  
4 county election board determines that the number of registered  
5 voters in the subdivision cannot be determined due to boundary lines  
6 not conforming to precinct lines, the required number of petitioners  
7 shall be twenty-five percent (25%) of the total number of persons  
8 voting in the last general election. If the subdivision is a public  
9 trust, the required number of petitioners shall be the same as those  
10 required for an audit of its beneficiary. The appropriate county  
11 election board shall provide the number of signatures so required  
12 upon request.

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

23        4. Any person desiring to petition for an audit shall list the  
24 areas, items or concerns they want to be audited, and request from

1 the State Auditor and Inspector the anticipated range of cost of the  
2 audit. Within thirty (30) days from the receipt of the request, the  
3 State Auditor and Inspector shall mail a petition form to the person  
4 requesting the information which shall state the anticipated range  
5 of the cost and the items or concerns to be audited. The  
6 circulators of the petition shall have thirty (30) days from the  
7 date the petition is mailed by the State Auditor and Inspector to  
8 obtain the requisite number of signatures and return it to the State  
9 Auditor and Inspector.

10 5. Upon collection of the required number of signatures, the  
11 person desiring the audit shall present the signed petitions to the  
12 State Auditor and Inspector. Within thirty (30) days of receipt of  
13 the petitions, the State Auditor and Inspector shall present the  
14 petitions to the county election board located in the county in  
15 which the subdivision is located.

16 6. The county election board shall determine whether the  
17 signers of the petition are registered voters of the county in which  
18 the subdivision to be audited is located and whether the petition  
19 has the requisite number of signatures of such registered voters.  
20 The county election board shall certify the petition as having the  
21 required number of signatures or as failing to have the required  
22 number of signatures and return it to the State Auditor and  
23 Inspector.

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1           7. The cost of the audit shall be borne by the public entity  
2 audited. Upon notification by the State Auditor and Inspector of  
3 receipt of the petition, certified by the county election board as  
4 having the required number of signatures, the public entity shall  
5 encumber funds in an amount specified by the State Auditor and  
6 Inspector, which shall be within the range of anticipated cost  
7 stated on the petition from any funds not otherwise specifically  
8 appropriated or allocated. Payment for the audit from such  
9 encumbered funds shall be made as work progresses, and final payment  
10 shall be made on or before its publication.

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

16           ~~M.~~ N. PENALTIES FOR NONPAYMENT

17           Except as otherwise provided by law, the cost of any services  
18 provided by the State Auditor and Inspector or as specified in an  
19 audit contract shall be borne by the entity or fund audited and  
20 shall be due and payable upon receipt of progress billing during the  
21 course of an audit. Any such costs not paid within ninety (90) days  
22 of the date of receipt of billing shall incur a penalty of Ten  
23 Dollars (\$10.00) per day for each day from the date of receipt of  
24 billing.

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SECTION 2. This act shall become effective November 1, 2017.

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