

1 STATE OF OKLAHOMA

2 1st Session of the 59th Legislature (2023)

3 COMMITTEE SUBSTITUTE

4 FOR

5 HOUSE BILL NO. 2362

6 By: Boles

7 COMMITTEE SUBSTITUTE

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

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

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

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

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

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

21 The governing body of each municipality may alternatively
22 request a biennial agreed-upon-procedures engagement ~~to be~~
23 ~~prescribed by the State Auditor and Inspector, developed in~~
24 ~~collaboration with a representative from a statewide organization~~

1 ~~that has represented municipal governments for at least fifty (50)~~
2 ~~years, a representative from an organization that advises or trains~~
3 ~~municipal clerks and treasurers, and a certified public accountant.~~
4 ~~Each biennial agreed-upon procedures engagement shall cover the two~~
5 ~~(2) preceding years.~~

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

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

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

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

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

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

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

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

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

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

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

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

1 9. Compare the use of material-restricted revenues and
2 resources to their restrictions.

3 E. Public trusts with municipal governments as the beneficiary
4 that meet the same financial requirements established in subsection
5 B of this section may, in alternative to obtaining an audit as
6 required in Section 180.1 of Title 60 of the Oklahoma Statutes,
7 follow the biennial agreed-upon-procedures engagements outlined in
8 subsection D of this section.

9 SECTION 2. This act shall become effective November 1, 2023.

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