

1 ENGROSSED SENATE
2 BILL NO. 1284

By: Stanislawski of the Senate

3 and

4 Ortega of the House

5
6 An Act relating to the Oklahoma State Finance Act;
7 amending 62 O.S. 2011, Section 34.11, as amended by
8 Section 341, Chapter 304, O.S.L. 2012 (62 O.S. Supp.
9 2019, Section 34.11), which relates to the duties and
10 functions of the Division of Central Accounting and
11 Reporting; eliminating and modifying certain
12 responsibilities; amending 62 O.S. 2011, Section
13 34.57, which relates to agency clearing accounts;
14 modifying conditions under which certain
15 disbursements may be made; amending 62 O.S. 2011,
16 Section 34.58, as amended by Section 384, Chapter
17 304, O.S.L. 2012 (62 O.S. Supp. 2019, Section 34.58),
18 which relates to information on income, disbursements
19 and transfers; deleting certain prohibition;
20 providing for the suspension of activity from certain
21 accounts upon notice; amending 62 O.S. 2011, Section
22 34.64, as last amended by Section 1, Chapter 442,
23 O.S.L. 2019 (62 O.S. Supp. 2019, Section 34.64),
24 which relates to the payment of claims or payrolls;
updating terminology; modifying authority to certify
certain claims; amending 62 O.S. 2011, Section 34.65,
as amended by Section 388, Chapter 304, O.S.L. 2012
(62 O.S. Supp. 2019, Section 34.65), which relates to
payment of vendor invoices; providing for method for
proper accounting of payment; amending 74 O.S. 2011,
Section 212A, as amended by Section 843, Chapter 304,
O.S.L. 2012 (74 O.S. Supp. 2019, Section 212A), which
relates to the State Auditor and Inspector; requiring
audits of certain units based upon certain standards;
updating statutory language; and providing an
effective date.

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

1 SECTION 1. AMENDATORY 62 O.S. 2011, Section 34.11, as
2 amended by Section 341, Chapter 304, O.S.L. 2012 (62 O.S. Supp.
3 2019, Section 34.11), is amended to read as follows:

4 Section 34.11. The Division of Central Accounting and Reporting
5 shall be responsible for accounting and auditing duties and the
6 auditing and settlement of purchase orders, contracts, claims,
7 payrolls, and other obligations.

8 The Division of Central Accounting and Reporting shall prepare
9 uniform budget and accounting classifications for all state agencies
10 and shall implement appropriate accounting methods and systems in
11 state agencies. The Division of Central Accounting and Reporting
12 shall:

- 13 1. Settle all claims payable by this state;
- 14 2. Verify distribution of all taxes and other dues collected
15 for local governments;
- 16 3. ~~Superintend the recovery of all debts due state government;~~
- 17 4. Keep the central budget and proprietary accounts of the
18 state government;
- 19 5. ~~4.~~ Prepare and issue financial and accounting reports, at
20 least quarterly;
- 21 6. ~~5.~~ Prescribe all forms, systems, and ~~procedure~~ procedures
22 for administering accounting for ~~the several departments~~ state
23 agencies and establishments;

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1 ~~7.~~ 6. At the request of a state agency, assist in establishing
2 standards, policies and procedures that ensure a strong and
3 effective system of internal controls and regular monitoring of
4 them;

5 ~~8. Certify each and every requisition by a duly accredited~~
6 ~~disbursing officer for an advance of funds from the State Treasury~~
7 ~~to the Director of the Office of Management and Enterprise Services~~
8 ~~for approval; and~~

9 ~~9.~~ 7. Establish a pre-audit system of settling claims for the
10 entire government of this state and for state agencies in which
11 vouchers supporting proposed payments are submitted to the Office of
12 Management and Enterprise Services for audit and settlement.

13 SECTION 2. AMENDATORY 62 O.S. 2011, Section 34.57, is
14 amended to read as follows:

15 Section 34.57. A. There is hereby created in the official
16 depository in the State Treasury an agency clearing account for each
17 state officer, department, board, commission, institution or agency
18 of the state, hereinafter referred to collectively as state
19 agencies. An agency special account established under Section 7.2
20 of this title may be used for the purposes of an agency clearing
21 account.

22 B. It shall be the duty of each state agency, officer or
23 employee, to deposit in the agency clearing account, or agency
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1 special account, established under Section 7.2 of this title, all
2 monies of every kind, including, but not limited to:

3 1. Tax revenues;

4 2. Receipts from licenses, examinations, per diem and all other
5 reimbursements, fees, permits, fines, forfeitures and penalties; and

6 3. Income from money and property, grants and contracts,
7 refunds, receipts, reimbursements, judgments, sales of materials and
8 services of employees, and nonrevenue receipts, received by a state
9 agency, officer or employee by reason of the existence of and/or
10 operation of a state agency.

11 C. All such monies collected pursuant to this section shall be
12 deposited as follows in the agency clearing account or agency
13 special account established therefor:

14 1. Receipts of One Hundred Dollars (\$100.00) or more shall be
15 deposited on the same banking day as received; and

16 2. Receipts of less than One Hundred Dollars (\$100.00) may be
17 held until accumulated receipts equal One Hundred Dollars (\$100.00)
18 or for five (5) business days, whichever occurs first, and shall
19 then be deposited no later than the next business day.

20 a. Each state agency that has custody of receipts of less
21 than One Hundred Dollars (\$100.00) shall provide
22 adequate safekeeping of such receipts.

23 b. No disbursements shall be made from such receipts
24 prior to this deposit.

1 c. All checks received must be restrictively endorsed
2 immediately upon receipt.

3 D. The State Treasurer is authorized to accept deposits
4 directly to State Treasury funds, consisting of cash, bank drafts,
5 bank cashier's checks, federal treasury checks and other forms of
6 remittance which are uniformly honored for payment. The State
7 Treasurer is further authorized to accept checks deposited directly
8 into State Treasury funds if the depositing state agency maintains
9 sufficient balances in their agency clearing account to cover return
10 items. Notwithstanding the provisions of subsection E of this
11 section, state agencies are authorized to maintain sufficient
12 balances in their agency clearing account to cover returned checks,
13 credit card adjustments, credit card returns, and other debit items.
14 Amounts of ~~said~~ the balances shall be subject to approval by the
15 State Treasurer.

16 All checks, drafts, orders and vouchers so deposited shall be
17 credited and cleared at par and should payment be refused on any
18 such check, draft, order or voucher, or should the same prove
19 otherwise worthless, the amount thereof shall be charged by the
20 State Treasurer against the account or fund theretofore credited
21 with the same; and the person issuing the check, draft, order or
22 voucher shall be charged a fee of Twenty-five Dollars (\$25.00) to
23 cover the costs of processing each returned check; provided, such
24 charge shall not be made unless efforts have been made to present

1 such check, draft, order or voucher for payment a second time.
2 Unless otherwise provided by law, such fee shall be deposited to the
3 revolving fund of the state agency to which the check, draft, order
4 or voucher was issued. If no revolving fund exists for the state
5 agency, then such fee shall be deposited to the General Revenue
6 Fund. The State Treasurer shall not accept for deposit to any
7 agency clearing account, or any agency special account, created
8 pursuant to the provisions of Section 7.2 of this title, any
9 warrant, check, order or voucher drawn against any state fund or
10 account in favor of any individual or other person except the state
11 officer, department, institution or agency for which account or fund
12 the deposit is made, or a bona fide student enrolled at any of the
13 state institutions of higher learning when such warrant, check,
14 order or voucher is endorsed to the institution as payment of any
15 fees or other accounts due such institution.

16 E. 1. Except as provided in paragraph 2 of this subsection, at
17 least once each month each state agency shall transfer monies
18 deposited in agency clearing accounts to the various funds or
19 accounts, subdivisions of the state, or functions as may be provided
20 by statute and no money shall ever be disbursed from the agency
21 clearing account for any other purpose, except in refund of
22 erroneous or excessive collections and credits, reissuance of
23 returned electronic funds transfer (ETF) payments, sales tax
24 remittances to the Oklahoma Tax Commission, or to facilitate the

1 processing of federal wires pursuant to procedures set forth by the
2 Office of Management and Enterprise Services.

3 2. District offices under the control of the Corporation
4 Commission shall be permitted to make deposit of receipts on a
5 monthly basis, provided that such receipts must be deposited within
6 the month received or when such receipts equal or exceed One Hundred
7 Dollars (\$100.00), whichever first occurs. The Oklahoma Tourism and
8 Recreation Department and entities under its control shall be
9 required to make deposit of receipts on a weekly basis, provided
10 that such receipts must be deposited within seven (7) calendar days
11 from the date received or when such deposits equal or exceed Five
12 Hundred Dollars (\$500.00), whichever first occurs.

13 F. Funds and revenues of the Oklahoma Municipal Power
14 Authority, the Grand River Dam Authority, the Oklahoma Ordnance
15 Works Authority and the Midwestern Oklahoma Development Authority
16 are exempt from the requirements of this section.

17 G. Monies used for investment purposes by the Oklahoma
18 Firefighters Pension and Retirement System, the Oklahoma Police
19 Pension and Retirement System, the Uniform Retirement System for
20 Justices and Judges, the Oklahoma Law Enforcement Retirement System,
21 the Oklahoma Public Employees Retirement System, the Teachers'
22 Retirement System of Oklahoma, the Oklahoma State Regents for Higher
23 Education, the State and Education Employees Group Insurance Board
24 and the Commissioners of the Land Office are exempt from the

1 requirements of this section, and shall be placed with the
2 respective custodian bank or trust company.

3 SECTION 3. AMENDATORY 62 O.S. 2011, Section 34.58, as
4 amended by Section 384, Chapter 304, O.S.L. 2012 (62 O.S. Supp.
5 2019, Section 34.58), is amended to read as follows:

6 Section 34.58. A. Each state agency shall furnish to the
7 Director of the Office of Management and Enterprise Services, in
8 such form as the Director shall prescribe, detailed information
9 showing the income, disbursements, and transfers for each agency
10 clearing account and each agency's special account. Income,
11 disbursements and transfers shall be identified in accordance with
12 code designations as provided in the accounting procedures of the
13 Office of Management and Enterprise Services.

14 B. The Director of the Office of Management and Enterprise
15 Services may approve any modification in the code designations of
16 income, disbursements and transfers that he or she finds expedient.

17 C. The State Treasurer ~~shall not honor vouchers disbursing and~~
18 ~~transferring monies~~ upon notice from the Office of Management and
19 Enterprise Services may suspend activity from agency clearing
20 accounts or special accounts, ~~when he or she has been notified by~~
21 ~~the Director of the Office of Management and Enterprise Services~~
22 ~~that~~ an agency is not in compliance with the provisions of
23 subsection A of this section.

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1 SECTION 4. AMENDATORY 62 O.S. 2011, Section 34.64, as
2 last amended by Section 1, Chapter 442, O.S.L. 2019 (62 O.S. Supp.
3 2019, Section 34.64), is amended to read as follows:

4 Section 34.64. A. Except as otherwise provided in the Oklahoma
5 State Finance Act and except for Automated Clearing House (ACH)
6 debits for transactional fees, procedures for paying claims or
7 payrolls shall include the following:

8 1. All miscellaneous claims and payroll claims for the payment
9 of money from the State Treasury shall be filed with the Director of
10 the Office of Management and Enterprise Services for audit and
11 settlement prior to being filed for payment with the State
12 Treasurer;

13 2. The Director of the Office of Management and Enterprise
14 Services may establish alternative procedures for the settlement of
15 claims whenever such procedures are more advantageous so long as
16 they are consistent with the requirements of state law;

17 3. Such alternative procedures shall be at the discretion of
18 the Director of the Office of Management and Enterprise Services and
19 may include, but are not limited to:

20 a. a procedure to permit consolidated payment to vendors
21 for claims involving more than one agency of the state
22 when audit and settlement of such claims, as
23 hereinafter provided, can in all respects be
24 accomplished,

- 1 b. procedures based upon valid statistical sampling
2 models for preaudit of claims, against contracts,
3 purchase orders and other commitments before entering
4 such claims against the accounts, and
- 5 c. policies, procedures and performance criteria for the
6 participation of agencies or departments, not
7 authorized by this section, to engage in an
8 alternative system for the settlement of claims; and

9 4. The Director of the Office of Management and Enterprise
10 Services may use a numeric or alphanumeric designation to cross-
11 reference claims or payrolls to check warrant numbers, transfer
12 entry or optional settlement mode used in the payment thereof.

13 B. Except for ACH debits for transactional fees, after claims
14 or payrolls or both have been properly audited and recorded against
15 the respective contracts, purchase orders, other commitments and
16 accounts, the Division of Central Accounting and Reporting shall
17 certify such claims or payrolls to the State Treasurer for payment.

18 C. Except for ACH debits for transactional fees, it shall be
19 the responsibility of the Division of Central Accounting and
20 Reporting to determine that:

21 1. All material legal requirements concerning the expenditure
22 of monies involved in each claim or payroll have been complied with;

23 2. Funds have been properly and legally ~~allotted~~ budgeted for
24 the payment of the claim or payroll; and

1 3. A sufficient balance exists for the payment of same.

2 D. The Director of the Office of Management and Enterprise
3 Services or ~~bonded employees~~ in the Division of Central Accounting
4 and Reporting authorized by the Director shall certify to the State
5 Treasurer that the claim or payroll has been approved for payment.

6 E. 1. The Director of the Office of Management and Enterprise
7 Services shall be authorized to establish necessary agency
8 disbursing funds to efficiently accommodate the cash flow
9 requirements of applicable federal regulations, bond indebtedness
10 and other directives deemed appropriate by the Director.

11 2. Agencies operating such disbursing funds are authorized to
12 establish a preaudit and settlement system for claims or payments or
13 both relating to the purposes of the stated directives.

14 3. The State Treasurer shall establish procedures for the state
15 in accordance with Federal Banking and National Automated Clearing
16 House Association standards and agencies shall be required to
17 utilize automated clearing house procedures established by the State
18 Treasurer.

19 4. No individual or entity shall be required to have a bank
20 account unless required by federal law or federal regulation.

21 5. Agencies shall be further required to present these
22 transactions to the Office of Management and Enterprise Services in
23 a summarized format and shall include any accounting information
24 necessary as determined by the Director of the Office of Management

1 and Enterprise Services including, but not limited to, information
2 related to federal law.

3 6. Administrative expenditures shall not be eligible for these
4 procedures.

5 7. The efficiency of the payment system shall be considered
6 when the interest earnings of the state are not diminished.

7 F. The Director of the Office of Management and Enterprise
8 Services shall be authorized to process payments for federal tax
9 withholding without claim forms. The Director shall establish a
10 separate fund for the purpose of accumulating federal income tax
11 withholding from payrolls and remitting same to the United States
12 Treasury. Institutions under the administrative authority of the
13 Oklahoma State Regents for Higher Education which are responsible
14 for processing payments for federal tax withholding shall be
15 authorized to process such payments to the United States Treasury
16 without claim forms.

17 G. 1. The Director of the Office of Management and Enterprise
18 Services shall be authorized to process, without claim forms,
19 interest payments to the U.S. Treasury as required by federal law.

20 2. Agencies are responsible for the accrual of such interest
21 liability of the state and shall provide payment to the Office of
22 Management and Enterprise Services in the amount and method
23 prescribed by the Director of the Office of Management and
24 Enterprise Services.

1 3. Any liability of the U.S. Treasury as determined by federal
2 law shall be deposited in the State Treasury and transferred by the
3 Director of the Office of Management and Enterprise Services to the
4 General Revenue Fund of the state subsequent to final determination
5 and necessary audit resolution.

6 H. Payments disbursed from the State Treasury shall be conveyed
7 solely through an electronic payment mechanism. The State Treasurer
8 may provide an exemption from the provisions of this subsection,
9 with cause, provided the number of exempted payments and a
10 corresponding list of causes shall be published in a regularly
11 updated report which is featured prominently on the State
12 Treasurer's website.

13 I. Notwithstanding any other provision of the Oklahoma State
14 Finance Act and subject to any applicable restrictions in the
15 Oklahoma Constitution, the Director of the Office of Management and
16 Enterprise Services may establish procedures by which agencies may
17 contract for, incur and account for transaction-based fees, such as
18 fees for accepting credit cards, that may be processed by ACH debit
19 without claim forms, provided the agency has sufficient statutory
20 authority for purchase. Prior to authorizing ACH debit transactions
21 without claim forms, state agencies shall provide notice to the
22 State Treasurer.

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1 SECTION 5. AMENDATORY 62 O.S. 2011, Section 34.65, as
2 amended by Section 388, Chapter 304, O.S.L. 2012 (62 O.S. Supp.
3 2019, Section 34.65), is amended to read as follows:

4 Section 34.65. A. To facilitate the payment of vendor invoices
5 and contract estimates, the Director of the Office of Management and
6 Enterprise Services shall prescribe a uniform ~~document~~ method to be
7 used by all agencies of the state that provides the information
8 deemed necessary by the Office of Management and Enterprise Services
9 for proper accounting of the payment. The ~~document shall provide~~
10 ~~summarized information relative to the referenced invoices or~~
11 ~~contract estimates, together with a space for the approval of the~~
12 ~~head of the agency approving said vendor invoices or contract~~
13 ~~estimates for payment~~ method shall include a means of confirming the
14 approval of the head of the agency or an authorized approving
15 officer.

16 B. Vendor invoices and contract estimates shall be accepted by
17 the state in lieu of the claim form previously required in the same
18 manner as commercial invoices are paid.

19 C. Vendor invoices and contract estimates shall be filed with
20 the agency receiving the merchandise or services in the same manner
21 as invoices are filed with commercial firms.

22 D. Upon receipt of invoices or contract estimates, the head of
23 the agency, or the agency's authorized agent, may approve ~~said~~ the
24 documents for payment as confirmation of delivery or acceptance of

1 the goods or services. Whereupon, the approved invoices or contract
2 estimates shall be attached to the document provided for such
3 purpose and the head of the agency approving such invoices of
4 contract estimates for payment shall affix the approval in the space
5 provided on the document.

6 E. Commercial invoices shall be accepted in lieu of the
7 standard notarized claim prescribed by the state.

8 SECTION 6. AMENDATORY 74 O.S. 2011, Section 212A, as
9 amended by Section 843, Chapter 304, O.S.L. 2012 (74 O.S. Supp.
10 2019, Section 212A), is amended to read as follows:

11 Section 212A. A. 1. Except as otherwise provided by law, all
12 government entities, as defined by the Governmental Accounting
13 Standards Board, shall have an audit conducted in accordance with
14 auditing standards generally accepted in the United States of
15 America and Government Auditing Standards. Copies of any audit,
16 performance audit, agreed-upon-procedures report, or other
17 attestation engagement report produced by a person other than the
18 State Auditor shall be filed with the State Auditor and Inspector by
19 that person. The expense of the audit shall be paid by the
20 government entity. ~~For fiscal years ending after December 31, 1995,~~
21 ~~all~~ All government entities receiving public funds that are included
22 in the reporting entity of the State of Oklahoma, and their
23 component units as described by the Governmental Accounting
24 Standards Board, shall file a copy of the audit required by this

1 paragraph with the Director of the Office of Management and
2 Enterprise Services no later than four (4) months after the end of
3 the fiscal year of the government entity. For purposes of this
4 paragraph, the reporting entity of the State of Oklahoma includes
5 all government entities included in the State of Oklahoma
6 Comprehensive Annual Financial Report. The government entities
7 included in the State of Oklahoma reporting entity shall be
8 determined by the Director of the Office of Management and
9 Enterprise Services using criteria set by the Governmental
10 Accounting Standards Board.

11 2. Any public accountant or certified public accountant filing
12 an audit, performance audit, agreed-upon-procedures report or other
13 attestation engagement report with the State Auditor and Inspector
14 pursuant to this section shall be required to pay a filing fee of
15 One Hundred Dollars (\$100.00) for the purposes of processing such
16 reports and ensuring compliance with the provisions of this section.
17 Such payments shall be deposited in the State Auditor and Inspector
18 Revolving Fund, created pursuant to Section 227.9 of this title.

19 B. All registrants, as defined in the Oklahoma Accountancy Act,
20 before entering into audit contracts required under this section,
21 shall satisfy the Oklahoma Accountancy Board and the State Auditor
22 and Inspector that such registrant meets Government Auditing
23 Standards and has a current permit to practice issued by the
24 Oklahoma Accountancy Board.

1 The State Auditor and Inspector shall receive annual reports
2 from the Oklahoma Accountancy Board of all registrants meeting the
3 requirements of this subsection. The Oklahoma Accountancy Board
4 shall provide changes and updates to the annual report to the State
5 Auditor and Inspector upon request.

6 C. Schedules of federal awards expended will be in a form
7 consistent with the guidance in the most recent audit guide for
8 state and local governments prepared by "The American Institute of
9 Certified Public Accountants". State agencies or other pass-through
10 grantors of federal awards expended will not place reporting
11 requirements on a grantee or subrecipients in addition to the
12 required federal compliance reports and schedules of federal awards
13 expended, without approval of the State Auditor and Inspector.

14 D. All governmental entities shall report grant funds received,
15 administered or used by the entity and all grant funds under the
16 direct or indirect control of the governmental entity or any of its
17 employees in their employment capacity. A copy of the report shall
18 be filed with the State Auditor and Inspector and the Director of
19 the Office of Management and Enterprise Services within four (4)
20 months after the end of the fiscal year of the governmental entity.
21 The State Auditor and Inspector may audit any funds reported. The
22 cost of the audit shall be paid by the governmental entity unless
23 the grant provides for the cost of audits from grant funds.

24 SECTION 7. This act shall become effective November 1, 2020.

1 Passed the Senate the 2nd day of March, 2020.

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3 _____
4 Presiding Officer of the Senate

5 Passed the House of Representatives the ____ day of _____,
6 2020.

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8 _____
9 Presiding Officer of the House
10 of Representatives