

2023 SENATE APPROPRIATIONS

SB 2004

**Department 117 - State Auditor
Senate Bill No. 2004**

Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|---------------------|--------------------|--------------|
| 2023-25 Executive Budget | \$10,566,501 | \$8,266,687 | \$18,833,188 |
| 2023-25 Base Level | 9,119,110 | 5,826,152 | 14,945,262 |
| Increase (Decrease) | \$1,447,391 | \$2,440,535 | \$3,887,926 |

Selected Budget Changes Recommended in the Executive Budget

| | General Fund | Other Funds | Total |
|---|---------------------|--------------------|--------------|
| 1. Adds funding for state employee salary and benefit increases, of which \$1,003,649 is for salary increases and \$259,322 is for health insurance increases | \$755,179 | \$507,792 | \$1,262,971 |
| 2. Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | \$0 | \$308,364 | \$308,364 |
| 3. Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | \$0 | \$415,480 | \$415,480 |
| 4. Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | \$0 | \$703,940 | \$703,940 |
| 5. Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | \$250,000 | \$250,000 | \$500,000 |
| 6. Increases funding, including funding from federal and special funds, for added operating costs related to audit software upgrade | \$54,298 | \$61,266 | \$115,564 |
| 7. Adds funding for a new Capitol space rent model | \$178,228 | | \$178,228 |
| 8. Adds one-time funding for operating expenses related to local government auditor positions | \$21,000 | | \$21,000 |
| 9. Adds one-time funding , including funding from federal and special funds, for travel and professional development inflationary increases | \$44,000 | \$37,000 | \$81,000 |
| 10. Adds one-time funding for costs related to audit software upgrades | \$45,550 | | \$45,550 |
| 11. Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | \$25,000 | | \$25,000 |

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Salary of the State Auditor - Section 3 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect recommended salary increases of 6 percent in the 1st year of the biennium and 4 percent in the 2nd year of the biennium.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The financial audit for the State Auditor's office, conducted by Eide Bailly LLP, Certified Public Accountants (Eide Bailly), for the biennium ended June 30, 2021, revealed two audit findings and related material weaknesses caused by human error, resulting in a misstatement of accounts receivable submitted to Eide Bailly and by a delay in review of payroll expenditures charged to the general and operating funds, resulting in a misstatement of prior period cash funds. Eide Bailly recommended financial statement account reconciliations be checked and reviewed prior to the audit and the State Auditor continue to use the payroll control procedures implemented in January 2020 to ensure that future financial statements are accurate.

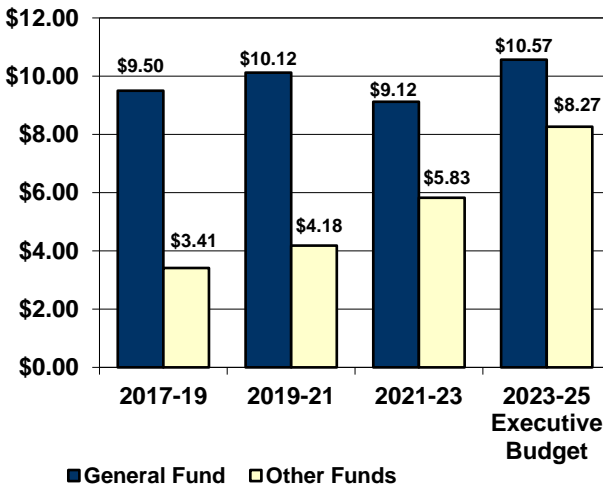
Major Related Legislation

House Bill No. 1129 - Provides the State Auditor may not charge or collect any fee from a firefighters relief association, rural fire protection district, or rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

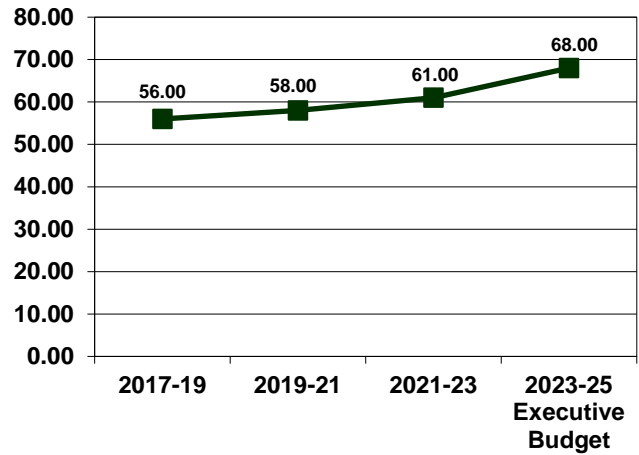
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|---|-------------|-------------|--------------|-------------|--------------------------|
| Ongoing general fund appropriations | \$9,776,582 | \$9,498,608 | \$10,106,860 | \$9,119,110 | \$10,430,951 |
| Increase (decrease) from previous biennium | N/A | (\$277,974) | \$608,252 | (\$987,750) | \$1,311,841 |
| Percentage increase (decrease) from previous biennium | N/A | (2.8%) | 6.4% | (9.8%) | 14.4% |
| Cumulative percentage increase (decrease) from 2015-17 biennium | N/A | (2.8%) | 3.4% | (6.7%) | 6.7% |

Major Increases (Decreases) in Ongoing General Fund Appropriations

2017-19 Biennium

- Restored funding for 4 FTE North Dakota University System audit positions removed by the State Auditor as part of the 2015-17 biennium budget reductions, including salaries and wages of \$611,300 and operating expenses of \$41,392 \$652,692
- Removed 2 FTE University System audit positions, including salaries and wages of \$297,135 and operating expenses of \$12,500 (\$309,635)
- Removed 1 FTE performance audit manager position (\$277,191)
- Removed 0.80 FTE administrative officer II position due to salaries and wages funding reductions \$0
- Reduced funding for operating expenses (\$101,615)
- Removed funding for IT consultants (\$250,000)

2019-21 Biennium

- Added funding for IT reviews of the Information Technology Department and the University System to provide a total of \$450,000 for technology reviews, of which \$300,000 is from special funds from the University System \$150,000

2021-23 Biennium

- Removed 4 FTE Higher Education Division audit positions (\$854,231)
- Removed 1 vacant FTE auditor IV position, including salaries and wages and operating expenses (\$175,525)

2023-25 Biennium (Executive Budget Recommendation)

- Adds \$500,000, of which \$250,000 is from special funds in the agency's operating fund, for temporary salaries for internships \$250,000

- 2. Increases funding for added operating costs related to audit software upgrade \$54,298
- 3. Adds funding for a new Capitol space rent model \$178,228

One-Time General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|--------------------------------------|---------|---------|----------|---------|--------------------------------|
| One-time general fund appropriations | \$0 | \$0 | \$16,000 | \$0 | \$135,550 |

Major One-Time General Fund Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

- 1. Added one-time funding to replace a copier. \$16,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds one-time funding for office furniture related to local government auditor positions \$21,000
- 2. Adds one-time funding for travel and professional development inflationary increases \$44,000
- 3. Adds funding for one-time costs related to audit software upgrade \$45,550
- 4. Adds one-time funding for replacement of equipment over \$5,000 \$25,000

State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes

| | Executive Budget Recommendation | | | |
|---|--|-------------------------|------------------------|--------------------|
| | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 |
| Health insurance increase | | 177,018 | 82,304 | 259,322 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 |
| Adds funding from special funds in the agency's operating fund for operating costs related to additional local government auditors | | | 126,500 | 126,500 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 |
| One-time funding items | | | | |
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 |

| | | | | |
|--|-------|--------------|-------------|--------------|
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 |
| <i>Federal funds included in other funds</i> | | | \$1,482,390 | |
| <i>Total ongoing changes as a percentage of base level</i> | 11.5% | 14.4% | 41.3% | 24.9% |
| <i>Total changes as a percentage of base level</i> | 11.5% | 15.9% | 41.9% | 26.0% |

Other Sections in State Auditor - Budget No. 117

Executive Budget Recommendation

Salary of the State Auditor

Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024.

SENATE BILL NO. 2004
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the state auditor; and to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state auditor for the purpose of defraying the expenses of the state auditor, for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

| | Legislative Base Level | Adjustments or Enhancements | Appropriation |
|------------------------------------|---------------------------|--------------------------------|------------------|
| Salaries and Wages | \$13,123,559 | \$ 3,295,008 | \$16,418,567 |
| Operating Expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital Assets | 0 | 70,550 | 70,550 |
| Information Technology Consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total All Funds | \$14,945,262 | \$ 3,887,926 | \$18,833,188 |
| Less Estimated Income | <u>5,826,152</u> | <u>2,440,535</u> | <u>8,266,687</u> |
| Total General Fund | \$ 9,119,110 | \$ 1,447,391 | \$10,566,501 |
| Full-time Equivalent Positions | 61.00 | 7.00 | 68.00 |

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Inflationary Increases for Travel and Professional Development | \$0 | \$81,000 |
| TeamMate+ Migration and Setup | 0 | 45,550 |
| Asset Replacement | 0 | 25,000 |
| Office Furniture | <u>0</u> | <u>21,000</u> |
| Total All Funds | \$0 | \$172,550 |
| Less Estimated Income | <u>0</u> | <u>37,000</u> |
| Total General Fund | \$0 | \$135,550 |

SECTION 3. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

54-10-10. Salary of state auditor. The annual salary of the state auditor is ~~one hundred twelve thousand two hundred forty one dollars through June 30, 2022, and one hundred fourteen thousand four hundred eighty six dollars~~ one hundred twenty-one thousand three hundred fifty-five dollars through June 30, 2024, and one hundred twenty-six thousand two hundred nine dollars thereafter.

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2004
1/11/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

8:37 am Chairman Bekkedahl opened the hearing on SB 2004.

Members present : Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, Mathern

Discussion Topics:

- Introduction / overview
- Divisions of the agency
- Budget requests
- Staff demands

8:38 am Joshua Gallion, North Dakota State Auditor, introduced budget bill, testimony #12821 and #13039

Additional Testimony: #18087, 21226

Chairman Bekkedahl assigned this bill to the Government Operations Division.

9:07 am Chairman Bekkedahl closed the hearing.

Kathleen Hall, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
1/19/2023

An appropriation for defraying the expenses of the State Auditor

10:41 AM Chairman Wanzek opened the meeting.

Senators Wanzek, Roers, Dwyer, Erbele, and Vedaa are present.

Discussion Topics:

- Budget overview
- Petition audits
- Audit independence standards
- Special funded FTEs
- Work: scope and volume
- General funded auditors
- Federal monies
- Combined departments - effects
- Trained auditors - benefits
- Internship program benefits
- One-time costs

10:42 AM ND State Auditor Josh Gallion testified in favor of SB 2004. Testimony #14372

11:20 AM Audit Manager Dan Cox, Quality Assurance Officer of the State Auditor's Office, testified in favor of SB 2004. (No written testimony)

11:55 AM Brianna Ludwig, Deputy State Auditor, testified, (No written testimony)

12:07 PM James Carrol, Accountant, State Auditor's Office, testified affirmatively. (No written testimony)

12:12 PM Ryan Bauer, Oil and Gas Manager of the State Auditor's Office testified affirmatively. (No written testimony)

Additional Testimony: #21272

12: 14 PM Chairman Wanzek closed the hearing.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
1/24/2023

An appropriation for defraying the expenses of the State Auditor

3:55 PM Chairman Wanzek called the meeting to order. Senators Wanzek, Eberle, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Governor's recommendation
- Seven new FTEs
- Dickinson office
- Special funds
- Delinquent audits
- Rent model calculation
- Equity
- Auditors

3:58 PM Josh Gallion, ND State Auditor, highlighted budget requests.

Testimony #14372

4:03 PM James Carroll, Accountant ND State Auditor's Office, testified. (No written testimony)

4:06 PM Dan Cox, Quality Assurance Manager, testified. (No written testimony)

4:15 PM Josh Gallion summarized his testimony.

4:22 PM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
2/3/2023

An appropriation for defraying the expenses of the State Auditor

11:05 AM Senator Wanzek called the meeting to order.

Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Insurance
- New FTEs
- Waiting list for audits
- Private sector refusing small government audits
- Intern program and salaries
- Audit backlog
- Funding sources
- One-time costs
- Multiple offices

11:05 AM LC Senior Fiscal Analyst Adam Mathiak testified. Testimony #19065

11:07 AM ND State Auditor Josh Gallion testified. Testimony #19070

Additional Testimony: #19370

11:56 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
2/6/2023

An appropriation for defraying the expenses of the State Auditor

2:49 PM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- FTEs
- Dedicated attorney
- Training coordinator
- Local government audits
- Workforce
- Profitability
- Covid money
- Internship program
- Mineral royalty program
- Internship costs
- Billing rates
- Other bill's effects
- Work backlog
- Proposed amendment
- Elected officials' salaries

2:50 PM Josh Gallion, ND State Auditor, testified. (No new written testimony)

3:45 PM Senator Erbele made a motion to pass amendment LC 23.0258.01002. #19370
Senator Vedaa seconded the motion.

| Senators | Vote |
|-------------------------|------|
| Senator Terry M. Wanzek | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Jim P. Roers | Y |
| Senator Shawn Vedaa | Y |

The motion passed. 5 Y, 0 N, 0 A

4:00 PM Chairman closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
2/7/2023

An appropriation for defraying the expenses of the State Auditor

9:40 AM Chairman Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Equity
- Health insurance
- Local government auditors
- Internship program
- Two new general-funded FTEs
- Base salary 125 k for elected Auditor

9:50 AM Josh Gallion, ND State Auditor, testified affirmatively. Testimony #14372

10:03 AM Senator Roers moved to amend SB 2004, accepting the Governor's budget, adding two FTEs – an attorney and one other, allowing refunds to local governments whose audit costs exceed 1% of their revenues, and adjusting the Auditor's salary base to \$125,000. Senator Dwyer seconded the motion.

| Senators | Vote |
|-------------------------|------|
| Senator Terry M. Wanzek | Y |
| Senator Michael Dwyer | N |
| Senator Robert Erbele | Y |
| Senator Jim P. Roers | Y |
| Senator Shawn Vedaa | Y |

Motion passed. 4-1-0

10:07 AM Senator Roers moved DO PASS Amended.
Senator Erbele seconded the motion.

| Senators | Vote |
|-------------------------|------|
| Senator Terry M. Wanzek | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Jim P. Roers | Y |
| Senator Shawn Vedaa | Y |

Motion passed. 5-0-0

Senator Roers will carry the bill.

10:09 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
2/8/2023

An appropriation for defraying the expenses of the State Auditor

10:23 AM Senator Wanzek called the meeting to order.
Senators Wanzek, Erbele, Roers, Dwyer, and Vedaa are present.

Discussion Topics:

- Salary increases
- Health insurance increases
- Elected officials increases
- FTE changes
- Internship funds
- General fund impacts
- IT costs
- Rent model
- One-time funds

10:24 AM Sheila Sandness, Senior Budget Analyst, testified. LC 23.0258.01003, #19873, 19874

10:44 AM Senator J. Roers moved DO PASS to adopt Amendment. LC 23.0258.01003.
Senator Erbele seconded the motion.

| Senators | Vote |
|-------------------------|------|
| Senator Terry M. Wanzek | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Jim P. Roers | Y |
| Senator Shawn Vedaa | Y |

Motion passed 5-0-0.

10:45 AM Senator J. Roers moved DO PASS to adopt SB 2004 as amended.
Senator Erbele seconded the motion.

| Senators | Vote |
|-------------------------|------|
| Senator Terry M. Wanzek | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Jim P. Roers | Y |
| Senator Shawn Vedaa | Y |

Motion passed 5-0-0.

10:48 AM Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations

Rough Rider Room, State Capitol

SB 2004
2/15/2023

Relating to the salary of the state auditor; and to declare an emergency.

6:09 PM **Chairman Bekkedahl** called the committee meeting to order.

Senators Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Krebsbach, Kreun, Mathern, Meyer, Roers, Schaible, Sorvaag, Wanzek, Vedaa, and Rust are present.

Discussion Topics:

- North Dakota state auditor
- Committee work

6:09 PM Roers proposed an amendment to the bill, LC 23.0258.01003, testimony # 20947.

6:10 PM Committee discussion

6:25 PM Senator Roers moved to adopt amendment LC 23.0258.01003.
Senator Dwyer seconded the motion.

| Senators | Vote |
|----------------------------|------|
| Senator Brad Bekkedahl | Y |
| Senator Karen K. Krebsbach | Y |
| Senator Randy A. Burckhard | Y |
| Senator Kyle Davison | Y |
| Senator Dick Dever | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Curt Kreun | Y |
| Senator Tim Mathern | Y |
| Senator Scott Meyer | N |
| Senator Jim P. Roers | Y |
| Senator David S. Rust | Y |
| Senator Donald Schaible | N |
| Senator Ronald Sorvaag | Y |
| Senator Shawn Vedaa | Y |
| Senator Terry M. Wanzek | Y |

Motion passed 14-2-0.

6:38 PM Senator Wanzek moved to adopt additional amendment to change funding source to be special funds.
Senator Dwyer seconded the motion.

| Senators | Vote |
|----------------------------|-------------|
| Senator Brad Bekkedahl | Y |
| Senator Karen K. Krebsbach | Y |
| Senator Randy A. Burckhard | Y |
| Senator Kyle Davison | Y |
| Senator Dick Dever | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | N |
| Senator Curt Kreun | Y |
| Senator Tim Mathern | Y |
| Senator Scott Meyer | N |
| Senator Jim P. Roers | Y |
| Senator David S. Rust | Y |
| Senator Donald Schaible | Y |
| Senator Ronald Sorvaag | Y |
| Senator Shawn Vedaa | N |
| Senator Terry M. Wanzek | Y |

Motion passed 14-2-0

6:39 PM Senator Meyer moved to further amend to remove Section 5 and footnote 6.
Senator Davison seconded the motion.

| Senators | Vote |
|----------------------------|-------------|
| Senator Brad Bekkedahl | Y |
| Senator Karen K. Krebsbach | Y |
| Senator Randy A. Burckhard | Y |
| Senator Kyle Davison | Y |
| Senator Dick Dever | Y |
| Senator Michael Dwyer | N |
| Senator Robert Erbele | N |
| Senator Curt Kreun | Y |
| Senator Tim Mathern | N |
| Senator Scott Meyer | Y |
| Senator Jim P. Roers | N |
| Senator David S. Rust | N |
| Senator Donald Schaible | Y |
| Senator Ronald Sorvaag | N |
| Senator Shawn Vedaa | N |
| Senator Terry M. Wanzek | N |

Motion failed 8-8-0

6:47 PM Senator Roers moved DO PASS AS AMENDED.
Senator Wanzek seconded the motion.

| Senators | Vote |
|----------------------------|-------------|
| Senator Brad Bekkedahl | Y |
| Senator Karen K. Krebsbach | Y |
| Senator Randy A. Burckhard | Y |
| Senator Kyle Davison | N |
| Senator Dick Dever | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Curt Kreun | Y |
| Senator Tim Mathern | Y |
| Senator Scott Meyer | N |
| Senator Jim P. Roers | Y |
| Senator David S. Rust | Y |
| Senator Donald Schaible | N |
| Senator Ronald Sorvaag | Y |
| Senator Shawn Vedaa | Y |
| Senator Terry M. Wanzek | Y |

Motion passed 13-3-0

6:49 PM **Chairman Bekkedahl** closed the meeting.

Kathleen Hall, Committee Clerk

BR
145
2-16-23

PROPOSED AMENDMENTS TO SENATE BILL NO. 2004

Page 1, line 1, after "auditor" insert "; to amend and reenact sections 54-10-10 and 54-12-08 of the North Dakota Century Code, relating to the salary of the state auditor and assistant and special assistant attorneys general; and to declare an emergency"

Page 1, replace lines 8 through 17 with:

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|------------------------------------|-------------------|------------------------------------|----------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | 450,000 | 0 | 450,000 |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | 5,826,152 | 2,335,579 | 8,161,731 |
| Total general fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| Full-time equivalent positions | 61.00 | 9.00 | 70.00 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Local government audit office furniture | \$0 | \$21,000 |
| Inflationary increases for travel and professional development | 0 | 81,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | 0 | 25,000 |
| Total all funds | \$0 | \$172,550 |
| Less estimated income | 0 | 37,000 |
| Total general fund | \$0 | \$135,550 |

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state auditor shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 3. APPROPRIATION - 2021-23 BIENNIUM - REFUND OF AUDIT FEES. There is appropriated out of any moneys in the state auditor operating account in the state treasury, not otherwise appropriated, the sum of \$24,358, or so much of the sum as may be necessary, to the state auditor for the purpose of providing refunds to local governments whose audit fees exceeded one percent of their revenues, for the period beginning with the effective date of this section, and ending June 30, 2023.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

54-10-10. Salary of state auditor.

The annual salary of the state auditor is one hundred ~~twelve thousand two hundred forty one~~thirty thousand dollars through June 30, 2022~~2024~~, and one hundred ~~fourteen thousand four hundred eighty six~~thirty-five thousand two hundred dollars thereafter.

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2-16-23

SECTION 5. AMENDMENT. Section 54-12-08 of the North Dakota Century Code is amended and reenacted as follows:

54-12-08. Assistant and special assistant attorneys general - Appointment - Revocation - Compensation.

1. After consultation with the head of the state department or institution or with the state board, commission, committee, or agency affected, the attorney general may appoint assistant or special assistant attorneys general to represent the state board, commission, committee, or agency. A state officer, head of any state department, whether elected or appointed, or state department, board, commission, committee, or agency may not employ legal counsel, and no person may act as legal counsel in any matter, action, or proceeding in which the state or any state department, board, commission, committee, or agency is interested or is a party, except upon written appointment by the attorney general. Workforce safety and insurance, the department of transportation, the state tax commissioner, the public service commission, the insurance commissioner, the agriculture commissioner, and the securities commissioner, and the state auditor may employ attorneys to represent them. These entities shall pay the salaries and expenses of the attorneys they employ within the limits of legislative appropriations. The attorneys that represent these entities must be special assistant attorneys general appointed by the attorney general pursuant to this section. Absent good cause, the attorney general shall appoint as special assistant attorneys general licensed attorneys selected by these entities. The attorney general may revoke the appointment only for good cause or upon the request of the entity. Good cause means an inadequate level of experience, competence, or ethical standards.
2. The powers conferred upon special assistant attorneys general are the same as are exercised by the regular assistant attorneys general, unless the powers are limited specifically by the terms of the appointment. Except as otherwise provided by this section, an appointment is revocable at the pleasure of the attorney general. The appointment may be made with or without compensation, and when compensation is allowed by the attorney general for services performed, the compensation must be paid out of the funds appropriated therefor.
3. The attorney general may require payment for legal services rendered by any assistant or special assistant attorney general to any state official, board, department, agency, or commission and those entities shall make the required payment to the attorney general. Moneys received by the attorney general in payment for legal services rendered must be deposited into the attorney general's operating fund. General fund moneys may not be utilized for the payment of legal services provided by the attorneys employed by the attorney general, except for those payments required of

the department of health and human services, department of environmental quality, and the state hospital.

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2-16-23

4. An assistant or special assistant attorney general appointed to represent the state board of higher education or an institution under the control of the state board of higher education may access and examine any record under the control of the state board of higher education. For purposes of reviewing records under the Family Educational Rights and Privacy Act [20 U.S.C. 1232g; 34 CFR 99] or any other federal privacy law, the assistant or special assistant attorney general is considered a state educational official authorized to access student records.

SECTION 6. EMERGENCY. Section 3 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Senate Action

| | Base Budget | Senate Changes | Senate Version |
|------------------------------------|---------------------|--------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | | 70,550 | 70,550 |
| Information technology consultants | 450,000 | | 450,000 |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | 5,826,152 | 2,335,579 | 8,161,731 |
| General fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| FTE | 61.00 | 9.00 | 70.00 |

Department 117 - State Auditor - Detail of Senate Changes

| | Adjusts Funding for Cost to Continue Salaries ¹ | Adjusts Base Budget Funding ² | Adds Funding for Salary and Benefit Increases ³ | Adds Salary Equity Funding for Elected Officials ⁴ | Adds Local Government Division Audit Positions ⁵ | Adds 1 FTE Attorney Position ⁶ |
|------------------------------------|--|--|--|---|---|---|
| Salaries and wages | \$86,660 | \$17,593 | \$1,016,889 | \$26,748 | \$1,427,784 | \$265,292 |
| Operating expenses | | (17,593) | | | 126,500 | |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$86,660 | \$0 | \$1,016,889 | \$26,748 | \$1,554,284 | \$265,292 |
| Less estimated income | 23,627 | 0 | 402,836 | 0 | 1,554,284 | 0 |
| General fund | \$63,033 | \$0 | \$614,053 | \$26,748 | \$0 | \$265,292 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 7.00 | 1.00 |

DK
485
2-16-23

| | Adds 1 FTE Education Coordinator Position ⁷ | Increases Funding for Temporary Salaries ⁸ | Increases Funding for Audit Software Upgrades ⁹ | Increases Funding for Information Technology ¹⁰ | Adds Funding for Capitol Space Rent Model ¹¹ | Adds One-Time Funding for Local Government Auditors ¹² |
|------------------------------------|--|---|--|--|---|---|
| Salaries and wages | \$218,672 | \$500,000 | | | | |
| Operating expenses | | | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$218,672 | \$500,000 | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Less estimated income | 0 | 250,000 | 61,266 | 6,566 | 0 | 0 |
| General fund | \$218,672 | \$250,000 | \$54,298 | \$11,103 | \$178,228 | \$21,000 |
| FTE | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | Adds One-Time Funding for Operating Expense Inflation ¹³ | Adds One-Time Funding for Audit Software Upgrades ¹⁴ | Adds One-Time Funding for Equipment ¹⁵ | Total Senate Changes |
|------------------------------------|---|---|---|----------------------|
| Salaries and wages | | | | \$3,559,638 |
| Operating expenses | \$81,000 | | | 522,368 |
| Capital assets | | \$45,550 | \$25,000 | 70,550 |
| Information technology consultants | | | | |
| Total all funds | \$81,000 | \$45,550 | \$25,000 | \$4,152,556 |
| Less estimated income | 37,000 | 0 | 0 | 2,335,579 |
| General fund | \$44,000 | \$45,550 | \$25,000 | \$1,816,977 |
| FTE | 0.00 | 0.00 | 0.00 | 9.00 |

¹ Funding is added for cost to continue salary increases.

² Base budget funding is adjusted to transfer \$17,593 from operating expenses to salaries and wages.

³ The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

| | General Fund | Other Funds | Total |
|---------------------------|------------------|------------------|--------------------|
| Salary increase | \$432,963 | \$318,639 | \$751,602 |
| Health insurance increase | 181,090 | 84,197 | 265,287 |
| Total | \$614,053 | \$402,836 | \$1,016,889 |

⁴ Funding is added for providing a salary equity increase for the State Auditor. The State Auditor's annual salary is increased from the current level of \$114,486 to \$130,000 (13.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding is added from special funds in the agency's operating fund for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 2 FTE local government auditor II positions (\$415,480);
- 4 FTE local government auditor I positions (\$703,940); and
- Ongoing operating expenses of \$126,500 related to additional local government auditors.

⁶ Funding is added for 1 FTE attorney position.

⁷ Funding is added for 1 FTE education coordinator position.

⁸ Funding is added, including funding from special funds in the agency's operating fund, for temporary salaries for internships.

⁹ Funding is increased, including funding from federal and special funds, for operating costs related to audit software upgrades.

¹⁰ Funding is added, including funding from special funds in the agency's operating fund, for operating expenses related to Information Technology Department rate increases.

¹¹ Funding is added for operating expenses related to a new Capitol space rent model.

¹² One-time funding is added for operating expenses related to local government auditor positions.

¹³ One-time funding, including funding from federal and special funds, is added for operating expenses related to travel and professional development inflationary increases.

¹⁴ One-time funding is added for costs related to audit software upgrades.

¹⁵ One-time funding is added for capital costs related to the replacement of equipment over \$5,000.

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2-16-23

This amendment also:

- Adds a section to provide a deficiency appropriation of \$24,358 from the State Auditor operating account to the State Auditor to refund audit fees to local governments whose audit costs exceeded 1 percent of their revenues during the biennium ended June 30, 2023;
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024;
- Adds a section to amend Section 54-12-08 relating to assistant and special assistant attorneys general to allow the State Auditor to employ an attorney; and
- Adds a section to declare the deficiency appropriation to be an emergency measure.

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Rough Rider Room, State Capitol

SB 2004
2/16/2023

Relating to the salary of the state auditor; and to declare an emergency.

9:28 AM **Chairman Bekkedahl** called the committee meeting to order. **Senators** Bekkedahl, Burckhard, Davison, Dever, Dwyer, Erbele, Krebsbach, Kreun, Mathern, Meyer, Roers, Schaible, Sorvaag, Wanzek, Vedaa, and Rust are present.

Discussion Topics:

- Committee work

Senator Mathern moves **DO PASS** as **AMENDED**.

Senator J. Roers seconded.

Roll call vote.

| Senators | Vote |
|----------------------------|------|
| Senator Brad Bekkedahl | Y |
| Senator Karen K. Krebsbach | Y |
| Senator Randy A. Burckhard | Y |
| Senator Kyle Davison | N |
| Senator Dick Dever | Y |
| Senator Michael Dwyer | Y |
| Senator Robert Erbele | Y |
| Senator Curt Kreun | Y |
| Senator Tim Mathern | Y |
| Senator Scott Meyer | N |
| Senator Jim P. Roers | Y |
| Senator David S. Rust | Y |
| Senator Donald Schaible | N |
| Senator Ronald Sorvaag | Y |
| Senator Shawn Vedaa | Y |
| Senator Terry M. Wanzek | Y |

Motion passed 13-3-0.

Senator J. Roers will carry SB 2004.

9:29 AM **Chairman Bekkedahl** closed the meeting.

Patricia Lahr on behalf Carol Thompson, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2004: Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). SB 2004 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 1, after "auditor" insert "; to amend and reenact sections 54-10-10 and 54-12-08 of the North Dakota Century Code, relating to the salary of the state auditor and assistant and special assistant attorneys general; and to declare an emergency"

Page 1, replace lines 8 through 17 with:

| | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|------------------------------------|-------------------|------------------------------------|----------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | <u>5,826,152</u> | <u>2,335,579</u> | <u>8,161,731</u> |
| Total general fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| Full-time equivalent positions | 61.00 | 9.00 | 70.00 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Local government audit office furniture | \$0 | \$21,000 |
| Inflationary increases for travel and professional development | 0 | 81,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$172,550 |
| Less estimated income | <u>0</u> | <u>37,000</u> |
| Total general fund | \$0 | \$135,550 |

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state auditor shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 3. APPROPRIATION - 2021-23 BIENNIUM - REFUND OF AUDIT FEES. There is appropriated out of any moneys in the state auditor operating account in the state treasury, not otherwise appropriated, the sum of \$24,358, or so much of the sum as may be necessary, to the state auditor for the purpose of providing refunds to local governments whose audit fees exceeded one percent of their revenues, for the period beginning with the effective date of this section, and ending June 30, 2023.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

54-10-10. Salary of state auditor.

The annual salary of the state auditor is one hundred ~~twelve thousand two hundred forty-one~~ thirty thousand dollars through June 30, ~~2022~~ 2024, and one hundred ~~fourteen thousand four hundred eighty-six~~ thirty-five thousand two hundred dollars thereafter.

SECTION 5. AMENDMENT. Section 54-12-08 of the North Dakota Century Code is amended and reenacted as follows:

54-12-08. Assistant and special assistant attorneys general - Appointment - Revocation - Compensation.

1. After consultation with the head of the state department or institution or with the state board, commission, committee, or agency affected, the attorney general may appoint assistant or special assistant attorneys general to represent the state board, commission, committee, or agency. A state officer, head of any state department, whether elected or appointed, or state department, board, commission, committee, or agency may not employ legal counsel, and no person may act as legal counsel in any matter, action, or proceeding in which the state or any state department, board, commission, committee, or agency is interested or is a party, except upon written appointment by the attorney general. Workforce safety and insurance, the department of transportation, the state tax commissioner, the public service commission, the insurance commissioner, the agriculture commissioner, and the securities commissioner, and the state auditor may employ attorneys to represent them. These entities shall pay the salaries and expenses of the attorneys they employ within the limits of legislative appropriations. The attorneys that represent these entities must be special assistant attorneys general appointed by the attorney general pursuant to this section. Absent good cause, the attorney general shall appoint as special assistant attorneys general licensed attorneys selected by these entities. The attorney general may revoke the appointment only for good cause or upon the request of the entity. Good cause means an inadequate level of experience, competence, or ethical standards.
2. The powers conferred upon special assistant attorneys general are the same as are exercised by the regular assistant attorneys general, unless the powers are limited specifically by the terms of the appointment. Except as otherwise provided by this section, an appointment is revocable at the pleasure of the attorney general. The appointment may be made with or without compensation, and when compensation is allowed by the attorney general for services performed, the compensation must be paid out of the funds appropriated therefor.
3. The attorney general may require payment for legal services rendered by any assistant or special assistant attorney general to any state official, board, department, agency, or commission and those entities shall make the required payment to the attorney general. Moneys received by the attorney general in payment for legal services rendered must be deposited into the attorney general's operating fund. General fund moneys may not be utilized for the payment of legal services provided by the attorneys employed by the attorney general, except for those payments required of the department of health and human services, department of environmental quality, and the state hospital.
4. An assistant or special assistant attorney general appointed to represent the state board of higher education or an institution under the control of the state board of higher education may access and examine any record under the control of the state board of higher education. For purposes of reviewing records under the Family Educational Rights and Privacy Act [20 U.S.C. 1232g; 34 CFR 99] or any other federal privacy law, the assistant or special assistant attorney general is considered a state educational official authorized to access student records.

SECTION 6. EMERGENCY. Section 3 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Senate Action

| | Base Budget | Senate Changes | Senate Version |
|------------------------------------|---------------------|--------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | | 70,550 | 70,550 |
| Information technology consultants | 450,000 | | 450,000 |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | 5,826,152 | 2,335,579 | 8,161,731 |
| General fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| FTE | 61.00 | 9.00 | 70.00 |

Department 117 - State Auditor - Detail of Senate Changes

| | Adjusts Funding for Cost to Continue Salaries ¹ | Adjusts Base Budget Funding ² | Adds Funding for Salary and Benefit Increases ³ | Adds Salary Equity Funding for Elected Officials ⁴ | Adds Local Government Division Audit Positions ⁵ | Adds 1 FTE Attorney Position ⁶ |
|------------------------------------|--|--|--|---|---|---|
| Salaries and wages | \$86,660 | \$17,593 | \$1,016,889 | \$26,748 | \$1,427,784 | \$265,292 |
| Operating expenses | | (17,593) | | | 126,500 | |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$86,660 | \$0 | \$1,016,889 | \$26,748 | \$1,554,284 | \$265,292 |
| Less estimated income | 23,627 | 0 | 402,836 | 0 | 1,554,284 | 0 |
| General fund | \$63,033 | \$0 | \$614,053 | \$26,748 | \$0 | \$265,292 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 7.00 | 1.00 |

| | Adds 1 FTE Education Coordinator Position ⁷ | Increases Funding for Temporary Salaries ⁸ | Increases Funding for Audit Software Upgrades ⁹ | Increases Funding for Information Technology ¹⁰ | Adds Funding for Capitol Space Rent Model ¹¹ | Adds One-Time Funding for Local Government Auditors ¹² |
|------------------------------------|--|---|--|--|---|---|
| Salaries and wages | \$218,672 | \$500,000 | | | | |
| Operating expenses | | | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$218,672 | \$500,000 | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Less estimated income | 0 | 250,000 | 61,266 | 6,566 | 0 | 0 |
| General fund | \$218,672 | \$250,000 | \$54,298 | \$11,103 | \$178,228 | \$21,000 |
| FTE | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | Adds One-Time Funding for Operating Expense Inflation ¹³ | Adds One-Time Funding for Audit Software Upgrades ¹⁴ | Adds One-Time Funding for Equipment ¹⁵ | Total Senate Changes |
|------------------------------------|---|---|---|----------------------|
| Salaries and wages | | | | \$3,559,638 |
| Operating expenses | \$81,000 | | | 522,368 |
| Capital assets | | \$45,550 | \$25,000 | 70,550 |
| Information technology consultants | | | | |
| Total all funds | \$81,000 | \$45,550 | \$25,000 | \$4,152,556 |
| Less estimated income | 37,000 | 0 | 0 | 2,335,579 |
| General fund | \$44,000 | \$45,550 | \$25,000 | \$1,816,977 |
| FTE | 0.00 | 0.00 | 0.00 | 9.00 |

¹ Funding is added for cost to continue salary increases.

² Base budget funding is adjusted to transfer \$17,593 from operating expenses to salaries

and wages.

³ The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

| | <u>General Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|---------------------------|---------------------|--------------------|--------------|
| Salary increase | \$432,963 | \$318,639 | \$751,602 |
| Health insurance increase | 181,090 | 84,197 | 265,287 |
| Total | \$614,053 | \$402,836 | \$1,016,889 |

⁴ Funding is added for providing a salary equity increase for the State Auditor. The State Auditor's annual salary is increased from the current level of \$114,486 to \$130,000 (13.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding is added from special funds in the agency's operating fund for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 2 FTE local government auditor II positions (\$415,480);
- 4 FTE local government auditor I positions (\$703,940); and
- Ongoing operating expenses of \$126,500 related to additional local government auditors.

⁶ Funding is added for 1 FTE attorney position.

⁷ Funding is added for 1 FTE education coordinator position.

⁸ Funding is added, including funding from special funds in the agency's operating fund, for temporary salaries for internships.

⁹ Funding is increased, including funding from federal and special funds, for operating costs related to audit software upgrades.

¹⁰ Funding is added, including funding from special funds in the agency's operating fund, for operating expenses related to Information Technology Department rate increases.

¹¹ Funding is added for operating expenses related to a new Capitol space rent model.

¹² One-time funding is added for operating expenses related to local government auditor positions.

¹³ One-time funding, including funding from federal and special funds, is added for operating expenses related to travel and professional development inflationary increases.

¹⁴ One-time funding is added for costs related to audit software upgrades.

¹⁵ One-time funding is added for capital costs related to the replacement of equipment over \$5,000.

This amendment also:

- Adds a section to provide a deficiency appropriation of \$24,358 from the State Auditor operating account to the State Auditor to refund audit fees to local governments whose audit costs exceeded 1 percent of their revenues during the biennium ended June 30, 2023;
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024;
- Adds a section to amend Section 54-12-08 relating to assistant and special assistant attorneys general to allow the State Auditor to employ an attorney; and

- Adds a section to declare the deficiency appropriation to be an emergency measure.

2023 HOUSE APPROPRIATIONS

SB 2004

Department 117 - State Auditor
Senate Bill No. 2004

First Chamber Comparison to Base Level

| | General Fund | Other Funds | Total |
|-------------------------------|---------------------|--------------------|--------------|
| 2023-25 First Chamber Version | \$10,670,795 | \$8,161,731 | \$18,832,526 |
| 2023-25 Base Level | 9,119,110 | 5,826,152 | 14,945,262 |
| Increase (Decrease) | \$1,551,685 | \$2,335,579 | \$3,887,264 |

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

Deficiency appropriation - Refund of audit fees - Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the 2021-23 biennium.

Salary of the State Auditor - Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

Emergency - Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

Section 3 of Senate Bill No. 2004 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the 2021-23 biennium.

Significant Audit Findings

The financial audit for the State Auditor's office, conducted by Eide Bailly LLP, Certified Public Accountants (Eide Bailly), for the biennium ended June 30, 2021, revealed two audit findings and related material weaknesses caused by human error, resulting in a misstatement of accounts receivable submitted to Eide Bailly and by a delay in review of payroll expenditures charged to the general and operating funds, resulting in a misstatement of prior period cash funds. Eide Bailly recommended financial statement account reconciliations be checked and reviewed prior to the audit and the State Auditor continue to use the payroll control procedures implemented in January 2020 to ensure that future financial statements are accurate.

Major Related Legislation

Senate Bill No. 2180 - Changes the requirement of state agencies to be audited from every 2 years to once every 2 to 4 years; changes the threshold of funding for political subdivisions that require an audit from \$750,000 to \$2,000,000; and increases the rate the State Auditor may charge political subdivisions for the review of audit reports submitted by independent firms from \$86 per hour to \$90 per hour.

Senate Bill No. 2259 - Limits charges for audits of agricultural commodity groups to \$6,000 for an annual financial statement audit or \$4,000 for a 2-year single-page financial statement audit performed during the biennium ending June 30, 2025, and limits increases to 5 percent on July 1st of each odd-numbered year thereafter.

House Bill No. 1235 - Provides for certain elected officials, including the State Auditor, to begin their term of office on December 1st succeeding their election.

House Bill No. 1245 - Requires each county provide a financial report to the State Auditor by February 1st of each year showing the ending balances of the county general fund and county road and bridge fund for the preceding calendar year.

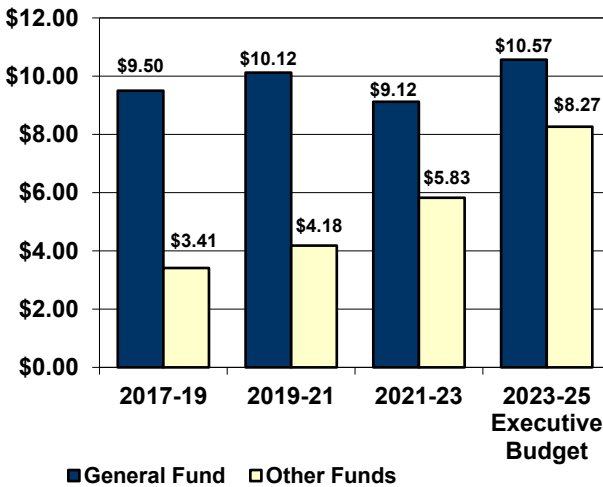
House Bill No. 1501 - Exempts commodity groups from state audit if the commodity group is subject to a federal audit due to a federally mandated checkoff associated with the group's national association.

House Bill No. 1508 - Requires all audits performed by the State Auditor to be reviewed and approved by a certified public accountant.

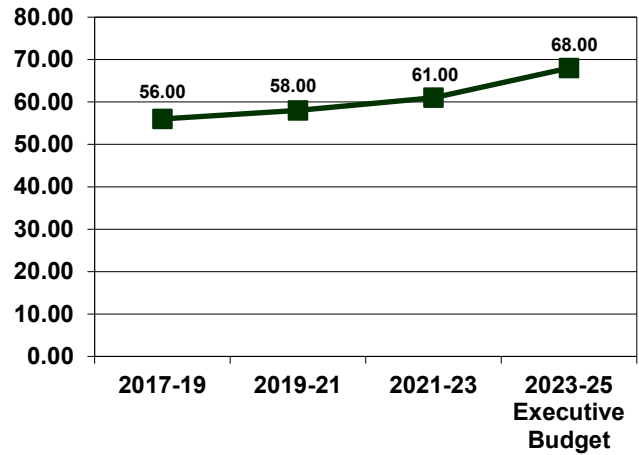
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|---|-------------|-------------|--------------|-------------|--------------------------|
| Ongoing general fund appropriations | \$9,776,582 | \$9,498,608 | \$10,106,860 | \$9,119,110 | \$10,430,951 |
| Increase (decrease) from previous biennium | N/A | (\$277,974) | \$608,252 | (\$987,750) | \$1,311,841 |
| Percentage increase (decrease) from previous biennium | N/A | (2.8%) | 6.4% | (9.8%) | 14.4% |
| Cumulative percentage increase (decrease) from 2015-17 biennium | N/A | (2.8%) | 3.4% | (6.7%) | 6.7% |

Major Increases (Decreases) in Ongoing General Fund Appropriations

2017-19 Biennium

- Restored funding for 4 FTE North Dakota University System audit positions removed by the State Auditor as part of the 2015-17 biennium budget reductions, including salaries and wages of \$611,300 and operating expenses of \$41,392 \$652,692
- Removed 2 FTE University System audit positions, including salaries and wages of \$297,135 and operating expenses of \$12,500 (\$309,635)
- Removed 1 FTE performance audit manager position (\$277,191)
- Removed 0.80 FTE administrative officer II position due to salaries and wages funding reductions \$0
- Reduced funding for operating expenses (\$101,615)
- Removed funding for IT consultants (\$250,000)

2019-21 Biennium

- Added funding for IT reviews of the Information Technology Department (ITD) and the University System to provide a total of \$450,000 for technology reviews, of which \$300,000 is from special funds from the University System \$150,000

2021-23 Biennium

- Removed 4 FTE Higher Education Division audit positions (\$854,231)
- Removed 1 vacant FTE auditor IV position, including salaries and wages and operating expenses (\$175,525)

2023-25 Biennium (Executive Budget Recommendation)

- Adds \$500,000, of which \$250,000 is from special funds in the agency's operating fund, for temporary salaries for internships \$250,000

- 2. Increases funding for added operating costs related to audit software upgrade \$54,298
- 3. Adds funding for a new Capitol space rent model \$178,228

One-Time General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|--------------------------------------|---------|---------|----------|---------|--------------------------------|
| One-time general fund appropriations | \$0 | \$0 | \$16,000 | \$0 | \$135,550 |

Major One-Time General Fund Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

Added one-time funding to replace a copier. \$16,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds one-time funding for office furniture related to local government auditor positions \$21,000
- 2. Adds one-time funding for travel and professional development inflationary increases \$44,000
- 3. Adds funding for one-time costs related to audit software upgrade \$45,550
- 4. Adds one-time funding for replacement of equipment over \$5,000 \$25,000

State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes

| | Executive Budget Recommendation | | | | Senate Version | | | |
|---|---------------------------------|--------------------|--------------------|--------------------|----------------|--------------------|--------------------|--------------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | \$63,033 | \$23,627 | \$86,660 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 | | 432,963 | 318,639 | 751,602 |
| Health insurance increase | | 177,018 | 82,304 | 259,322 | | 181,090 | 84,197 | 265,287 |
| Adds salary equity funding for elected officials | | | | 0 | | 26,748 | | 26,748 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 | 1.00 | | 308,364 | 308,364 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 | 2.00 | | 415,480 | 415,480 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 | 4.00 | | 703,940 | 703,940 |
| Adds funding for 1 FTE education coordinator position | | | | 0 | 1.00 | 218,672 | | 218,672 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | 250,000 | 250,000 | 500,000 |
| Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | 126,500 | 126,500 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | 54,298 | 61,266 | 115,564 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | 11,103 | 6,566 | 17,669 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | | 178,228 | | 178,228 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 | 8.00 | \$1,416,135 | \$2,298,579 | \$3,714,714 |

One-Time Funding Items

| | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|---------------------|--------------------|---------------------|
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 | | \$21,000 | | \$21,000 |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 | | 44,000 | \$37,000 | 81,000 |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 | | 45,550 | | 45,550 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 | | 25,000 | | 25,000 |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$135,550 | \$37,000 | \$172,550 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 | 8.00 | \$1,551,685 | \$2,335,579 | \$3,887,264 |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 | 69.00 | \$10,670,795 | \$8,161,731 | \$18,832,526 |
| <i>Federal funds included in other funds</i> | | | <i>\$1,482,390</i> | | | | <i>\$1,463,177</i> | |
| <i>Total ongoing changes as a percentage of base level</i> | <i>11.5%</i> | <i>14.4%</i> | <i>41.3%</i> | <i>24.9%</i> | <i>13.1%</i> | <i>15.5%</i> | <i>39.5%</i> | <i>24.9%</i> |
| <i>Total changes as a percentage of base level</i> | <i>11.5%</i> | <i>15.9%</i> | <i>41.9%</i> | <i>26.0%</i> | <i>13.1%</i> | <i>17.0%</i> | <i>40.1%</i> | <i>26.0%</i> |

Other Sections in State Auditor - Budget No. 117

| | Executive Budget Recommendation | Senate Version |
|---|--|---|
| Deficiency appropriation - Refund of audit fees | | Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. |
| Salary of the State Auditor | Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024. | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. |
| Emergency | | Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure. |

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Brynhild Haugland Room, State Capitol

SB 2004
3/20/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

8:33 AM Chairman Vigesaa Called the meeting to order and roll call was taken-

Members Present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Members not Present- Representative Hanson

Discussion Topics:

- Overview
- Billing Practices
- Audit Billing Hours
- Training Possibilities

James Carroll, State's Auditor's Office- Gives overview of agency procedures. (Testimony #25875)

Lyndsey Scheider ND Auditor's Office- Clarifies questions for the committee.

Daniel Cox, Quality Insurance ND Auditor's Office- Answers questions for committee

9:43 AM Josh Gallion- ND State Auditor- Answers question for committee

Additional written testimony: Jerry Waswick, Gwinner Volunteer Fire Department (Testimony #25868)

Ann Hafner, Operations Chief Killdeer Area Ambulance Service (Testimony #25876, #25880)

10:07 AM Chairman Vigesaa Closed the meeting for SB 2004

Risa Berube, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
3/20/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 10:19 AM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- Promotion of transparency
- Budget 117
- Biennial Audits
- Yearly Audits
- Additional FTE's
- Increased workload for audits.
- Increase in funds being Audited.
- Increase of overtime for FTE's
- Additional education needed.
- General Funds
- ARPA Funding

Josh Gallion, North Dakota State Auditor, (#25916)

Dan Cox, Quality Assurance Manager for the State Auditor, (#25916)

Josh Gallion answered questions for the committee.

Jerry Waswick, Board for the Volunteer Gwinner Rural Fire District (#25924)

James Carroll, Auditor, North Dakota Auditor's Office, Answered questions for the committee.

Ann Hafner, Paramedic for Killdeer County, Answered questions for the committee (#26000)

Additional written testimony:

- Jason Asche, Board for the Volunteer Gwinner Rural Fire District, (#25814)

Chairman Monson closed the hearing at 12:29 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
3/20/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 2:55 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- Auditors budget
- Budget 117
- Additional funding
- Special funding
- General Funding
- North Dakota State Auditors

Josh Gallion, North Dakota State Auditor, (#26092) answers questions for the committee.

James Carroll, Auditor, North Dakota Auditor's Office, (#25916)

Josh Gallion, Answered questions for the committee.

James Carroll continues with testimony.

Josh Gallion, answers questions for the committee

Additional Testimony: #25982

Chairman Monson closed the hearing at 4:38 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
4/10/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 2:16 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Meier, Rep. Pyle, Rep. Mock

Members absent: Rep. Kempenich

Discussion Topics:

- Budget 117
- Equity funding
- Additional FTE's

Committee discusses Auditor's Budget 117 (#27414)

Representative Pyle gave the committee a page off the auditor's website (#27419)

Additional Testimony: #27415

Chairman Monson closed the hearing at 4:01 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
4/11/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 2:33 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- Amendments (23.0258.03007) (23.0258.03005)
- Budget 117

Representative Pyle goes over amendment (23.0258.03007) (#27446)

Committee discusses Budget 117 (#27447)

Representative Brandenburg introduces amendment (23.0258.03005) (#27451)

Dan Cox, Auditors Office Quality Assurance manager, answers questions for the committee.

Josh Gallion, North Dakota's State Auditor, answers questions for the committee.

Dan Cox, answers questions for the committee

Chairman Monson closed the hearing at 4:43 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
4/12/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 9:30 AM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- Killdeer's rural fire services
- Auditing errors
- Education for sub-divisions

Chairman Monson discusses email that was sent to him from the auditor's office, regarding Vice Chairman Brandenburg's Amendment. (#27950)

Dan Cox, Quality Assurance Manager, North Dakota State Auditor's office, presented an audit example that was discussed in previous meetings. (#27489)

Chairman Monson closed the hearing at 11:20 AM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
4/13/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 2:19 PM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Members absent: Rep. Bellew

Discussion Topics:

- Amendment (23.0258.03010)
- Budget 117

Representative Pyle proposes and explains amendment (23.0258.03010) (#27542)

Vice Chairman Brandenburg moved to amend SB 2004 to give \$10,000 back to Killdeer County fire dept.

Representative Kempenich seconds motion

Roll call vote:

| Representatives | Vote |
|---------------------------------|-------------|
| Representative David Monson | N |
| Representative Mike Brandenburg | Y |
| Representative Larry Bellew | AB |
| Representative Keith Kempenich | Y |
| Representative Lisa Meier | N |
| Representative Corey Mock | N |
| Representative Brandy Pyle | N |

Motion fails: 2-4-1

Legislative Council goes over Budget 117 (#27447)

Representative Mock moves to adopt (23.0258.03009) (#27543) version of amendment and (23.0258.03010) version of amendment and the long sheet. (#27447)

Seconded by Representative Pyle

Roll call vote:

| Representatives | Vote |
|---------------------------------|-------------|
| Representative David Monson | Y |
| Representative Mike Brandenburg | Y |
| Representative Larry Bellew | AB |
| Representative Keith Kempenich | Y |
| Representative Lisa Meier | Y |
| Representative Corey Mock | Y |
| Representative Brandy Pyle | Y |

Motion carries: 6-0-1

Representative Mock moves a DO PASS as amended to SB 2004

Seconded by Representative Pyle

Roll call vote:

| Representatives | Vote |
|---------------------------------|-------------|
| Representative David Monson | Y |
| Representative Mike Brandenburg | Y |
| Representative Larry Bellew | AB |
| Representative Keith Kempenich | Y |
| Representative Lisa Meier | Y |
| Representative Corey Mock | Y |
| Representative Brandy Pyle | Y |

Motion carries: 6-0-1

Bill carrier: Representative Mock

Chairman Monson closed the hearing at 3:17 PM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

SB 2004
4/14/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

Chairman Monson opened the meeting at 10:02 AM

Members present: Chairman Monson, Vice Chair Brandenburg, Rep. Bellew, Rep. Kempenich, Rep. Meier, Rep. Pyle, Rep. Mock

Discussion Topics:

- Amendment 23.0258.03008

Committee discusses amendment (23.0258.03008) (#27561)

Chairman Monson closed the hearing at 10:08 AM

Leah Kuball, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

SB 2004
4/14/2023

| |
|--|
| A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor. |
|--|

11:08 AM Chairman Vigesaa Called the meeting to order and roll call was taken-

Members present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Meier, Representative Mitskog, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Members not Present- Representative Bellew, Representative Martinson, Representative Sanford and Representative Schatz

Discussion Topics:

- Amendment

Representative Mock – Gives statement of purpose and explains amendment 23.0258.03008 (Testimony #27568)

Representative Mock Move to adopt amendment 23.0258.03008

Representative Monson Seconds the Motion

Committee Discussion- Roll call vote

| Representatives | Vote |
|----------------------------------|------|
| Representative Don Vigesaa | Y |
| Representative Keith Kempenich | Y |
| Representative Bert Anderson | Y |
| Representative Larry Bellew | A |
| Representative Mike Brandenburg | Y |
| Representative Karla Rose Hanson | Y |
| Representative Gary Kreidt | Y |
| Representative Bob Martinson | A |
| Representative Lisa Meier | Y |
| Representative Alisa Mitskog | Y |
| Representative Corey Mock | Y |
| Representative David Monson | Y |
| Representative Mike Nathe | Y |
| Representative Jon O. Nelson | Y |

| | |
|------------------------------------|---|
| Representative Emily O'Brien | Y |
| Representative Brandy Pyle | Y |
| Representative David Richter | Y |
| Representative Mark Sanford | A |
| Representative Mike Schatz | A |
| Representative Randy A. Schobinger | Y |
| Representative Greg Stemen | Y |
| Representative Michelle Strinden | Y |
| Representative Steve Swiontek | Y |

Motion Carries 19-0-4

Representative Mock Move for a Do Pass as Amended

Representative Monson Seconds the Motion

Committee Discussion- Roll call vote

| Representatives | Vote |
|------------------------------------|-------------|
| Representative Don Vigesaa | Y |
| Representative Keith Kempenich | Y |
| Representative Bert Anderson | Y |
| Representative Larry Bellew | A |
| Representative Mike Brandenburg | Y |
| Representative Karla Rose Hanson | Y |
| Representative Gary Kreidt | Y |
| Representative Bob Martinson | A |
| Representative Lisa Meier | Y |
| Representative Alisa Mitskog | Y |
| Representative Corey Mock | Y |
| Representative David Monson | Y |
| Representative Mike Nathe | Y |
| Representative Jon O. Nelson | Y |
| Representative Emily O'Brien | Y |
| Representative Brandy Pyle | Y |
| Representative David Richter | Y |
| Representative Mark Sanford | A |
| Representative Mike Schatz | A |
| Representative Randy A. Schobinger | Y |
| Representative Greg Stemen | Y |
| Representative Michelle Strinden | Y |
| Representative Steve Swiontek | N |

Motion Carries 18-1-4 Representative Mock will carry the bill.

11:53 AM Chairman Vigesaa Closed the meeting for SB 2004

Risa Berube, Committee Clerk

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4/14/23
187

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 and a new section to chapter 54-10 of the North Dakota Century Code, relating to audits of the department of financial institutions and an audit report review period;"

Page 1, line 2, after "sections" insert "11-13-02, 54-10-01, and"

Page 1, line 2, after "to" insert "the duties of the county auditor, the powers and duties of the state auditor, and"

Page 1, line 3, replace "and to declare an emergency" with "to provide for a legislative management study; and to provide for a legislative management report"

Page 1, replace lines 12 through 19 with:

| | | | |
|------------------------------------|--------------|-------------|--------------|
| "Salaries and wages | \$13,123,559 | \$663,322 | \$13,786,881 |
| Operating expenses | 1,371,703 | 397,568 | 1,769,271 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | 450,000 | 0 | 450,000 |
| Total all funds | \$14,945,262 | \$1,131,440 | \$16,076,702 |
| Less estimated income | 5,826,152 | 399,500 | 6,225,652 |
| Total general fund | \$9,119,110 | \$731,940 | \$9,851,050 |
| Full-time equivalent positions | 61.00 | 3.00 | 64.00" |

Page 2, replace lines 2 through 8 with:

| | | |
|--|-----|------------|
| "Local government audit office furniture | \$0 | \$9,000 |
| Inflationary increases for travel and professional development | 0 | 40,500 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | 0 | 25,000 |
| Total all funds | \$0 | \$120,050 |
| Less estimated income | 0 | 18,500 |
| Total general fund | \$0 | \$101,550" |

Page 2, replace lines 13 through 18 with:

"SECTION 3. AMENDMENT. Section 11-13-02 of the North Dakota Century Code is amended and reenacted as follows:

11-13-02. Duties of county auditor.

The county auditor shall:

1. Act as clerk of the board of county commissioners and keep an accurate record of the official proceedings of the board.
2. Prepare a financial statement of the county annually unless otherwise ordered by the board of county commissioners.

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4/14/23
2 of 7

3. Upon receipt of any document, bond, or other paper required to be filed in the auditor's office, number and index the same and make the proper entries in the reception book.
4. Carefully preserve all documents, books, records, maps, and other papers required to be deposited or kept in the auditor's office.
5. Have recorded in the office of the recorder all bonds not issued by the state bonding fund that are required to be deposited in the auditor's office.
6. Perform and transact all county business without extra compensation.
7. Keep all books required to be kept by the board of county commissioners.
8. File and preserve in the auditor's office all accounts, vouchers, and other papers pertaining to the settlement of any and all accounts to which the county is a party, and copies of such papers certified under the hand and seal of the auditor shall be admitted as evidence in all courts in this state.
9. Perform all acts required of the auditor relative to the making out and delivering of notices of general and special elections, making abstracts of and canvassing the votes cast at an election, issuing certificates of election, and forwarding the abstract of votes cast to the secretary of state.
10. On or before August first of each odd-numbered year, report to the insurance commissioner the sound depreciated value of each county building or risk, and the contents therein.
11. On going out of office, deliver to the successor in office all moneys, books, records, documents, maps, papers, vouchers, and other property in the auditor's hands belonging to the county, and in case of the death of the auditor, the auditor's personal representatives shall deliver the same to the auditor's successor.
12. Notify political subdivisions within the county on an annual basis that the state auditor may require political subdivisions to provide annual reports in lieu of an audit pursuant to section 54-10-14.
13. Do and perform all acts not enumerated in this section which the auditor is required to do by law.

SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.

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- b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
- c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.
- d. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
- e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
- f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].

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4867

- g. Provide quarterly reports to the legislative audit and fiscal review committee of all audits performed and fees charged.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
 - d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.
3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"**SECTION 6.** Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

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5087

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

Audit report - Review period.

The state auditor shall provide the preliminary audit report, including all findings and recommendations, entity responses to the findings and recommendations, and any auditor responses, to the audited state entity, political subdivision, or occupational or professional board at least thirty days before the state auditor publishes the final audit report.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges of political subdivisions to obtain auditing services. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly."

Page 2, remove line 25

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - House Action

| | Base Budget | Senate Version | House Changes | House Version |
|------------------------------------|---------------------|---------------------|----------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$16,417,905 | (\$2,631,024) | \$13,786,881 |
| Operating expenses | 1,371,703 | 1,894,071 | (124,800) | 1,769,271 |
| Capital assets | | 70,550 | | 70,550 |
| Information technology consultants | 450,000 | 450,000 | | 450,000 |
| Total all funds | \$14,945,262 | \$18,832,526 | (\$2,755,824) | \$16,076,702 |
| Less estimated income | 5,826,152 | 8,161,731 | (1,936,079) | 6,225,652 |
| General fund | \$9,119,110 | \$10,670,795 | (\$819,745) | \$9,851,050 |
| FTE | 61.00 | 69.00 | (5.00) | 64.00 |

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6297

Department 117 - State Auditor - Detail of House Changes

| | Adds Funding for Salary and Benefit Increases ¹ | Removes Salary Funding for Funding Pool ² | Removes Local Government Division Audit Positions ³ | Removes 1 FTE Communications Position ⁴ | Decreases Funding for Temporary Salaries ⁵ | Decreases One-Time Funding for Local Government Auditors ⁶ |
|------------------------------------|--|--|--|--|---|---|
| Salaries and wages | \$171,097 | (\$1,467,289) | (\$868,074) | (\$166,758) | (\$300,000) | |
| Operating expenses | | | (72,300) | | | (\$12,000) |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$171,097 | (\$1,467,289) | (\$940,374) | (\$166,758) | (\$300,000) | (\$12,000) |
| Less estimated income | 45,835 | (873,040) | (940,374) | 0 | (150,000) | 0 |
| General fund | \$125,262 | (\$594,249) | \$0 | (\$166,758) | (\$150,000) | (\$12,000) |
| FTE | 0.00 | 0.00 | (4.00) | (1.00) | 0.00 | 0.00 |

| | Decreases One-Time Funding for Operating Expense Inflation ⁷ | Total House Changes |
|------------------------------------|---|----------------------|
| Salaries and wages | | (\$2,631,024) |
| Operating expenses | (\$40,500) | (124,800) |
| Capital assets | | |
| Information technology consultants | | |
| Total all funds | (\$40,500) | (\$2,755,824) |
| Less estimated income | (18,500) | (1,936,079) |
| General fund | (\$22,000) | (\$819,745) |
| FTE | 0.00 | (5.00) |

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

| | General Fund | Other Funds | Total |
|-----------------------------|------------------|-----------------|------------------|
| Salary increase | \$134,477 | \$47,728 | \$182,205 |
| Health insurance adjustment | (9,215) | (1,893) | (11,108) |
| Total | \$125,262 | \$45,835 | \$171,097 |

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

| | General Fund | Other Funds | Total |
|----------------------|--------------------|--------------------|----------------------|
| New FTE positions | (\$218,672) | (\$596,631) | (\$815,303) |
| Vacant FTE positions | (375,577) | (276,409) | (651,986) |
| Total | (\$594,249) | (\$873,040) | (\$1,467,289) |

³ Funding from special funds in the agency's operating fund is removed for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 1 FTE local government auditor II position (\$207,740);
- 2 FTE local government auditor I positions (\$351,970); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

⁴ Funding is removed for 1 FTE communications position to repurpose the position to 1 FTE education coordinator

MSB 4/14/23
7 of 7

position added by the Senate.

⁵ Funding for temporary salaries for internships is reduced to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁶ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000.

⁷ One-time funding, including funding from federal and special funds, is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$40,500.

In addition, this amendment:

- Removes the section related to the refund of local government audit fees;
- Adds a section to require county auditors to notify political subdivisions annually that the State Auditor may require the political subdivisions to provide annual reports in lieu of an audit;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide quarterly reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years;
- Adds a section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report;
- Adds a section to provide for a Legislative Management study of local government audit services; and
- Removes the emergency clause related to the refund of local government audit fees.

REPORT OF STANDING COMMITTEE

SB 2004, as reengrossed: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (18 YEAS, 1 NAY, 4 ABSENT AND NOT VOTING). Reengrossed SB 2004 was placed on the Sixth order on the calendar.

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 and a new section to chapter 54-10 of the North Dakota Century Code, relating to audits of the department of financial institutions and an audit report review period;"

Page 1, line 2, after "sections" insert "11-13-02, 54-10-01, and"

Page 1, line 2, after "to" insert "the duties of the county auditor, the powers and duties of the state auditor, and"

Page 1, line 3, replace "and to declare an emergency" with "to provide for a legislative management study; and to provide for a legislative management report"

Page 1, replace lines 12 through 19 with:

| | | | |
|------------------------------------|------------------|----------------|------------------|
| "Salaries and wages | \$13,123,559 | \$663,322 | \$13,786,881 |
| Operating expenses | 1,371,703 | 397,568 | 1,769,271 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$1,131,440 | \$16,076,702 |
| Less estimated income | <u>5,826,152</u> | <u>399,500</u> | <u>6,225,652</u> |
| Total general fund | \$9,119,110 | \$731,940 | \$9,851,050 |
| Full-time equivalent positions | 61.00 | 3.00 | 64.00" |

Page 2, replace lines 2 through 8 with:

| | | |
|--|----------|---------------|
| "Local government audit office furniture | \$0 | \$9,000 |
| Inflationary increases for travel and professional development | 0 | 40,500 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$120,050 |
| Less estimated income | <u>0</u> | <u>18,500</u> |
| Total general fund | \$0 | \$101,550" |

Page 2, replace lines 13 through 18 with:

"SECTION 3. AMENDMENT. Section 11-13-02 of the North Dakota Century Code is amended and reenacted as follows:

11-13-02. Duties of county auditor.

The county auditor shall:

1. Act as clerk of the board of county commissioners and keep an accurate record of the official proceedings of the board.
2. Prepare a financial statement of the county annually unless otherwise ordered by the board of county commissioners.
3. Upon receipt of any document, bond, or other paper required to be filed in the auditor's office, number and index the same and make the proper entries in the reception book.
4. Carefully preserve all documents, books, records, maps, and other papers required to be deposited or kept in the auditor's office.

5. Have recorded in the office of the recorder all bonds not issued by the state bonding fund that are required to be deposited in the auditor's office.
6. Perform and transact all county business without extra compensation.
7. Keep all books required to be kept by the board of county commissioners.
8. File and preserve in the auditor's office all accounts, vouchers, and other papers pertaining to the settlement of any and all accounts to which the county is a party, and copies of such papers certified under the hand and seal of the auditor shall be admitted as evidence in all courts in this state.
9. Perform all acts required of the auditor relative to the making out and delivering of notices of general and special elections, making abstracts of and canvassing the votes cast at an election, issuing certificates of election, and forwarding the abstract of votes cast to the secretary of state.
10. On or before August first of each odd-numbered year, report to the insurance commissioner the sound depreciated value of each county building or risk, and the contents therein.
11. On going out of office, deliver to the successor in office all moneys, books, records, documents, maps, papers, vouchers, and other property in the auditor's hands belonging to the county, and in case of the death of the auditor, the auditor's personal representatives shall deliver the same to the auditor's successor.
12. Notify political subdivisions within the county on an annual basis that the state auditor may require political subdivisions to provide annual reports in lieu of an audit pursuant to section 54-10-14.
13. Do and perform all acts not enumerated in this section which the auditor is required to do by law.

SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall

audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.

- d. Perform Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
 - e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
 - f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
 - g. Provide quarterly reports to the legislative audit and fiscal review committee of all audits performed and fees charged.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.

- d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.
3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"SECTION 6. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

Audit report - Review period.

The state auditor shall provide the preliminary audit report, including all findings and recommendations, entity responses to the findings and recommendations, and any auditor responses, to the audited state entity, political subdivision, or occupational or professional board at least thirty days before the state auditor publishes the final audit report.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges of political subdivisions to obtain auditing services. The legislative

management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly."

Page 2, remove line 25

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - House Action

| | Base Budget | Senate Version | House Changes | House Version |
|------------------------------------|--------------|----------------|---------------|---------------|
| Salaries and wages | \$13,123,559 | \$16,417,905 | (\$2,631,024) | \$13,786,881 |
| Operating expenses | 1,371,703 | 1,894,071 | (124,800) | 1,769,271 |
| Capital assets | | 70,550 | | 70,550 |
| Information technology consultants | 450,000 | 450,000 | | 450,000 |
| Total all funds | \$14,945,262 | \$18,832,526 | (\$2,755,824) | \$16,076,702 |
| Less estimated income | 5,826,152 | 8,161,731 | (1,936,079) | 6,225,652 |
| General fund | \$9,119,110 | \$10,670,795 | (\$819,745) | \$9,851,050 |
| FTE | 61.00 | 69.00 | (5.00) | 64.00 |

Department 117 - State Auditor - Detail of House Changes

| | Adds Funding for Salary and Benefit Increases ¹ | Removes Salary Funding for Pool ² | Removes Local Government Division Audit Positions ³ | Removes 1 FTE Communications Position ⁴ | Decreases Funding for Temporary Salaries ⁵ | Decreases One-Time Funding for Local Government Auditors ⁶ |
|------------------------------------|--|--|--|--|---|---|
| Salaries and wages | \$171,097 | (\$1,467,289) | (\$868,074) | (\$166,758) | (\$300,000) | |
| Operating expenses | | | (72,300) | | | (\$12,000) |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$171,097 | (\$1,467,289) | (\$940,374) | (\$166,758) | (\$300,000) | (\$12,000) |
| Less estimated income | 45,835 | (873,040) | (940,374) | 0 | (150,000) | 0 |
| General fund | \$125,262 | (\$594,249) | \$0 | (\$166,758) | (\$150,000) | (\$12,000) |
| FTE | 0.00 | 0.00 | (4.00) | (1.00) | 0.00 | 0.00 |

| | Decreases One-Time Funding for Operating Expense Inflation ⁷ | Total House Changes |
|------------------------------------|---|---------------------|
| Salaries and wages | | (\$2,631,024) |
| Operating expenses | (\$40,500) | (124,800) |
| Capital assets | | |
| Information technology consultants | | |
| Total all funds | (\$40,500) | (\$2,755,824) |
| Less estimated income | (18,500) | (1,936,079) |
| General fund | (\$22,000) | (\$819,745) |
| FTE | 0.00 | (5.00) |

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

| | General Fund | Other Funds | Total |
|-----------------------------|--------------|-------------|-----------|
| Salary increase | \$134,477 | \$47,728 | \$182,205 |
| Health insurance adjustment | (9,215) | (1,893) | (11,108) |
| Total | \$125,262 | \$45,835 | \$171,097 |

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is

removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

| | General Fund | Other Funds | Total |
|----------------------|-----------------|----------------|---------------|
| New FTE positions | (\$218,672) | (\$596,631) | (\$815,303) |
| Vacant FTE positions | (375,577) | (276,409) | (651,986) |
| Total | (\$594,249) | (\$873,040) | (\$1,467,289) |

³ Funding from special funds in the agency's operating fund is removed for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 1 FTE local government auditor II position (\$207,740);
- 2 FTE local government auditor I positions (\$351,970); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

⁴ Funding is removed for 1 FTE communications position to repurpose the position to 1 FTE education coordinator position added by the Senate.

⁵ Funding for temporary salaries for internships is reduced to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁶ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000.

⁷ One-time funding, including funding from federal and special funds, is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$40,500.

In addition, this amendment:

- Removes the section related to the refund of local government audit fees;
- Adds a section to require county auditors to notify political subdivisions annually that the State Auditor may require the political subdivisions to provide annual reports in lieu of an audit;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide quarterly reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years;
- Adds a section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report;
- Adds a section to provide for a Legislative Management study of local government audit services; and
- Removes the emergency clause related to the refund of local government audit fees.

2023 CONFERENCE COMMITTEE

SB 2004

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004 AM
4/24/2023
Conference Committee

| |
|---|
| A bill for an act to provide an appropriation for defraying the expenses of the State Auditor; the powers and duties of the state auditor, and the salary of the State Auditor; to provide for a legislative management study; and to provide for a legislative management report |
|---|

10:30 AM Chairman J. Roers opened the meeting.
Senators J. Roers, Erbele, and Representatives Monson, Pyle, and Mock are present.
Senator Vedaa is absent.

Discussion Topics:

- New full-time employees (FTEs)
- Internship Program funds
- Operating expenses
- IT upgrades
- Operating fund adjustments
- Local government audit costs
- Policy for county auditors
- Financial Institutions audit
- Audit review period
- "Shall consider" study – local government audit services
- Higher Education audit language
- Educator – communications position
- Deficiency appropriation
- Preliminary and final audit - definition of differences
- Local government FTEs – management structure

10:30 AM Toby Mertz, Legislative Fiscal Analyst, distributed budget long sheets.
Testimony #27851

11:00 AM Chairman J. Roers closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
4/24/2023 PM
Conference Committee

| |
|---|
| A bill for an act to provide an appropriation for defraying the expenses of the State Auditor; the powers and duties of the state auditor, and the salary of the State Auditor; to provide for a legislative management study; and to provide for a legislative management report |
|---|

3:59 PM Chairman J. Roers opened the meeting.
Senators J. Roers, Erbele, and Representatives Monson, Pyle, and Mock are present.
Senator Vedaa is absent.

Discussion Topics:

- New full-time employees (FTEs)
- General fund
- Financial audits
- Performance audits
- Publication of final audit results
- Stages of audit process
- Travel funds
- Reimbursement process for cost of audit

4:03 PM Dan Cox, Quality Assurance Manager ND Auditor's Office, testified. (No written testimony)

4:07 PM ND State Auditor Josh Galleon testified. (No written testimony)

4:31 Chairman Roers closed the meeting.

Carol Thompson, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

SB 2004
4/25/2023
Conference Committee

| |
|---|
| <p>A bill for an act to provide an appropriation for defraying the expenses of the State Auditor; the powers and duties of the state auditor, and the salary of the State Auditor; to provide for a legislative management study; and to provide for a legislative management report.</p> |
|---|

11:03 AM Chairman J. Roers opened the meeting.
Senators J. Roers, Erbele, Vedaa and Representatives Monson, Pyle, and Mock are present.

Discussion Topics:

- Audit practices

11:04 AM Representative Pyle distributed proposed amendment language.
Testimony #27880

11:06 AM Chairman J. Roers distributed a request from the County Auditors Association.
Testimony #27877

11:10 AM Dan Cox, Quality Assurance Manager for the ND State Auditor's Office, testified.
(No written testimony)

11:12 Legislative Council Senior Fiscal Analyst Sheila Sandness summarized the list of amendments the Conference committee has agreed upon. Testimony #27851

11:26 AM Representative Mock moved that the House recede from its amendments and further amend SB 2004 to include the changes that were discussed and adopted by consensus through this conference committee.

Senator Erbele seconded the motion.

11:27 AM Roll call vote – motion passed 6-0-0.

Senator J. Roers is the Senate carrier.

Representative Mock is the House carrier.

11:28 AM Chairman Roers closed the meeting.

Carol Thompson, Committee Clerk

UMG
4/24/23
1066

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

That the House recede from its amendments as printed on pages 1726-1732 of the Senate Journal and pages 2011-2017 of the House Journal and that Reengrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 of the North Dakota Century Code, relating to audits of the department of financial institutions;"

Page 1, line 2, after "sections" insert "54-10-01 and"

Page 1, line 2, after "to" insert "the powers and duties of the state auditor and"

Page 1, line 3, after the semicolon insert "to provide for a legislative management study; to provide for a legislative management report;"

Page 1, replace lines 12 through 19 with:

| | | | |
|------------------------------------|------------------|----------------|------------------|
| "Salaries and wages | \$13,123,559 | \$945,944 | \$14,069,503 |
| Operating expenses | 1,371,703 | 416,068 | 1,787,771 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$1,432,562 | \$16,377,824 |
| Less estimated income | <u>5,826,152</u> | <u>518,000</u> | <u>6,344,152</u> |
| Total general fund | \$9,119,110 | \$914,562 | \$10,033,672 |
| Full-time equivalent positions | 61.00 | 4.00 | 65.00" |

Page 2, replace lines 2 through 8 with:

| | | |
|--|----------|---------------|
| "Local government audit office furniture | \$0 | \$9,000 |
| Inflationary increases for travel and professional development | 0 | 59,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$138,550 |
| Less estimated income | <u>0</u> | <u>37,000</u> |
| Total general fund | \$0 | \$101,550" |

Page 2, line 14, replace "state auditor operating account" with "general fund"

Page 2, line 15, replace "\$24,358" with "\$11,000"

Page 2, line 16, remove "providing refunds to local governments whose audit fees"

Page 2, line 17, replace "exceeded one percent of their revenues" with "refunding audit fees to a certain political subdivision"

Page 2, line 18, after the period insert "To be eligible for a refund, the political subdivision must have been required to submit an audit report to the state auditor because the entity's revenue exceeded the audit threshold for a single year, pursuant to section 54-10-14 prior to the enactment of Senate Bill No. 2180, as approved by the sixty-eighth legislative assembly, due to one-time funding and contracted with the state auditor for an audit.

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SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.
 - d. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;

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- (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
 - e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
 - f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
 - g. Report to the legislative audit and fiscal review committee regarding final report distribution policies and practices and any final audit reports released to the public prior to distribution of the final audit report to all individuals charged with the governance of the audit client.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
 - d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.

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3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"SECTION 6. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges of political subdivisions to obtain auditing services. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Conference Committee Action

| | Base Budget | Senate Version | Conference Committee Changes | Conference Committee Version | House Version | Comparison to House |
|------------------------------------|---------------------|---------------------|------------------------------|------------------------------|---------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$16,417,905 | (\$2,348,402) | \$14,069,503 | \$13,786,881 | \$282,622 |
| Operating expenses | 1,371,703 | 1,894,071 | (106,300) | 1,787,771 | 1,769,271 | 18,500 |
| Capital assets | | 70,550 | | 70,550 | 70,550 | |
| Information technology consultants | 450,000 | 450,000 | | 450,000 | 450,000 | |
| Total all funds | \$14,945,262 | \$18,832,526 | (\$2,454,702) | \$16,377,824 | \$16,076,702 | \$301,122 |
| Less estimated income | 5,826,152 | 8,161,731 | (1,817,579) | 6,344,152 | 6,225,652 | 118,500 |
| General fund | \$9,119,110 | \$10,670,795 | (\$637,123) | \$10,033,672 | \$9,851,050 | \$182,622 |
| FTE | 61.00 | 69.00 | (4.00) | 65.00 | 64.00 | 1.00 |

Department 117 - State Auditor - Detail of Conference Committee Changes

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| | Adds Funding for Salary and Benefit Increases ¹ | Removes Salary Funding for Funding Pool ² | Removes Local Government Division Audit Positions ³ | Decreases Funding for Temporary Salaries ⁴ | Decreases One-Time Funding for Local Government Auditors ⁵ | Decreases One-Time Funding for Operating Expense Inflation ⁶ |
|------------------------------------|--|--|--|---|---|---|
| Salaries and wages | \$197,711 | (\$1,610,418) | (\$735,695) | (\$200,000) | | |
| Operating expenses | | | (72,300) | | (\$12,000) | (\$22,000) |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$197,711 | (\$1,610,418) | (\$807,995) | (\$200,000) | (\$12,000) | (\$22,000) |
| Less estimated income | 56,585 | (1,016,169) | (807,995) | (50,000) | 0 | 0 |
| General fund | \$141,126 | (\$594,249) | \$0 | (\$150,000) | (\$12,000) | (\$22,000) |
| FTE | 0.00 | 0.00 | (4.00) | 0.00 | 0.00 | 0.00 |

| | Total Conference Committee Changes |
|------------------------------------|---|
| Salaries and wages | (\$2,348,402) |
| Operating expenses | (106,300) |
| Capital assets | |
| Information technology consultants | |
| Total all funds | (\$2,454,702) |
| Less estimated income | (1,817,579) |
| General fund | (\$637,123) |
| FTE | (4.00) |

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

| | <u>General Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|-----------------------------|---------------------|--------------------|------------------|
| Salary increase | \$145,198 | \$58,478 | \$203,676 |
| Health insurance adjustment | (4,072) | (1,893) | (5,965) |
| Total | \$141,126 | \$56,585 | \$197,711 |

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below, the same as the House. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

| | <u>General Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|----------------------|---------------------|----------------------|----------------------|
| New FTE positions | (\$218,672) | (\$739,760) | (\$958,432) |
| Vacant FTE positions | (375,577) | (276,409) | (651,986) |
| Total | (\$594,249) | (\$1,016,169) | (\$1,610,418) |

³ Funding from special funds in the agency's operating fund is removed for 4 FTE local government audit positions and related ongoing funding for operating expenses is reduced as follows:

- 1 FTE local government auditor II position (\$207,740);
- 3 FTE local government auditor I positions (\$527,955); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

The Conference Committee provided 3 new FTE positions in the Local Government Audit Division, including 1 FTE local government audit manager position, 1 FTE local government auditor II position, and 1 FTE local government auditor I position.

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The Senate provided 7 new FTE positions in the Local Government Audit Division, including 1 FTE local government audit manager position, 2 FTE local government auditor II positions, and 4 FTE local government auditor I positions.

The House provided 3 new FTE positions in the Local Government Audit Division, including 1 FTE local government auditor II position, and 2 FTE local government auditor I positions.

⁴ Funding for temporary salaries for internships is reduced to provide a total of \$300,000, of which \$100,000 is from the general fund and \$200,000 is from special funds in the agency's operating fund. The Senate provided a total of \$500,000, of which \$250,000 is from the general fund and \$250,000 is from special funds in the agency's operating fund. The House reduced the funding to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁵ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000, the same as the House version. The Senate provided a total of \$21,000 for 7 new FTE positions.

⁶ One-time funding is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$59,000, of which \$22,000 is from the general fund. The Senate provided a total of \$81,000, of which \$44,000 is from the general fund. The House provided a total of \$40,500, of which \$22,000 is from the general fund.

In addition, this amendment:

- Retains a section added by the Senate but removed by the House to provide a deficiency appropriation for a refund of local government audit fees; however, the funding source is changed to the general fund and the amount is reduced;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees, the same as the House version;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years, the same as the House version;
- Adds a section to provide for a Legislative Management study of local government audit services, the same as the House version; and
- Retains the emergency clause related to the refund of local government audit fees included in the Senate version but which the House removed.

The Conference Committee did not include:

- A section to require county auditors to notify political subdivisions annually that the State Auditor may require political subdivisions to provide annual reports in lieu of an audit, included in the House version; or
- A section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report, included by the House. However, a report to the Legislative Audit and Fiscal Review Committee, regarding instances where the State Auditor did not provide a final audit report to the client prior to public release, was added to North Dakota Century Code Section 54-10-01, related to the powers and duties of the State Auditor.

**2023 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. SB 2004 as (re) engrossed

Senate "Enter committee name" **Committee**

- Action Taken**
- SENATE accede to House Amendments**
 - SENATE accede to House Amendments and further amend**
 - HOUSE recede from House amendments**
 - HOUSE recede from House amendments and amend as follows**
 - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Representative Mock Seconded by: Senator Erbele

| Senators | 4/24 AM | 4/24 PM | 4/25 | Yes | No | Representatives | 4/24 AM | 4/24 PM | 4/25 | Yes | No |
|-------------------|---------|---------|------|-----|----|-----------------|---------|---------|------|-----|----|
| Jim Roers | X | X | X | X | | David Monson | X | X | X | X | |
| Bob Erbele | X | X | X | X | | Brandy Pyle | X | X | X | X | |
| Shawn Vedaa | X | X | X | X | | Corey Mock | X | X | X | X | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Total Senate Vote | | | | | | Total Rep. Vote | | | | | |

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Senator Roers House Carrier Representative Mock

LC Number 23.0258 . .03013 of amendment

LC Number 23.0258 . 05000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Representative Mock moved that the House recede from its amendments and further amend SB 2004 to include the changes that were discussed and adopted by consensus through the work of this conference committee.

REPORT OF CONFERENCE COMMITTEE

SB 2004, as reengrossed: Your conference committee (Sens. J. Roers, Erbele, Vedaa and Reps. Monson, Pyle, Mock) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1726-1732, adopt amendments as follows, and place SB 2004 on the Seventh order:

That the House recede from its amendments as printed on pages 1726-1732 of the Senate Journal and pages 2011-2017 of the House Journal and that Reengrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 of the North Dakota Century Code, relating to audits of the department of financial institutions,"

Page 1, line 2, after "sections" insert "54-10-01 and"

Page 1, line 2, after "to" insert "the powers and duties of the state auditor and"

Page 1, line 3, after the semicolon insert "to provide for a legislative management study; to provide for a legislative management report;"

Page 1, replace lines 12 through 19 with:

| | | | |
|------------------------------------|------------------|----------------|------------------|
| "Salaries and wages | \$13,123,559 | \$945,944 | \$14,069,503 |
| Operating expenses | 1,371,703 | 416,068 | 1,787,771 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$1,432,562 | \$16,377,824 |
| Less estimated income | <u>5,826,152</u> | <u>518,000</u> | <u>6,344,152</u> |
| Total general fund | \$9,119,110 | \$914,562 | \$10,033,672 |
| Full-time equivalent positions | 61.00 | 4.00 | 65.00" |

Page 2, replace lines 2 through 8 with:

| | | |
|--|----------|---------------|
| "Local government audit office furniture | \$0 | \$9,000 |
| Inflationary increases for travel and professional development | 0 | 59,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$138,550 |
| Less estimated income | <u>0</u> | <u>37,000</u> |
| Total general fund | \$0 | \$101,550" |

Page 2, line 14, replace "state auditor operating account" with "general fund"

Page 2, line 15, replace "\$24,358" with "\$11,000"

Page 2, line 16, remove "providing refunds to local governments whose audit fees"

Page 2, line 17, replace "exceeded one percent of their revenues" with "refunding audit fees to a certain political subdivision"

Page 2, line 18, after the period insert "To be eligible for a refund, the political subdivision must have been required to submit an audit report to the state auditor because the entity's revenue exceeded the audit threshold for a single year, pursuant to section 54-10-14 prior to the enactment of Senate Bill No. 2180, as approved by the sixty-eighth legislative assembly, due to one-time funding and contracted with the state auditor for an audit.

SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.
 - d. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.

- e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
 - f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
 - g. Report to the legislative audit and fiscal review committee regarding final report distribution policies and practices and any final audit reports released to the public prior to distribution of the final audit report to all individuals charged with the governance of the audit client.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
 - d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.
3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"SECTION 6. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges of political subdivisions to obtain auditing services. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Conference Committee Action

| | Base Budget | Senate Version | Conference Committee Changes | Conference Committee Version | House Version | Comparison to House |
|------------------------------------|---------------------|---------------------|------------------------------|------------------------------|---------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$16,417,905 | (\$2,348,402) | \$14,069,503 | \$13,786,881 | \$282,622 |
| Operating expenses | 1,371,703 | 1,894,071 | (106,300) | 1,787,771 | 1,769,271 | 18,500 |
| Capital assets | | 70,550 | | 70,550 | 70,550 | |
| Information technology consultants | 450,000 | 450,000 | | 450,000 | 450,000 | |
| Total all funds | \$14,945,262 | \$18,832,526 | (\$2,454,702) | \$16,377,824 | \$16,076,702 | \$301,122 |
| Less estimated income | 5,826,152 | 8,161,731 | (1,817,579) | 6,344,152 | 6,225,652 | 118,500 |
| General fund | \$9,119,110 | \$10,670,795 | (\$637,123) | \$10,033,672 | \$9,851,050 | \$182,622 |
| FTE | 61.00 | 69.00 | (4.00) | 65.00 | 64.00 | 1.00 |

Department 117 - State Auditor - Detail of Conference Committee Changes

| | Adds Funding for Salary and Benefit Increases ¹ | Removes Salary Funding for Funding Pool ² | Removes Local Government Division Audit Positions ³ | Decreases Funding for Temporary Salaries ⁴ | Decreases One-Time Funding for Local Government Auditors ⁵ | Decreases One-Time Funding for Operating Expense Inflation ⁶ |
|------------------------------------|--|--|--|---|---|---|
| Salaries and wages | \$197,711 | (\$1,610,418) | (\$735,695) | (\$200,000) | | |
| Operating expenses | | | (72,300) | | (\$12,000) | (\$22,000) |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$197,711 | (\$1,610,418) | (\$807,995) | (\$200,000) | (\$12,000) | (\$22,000) |
| Less estimated income | 56,585 | (1,016,169) | (807,995) | (50,000) | 0 | 0 |
| General fund | \$141,126 | (\$594,249) | \$0 | (\$150,000) | (\$12,000) | (\$22,000) |
| FTE | 0.00 | 0.00 | (4.00) | 0.00 | 0.00 | 0.00 |

Insert LC: 23.0258.03013
Senate Carrier: J. Roers
House Carrier: Mock

Salaries and wages
 Operating expenses
 Capital assets
 Information technology consultants

 Total all funds
 Less estimated income
 General fund

 FTE

| | |
|---|---------------|
| Total Conference Committee Changes | |
| | (\$2,348,402) |
| | (106,300) |
| | |
| | (\$2,454,702) |
| | (1,817,579) |
| | |
| | (\$637,123) |
| | |
| | (4.00) |

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

| | General Fund | Other Funds | Total |
|-----------------------------|-------------------------|------------------------|--------------|
| Salary increase | \$145,198 | \$58,478 | \$203,676 |
| Health insurance adjustment | (4,072) | (1,893) | (5,965) |
| Total | \$141,126 | \$56,585 | \$197,711 |

The Senate provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below, the same as the House. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

| | General Fund | Other Funds | Total |
|----------------------|-------------------------|------------------------|---------------|
| New FTE positions | (\$218,672) | (\$739,760) | (\$958,432) |
| Vacant FTE positions | (375,577) | (276,409) | (651,986) |
| Total | (\$594,249) | (\$1,016,169) | (\$1,610,418) |

³ Funding from special funds in the agency's operating fund is removed for 4 FTE local government audit positions and related ongoing funding for operating expenses is reduced as follows:

- 1 FTE local government auditor II position (\$207,740);
- 3 FTE local government auditor I positions (\$527,955); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

The Conference Committee provided 3 new FTE positions in the Local Government Audit Division, including 1 FTE local government audit manager position, 1 FTE local government auditor II position, and 1 FTE local government auditor I position.

The Senate provided 7 new FTE positions in the Local Government Audit Division, including 1 FTE local government audit manager position, 2 FTE local government auditor II positions, and 4 FTE local government auditor I positions.

The House provided 3 new FTE positions in the Local Government Audit Division, including 1 FTE local government auditor II position, and 2 FTE local government auditor I positions.

⁴ Funding for temporary salaries for internships is reduced to provide a total of \$300,000, of which \$100,000 is from the general fund and \$200,000 is from special funds in the agency's operating fund. The Senate provided a total of \$500,000, of which \$250,000 is from the general fund and \$250,000 is from special funds in the agency's operating fund. The House reduced the funding to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁵ One-time funding for operating expenses related to local government auditor positions is

reduced to provide a total of \$9,000, the same as the House version. The Senate provided a total of \$21,000 for 7 new FTE positions.

⁶ One-time funding is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$59,000, of which \$22,000 is from the general fund. The Senate provided a total of \$81,000, of which \$44,000 is from the general fund. The House provided a total of \$40,500, of which \$22,000 is from the general fund.

In addition, this amendment:

- Retains a section added by the Senate but removed by the House to provide a deficiency appropriation for a refund of local government audit fees; however, the funding source is changed to the general fund and the amount is reduced;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees, the same as the House version;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years, the same as the House version;
- Adds a section to provide for a Legislative Management study of local government audit services, the same as the House version; and
- Retains the emergency clause related to the refund of local government audit fees included in the Senate version but which the House removed.

The Conference Committee did not include:

- A section to require county auditors to notify political subdivisions annually that the State Auditor may require political subdivisions to provide annual reports in lieu of an audit, included in the House version; or
- A section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report, included by the House. However, a report to the Legislative Audit and Fiscal Review Committee, regarding instances where the State Auditor did not provide a final audit report to the client prior to public release, was added to North Dakota Century Code Section 54-10-01, related to the powers and duties of the State Auditor.

Reengrossed SB 2004 was placed on the Seventh order of business on the calendar.

TESTIMONY

SB 2004



Office of the
State Auditor

Budget Bill Testimony

2023-2025 Legislative Session

Senate Appropriations

January 11, 2023

Good morning, Chairman Bekkedahl, members of the committee, my name is Joshua Gallion, and I have the honor of serving as North Dakota's State Auditor. I'm here today to discuss how the State Auditor's Office can better serve our state and provide information regarding our efforts to fulfill our statutory obligations while improving accountability and promoting transparency of state and local governments, and institutions of higher education.

As you are aware, the State Auditor is a constitutional state official elected by North Dakota citizens. My job is to lead the way in providing truthful, objective and independent information to you and the citizens of North Dakota. Our mission is to produce informative audits that improve government, and our diverse team is committed to generating greater value for the taxpayers.

As requested by the committee, I'd like to start off by giving you a high-level overview of what we do and who benefits from the work that we do.

- Mission/Vision/Values
- 5 different divisions
- 61 full-time employees, 18 of which are special funded who audit local governments
- Three office locations in Bismarck and in Fargo
- Who we serve
- How we're funded

I understand we're going to go in more depth with the Division meeting later this month so today I'll give you an overview of the key budget requests and leave plenty of time for questions.

We submitted seven decision packages that I'm going to briefly walk you through:

1. 14 Special Funded full-time employees

There is a continued need for more local government auditors. We were fortunate enough to get eight last legislative session and I am happy to report that we've filled them all within the first 16 months of the biennium. We're now back asking for additional resources in our attempt to meet the demands of local government audit services.

We have testified in the past that the number of private firms conducting local government audits in North Dakota is shrinking. There are now 11 firms, three fewer than in the previous biennium who are still conducting these audits. Of those 11, 2 firms have dropped 22 clients since last session citing

workforce issues. If you are not already aware, Senator Klein is proposing a bill that will greatly relieve some of these pressures on local governments while continuing to ensure accountability and change the trajectory of the audit industry in North Dakota for the better.

2. 6 General Funded full-time employees

Four Auditors

We're asking that you restore the one general funded full-time position that was taken last session and add an additional three to accommodate the 51% increase in federal funding that needs to be audited under the Federal Single Audit. As a reminder, we do bill the federal government for work done under this audit so portions of those salaries will be recouped.

A conversation that has internally been ongoing since I took office was the potential need to keep an audit team at the Department of Human Services year-round. With the combining of Health and Human Services this past session, the time has come for us to have a constant presence in HHS due to the complexity of the agency, the breadth of programs, and the increased risk in joining two agencies fiscal practices into one.

Attorney

The fifth position we're asking for is our own Special Assistant Attorney General.

Audits routinely and frequently involve North Dakota Century Code and the Auditor's Office looks for agency compliance. Presently the Auditor's Office must contact the Attorney General's office to obtain an opinion or interpretation of N.D.C.C., or to assist in interpreting legislative intent. The current arrangement can be time-consuming. For example, Labor Commission is only planned and budgeted for two weeks of time for our team, from start to finish. When we need assistance from the AG's Office, that can extend the completion of our audit by weeks that we simply do not have because we're already scheduled to move on to another engagement.

We're often left in conflicts, most recently evident by our investigation of the Attorney General building lease. We found ourselves needing answers to legal questions with nowhere to turn and no time to procure any outside legal advice under our 90-day deadline. We're now on our 3rd SAAG in the past 4 years and we must start over educating this person on auditing standards and our section of code.

Each SAAG assigned to state agencies has a portfolio. They have dozens of agencies, boards and commissions they represent. Our SAAG is not unlike any other. However, we audit all state agencies and some boards and commissions. That creates a conflict of interest. When our SAAG represents the client AND us, we have to wait and get assigned another attorney for the audit who is completely unfamiliar with auditing standards and our Chapter of N.D.C.C.

Education and Training Coordinator

The final general funded position we're asking for is an education and training coordinator.

Since I took office, we've seen an increase in the demand for education and training for the local government officials that we interact with daily. Unlike the state agencies that we work with, most of these local governments don't have trained accountants managing their books. Some are part time and even volunteers.

Government accounting and auditing standards are ever changing and are becoming more and more stringent in their requirements and these local governments don't have the resources to educate their staff on these requirements.

We've found through a little education, these entities better understand the accounting standards they need to follow, how the Auditor's Office can be helpful, and ultimately what necessary steps they need to take to ensure financial accountability to their citizens.

Education assists in speeding up audits, thus reducing audit costs and allowing us to serve more clients with the same number of staff. To emphasize this issue, I'd like to share a little fact, 92% of the cities who submitted annual financial reports to our office had a finding throughout the course of their annual review. With the right education and training, and of course participation, this number should drop substantially.

Up to this point, we have tried to take on these added responsibilities in addition to our already full workload of doing actual audits. This person would solely focus on education and training for these local governments by producing resources, tools, webinars, videos, etc.

3. Equity Package of 10%

In the United States, there's been a 17% decline in accountants and auditors leaving their jobs in the past two years, and the number of college students coming into the field can't fill the gap. The North Dakota University System and private colleges combined are graduating less than 250 students per year while the number of job openings for accountants and auditors is exceeding 400+ per year. Once we recruit these students into these positions, we must have the means to keep their salaries competitive in order to retain them.

The SAO realizes the world is changing rapidly and our legislative increases are not keeping up with inflation and cost of living. In addition, the salary gap with private business has made it tough to retain current staff and recruit experienced ones. Data provided by the North Dakota Labor Market Information from 2021 supports the office's request and shows employees under five years of service are up to 10% behind the North Dakota average for accountants and auditors.

4. Temp Salary Line

I am proud to say that the Auditor's Office doesn't have a recruitment issue. In fact, our strong internship program has been our main talent pipeline for filling vacant full-time positions. Since 2018, we've hired 30 interns and have filled FTE vacancies with 12 of them. Our internship program is keeping North Dakota students right here in North Dakota upon graduation. We currently have ten interns on staff and are the second largest internship program behind the NDDOT.

Our local government team is responsible for reviewing 2000 annual financial reports every calendar year under the direction of full-time staff. This business function relies on interns being able to help process and review these while the full-time staff focus primarily on audits. Without these interns to do this work we would have to have additional FTE to do it and, as you know, that comes at a higher price for the taxpayers.

Up to this point, we've used excess salary fund dollars to fund our internship program. What we've found is when we cross biennium's, we can find ourselves in a situation where we are fully-staffed and may not have dollars to support our talent pipeline of interns.

5. Training & Development Inflationary Increase

With the recent inflationary increases, travel and professional development costs have increased drastically and there is a need for additional operating money to continue auditing and training at current levels.

Government auditors are required to have 80 hours of continuing professional education every two years. To achieve this, we attend conferences, participate in webinars, and use online subscription based professional development platforms to adhere to the requirement.

6. TeamMate Upgrade

The IT system the Auditor's Office uses for its electronic working papers, a system which is essential to each audit, has end of life approaching and will require an upgrade to TeamMate +. End of life was originally December 2023 but has been pushed back a bit due to COVID, but expectations are our current version will have no support soon.

This is the primary software used by our audit teams to conduct their audits and our auditors spend 80% of their day in TeamMate. Other agencies, such as BND, DOT, and Trust Lands have already migrated, but do not have the level of use the SAO does with the software.

7. Dickinson Office Space

Many local government clients in Western North Dakota are struggling to find an auditor to conduct their audits. Some private firms are removing themselves from the government auditing field due to differing reasons, but this is leaving local governments in a tough spot. Opening a Dickinson office would allow the SAO to be closer to clients and assist these clients face-to-face. 27 of the 45 on our waiting list, or 60%, are from the western part of the state.

The only businesses serving clients out west are either coming from Bismarck or Montana.

This concludes my testimony and I'm happy to answer any questions you may have. Thank you.



Office of the
State Auditor

BUDGET BILL TESTIMONY

OFFICE OF THE STATE AUDITOR

SB2004 SENATE APPROPRIATIONS





MISSION

**We produce
informative audits to
improve government**

VISION

**A diverse team
committed to
generating greater
value for taxpayers**



VALUES





DIVISIONS



JOSHUA C. GALLION
State Auditor

DEPUTY STATE
AUDITOR

UNIVERSITY SYSTEM
PERFORMANCE

LOCAL
GOVERNMENT

AGENCY

MINERAL
ROYALTIES

OPERATIONS



R E Q U E S T I N G

14

Special Funded FTE

**To help meet
the tremendous need**





REQUESTING 6 GENERAL FUNDED FTE

4

Auditors

1

Attorney

1

**Education
Coordinator**



WHY IS AN EDUCATION COORDINATOR NEEDED?

- **Speed up audits**
- **Reduce audit costs**
- **Allows us to serve more audit clients**



EQUITY PACKAGE

Auditors with under five years of service are underpaid by up to

10%

Compared to the average pay for accountants and auditors in ND



TEMPORARY SALARY LINE

OUR TEAM

61

Full-time
employees

10

Interns as
of Jan. 2023

17

Total interns
this biennium

5

Vacancies
projected to be
filled with interns



TRAINING AND DEVELOPMENT INFLATIONARY INCREASE



The **United States Government Accountability Office** requires **80 hours** of continuing education to maintain our professional licenses.



TeamMate Upgrade

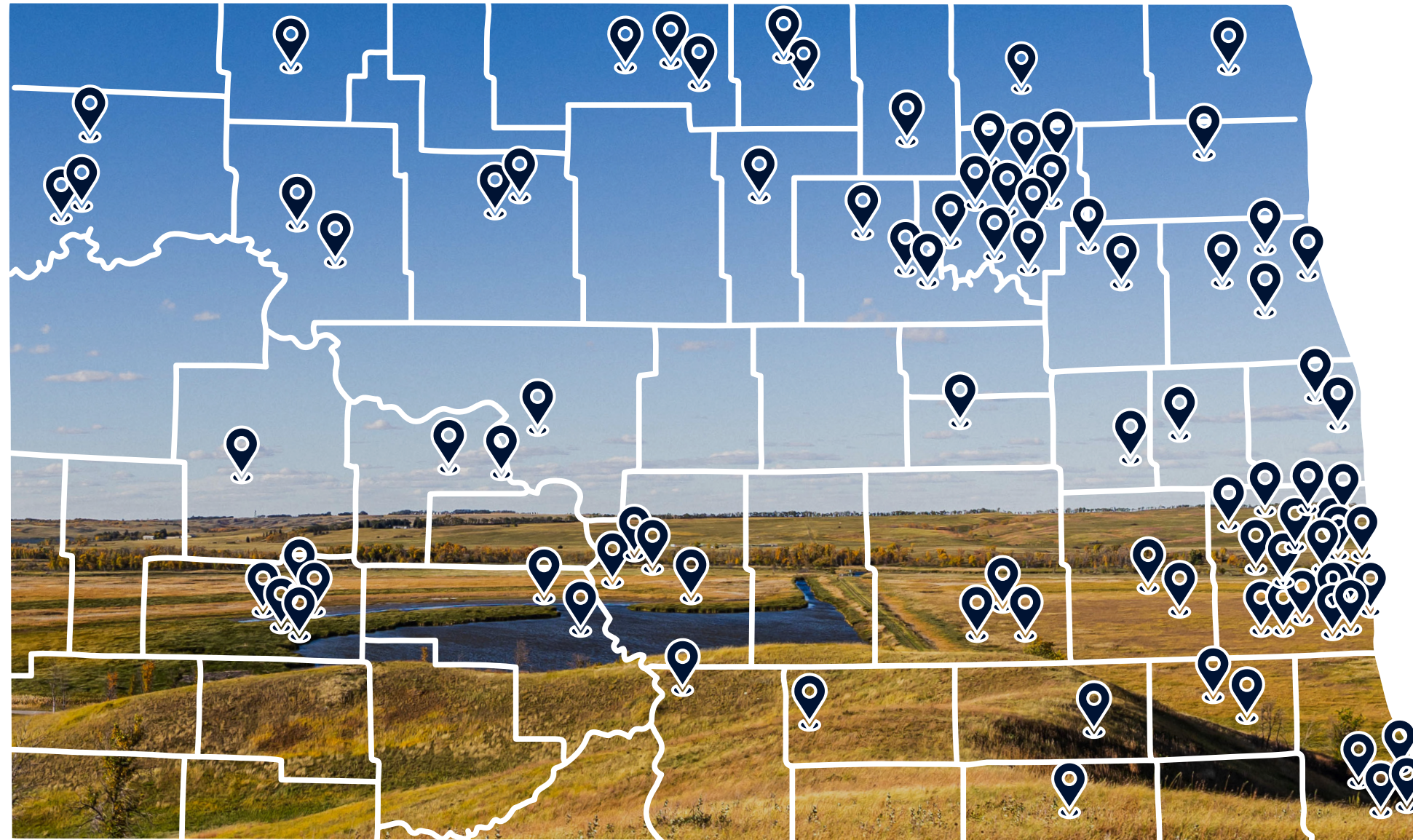


Wolters Kluwer

TeamMate



WHERE WE AUDIT



Map of where our office provides audit services, as of December 2022.

QUESTIONS?



Office of the
State Auditor



Office of the
State Auditor

Budget Bill Testimony

2023-2025 Legislative Session - Government Operations Division

January 19, 2023

Good morning, Chairman Wanzek, members of the committee, my name is Joshua Gallion, and I have the honor of serving as North Dakota's State Auditor. I'm here today to discuss how the State Auditor's Office can better serve our state and provide information regarding our efforts to fulfill our statutory obligations while improving accountability and promoting transparency of state and local governments, and institutions of higher education.

We're going to go through the outline as requested by the committee. Feel free to stop me along the way and ask questions.

[slide 2] N.D.C.C. Major Responsibilities

The Tennessee Comptroller's Office called our office "small but mighty" and I think that sums up our chapter of Century Code nicely. It's small but it touches nearly every government entity in the state and covers a tremendous amount of responsibility that our team of 61 manages.

[slide 3] Purpose of the Five Divisions

The Agency Division is the largest division and is responsible for auditing state government and conducts financial, compliance, performance and information systems audits.

The Local Government Division performs audits of counties, cities, school districts and other political subdivisions. This division also conducts petition audits and provides non-auditing services such as review of annual financial statements, and audit reports completed by independent accounting firms.

The North Dakota University System Performance Division conducts performance and financial audits of the North Dakota University System's 11 different colleges and universities.

The Mineral Royalty Division conducts compliance reviews and audits of federal royalty payments from oil, gas and coal leases located within the State of North Dakota. This division is fully funded by the federal government.

The Operations Division works to ensure the efficient performance of all the divisions within the agency. The division consists of information technology, accounting, administrative assistants, communications, quality assurance, and others.

[slide 4] Organization Chart

You'll see our organization chart maybe looks different than others you've seen. I believe I am the least important person on the team, that's why I am at the bottom. The most important are the citizens we work for and the staff who do the day-to-day work. That's why our organization chart is flipped upside down. The teal represents interns, the dark blue represents a Bismarck team member and the red is a Fargo team member.

As of January 1, we had one vacancy in the agency division. Since then, we've lost a ten-year employee to a good opportunity for him with a salary we couldn't compete with. The other position in the agency division I'd like to point you too is the "position filled". This position will be filled upon graduation with one of our interns. The

vacancy in the column 2nd from the right is in our mineral royalty position that we plan to fill in the next few months either with an intern or FTE. The last column is our local government column. These vacancies are due to turnover.

[slide 5] **Audit Results**

Everyone wants to know who audits the auditor. We get two audits done. One by NSAA known as the Peer Review and one done by Eide Bailly. The most recent audit was procured by Legislative Council and conducted by Eide Bailly LLP for fiscal years 2020 and 2021.

A finding and adjustment were reported. The finding included a prior period adjustment from fiscal year 2019 of \$54,862 where salaries were paid from the special fund operating account, instead of the general fund. An entry was completed after the close of fiscal year 2019 to correct the incorrect payment.

The second item included in the finding related to accounts receivable and was caused by human error when reporting the numbers to Eide Bailly. Both items included in the adjustment were identified by the SAO and corrected by the office. The SAO has implemented steps to prevent transactions posting to the incorrect fund and will complete timely reconciliations of all accounts prior to future audits.

[slide 6] **Biennium Accomplishments**

We held our first ever virtual audit summit for local governments. Our staff spoke on topics like the budgeting process, law changes that impact local governments, CARES funding and the Single Audit, how to understand an audit report, and more. We were hoping for 100 attendees and ended up with 320 virtual attendees. Our recorded sessions continue to reach attendees and have had a total of nearly 40 hours in re-watched breakout sessions.

We hired 17 interns this biennium and extended offers to six of them. Interns have been the answer to our talent pipeline issue.

Federal funding has increased by 51% in North Dakota thanks to ARPA and CARES funding. Our team is currently finishing up one of the largest Single Audit's our office has ever completed.

We reorganized our office to better serve local governments with the expansion of our Quality Assurance team.

We've implemented Microsoft Dynamics to better track the 2,000 local governments we serve.

[slide 7] **Biennium Challenges**

Petition audits create a lot of unknowns and can throw our entire calendar year of planned audits out the window. For example, the recent Williston Public Schools district audit was a 1,000-hour audit that was not planned for. This causes us to push back some audits or switch some audits from one to two years to fit in the petition audits into our schedule. It's hard to plan for these and we're unsure how many we'll have at any given time. We're working through four petition audits right now and we know of 2 circulating petitions.

The 2018 Yellowbook states that preparing the financial statements in their entirety creates a significant threat to auditor independence and that should be reduced to an acceptable level by safeguards. How it works right now is a lot of these small audit shops in the state prepare both the financial statements and then audit them. We've been able to separate the two with a larger team like ours but how this independence requirement will effect private firms in North Dakota remains to be seen. They're going to have to find a solution that allows them to rely on someone else to prepare the financials or do the audit, they won't be able to do both for much longer.

I'm sure this is a statement you are hearing often in these hearings, but keeping our qualified staff continues to prove to be difficult. We recently lost a 10-year employee who was offered over \$2,000 more a month than what we could pay. We can't compete with that without creating major equity issues across our agency.

Training and education to these local governments will continue to be a challenge.

[slide 8] **Next Biennium Goals**

[slide 9] **23-25 Requests Compared to Current Biennium**

[slide 10] **14 Special Funded FTE**

There is a continued need for more local government auditors. We were fortunate enough to get eight last legislative session and I am happy to report that we've filled them all within the first 16 months of the biennium. We're now back asking for additional resources in our attempt to meet the demands of local government audit services.

We have testified in the past that the number of private firms conducting local government audits in North Dakota is shrinking. There are now 11 firms, three fewer than in the previous biennium who are still conducting these audits. Of those 11, 2 firms have dropped 22 clients since last session citing workforce issues

Those 22 clients plus another 21 local governments we're aware of that have been dropped by three firms leaving the industry equals 43 local governments without auditors. It would take 7 FTE to audit them all.

The 11 firms remaining have 631 outstanding audit reports that are owed to our office and are now considered delinquent.

Our wait list has now grown to 45 local governments & it would take 8 FTE to audit them all.

- Averaging 14 extended reviews per year (over last 3 years) which takes 1 FTE

SB 2180 will allow us to move some local governments to annual reviews of their yearly financials rather than a full-blown audit. Moving 120 local governments from audits to extended reviews will take 4 FTE. This will result in a substantial cost savings to these local governments when your average audit costs \$17,500 and a review averages \$1,500. This bill will result in \$2.1 million per biennium in savings for local governments.

[slide 11] **General Funded FTE**

The Attorney Position

Audits routinely and frequently involve North Dakota Century Code and the Auditor's Office looks for agency compliance. Presently the Auditor's Office must contact the Attorney General's office to obtain an opinion or interpretation of N.D.C.C., or to assist in interpreting legislative intent. The current arrangement can be time-consuming. For example, Labor Commission is only planned and budgeted for two weeks of time for our team, from start to finish. When we need assistance from the AG's Office, that can extend the completion of our audit by weeks that we simply do not have because we're already scheduled to move on to another engagement.

We're often left in conflicts, most recently evident by our investigation of the Attorney General building lease. We found ourselves needing answers to legal questions with nowhere to turn and no time to procure any outside legal advice under our 90-day deadline. We're now on our 3rd SAAG in the past 4 years and we must start over educating this person on auditing standards and our section of code.

Each SAAG assigned to state agencies has a portfolio. They have dozens of agencies, boards and commissions they represent. Our SAAG is not unlike any other. However, we audit all state agencies and some boards and commissions. That creates a conflict of interest. When our SAAG represents the client AND us, we have to wait and get assigned another attorney for the audit who is completely unfamiliar with auditing standards and our Chapter of N.D.C.C.

[slide 12] **Four General Funded Auditors**

We're asking that you restore the one general funded full-time position that was taken last session and add an additional three to accommodate the 51% increase in federal funding that needs to be audited under the Federal Single Audit. As a reminder, we do bill the federal government for work done under this audit so portions of those salaries will be recouped. In 19-20, the Single Audit audited \$4.4 billion. Compared to 21-22 its jumped to \$6.7 billion, and we will continue to see this funding until 2026. This has resulted in over 760 hours of overtime with more expected in quarter 1 of 2023.

With the combining of Health and Human Services this past session, the time has come for us to have a constant presence in HHS due to the complexity of the agency, the breadth of programs, and the increased risk in joining two agencies fiscal practices into one.

[slide 13] **Training and Education Coordinator**

The final general funded position we're asking for is an education and training coordinator.

Since I took office, we've seen an increase in the demand for education and training for the local government officials that we interact with daily. Unlike the state agencies that we work with, most of these local governments don't have trained accountants managing their books. Some are part time and even volunteers.

Government accounting and auditing standards are ever changing and are becoming more and more stringent in their requirements and these local governments don't have the resources to educate their staff on these requirements.

We've found through a little education, these entities better understand the accounting standards they need to follow, how the Auditor's Office can be helpful, and ultimately what necessary steps they need to take to ensure financial accountability to their citizens.

Education assists in speeding up audits, thus reducing audit costs and allowing us to serve more clients with the same number of staff. To emphasize this issue, I'd like to share a little fact, 92% of the cities who submitted annual financial reports to our office had a finding throughout the course of their annual review. With the right education and training, and of course participation, this number should drop substantially.

Up to this point, we have tried to take on these added responsibilities in addition to our already full workload of doing actual audits. This person would solely focus on education and training for these local governments by producing resources, tools, webinars, videos, etc.

Of the 770 reviews done this biennium, 447 of them or 58% had a finding. This means they needed help completing their financial report correctly. Of those 770, 205 were cities & 188 (92%) had a finding.

There were 13 new accounting/auditing standards that came out this past biennium with at least 10 more new accounting/auditing standards planned to come out this next biennium. That's difficult to be able to keep up with

them and understand how to implement them when you have staff wearing many hats in these local governments or even volunteering.

[slide 14] **Temporary Salary Line**

I am proud to say that the Auditor's Office doesn't have a recruitment issue. In fact, our strong internship program has been our main talent pipeline for filling vacant full-time positions. Since 2018, we've hired 30 interns and have filled FTE vacancies with 12 of them. Our internship program is keeping North Dakota students right here in North Dakota upon graduation. We currently have ten interns on staff and are the second largest internship program behind the NDDOT.

Our local government team is responsible for reviewing 2000 annual financial reports every calendar year under the direction of full-time staff. This business function relies on interns being able to help process and review these while the full-time staff focus primarily on audits. Without these interns to do this work we would have to have additional FTE to do it and, as you know, that comes at a higher price for the taxpayers.

Up to this point, we've used excess salary fund dollars to fund our internship program. What we've found is when we cross biennium's, we can find ourselves in a situation where we are fully-staffed and may not have dollars to support our talent pipeline of interns.

[slide 15] **Equity Package**

In the United States, there's been a 17% decline in accountants and auditors leaving their jobs in the past two years, and the number of college students coming into the field can't fill the gap. The North Dakota University System and private colleges combined are graduating less than 250 students per year while the number of job openings for accountants and auditors is exceeding 400+ per year. Once we recruit these students into these positions, we must have the means to keep their salaries competitive in order to retain them.

The SAO realizes the world is changing rapidly and our legislative increases are not keeping up with inflation and cost of living. In addition, the salary gap with private business has made it tough to retain current staff and recruit experienced ones. Data provided by the North Dakota Labor Market Information from 2021 supports the office's request and shows employees under five years of service

[slide 16] **Training and Development Inflationary Increase**

With the recent inflationary increases, travel and professional development costs have increased drastically and there is a need for additional operating money to continue auditing and training at current levels.

Government auditors are required to have 80 hours of continuing professional education every two years. To achieve this, we attend conferences, participate in webinars, and use online subscription based professional development platforms to adhere to the requirement.

[slide 17] **TeamMate Upgrade**

The IT system the Auditor's Office uses for its electronic working papers, a system which is essential to each audit, has end of life approaching and will require an upgrade to TeamMate +. End of life was originally December 2023 but has been pushed back a bit due to COVID, but expectations are our current version will have no support soon.

This is the primary software used by our audit teams to conduct their audits and our auditors spend 80% of their day in TeamMate. Other agencies, such as BND, DOT, and Trust Lands have already migrated, but do not have the level of use the SAO does with the software.

As you know with software, you can't just flip on a switch, so we are looking to migrate to TeamMate + now, to avoid any issues in the near future. The \$40,950 cost provided as a one-time migration cost would intend to cover all the migration of past projects and audits in TeamMate AM to TeamMate +.

[slide 18] **Dickinson Office**

Many local government clients in Western North Dakota are struggling to find an auditor to conduct their audits. Some private firms are removing themselves from the government auditing field due to differing reasons, but this is leaving local governments in a tough spot. Opening a Dickinson office would allow the SAO to be closer to clients and assist these clients face-to-face. 27 of the 45 on our waiting list, or 60%, are from the western part of the state.

The only businesses serving clients out west are either coming from Bismarck or Montana.

[slide 19] **Funding for Each Program/Line Item**

[slide 20] **Current Biennium One-Time Finding**

As with anything these days, market prices are going up. If you'd like the IT Security Review to cover the same amount of areas they have looked at previously, we'd need to see an increase in that funding. We've requested updated numbers from the current contractor so you can see the increase. For the same amount of hours, their cost would go up to around \$465,000.

[slide 21] **Deposits into General Fund**

No significant changes are anticipated to revenue collections for the state agency division unless legislation is passed to change the billing method of the office. Amounts can fluctuate slightly for the NDUS Financial Statement Audits or Federal Single Audit if more or less hours are required.

- The state auditor deposits money into the general fund for the above-mentioned services. Estimated collections for audits conducted by the state agency division:
 - Agency Audits - \$690,000
 - University Systems Financial Statement Audits - \$515,000
 - Federal Single Audit - \$1,300,000

[slide 22] **Deposits into Special Fund – operate like a small business**

Biennium to date revenue: \$2,625,444

[slide 23] **Other Bills Effecting the State Auditor's Office**

[slide 24] **One-pager - Changes to the Executive Budget**

[slide 25] **Comparison of Major Request to Executive Budget Table**

[slide 26] **Federal Funding – Ryan Bauer, CPA, Audit Manager**

The State Auditor's Office has one federal fund awarded by the Department of the Interior (DOI) and the Office of Natural Resources Revenue (ONRR). A new three-year cooperative agreement was recently signed for the period 10/01/2022 - 09/30/2025. There is an option to renew the contract for another three-year period through 09/30/2028.

The group conducts audits and investigations related to oil and gas revenues owed to the United States and shared with the State, which are attributable to leased Federal onshore property within the State.

Funding for future fiscal years is contingent upon appropriation by Congress and an exact amount cannot be determined.

The division operates on a reimbursement basis. Each quarter, necessary reports are provided to the feds and a reimbursement is requested.

[slide 27] **Questions**

This concludes my testimony and I'm happy to answer any questions you may have. Thank you.

SB 2004 - Equity Information

| Title | # of FTE | Average Yrs of Service | Average Monthly Compensation | 2021 ND Average Monthly Compensation | Notes | % Difference |
|--|----------|------------------------|------------------------------|--------------------------------------|-------|--------------|
| Fiscal Services IV - Auditors | 25 | 3.14 | 5,282.00 | 5,657.00 | Mean | 7.1% |
| Fiscal Services V - Mid-Level Auditors | 3 | 7.49 | 6,113.00 | 6,659.00 | 75th | 8.9% |
| Fiscal Services VI - Senior Auditors | 12 | 16.53 | 7,272.00 | 8,480.00 | 90th | 16.6% |
| Fiscal Services VII - Managers | 5 | 20.76 | 9,052.00 | 9,880.00 | Mean | 9.2% |

1. Data provided by North Dakota Labor Market Information is only updated through 2021.
2. Consumer Price Index (CPI) for July 2022, released on August 10th, 2022 was 8.5%, meaning all goods are costing more.
3. Budget was submitted on August 15th.
4. Bismarck and Fargo Metro areas, where our employees live and work, have higher average rates than overall ND.

**State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes**

| | Executive Budget Recommendation | | | | Senate Version | | | |
|--|---------------------------------|--------------------|--------------------|--------------------|----------------|--------------|-------------|--------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | | | \$0 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 | | | | 0 |
| Health insurance increase | | 177,018 | 82,304 | 259,322 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 | | | | 0 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | | 0 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | | | 0 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | | | 0 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | | | | 0 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 | 0.00 | \$0 | \$0 | \$0 |

One-Time Funding Items

| | | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|--------------------|--------------------|---------------------|-------------|
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 | | | | | 0 |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 | | | | | 0 |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 | | | | | 0 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 | | | | | 0 |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$0 | \$0 | \$0 | \$0 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 | 0.00 | \$0 | \$0 | \$0 | \$0 |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | |
| <i>Federal funds included in other funds</i> | | | <i>\$1,482,390</i> | | | | <i>\$1,372,960</i> | | |
| <i>Total ongoing changes as a percentage of base level</i> | <i>11.5%</i> | <i>14.4%</i> | <i>41.3%</i> | <i>24.9%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> |
| <i>Total changes as a percentage of base level</i> | <i>11.5%</i> | <i>15.9%</i> | <i>41.9%</i> | <i>26.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> | <i>0.0%</i> |

Other Sections in State Auditor - Budget No. 117

Salary of the State Auditor

Executive Budget Recommendation

Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024.

Senate Version

| LOCAL GOV'T | AUDIT YEAR | AUDIT COST | 1% REV AUDITED | REFUND |
|-------------------------------|------------|------------|----------------|----------------|
| Burleigh County WRD | 2021 | \$ 17,950 | \$ 11,746 | \$ 6,204.00 |
| Cass County SCD | 2020 | \$ 12,750 | \$ 7,743 | \$ 5,007.00 |
| Gwinner RFPD | 2018 | \$ 17,000 | \$ 3,622 | \$ 11,000.00 * |
| Killdeer Ambulance | 2017-20 | \$ 48,650 | \$ 46,629 | \$ 2,021.00 |
| Red River Retention Authority | 2021 | \$ 1,000 | \$ 874 | \$ 126.00 |
| | | | | \$ 24,358.00 |

* limited to actual billed amount

Audits conducted during the 2021-23 Biennium whereby the audit cost was > 1% of the annual revenue amount audited will be refunded the difference between the audit cost & their billing amount upto the full billing amount.

23.0258.01002
Title.

Prepared by the Legislative Council staff for
Senator Erbele
February 3, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2004

Page 1, line 1, after "auditor" insert "; and to declare an emergency"

Page 1, after line 17, insert:

"SECTION 2. APPROPRIATION - 2021-23 BIENNIUM - REFUND OF AUDIT FEES. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$24,358, or so much of the sum as may be necessary, to the state auditor for the purpose of providing refunds to local governments whose audit fees exceeded one percent of their revenues, for the period beginning with effective date of this section, and ending June 30, 2023.

SECTION 3. EMERGENCY. Section 2 of this Act is declared to be an emergency measure."

Renumber accordingly

23.0258.01003
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee

Fiscal No. 1

February 7, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2004

Page 1, line 1, after "auditor" insert "; to amend and reenact sections 54-10-10 and 54-12-08 of the North Dakota Century Code, relating to the salary of the state auditor and assistant and special assistant attorneys general; and to declare an emergency"

Page 1, replace lines 8 through 17 with:

| " | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|------------------------------------|-------------------|--|----------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | <u>5,826,152</u> | <u>2,335,579</u> | <u>8,161,731</u> |
| Total general fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| Full-time equivalent positions | 61.00 | 9.00 | 70.00 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Local government audit office furniture | \$0 | \$21,000 |
| Inflationary increases for travel and professional development | 0 | 81,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$172,550 |
| Less estimated income | <u>0</u> | <u>37,000</u> |
| Total general fund | \$0 | \$135,550 |

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state auditor shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 3. APPROPRIATION - 2021-23 BIENNIUM - REFUND OF AUDIT FEES. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$24,358, or so much of the sum as may be necessary, to the state auditor for the purpose of providing refunds to local governments whose audit fees exceeded one percent of their revenues, for the period beginning with the effective date of this section, and ending June 30, 2023.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

54-10-10. Salary of state auditor.

The annual salary of the state auditor is one hundred ~~twelve thousand two hundred forty one~~ thirty thousand dollars through June 30, ~~2022~~2024, and one hundred ~~fourteen thousand four hundred eighty six~~ thirty-five thousand two hundred dollars thereafter.

SECTION 5. AMENDMENT. Section 54-12-08 of the North Dakota Century Code is amended and reenacted as follows:

54-12-08. Assistant and special assistant attorneys general - Appointment - Revocation - Compensation.

1. After consultation with the head of the state department or institution or with the state board, commission, committee, or agency affected, the attorney general may appoint assistant or special assistant attorneys general to represent the state board, commission, committee, or agency. A state officer, head of any state department, whether elected or appointed, or state department, board, commission, committee, or agency may not employ legal counsel, and no person may act as legal counsel in any matter, action, or proceeding in which the state or any state department, board, commission, committee, or agency is interested or is a party, except upon written appointment by the attorney general. Workforce safety and insurance, the department of transportation, the state tax commissioner, the public service commission, the insurance commissioner, the agriculture commissioner, ~~and the securities commissioner,~~ and the state auditor may employ attorneys to represent them. These entities shall pay the salaries and expenses of the attorneys they employ within the limits of legislative appropriations. The attorneys that represent these entities must be special assistant attorneys general appointed by the attorney general pursuant to this section. Absent good cause, the attorney general shall appoint as special assistant attorneys general licensed attorneys selected by these entities. The attorney general may revoke the appointment only for good cause or upon the request of the entity. Good cause means an inadequate level of experience, competence, or ethical standards.
2. The powers conferred upon special assistant attorneys general are the same as are exercised by the regular assistant attorneys general, unless the powers are limited specifically by the terms of the appointment. Except as otherwise provided by this section, an appointment is revocable at the pleasure of the attorney general. The appointment may be made with or without compensation, and when compensation is allowed by the attorney general for services performed, the compensation must be paid out of the funds appropriated therefor.
3. The attorney general may require payment for legal services rendered by any assistant or special assistant attorney general to any state official, board, department, agency, or commission and those entities shall make the required payment to the attorney general. Moneys received by the attorney general in payment for legal services rendered must be deposited into the attorney general's operating fund. General fund moneys may not be utilized for the payment of legal services provided by the attorneys employed by the attorney general, except for those payments required of

the department of health and human services, department of environmental quality, and the state hospital.

4. An assistant or special assistant attorney general appointed to represent the state board of higher education or an institution under the control of the state board of higher education may access and examine any record under the control of the state board of higher education. For purposes of reviewing records under the Family Educational Rights and Privacy Act [20 U.S.C. 1232g; 34 CFR 99] or any other federal privacy law, the assistant or special assistant attorney general is considered a state educational official authorized to access student records.

SECTION 6. EMERGENCY. Section 3 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Senate Action

| | Base Budget | Senate Changes | Senate Version |
|------------------------------------|---------------------|--------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | | 70,550 | 70,550 |
| Information technology consultants | 450,000 | | 450,000 |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | 5,826,152 | 2,335,579 | 8,161,731 |
| General fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| FTE | 61.00 | 9.00 | 70.00 |

Department 117 - State Auditor - Detail of Senate Changes

| | Adjusts Funding for Cost to Continue Salaries ¹ | Adjusts Base Budget Funding ² | Adds Funding for Salary and Benefit Increases ³ | Adds Salary Equity Funding for Elected Officials ⁴ | Adds Local Government Division Audit Positions ⁵ | Adds 1 FTE Attorney Position ⁶ |
|------------------------------------|--|--|--|---|---|---|
| Salaries and wages | \$86,660 | \$17,593 | \$1,016,889 | \$26,748 | \$1,427,784 | \$265,292 |
| Operating expenses | | (17,593) | | | 126,500 | |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$86,660 | \$0 | \$1,016,889 | \$26,748 | \$1,554,284 | \$265,292 |
| Less estimated income | 23,627 | 0 | 402,836 | 0 | 1,554,284 | 0 |
| General fund | \$63,033 | \$0 | \$614,053 | \$26,748 | \$0 | \$265,292 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 7.00 | 1.00 |

| | Adds 1 FTE Education Coordinator Position⁷ | Increases Funding for Temporary Salaries⁸ | Increases Funding for Audit Software Upgrades⁹ | Increases Funding for Information Technology¹⁰ | Adds Funding for Capitol Space Rent Model¹¹ | Adds One- Time Funding for Local Government Auditors¹² |
|---------------------------------------|--|---|--|--|---|--|
| Salaries and wages | \$218,672 | \$500,000 | | | | |
| Operating expenses | | | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$218,672 | \$500,000 | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Less estimated income | 0 | 250,000 | 61,266 | 6,566 | 0 | 0 |
| General fund | \$218,672 | \$250,000 | \$54,298 | \$11,103 | \$178,228 | \$21,000 |
| FTE | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | Adds One- Time Funding for Operating Expense Inflation¹³ | Adds One- Time Funding for Audit Software Upgrades¹⁴ | Adds One- Time Funding for Equipment¹⁵ | Total Senate Changes |
|---------------------------------------|--|--|--|---------------------------------|
| Salaries and wages | | | | \$3,559,638 |
| Operating expenses | \$81,000 | | | 522,368 |
| Capital assets | | \$45,550 | \$25,000 | 70,550 |
| Information technology consultants | | | | |
| Total all funds | \$81,000 | \$45,550 | \$25,000 | \$4,152,556 |
| Less estimated income | 37,000 | 0 | 0 | 2,335,579 |
| General fund | \$44,000 | \$45,550 | \$25,000 | \$1,816,977 |
| FTE | 0.00 | 0.00 | 0.00 | 9.00 |

¹ Funding is added for cost to continue salary increases.

² Base budget funding is adjusted to transfer \$17,593 from operating expenses to salaries and wages.

³ The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

| | General Fund | Other Funds | Total |
|---------------------------|---------------------|--------------------|--------------------|
| Salary increase | \$432,963 | \$318,639 | \$751,602 |
| Health insurance increase | 181,090 | 84,197 | 265,287 |
| Total | \$614,053 | \$402,836 | \$1,016,889 |

⁴ Funding is added for providing a salary equity increase for the State Auditor. The State Auditor's annual salary is increased from the current level of \$114,486 to \$130,000 (13.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding is added from special funds in the agency's operating fund for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 2 FTE local government auditor II positions (\$415,480);
- 4 FTE local government auditor I positions (\$703,940); and
- Ongoing operating expenses of \$126,500 related to additional local government auditors.

⁶ Funding is added for 1 FTE attorney position.

⁷ Funding is added for 1 FTE education coordinator position.

⁸ Funding is added, including funding from special funds in the agency's operating fund, for temporary salaries for internships.

⁹ Funding is increased, including funding from federal and special funds, for operating costs related to audit software upgrades.

¹⁰ Funding is added, including funding from special funds in the agency's operating fund, for operating expenses related to Information Technology Department rate increases.

¹¹ Funding is added for operating expenses related to a new Capitol space rent model.

¹² One-time funding is added for operating expenses related to local government auditor positions.

¹³ One-time funding, including funding from federal and special funds, is added for operating expenses related to travel and professional development inflationary increases.

¹⁴ One-time funding is added for costs related to audit software upgrades.

¹⁵ One-time funding is added for capital costs related to the replacement of equipment over \$5,000.

This amendment also:

- Adds a section to provide a deficiency appropriation of \$24,358 to the State Auditor to refund audit fees to local governments whose audit costs exceeded 1 percent of their revenues during the biennium ended June 30, 2023;
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024;
- Adds a section to amend Section 54-12-08 relating to assistant and special assistant attorneys general to allow the State Auditor to employ an attorney; and
- Adds a section to declare the deficiency appropriation to be an emergency measure.

23.0258.01003

Sixty-eighth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; to
2 amend and reenact sections 54-10-10 and 54-12-08 of the North Dakota Century Code, relating
3 to the salary of the state auditor and assistant and special assistant attorneys general; and to
4 declare an emergency.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
7 as may be necessary, are appropriated out of any moneys in the general fund in the state
8 treasury, not otherwise appropriated, and from special funds derived from federal funds and
9 other income, to the state auditor for the purpose of defraying the expenses of the state auditor,
10 for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

| <u>Governor's</u> | | | |
|---|-------------------------|-------------------------|-------------------------|
| | <u>Base Level</u> | <u>Recommendation</u> | <u>Appropriation</u> |
| Salaries and wages | \$13,123,559 | \$16,418,567 | \$13,123,559 |
| Operating expenses | 1,371,703 | 1,894,071 | 1,371,703 |
| Capital assets | 0 | 70,550 | 0 |
| Information technology consultants | 450,000 | 450,000 | 450,000 |
| Total all funds | \$14,945,262 | \$18,833,188 | \$14,945,262 |
| Less estimated income | 5,826,152 | 8,266,687 | 5,826,152 |
| Total general fund | \$9,119,110 | \$10,566,501 | \$9,119,110 |
| Full-time equivalent positions | 61.00 | 68.00 | 61.00 |
| <u>Adjustments or</u> | | | |
| | <u>Base Level</u> | <u>Enhancements</u> | <u>Appropriation</u> |
| <u>Salaries and wages</u> | <u>\$13,123,559</u> | <u>\$3,559,638</u> | <u>\$16,683,197</u> |
| <u>Operating expenses</u> | <u>1,371,703</u> | <u>522,368</u> | <u>1,894,071</u> |

| | | | | |
|---|------------------------------------|--------------|-------------|--------------|
| 1 | Capital assets | 0 | 70,550 | 70,550 |
| 2 | Information technology consultants | 450,000 | 0 | 450,000 |
| 3 | Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| 4 | Less estimated income | 5,826,152 | 2,335,579 | 8,161,731 |
| 5 | Total general fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| 6 | Full-time equivalent positions | 61.00 | 9.00 | 70.00 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Local government audit office furniture | \$0 | \$21,000 |
| Inflationary increases for travel and professional development | 0 | 81,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | 0 | 25,000 |
| Total all funds | \$0 | \$172,550 |
| Less estimated income | 0 | 37,000 |
| Total general fund | \$0 | \$135,550 |

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state auditor shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 3. APPROPRIATION - 2021-23 BIENNIUM - REFUND OF AUDIT FEES. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$24,358, or so much of the sum as may be necessary, to the state auditor for the purpose of providing refunds to local governments whose audit fees exceeded one percent of their revenues, for the period beginning with the effective date of this section, and ending June 30, 2023.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

1 **54-10-10. Salary of state auditor.**

2 The annual salary of the state auditor is one hundred ~~twelve thousand two hundred~~
3 ~~forty-one~~thirty thousand dollars through June 30, ~~2022~~2024, and one hundred ~~fourteen-~~
4 ~~thousand four hundred eighty-six~~thirty-five thousand two hundred dollars thereafter.

5 **SECTION 5. AMENDMENT.** Section 54-12-08 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **54-12-08. Assistant and special assistant attorneys general - Appointment -**
8 **Revocation - Compensation.**

- 9 1. After consultation with the head of the state department or institution or with the state
10 board, commission, committee, or agency affected, the attorney general may appoint
11 assistant or special assistant attorneys general to represent the state board,
12 commission, committee, or agency. A state officer, head of any state department,
13 whether elected or appointed, or state department, board, commission, committee, or
14 agency may not employ legal counsel, and no person may act as legal counsel in any
15 matter, action, or proceeding in which the state or any state department, board,
16 commission, committee, or agency is interested or is a party, except upon written
17 appointment by the attorney general. Workforce safety and insurance, the department
18 of transportation, the state tax commissioner, the public service commission, the
19 insurance commissioner, the agriculture commissioner, ~~and~~ the securities
20 commissioner, and the state auditor may employ attorneys to represent them. These
21 entities shall pay the salaries and expenses of the attorneys they employ within the
22 limits of legislative appropriations. The attorneys that represent these entities must be
23 special assistant attorneys general appointed by the attorney general pursuant to this
24 section. Absent good cause, the attorney general shall appoint as special assistant
25 attorneys general licensed attorneys selected by these entities. The attorney general
26 may revoke the appointment only for good cause or upon the request of the entity.
27 Good cause means an inadequate level of experience, competence, or ethical
28 standards.
- 29 2. The powers conferred upon special assistant attorneys general are the same as are
30 exercised by the regular assistant attorneys general, unless the powers are limited
31 specifically by the terms of the appointment. Except as otherwise provided by this

1 section, an appointment is revocable at the pleasure of the attorney general. The
2 appointment may be made with or without compensation, and when compensation is
3 allowed by the attorney general for services performed, the compensation must be
4 paid out of the funds appropriated therefor.

- 5 3. The attorney general may require payment for legal services rendered by any
6 assistant or special assistant attorney general to any state official, board, department,
7 agency, or commission and those entities shall make the required payment to the
8 attorney general. Moneys received by the attorney general in payment for legal
9 services rendered must be deposited into the attorney general's operating fund.
10 General fund moneys may not be utilized for the payment of legal services provided by
11 the attorneys employed by the attorney general, except for those payments required of
12 the department of health and human services, department of environmental quality,
13 and the state hospital.
- 14 4. An assistant or special assistant attorney general appointed to represent the state
15 board of higher education or an institution under the control of the state board of
16 higher education may access and examine any record under the control of the state
17 board of higher education. For purposes of reviewing records under the Family
18 Educational Rights and Privacy Act [20 U.S.C. 1232g; 34 CFR 99] or any other federal
19 privacy law, the assistant or special assistant attorney general is considered a state
20 educational official authorized to access student records.

21 **SECTION 6. EMERGENCY.** Section 3 of this Act is declared to be an emergency measure.

23.0258.01003
Title.

Prepared by the Legislative Council staff for
the Senate Appropriations - Government
Operations Division Committee
February 7, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2004

Page 1, line 1, after "auditor" insert "; to amend and reenact sections 54-10-10 and 54-12-08 of the North Dakota Century Code, relating to the salary of the state auditor and assistant and special assistant attorneys general; and to declare an emergency"

Page 1, replace lines 8 through 17 with:

| " | <u>Base Level</u> | <u>Adjustments or Enhancements</u> | <u>Appropriation</u> |
|------------------------------------|-------------------|--|----------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | <u>5,826,152</u> | <u>2,335,579</u> | <u>8,161,731</u> |
| Total general fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| Full-time equivalent positions | 61.00 | 9.00 | 70.00 |

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Local government audit office furniture | \$0 | \$21,000 |
| Inflationary increases for travel and professional development | 0 | 81,000 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$172,550 |
| Less estimated income | <u>0</u> | <u>37,000</u> |
| Total general fund | \$0 | \$135,550 |

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The state auditor shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 3. APPROPRIATION - 2021-23 BIENNIUM - REFUND OF AUDIT FEES. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$24,358, or so much of the sum as may be necessary, to the state auditor for the purpose of providing refunds to local governments whose audit fees exceeded one percent of their revenues, for the period beginning with the effective date of this section, and ending June 30, 2023.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

54-10-10. Salary of state auditor.

The annual salary of the state auditor is one hundred ~~twelve thousand two hundred forty one~~ thirty thousand dollars through June 30, ~~2022~~2024, and one hundred ~~fourteen thousand four hundred eighty six~~ thirty-five thousand two hundred dollars thereafter.

SECTION 5. AMENDMENT. Section 54-12-08 of the North Dakota Century Code is amended and reenacted as follows:

54-12-08. Assistant and special assistant attorneys general - Appointment - Revocation - Compensation.

1. After consultation with the head of the state department or institution or with the state board, commission, committee, or agency affected, the attorney general may appoint assistant or special assistant attorneys general to represent the state board, commission, committee, or agency. A state officer, head of any state department, whether elected or appointed, or state department, board, commission, committee, or agency may not employ legal counsel, and no person may act as legal counsel in any matter, action, or proceeding in which the state or any state department, board, commission, committee, or agency is interested or is a party, except upon written appointment by the attorney general. Workforce safety and insurance, the department of transportation, the state tax commissioner, the public service commission, the insurance commissioner, the agriculture commissioner, ~~and the securities commissioner,~~ and the state auditor may employ attorneys to represent them. These entities shall pay the salaries and expenses of the attorneys they employ within the limits of legislative appropriations. The attorneys that represent these entities must be special assistant attorneys general appointed by the attorney general pursuant to this section. Absent good cause, the attorney general shall appoint as special assistant attorneys general licensed attorneys selected by these entities. The attorney general may revoke the appointment only for good cause or upon the request of the entity. Good cause means an inadequate level of experience, competence, or ethical standards.
2. The powers conferred upon special assistant attorneys general are the same as are exercised by the regular assistant attorneys general, unless the powers are limited specifically by the terms of the appointment. Except as otherwise provided by this section, an appointment is revocable at the pleasure of the attorney general. The appointment may be made with or without compensation, and when compensation is allowed by the attorney general for services performed, the compensation must be paid out of the funds appropriated therefor.
3. The attorney general may require payment for legal services rendered by any assistant or special assistant attorney general to any state official, board, department, agency, or commission and those entities shall make the required payment to the attorney general. Moneys received by the attorney general in payment for legal services rendered must be deposited into the attorney general's operating fund. General fund moneys may not be utilized for the payment of legal services provided by the attorneys employed by the attorney general, except for those payments required of

the department of health and human services, department of environmental quality, and the state hospital.

4. An assistant or special assistant attorney general appointed to represent the state board of higher education or an institution under the control of the state board of higher education may access and examine any record under the control of the state board of higher education. For purposes of reviewing records under the Family Educational Rights and Privacy Act [20 U.S.C. 1232g; 34 CFR 99] or any other federal privacy law, the assistant or special assistant attorney general is considered a state educational official authorized to access student records.

SECTION 6. EMERGENCY. Section 3 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Senate Action

| | Base Budget | Senate Changes | Senate Version |
|------------------------------------|---------------------|--------------------|---------------------|
| Salaries and wages | \$13,123,559 | \$3,559,638 | \$16,683,197 |
| Operating expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital assets | | 70,550 | 70,550 |
| Information technology consultants | 450,000 | | 450,000 |
| Total all funds | \$14,945,262 | \$4,152,556 | \$19,097,818 |
| Less estimated income | 5,826,152 | 2,335,579 | 8,161,731 |
| General fund | \$9,119,110 | \$1,816,977 | \$10,936,087 |
| FTE | 61.00 | 9.00 | 70.00 |

Department 117 - State Auditor - Detail of Senate Changes

| | Adjusts Funding for Cost to Continue Salaries ¹ | Adjusts Base Budget Funding ² | Adds Funding for Salary and Benefit Increases ³ | Adds Salary Equity Funding for Elected Officials ⁴ | Adds Local Government Division Audit Positions ⁵ | Adds 1 FTE Attorney Position ⁶ |
|------------------------------------|--|--|--|---|---|---|
| Salaries and wages | \$86,660 | \$17,593 | \$1,016,889 | \$26,748 | \$1,427,784 | \$265,292 |
| Operating expenses | | (17,593) | | | 126,500 | |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$86,660 | \$0 | \$1,016,889 | \$26,748 | \$1,554,284 | \$265,292 |
| Less estimated income | 23,627 | 0 | 402,836 | 0 | 1,554,284 | 0 |
| General fund | \$63,033 | \$0 | \$614,053 | \$26,748 | \$0 | \$265,292 |
| FTE | 0.00 | 0.00 | 0.00 | 0.00 | 7.00 | 1.00 |

| | Adds 1 FTE Education Coordinator Position ⁷ | Increases Funding for Temporary Salaries ⁸ | Increases Funding for Audit Software Upgrades ⁹ | Increases Funding for Information Technology ¹⁰ | Adds Funding for Capitol Space Rent Model ¹¹ | Adds One-Time Funding for Local Government Auditors ¹² |
|------------------------------------|--|---|--|--|---|---|
| Salaries and wages | \$218,672 | \$500,000 | | | | |
| Operating expenses | | | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$218,672 | \$500,000 | \$115,564 | \$17,669 | \$178,228 | \$21,000 |
| Less estimated income | 0 | 250,000 | 61,266 | 6,566 | 0 | 0 |
| General fund | \$218,672 | \$250,000 | \$54,298 | \$11,103 | \$178,228 | \$21,000 |
| FTE | 1.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | Adds One-Time Funding for Operating Expense Inflation ¹³ | Adds One-Time Funding for Audit Software Upgrades ¹⁴ | Adds One-Time Funding for Equipment ¹⁵ | Total Senate Changes |
|------------------------------------|---|---|---|----------------------|
| Salaries and wages | | | | \$3,559,638 |
| Operating expenses | \$81,000 | | | 522,368 |
| Capital assets | | \$45,550 | \$25,000 | 70,550 |
| Information technology consultants | | | | |
| Total all funds | \$81,000 | \$45,550 | \$25,000 | \$4,152,556 |
| Less estimated income | 37,000 | 0 | 0 | 2,335,579 |
| General fund | \$44,000 | \$45,550 | \$25,000 | \$1,816,977 |
| FTE | 0.00 | 0.00 | 0.00 | 9.00 |

¹ Funding is added for cost to continue salary increases.

² Base budget funding is adjusted to transfer \$17,593 from operating expenses to salaries and wages.

³ The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,648 per month:

| | General Fund | Other Funds | Total |
|---------------------------|------------------|------------------|--------------------|
| Salary increase | \$432,963 | \$318,639 | \$751,602 |
| Health insurance increase | 181,090 | 84,197 | 265,287 |
| Total | \$614,053 | \$402,836 | \$1,016,889 |

⁴ Funding is added for providing a salary equity increase for the State Auditor. The State Auditor's annual salary is increased from the current level of \$114,486 to \$130,000 (13.6 percent) effective July 1, 2023. This funding is in addition to the funding added for the general 4 percent annual salary increases for state employees.

⁵ Funding is added from special funds in the agency's operating fund for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 2 FTE local government auditor II positions (\$415,480);
- 4 FTE local government auditor I positions (\$703,940); and
- Ongoing operating expenses of \$126,500 related to additional local government auditors.

⁶ Funding is added for 1 FTE attorney position.

⁷ Funding is added for 1 FTE education coordinator position.

⁸ Funding is added, including funding from special funds in the agency's operating fund, for temporary salaries for internships.

⁹ Funding is increased, including funding from federal and special funds, for operating costs related to audit software upgrades.

¹⁰ Funding is added, including funding from special funds in the agency's operating fund, for operating expenses related to Information Technology Department rate increases.

¹¹ Funding is added for operating expenses related to a new Capitol space rent model.

¹² One-time funding is added for operating expenses related to local government auditor positions.

¹³ One-time funding, including funding from federal and special funds, is added for operating expenses related to travel and professional development inflationary increases.

¹⁴ One-time funding is added for costs related to audit software upgrades.

¹⁵ One-time funding is added for capital costs related to the replacement of equipment over \$5,000.

This amendment also:

- Adds a section to provide a deficiency appropriation of \$24,358 to the State Auditor to refund audit fees to local governments whose audit costs exceeded 1 percent of their revenues during the biennium ended June 30, 2023;
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024;
- Adds a section to amend Section 54-12-08 relating to assistant and special assistant attorneys general to allow the State Auditor to employ an attorney; and
- Adds a section to declare the deficiency appropriation to be an emergency measure.

**State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes**

| | Senate Version | | | Total |
|---|----------------|---------------------|--------------------|---------------------|
| | FTE Positions | General Fund | Other Funds | |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 |
| Salary increase | | 432,963 | 318,639 | 751,602 |
| Health insurance increase | | 181,090 | 84,197 | 265,287 |
| Adds salary equity funding for elected officials | | 26,748 | | 26,748 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 |
| Adds funding for 1 FTE attorney position | 1.00 | 265,292 | | 265,292 |
| Adds funding for 1 FTE education coordinator position | 1.00 | 218,672 | | 218,672 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 |
| Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors | | | 126,500 | 126,500 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 |
| Total ongoing funding changes | 9.00 | \$1,681,427 | \$2,298,579 | \$3,980,006 |
| One-Time Funding Items | | | | |
| Adds one-time funding for operating expenses related to local government auditor positions | | 21,000 | | 21,000 |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | 37,000 | 81,000 |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 |
| Total Changes to Base Level Funding | 9.00 | \$1,816,977 | \$2,335,579 | \$4,152,556 |
| 2023-25 Total Funding | 70.00 | \$10,936,087 | \$8,161,731 | \$19,097,818 |
| <i>Federal funds included in other funds</i> | | | \$1,463,177 | |
| <i>Total ongoing changes as a percentage of base level</i> | 14.8% | 18.4% | 39.5% | 26.6% |
| <i>Total changes as a percentage of base level</i> | 14.8% | 19.9% | 40.1% | 27.8% |

Other Sections in State Auditor - Budget No. 117

| | Senate Version |
|---|---|
| Deficiency Appropriation - Refund of Audit Fees | Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. |
| Salary of the State Auditor | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. |
| Employment of attorney | Section 5 amends Section 54-12-08 relating to assistant and special assistant attorneys general to allow the State Auditor to employ an attorney. |
| Emergency | Section 6 declares the deficiency appropriation in Section 3 to be an emergency measure. |

Prepared for the Senate Appropriations Committee

**Department 117 - State Auditor
Senate Bill No. 2004**

Executive Budget Comparison to Base Level

| | General Fund | Other Funds | Total |
|--------------------------|---------------------|--------------------|--------------|
| 2023-25 Executive Budget | \$10,566,501 | \$8,266,687 | \$18,833,188 |
| 2023-25 Base Level | 9,119,110 | 5,826,152 | 14,945,262 |
| Increase (Decrease) | \$1,447,391 | \$2,440,535 | \$3,887,926 |

Selected Budget Changes Recommended in the Executive Budget

| | General Fund | Other Funds | Total |
|---|---------------------|--------------------|--------------|
| 1. Adds funding for state employee salary and benefit increases, of which \$1,003,649 is for salary increases and \$259,322 is for health insurance increases | \$755,179 | \$507,792 | \$1,262,971 |
| 2. Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | \$0 | \$308,364 | \$308,364 |
| 3. Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | \$0 | \$415,480 | \$415,480 |
| 4. Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | \$0 | \$703,940 | \$703,940 |
| 5. Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | \$250,000 | \$250,000 | \$500,000 |
| 6. Increases funding, including funding from federal and special funds, for added operating costs related to audit software upgrade | \$54,298 | \$61,266 | \$115,564 |
| 7. Adds funding for a new Capitol space rent model | \$178,228 | | \$178,228 |
| 8. Adds one-time funding for operating expenses related to local government auditor positions | \$21,000 | | \$21,000 |
| 9. Adds one-time funding , including funding from federal and special funds, for travel and professional development inflationary increases | \$44,000 | \$37,000 | \$81,000 |
| 10. Adds one-time funding for costs related to audit software upgrades | \$45,550 | | \$45,550 |
| 11. Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | \$25,000 | | \$25,000 |

A summary of the executive budget changes to the agency's base level appropriations is attached as an appendix.

A copy of the draft appropriations bill containing the executive budget recommendations is attached as an appendix.

Selected Bill Sections Recommended in the Executive Budget

Salary of the State Auditor - Section 3 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect recommended salary increases of 6 percent in the 1st year of the biennium and 4 percent in the 2nd year of the biennium.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

The financial audit for the State Auditor's office, conducted by Eide Bailly LLP, Certified Public Accountants (Eide Bailly), for the biennium ended June 30, 2021, revealed two audit findings and related material weaknesses caused by human error, resulting in a misstatement of accounts receivable submitted to Eide Bailly and by a delay in review of payroll expenditures charged to the general and operating funds, resulting in a misstatement of prior period cash funds. Eide Bailly recommended financial statement account reconciliations be checked and reviewed prior to the audit and the State Auditor continue to use the payroll control procedures implemented in January 2020 to ensure that future financial statements are accurate.

January 11, 2023

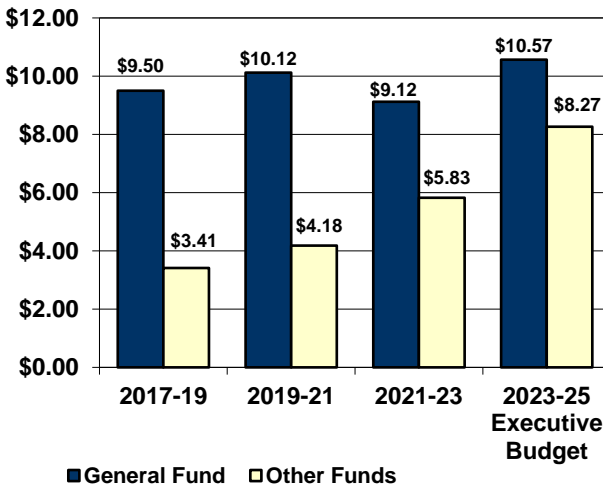
Major Related Legislation

House Bill No. 1129 - Provides the State Auditor may not charge or collect any fee from a firefighters relief association, rural fire protection district, or rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

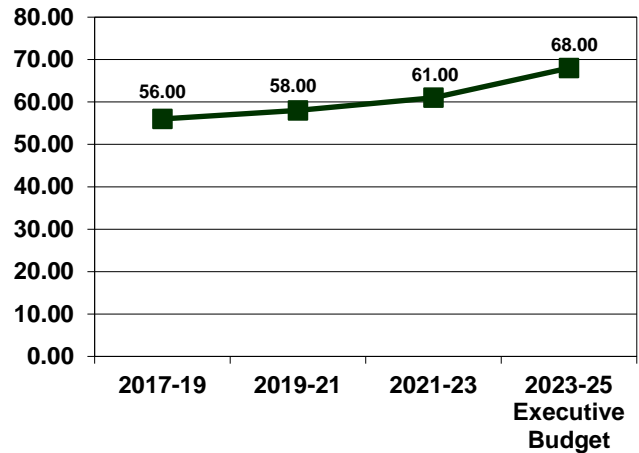
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|---|-------------|-------------|--------------|-------------|--------------------------|
| Ongoing general fund appropriations | \$9,776,582 | \$9,498,608 | \$10,106,860 | \$9,119,110 | \$10,430,951 |
| Increase (decrease) from previous biennium | N/A | (\$277,974) | \$608,252 | (\$987,750) | \$1,311,841 |
| Percentage increase (decrease) from previous biennium | N/A | (2.8%) | 6.4% | (9.8%) | 14.4% |
| Cumulative percentage increase (decrease) from 2015-17 biennium | N/A | (2.8%) | 3.4% | (6.7%) | 6.7% |

Major Increases (Decreases) in Ongoing General Fund Appropriations

2017-19 Biennium

- Restored funding for 4 FTE North Dakota University System audit positions removed by the State Auditor as part of the 2015-17 biennium budget reductions, including salaries and wages of \$611,300 and operating expenses of \$41,392 \$652,692
- Removed 2 FTE University System audit positions, including salaries and wages of \$297,135 and operating expenses of \$12,500 (\$309,635)
- Removed 1 FTE performance audit manager position (\$277,191)
- Removed 0.80 FTE administrative officer II position due to salaries and wages funding reductions \$0
- Reduced funding for operating expenses (\$101,615)
- Removed funding for IT consultants (\$250,000)

2019-21 Biennium

- Added funding for IT reviews of the Information Technology Department and the University System to provide a total of \$450,000 for technology reviews, of which \$300,000 is from special funds from the University System \$150,000

2021-23 Biennium

- Removed 4 FTE Higher Education Division audit positions (\$854,231)
- Removed 1 vacant FTE auditor IV position, including salaries and wages and operating expenses (\$175,525)

2023-25 Biennium (Executive Budget Recommendation)

- Adds \$500,000, of which \$250,000 is from special funds in the agency's operating fund, for temporary salaries for internships \$250,000

- 2. Increases funding for added operating costs related to audit software upgrade \$54,298
- 3. Adds funding for a new Capitol space rent model \$178,228

One-Time General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|--------------------------------------|---------|---------|----------|---------|--------------------------------|
| One-time general fund appropriations | \$0 | \$0 | \$16,000 | \$0 | \$135,550 |

Major One-Time General Fund Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

- 1. Added one-time funding to replace a copier. \$16,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds one-time funding for office furniture related to local government auditor positions \$21,000
- 2. Adds one-time funding for travel and professional development inflationary increases \$44,000
- 3. Adds funding for one-time costs related to audit software upgrade \$45,550
- 4. Adds one-time funding for replacement of equipment over \$5,000 \$25,000

State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes

| | Executive Budget Recommendation | | | |
|---|--|-------------------------|------------------------|--------------------|
| | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 |
| Health insurance increase | | 177,018 | 82,304 | 259,322 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 |
| Adds funding from special funds in the agency's operating fund for operating costs related to additional local government auditors | | | 126,500 | 126,500 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 |
| One-time funding items | | | | |
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 |

| | | | | |
|--|--------------|---------------------|--------------------|---------------------|
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 |
| <i>Federal funds included in other funds</i> | | | \$1,482,390 | |
| <i>Total ongoing changes as a percentage of base level</i> | 11.5% | 14.4% | 41.3% | 24.9% |
| <i>Total changes as a percentage of base level</i> | 11.5% | 15.9% | 41.9% | 26.0% |

Other Sections in State Auditor - Budget No. 117

Executive Budget Recommendation

Salary of the State Auditor

Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024.

SENATE BILL NO. 2004
(Governor’s Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the state auditor; and to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state auditor for the purpose of defraying the expenses of the state auditor, for the biennium beginning July 1, 2023, and ending June 30, 2025, as follows:

| | Legislative Base Level | Adjustments or Enhancements | Appropriation |
|------------------------------------|---------------------------|--------------------------------|------------------|
| Salaries and Wages | \$13,123,559 | \$ 3,295,008 | \$16,418,567 |
| Operating Expenses | 1,371,703 | 522,368 | 1,894,071 |
| Capital Assets | 0 | 70,550 | 70,550 |
| Information Technology Consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total All Funds | \$14,945,262 | \$ 3,887,926 | \$18,833,188 |
| Less Estimated Income | <u>5,826,152</u> | <u>2,440,535</u> | <u>8,266,687</u> |
| Total General Fund | \$ 9,119,110 | \$ 1,447,391 | \$10,566,501 |
| Full-time Equivalent Positions | 61.00 | 7.00 | 68.00 |

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

| <u>One-Time Funding Description</u> | <u>2021-23</u> | <u>2023-25</u> |
|--|----------------|----------------|
| Inflationary Increases for Travel and Professional Development | \$0 | \$81,000 |
| TeamMate+ Migration and Setup | 0 | 45,550 |
| Asset Replacement | 0 | 25,000 |
| Office Furniture | <u>0</u> | <u>21,000</u> |
| Total All Funds | \$0 | \$172,550 |
| Less Estimated Income | <u>0</u> | <u>37,000</u> |
| Total General Fund | \$0 | \$135,550 |

SECTION 3. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is amended and reenacted as follows:

54-10-10. Salary of state auditor. The annual salary of the state auditor is ~~one hundred twelve thousand two hundred forty one dollars through June 30, 2022, and one hundred fourteen thousand four hundred eighty six dollars~~ one hundred twenty-one thousand three hundred fifty-five dollars through June 30, 2024, and one hundred twenty-six thousand two hundred nine dollars thereafter.

**State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes**

| | Executive Budget Recommendation | | | | Senate Version | | | |
|--|---------------------------------|--------------------|--------------------|--------------------|----------------|--------------|-------------|--------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | | | \$0 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 | | | | 0 |
| Health insurance increase | | 177,018 | 82,304 | 259,322 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 | | | | 0 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | | 0 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | | | 0 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | | | 0 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | | | | 0 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 | 0.00 | \$0 | \$0 | \$0 |

equity - for increased cost of living

One-Time Funding Items

| | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|--------------------|--------------------|---------------------|
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 | | | | 0 |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 | | | | 0 |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 | | | | 0 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 | | | | 0 |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$0 | \$0 | \$0 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 | 0.00 | \$0 | \$0 | \$0 |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| <i>Federal funds included in other funds</i> | | | \$1,482,390 | | | | \$1,372,960 | |
| <i>Total ongoing changes as a percentage of base level</i> | 11.5% | 14.4% | 41.3% | 24.9% | 0.0% | 0.0% | 0.0% | 0.0% |
| <i>Total changes as a percentage of base level</i> | 11.5% | 15.9% | 41.9% | 26.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Other Sections in State Auditor - Budget No. 117

Salary of the State Auditor

Executive Budget Recommendation

Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024.

Senate Version

20Mar2023

SB 2004

House Appropriations Committee

Chairman Vigesaa and members of the House Appropriations Committee, I'm Jason Asche, a Sargent County ND resident and Chairman of the Board for the Volunteer Gwinner Rural Fire District (GFD). This testimony is submitted in favor of changes to the North Dakota State Auditor's Office (SAO) budget with respect to small government audits.

I'll start with a little background. GFD serves its district with about 40 volunteer members. Looking at 2018 (the year recently under audit) GFD collected \$91,568.96 between tax and insurance fund money. There was about \$15k in donations and GFD generated around \$10k with the annual gun raffle. In total, GFD was about a \$115K operation in 2018. That money was used for maintaining equipment, fuel and oil for the trucks, utilities for the fire hall, equipment for a new pumper truck that was purchased, debt repayment on truck, and monthly meeting expenses.

GFD protects the city of Gwinner and six surrounding townships. GFD also plays an important role in the SE corner of ND by protecting the Bobcat factory and supporting facilities where 1500 employees come to work every day. Bobcat generates \$5 billion in revenue annually and a large portion of that comes from the Gwinner operations. In 2018 29% of GFD calls were to the Bobcat factory. These are big numbers and there is a lot on the line for not only Bobcat but also the entire state of ND when GFD gets called. All of this protection provided by volunteers on a \$115K/year budget. It is a high value operation.

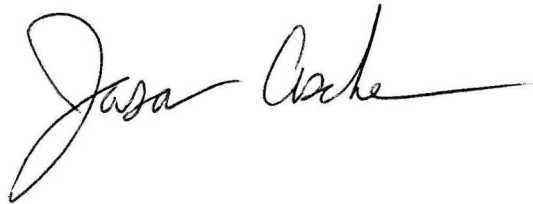
Value is something the SAO should be focused on as well. In the case of the recent audit performed remotely by the SAO for GFD the actual cost was \$17,022.27 for 166 hrs of work (\$108/hr) prior to adjustments. See supporting documents for breakdown. Calculated, this is about 15% of the total operating budget. Another interesting way to analyze it is \$128 per transaction made in auditor fees. Total transactions for the year was 132 and in that included 24 recurring transactions that were the same every month. Is this a good value?

The hallmark finding of the 2018 GFD audit was \$5,608 that was spent on groceries and drinks for monthly meetings where GFD volunteers rotate cooking assignments to serve their fellow volunteers dinner after the meeting. This money was generated by the gun raffle and kept in a separate discretionary checking account. Do the math for some perspective. \$5,608 is \$11.68 per volunteer per month or about \$140 per volunteer per year. This is the information the SAO felt was important enough to do a full scale press release on. In comparison, the original audit bill comes out to \$425 per member per year.

Instead of offering solutions to gain additional separation between the GFD general fund checking account and the discretionary fund checking account the SAO chose to parade the embellished findings to the media. More recently, Mr. Gallion stated in opposing testimony for HB 1508 and in several media outlets GFD spent \$30,000 on alcohol alone. This is false information and doesn't match data from his own audit. We should expect more from our state auditor and he should be held accountable

for misleading the public. In addition, I have communicated directly with officials in the North Dakota Firefighter's Association (NDFA) who expressed disappointment in the SAO with respect to assistance in the development of best accounting practices for rural volunteer departments like ours. A meeting was held but no direction was provided. Unfortunately, media attention took priority over problem solving.

GFD had no issues with the audit being performed because there was nothing to hide, no malice or missing money was uncovered. However, the expense of the audit is something that no rural volunteer fire district should bear in North Dakota. Budgets are small and expenses are high. I'm calling on you to act for change. Don't continue to allow the SAO to hamstring volunteer rural fire departments with auditor fees that limit their ability to serve their district. This committee needs to develop a reasonable solution for a real problem. Thanks for your time and attention to this matter.

A handwritten signature in black ink, reading "Jasa Arke". The signature is written in a cursive style with a long horizontal flourish extending to the right.

JH Asche

From: Erickson, Heath M. <hmerickson@nd.gov>
Sent: Wednesday, April 13, 2022 5:01 PM
To: jhasche@drtel.net
Subject: Audit Bill

Jason,

I appreciate the question. I can break it down for you and explain a few things at the end as well. The \$11,000 is for the financial statement audit for 2018. There was a lot of moving parts that I will try to explain. See Below:

Some may not know this, but the local government division of the Office of the State Auditor is self-funded and operates on its own steam and must charge what the actual cost of these audits is in order to run the division.

Actual Cost – 17,928.50
Actual Hours – 166
Adjusted Cost = \$11,000

As you can see our actual cost was quite higher than was actually billed. Usually we do not adjust bills because that would mean that we would not be able to cover our costs on the project. Due to the circumstances, Josh Gallion chose to lower the bill to \$11,000.

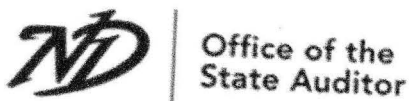
First time audits are more work for the following reasons:

1. Financial Statements need to be created from scratch
2. Opening balances need to be reviewed since there hasn't been an audit done before
3. Internal controls need to be documented and added to our working papers
4. Risk assessments on any new client are set higher because we are not familiar with them, which means more testing.
5. If findings are written, more time is spent in this area because of discussions with the client and possibly our lawyers if needed to ensure mistakes are not made.

If you would have searched for a private firm to do this audit, I think you would find that \$11,000 would not be out of line.

I hope that the staff that your team worked with were respectful during this process. If anybody from your team would like to chat with me about this audit or this billing. Please let me know. Thanks.

Heath Erickson, CPA
Audit Manager | Division of Local Government Audit



1655 43rd Street S., Suite 203, Fargo, ND 58103
Phone: 701.239.7286 Website: nd.gov/auditor

Monday, March 20, 2023-Testimony-Gwinner Volunteer Fire Department- a 40 member all volunteer fire department (GFD)-
Testimony provided by Jerry Waswick. Audit year 2018 by State Auditor Josh Gallion. Auditor states that we "comingled funds" and "spent 30K on alcohol over a five year period". Will provided detail as to how GFD kept Fundraiser funds separate from Tax Levy funds, two accounts, separate account numbers and separate accounting ledgers. 132 transactions total, 96 in the General fund and 36 in the Fundraiser fund. We know what tax levy dollars can and cannot be used for. For this purpose we kept the funds separate and thought we were doing our books correctly and were never informed to the contrary. This is how our books have been kept for decades. The audit didn't find any embezzlement, theft or missing funds. All monies were accounted for.

To be clear, we are fine with being audited. What were not fine with is
#1: The high cost of the audit. Initially over 17k, ended up paying 11k.
#2: Mr. Gallions continuous embellishment, misrepresentation of the facts and what appears to be intentional public deceit. Its disheartening to see such a high ranking public official conduct himself in the manner in which he does.

(3 minute audio from Feb. 15, 2013 from a local radio broadcast featuring Mr. Gallion)

Re-cap of the audio: Education of the facts, alcohol expense, information on how to properly set up finances (NDFA and NDACo) direction not provided. Statements as to misinformation, uneducated and spending of assessed taxes.

No intent of changing audit practices: Who is next?

Audits: State health department audit. Can we or who can call for an audit of the State Auditor.

Comparison of GDF 2018 audit to other audits of the same standards and accepted principals. Address the cost.

Mr. Gallion has stated on numeroue occasions he is working with the State Legislature to change the laws, but has oppossed every proposed

bill.

GFD expenses were not actual tax levied dollars, but the audit fees do directly come out of levied tax assessment.

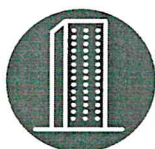
We welcome any questions.

| Year | Food | Drinks | Golf | Restaurant |
|---------|--------------|--------------|-------------|-------------|
| 2016 | \$ 2,407.20 | \$ 1,622.97 | \$ 400.00 | \$ 932.28 |
| 2017 | \$ 1,662.53 | \$ 1,567.28 | \$ 400.00 | \$ 790.00 |
| 2018 | \$ 1,944.90 | \$ 1,982.60 | \$ 480.00 | \$ 1,200.00 |
| 2019 | \$ 2,331.84 | \$ 1,893.56 | \$ 535.80 | \$ 1,079.19 |
| 2020 | \$ 2,729.31 | \$ 1,499.04 | \$ 400.00 | \$ 1,075.00 |
| 2021 | \$ 3,621.49 | \$ 1,659.78 | \$ 520.00 | \$ 1,486.53 |
| Total | \$ 14,697.27 | \$ 10,225.23 | \$ 2,735.80 | \$ 6,563.00 |
| Average | \$ 2,449.55 | \$ 1,704.21 | \$ 455.97 | \$ 1,093.83 |

5 year period 2017-2021 = \$ 8,602.²⁶_—

How Funding for the Auditor's Office is Allocated

The mission of the Auditor's Office is to **serve the citizens** of North Dakota by providing **informative audit** reports that improve government.



State Agency and Higher Education Audits

State agencies, colleges, and universities



The work is completed by the **State Agency** division of the Auditor's Office.



The Auditor's Office follows state law and only charges a percentage to audit clients for federal and special revenue funds. These funds **do not stay with the Auditor's Office**. They are deposited into the General Fund for the legislature to appropriate later.



The legislature gives us General Fund dollars **for this division to function**.



Local Government Audits

Cities, counties, schools, etc.



The work is completed by the **Local Government** division of the Auditor's Office.



Audit fees collected are deposited into the Auditor's Office **operating fund**. This fund pays **only** for salaries and operating expenses for the Local Government division.



No money is given to the Auditor's Office for this division to function. The legislature gives us the **authority** to spend the money this division **earns** through a special fund appropriation.



Detailed Breakdown of Types of Audits and Funding Sources

Types of State Agency and Higher Education Audits

State agencies, colleges, and universities

| | GENERAL FUNDED | SPECIAL | FEDERAL | SPECIAL | UNIVERSITY/ FEDERAL |
|-------------------------------------|----------------|--------------|--------------|-------------------|---------------------|
| AUDIT CLIENT | Agency | Agency | Agency | University System | University System |
| HOW BILL IS PAID | No bill | Special Fund | Federal | Special Fund | Federal |
| WHERE THE MONEY IS DEPOSITED | - | General Fund | General Fund | General Fund | General Fund |

Types of Local Government Audits

Cities, counties, and schools

| | GENERAL LOCAL GOVERNMENTS | FEDERAL LOCAL GOVERNMENTS |
|-------------------------------------|---------------------------------------|---------------------------|
| AUDIT CLIENT | Political Subdivision | Political Subdivision |
| HOW BILL IS PAID | Local Revenue (taxes, oil, gas, coal) | Federal |
| WHERE THE MONEY IS DEPOSITED | Operating Fund | Operating Fund |

Overview of Terms

General Fund Appropriations

Actual cash that can be spent

Special Fund Appropriations

Spending authority (not allocated cash)

Note on Special Fund

The special fund at the Auditor's Office only pays for salaries and operating expenses for the local government division. The Auditor's Office does not make a profit. It only covers costs for audits and reviews.

Overview of Funds

Special fund average monthly expenditures: \$142,000

Special fund cash balance as of 3/17/2023 : \$225,000

Pays salaries and operating expenses for the local government division.

General funds do not fund the local government division.

Projected ending fund balance as of 6/30/23: \$350,000

This is a reserve (cash plus accounts receivables owed to us) used to cover salaries and operating expenses for the local government division.



Testimony Regarding SB 2004
House Appropriations Committee – March 20, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

Good morning, Chairman Vigesaa and members of this committee,

My name is Ann Hafner and I am a resident of Dunn County, District 26. I am a Paramedic and Operations Chief of Killdeer Area Ambulance Service, a rural ambulance taxing district in western North Dakota.

Today I represent myself and our ambulance district board regarding HB 2004.

I originally wrote this testimony for HB 1129. I was present on January 12 to present it to the House Political Subdivision Committee when I was informed by Chairman Longmuir that the bill had been withdrawn for unknown reasons. I was later informed Auditor Gallion urged the bill to be withdrawn as it was not good for his office and a deal had made to refund audit fees to Gwinner Rural Fire Protection District and Killdeer Area Ambulance Service. Today I present my revised testimony.

As background, our rural ambulance taxing district with a current population of 2800 was established in 2005 and granted a levy of 5 mills. We serve nearly 1000 square miles in Dunn, McKenzie, and Billings Counties. There is no physician, no hospital, and no emergency room within the area we serve. Since 2014 we had proudly been one of the smallest Advanced Life Support



Testimony Regarding SB 2004
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Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

Ambulance Services in the state, meaning we guaranteed our area at least one Paramedic staffed ambulance at all times.

In January 2022 our ambulance district was notified by the Office of ND Auditor that we were delinquent in providing financial statements, a requirement we were previously unaware of. They advised that we should immediately have an audit completed and that we could hire the Office of ND State Auditor to perform an audit for us at a price of approximately \$17,000.

Our “clean audit” was finally received in December. We were awarded an “unmodified opinion” and were told that was “awesome” and the “best you can get” by our audit team. The total cost of the audit was \$54,374; \$48,650 directly to the ND State Auditor’s Office, \$399 attorney fees for letters required by the Auditor’s Office, \$5325 to the local CPA for requested records and meetings with the audit team.

Since this is a committee concerned with finances, I’d like to give a quick word on how an ambulance taxing district might budget and support themselves. Our district considers wages, fuel, patient expenses like medications and bandages, maintenance needs and training expenses and all the costs of running a business. Next, we attempt to determine how many times the ambulance service will be needed during the year. The amount of money



Testimony Regarding SB 2004
House Appropriations Committee – March 20, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

needed to run the service is divided by our guess of the number of responses we might have and a cost per response is determined. This biennium, the House Human Services Committee determined (for purposes of grant funding) that the cost of an ambulance run is \$1750.00, and reimbursement would ideally be \$750.00. Our actual average cost per run is about \$2100.00. Depending on the year, 30-40% of our runs result in zero income. Over half of our responses are covered under Medicare which pays less than %50 of the amount that we bill (amount that the run costs). I've attached specific instances for your review. The point I am trying to make is that a rural ambulance taxing district is a business that no businessman in his right mind would want to own. It is almost impossible to budget, the income is unpredictable and unreliable. We can charge whatever we want but can only earn what the insurance company wants to pay, which is never enough to make ends meet.

Every ambulance service I know has been struggling with inadequate insurance reimbursements and the exodus of qualified care givers to other fields. Rural services pay low wages and lack employee benefits that are readily available in other jobs. The gas station and Dairy Queen in Killdeer pay several dollars more an hour than we can pay our licensed EMTs.



Testimony Regarding SB 2004
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Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

Because of these reasons, our ambulance district board decided to ask the voters to increase our mill levy from the 5 mills set in place in 2005 (about \$255,000). As I am sure most of you have heard, an employee of the ND State Auditor's Office was feeding incorrect and biased information to the public about our audit while the audit was still underway, in violation of laws and standards (NDCC 54-10-22.1 and 54-10-26). As a result of the actions of this employee of the auditor's office and the community outcry it caused, our requested mill levy increase failed at a cost of \$255,000 per year. Because of the damage we were delivered through this audit, we could no longer afford to pay sufficient staff to maintain our Advanced Life Support Designation. After eight years as the smallest Advanced Life Support Ambulance in the state we were forced to downgrade our services to Basic Life Support.

Section 3 of this bill discusses refund of audit fees. When testimony for HB 1129 was preempted by removal of the bill from committee consideration, I was assured that Killdeer Area Ambulance would receive a refund of the exorbitant fees we paid in full to the auditor's office. Later, I was provided with a spreadsheet of proposed reimbursements based on charging 1% of revenue. Accordingly, our service would be charged equivalent to 1% of our revenue received for each year that was audited



Testimony Regarding SB 2004
House Appropriations Committee – March 20, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

(\$46,629).

| | | | | | |
|-------------|-------------|---------|-------------|---------|-------------|
| 2017 income | \$1,186,807 | expense | \$1,052,834 | Balance | \$133,973 |
| 2018 income | \$1,068,910 | expense | \$1,164,878 | Balance | (\$95,968) |
| 2019 income | \$1,230,202 | expense | \$1,406,566 | Balance | (\$176,364) |
| 2020 income | \$1,177,013 | expense | \$1,212,262 | Balance | (\$35,249) |

The spreadsheet makes it look like we have plenty of cash and transferring 1% of our tax-based income into the coffers of another tax supported agency is no big deal. When you look at the entire financial picture, \$46,629 is more than we could afford. I would like to point out that over half of the revenue received each year was tax dollars either from mill levy, legislative funds through REMSA grants or as assistance received from Dunn County.

Audit fees should be reasonable, applied without prejudice and be determined by the legislature. The Auditor should not have the authority to apply discounts or upcharge on a whim. Auditor spokeswoman, Emily Dalzell is quoted in the Bismarck Tribune on February 21, 2023. She states audit fees of \$112 per hour are charged by the Auditor's office. One could assume then that the audit of our service necessitated 434 hours of work. As of this date, we do not know the hourly rate we were charged for this audit nor the number of hours we were charged for. We received



Testimony Regarding SB 2004
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Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

three individual invoices for \$6000, \$11,000 and \$31,650 due for “Political Sub Audits, 1 each” no other unit of measure or detail.

In the same article, Mr. Gallion states audits range from \$10,000 to \$20,000 depending on size and scope. On January 10, 2023 we received an estimate from his office for \$23,000 – \$26,000 for a repeat audit of a rural ambulance taxing district which received an unmodified opinion 4 months ago.

Mr. Gallion asserts that his agency does not receive state tax dollars because the money comes from a “special fund” and he is required to charge local governments for audit services. HB 2004 directs appropriations for the Auditor’s office to come from the General Fund, and from special funds derived from federal funds and other income. The ND OMB lists more than ten tax types that provide revenue to the general fund. Killdeer Area Ambulance is a rural ambulance taxing district therefore, all funds received and dispersed by the organization are “taxpayer funds”. Nine months into the audit process our audit team told us that all work on our audit had been **suspended** and would not be resumed until we made an \$11,000 payment on the audit. We were told the **state did not fund the Auditor’s office and this is what they had to do to make money.**



Testimony Regarding SB 2004
House Appropriations Committee – March 20, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

I am a scientist, a medical professional and usually not a conspiracy theorist, but audits were initiated based on an anonymous complaint against Killdeer Area Ambulance which led to huge revenue for the auditor's office. There appears to be no set billing policy or structure for audits in this state. An entity may be charged by the hour at an undisclosed rate, multiple invoices for "audit, 1 each" as a unit of measure, by the audit depending on "size" and "scope", or as 1% of revenue.

We willingly and eagerly participated in the audit not just because it was required by the century code but also because we had nothing to hide and hoped to improve our policies and processes. However, our experience with the audit process has left us disillusioned and with significant concerns.

At last count there were 112 licensed ambulance services in the state of North Dakota. Of those 112, only 25 are rural ambulance taxing districts and are therefore subject to NDCC 54-10-14. Currently, the auditor's office has the unchecked power to cause enough damage that any one of these services would have no choice but to surrender their license, decrease their level of service as we were forced to do or cease service all together.

I am a Paramedic. I run an ambulance service. I am well versed in the chapter of the Century Code (NDCC 23-27) that governs



Testimony Regarding SB 2004
House Appropriations Committee – March 20, 2023
Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service

licensed ambulance services in the state. I do not know how to perform an audit nor am I familiar with what official or agency governs the Office of ND State Auditor. But I have faith that you, our elected representatives do know. I urge you to hold the Auditor and his office accountable. Perform an audit of their billing practices and require standardization and fair billing.

As you continue to debate House Bill 2004, I urge you to keep in mind the dire straits our district was placed in because of the actions and the audit processes of the ND Auditor's Office.

On behalf of those I represent and myself, as a voter of District 26, I thank you for your service to our state. I will be glad to remain and answer any questions you may have.



EXAMPLE 2

- Call received at 00:20 am following holiday at request of patient because of fall.
- ALS Unit responded and requested second unit as assist per protocol leaving no unit to cover service area for extended time due to scene delay.
- Patient required full assist to ambulance by five crew members.
- Patient received ALS care and transport to CHI Dickinson ER.

| | | | |
|--------------------------|--------------------------------------|------------|-----------|
| Time crew one is engaged | 2.5 hours plus 90 additional minutes | | |
| Time crew two is engaged | 1.0 hours plus 30 additional minutes | Total Time | 5.5 hours |

Supplies

| | |
|-------------|--|
| Ondansetron | \$4.00 |
| Dilaudid | \$2.00 |
| IV Set | \$8.00 |
| Admin set 3 | \$6.00 |
| NS1 | \$5.00 |
| Tubing | \$2.00 |
| Mega Mover | \$48.00 |
| Other | \$60.00 (cot linens, cleaning, PPE, etc) |
| Total | \$135.00 |

| | | | | |
|-------|--------------------|----------|-------|--|
| Wages | NRP 4.00 @ 23.00 | \$92.00 | Shift | \$552.00 (does not include OT, Holiday, FUTA, etc) |
| | NRP 1.50 @ 23.00 | \$34.50 | Shift | \$552.00 |
| | 2 EMT 4.00 @ 15.00 | \$120.00 | Shift | \$720.00 |
| | EMT 1.50 @ 15.00 | \$22.50 | Shift | \$360.00 |
| | Total | \$269.00 | Total | \$2184 divided by 3 calls that day = 728.00 |

| | | |
|--------------------------|----------|--------|
| FICA | \$55.69 | |
| WSI | \$13.70 | |
| Insurance | \$21.92 | |
| Benefits | \$216.98 | |
| Training | \$43.93 | |
| Truck Maintenance | \$40.54 | |
| Fuel | \$57.92 | Actual |
| Patient Care Maintenance | \$32.88 | |
| Billing Claims | \$140.54 | |

| | | | |
|------------------|----|---------|----------------------------|
| Total Cost | \$ | 1487.10 | |
| Billed Amount | \$ | 2004.00 | |
| Recovered Amount | \$ | 749.74 | Medicare |
| | \$ | 191.26 | TriCare |
| Forced Write Off | \$ | 1063.04 | Unrecoverable per Medicare |

KILLDEER AMBULANCE PAID \$ 546.10 TO PROVIDE CARE AND TRANSPORT THIS PATIENT



Office of the
State Auditor

HOUSE DIVISION MEETING

OFFICE OF THE STATE AUDITOR





N.D.C.C. 54-10 MAJOR RESPONSIBILITIES

- **Audit all state agencies and higher education**
- **Audit and review all local governments**
- **Petition audits**
- **Audit oil & gas federal royalty payments**
- **IT security review**
- **Audit of the Annual Comprehensive Financial Report**
- **Conduct the Biennial Federal Single Audit**



DIVISIONS



JOSHUA C. GALLION
State Auditor

DEPUTY STATE
AUDITOR

UNIVERSITY SYSTEM
PERFORMANCE

LOCAL
GOVERNMENT

AGENCY

MINERAL
ROYALTIES

OPERATIONS



Intern

Fargo 1048

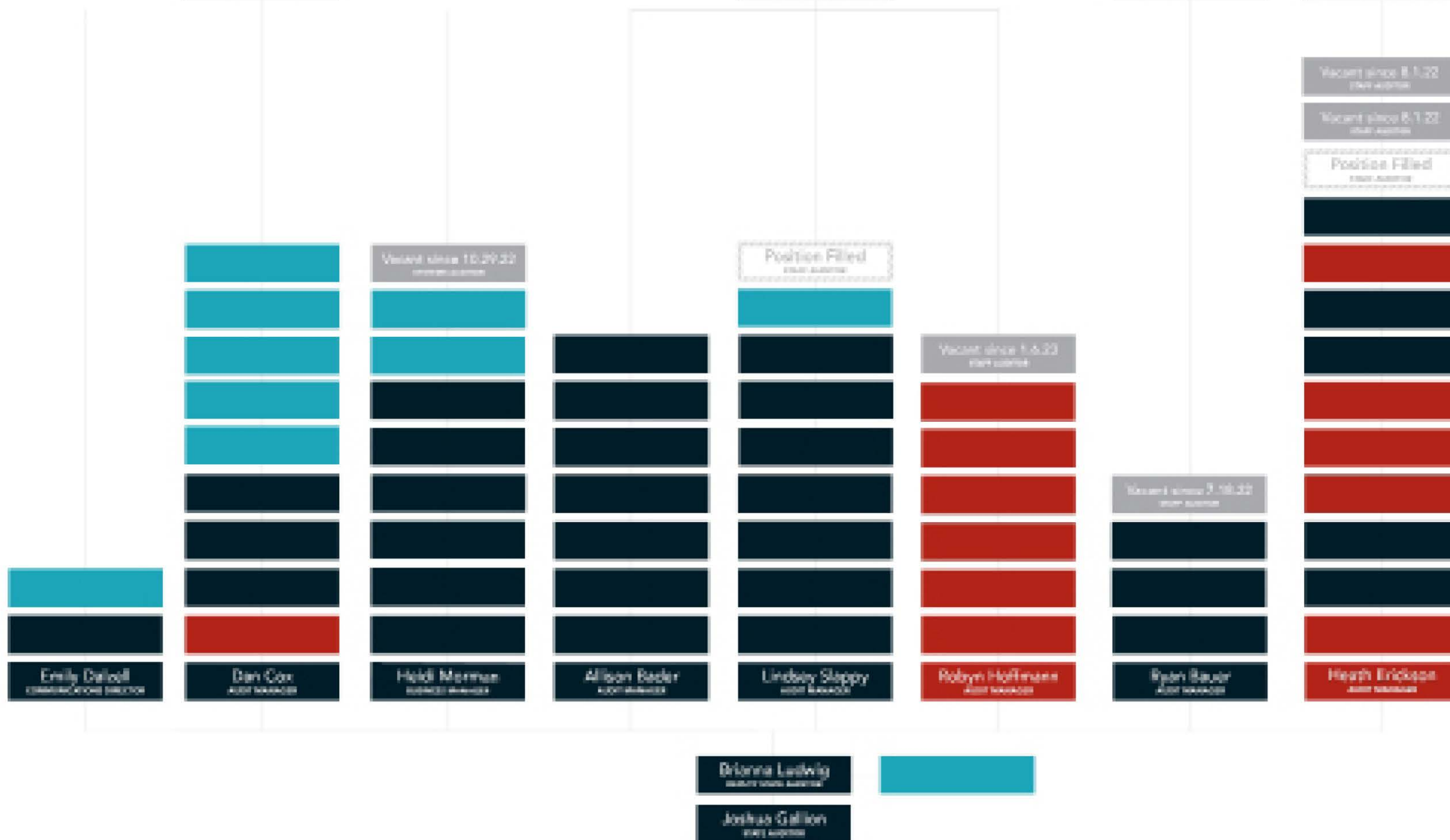
Bismarck 1048

Operations

State

Mineral Republics

Local Government





AUDIT RESULTS

- **Procured by Legislative Council**
- **Conducted by Eide Bailly LLP**
- **For fiscal years 2020 and 2021**





ACCOMPLISHMENTS



- **First-ever virtual audit summit with over 320 attendees**
- **Hired 17 interns and extended full-time offers to six**
- **Auditing American Rescue Plan Act (ARPA) and Cares Funding**
- **Reorganized to better support local governments**
- **Implemented software to speed up internal processes**

CHALLENGES

The background of the slide features a silhouette of two mountain climbers on a rocky peak. One climber is positioned higher on the left, while the other is lower on the right, reaching up towards the first climber. They are connected by ropes. The sky behind them is a gradient of colors from a bright orange and yellow near the horizon to a deep blue at the top, suggesting a sunset or sunrise. The overall mood is one of challenge and achievement.

- **Planning for unknown petition audits**
- **Unknown effects of changes to independence requirements on the SAO and private firms**
- **Retention of qualified staff in a competitive workforce**
- **Training and education for local governments**

NEXT BIENNIIUM GOALS

- **Retain experienced staff with competitive pay**
- **Training opportunities to stay up-to-date on changing professional standards**
- **Education and awareness to local governments about accounting requirements**





14 SPECIAL FUNDED FTE



**Our office conducts
15% of the local
government audits in
the state**



**The 11 private firms doing
local government audits
are 631 years behind
on audits**



**We currently have 45
entities on our waiting
list requesting
our services**



REQUESTING 6 GENERAL FUNDED FTE

4

Auditors

1

Attorney

1

**Education
Coordinator**



FOUR GENERAL FUNDED AUDITORS

- **760 hours of overtime**
- **51% increase in Federal spending we audit**

TRAINING AND EDUCATION COORDINATOR

- **Develop and manage external training and education initiatives, to include developing, implementing, and connecting clients with learning opportunities**
- **Coordinate annual Audit Summit**
- **Plan regular webinars**

“

Greatly appreciated the virtual format!
Webinar on new GASB compliance
statements would be useful too.

”

“

The training was very informative and
easy to understand. Look forward to
all events like this one.

”

“

The speakers did a nice job addressing
an audience that ranged greatly in
responsibilities and population.

”



TEMPORARY SALARY LINE/INTERNSHIP PROGRAM

“
The energy, culture, and people at the SAO all contributed to the amazing internship experience I have had.

“
It brings me hope that some places are truly welcoming to fresh graduates, or, like here, even prefer them!

“
It has been an amazing experience working here for the past 2 years and would hope to join the team full-time someday.

- **34 interns since 2018**
- **Average 8 months in length**
- **Hired 13 into FT positions**
- **\$294,000 projected dollars this biennium**



EQUITY PACKAGE

Auditors with under five years of service are underpaid by up to

10%

Compared to the average pay for accountants and auditors in ND



TRAINING AND DEVELOPMENT INFLATIONARY INCREASE



**48% increase in
fuel costs**



**25% increase in
hotel room costs**



**24% increase in
airfare costs**



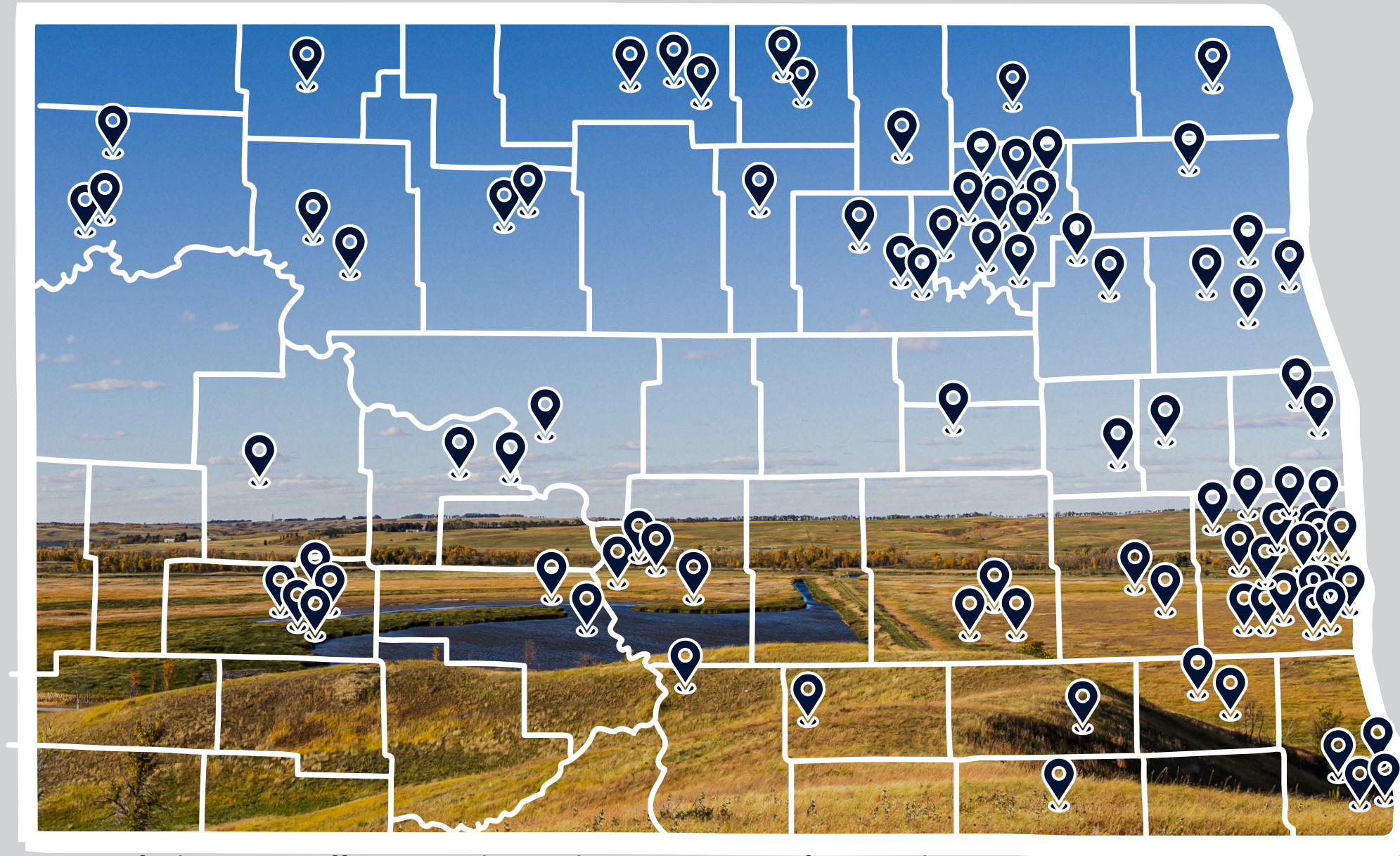
**23% increase in
rental car costs**

TeamMate Upgrade

- **One-time migration cost \$46,750 for the whole team**
- **End of Life is approaching and requires upgrade**
- **Used 80% of the workday**
- **Other agencies already upgraded include: BND, DOT and Trust Lands, the Auditor's Offices utilizes 68 of the 80 State of ND licenses**



Dickinson Office



Map of where our office provides audit services, as of December 2022.



Details on Funding by Program/Line Item

| Class | Agency | Operations | University Systems | Local Governments | Mineral Royalties | Total | % of Funding |
|------------------------------------|------------------|------------------|--------------------|-------------------|-------------------|-------------------|--------------|
| 11710 - Salaries | 4,221,348 | 2,301,249 | 1,778,592 | 3,718,600 | 1,208,025 | 13,227,814 | 88% |
| 11730 - Operating | 390,556 | 195,278 | 156,223 | 464,785 | 164,935 | 1,371,777 | 9% |
| 11750 - Capital Assets | - | - | - | - | - | - | 0% |
| 11770 - IT Systems Security Review | - | 450,000 | - | - | - | 450,000 | 3% |
| | <u>4,611,904</u> | <u>2,946,527</u> | <u>1,934,815</u> | <u>4,183,385</u> | <u>1,372,960</u> | <u>15,049,591</u> | |
| FTE | 20 | 10 | 8 | 18 | 5 | 61 | |

Expenditures through 12/31/22

| | |
|-------------------------------------|-----|
| IT Costs | 48% |
| Rent | 22% |
| Travel and Professional Development | 15% |



Current Biennium One-Time Funding

- **SecureYeti Contract**
- **Cost going up - limits what we're able to look at**

| Biennium 2021-2023 | | | | Biennium 2023-2025 | | | |
|--------------------|------|--------|---------|--------------------|------|--------|---------|
| Labor Category | Rate | Hours | Cost | Labor Category | Rate | Hours | Cost |
| Project Manager | 200 | 86 | 17,200 | Project Manager | 200 | 86 | 17,200 |
| Penetration Tester | 230 | 1795 | 412,850 | Penetration Tester | 250 | 1795 | 448,750 |
| | | Total: | 430,050 | | | Total: | 465,950 |



DEPOSITS INTO GENERAL FUND

54-10-01. Powers and duties of state auditor.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. Perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the



DEPOSITS INTO SPECIAL FUND

- **Local government division is a self-funded special fund**
- **18 FTE**
- **The group bills local governments "an amount equal to the fair value of an audit" and the money is deposited into their operating account**
- **The bill rate for reviewing of annual financial reports is defined in N.D.C.C. 54-10-14(3)**
- **Biennium-to-date revenue: \$2,625,444**



OTHER BILLS EFFECTING THE STATE AUDITOR'S OFFICE

- **SB2133 – Fire Dept Private Donation Fund**
- **SB2180 – N.D.C.C. Clean-Up Bill**
- **HB1245 – Reporting of Fund Balances by Counties**
- **SB2184 – Occupational and Professional Boards**
- **SB2233 – BND Bill**
- **SB2259 – Commodity Bill**
- **SB2333 – Annual Legislative Session**
- **SB2339 – Election Audit**



23 - 25 REQUESTS COMPARED TO CURRENT BIENNIUM

- **14 Special Funded FTE**
- **6 General Funded FTE**
- **Temporary Salary Line**
- **Equity Package**
- **Training and Development Inflationary Increase**
- **TeamMate Upgrade**
- **Dickinson Office**



CHANGES TO THE EXECUTIVE RECOMMENDATION

See handout



COMPARISON OF MAJOR REQUESTS TO EXECUTIVE BUDGET

Office of the State Auditor
Decision Package Summary
Biennium 2023-25

| | 2023-25 Agency Request | | | | | 2023-25 Executive Recommendation | | | | |
|--|------------------------|----------------|------------------|------------------|--------------|----------------------------------|---------------|------------------|------------------|-------------|
| | General Fund | Federal Funds | Special Funds | Total | FTE | General Fund | Federal Funds | Special Funds | Total | FTE |
| 11700 - Office of the State Auditor | 2,758,181 | 108,513 | 3,801,082 | 6,667,776 | 20.00 | 593,076 | 10,442 | 1,988,150 | 2,591,668 | 7.00 |
| <i>Special Fund FTE</i> | 42,000 | - | 3,036,624 | 3,078,624 | 14.00 | 21,000 | - | 1,650,326 | 1,671,326 | 7.00 |
| <i>General Fund FTE</i> | 1,413,924 | - | - | 1,413,924 | 6.00 | - | - | - | - | - |
| <i>Equity Package</i> | 795,409 | 98,071 | 312,634 | 1,206,114 | - | - | - | - | - | - |
| <i>Temporary Salaries</i> | 250,000 | - | 250,000 | 500,000 | - | 250,000 | - | 250,000 | 500,000 | - |
| <i>Travel and Professional Development</i> | 44,000 | 5,000 | 32,000 | 81,000 | - | 44,000 | 5,000 | 32,000 | 81,000 | - |
| <i>Inflationary Increase</i> | | | | | | | | | | |
| <i>TeamMate Upgrade</i> | 99,848 | 5,442 | 55,824 | 161,114 | - | 99,848 | 5,442 | 55,824 | 161,114 | - |
| <i>Dickinson Office Space</i> | 113,000 | - | 114,000 | 227,000 | - | - | - | - | - | - |



FEDERAL FUNDING

- **One federal fund**
- **Awarded by the Department of the Interior (DOI) and the Office of Natural Resources Revenue (ONRR)**
- **Approved federal funding for Federal Fiscal Year 2023 is \$700,668**
- **Team of five**

QUESTIONS?



Office of the
State Auditor

Monday, March 20, 2023-Testimony-Gwinner Volunteer Fire Department- a 40 member all volunteer fire department (GFD)-
Testimony provided by Jerry Waswick. Audit year 2018 by State Auditor Josh Gallion. Auditor states that we "comingled funds" and "spent 30K on alcohol over a five year period". Will provided detail as to how GFD kept Fundraiser funds separate from Tax Levy funds, two accounts, separate account numbers and separate accounting ledgers. 132 transactions total, 96 in the General fund and 36 in the Fundraiser fund. We know what tax levy dollars can and cannot be used for. For this purpose we kept the funds separate and thought we were doing our books correctly and were never informed to the contrary. This is how our books have been kept for decades. The audit didn't find any embezzlement, theft or missing funds. All monies were accounted for.

To be clear, we are fine with being audited. What were not fine with is
#1: The high cost of the audit. Initially over 17k, ended up paying 11k.
#2: Mr. Gallions continuous embellishment, misrepresentation of the facts and what appears to be intentional public deceit. Its disheartening to see such a high ranking public official conduct himself in the manner in which he does.

(3 minute audio from Feb. 15, 2013 from a local radio broadcast featuring Mr. Gallion)

Re-cap of the audio: Education of the facts, alcohol expense, information on how to properly set up finances (NDFA and NDACo) direction not provided. Statements as to misinformation, uneducated and spending of assessed taxes.

No intent of changing audit practices: Who is next?

Audits: State health department audit. Can we or who can call for an audit of the State Auditor.

Comparison of GDF 2018 audit to other audits of the same standards and accepted principals. Address the cost.

Mr. Gallion has stated on numeroue occasions he is working with the State Legislature to change the laws, but has oppossed every proposed

bill.

GFD expenses were not actual tax levied dollars, but the audit fees do directly come out of levied tax assessment.

We welcome any questions.

| Year | Food | Drinks | Golf | Restaurant |
|---------|--------------|--------------|-------------|-------------|
| 2016 | \$ 2,407.20 | \$ 1,622.97 | \$ 400.00 | \$ 932.28 |
| 2017 | \$ 1,662.53 | \$ 1,567.28 | \$ 400.00 | \$ 790.00 |
| 2018 | \$ 1,944.90 | \$ 1,982.60 | \$ 480.00 | \$ 1,200.00 |
| 2019 | \$ 2,331.84 | \$ 1,893.56 | \$ 535.80 | \$ 1,079.19 |
| 2020 | \$ 2,729.31 | \$ 1,499.04 | \$ 400.00 | \$ 1,075.00 |
| 2021 | \$ 3,621.49 | \$ 1,659.78 | \$ 520.00 | \$ 1,486.53 |
| Total | \$ 14,697.27 | \$ 10,225.23 | \$ 2,735.80 | \$ 6,563.00 |
| Average | \$ 2,449.55 | \$ 1,704.21 | \$ 455.97 | \$ 1,093.83 |

5 year period 2017-2021 = \$ 8,602.²⁶_—

Prepared for the House Appropriations Committee

**Department 117 - State Auditor
Senate Bill No. 2004**

First Chamber Comparison to Base Level

| | General Fund | Other Funds | Total |
|-------------------------------|--------------|-------------|--------------|
| 2023-25 First Chamber Version | \$10,670,795 | \$8,161,731 | \$18,832,526 |
| 2023-25 Base Level | 9,119,110 | 5,826,152 | 14,945,262 |
| Increase (Decrease) | \$1,551,685 | \$2,335,579 | \$3,887,264 |

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

Deficiency appropriation - Refund of audit fees - Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the 2021-23 biennium.

Salary of the State Auditor - Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

Emergency - Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

Section 3 of Senate Bill No. 2004 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the 2021-23 biennium.

Significant Audit Findings

The financial audit for the State Auditor's office, conducted by Eide Bailly LLP, Certified Public Accountants (Eide Bailly), for the biennium ended June 30, 2021, revealed two audit findings and related material weaknesses caused by human error, resulting in a misstatement of accounts receivable submitted to Eide Bailly and by a delay in review of payroll expenditures charged to the general and operating funds, resulting in a misstatement of prior period cash funds. Eide Bailly recommended financial statement account reconciliations be checked and reviewed prior to the audit and the State Auditor continue to use the payroll control procedures implemented in January 2020 to ensure that future financial statements are accurate.

Major Related Legislation

Senate Bill No. 2180 - Changes the requirement of state agencies to be audited from every 2 years to once every 2 to 4 years; changes the threshold of funding for political subdivisions that require an audit from \$750,000 to \$2,000,000; and increases the rate the State Auditor may charge political subdivisions for the review of audit reports submitted by independent firms from \$86 per hour to \$90 per hour.

Senate Bill No. 2259 - Limits charges for audits of agricultural commodity groups to \$6,000 for an annual financial statement audit or \$4,000 for a 2-year single-page financial statement audit performed during the biennium ending June 30, 2025, and limits increases to 5 percent on July 1st of each odd-numbered year thereafter.

House Bill No. 1235 - Provides for certain elected officials, including the State Auditor, to begin their term of office on December 1st succeeding their election.

House Bill No. 1245 - Requires each county provide a financial report to the State Auditor by February 1st of each year showing the ending balances of the county general fund and county road and bridge fund for the preceding calendar year.

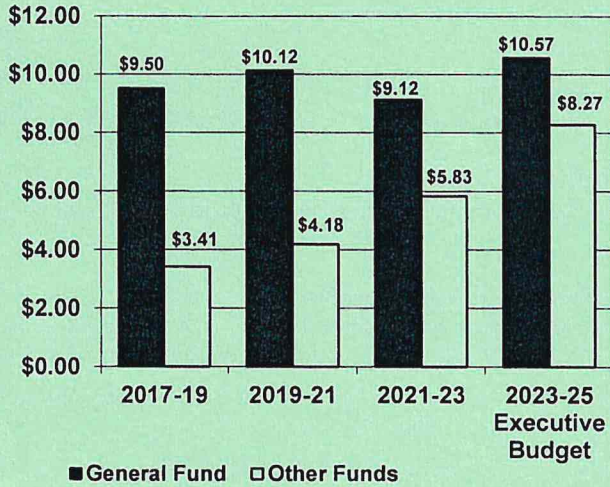
House Bill No. 1501 - Exempts commodity groups from state audit if the commodity group is subject to a federal audit due to a federally mandated checkoff associated with the group's national association.

House Bill No. 1508 - Requires all audits performed by the State Auditor to be reviewed and approved by a certified public accountant.

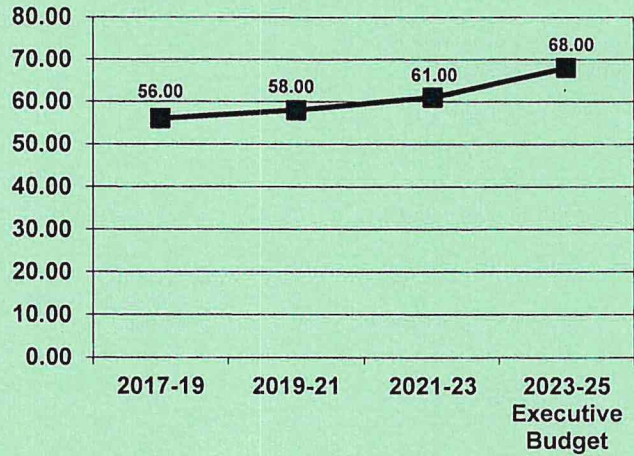
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|---|-------------|-------------|--------------|-------------|--------------------------|
| Ongoing general fund appropriations | \$9,776,582 | \$9,498,608 | \$10,106,860 | \$9,119,110 | \$10,430,951 |
| Increase (decrease) from previous biennium | N/A | (\$277,974) | \$608,252 | (\$987,750) | \$1,311,841 |
| Percentage increase (decrease) from previous biennium | N/A | (2.8%) | 6.4% | (9.8%) | 14.4% |
| Cumulative percentage increase (decrease) from 2015-17 biennium | N/A | (2.8%) | 3.4% | (6.7%) | 6.7% |

Major Increases (Decreases) in Ongoing General Fund Appropriations

2017-19 Biennium

- Restored funding for 4 FTE North Dakota University System audit positions removed by the State Auditor as part of the 2015-17 biennium budget reductions, including salaries and wages of \$611,300 and operating expenses of \$41,392 \$652,692
- Removed 2 FTE University System audit positions, including salaries and wages of \$297,135 and operating expenses of \$12,500 (\$309,635)
- Removed 1 FTE performance audit manager position (\$277,191)
- Removed 0.80 FTE administrative officer II position due to salaries and wages funding reductions \$0
- Reduced funding for operating expenses (\$101,615)
- Removed funding for IT consultants (\$250,000)

2019-21 Biennium

- Added funding for IT reviews of the Information Technology Department (ITD) and the University System to provide a total of \$450,000 for technology reviews, of which \$300,000 is from special funds from the University System \$150,000

2021-23 Biennium

- Removed 4 FTE Higher Education Division audit positions (\$854,231)
- Removed 1 vacant FTE auditor IV position, including salaries and wages and operating expenses (\$175,525)

2023-25 Biennium (Executive Budget Recommendation)

- Adds \$500,000, of which \$250,000 is from special funds in the agency's operating fund, for temporary salaries for internships \$250,000

- 2. Increases funding for added operating costs related to audit software upgrade \$54,298
- 3. Adds funding for a new Capitol space rent model \$178,228

One-Time General Fund Appropriations

| | 2015-17 | 2017-19 | 2019-21 | 2021-23 | 2023-25 Executive Budget |
|--------------------------------------|---------|---------|----------|---------|--------------------------------|
| One-time general fund appropriations | \$0 | \$0 | \$16,000 | \$0 | \$135,550 |

Major One-Time General Fund Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

Added one-time funding to replace a copier. \$16,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds one-time funding for office furniture related to local government auditor positions \$21,000
- 2. Adds one-time funding for travel and professional development inflationary increases \$44,000
- 3. Adds funding for one-time costs related to audit software upgrade \$45,550
- 4. Adds one-time funding for replacement of equipment over \$5,000 \$25,000

State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes

| | Executive Budget Recommendation | | | | Senate Version | | | |
|---|---------------------------------|--------------------|--------------------|--------------------|----------------|--------------------|--------------------|--------------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 |
| 2023-25 Ongoing Funding Changes | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | \$63,033 | \$23,627 | \$86,660 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 | | 432,963 | 318,639 | 751,602 |
| Health insurance increase | | 177,018 | 82,304 | 259,322 | | 181,090 | 84,197 | 265,287 |
| Adds salary equity funding for elected officials | | | | 0 | | 26,748 | | 26,748 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 | 1.00 | | 308,364 | 308,364 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 | 2.00 | | 415,480 | 415,480 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 | 4.00 | | 703,940 | 703,940 |
| Adds funding for 1 FTE education coordinator position | | | | 0 | 1.00 | 218,672 | | 218,672 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | 250,000 | 250,000 | 500,000 |
| Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | 126,500 | 126,500 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | 54,298 | 61,266 | 115,564 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | 11,103 | 6,566 | 17,669 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | | 178,228 | | 178,228 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 | 8.00 | \$1,416,135 | \$2,298,579 | \$3,714,714 |

One-Time Funding Items

| | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|---------------------|--------------------|---------------------|
| Adds one-time funding for operating expenses related to local government auditor positions | \$21,000 | | \$21,000 | | \$21,000 | | \$21,000 | |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | 44,000 | \$37,000 | 81,000 | | 44,000 | \$37,000 | 81,000 | |
| Adds one-time funding for costs related to audit software upgrades | 45,550 | | 45,550 | | 45,550 | | 45,550 | |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | 25,000 | | 25,000 | | 25,000 | | 25,000 | |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$135,550 | \$37,000 | \$172,550 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 | 8.00 | \$1,551,685 | \$2,335,579 | \$3,887,264 |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 | 69.00 | \$10,670,795 | \$8,161,731 | \$18,832,526 |
| <i>Federal funds included in other funds</i> | | | \$1,482,390 | | | \$1,463,177 | | |
| <i>Total ongoing changes as a percentage of base level</i> | 11.5% | 14.4% | 41.3% | 24.9% | 13.1% | 15.5% | 39.5% | 24.9% |
| <i>Total changes as a percentage of base level</i> | 11.5% | 15.9% | 41.9% | 26.0% | 13.1% | 17.0% | 40.1% | 26.0% |

Other Sections in State Auditor - Budget No. 117

| | <u>Executive Budget Recommendation</u> | <u>Senate Version</u> |
|---|--|---|
| Deficiency appropriation - Refund of audit fees | | Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. |
| Salary of the State Auditor | Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024. | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. |
| Emergency | | Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure. |

From: [Brandenburg, Michael D.](#)
To: [Karis, Kenneth](#)
Subject: FW: Email
Date: Monday, March 20, 2023 4:05:33 PM
Attachments: [IMG_7308.PNG](#)

From: Ann Hafner <mahafner@ymail.com>
Sent: Monday, March 20, 2023 10:10 AM
To: mbrandenburg@nd.gov
Subject: Email

10:03



webmail.ndsupernet.com — Private



end for us.

On Tue, Nov 1, 2022 at 2:13 PM Scherr, Michael A.

<mascherr@nd.gov> wrote:

Hi Kelly,

Heath can chime in on this also, but unfortunately all of our audit documentation and draft reports are confidential and only can be shared with management of the ambulance district until the final audit report is issued which is then a public document. The county commission meetings are public meetings so you would have to wait until the final audit report is issued to present that to them. I do think it would be a good idea for you guys to bring some of your own data to that meeting. I think it would be beneficial if you can show the commission that you have reports and bank reconciliations that all balance to each other over 2017 through 2020. I think anything that you can show them that is your own documents that can show you guys are on the right path would be a great start.

I also wanted to share below per the section of state law that talks about the working papers of the state auditor and cannot be shared with anyone outside the ambulance district.

54-10-26. State auditor's working papers.

Working papers of the state auditor are not public records and are exempt from section 44-04-18. Working papers include records kept by the auditor of the procedures applied, the tests performed, the information obtained, draft audit reports, and the pertinent conclusions reached in the engagement. Working papers may be, at the discretion of the state auditor and unless otherwise prohibited by law, made available for inspection. A draft audit report released to the governing body or management of the audited entity is confidential until the final audit report is issued or work ceases on the audit.

Sent from my iPhone



Office of the
State Auditor

HOUSE DIVISION MEETING

OFFICE OF THE STATE AUDITOR





N.D.C.C. 54-10 MAJOR RESPONSIBILITIES

- **Audit all state agencies and higher education**
- **Audit and review all local governments**
- **Petition audits**
- **Audit oil & gas federal royalty payments**
- **IT security review**
- **Audit of the Annual Comprehensive Financial Report**
- **Conduct the Biennial Federal Single Audit**



DIVISIONS



JOSHUA C. GALLION
State Auditor

DEPUTY STATE
AUDITOR

UNIVERSITY SYSTEM
PERFORMANCE

LOCAL
GOVERNMENT

AGENCY

MINERAL
ROYALTIES

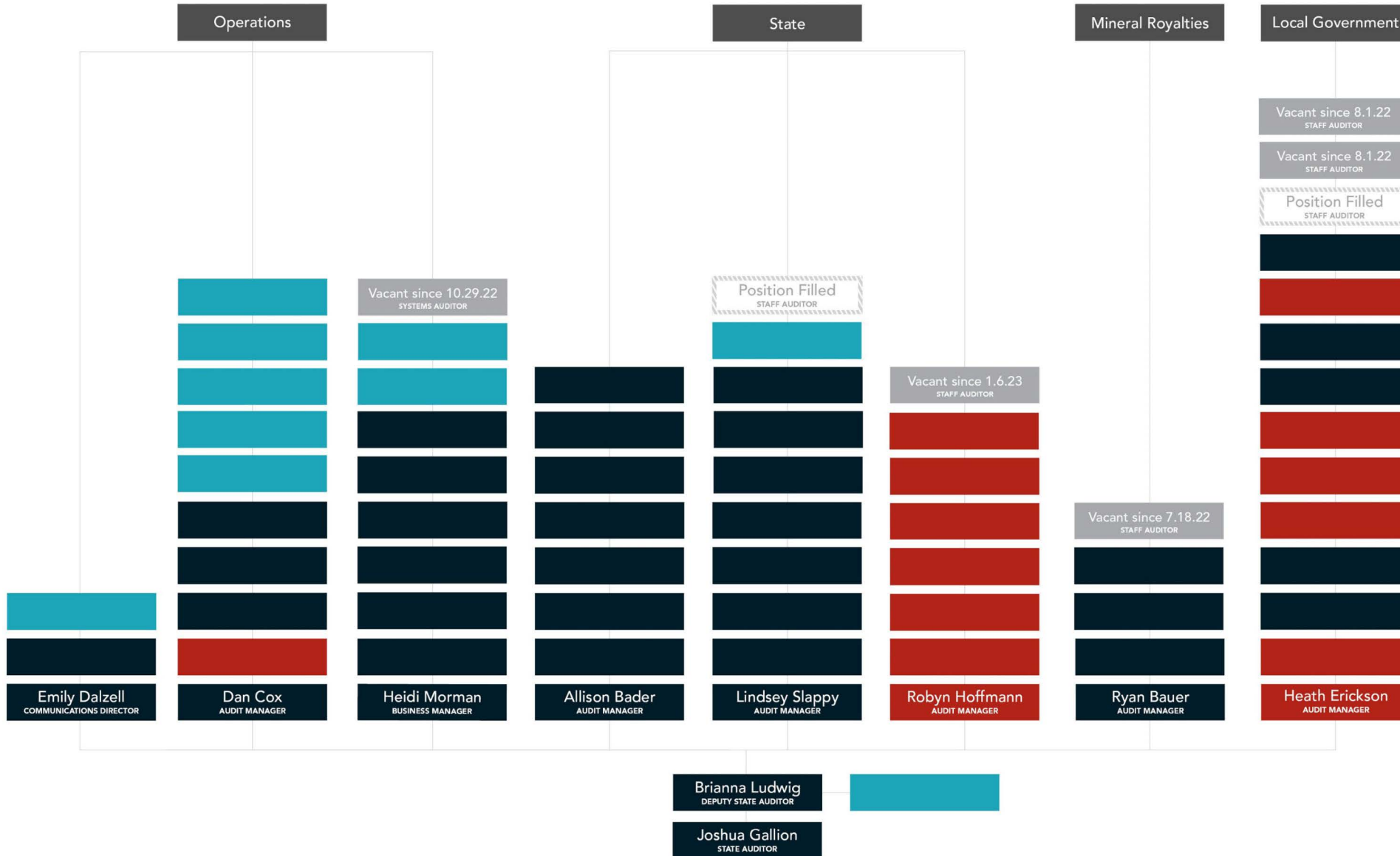
OPERATIONS



Intern

Fargo TEAM

Bismarck TEAM





AUDIT RESULTS

- **Procured by Legislative Council**
- **Conducted by Eide Bailly LLP**
- **For fiscal years 2020 and 2021**





ACCOMPLISHMENTS



- **First-ever virtual audit summit with over 320 attendees**
- **Hired 17 interns and extended full-time offers to six**
- **Auditing American Rescue Plan Act (ARPA) and Cares Funding**
- **Reorganized to better support local governments**
- **Implemented software to speed up internal processes**

CHALLENGES

The background of the slide features a dramatic sunset or sunrise sky with warm orange and yellow tones. In the foreground, the dark silhouettes of two mountain climbers are visible. One climber is positioned higher on a rocky ledge, while the other is lower down, reaching up to hold onto a rope. The overall scene conveys a sense of challenge and achievement.

- **Planning for unknown petition audits**
- **Unknown effects of changes to independence requirements on the SAO and private firms**
- **Retention of qualified staff in a competitive workforce**
- **Training and education for local governments**

NEXT BIENNIUM GOALS

- **Retain experienced staff with competitive pay**
- **Training opportunities to stay up-to-date on changing professional standards**
- **Education and awareness to local governments about accounting requirements**





14 SPECIAL FUNDED FTE



**Our office conducts
15% of the local
government audits in
the state**



**The 11 private firms doing
local government audits
are 631 years behind
on audits**



**We currently have 45
entities on our waiting
list requesting
our services**



REQUESTING 6 GENERAL FUNDED FTE

4

Auditors

1

Attorney

1

**Education
Coordinator**



FOUR GENERAL FUNDED AUDITORS

- **760 hours of overtime**
- **51% increase in Federal spending we audit**



TRAINING AND EDUCATION COORDINATOR

- **Develop and manage external training and education initiatives, to include developing, implementing, and connecting clients with learning opportunities**
- **Coordinate annual Audit Summit**
- **Plan regular webinars**

“

**Greatly appreciated the virtual format!
Webinar on new GASB compliance
statements would be useful too.**

”

“

**The training was very informative and
easy to understand. Look forward to
all events like this one.**

”

“

**The speakers did a nice job addressing
an audience that ranged greatly in
responsibilities and population.**

”



TEMPORARY SALARY LINE/INTERNSHIP PROGRAM

“
The energy, culture, and people at the SAO all contributed to the amazing internship experience I have had.

“
It brings me hope that some places are truly welcoming to fresh graduates, or, like here, even prefer them!

“
It has been an amazing experience working here for the past 2 years and would hope to join the team full-time someday.

- **34 interns since 2018**
- **Average 8 months in length**
- **Hired 13 into FT positions**
- **\$294,000 projected dollars this biennium**



TRAINING AND DEVELOPMENT INFLATIONARY INCREASE



**48% increase in
fuel costs**



**25% increase in
hotel room costs**



**24% increase in
airfare costs**



**23% increase in
rental car costs**

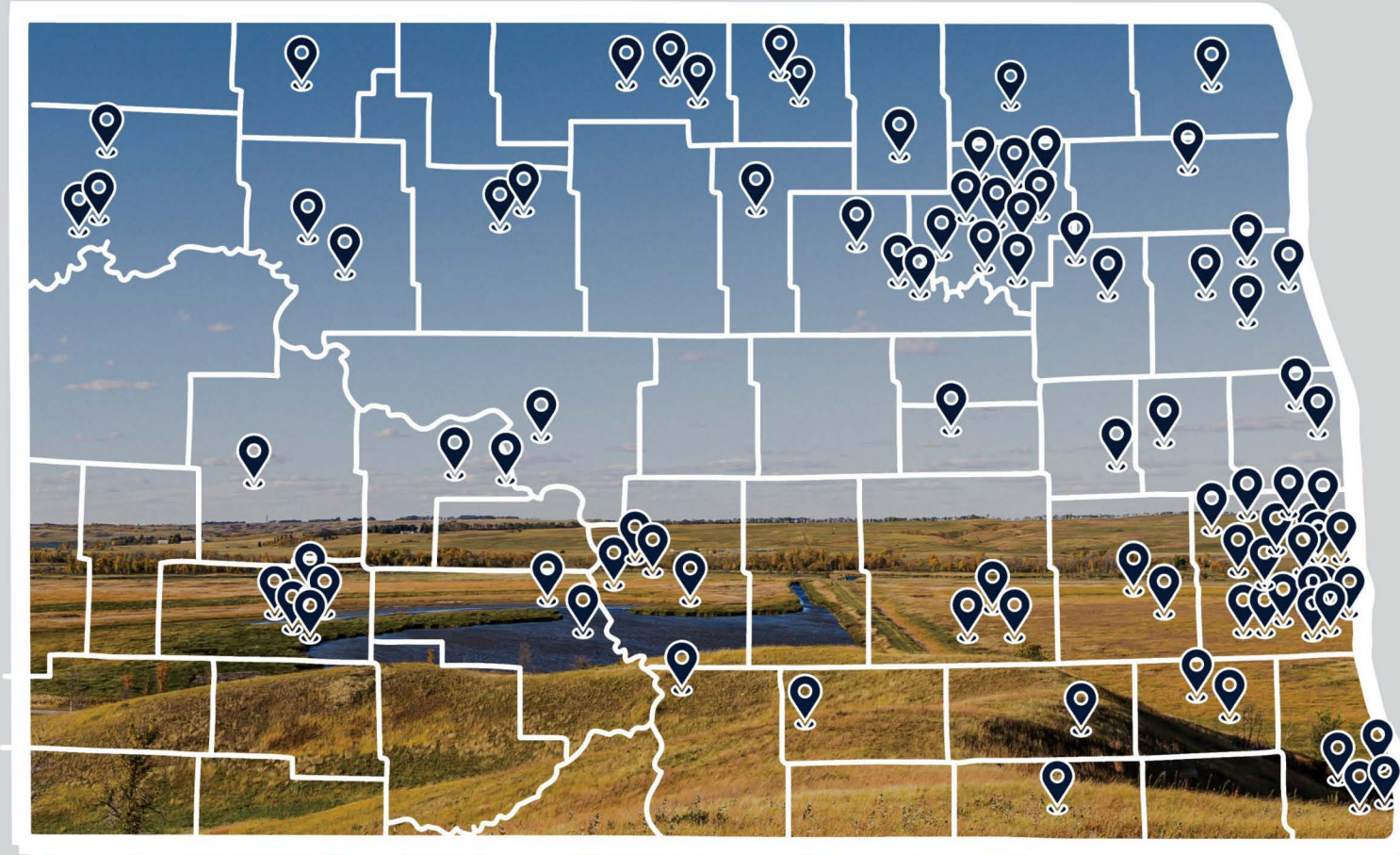


TeamMate Upgrade

- **One-time migration cost \$46,750 for the whole team**
- **End of Life is approaching and requires upgrade**
- **Used 80% of the workday**
- **Other agencies already upgraded include: BND, DOT and Trust Lands, the Auditor's Offices utilizes 68 of the 80 State of ND licenses**



Dickinson Office



Map of where our office provides audit services, as of December 2022.



Details on Funding by Program/Line Item

| Class | Agency | Operations | University Systems | Local Governments | Mineral Royalties | Total | % of Funding |
|------------------------------------|------------------|------------------|--------------------|-------------------|-------------------|-------------------|--------------|
| 11710 - Salaries | 4,221,348 | 2,301,249 | 1,778,592 | 3,718,600 | 1,208,025 | 13,227,814 | 88% |
| 11730 - Operating | 390,556 | 195,278 | 156,223 | 464,785 | 164,935 | 1,371,777 | 9% |
| 11750 - Capital Assets | - | - | - | - | - | - | 0% |
| 11770 - IT Systems Security Review | - | 450,000 | - | - | - | 450,000 | 3% |
| | <u>4,611,904</u> | <u>2,946,527</u> | <u>1,934,815</u> | <u>4,183,385</u> | <u>1,372,960</u> | <u>15,049,591</u> | |
| FTE | 20 | 10 | 8 | 18 | 5 | 61 | |

Expenditures through 12/31/22

| | |
|-------------------------------------|-----|
| IT Costs | 48% |
| Rent | 22% |
| Travel and Professional Development | 15% |



Current Biennium One-Time Funding

- **SecureYeti Contract**
- **Cost going up - limits what we're able to look at**

| Biennium 2021-2023 | | | | Biennium 2023-2025 | | | |
|--------------------|------|--------|---------|--------------------|------|--------|---------|
| Labor Category | Rate | Hours | Cost | Labor Category | Rate | Hours | Cost |
| Project Manager | 200 | 86 | 17,200 | Project Manager | 200 | 86 | 17,200 |
| Penetration Tester | 230 | 1795 | 412,850 | Penetration Tester | 250 | 1795 | 448,750 |
| | | Total: | 430,050 | | | Total: | 465,950 |



DEPOSITS INTO GENERAL FUND

54-10-01. Powers and duties of state auditor.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. Perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the



DEPOSITS INTO SPECIAL FUND

- **Local government division is a self-funded special fund**
- **18 FTE**
- **The group bills local governments "an amount equal to the fair value of an audit" and the money is deposited into their operating account**
- **The bill rate for reviewing of annual financial reports is defined in N.D.C.C. 54-10-14(3)**
- **Biennium-to-date revenue: \$2,907,768**



23 - 25 REQUESTS COMPARED TO CURRENT BIENNIUM

- 14 Special Funded FTE
- 6 General Funded FTE
- Temporary Salary Line
- Equity Package
- Training and Development Inflationary Increase
- TeamMate Upgrade
- Dickinson Office





COMPARISON OF MAJOR REQUESTS TO EXECUTIVE BUDGET

Office of the State Auditor
Decision Package Summary
Biennium 2023-25

| | 2023-25 Agency Request | | | | | 2023-25 Executive Recommendation | | | | |
|--|------------------------|----------------|------------------|------------------|--------------|----------------------------------|---------------|------------------|------------------|-------------|
| | General Fund | Federal Funds | Special Funds | Total | FTE | General Fund | Federal Funds | Special Funds | Total | FTE |
| 11700 - Office of the State Auditor | 2,758,181 | 108,513 | 3,801,082 | 6,667,776 | 20.00 | 593,076 | 10,442 | 1,988,150 | 2,591,668 | 7.00 |
| <i>Special Fund FTE</i> | 42,000 | - | 3,036,624 | 3,078,624 | 14.00 | 21,000 | - | 1,650,326 | 1,671,326 | 7.00 |
| <i>General Fund FTE</i> | 1,413,924 | - | - | 1,413,924 | 6.00 | - | - | - | - | - |
| <i>Equity Package</i> | 795,409 | 98,071 | 312,634 | 1,206,114 | - | - | - | - | - | - |
| <i>Temporary Salaries</i> | 250,000 | - | 250,000 | 500,000 | - | 250,000 | - | 250,000 | 500,000 | - |
| <i>Travel and Professional Development Inflationary Increase</i> | 44,000 | 5,000 | 32,000 | 81,000 | - | 44,000 | 5,000 | 32,000 | 81,000 | - |
| <i>TeamMate Upgrade</i> | 99,848 | 5,442 | 55,824 | 161,114 | - | 99,848 | 5,442 | 55,824 | 161,114 | - |
| <i>Dickinson Office Space</i> | 113,000 | - | 114,000 | 227,000 | - | - | - | - | - | - |



FEDERAL FUNDING

- **One federal fund**
- **Awarded by the Department of the Interior (DOI) and the Office of Natural Resources Revenue (ONRR)**
- **Approved federal funding for Federal Fiscal Year 2023 is \$700,668**
- **Team of five**

QUESTIONS?



Office of the
State Auditor

**State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes**

| | Executive Budget Recommendation | | | | Senate Version | | | | Senate Changes to Executive Budget | | | |
|---|---------------------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|--------------------|--|------------------|--------------------|----------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total | Increase (Decrease) - Executive Budget | | | |
| | | | | | | | | | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 0.00 | \$0 | \$0 | \$0 |
| 2023-25 Ongoing Funding Changes | | | | | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | \$63,033 | \$23,627 | \$86,660 | | | | \$0 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 | | | | 0 |
| Salary increase | | 578,161 | 425,488 | 1,003,649 | | 432,963 | 318,639 | 751,602 | | (145,198) | (106,849) | (252,047) |
| Health insurance increase | | 177,018 | 82,304 | 259,322 | | 181,090 | 84,197 | 265,287 | | 4,072 | 1,893 | 5,965 |
| Adds salary equity funding for elected officials | | | | 0 | | 26,748 | | 26,748 | | 26,748 | | 26,748 |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position | 1.00 | | 308,364 | 308,364 | 1.00 | | 308,364 | 308,364 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions | 2.00 | | 415,480 | 415,480 | 2.00 | | 415,480 | 415,480 | | | | 0 |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions | 4.00 | | 703,940 | 703,940 | 4.00 | | 703,940 | 703,940 | | | | 0 |
| Adds funding for 1 FTE education coordinator position | | | | 0 | 1.00 | 218,672 | | 218,672 | 1.00 | 218,672 | | 218,672 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | 250,000 | 250,000 | 500,000 | | | | 0 |
| Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | 126,500 | 126,500 | | | | 0 |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | 54,298 | 61,266 | 115,564 | | | | 0 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | 11,103 | 6,566 | 17,669 | | | | 0 |
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | | 178,228 | | 178,228 | | | | 0 |
| Total ongoing funding changes | 7.00 | \$1,311,841 | \$2,403,535 | \$3,715,376 | 8.00 | \$1,416,135 | \$2,298,579 | \$3,714,714 | 1.00 | \$104,294 | (\$104,956) | (\$662) |

One-Time Funding Items

| | | | | | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|---------------------|--------------------|---------------------|-------------|------------------|--------------------|----------------|
| Adds one-time funding for operating expenses related to local government auditor positions | \$21,000 | | \$21,000 | | 21,000 | | 21,000 | | | | 0 | |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | 44,000 | \$37,000 | 81,000 | | 44,000 | 37,000 | 81,000 | | | | 0 | |
| Adds one-time funding for costs related to audit software upgrades | 45,550 | | 45,550 | | 45,550 | | 45,550 | | | | 0 | |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | 25,000 | | 25,000 | | 25,000 | | 25,000 | | | | 0 | |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$0 | \$0 | \$0 |
| Total Changes to Base Level Funding | 7.00 | \$1,447,391 | \$2,440,535 | \$3,887,926 | 8.00 | \$1,551,685 | \$2,335,579 | \$3,887,264 | 1.00 | \$104,294 | (\$104,956) | (\$662) |
| 2023-25 Total Funding | 68.00 | \$10,566,501 | \$8,266,687 | \$18,833,188 | 69.00 | \$10,670,795 | \$8,161,731 | \$18,832,526 | 1.00 | \$104,294 | (\$104,956) | (\$662) |
| <i>Federal funds included in other funds</i> | | | <i>\$1,482,390</i> | | | <i>\$1,463,177</i> | | | | | <i>(\$19,213)</i> | |
| <i>Total ongoing changes as a percentage of base level</i> | <i>11.5%</i> | <i>14.4%</i> | <i>41.3%</i> | <i>24.9%</i> | <i>13.1%</i> | <i>15.5%</i> | <i>39.5%</i> | <i>24.9%</i> | | | | |
| <i>Total changes as a percentage of base level</i> | <i>11.5%</i> | <i>15.9%</i> | <i>41.9%</i> | <i>26.0%</i> | <i>13.1%</i> | <i>17.0%</i> | <i>40.1%</i> | <i>26.0%</i> | | | | |

Other Sections in State Auditor - Budget No. 117

Executive Budget Recommendation

Senate Version

Deficiency Appropriation - Refund of Audit Fees

Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023.

Salary of the State Auditor

Section 2 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024.

Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

Emergency

Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure.

23.0258.03003
Title.

Prepared by the Legislative Council staff for
Representative Brandenburg
March 21, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 2, after "54-10-10" insert "and 54-10-14"

Page 1, line 3, after "auditor" insert "and audits, fees, and alternative audits and reports of political subdivisions; to provide for retroactive application"

Page 2, line 15, replace "\$24,358" with "\$180,095"

Page 2, line 16, remove "local governments whose audit fees"

Page 2, line 17, replace "exceeded one percent of their revenues" with "a firefighters relief association, rural fire protection districts, and rural ambulance service districts"

Page 2, after line 24, insert:

"SECTION 5. AMENDMENT. Section 54-10-14 of the North Dakota Century Code is amended and reenacted as follows:

54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.

1. The state auditor shall audit the following political subdivisions once every two years, except as provided in this section or otherwise by law:
 - a. Counties.
 - b. Cities, and when a city is audited, to include any political subdivision that was created by the city and has bonding authority.
 - c. Park districts.
 - d. School districts.
 - e. Firefighters relief associations.
 - f. Airport authorities.
 - g. Public libraries.
 - h. Water resource districts.
 - i. Garrison Diversion Conservancy District.
 - j. Rural fire protection districts.
 - k. Special education districts.
 - l. Area career and technology centers.
 - m. Correction centers.
 - n. Recreation service districts.
 - o. Weed boards.
 - p. Irrigation districts.

- q. Rural ambulance service districts.
 - r. Southwest water authority.
 - s. Regional planning councils.
 - t. Soil conservation districts.
 - u. Western area water supply authority industrial water sales on an annual basis.
2. ~~The~~Except as provided in subsection 7, the state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. The fees must be deposited in the state auditor operating account. The state treasurer shall credit the state auditor operating account with the amount of interest earnings attributable to the deposits in that account. Expenses relating to political subdivision audits must be paid from the state auditor operating account, within the limits of legislative appropriation.
3. In lieu of conducting an audit every two years, the state auditor may require annual reports from political subdivisions subject to this section, or otherwise provided by law, with less than seven hundred fifty thousand dollars of annual receipts, excluding any federal funds passed through the political subdivision to another entity. If any federal agency performs or requires an audit of a political subdivision that receives federal funds to pass through to another entity, the political subdivision shall provide a copy to the state auditor upon request by the state auditor. The reports must contain the financial information required by the state auditor. The state auditor also may make any additional examination or audit determined necessary in addition to the annual report. Except as provided in subsection 7:
- a. When a report is not filed, the state auditor may charge the political subdivision an amount equal to the fair value of the additional examination or audit and any other services rendered.
 - b. The state auditor may charge a political subdivision a fee not to exceed eighty-six dollars an hour for the costs of reviewing the annual report.
4. A political subdivision, at the option of its governing body, may be audited by a certified public accountant or licensed public accountant rather than by the state auditor. The public accountant shall comply with generally accepted government auditing standards for audits of political subdivisions. The report must be in the form and content required by the state auditor. The number of copies of the audit report requested by the state auditor must be filed with the state auditor when the public accountant delivers the audit report to the political subdivision. The state auditor shall review the audit report to determine if the report is in the required form and has the required content, and if the audit meets generally accepted government auditing standards. The state auditor also may periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the report is in the required form and has the required content, and the report and workpapers comply with generally accepted government auditing standards, the state auditor

shall accept the audit report. ~~The~~Except as provided in subsection 7, the state auditor may charge the political subdivision a fee of up to eighty-six dollars an hour, but not to exceed seven hundred fifty dollars per review, for the related costs of reviewing the audit report and workpapers.

5. A political subdivision may not pay a public accountant for an audit until the state auditor has accepted the audit. However, a political subdivision may make progress payments to the public accountant. A political subdivision shall retain twenty percent of any progress payment until the audit report is accepted by the state auditor.
6. The state auditor may require the correction of any irregularities, objectionable accounting procedures, or illegal actions on the part of the governing board, officers, or employees of the political subdivision disclosed by the audit report or workpapers, and failure to make the corrections must result in audits being resumed by the state auditor until the irregularities, objectionable accounting procedures, or illegal actions are corrected.
7. Notwithstanding any other provision of law, the state auditor may not charge or collect any fee from a firefighters relief association, rural fire protection district, or rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

SECTION 6. RETROACTIVE APPLICATION. This Act applies retroactively to audits conducted after December 31, 2017."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Increases the funding provided to the State Auditor from \$24,358 to \$180,095 of special funds for the 2021-23 biennium to provide refunds of audit fees to certain political subdivisions; and
- Prohibits the State Auditor from charging a firefighters relief association, rural fire protection districts, or rural ambulance service districts for the audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

Auditor Behavior

Confidence in the audit process and its ability to achieve the audit objectives depends on the competence of the individuals who are involved in planning and conducting audits, including auditors and audit team leaders.

All auditors should possess generic knowledge and skills, and should also be expected to possess some discipline and sector-specific knowledge and skills. Audit team leaders should have the additional knowledge and skills necessary to lead the audit team.

According to clause 7.2.2 of ISO 19011:2011, auditors should also possess the necessary qualities to enable them to act in accordance with the six principles of auditing (see the separate article on these principles in this newsletter).

According to the Auditing Guidelines standard, auditors should exhibit professional behavior during the performance of their audit activities, including being:

- **ethical**
fair, truthful, sincere, honest, and discreet
- **open-minded**
willing to consider alternative ideas or points of view
- **diplomatic**
tactful in dealing with people
- **observant**
actively observing physical surroundings and activities
- **perceptive**
aware of and able to understand situations
- **versatile**
able to readily adapt to different situations
- **tenacious**
persistent and focused on achieving objectives
- **decisive**
able to reach timely conclusions based on logical reasoning and analysis
- **self-reliant**
able to act and function independently while interacting effectively with others
- **acting with fortitude**
able to act responsibly and ethically, even though these actions may not always be popular and may sometimes result in disagreement or confrontation
- **open to improvement**
willing to learn from situations, and striving for better audit results
- **culturally sensitive**
observant and respectful to the culture of the auditee
- **collaborative**
effectively interact with others, including team members and auditee personnel

The selection of auditors should consider competence in terms of knowledge and skills, as well as, personal traits and characteristics. Potential auditors can be evaluated through interviews, training, and testing. The competence and behavior of auditor trainees can be assessed through witnessed audits and feedback from the lead auditor. Ongoing evaluations can involve solicited feedback from

the managers of the audited areas. (1) [Auditor Behavior - Whittington & Associates](#)
[\(whittingtonassociates.com\)](#)

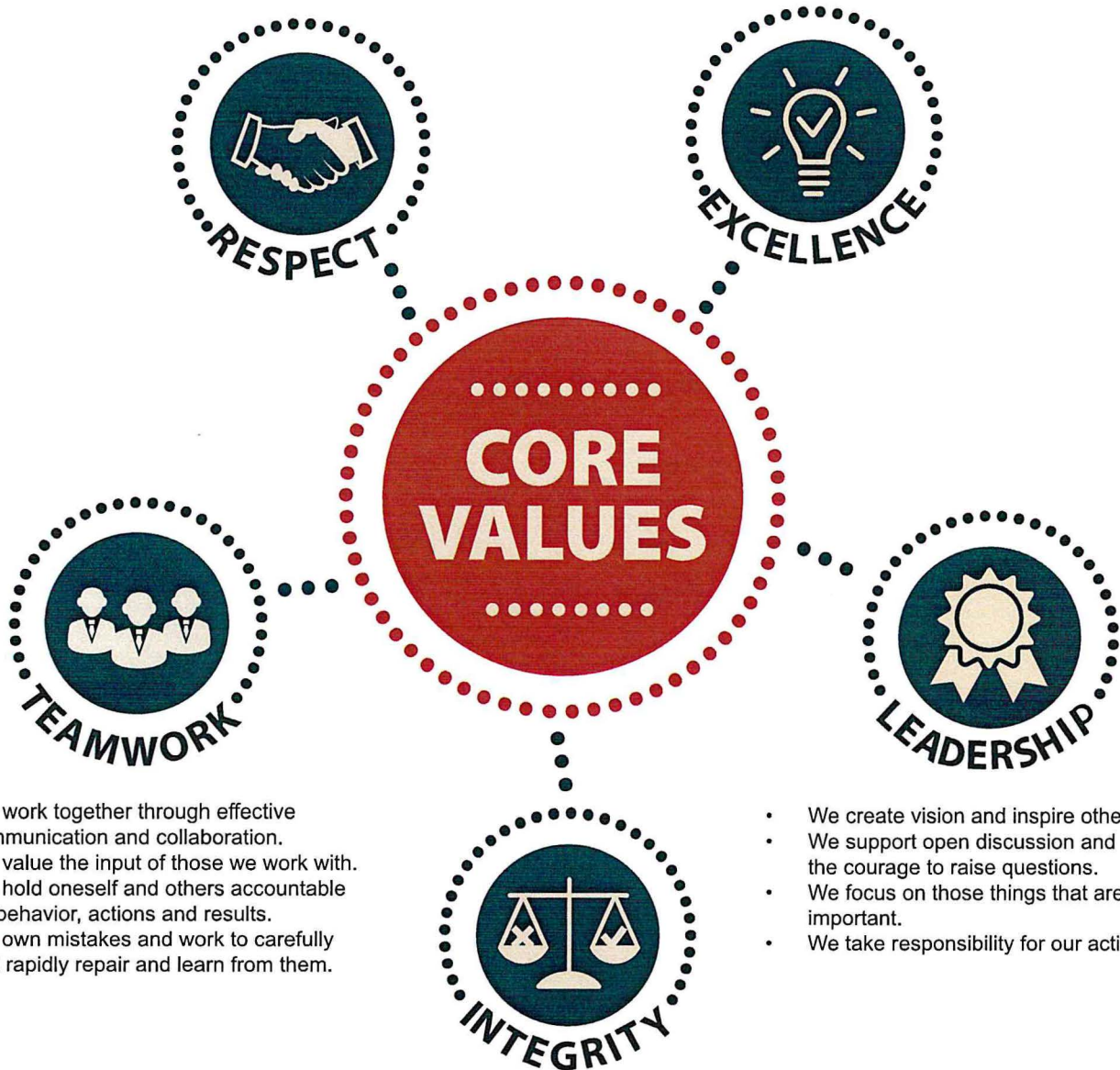
Mission

We produce informative audits to improve government.

Vision

A diverse team committed to generating greater value for the taxpayers.

- We treat everyone with honor, dignity and courtesy.
- We listen to understand.
- We act in a professional manner.
- We learn from the diversity in the workplace.
- We enthusiastically strive to exceed expectations.
- We deliver quality work products that are accurate and on time or ahead of schedule.
- We develop practical and innovative solutions to improve our processes, products and services.
- We seek and embrace feedback.



- We work together through effective communication and collaboration.
- We value the input of those we work with.
- We hold oneself and others accountable for behavior, actions and results.
- We own mistakes and work to carefully and rapidly repair and learn from them.

- We create vision and inspire others.
- We support open discussion and have the courage to raise questions.
- We focus on those things that are important.
- We take responsibility for our actions.

- We earn and demonstrate trust through transparent and ethical actions.
- We demonstrate personal commitment to organizational transparency.
- We role model initiative, responsiveness and skill in crucial conversations.
- We actively maintain appropriate boundaries and professional relationships.



23.0258.03007
Title.

Prepared by the Legislative Council staff for
Representative Pyle
April 11, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 and a new section to chapter 54-10 of the North Dakota Century Code, relating to audits of the department of financial institutions and an audit report review period;"

Page 1, line 2, after "sections" insert "54-10-01 and"

Page 1, line 2, after "to" insert "the powers and duties of the state auditor and"

Page 2, after line 18, insert:

"SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform~~ or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.

- d. ~~Perform~~ Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
 - e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
 - f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
 - g. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - ~~b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.~~
 - e.b. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
 - ~~d.c.~~ Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the

legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee."

Page 2, after line 24, insert:

"**SECTION 6.** Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

Audit report - Review period.

The state auditor shall provide the preliminary audit report, including all findings and recommendations, entity responses to the findings and recommendations, and any auditor responses, to the audited state entity, political subdivision, or occupational or professional board at least thirty days before the state auditor publishes the final audit report."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

The amendment makes the following changes:

- Removes the Department of Financial Institutions from audits and performance audits to be performed by the State Auditor's office.
- Adds a section to provide for the State Banking Board to select an accounting firm to conduct the Department of Financial Institution's audit.
- Removes authority of the State Auditor to select performance audits to conduct. The State Auditor would perform performance audits as determined by the Legislative Assembly or the Legislative Audit and Fiscal Review Committee.
- Requires a 30-day review period before audit reports may be published.

**State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes**

| | Senate Version | | | | House Version | | | | House Changes to Senate Version | | | |
|---|------------------|-----------------|----------------|--------------|------------------|-----------------|----------------|--------------|--------------------------------------|-----------------|----------------|-------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total | Increase (Decrease) - Senate Version | | | |
| | | | | | | | | | FTE Positions | General Fund | Other Funds | Total |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 0.00 | \$0 | \$0 | \$0 |
| 2023-25 Ongoing Funding Changes | | | | | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | \$63,033 | \$23,627 | \$86,660 | | | | \$0 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 | | | | 0 |
| Salary increase | | 432,963 | 318,639 | 751,602 | | 567,440 | 366,367 | 933,807 | | 134,477 | 47,728 | 182,205 |
| Health insurance increase | | 181,090 | 84,197 | 265,287 | | 171,875 | 82,304 | 254,179 | | (9,215) | (1,893) | (11,108) |
| Adds salary equity funding for elected officials | | 26,748 | | 26,748 | | 26,748 | | 26,748 | | | | 0 |
| Removes salary funding for funding pool | | | | 0 | | (594,249) | (873,040) | (1,467,289) | | (594,249) | (873,040) | (1,467,289) |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position. The House did not add this position. | 1.00 | | 308,364 | 308,364 | 0.00 | | 0 | 0 | (1.00) | | (308,364) | (308,364) |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions. The House added 1 FTE local government auditor II position. | 2.00 | | 415,480 | 415,480 | 1.00 | | 207,740 | 207,740 | (1.00) | | (207,740) | (207,740) |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions. The House added 2 FTE local government auditor I positions. | 4.00 | | 703,940 | 703,940 | 2.00 | | 351,970 | 351,970 | (2.00) | | (351,970) | (351,970) |
| Removes 1 FTE communications position | | | | 0 | (1.00) | (166,758) | | (166,758) | (1.00) | (166,758) | | (166,758) |
| Adds funding for 1 FTE education coordinator position | 1.00 | 218,672 | | 218,672 | 1.00 | 218,672 | | 218,672 | | | | 0 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | 100,000 | 100,000 | 200,000 | | (150,000) | (150,000) | (300,000) |
| Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | 54,200 | 54,200 | | | (72,300) | (72,300) |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | 54,298 | 61,266 | 115,564 | | | | 0 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | 11,103 | 6,566 | 17,669 | | | | 0 |

| | | | | | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|--------------------|--------------------|---------------------|---------------|--------------------|----------------------|----------------------|
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | | 178,228 | | 178,228 | | | | 0 |
| Total ongoing funding changes | 8.00 | \$1,416,135 | \$2,298,579 | \$3,714,714 | 3.00 | \$630,390 | \$381,000 | \$1,011,390 | (5.00) | (\$785,745) | (\$1,917,579) | (\$2,703,324) |
| One-Time Funding Items | | | | | | | | | | | | |
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 | | \$9,000 | | \$9,000 | | (\$12,000) | | (\$12,000) |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 | | 22,000 | 18,500 | 40,500 | | (22,000) | (18,500) | (40,500) |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 | | 45,550 | | 45,550 | | | | 0 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 | | 25,000 | | 25,000 | | | | 0 |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$101,550 | \$18,500 | \$120,050 | 0.00 | (\$34,000) | (\$18,500) | (\$52,500) |
| Total Changes to Base Level Funding | 8.00 | \$1,551,685 | \$2,335,579 | \$3,887,264 | 3.00 | \$731,940 | \$399,500 | \$1,131,440 | (5.00) | (\$819,745) | (\$1,936,079) | (\$2,755,824) |
| 2023-25 Total Funding | 69.00 | \$10,670,795 | \$8,161,731 | \$18,832,526 | 64.00 | \$9,851,050 | \$6,225,652 | \$16,076,702 | (5.00) | (\$819,745) | (\$1,936,079) | (\$2,755,824) |
| <i>Federal funds included in other funds</i> | | | \$1,463,177 | | | | \$1,428,952 | | | | (\$34,225) | |
| <i>Total ongoing changes as a percentage of base level</i> | 13.1% | 15.5% | 39.5% | 24.9% | 4.9% | 6.9% | 6.5% | 6.8% | | | | |
| <i>Total changes as a percentage of base level</i> | 13.1% | 17.0% | 40.1% | 26.0% | 4.9% | 8.0% | 6.9% | 7.6% | | | | |

Other Sections in State Auditor - Budget No. 117

| | <u>Senate Version</u> | <u>House Version</u> |
|---|---|---|
| Deficiency appropriation - Refund of audit fees | Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. | Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. |
| Salary of the State Auditor | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. The same as the Senate version. |
| Emergency | Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure. | Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure. |

23.0258.03005
Title.

Prepared by the Legislative Council staff for
Representative Brandenburg
April 11, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 of the North Dakota Century Code, relating to audits of the department of financial institutions;"

Page 1, line 2, after "sections" insert "54-10-01,"

Page 1, line 2, after "54-10-10" insert ", and 54-10-14"

Page 1, line 2, after "to" insert "the duties of the state auditor,"

Page 1, line 3, after "auditor" insert ", and fees charged by the state auditor; to provide for a legislative management study; to provide for a legislative management report"

Page 1, line 3, after the semicolon insert "to provide for retroactive application;"

Page 2, line 15, replace "\$24,358" with "\$120,000"

Page 2, line 16, remove "local governments whose audit fees"

Page 2, line 17, replace "exceeded one percent of their revenues" with "a firefighters relief association, rural fire protection districts, and rural ambulance service districts"

Page 2, after line 18, insert:

"SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and

expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. If the lead auditor on an agency audit has less than two years of experience with the state auditor or has not previously audited the agency, the agency may not be charged for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.

- d. ~~Perform~~ Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
 - e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
 - f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
 - g. Provide quarterly reports to the legislative management of all audits performed and fees charged.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.

- d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.

3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education."

Page 2, after line 24, insert:

"SECTION 6. AMENDMENT. Section 54-10-14 of the North Dakota Century Code is amended and reenacted as follows:

54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.

1. The state auditor shall audit the following political subdivisions once every two years, except as provided in this section or otherwise by law:
 - a. Counties.
 - b. Cities, and when a city is audited, to include any political subdivision that was created by the city and has bonding authority.
 - c. Park districts.
 - d. School districts.
 - e. Firefighters relief associations.
 - f. Airport authorities.
 - g. Public libraries.
 - h. Water resource districts.

- i. Garrison Diversion Conservancy District.
 - j. Rural fire protection districts.
 - k. Special education districts.
 - l. Area career and technology centers.
 - m. Correction centers.
 - n. Recreation service districts.
 - o. Weed boards.
 - p. Irrigation districts.
 - q. Rural ambulance service districts.
 - r. Southwest water authority.
 - s. Regional planning councils.
 - t. Soil conservation districts.
 - u. Western area water supply authority industrial water sales on an annual basis.
2. The Except as provided in subsection 7, the state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. The fees must be deposited in the state auditor operating account. The state treasurer shall credit the state auditor operating account with the amount of interest earnings attributable to the deposits in that account. Expenses relating to political subdivision audits must be paid from the state auditor operating account, within the limits of legislative appropriation.
3. In lieu of conducting an audit every two years, the state auditor may require annual reports from political subdivisions subject to this section, or otherwise provided by law, with less than seven hundred fifty thousand dollars of annual receipts, excluding any federal funds passed through the political subdivision to another entity. If any federal agency performs or requires an audit of a political subdivision that receives federal funds to pass through to another entity, the political subdivision shall provide a copy to the state auditor upon request by the state auditor. The reports must contain the financial information required by the state auditor. The state auditor also may make any additional examination or audit determined necessary in addition to the annual report. Except as provided under subsection 7:
- a. When a report is not filed, the state auditor may charge the political subdivision an amount equal to the fair value of the additional examination or audit and any other services rendered.
 - b. The state auditor may charge a political subdivision a fee not to exceed eighty-six dollars an hour for the costs of reviewing the annual report.
4. A political subdivision, at the option of its governing body, may be audited by a certified public accountant or licensed public accountant rather than

by the state auditor. The public accountant shall comply with generally accepted government auditing standards for audits of political subdivisions. The report must be in the form and content required by the state auditor. The number of copies of the audit report requested by the state auditor must be filed with the state auditor when the public accountant delivers the audit report to the political subdivision. The state auditor shall review the audit report to determine if the report is in the required form and has the required content, and if the audit meets generally accepted government auditing standards. The state auditor also may periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the report is in the required form and has the required content, and the report and workpapers comply with generally accepted government auditing standards, the state auditor shall accept the audit report. The Except as provided in subsection 7, the state auditor may charge the political subdivision a fee of up to eighty-six dollars an hour, but not to exceed seven hundred fifty dollars per review, for the related costs of reviewing the audit report and workpapers.

5. A political subdivision may not pay a public accountant for an audit until the state auditor has accepted the audit. However, a political subdivision may make progress payments to the public accountant. A political subdivision shall retain twenty percent of any progress payment until the audit report is accepted by the state auditor.
6. The state auditor may require the correction of any irregularities, objectionable accounting procedures, or illegal actions on the part of the governing board, officers, or employees of the political subdivision disclosed by the audit report or workpapers, and failure to make the corrections must result in audits being resumed by the state auditor until the irregularities, objectionable accounting procedures, or illegal actions are corrected.
7. Notwithstanding any other provision of law, the state auditor may not charge or collect any fee from a firefighters relief association, rural fire protection district, or rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

SECTION 7. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges political subdivisions face in securing audit services. The legislative management shall report

its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly.

SECTION 9. RETROACTIVE APPLICATION. Section 6 of this Act applies retroactively to audits conducted after December 31, 2017."

Renumber accordingly

| Sum of Amount | Billed Year | | | | | | AUDIT |
|--|-------------|--------|--------|--------|--------|--------|-------|
| | REVIEWS | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| ABERCROMBIE RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 170.00 | - | - | - |
| ADAMS RURAL FIRE PROTECTION DISTRICT | 150.00 | 120.00 | - | - | - | - | - |
| ALAMO RURAL FIRE DISTRICT | 75.00 | 75.00 | 140.00 | - | - | - | - |
| ALEXANDER RURAL FIRE PROT. DISTRICT #1 | 75.00 | 75.00 | 100.00 | - | - | - | - |
| ALICE RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 235.00 | 190.00 | - | - |
| ALMONT AMBULANCE SERVICE | 75.00 | 75.00 | 100.00 | 150.00 | 170.00 | - | - |
| ALMONT RURAL FIRE DISTRICT | 75.00 | 75.00 | 220.00 | - | 150.00 | - | - |
| AMIDON FIRE PROTECTION DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| ANAMOOSE FIRE PROT. DISTRICT | 75.00 | 75.00 | - | - | 570.00 | - | - |
| ANETA FIRE PROTECTION DISTRICT | - | 150.00 | - | - | - | - | - |
| ANTLER RURAL FIRE PROT. DISTRICT | - | - | 500.00 | 100.00 | 255.00 | - | - |
| ARNEGARD RURAL FIRE DISTRICT | 75.00 | - | - | - | - | - | - |
| ARNEGARD VOLUNTEER FIRE DEPT. | 75.00 | 75.00 | - | - | 640.00 | - | - |
| ARTHUR RURAL FIRE DISTRICT | 75.00 | 75.00 | 80.00 | 80.00 | 170.00 | - | - |
| ARTHUR VOLUNTEER FIRE DEPT. | 75.00 | 75.00 | 80.00 | 80.00 | 215.00 | - | - |
| BARNEY RURAL FIRE DISTRICT | 75.00 | 80.00 | 140.00 | 150.00 | - | - | - |
| BERTHOLD FIRE PROT. DISTRICT | 300.00 | 75.00 | - | - | - | - | - |
| BEULAH RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | 120.00 | - | - | - |
| BILLINGS CO. RURAL FIRE PROT. DISTRICT | 75.00 | 260.00 | - | - | - | - | - |
| BISBEE FIRE PROTECTION DISTRICT | 75.00 | - | - | - | - | - | - |
| BISMARCK RURAL FIRE DISTRICT | 125.00 | - | 260.00 | 260.00 | 680.00 | - | - |
| BOTTINEAU RURAL FIRE DISTRICT | 150.00 | 75.00 | 140.00 | 100.00 | 215.00 | - | - |
| BOWBELLS FIRE PROTECTION DIST. #4 | 75.00 | 75.00 | 200.00 | 160.00 | 190.00 | - | - |
| BRADDOCK RURAL FIRE DEPT. | 75.00 | 75.00 | - | - | - | - | - |
| BROCKET-LAWTON FIRE PROT. DISTRICT | 150.00 | 100.00 | - | 100.00 | 170.00 | - | - |
| BUFFALO RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | 150.00 | 170.00 | - | - |
| BURLINGTON RURAL FIRE PROT. DISTRICT | 75.00 | - | - | - | - | - | - |
| BUTTE RURAL FIRE PROT. DISTRICT | 150.00 | 100.00 | - | 80.00 | 150.00 | 170.00 | - |
| BUXTON RURAL FIRE PROTECTION DISTRICT | 150.00 | 75.00 | 100.00 | - | 320.00 | - | - |
| CALVIN RURAL FIRE DISTRICT | 75.00 | 80.00 | 100.00 | - | 170.00 | 170.00 | - |

| Sum of Amount | Billed Year | | | | | | AUDIT |
|--|-------------|--------|--------|--------|--------|--------|-------|
| | REVIEWS | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| CANDO RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 140.00 | 190.00 | - | - |
| CARSON RURAL FIRE DISTRICT | 75.00 | 75.00 | 120.00 | 190.00 | - | - | - |
| CENTRAL RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | 170.00 | - | 275.00 | - |
| CHRISTINE COMMUNITY FIRE DISTRICT | 75.00 | 75.00 | 220.00 | 80.00 | 190.00 | - | - |
| CLEVELAND RURAL FIRE DISTRICT | - | - | 120.00 | - | - | - | - |
| COGSWELL RURAL FIRE DISTRICT | 75.00 | 75.00 | 120.00 | 150.00 | 235.00 | - | - |
| COURTENAY RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | - | - | - | - |
| CRYSTAL RURAL FIRE DISTRICT | 75.00 | - | 140.00 | - | - | - | - |
| DAHLEN RURAL FIRE DISTRICT | 75.00 | 155.00 | - | - | - | - | - |
| DAVENPORT COMMUNITY & RURAL FIRE DIST. | 75.00 | 75.00 | - | - | - | - | - |
| DAWSON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | 100.00 | - | - | - |
| DAZEY RURAL FIRE DISTRICT | 75.00 | 75.00 | - | 250.00 | - | - | - |
| DEERING RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 90.00 | 150.00 | - | - |
| DES LACS RURAL FIRE DISTRICT | 75.00 | 75.00 | 80.00 | 150.00 | - | - | - |
| DEVILS LAKE RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | 80.00 | 255.00 | - | - |
| DICKINSON RURAL FIRE DISTRICT | 75.00 | - | 320.00 | - | 960.00 | - | - |
| DIVIDE COUNTY AMBULANCE DISTRICT | - | 200.00 | - | - | - | - | - |
| DOUGLAS FIRE PROTECTION DISTRICT | 75.00 | - | - | - | - | - | - |
| DRAKE RURAL FIRE PROT. DISTRICT | 75.00 | - | - | - | - | - | - |
| DUNSEITH RURAL FIRE DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| DWIGHT RURAL FIRE PROT. DISTRICT | 150.00 | - | - | 280.00 | - | 300.00 | - |
| EDINBURG FIRE DEPT. | 75.00 | - | 340.00 | 150.00 | 190.00 | - | - |
| EDINBURG RURAL FIRE DISTRICT | 50.00 | 75.00 | 80.00 | 80.00 | 150.00 | - | - |
| EGELAND RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| ELGIN FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 100.00 | 170.00 | 150.00 | - | - |
| ENDERLIN RURAL FIRE PROT. DISTRICT, INC. | - | 125.00 | - | 680.00 | - | 450.00 | - |
| EPPING RURAL FIRE PROT. DISTRICT | - | 120.00 | - | - | - | - | - |
| ESMOND RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 140.00 | - | - | - | - |
| FAIRDALE RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | 150.00 | 235.00 | - | - |
| FAIRMOUNT RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 170.00 | 170.00 | - | - |

| Sum of Amount | Billed Year | | | | | | AUDIT |
|---|-------------|--------|--------|----------|--------|----------|-----------|
| | REVIEWS | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| FARGO FIREMEN'S RELIEF ASSOCIATION | - | - | 220.00 | 300.00 | - | - | - |
| FERRY TOWNSHIP RURAL FIRE PROT. DIST. | 150.00 | 80.00 | - | 100.00 | 190.00 | - | - |
| FESSENDEN AMBULANCE DISTRICT | 75.00 | 75.00 | 100.00 | 100.00 | 235.00 | - | - |
| FESSENDEN FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | 110.00 | 340.00 | - | - |
| FINGAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 170.00 | 170.00 | - | - |
| FLASHER RURAL FIRE DISTRICT | 75.00 | - | - | - | - | 1,115.00 | - |
| FORBES RURAL FIRE DEPT. | 150.00 | 75.00 | - | - | - | - | - |
| FORDVILLE RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | - | - | - | - |
| FORMAN RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| FORT RANSOM RURAL FIRE DISTRICT | - | 150.00 | - | 300.00 | 425.00 | - | - |
| FORTUNA RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | - | - | - | - |
| FREDONIA RURAL FIRE DISTRICT | - | 75.00 | 140.00 | 180.00 | 190.00 | - | - |
| GALESBURG RURAL FIRE PROT. DISTRICT | 225.00 | 75.00 | 100.00 | - | - | - | - |
| GARRISON RURAL FIRE PROT. DISTRICT | 150.00 | - | 240.00 | - | - | - | - |
| GILBY FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 100.00 | 150.00 | 235.00 | - | - |
| GLADSTONE CONSOLIDATED FIRE DISTRICT | 75.00 | 120.00 | - | - | 405.00 | - | - |
| GLEN ULLIN FIRE DISTRICT | - | - | - | 360.00 | - | - | - |
| GLENBURN RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 100.00 | - | - | - |
| GLENFIELD RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | 220.00 | - | - | - |
| GOLDEN VALLEY RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | 80.00 | 170.00 | - | - |
| GOLVA RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | 195.00 | - | - | - |
| GOODRICH RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 190.00 | - | 170.00 | - |
| GRAFTON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | - | 550.00 | - | - |
| GRAND FORKS FIRE DEPT. RELIEF ASSOC. | - | - | 220.00 | 340.00 | - | - | - |
| GRANDIN RURAL FIRE PROT. DISTRICT | 100.00 | - | 400.00 | 300.00 | 255.00 | - | - |
| GRANVILLE FIRE PROTECTION DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| GRASSY BUTTE RURAL FIRE DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| GREAT BEND RURAL FIRE PROT. DISTRICT | - | - | - | 3,405.00 | - | - | - |
| GRENORA RURAL FIRE DISTRICT | 75.00 | - | - | 290.00 | - | - | - |
| GWINNER FIRE DISTRICT | - | - | - | 3,400.00 | - | - | 11,000.00 |

| Sum of Amount | Billed Year | | | | | | AUDIT |
|-------------------------------------|-------------|--------|--------|--------|--------|------|-----------|
| | REVIEWS | 2019 | 2020 | 2021 | 2022 | 2023 | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| HAGUE RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 80.00 | 170.00 | - | - |
| HALLIDAY RURAL FIRE PROT. DISTRICT | 75.00 | - | - | - | - | - | - |
| HANKINSON AMBULANCE | 75.00 | 75.00 | 80.00 | 120.00 | 170.00 | - | - |
| HANKINSON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 260.00 | - | 320.00 | - | - |
| HANNAH RURAL FIRE DISTRICT | 75.00 | - | - | - | - | - | - |
| HARVEY RURAL AMBULANCE DISTRICT | 75.00 | 75.00 | 100.00 | 235.00 | 170.00 | - | - |
| HARVEY RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | 110.00 | 170.00 | - | - |
| HAZELTON FIRE PROT. DISTRICT | - | 150.00 | - | - | - | - | - |
| HAZEN RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 195.00 | 170.00 | - | - |
| HEBRON AMBULANCE SERVICES | 75.00 | 75.00 | 80.00 | 170.00 | 170.00 | - | - |
| HEBRON RURAL FIRE PROT. DISTRICT | 75.00 | 100.00 | - | 120.00 | - | - | - |
| HETTINGER FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 100.00 | - | 380.00 | - | - |
| HOOPLE RURAL FIRE PROT. DISTRICT | 150.00 | - | 200.00 | 120.00 | 170.00 | - | - |
| HOPE FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 80.00 | 110.00 | 150.00 | - | - |
| HORACE RURAL FIRE PROT. DISTRICT | 75.00 | - | - | - | - | - | - |
| HUNTER FIRE PROTECTION DISTRICT | 75.00 | 80.00 | - | - | 300.00 | - | - |
| HUNTER VOLUNTEER FIRE DEPT. | - | 375.00 | - | - | - | - | - |
| JAMESTOWN RURAL FIRE DEPT. | 75.00 | 75.00 | 100.00 | 150.00 | - | - | - |
| JAMESTOWN RURAL FIRE DISTRICT | 75.00 | 280.00 | 220.00 | 685.00 | - | - | - |
| JUD RURAL FIRE DISTRICT | 75.00 | 75.00 | 240.00 | - | 355.00 | - | - |
| KARLSRUHE RURAL FIRE DEPT. | 75.00 | - | - | 220.00 | - | - | - |
| KATHRYN RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | 120.00 | 170.00 | - | - |
| KENSAL RURAL FIRE DISTRICT | 75.00 | 75.00 | 80.00 | 80.00 | 190.00 | - | - |
| KILLDEER AREA AMBULANCE DISTRICT | - | - | - | - | - | - | 48,650.00 |
| KINDRED COMMUNITY FIRE DEPT. | 75.00 | - | - | - | - | - | - |
| KRAMER RURAL FIRE PROT. DISTRICT | - | - | - | 940.00 | 535.00 | - | - |
| LAKOTA FIRE PROTECTION DISTRICT | - | 195.00 | - | - | - | - | - |
| LANGDON RURAL FIRE PROT. DISTRICT | 150.00 | - | - | 670.00 | 170.00 | - | - |
| LANKIN RURAL FIRE DISTRICT | 75.00 | 100.00 | 100.00 | 150.00 | 170.00 | - | - |
| LANSFORD RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | - | - | - | - |

| Sum of Amount | Billed Year | | | | | | AUDIT |
|---------------------------------------|-------------|--------|--------|----------|--------|--------|-------|
| | REVIEWS | | | | | | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| LEEDS RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 200.00 | - | 190.00 | - | - |
| LEHR VOLUNTEER FIRE DEPT. | 75.00 | 75.00 | 280.00 | 110.00 | 170.00 | - | - |
| LEONARD FIRE DISTRICT | 150.00 | 75.00 | - | - | - | - | - |
| LIDGERWOOD RURAL AMBULANCE DISTRICT | - | 220.00 | - | - | - | - | - |
| LIDGERWOOD RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | - | 190.00 | - | - |
| LIGNITE FIRE PROTECTION DISTRICT #2 | 150.00 | 80.00 | - | 140.00 | - | - | - |
| LINTON FIRE DISTRICT | 150.00 | 75.00 | 100.00 | - | 170.00 | - | - |
| LISBON RURAL FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 120.00 | - | - | - | - |
| LITCHVILLE FIRE DEPARTMENT | 75.00 | 75.00 | 120.00 | 100.00 | 215.00 | - | - |
| MADDOCK RURAL FIRE DISTRICT | - | - | - | 1,040.00 | - | - | - |
| MANDAN RURAL FIRE PROT. DISTRICT | 75.00 | - | - | - | 365.00 | 430.00 | - |
| MANTADOR RURAL FIRE DISTRICT | - | 150.00 | 140.00 | 100.00 | 150.00 | - | - |
| MARMARTH VOLUNTEER FIRE DEPT. | 75.00 | 75.00 | 100.00 | 170.00 | 170.00 | - | - |
| MAX RURAL FIRE PROT. DISTRICT | 75.00 | 100.00 | 120.00 | 170.00 | - | - | - |
| MCCLUSKY RURAL AMBULANCE DISTRICT | 75.00 | - | - | - | - | - | - |
| MCCLUSKY RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 140.00 | 195.00 | - | - | - |
| MCHENRY FIRE DEPARTMENT | 75.00 | 75.00 | 100.00 | 100.00 | 170.00 | - | - |
| McKenzie County Ambulance | - | - | 240.00 | - | - | - | - |
| MCVILLE FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 160.00 | - | 490.00 | - | - |
| MEDINA RURAL FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 100.00 | - | - | - | - |
| MERCER RURAL FIRE PROT. DISTRICT | 75.00 | - | 200.00 | - | 340.00 | - | - |
| MICHIGAN AREA AMBULANCE DISTRICT | 150.00 | 75.00 | - | 140.00 | 190.00 | - | - |
| MICHIGAN RURAL FIRE DEPT. | 150.00 | 75.00 | 120.00 | - | 340.00 | - | - |
| MILTON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 120.00 | 170.00 | - | - |
| MINNEWAUKAN RURAL FIRE DISTRICT | 150.00 | 75.00 | 100.00 | 150.00 | - | 170.00 | - |
| MINOT FIRE DEPT. RELIEF ASSOCIATION | 75.00 | 220.00 | - | 340.00 | 515.00 | - | - |
| MINOT RURAL FIRE DISTRICT | - | - | 260.00 | - | - | - | - |
| MINTO RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 200.00 | - | - | - | - |
| MOHALL RURAL FIRE PROTECTION DISTRICT | - | - | - | - | 975.00 | - | - |
| MOORETON RURAL FIRE DEPT. | 75.00 | 75.00 | 80.00 | - | 875.00 | - | - |

| Sum of Amount | Billed Year | | | | | | AUDIT |
|--------------------------------------|-------------|--------|--------|--------|----------|--------|-------|
| | REVIEWS | | | | | | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| MOTT FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 180.00 | 80.00 | - | - | - |
| MUNICH AMBULANCE DISTRICT | - | - | - | - | - | 190.00 | - |
| MUNICH RURAL FIRE DISTRICT | 75.00 | 120.00 | - | - | 1,410.00 | 190.00 | - |
| MYLO RURAL FIRE DISTRICT | 150.00 | 75.00 | - | 100.00 | 150.00 | - | - |
| NAPOLEON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | 80.00 | - | - | - |
| ND Firefighter's Association | - | - | 600.00 | - | - | - | - |
| NECHE FIRE DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| NEKOMA RURAL FIRE DISTRICT | 75.00 | 75.00 | - | - | 340.00 | - | - |
| NEW LEIPZIG FIRE PROT. DISTRICT | 75.00 | 75.00 | 160.00 | 300.00 | 235.00 | - | - |
| NEW SALEM FIRE PROT. DISTRICT | 100.00 | 275.00 | 160.00 | 160.00 | 170.00 | - | - |
| NEW TOWN RURAL FIRE PROT. DISTRICT | 150.00 | - | 100.00 | 90.00 | - | - | - |
| NEWBURG RURAL FIRE DISTRICT | 75.00 | 75.00 | 120.00 | 120.00 | 190.00 | - | - |
| NOME FIRE DISTRICT | 150.00 | 75.00 | - | 100.00 | - | - | - |
| NORTHWOOD FIRE PROT. DISTRICT | 75.00 | - | 240.00 | 190.00 | - | - | - |
| OAKES RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 140.00 | 275.00 | - | - |
| OSNABROCK RURAL FIRE PROT. DISTRICT | 150.00 | - | 100.00 | 130.00 | 150.00 | - | - |
| PAGE RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 215.00 | - | - | - |
| PARK RIVER RURAL FIRE PROT. DISTRICT | - | - | - | 240.00 | - | - | - |
| Parshall Rural Ambulance District | - | - | 580.00 | - | 405.00 | - | - |
| PEKIN FIRE PROTECTION DISTRICT | 150.00 | 75.00 | 100.00 | 120.00 | 190.00 | - | - |
| PETERSBURG RURAL FIRE DISTRICT | 75.00 | 75.00 | - | 100.00 | 170.00 | - | - |
| PICK CITY MUNICIPAL FIRE DEPT. | 75.00 | 75.00 | 100.00 | 80.00 | 170.00 | - | - |
| PISEK RURAL FIRE PROT. DISTRICT | 75.00 | 155.00 | - | - | - | - | - |
| PLAZA RURAL FIRE PROT. DISTRICT | 75.00 | - | 100.00 | - | - | - | - |
| PORTAL RURAL FIRE DISTRICT | 75.00 | 75.00 | - | 240.00 | - | - | - |
| PORTLAND RURAL FIRE PROT. DISTRICT | 75.00 | 150.00 | - | - | - | - | - |
| Powers Lake Ambulance | - | - | 660.00 | - | 405.00 | - | - |
| POWERS LAKE RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 110.00 | 190.00 | - | - |
| REEDER FIRE DISTRICT | 75.00 | 75.00 | 80.00 | - | - | - | - |
| REGENT RURAL AMBULANCE DISTRICT | - | - | 220.00 | 80.00 | 170.00 | - | - |

| Sum of Amount | Billed Year | | | | | | AUDIT |
|--|-------------|--------|--------|--------|----------|--------|-------|
| | REVIEWS | | | | | | |
| Client | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2022 |
| REGENT RURAL FIRE PROT. DIST. #1 | 150.00 | 75.00 | - | 80.00 | 190.00 | - | - |
| REYNOLDS RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 100.00 | 170.00 | - | - |
| RHAME RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 160.00 | 100.00 | 190.00 | - | - |
| RICHARDTON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | - | 255.00 | - | - |
| ROCK LAKE RURAL FIRE PROTECTION DISTRICT | 75.00 | 75.00 | - | - | 620.00 | - | - |
| ROLETTE RURAL FIRE PROT. DISTRICT | 75.00 | 150.00 | 240.00 | 140.00 | - | 275.00 | - |
| ROLLA RURAL FIRE PROT. DISTRICT #4 | 75.00 | 100.00 | - | 270.00 | 170.00 | - | - |
| ROLLA VOLUNTEER FIRE DEPT. | 75.00 | 75.00 | 140.00 | 195.00 | - | 190.00 | - |
| RUGBY RURAL FIRE PROT. DISTRICT | 150.00 | - | 100.00 | - | - | - | - |
| RUTLAND-CAYUGA RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | - | 190.00 | - | - |
| RYDER-MAKOTI RURAL FIRE PROT. DIST. | 75.00 | 140.00 | - | - | - | - | - |
| SANBORN RURAL FIRE DISTRICT | 75.00 | 80.00 | - | 80.00 | - | - | - |
| SARLES RURAL FIRE PROT. DISTRICT | 150.00 | 100.00 | - | 80.00 | 190.00 | - | - |
| SAWYER RURAL FIRE DISTRICT #1 | 150.00 | 75.00 | 100.00 | 170.00 | - | - | - |
| SCRANTON FIRE PROTECTION DISTRICT | 450.00 | - | 100.00 | - | - | - | - |
| SELFRIDGE RURAL FIRE DISTRICT | 75.00 | 75.00 | - | 240.00 | - | - | - |
| SENTINEL RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | 195.00 | - | - | - |
| SOURIS RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 100.00 | - | 190.00 | - |
| SOUTH HEART FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 150.00 | 170.00 | - | - |
| ST. JOHN RURAL FIRE PROT. DISTRICT | 150.00 | 120.00 | - | 120.00 | 170.00 | - | - |
| ST. THOMAS FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 80.00 | - | - | - | - |
| Stanley Rural Ambulance Service District | - | - | 940.00 | - | 255.00 | - | - |
| STANLEY RURAL FIRE DEPT. | 75.00 | 75.00 | 80.00 | - | - | - | - |
| STANTON RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 480.00 | - | - | - | - |
| STARKWEATHER FIRE PROTECTION DISTRICT | 150.00 | 75.00 | 100.00 | - | 170.00 | - | - |
| STERLING RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 170.00 | 215.00 | - | - |
| STRASBURG RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 100.00 | 130.00 | - | - | - |
| STREETER FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 120.00 | - | 340.00 | - | - |
| SURREY RURAL FIRE PROTECTION DISTRICT | - | - | - | - | 1,190.00 | - | - |
| SYKESTON RURAL FIRE PROT. DISTRICT | 75.00 | 150.00 | - | 240.00 | 215.00 | - | - |

| Sum of Amount Client | Billed Year REVIEWS | | | | | | AUDIT 2022 |
|--|------------------------|------------------|------------------|------------------|------------------|-----------------|-------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | |
| TAYLOR RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 80.00 | - | - | - | - |
| TOLNA RURAL FIRE DISTRICT | 150.00 | 75.00 | 100.00 | - | - | 790.00 | - |
| TOWER CITY RURAL FIRE DISTRICT | 75.00 | 75.00 | 100.00 | 280.00 | - | - | - |
| TOWNER RURAL FIRE PROT. DISTRICT | 150.00 | 80.00 | - | 120.00 | 170.00 | - | - |
| TURTLE LAKE RURAL FIRE PROT. DISTRICT | 150.00 | 75.00 | - | 320.00 | 170.00 | - | - |
| TUTTLE FIRE PROTECTION DISTRICT | 75.00 | 75.00 | - | - | - | - | - |
| UNDERWOOD AMBULANCE DISTRICT | 100.00 | 75.00 | 100.00 | 90.00 | 170.00 | - | - |
| UNDERWOOD FIRE PROTECTION DISTRICT | 125.00 | 250.00 | 160.00 | 90.00 | 170.00 | - | - |
| UNITED RURAL AMBULANCE DISTRICT | - | - | 340.00 | - | - | - | - |
| UPHAM RURAL FIRE PROT. DISTRICT | - | - | - | 260.00 | - | - | - |
| VELVA RURAL FIRE DISTRICT | 225.00 | - | - | - | - | - | - |
| WALCOTT-COLFAX RURAL FIRE PROT. DISTRICT | 150.00 | 140.00 | - | 160.00 | 170.00 | - | - |
| WALHALLA RURAL FIRE PROT. DISTRICT | 150.00 | 75.00 | - | 315.00 | 170.00 | - | - |
| WASHBURN RURAL FIRE DISTRICT | 75.00 | 75.00 | 80.00 | 120.00 | 215.00 | - | - |
| WEST DUNN FIRE PROT. DISTRICT | - | - | 300.00 | - | 340.00 | - | - |
| WESTHOPE RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 120.00 | - | - | - | - |
| WILDROSE FIRE PROTECTION DISTRICT | 75.00 | - | - | - | - | - | - |
| WILLOW CITY RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | - | - | 255.00 | - | - |
| WILTON RURAL AMBULANCE DISTRICT | 200.00 | 500.00 | - | - | - | - | - |
| WIMBLEDON RURAL FIRE PROT. DISTRICT | - | 600.00 | - | - | - | - | - |
| WING RURAL AMBULANCE SERVICE | 75.00 | 75.00 | 120.00 | 140.00 | 170.00 | - | - |
| WING RURAL FIRE PROT. DISTRICT | 75.00 | 75.00 | 160.00 | - | 275.00 | 190.00 | - |
| WISHEK FIRE PROTECTION DISTRICT | 75.00 | 75.00 | 120.00 | 100.00 | 190.00 | - | - |
| WOLFORD RURAL FIRE PROT. DISTRICT | 150.00 | 75.00 | - | 100.00 | 150.00 | - | - |
| WYNDMERE FIRE DISTRICT | 75.00 | 75.00 | - | 410.00 | 170.00 | - | - |
| ZAP RURAL FIRE PROT. DISTRICT | 150.00 | 100.00 | - | 100.00 | - | - | - |
| ZEELAND FIRE DEPARTMENT | 75.00 | 75.00 | - | - | - | - | - |
| Grand Total | 18,875.00 | 17,450.00 | 21,640.00 | 30,295.00 | 32,185.00 | 5,265.00 | 59,650.00 |
| | | | | | | | 185,360.00 |

23.0258.03010
Title.

Prepared by the Legislative Council staff for
Representative Pyle
April 13, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 of the North Dakota Century Code, relating to audits of the department of financial institutions;"

Page 1, line 2, after "sections" insert "54-10-01,"

Page 1, line 2, after "54-10-10" insert ", and 54-10-14"

Page 1, line 2, after "to" insert "the duties of the state auditor,"

Page 1, line 3, after "auditor" insert ", and fees charged by the state auditor; to provide for a legislative management study; to provide for a legislative management report"

Page 1, line 3, after the semicolon insert "to provide for retroactive application;"

Page 2, line 15, replace "\$24,358" with "\$120,000"

Page 2, line 16, remove "local governments whose audit fees"

Page 2, line 17, replace "exceeded one percent of their revenues" with "a firefighters relief association, rural fire protection districts, and rural ambulance service districts"

Page 2, after line 18, insert:

"SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and

expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. If the lead auditor on an agency audit has less than two years of experience with the state auditor or has not previously audited the agency, the agency may not be charged for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.

- d. Perform Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
 - e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
 - f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
 - g. Provide quarterly reports to the legislative management of all audits performed and fees charged.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.

d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.

3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"**SECTION 6. AMENDMENT.** Section 54-10-14 of the North Dakota Century Code is amended and reenacted as follows:

54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.

1. The state auditor shall audit the following political subdivisions once every two years, except as provided in this section or otherwise by law:
 - a. Counties.
 - b. Cities, and when a city is audited, to include any political subdivision that was created by the city and has bonding authority.
 - c. Park districts.
 - d. School districts.
 - e. Firefighters relief associations.
 - f. Airport authorities.

- g. Public libraries.
 - h. Water resource districts.
 - i. Garrison Diversion Conservancy District.
 - j. Rural fire protection districts.
 - k. Special education districts.
 - l. Area career and technology centers.
 - m. Correction centers.
 - n. Recreation service districts.
 - o. Weed boards.
 - p. Irrigation districts.
 - q. Rural ambulance service districts.
 - r. Southwest water authority.
 - s. Regional planning councils.
 - t. Soil conservation districts.
 - u. Western area water supply authority industrial water sales on an annual basis.
2. ~~The~~Except as provided in subsection 7, the state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. The fees must be deposited in the state auditor operating account. The state treasurer shall credit the state auditor operating account with the amount of interest earnings attributable to the deposits in that account. Expenses relating to political subdivision audits must be paid from the state auditor operating account, within the limits of legislative appropriation.
3. In lieu of conducting an audit every two years, the state auditor may require annual reports from political subdivisions subject to this section, or otherwise provided by law, with less than seven hundred fifty thousand dollars of annual receipts, excluding any federal funds passed through the political subdivision to another entity. If any federal agency performs or requires an audit of a political subdivision that receives federal funds to pass through to another entity, the political subdivision shall provide a copy to the state auditor upon request by the state auditor. The reports must contain the financial information required by the state auditor. The state auditor also may make any additional examination or audit determined necessary in addition to the annual report. Except as provided under subsection 7:
- a. When a report is not filed, the state auditor may charge the political subdivision an amount equal to the fair value of the additional examination or audit and any other services rendered.

- b. The state auditor may charge a political subdivision a fee not to exceed eighty-six dollars an hour for the costs of reviewing the annual report.
4. A political subdivision, at the option of its governing body, may be audited by a certified public accountant or licensed public accountant rather than by the state auditor. The public accountant shall comply with generally accepted government auditing standards for audits of political subdivisions. The report must be in the form and content required by the state auditor. The number of copies of the audit report requested by the state auditor must be filed with the state auditor when the public accountant delivers the audit report to the political subdivision. The state auditor shall review the audit report to determine if the report is in the required form and has the required content, and if the audit meets generally accepted government auditing standards. The state auditor also may periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the report is in the required form and has the required content, and the report and workpapers comply with generally accepted government auditing standards, the state auditor shall accept the audit report. The Except as provided in subsection 7, the state auditor may charge the political subdivision a fee of up to eighty-six dollars an hour, but not to exceed seven hundred fifty dollars per review, for the related costs of reviewing the audit report and workpapers.
5. A political subdivision may not pay a public accountant for an audit until the state auditor has accepted the audit. However, a political subdivision may make progress payments to the public accountant. A political subdivision shall retain twenty percent of any progress payment until the audit report is accepted by the state auditor.
6. The state auditor may require the correction of any irregularities, objectionable accounting procedures, or illegal actions on the part of the governing board, officers, or employees of the political subdivision disclosed by the audit report or workpapers, and failure to make the corrections must result in audits being resumed by the state auditor until the irregularities, objectionable accounting procedures, or illegal actions are corrected.
7. Notwithstanding any other provision of law, the state auditor may not charge or collect any fee from a firefighters relief association, rural fire protection district, or rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

SECTION 7. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges political subdivisions face in securing audit services. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly.

SECTION 9. RETROACTIVE APPLICATION. Section 6 of this Act applies retroactively to audits conducted after December 31, 2017."

Renumber accordingly

23.0258.03009
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
April 12, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 2, after "sections" insert "11-13-02 and"

Page 1, line 2, after "to" insert "duties of the county auditor and"

Page 2, after line 18, insert:

"SECTION 4. AMENDMENT. Section 11-13-02 of the North Dakota Century Code is amended and reenacted as follows:

11-13-02. Duties of county auditor.

The county auditor shall:

1. Act as clerk of the board of county commissioners and keep an accurate record of the official proceedings of the board.
2. Prepare a financial statement of the county annually unless otherwise ordered by the board of county commissioners.
3. Upon receipt of any document, bond, or other paper required to be filed in the auditor's office, number and index the same and make the proper entries in the reception book.
4. Carefully preserve all documents, books, records, maps, and other papers required to be deposited or kept in the auditor's office.
5. Have recorded in the office of the recorder all bonds not issued by the state bonding fund that are required to be deposited in the auditor's office.
6. Perform and transact all county business without extra compensation.
7. Keep all books required to be kept by the board of county commissioners.
8. File and preserve in the auditor's office all accounts, vouchers, and other papers pertaining to the settlement of any and all accounts to which the county is a party, and copies of such papers certified under the hand and seal of the auditor shall be admitted as evidence in all courts in this state.
9. Perform all acts required of the auditor relative to the making out and delivering of notices of general and special elections, making abstracts of and canvassing the votes cast at an election, issuing certificates of election, and forwarding the abstract of votes cast to the secretary of state.
10. On or before August first of each odd-numbered year, report to the insurance commissioner the sound depreciated value of each county building or risk, and the contents therein.
11. On going out of office, deliver to the successor in office all moneys, books, records, documents, maps, papers, vouchers, and other property in the

auditor's hands belonging to the county, and in case of the death of the auditor, the auditor's personal representatives shall deliver the same to the auditor's successor.

12. Notify political subdivisions within the county on an annual basis that the state auditor may require political subdivisions to provide annual reports in lieu of an audit pursuant to section 54-10-14.
13. Do and perform all acts not enumerated in this section which the auditor is required to do by law."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment requires county auditors to notify political subdivisions that the State Auditor may require political subdivisions to provide annual reports in lieu of an audit.

23.0258.03008
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee

Fiscal No. 1

April 13, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 and a new section to chapter 54-10 of the North Dakota Century Code, relating to audits of the department of financial institutions and an audit report review period;"

Page 1, line 2, after "sections" insert "11-13-02, 54-10-01, and"

Page 1, line 2, after "to" insert "the duties of the county auditor, the powers and duties of the state auditor, and"

Page 1, line 3, replace "and to declare an emergency" with "to provide for a legislative management study; and to provide for a legislative management report"

Page 1, replace lines 12 through 19 with:

| | | | |
|------------------------------------|------------------|----------------|------------------|
| "Salaries and wages | \$13,123,559 | \$663,322 | \$13,786,881 |
| Operating expenses | 1,371,703 | 397,568 | 1,769,271 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$1,131,440 | \$16,076,702 |
| Less estimated income | <u>5,826,152</u> | <u>399,500</u> | <u>6,225,652</u> |
| Total general fund | \$9,119,110 | \$731,940 | \$9,851,050 |
| Full-time equivalent positions | 61.00 | 3.00 | 64.00" |

Page 2, replace lines 2 through 8 with:

| | | |
|--|----------|---------------|
| "Local government audit office furniture | \$0 | \$9,000 |
| Inflationary increases for travel and professional development | 0 | 40,500 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$120,050 |
| Less estimated income | <u>0</u> | <u>18,500</u> |
| Total general fund | \$0 | \$101,550" |

Page 2, replace lines 13 through 18 with:

"SECTION 3. AMENDMENT. Section 11-13-02 of the North Dakota Century Code is amended and reenacted as follows:

11-13-02. Duties of county auditor.

The county auditor shall:

1. Act as clerk of the board of county commissioners and keep an accurate record of the official proceedings of the board.
2. Prepare a financial statement of the county annually unless otherwise ordered by the board of county commissioners.

3. Upon receipt of any document, bond, or other paper required to be filed in the auditor's office, number and index the same and make the proper entries in the reception book.
4. Carefully preserve all documents, books, records, maps, and other papers required to be deposited or kept in the auditor's office.
5. Have recorded in the office of the recorder all bonds not issued by the state bonding fund that are required to be deposited in the auditor's office.
6. Perform and transact all county business without extra compensation.
7. Keep all books required to be kept by the board of county commissioners.
8. File and preserve in the auditor's office all accounts, vouchers, and other papers pertaining to the settlement of any and all accounts to which the county is a party, and copies of such papers certified under the hand and seal of the auditor shall be admitted as evidence in all courts in this state.
9. Perform all acts required of the auditor relative to the making out and delivering of notices of general and special elections, making abstracts of and canvassing the votes cast at an election, issuing certificates of election, and forwarding the abstract of votes cast to the secretary of state.
10. On or before August first of each odd-numbered year, report to the insurance commissioner the sound depreciated value of each county building or risk, and the contents therein.
11. On going out of office, deliver to the successor in office all moneys, books, records, documents, maps, papers, vouchers, and other property in the auditor's hands belonging to the county, and in case of the death of the auditor, the auditor's personal representatives shall deliver the same to the auditor's successor.
12. Notify political subdivisions within the county on an annual basis that the state auditor may require political subdivisions to provide annual reports in lieu of an audit pursuant to section 54-10-14.
13. Do and perform all acts not enumerated in this section which the auditor is required to do by law.

SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.

- b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
- c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.
- d. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
- e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
- f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].

- g. Provide quarterly reports to the legislative audit and fiscal review committee of all audits performed and fees charged.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
 - d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.
3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"SECTION 6. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

Audit report - Review period.

The state auditor shall provide the preliminary audit report, including all findings and recommendations, entity responses to the findings and recommendations, and any auditor responses, to the audited state entity, political subdivision, or occupational or professional board at least thirty days before the state auditor publishes the final audit report.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges of political subdivisions to obtain auditing services. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly."

Page 2, remove line 25

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - House Action

| | Base Budget | Senate Version | House Changes | House Version |
|------------------------------------|------------------------|---------------------------|--------------------------|--------------------------|
| Salaries and wages | \$13,123,559 | \$16,417,905 | (\$2,631,024) | \$13,786,881 |
| Operating expenses | 1,371,703 | 1,894,071 | (124,800) | 1,769,271 |
| Capital assets | | 70,550 | | 70,550 |
| Information technology consultants | 450,000 | 450,000 | | 450,000 |
| | <hr/> | <hr/> | | <hr/> |
| Total all funds | \$14,945,262 | \$18,832,526 | (\$2,755,824) | \$16,076,702 |
| Less estimated income | 5,826,152 | 8,161,731 | (1,936,079) | 6,225,652 |
| General fund | <hr/> \$9,119,110 | <hr/> \$10,670,795 | <hr/> (\$819,745) | <hr/> \$9,851,050 |
| FTE | 61.00 | 69.00 | (5.00) | 64.00 |

Department 117 - State Auditor - Detail of House Changes

| | Adds Funding for Salary and Benefit Increases ¹ | Removes Salary Funding for Funding Pool ² | Removes Local Government Division Audit Positions ³ | Removes 1 FTE Communications Position ⁴ | Decreases Funding for Temporary Salaries ⁵ | Decreases One-Time Funding for Local Government Auditors ⁶ |
|------------------------------------|--|--|--|--|---|---|
| Salaries and wages | \$171,097 | (\$1,467,289) | (\$868,074) | (\$166,758) | (\$300,000) | |
| Operating expenses | | | (72,300) | | | (\$12,000) |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$171,097 | (\$1,467,289) | (\$940,374) | (\$166,758) | (\$300,000) | (\$12,000) |
| Less estimated income | 45,835 | (873,040) | (940,374) | 0 | (150,000) | 0 |
| General fund | \$125,262 | (\$594,249) | \$0 | (\$166,758) | (\$150,000) | (\$12,000) |
| FTE | 0.00 | 0.00 | (4.00) | (1.00) | 0.00 | 0.00 |

| | Decreases One-Time Funding for Operating Expense Inflation ⁷ | Total House Changes |
|------------------------------------|---|----------------------|
| Salaries and wages | | (\$2,631,024) |
| Operating expenses | (\$40,500) | (124,800) |
| Capital assets | | |
| Information technology consultants | | |
| Total all funds | (\$40,500) | (\$2,755,824) |
| Less estimated income | (18,500) | (1,936,079) |
| General fund | (\$22,000) | (\$819,745) |
| FTE | 0.00 | (5.00) |

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

| | General Fund | Other Funds | Total |
|-----------------------------|------------------|-----------------|------------------|
| Salary increase | \$134,477 | \$47,728 | \$182,205 |
| Health insurance adjustment | (9,215) | (1,893) | (11,108) |
| Total | \$125,262 | \$45,835 | \$171,097 |

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

| | General Fund | Other Funds | Total |
|----------------------|--------------------|--------------------|----------------------|
| New FTE positions | (\$218,672) | (\$596,631) | (\$815,303) |
| Vacant FTE positions | (375,577) | (276,409) | (651,986) |
| Total | (\$594,249) | (\$873,040) | (\$1,467,289) |

³ Funding from special funds in the agency's operating fund is removed for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 1 FTE local government auditor II position (\$207,740);
- 2 FTE local government auditor I positions (\$351,970); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

⁴ Funding is removed for 1 FTE communications position to repurpose the position to 1 FTE education coordinator

position added by the Senate.

⁵ Funding for temporary salaries for internships is reduced to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁶ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000.

⁷ One-time funding, including funding from federal and special funds, is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$40,500.

In addition, this amendment:

- Removes the section related to the refund of local government audit fees;
- Adds a section to require county auditors to notify political subdivisions annually that the State Auditor may require the political subdivisions to provide annual reports in lieu of an audit;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide quarterly reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years;
- Adds a section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report;
- Adds a section to provide for a Legislative Management study of local government audit services; and
- Removes the emergency clause related to the refund of local government audit fees.

23.0258.03008
Title.

Prepared by the Legislative Council staff for
the House Appropriations - Government
Operations Division Committee
April 13, 2023

Fiscal No. 1

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact section 54-10-31 and a new section to chapter 54-10 of the North Dakota Century Code, relating to audits of the department of financial institutions and an audit report review period;"

Page 1, line 2, after "sections" insert "11-13-02, 54-10-01, and"

Page 1, line 2, after "to" insert "the duties of the county auditor, the powers and duties of the state auditor, and"

Page 1, line 3, replace "and to declare an emergency" with "to provide for a legislative management study; and to provide for a legislative management report"

Page 1, replace lines 12 through 19 with:

| | | | |
|------------------------------------|------------------|----------------|------------------|
| "Salaries and wages | \$13,123,559 | \$663,322 | \$13,786,881 |
| Operating expenses | 1,371,703 | 397,568 | 1,769,271 |
| Capital assets | 0 | 70,550 | 70,550 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,945,262 | \$1,131,440 | \$16,076,702 |
| Less estimated income | <u>5,826,152</u> | <u>399,500</u> | <u>6,225,652</u> |
| Total general fund | \$9,119,110 | \$731,940 | \$9,851,050 |
| Full-time equivalent positions | 61.00 | 3.00 | 64.00" |

Page 2, replace lines 2 through 8 with:

| | | |
|--|----------|---------------|
| "Local government audit office furniture | \$0 | \$9,000 |
| Inflationary increases for travel and professional development | 0 | 40,500 |
| Audit software setup and migration | 0 | 45,550 |
| Capital equipment replacement | <u>0</u> | <u>25,000</u> |
| Total all funds | \$0 | \$120,050 |
| Less estimated income | <u>0</u> | <u>18,500</u> |
| Total general fund | \$0 | \$101,550" |

Page 2, replace lines 13 through 18 with:

"SECTION 3. AMENDMENT. Section 11-13-02 of the North Dakota Century Code is amended and reenacted as follows:

11-13-02. Duties of county auditor.

The county auditor shall:

1. Act as clerk of the board of county commissioners and keep an accurate record of the official proceedings of the board.
2. Prepare a financial statement of the county annually unless otherwise ordered by the board of county commissioners.

3. Upon receipt of any document, bond, or other paper required to be filed in the auditor's office, number and index the same and make the proper entries in the reception book.
4. Carefully preserve all documents, books, records, maps, and other papers required to be deposited or kept in the auditor's office.
5. Have recorded in the office of the recorder all bonds not issued by the state bonding fund that are required to be deposited in the auditor's office.
6. Perform and transact all county business without extra compensation.
7. Keep all books required to be kept by the board of county commissioners.
8. File and preserve in the auditor's office all accounts, vouchers, and other papers pertaining to the settlement of any and all accounts to which the county is a party, and copies of such papers certified under the hand and seal of the auditor shall be admitted as evidence in all courts in this state.
9. Perform all acts required of the auditor relative to the making out and delivering of notices of general and special elections, making abstracts of and canvassing the votes cast at an election, issuing certificates of election, and forwarding the abstract of votes cast to the secretary of state.
10. On or before August first of each odd-numbered year, report to the insurance commissioner the sound depreciated value of each county building or risk, and the contents therein.
11. On going out of office, deliver to the successor in office all moneys, books, records, documents, maps, papers, vouchers, and other property in the auditor's hands belonging to the county, and in case of the death of the auditor, the auditor's personal representatives shall deliver the same to the auditor's successor.
12. Notify political subdivisions within the county on an annual basis that the state auditor may require political subdivisions to provide annual reports in lieu of an audit pursuant to section 54-10-14.
13. Do and perform all acts not enumerated in this section which the auditor is required to do by law.

SECTION 4. AMENDMENT. Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

54-10-01. Powers and duties of state auditor - Report.

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.

- b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
- c. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for the audit. Any budget section action under this subdivision must comply with section 54-35-02.9.
- d. ~~Perform~~Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the legislative assembly, or the legislative audit and fiscal review committee if the legislative assembly is not in session. When determining the necessity of a performance audit, the legislative audit and fiscal review committee shall consider:
 - (1) The potential cost-savings or efficiencies that may be gained as a result of the performance audit;
 - (2) The staff resources of the state auditor's office and of the state agency being audited which will be required to conduct the audit;
 - (3) The potential for discovery of noncompliance with state law or legislative intent regarding the program or agency; and
 - (4) The potential for the performance audit to identify opportunities for program improvements.
- e. Report on the functions of the state auditor's office to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
- f. Perform work on mineral royalties for the federal government in accordance with section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].

- g. Provide quarterly reports to the legislative audit and fiscal review committee of all audits performed and fees charged.
 - h. Perform all other duties as prescribed by law.
2. The state auditor may:
- a. Conduct any work required by the federal government.
 - b. Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.
 - c. Audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
 - d. Contract with a private certified public accountant or other qualified professional to conduct or assist with an audit, review, or other work the state auditor is authorized to perform or provide for under this section. Before entering any contract, the state auditor shall present information to the legislative audit and fiscal review committee on the need for the contract and its estimated cost and duration. Except for performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection and except for audits of occupational or professional boards, the state auditor shall execute the contract and any executive branch agency, including higher education institutions, shall pay the fees of the contractor. For performance audits conducted under subdivision d of subsection 1 or subdivision b of this subsection, the state auditor may charge a state agency for the cost of a contract relating to an audit, subject to approval by the legislative assembly or the legislative audit and fiscal review committee if the legislative assembly is not in session. When considering a request, the legislative audit and fiscal review committee shall consider the effect of the audit cost on the agency being audited, the necessity of the contract, and the potential benefit to the state resulting from the contract. The state auditor shall notify the affected agency of the potential cost before requesting approval from the legislative assembly or the legislative audit and fiscal review committee.
3. Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the state auditor may not charge audit fees to an institution of higher education, agency, or office under the control of the state board of higher education, including passthrough grants, except for a proportional share of audit fees on federal programs or grants to the extent those audited federal programs or grants provide for allowable cost recovery. Institutions without an approved indirect cost recovery fund may not be assessed audit fees on closed federal programs."

Page 2, after line 24, insert:

"SECTION 6. Section 54-10-31 of the North Dakota Century Code is created and enacted as follows:

54-10-31. Department of financial institutions - Audit and reports.

Once every two years, the state banking board shall provide for an audit of the department of financial institutions by a certified public accountant. The state banking board may request the state auditor to conduct the audit. If the state auditor agrees to conduct the audit, the state auditor shall deposit any fees assessed for completion of the audit to the state auditor operating account.

SECTION 7. A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

Audit report - Review period.

The state auditor shall provide the preliminary audit report, including all findings and recommendations, entity responses to the findings and recommendations, and any auditor responses, to the audited state entity, political subdivision, or occupational or professional board at least thirty days before the state auditor publishes the final audit report.

SECTION 8. LEGISLATIVE MANAGEMENT STUDY - LOCAL GOVERNMENT AUDIT SERVICES. During the 2023-24 interim, the legislative management shall consider studying local government audit services and the challenges of political subdivisions to obtain auditing services. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-ninth legislative assembly."

Page 2, remove line 25

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - House Action

| | Base Budget | Senate Version | House Changes | House Version |
|------------------------------------|------------------|------------------|--------------------|------------------|
| Salaries and wages | \$13,123,559 | \$16,417,905 | (\$2,631,024) | \$13,786,881 |
| Operating expenses | 1,371,703 | 1,894,071 | (124,800) | 1,769,271 |
| Capital assets | | 70,550 | | 70,550 |
| Information technology consultants | 450,000 | 450,000 | | 450,000 |
| | <hr/> | <hr/> | | <hr/> |
| Total all funds | \$14,945,262 | \$18,832,526 | (\$2,755,824) | \$16,076,702 |
| Less estimated income | <u>5,826,152</u> | <u>8,161,731</u> | <u>(1,936,079)</u> | <u>6,225,652</u> |
| General fund | \$9,119,110 | \$10,670,795 | (\$819,745) | \$9,851,050 |
| FTE | 61.00 | 69.00 | (5.00) | 64.00 |

Department 117 - State Auditor - Detail of House Changes

| | Adds Funding for Salary and Benefit Increases ¹ | Removes Salary Funding for Funding Pool ² | Removes Local Government Division Audit Positions ³ | Removes 1 FTE Communications Position ⁴ | Decreases Funding for Temporary Salaries ⁵ | Decreases One-Time Funding for Local Government Auditors ⁶ |
|------------------------------------|--|--|--|--|---|---|
| Salaries and wages | \$171,097 | (\$1,467,289) | (\$868,074) | (\$166,758) | (\$300,000) | |
| Operating expenses | | | (72,300) | | | (\$12,000) |
| Capital assets | | | | | | |
| Information technology consultants | | | | | | |
| Total all funds | \$171,097 | (\$1,467,289) | (\$940,374) | (\$166,758) | (\$300,000) | (\$12,000) |
| Less estimated income | 45,835 | (873,040) | (940,374) | 0 | (150,000) | 0 |
| General fund | \$125,262 | (\$594,249) | \$0 | (\$166,758) | (\$150,000) | (\$12,000) |
| FTE | 0.00 | 0.00 | (4.00) | (1.00) | 0.00 | 0.00 |

| | Decreases One-Time Funding for Operating Expense Inflation ⁷ | Total House Changes |
|------------------------------------|---|----------------------|
| Salaries and wages | | (\$2,631,024) |
| Operating expenses | (\$40,500) | (124,800) |
| Capital assets | | |
| Information technology consultants | | |
| Total all funds | (\$40,500) | (\$2,755,824) |
| Less estimated income | (18,500) | (1,936,079) |
| General fund | (\$22,000) | (\$819,745) |
| FTE | 0.00 | (5.00) |

¹ Salaries and wages funding is adjusted to provide for 2023-25 biennium salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024, and for adjustments to health insurance premium rates as follows:

| | General Fund | Other Funds | Total |
|-----------------------------|--------------|-------------|-----------|
| Salary increase | \$134,477 | \$47,728 | \$182,205 |
| Health insurance adjustment | (9,215) | (1,893) | (11,108) |
| Total | \$125,262 | \$45,835 | \$171,097 |

The House provided salary adjustments of 4 percent on July 1, 2023, and July 1, 2024.

² Funding for new FTE positions and estimated savings from vacant FTE positions is removed as shown below. These amounts are available to the agency if needed by submitting a request to the Office of Management and Budget for a transfer from the new and vacant FTE funding pool.

| | General Fund | Other Funds | Total |
|----------------------|--------------|-------------|---------------|
| New FTE positions | (\$218,672) | (\$596,631) | (\$815,303) |
| Vacant FTE positions | (375,577) | (276,409) | (651,986) |
| Total | (\$594,249) | (\$873,040) | (\$1,467,289) |

³ Funding from special funds in the agency's operating fund is removed for local government audit positions and related ongoing operating expenses as follows:

- 1 FTE local government audit manager position (\$308,364);
- 1 FTE local government auditor II position (\$207,740);
- 2 FTE local government auditor I positions (\$351,970); and
- Ongoing operating expenses of \$72,300 related to additional local government auditors.

⁴ Funding is removed for 1 FTE communications position to repurpose the position to 1 FTE education coordinator

position added by the Senate.

⁵ Funding for temporary salaries for internships is reduced to provide a total of \$200,000, of which \$100,000 is from the general fund and \$100,000 is from special funds in the agency's operating fund.

⁶ One-time funding for operating expenses related to local government auditor positions is reduced to provide a total of \$9,000.

⁷ One-time funding, including funding from federal and special funds, is reduced for operating expenses related to travel and professional development inflationary increases, to provide a total of \$40,500.

In addition, this amendment:

- Removes the section related to the refund of local government audit fees;
- Adds a section to require county auditors to notify political subdivisions annually that the State Auditor may require the political subdivisions to provide annual reports in lieu of an audit;
- Adds a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit, require the State Auditor to provide quarterly reports to the Legislative Audit and Fiscal Review Committee, and exempt the institutions under the control of the State Board of Higher Education from certain audit fees;
- Adds a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every 2 years;
- Adds a section to require the State Auditor to provide a preliminary audit report to audit clients at least 30 days prior to publishing the report;
- Adds a section to provide for a Legislative Management study of local government audit services; and
- Removes the emergency clause related to the refund of local government audit fees.

**State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes**

| | Senate Version | | | | House Version | | | | House Changes to Senate Version Increase (Decrease) - Senate Version | | | |
|---|------------------|-----------------|----------------|--------------|------------------|-----------------|----------------|--------------|---|-----------------|----------------|-------------|
| | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total | FTE Positions | General Fund | Other Funds | Total |
| | | | | | | | | | | | | |
| 2023-25 Biennium Base Level | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 61.00 | \$9,119,110 | \$5,826,152 | \$14,945,262 | 0.00 | \$0 | \$0 | \$0 |
| 2023-25 Ongoing Funding Changes | | | | | | | | | | | | |
| Cost to continue salary increase | | \$63,033 | \$23,627 | \$86,660 | | \$63,033 | \$23,627 | \$86,660 | | | | \$0 |
| Base budget transfer of \$17,593 from operating expenses to salaries and wages | | | | 0 | | | | 0 | | | | 0 |
| Salary increase | | 432,963 | 318,639 | 751,602 | | 567,440 | 366,367 | 933,807 | | 134,477 | 47,728 | 182,205 |
| Health insurance increase | | 181,090 | 84,197 | 265,287 | | 171,875 | 82,304 | 254,179 | | (9,215) | (1,893) | (11,108) |
| Adds salary equity funding for elected officials | | 26,748 | | 26,748 | | 26,748 | | 26,748 | | | | 0 |
| Removes salary funding for funding pool | | | | 0 | | (594,249) | (873,040) | (1,467,289) | | (594,249) | (873,040) | (1,467,289) |
| Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position. The House did not add this position. | 1.00 | | 308,364 | 308,364 | 0.00 | | 0 | 0 | (1.00) | | (308,364) | (308,364) |
| Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions. The House added 1 FTE local government auditor II position. | 2.00 | | 415,480 | 415,480 | 1.00 | | 207,740 | 207,740 | (1.00) | | (207,740) | (207,740) |
| Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions. The House added 2 FTE local government auditor I positions. | 4.00 | | 703,940 | 703,940 | 2.00 | | 351,970 | 351,970 | (2.00) | | (351,970) | (351,970) |
| Removes 1 FTE communications position | | | | 0 | (1.00) | (166,758) | | (166,758) | (1.00) | (166,758) | | (166,758) |
| Adds funding for 1 FTE education coordinator position | 1.00 | 218,672 | | 218,672 | 1.00 | 218,672 | | 218,672 | | | | 0 |
| Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships | | 250,000 | 250,000 | 500,000 | | 100,000 | 100,000 | 200,000 | | (150,000) | (150,000) | (300,000) |
| Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors | | | 126,500 | 126,500 | | | 54,200 | 54,200 | | | (72,300) | (72,300) |
| Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades | | 54,298 | 61,266 | 115,564 | | 54,298 | 61,266 | 115,564 | | | | 0 |
| Adds funding for operating expenses related to ITD rate increases | | 11,103 | 6,566 | 17,669 | | 11,103 | 6,566 | 17,669 | | | | 0 |

| | | | | | | | | | | | | |
|---|--------------|---------------------|--------------------|---------------------|--------------|--------------------|--------------------|---------------------|---------------|--------------------|----------------------|----------------------|
| Adds funding for operating expenses related to a new Capitol space rent model | | 178,228 | | 178,228 | 178,228 | | 178,228 | | | | | 0 |
| Total ongoing funding changes | 8.00 | \$1,416,135 | \$2,298,579 | \$3,714,714 | 3.00 | \$630,390 | \$381,000 | \$1,011,390 | (5.00) | (\$785,745) | (\$1,917,579) | (\$2,703,324) |
| One-Time Funding Items | | | | | | | | | | | | |
| Adds one-time funding for operating expenses related to local government auditor positions | | \$21,000 | | \$21,000 | | \$9,000 | | \$9,000 | | (\$12,000) | | (\$12,000) |
| Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases | | 44,000 | \$37,000 | 81,000 | | 22,000 | 18,500 | 40,500 | | (22,000) | (18,500) | (40,500) |
| Adds one-time funding for costs related to audit software upgrades | | 45,550 | | 45,550 | | 45,550 | | 45,550 | | | | 0 |
| Adds one-time funding for capital costs related to the replacement of equipment over \$5,000 | | 25,000 | | 25,000 | | 25,000 | | 25,000 | | | | 0 |
| Total one-time funding changes | 0.00 | \$135,550 | \$37,000 | \$172,550 | 0.00 | \$101,550 | \$18,500 | \$120,050 | 0.00 | (\$34,000) | (\$18,500) | (\$52,500) |
| Total Changes to Base Level Funding | 8.00 | \$1,551,685 | \$2,335,579 | \$3,887,264 | 3.00 | \$731,940 | \$399,500 | \$1,131,440 | (5.00) | (\$819,745) | (\$1,936,079) | (\$2,755,824) |
| 2023-25 Total Funding | 69.00 | \$10,670,795 | \$8,161,731 | \$18,832,526 | 64.00 | \$9,851,050 | \$6,225,652 | \$16,076,702 | (5.00) | (\$819,745) | (\$1,936,079) | (\$2,755,824) |
| <i>Federal funds included in other funds</i> | | | \$1,463,177 | | | | \$1,428,952 | | | | (\$34,225) | |
| <i>Total ongoing changes as a percentage of base level</i> | 13.1% | 15.5% | 39.5% | 24.9% | 4.9% | 6.9% | 6.5% | 6.8% | | | | |
| <i>Total changes as a percentage of base level</i> | 13.1% | 17.0% | 40.1% | 26.0% | 4.9% | 8.0% | 6.9% | 7.6% | | | | |

Other Sections in State Auditor - Budget No. 117

| | Senate Version | House Version |
|--|---|---|
| Deficiency appropriation - Refund of audit fees | Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. | The House removed Section 3 related to a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023. |
| Salary of the State Auditor | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. | Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024. The same as the Senate version. |
| Duties of county auditors | | The House added a section to require county auditors to notify political subdivisions annually that the State Auditor may require the political subdivisions to provide annual reports in lieu of an audit. |
| Powers and duties of the State Auditor | | The House added a section to amend the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit; require the State Auditor to provide quarterly reports to the Legislative Audit and Fiscal Review Committee; and exempt the institutions under the control of the State Board of Higher Education from certain audit fees. |
| Audits of the Department of Financial Institutions | | The House added a section to require the State Banking Board provide for an audit of the Department of Financial Institutions once every two years. |

Other Sections in State Auditor - Budget No. 117

Senate Version

House Version

Audit report review period

The House added a section to require the State Auditor provide a preliminary audit report to audit clients at least 30 days prior to publishing the report.

Legislative Management study - Local government audit services

The House added a section to provide for a Legislative Management study of local government audit services.

Emergency

Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure.

The House removed the section declaring the deficiency appropriation to be an emergency measure.

2004

From: Donnell Preskey donnell.preskey@ndaco.org**To:** Pyle, Brandy L. bpyle@ndlegis.gov, Mock, Corey R. crmock@ndlegis.gov, Erbele, Robert S. rerbele@ndlegis.gov, Vedaa, Shawn A. svedaa@ndlegis.gov, Roers, Jim jroers@ndlegis.gov, Monson, David C. dmonson@ndlegis.gov**Date:** Tue, Apr 25, 2023, 8:40 AM

Senators and Representatives,

I am contacting you on behalf of the county auditors. We request you remove language impacting their duties in section 3 subsection 12.

This language was inserted without input from the individuals who do the job. The county auditors do not have contact information for all political subs. Why would county auditors notify them of potential audits by the state auditor, it seems that this is a better role / requirement for the state auditor. We respectfully request this language be removed.

Thank you,
Donnell Preskey
NDACo

Sent from my Verizon, Samsung Galaxy smartphone
Get [Outlook for Android](#)

Report to LAFRC the practices and any deviations of instances where the State Auditor's Office did not distribute the final audit report to all those "charged with governance" prior to public release.

Monson, David C.

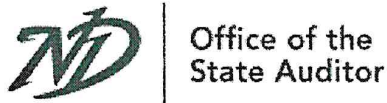
From: Gallion, Joshua C. <jcgallion@nd.gov>
Sent: Tuesday, April 11, 2023 11:30 AM
To: Monson, David C.
Cc: Vigesaa, Donald W.; Ludwig, Brianna S.
Subject: SB 2004 - Auditor's Office Budget



Rep. Monson,

Can we find time to visit regarding the proposed amendments? I am concerned with some of the discussion and unintended consequences of what is being introduced. It's important to make sure the cost of audit's don't continue to rise due to legislative action while we keep building a positive environment for state employees to continue providing valuable audit services across North Dakota.

Thanks,
Josh

Joshua C. Gallion
State Auditor



600 E. Boulevard Ave Dept 117, Bismarck, ND 58505
  Phone: 701.328.4780 Website: nd.gov/auditor

