

**Fifty-fifth Legislative Assembly, State of North Dakota, begun in the Capitol in the City of Bismarck, on Monday, the sixth day of January, one thousand nine hundred and ninety-seven**

SENATE BILL NO. 2047  
(Legislative Council)  
(Legislative Audit and Fiscal Review Committee)  
(Senators Solberg, Mutch)  
(Representatives Byerly, Maragos, Nichols, Timm)

AN ACT to amend and reenact sections 54-10-13, 54-10-14, 54-10-15, and 54-40.1-05 of the North Dakota Century Code, relating to audits of political subdivisions, regional planning councils, and soil conservation districts.

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

**SECTION 1. AMENDMENT.** Section 54-10-13 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-13. Political subdivisions - Audits - State auditor powers.** The state auditor shall perform audits of political subdivisions pursuant to section 54-10-14 unless otherwise requested by the governing board, ordered by the governor or the legislative audit and fiscal review committee, or on petition pursuant to section 54-10-15, or at the discretion of the state auditor for alleged improprieties.

**SECTION 2. AMENDMENT.** Section 54-10-14 of the 1995 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.** The state auditor shall audit the following political subdivisions once every two years, except as provided in this section or otherwise by law:

1. Counties.
2. Cities.
3. Park districts.
4. School districts.
5. ~~Firemen's~~ Firefighters relief associations.
6. Airport authorities.
7. Public libraries.
8. Water resource districts.
9. Garrison diversion conservancy district.
10. Rural fire protection districts.
11. Special education districts.
12. Area vocational and technology centers.
13. Correction centers.
14. Recreation service districts.
15. Weed boards.

16. Irrigation districts.
17. Rural ambulance service districts.
18. ~~West river water supply district.~~
49. Southwest water authority.
19. Regional planning councils.
20. Soil conservation districts.

The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. ~~Fees The political subdivision audited shall pay to the state treasurer the fees for the audit performed by the state auditor must be paid to the state treasurer by the political subdivision audited.~~ The state treasurer shall deposit the fees must be deposited in the state auditor operating account. Expenses relating to political subdivision audits must be paid from the state auditor operating account, within the limits of legislative appropriation.

~~The state auditor may in~~ In lieu of conducting an audit every two years, the state auditor may require annual reports from school districts with less than one hundred enrolled students, cities with less than three hundred population, and other political subdivisions subject to this section, or otherwise provided by law, with less than one hundred thousand dollars of annual receipts. The reports must contain the financial information required by the state auditor. The state auditor ~~may~~ also may make ~~such any~~ additional examination or audit ~~as deemed determined~~ necessary in addition to the annual report. 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. The state auditor may charge a political subdivision a fee not to exceed fifty dollars an hour for the costs of reviewing the annual report.

A political subdivision ~~may~~, 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 ~~reports report~~ to determine if the ~~reports are report is~~ report is in the required form and ~~have has~~ has the required content, and if the audit meets generally accepted government auditing standards. The state auditor ~~may~~ also may periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the ~~reports are report is~~ report is in the required form and ~~have has~~ has the required content, and the ~~reports report~~ report and workpapers comply with generally accepted government auditing standards, the state auditor shall accept the audit report. The state auditor may charge the political subdivision a fee of up to fifty dollars an hour, but not to exceed five hundred dollars per review, for the related costs of reviewing the audit report and workpapers.

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.

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 shall result in audits being resumed by the state auditor until the irregularities, objectionable accounting procedures, or illegal actions are corrected.

**SECTION 3. AMENDMENT.** Section 54-10-15 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-15. Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, or upon petition.** The state auditor, by duly appointed deputy auditors

or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election. Fees for the audits must be paid in accordance with the provisions of section 54-10-14.

**SECTION 4. AMENDMENT.** Section 54-40.1-05 of the 1995 Supplement to the North Dakota Century Code is amended and reenacted as follows:

**54-40.1-05. Reports.** Each regional council shall prepare an annual report within sixty one hundred twenty days after the end of each fiscal year. ~~Copies~~ The regional council shall submit copies of the report ~~must be submitted~~ to the participating units of general local government, to the governor or the governor's designee, and to members of the legislative assembly in each region. To the extent practicable, the report must include projects completed or in progress and sources of funding.

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President of the Senate

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Speaker of the House

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Secretary of the Senate

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Chief Clerk of the House

This certifies that the within bill originated in the Senate of the Fifty-fifth Legislative Assembly of North Dakota and is known on the records of that body as Senate Bill No. 2047.

Senate Vote:      Yeas    27            Nays    19            Absent    3

House Vote:      Yeas    51            Nays    40            Absent    6

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Secretary of the Senate

Received by the Governor at \_\_\_\_\_ M. on \_\_\_\_\_, 1997.

Approved at \_\_\_\_\_ M. on \_\_\_\_\_, 1997.

\_\_\_\_\_  
Governor

Filed in this office this \_\_\_\_\_ day of \_\_\_\_\_, 1997,

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State