

Fifty-fifth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1110**

Introduced by

Government and Veterans Affairs Committee

(At the request of the State Auditor)

1 A BILL for an Act to amend and reenact section 54-10-14 of the North Dakota Century Code,  
2 relating to audits of public and nonprofit entities by the state auditor.

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

4 **SECTION 1. AMENDMENT.** Section 54-10-14 of the 1995 Supplement to the North  
5 Dakota Century Code is amended and reenacted as follows:

6 **54-10-14. Political subdivisions and other entities - Audits - Fees - Alternative**  
7 **audits and reports.** The state auditor shall audit the following political subdivisions once every  
8 two years, except as provided in this section or otherwise by law:

- 9 1. Counties.
- 10 2. Cities.
- 11 3. Park districts.
- 12 4. School districts.
- 13 5. Firemen's relief associations.
- 14 6. Airport authorities.
- 15 7. Public libraries.
- 16 8. Water resource districts.
- 17 9. Garrison Diversion Conservancy District.
- 18 10. Rural fire protection districts.
- 19 11. Special education districts.
- 20 12. Area vocational and technology centers.
- 21 13. Correction centers.
- 22 14. Recreation service districts.
- 23 15. Weed boards.
- 24 16. Irrigation districts.

17. Rural ambulance service districts.

18. West river water supply district.

19. Southwest water authority.

The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. Fees for the audit performed by the state auditor must be paid to the state treasurer by the political subdivision audited. 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 lieu of conducting an audit every two years 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 make such additional examination or audit as deemed 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 to determine if the reports are in the required form and have the required content, and if the audit meets generally accepted government auditing standards. The state auditor may also periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the reports are in the required form and have the required content, and the reports and workpapers comply with generally accepted government auditing standards, the

1 state auditor shall accept the audit report. The state auditor may charge the political  
2 subdivision a fee of up to fifty dollars an hour, but not to exceed five hundred dollars per review,  
3 for the related costs of reviewing the audit report and workpapers.

4 A political subdivision may not pay a public accountant for an audit until the state auditor  
5 has accepted the audit. However, a political subdivision may make progress payments to the  
6 public accountant. A political subdivision shall retain twenty percent of any progress payment  
7 until the audit report is accepted by the state auditor.

8 The state auditor may require the correction of any irregularities, objectionable  
9 accounting procedures, or illegal actions on the part of the governing board, officers, or  
10 employees of the political subdivision disclosed by the audit report or workpapers, and failure to  
11 make the corrections ~~shall result~~ results in audits being resumed by the state auditor until the  
12 irregularities, objectionable accounting procedures, or illegal actions are corrected.

13 Any other public or nonprofit entity, whose audit is not otherwise required to be  
14 performed under this section or section 54-10-01, which receives state or federal financial  
15 assistance, at the option of its governing body, may be audited by the state auditor if the state  
16 auditor agrees to perform the audit. The public or nonprofit entity shall pay the state auditor a  
17 fee equal to the fair value of the audit, and the fee must be deposited in the state auditor  
18 operating account.

19 The state treasurer shall credit the state auditor operating account with the amount of  
20 interest earnings attributable to the deposits in that account.