

Sixty-first  
Legislative Assembly  
of North Dakota

Introduced by

(At the request of the State Auditor)

1 A BILL for an Act to amend and reenact sections 54-10-13, 54-10-14, 54-10-15, and 54-10-19  
2 of the North Dakota Century Code, relating to audits of political subdivisions; and to repeal  
3 section 54-10-18 of the North Dakota Century Code, relating to records and fiscal affairs of  
4 counties.

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

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

8 **54-10-13. Political subdivisions - Audits - State auditor powers.** The state auditor  
9 ~~shall~~ may perform audits of political subdivisions pursuant to section 54-10-14 unless ~~otherwise~~  
10 ~~requested by the governing board~~, ordered by the governor or the legislative audit and fiscal  
11 review committee, or on petition pursuant to section 54-10-15, or at the discretion of the state  
12 auditor for alleged improprieties.

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

15 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

16 The state auditor ~~shall~~ may audit the following political subdivisions once every two years,  
17 except as provided in this section or otherwise by law:

- 18 1. Counties.
- 19 2. Cities.
- 20 3. Park districts.
- 21 4. School districts.
- 22 5. Firefighters relief associations.
- 23 6. Airport authorities.
- 24 7. Public libraries.

- 1           8.    Water resource districts.
- 2           9.    Garrison Diversion Conservancy District.
- 3           10.   Rural fire protection districts.
- 4           11.   Special education districts.
- 5           12.   Area career and technology centers.
- 6           13.   Correction centers.
- 7           14.   Recreation service districts.
- 8           15.   Weed boards.
- 9           16.   Irrigation districts.
- 10          17.   Rural ambulance service districts.
- 11          18.   Southwest water authority.
- 12          19.   Regional planning councils.
- 13          20.   Soil conservation districts.

14           The state auditor shall charge the political subdivision an amount equal to the fair value  
15 of the audit and any other services rendered. The fees must be deposited in the state auditor  
16 operating account. The state treasurer shall credit the state auditor operating account with the  
17 amount of interest earnings attributable to the deposits in that account. Expenses relating to  
18 political subdivision audits must be paid from the state auditor operating account, within the  
19 limits of legislative appropriation.

20           In lieu of conducting an audit every two years, the state auditor may require annual  
21 reports from school districts with less than one hundred enrolled students; cities with less than  
22 three hundred population; park districts and soil conservation districts with less than two  
23 hundred thousand dollars of annual receipts; and other political subdivisions subject to this  
24 section, or otherwise provided by law, with less than one hundred thousand dollars of annual  
25 receipts, excluding any federal funds passed through the political subdivision to another entity.  
26 If any federal agency performs or requires an audit of a political subdivision that receives  
27 federal funds to pass through to another entity, the political subdivision shall provide a copy to  
28 the state auditor upon request by the state auditor. The reports must contain the financial  
29 information required by the state auditor. The state auditor also may make any additional  
30 examination or audit determined necessary in addition to the annual report. When a report is  
31 not filed, the state auditor may charge the political subdivision an amount equal to the fair value

1 of the additional examination or audit and any other services rendered. The state auditor may  
2 charge a political subdivision a fee not to exceed ~~five~~ fifty eighty dollars an hour for the costs of  
3 reviewing the annual report.

4 A political subdivision, at the option of its governing body, may be audited by a certified  
5 public accountant or licensed public accountant rather than by the state auditor. The public  
6 accountant shall comply with generally accepted government auditing standards for audits of  
7 political subdivisions. The report must be in the form and content required by the state auditor.  
8 The number of copies of the audit report requested by the state auditor must be filed with the  
9 state auditor when the public accountant delivers the audit report to the political subdivision.  
10 The state auditor shall review the audit report to determine if the report is in the required form  
11 and has the required content, and if the audit meets generally accepted government auditing  
12 standards. The state auditor also may periodically review the public accountant's workpapers  
13 to determine if the audit meets generally accepted government auditing standards. If the report  
14 is in the required form and has the required content, and the report and workpapers comply with  
15 generally accepted government auditing standards, the state auditor shall accept the audit  
16 report. The state auditor may charge the political subdivision a fee of up to ~~five~~ fifty eighty dollars  
17 an hour, but not to exceed five hundred dollars per review, for the related costs of reviewing the  
18 audit report and workpapers.

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

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

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

30 **54-10-15. Audits of political subdivisions by order of governor or the legislative**  
31 **audit and fiscal review committee, or upon petition.** The state auditor, by duly appointed

1 deputy auditors or other authorized agents, shall audit or review the books, records, and  
2 financial accounts of any political subdivision when ordered by the governor or the legislative  
3 audit and fiscal review committee, ~~requested by the governing board,~~ or upon petition of at least  
4 thirty-five percent of the qualified electors of any political subdivision enumerated in section  
5 54-10-14 voting for the office of governor at the preceding general election or, in the case of  
6 school districts, upon petition of at least thirty-five percent of the qualified electors voting at the  
7 preceding school board election. Fees for the audits must be paid in accordance with the  
8 provisions of section 54-10-14.

9       **SECTION 4. AMENDMENT.** Section 54-10-19 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11       **54-10-19. Supervision of ~~books and accounts of public institutions and private~~**  
12 **~~institutions with which state has dealings.~~** ~~The state auditor shall assume and exercise~~  
13 ~~supervision over the books and financial accounts of the several public offices and institutions~~  
14 ~~which the state auditor is authorized to examine.~~ The state auditor may examine the books and  
15 accounts of all private institutions with which the state has any dealings so far only as the same  
16 relate to such dealings. If any public officer having control of any such office or institutions fails  
17 or refuses to comply with the directions of the state auditor, the auditor shall report the facts to  
18 the governor and to the manager of the state bonding fund, and such refusal constitutes  
19 grounds for removal from office and cancellation of the bond of such officer.

20       **SECTION 5. REPEAL.** Section 54-10-18 of the North Dakota Century Code is  
21 repealed.