



## TESTIMONY TO SENATE APPROPRIATIONS

SB 2218

2/11/2021

Good morning, Chairman Holmberg, members of the committee, my name is James Carroll, and I am an accountant with the State Auditor's Office. I am here today to testify on behalf of the office in a neutral position on SB 2218.

The auditor's office is required by the Federal Government to complete a Federal Single Audit. The audit consists of evaluating each agency that expends federal awards equal to or in excess of \$750,000 in one fiscal year. It is intended to provide assurance to the Federal Government that a non-federal entity has adequate internal controls in place and is generally in compliance with program requirements.

The Federal Single Audit is to be conducted annually; however, the State of North Dakota is 1 of 2 states (Montana is the other) that has a waiver to conduct the audit biennially. The exemption is provided under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, which states, "A state, local government, or Indian Tribe that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this part biennially."

The office has been told by the Federal Government, that if the State of North Dakota moves to an annual legislature, our waiver to conduct the Single Audit biennially would most likely be pulled. North Dakota is in the minority with the exemption, and the Federal Government has previously tried to rescind the exemption, even taking it to a vote in the early 2000s.

Now that I have shared the history, let's talk about a few numbers.

The state auditor's office expends around 15,000 hours conducting the Single Audit and preparing the report each biennium. If the auditor's office would be required to conduct an annual Single Audit, it is expected the office would need to expend another 12,000 hours each biennium. Therefore, the Single Audit each biennium would require 27,000 - 30,000 hours.

As these hours are not budgeted, to complete an annual Single Audit, the auditor's office would need an additional 5 FTE, with an estimated cost of \$930,000, plus appropriate increases with time.

I am not here to say that if SB 2218 passes, the waiver is gone, but I wanted to provide information around the possibility and the implications the bill may have. It is our office's opinion that it is more likely than not, the waiver would be pulled with an annual legislative session.

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