



Office of the
State Auditor

TESTIMONY TO SENATE EDUCATION COMMITTEE
SB 2090 – STATE AUDITOR’S OFFICE
1/6/2021

Good afternoon, Chairman Schaible, members of the committee, my name is Joshua Gallion, and I serve as North Dakota’s State Auditor. I’m here today to discuss some of the updates and clarifications necessary to make N.D.C.C. 54-10 more effective.

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 to improve government through our team who is committed to generating greater value for taxpayers.

Today, I’ll walk you through the number of updates and clarifications we’d are requesting to the chapter of the North Dakota Century Code that guides the work of our team at the Auditor’s Office.

State Agency Defined

When I first started with this agency four years ago, I challenged our staff to understand what our audit universe looked like. The first thing we encountered was a lack of definition for ‘state agency.’ Including this definition in 54-10 will clarify for our team and our audit clients who exactly is required to have an audit completed by our office.

Simplify and Increase Thresholds

Currently, the political subdivision of our office conducts audits of local governments in North Dakota. Most local governments are required to have an audit completed once every two years — or instead of an audit — our office can require annual financial reports from:

- School districts with less than 100 students
- Cities with less than 500 residents
- Local governments with less than \$300,000 in annual receipts

The amendments our office is proposing would update verbiage to base the need for an audit on the revenue from cities and school districts. The current thresholds set are arbitrary numbers, and there is substantial risk that cities and school districts that are receiving significant revenue are not being audited. For examples of these, please reference the appendix on page 5.

We strongly recommend that audits are based on the risk of an entity mispending taxpayer money rather than an arbitrary threshold. Evidence of this risk was most recently seen at the Oberon Public School District (student count of 64) audit called by the governor, with our team identifying ten separate areas of concern including \$230,595 in payments with no record of work provided.