

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

That the House recede from its amendments as printed on pages 1270-1272 of the Senate Journal and pages 1461-1464 of the House Journal and that Engrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 2, replace "section" with "sections 54-10-01 and"

Page 1, line 2, after "to" insert "the powers and duties of the state auditor and"

Page 1, replace lines 12 through 19 with:

"Salaries and wages	\$11,767,312	\$900,906	\$12,668,218
Operating expenses	1,142,783	19,037	1,161,820
Capital assets	0	16,000	16,000
Information technology consultants	0	450,000	450,000
Total all funds	\$12,910,095	\$1,385,943	\$14,296,038
Less estimated income	3,411,487	761,691	4,173,178
Total general fund	\$9,498,608	\$624,252	\$10,122,860
Full-time equivalent positions	56.00	2.00	58.00"

Page 2, after line 7, insert:

**"SECTION 3. AMENDMENT.** Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-01. Powers and duties of state auditor.**

The state auditor shall:

1. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of the state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
2. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state and perform or provide for the audits and reviews of state agencies. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit or review each state agency once every two years. The state auditor shall determine the contents of the audits and reviews of state agencies. The state auditor may conduct any work required by the federal government. The state auditor may not contract for work required by the federal government without the prior approval of the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for any agency that receives and expends both general fund and nongeneral fund moneys. State agencies must use nongeneral fund moneys to pay for audits performed by the state

auditor. If nongeneral fund moneys are not available, the agency may, upon approval of the legislative assembly, or the budget section if the legislative assembly is not in session, use general fund moneys to pay for audits performed by the state auditor. The budget section reviews and approvals must comply with the new section to chapter 54-35 of the North Dakota Century Code created by section 15 of Senate Bill No. 2055 as adopted by the sixty-sixth legislative assembly. Audits and reviews may be conducted at more frequent intervals if requested by the governor or legislative audit and fiscal review committee.

3. Be vested with the authority to determine whether to audit the International Peace Garden at the request of the board of directors of the International Peace Garden.
4. Perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the ~~state auditor or legislative assembly;~~ the legislative audit and fiscal review committee; ~~or the state auditor,~~ subject to approval by the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor may not hire a consultant to assist with conducting a performance audit of a state agency without the prior approval of the legislative audit and fiscal review committee. The state auditor shall notify an agency of the need for a consultant before requesting approval by the legislative audit and fiscal review committee. The agency that is audited shall pay for the cost of any consultant approved.
5. For the audits and reviews the state auditor is authorized to perform or provide for under this section, the audit or review may be provided for by contract with a private certified or licensed public accountant or other qualified professional. If the state auditor determines that the audit or review will be done pursuant to contract, the state auditor, except for occupational or professional boards, shall execute the contract, and any executive branch agency, including higher education institutions, shall pay the fees of the contractor.
6. Be responsible for the above functions and report thereon to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
7. Perform all other duties as prescribed by law."

Page 2, line 13, remove "one hundred seven thousand eight hundred eighty-five dollars through June 30, 2020."

Page 2, line 14, replace "and one hundred eleven thousand one hundred twenty-two dollars thereafter" with "one hundred seven thousand eight hundred eighty-five dollars through June 30, 2020, and one hundred ten thousand five hundred eighty-two dollars thereafter"

Page 2, after line 14, insert:

**"SECTION 5. AUDIT STAFF UTILIZATION - REPORT TO SIXTY-SEVENTH LEGISLATIVE ASSEMBLY.** The state auditor shall monitor the number of audit staff

hours dedicated to financial audits, performance audits, mineral resource audits, federal single audit procedures, comprehensive annual financial report procedures, fraud investigation, local government audits, and audits of the institutions of higher education, including financial audits and performance audits. The state auditor shall report to the appropriations committees of the sixty-seventh legislative assembly regarding the number of audit staff hours dedicated to each of these audit functions and any other functions of the state auditor's office during the biennium beginning July 1, 2019, and ending June 30, 2021."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - Conference Committee Action**

	Base Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$11,767,312	\$12,755,758	(\$87,540)	\$12,668,218	\$12,343,218	\$325,000
Operating expenses	1,142,783	1,404,676	(242,856)	1,161,820	1,161,820	
Capital assets		16,000		16,000	16,000	
Information technology consultants		450,000		450,000	450,000	
<b>Total all funds</b>	<b>\$12,910,095</b>	<b>\$14,626,434</b>	<b>(\$330,396)</b>	<b>\$14,296,038</b>	<b>\$13,971,038</b>	<b>\$325,000</b>
Less estimated income	3,411,487	4,212,294	(39,116)	4,173,178	4,173,178	0
General fund	\$9,498,608	\$10,414,140	(\$291,280)	\$10,122,860	\$9,797,860	\$325,000
FTE	56.00	61.00	(3.00)	58.00	56.00	2.00

**Department 117 - State Auditor - Detail of Conference Committee Changes**

	Adjusts Funding for Salary Increases <sup>1</sup>	Restores Positions and Salaries and Wages <sup>2</sup>	Removes 2 FTE Local Government Auditors <sup>3</sup>	Removes State Audit Division Auditors for NDUS Audit <sup>4</sup>	Adjusts Funding Source for Information Technology Consultants <sup>5</sup>	Removes Funding for Consulting Fees <sup>6</sup>
Salaries and wages	(\$6,497)	\$725,231	(\$318,430)	(\$487,844)		
Operating expenses			(20,000)	(72,856)		(\$150,000)
Capital assets						
Information technology consultants						
<b>Total all funds</b>	<b>(\$6,497)</b>	<b>\$725,231</b>	<b>(\$338,430)</b>	<b>(\$560,700)</b>	<b>\$0</b>	<b>(\$150,000)</b>
Less estimated income	(688)	2	(338,430)	0	300,000	0
General fund	(\$5,809)	\$725,229	\$0	(\$560,700)	(\$300,000)	(\$150,000)
FTE	0.00	2.00	(2.00)	(3.00)	0.00	0.00

	Total Conference Committee Changes
Salaries and wages	(\$87,540)
Operating expenses	(242,856)
Capital assets	
Information technology consultants	
<b>Total all funds</b>	<b>(\$330,396)</b>
Less estimated income	(39,116)
General fund	(\$291,280)
FTE	(3.00)

<sup>1</sup> Funding is adjusted to provide for employee salary increases of 2 percent on July 1, 2019, with a minimum monthly increase of \$120 and a maximum monthly increase of \$200, and an increase of 2.5 percent on July 1, 2020, the same as the House version. The Senate provided funding for salary increases of 2 percent on July 1, 2019, and 3 percent on July 1, 2020.

<sup>2</sup> One FTE local government division auditor and 1 FTE state audit division auditor are restored as well as funding for salaries and wages which was underfunded by the Senate, the same as the House version.

<sup>3</sup> Two of the four FTE local government division auditors added by the Senate, including funding from audit fee revenue for related salaries and wages and operating expenses, are removed, the same as the House version.

<sup>4</sup> Three FTE state audit division auditors and related salaries and wages and operating expenses, added by the Senate to audit the North Dakota University System, are removed, the same as the House version.

<sup>5</sup> Funding for information technology reviews of the Information Technology Department and the University System is adjusted to provide a total of \$450,000, of which \$150,000 is from the general fund and \$300,000 of other funds, the same as the House version. The Senate provided \$450,000 from the general fund for the information technology reviews.

<sup>6</sup> Funding for consulting fees added by the Senate is removed, the same as the House version.

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The Conference Committee restored 2 FTE state audit division auditors and related salaries and wages removed by the House, but not by the Senate.

This amendment also:

- Adds a section to amend North Dakota Century Code Section 54-10-01 related to the powers and duties of the State Auditor to:
  - Require state agencies to use nongeneral fund moneys to pay for audits performed by the State Auditor. If nongeneral fund moneys are not available, the agency may, upon approval of the Legislative Assembly, or the Budget Section if the Legislative Assembly is not in session, use general fund moneys to pay for audits performed by the State Auditor, the same as the House version; and
  - Require the State Auditor to receive Legislative Audit and Fiscal Review Committee approval to conduct performance audits and to contract for services related to performing the duties of a federal single audit. The Senate and the House did not include these changes;
- Amends the statutory changes related to the State Auditor's salary to provide increases consistent with state employee salary increases, the same as the House version; and
- Adds a section to require the State Auditor to monitor the number of audit staff hours dedicated to financial audits, performance audits, mineral resource audits, federal single audit procedures, comprehensive annual financial report procedures, fraud investigation, local government audits, and audits of the institutions of higher education, including financial audits and performance audits. The State Auditor must report to the Appropriations Committees of the 67th Legislative Assembly regarding the number of audit staff hours dedicated to each of these audit functions and any other functions of the State Auditor's office during the 2019-21 biennium. The Senate and House did not include this section.