

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1004

That the Senate recede from its amendments as printed on pages 1563-1566 of the House Journal and pages 1289-1293 of the Senate Journal and that Engrossed House Bill No. 1004 be amended as follows:

Page 1, line 1, after "auditor" insert "; to create and enact a new subsection to section 54-52.1-04.16 of the North Dakota Century Code, relating to a public employees retirement system pharmacy benefits manager performance audit;"

Page 1, line 2, replace "section" with "sections"

Page 1, line 2, after "54-10-10" insert ", 54-10-14, and 54-10-27"

Page 1, line 3, after "auditor" insert ", political subdivision audits, and occupational and professional board audits"

Page 1, replace lines 12 through 18 with:

| | | | |
|------------------------------------|------------------|------------------|------------------|
| "Salaries and wages | \$12,668,218 | \$455,341 | \$13,123,559 |
| Operating expenses | 1,161,820 | 209,883 | 1,371,703 |
| Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| Total all funds | \$14,280,038 | \$665,224 | \$14,945,262 |
| Less estimated income | <u>4,173,178</u> | <u>1,652,974</u> | <u>5,826,152</u> |
| Total general fund | \$10,106,860 | (\$987,750) | \$9,119,110 |
| Full-time equivalent positions | 58.00 | 3.00 | 61.00" |

Page 2, line 5, replace "thirteen" with "fourteen"

Page 2, line 6, replace "nine" with "four"

Page 2, line 6, replace "twenty-five" with "eighty-six"

Page 2, after line 6, insert:

"SECTION 4. AMENDMENT. Section 54-10-14 of the North Dakota Century Code is amended and reenacted as follows:

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

1. The state auditor shall audit the following political subdivisions once every two years, except as provided in this section or otherwise by law:
 - a. Counties.
 - b. Cities, and when a city is audited, to include any political subdivision that was created by the city and has bonding authority.
 - c. Park districts.
 - d. School districts.
 - e. Firefighters relief associations.

- f. Airport authorities.
 - g. Public libraries.
 - h. Water resource districts.
 - i. Garrison Diversion Conservancy District.
 - j. Rural fire protection districts.
 - k. Special education districts.
 - l. Area career and technology centers.
 - m. Correction centers.
 - n. Recreation service districts.
 - o. Weed boards.
 - p. Irrigation districts.
 - q. Rural ambulance service districts.
 - r. Southwest water authority.
 - s. Regional planning councils.
 - t. Soil conservation districts.
 - u. Western area water supply authority industrial water sales on an annual basis.
2. The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered. The fees must be deposited in the state auditor operating account. The state treasurer shall credit the state auditor operating account with the amount of interest earnings attributable to the deposits in that account. Expenses relating to political subdivision audits must be paid from the state auditor operating account, within the limits of legislative appropriation.
3. In lieu of conducting an audit every two years, the state auditor may require annual reports from ~~school districts with less than one hundred enrolled students; cities with less than five hundred population; and other~~ political subdivisions subject to this section, or otherwise provided by law, with less than ~~three hundred~~ seven hundred fifty thousand dollars of annual receipts, excluding any federal funds passed through the political subdivision to another entity. If any federal agency performs or requires an audit of a political subdivision that receives federal funds to pass through to another entity, the political subdivision shall provide a copy to the state auditor upon request by the state auditor. The reports must contain the financial information required by the state auditor. The state auditor also may make any additional examination or audit determined 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 ~~eighty~~ eighty-six dollars an hour for the costs of reviewing the annual report.

4. A political subdivision, 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 report to determine if the report is in the required form and has the required content, and if the audit meets generally accepted government auditing standards. The state auditor also may periodically review the public accountant's workpapers to determine if the audit meets generally accepted government auditing standards. If the report is in the required form and has the required content, and the report and workpapers comply with generally accepted government auditing standards, the state auditor shall accept the audit report. The state auditor may charge the political subdivision a fee of up to ~~eighty-eighty-six~~ eighty-eight dollars an hour, but not to exceed ~~five-seven~~ five-hundred ~~fifty~~ fifty dollars per review, for the related costs of reviewing the audit report and workpapers.
5. A political subdivision may not pay a public accountant for an audit until the state auditor has accepted the audit. However, a political subdivision may make progress payments to the public accountant. A political subdivision shall retain twenty percent of any progress payment until the audit report is accepted by the state auditor.
6. The state auditor may require the correction of any irregularities, objectionable accounting procedures, or illegal actions on the part of the governing board, officers, or employees of the political subdivision disclosed by the audit report or workpapers, and failure to make the corrections must result in audits being resumed by the state auditor until the irregularities, objectionable accounting procedures, or illegal actions are corrected.

SECTION 5. AMENDMENT. Section 54-10-27 of the North Dakota Century Code is amended and reenacted as follows:

54-10-27. Occupational and professional boards - Audits and reports.

The governing board of any occupational or professional board shall provide for an audit once every two years by a certified public accountant or licensed public accountant. The accountant conducting the audit shall submit the audit report to the state auditor's office. If the report is in the form and style prescribed by the state auditor, the state auditor may not audit that board. An occupational or professional board may request the state auditor to conduct its audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees charged to the occupational or professional board into the state auditor operating account. Instead of providing for an audit every two years, an occupational or professional board that has less than two hundred thousand dollars of annual receipts may submit an annual report to the state auditor. The report must contain the information required by the state auditor. The state auditor also may make any additional examination or audit determined necessary in addition to the annual report. When a report is not filed, the state auditor may charge the occupational or professional board an amount equal to the fair value of the additional examination or audit and any other services rendered.

The state auditor may charge an occupational or professional board a fee not to exceed ~~fifty~~eighty-six dollars an hour for the costs of reviewing the annual report.

SECTION 6. A new subsection to section 54-52.1-04.16 of the North Dakota Century Code is created and enacted as follows:

Except for Medicare part D, prescription drug coverage, the board shall conduct a performance audit of the prescription drug coverage and any related pharmacy benefits management service at least once every four years. The performance audit must be conducted directly through the pharmacy benefits manager providing the prescription drug coverage and may not be conducted through an intermediary, such as the carrier."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - Conference Committee Action

| | Base Budget | House Version | Conference Committee Changes | Conference Committee Version | Senate Version | Comparison to Senate |
|------------------------------------|---------------------|---------------------|------------------------------|------------------------------|---------------------|----------------------|
| Salaries and wages | \$12,668,218 | \$11,880,488 | \$1,243,071 | \$13,123,559 | \$13,289,084 | (\$165,525) |
| Operating expenses | 1,161,820 | 1,262,547 | 109,156 | 1,371,703 | 1,381,703 | (10,000) |
| Information technology consultants | 450,000 | 450,000 | | 450,000 | 450,000 | |
| Total all funds | \$14,280,038 | \$13,593,035 | \$1,352,227 | \$14,945,262 | \$15,120,787 | (\$175,525) |
| Less estimated income | 4,173,178 | 4,667,785 | 1,158,367 | 5,826,152 | 5,826,152 | 0 |
| General fund | \$10,106,860 | \$8,925,250 | \$193,860 | \$9,119,110 | \$9,294,635 | (\$175,525) |
| FTE | 58.00 | 54.00 | 7.00 | 61.00 | 62.00 | (1.00) |

Department 117 - State Auditor - Detail of Conference Committee Changes

| | Adjusts Funding for Salary Increases ¹ | Adds Local Government Division Audit Positions ² | Restores Auditor IV Position ³ | Total Conference Committee Changes |
|------------------------------------|---|---|---|------------------------------------|
| Salaries and wages | \$14,469 | \$1,054,155 | \$174,447 | \$1,243,071 |
| Operating expenses | | 99,156 | 10,000 | 109,156 |
| Information technology consultants | | | | |
| Total all funds | \$14,469 | \$1,153,311 | \$184,447 | \$1,352,227 |
| Less estimated income | 5,056 | 1,153,311 | 0 | 1,158,367 |
| General fund | \$9,413 | \$0 | \$184,447 | \$193,860 |
| FTE | 0.00 | 6.00 | 1.00 | 7.00 |

¹ Funding is adjusted to provide salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100, and 2 percent on July 1, 2022, the same as the Senate version. The House provided salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250.

² Six FTE Local Government Division audit positions, including salaries and wages and operating expenses, are added to provide a total of 8 new Local Government Division audit positions, the same as the Senate version. Funding for operating expenses for each new audit position is increased from \$10,422 as provided by the House to \$15,000, the same as the Senate version. The House added 2 FTE Local Government Division audit positions, including salaries and wages (\$351,385) and operating expenses (\$20,844).

³ One vacant FTE auditor IV position and related salaries and wages and operating expenses removed by the House is restored. The Senate restored 2 FTE vacant positions removed by the House.

This amendment also:

- Amends Section 3 to provide the statutory changes necessary to increase the State Auditor's salary from the current salary of \$110,582 to \$112,241 (1.5 percent) in fiscal year 2022, and to \$114,486 (2 percent) in fiscal year 2023, the same as the Senate version. The House provided salary adjustments of 1.5 percent on July 1, 2021, and July 1, 2022, with a minimum monthly increase of \$100 and a maximum monthly increase of \$250.
- Adds Section 4, the same as the Senate version, to increase the:
 - Threshold for political subdivisions to provide an annual report in lieu of an audit from \$300,000 of annual receipts to \$750,000 of annual receipts;
 - Hourly fee for the review of political subdivision annual reports from \$80 per hour to \$86 per hour;
 - Hourly fee for the review of political subdivision audit reports and workpapers from \$80 per hour to \$86 per hour;
 - Maximum fee for review of political subdivision audit reports and workpapers from \$500 per review to \$750 per review.
- Removes the population thresholds for political subdivision reports in the amendments in Section 4. This change was not part of the House or Senate version.
- Adds Section 5 to increase the hourly fee for the review of occupational and professional board annual reports from \$50 per hour to \$86 per hour, the same as the Senate version.
- Adds Section 6 to require the Public Employees Retirement System Board to conduct a performance audit of the prescription drug coverage and any related pharmacy benefits manager service at least once every 4 years.

