

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor and
2 to amend and reenact ~~sections~~sections 54-10-10, 54-10-14, and 54-10-27 of the North Dakota
3 Century Code, relating to the salary of the state auditor, political subdivision audits, and
4 occupational and professional board audits.

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

6 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
7 as may be necessary, are appropriated out of any moneys in the general fund in the state
8 treasury, not otherwise appropriated, and from special funds derived from federal funds and
9 other income, to the state auditor for the purpose of defraying the expenses of the state auditor,
10 for the biennium beginning July 1, 2021, and ending June 30, 2023, as follows:

	Base Level	Adjustments or Enhancements	Appropriation
13 Salaries and wages	\$12,668,218	(\$787,730)	\$11,880,488
14 Operating expenses	1,161,820	100,727	1,262,547
15 Information technology consultants	450,000	0	450,000
16 Total all funds	\$14,280,038	(\$687,003)	\$13,593,035
17 Less estimated income	4,173,178	494,607	4,667,785
18 Total general fund	\$10,106,860	(\$1,181,610)	\$8,925,250
19 Full-time equivalent positions	58.00	(4.00)	54.00
20 <u>Salaries and wages</u>	<u>\$12,668,218</u>	<u>\$620,866</u>	<u>\$13,289,084</u>
21 <u>Operating expenses</u>	<u>1,161,820</u>	<u>219,883</u>	<u>1,381,703</u>
22 <u>Information technology consultants</u>	<u>450,000</u>	<u>0</u>	<u>450,000</u>
23 <u>Total all funds</u>	<u>\$14,280,038</u>	<u>\$840,749</u>	<u>\$15,120,787</u>
24 <u>Less estimated income</u>	<u>4,173,178</u>	<u>1,652,974</u>	<u>5,826,152</u>

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1	<u>Total general fund</u>	<u>\$10,106,860</u>	<u>(\$812,225)</u>	<u>\$9,294,635</u>
2	<u>Full-time equivalent positions</u>	<u>58.00</u>	<u>4.00</u>	<u>62.00</u>

3 **SECTION 2. ONE-TIME FUNDING.** The following amounts reflect the one-time funding
4 items approved by the sixty-sixth legislative assembly for the 2019-21 biennium:

5	<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
6	Copier replacement	<u>\$16,000</u>	<u>\$0</u>
7	Total general fund	<u>\$16,000</u>	<u>\$0</u>

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

10 **54-10-10. Salary of state auditor.**

11 The annual salary of the state auditor is one hundred ~~seventwelve~~ thousand ~~eighttwo~~
12 hundred ~~eighty-fiveforty-one~~ dollars through June 30, ~~2020~~2022, and one hundred
13 ~~tenthirteen~~fourteen thousand ~~five~~nine~~four~~ hundred ~~eighty-two~~twenty-five~~eighty-six~~ dollars
14 thereafter.

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

17 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

- 18 1. The state auditor shall audit the following political subdivisions once every two years,
19 except as provided in this section or otherwise by law:
- 20 a. Counties.
 - 21 b. Cities, and when a city is audited, to include any political subdivision that was
22 created by the city and has bonding authority.
 - 23 c. Park districts.
 - 24 d. School districts.
 - 25 e. Firefighters relief associations.
 - 26 f. Airport authorities.
 - 27 g. Public libraries.
 - 28 h. Water resource districts.
 - 29 i. Garrison Diversion Conservancy District.
 - 30 j. Rural fire protection districts.
 - 31 k. Special education districts.

- 1 l. Area career and technology centers.
- 2 m. Correction centers.
- 3 n. Recreation service districts.
- 4 o. Weed boards.
- 5 p. Irrigation districts.
- 6 q. Rural ambulance service districts.
- 7 r. Southwest water authority.
- 8 s. Regional planning councils.
- 9 t. Soil conservation districts.
- 10 u. Western area water supply authority industrial water sales on an annual basis.
- 11 2. The state auditor shall charge the political subdivision an amount equal to the fair
- 12 value of the audit and any other services rendered. The fees must be deposited in the
- 13 state auditor operating account. The state treasurer shall credit the state auditor
- 14 operating account with the amount of interest earnings attributable to the deposits in
- 15 that account. Expenses relating to political subdivision audits must be paid from the
- 16 state auditor operating account, within the limits of legislative appropriation.
- 17 3. In lieu of conducting an audit every two years, the state auditor may require annual
- 18 reports from school districts with less than one hundred enrolled students; cities with
- 19 less than five hundred population; and other political subdivisions subject to this
- 20 section, or otherwise provided by law, with less than ~~three hundred~~ seven hundred fifty
- 21 thousand dollars of annual receipts, excluding any federal funds passed through the
- 22 political subdivision to another entity. If any federal agency performs or requires an
- 23 audit of a political subdivision that receives federal funds to pass through to another
- 24 entity, the political subdivision shall provide a copy to the state auditor upon request by
- 25 the state auditor. The reports must contain the financial information required by the
- 26 state auditor. The state auditor also may make any additional examination or audit
- 27 determined necessary in addition to the annual report. When a report is not filed, the
- 28 state auditor may charge the political subdivision an amount equal to the fair value of
- 29 the additional examination or audit and any other services rendered. The state auditor
- 30 may charge a political subdivision a fee not to exceed ~~eighty~~ eighty-six dollars an hour
- 31 for the costs of reviewing the annual report.

- 1 4. A political subdivision, at the option of its governing body, may be audited by a certified
2 public accountant or licensed public accountant rather than by the state auditor. The
3 public accountant shall comply with generally accepted government auditing standards
4 for audits of political subdivisions. The report must be in the form and content required
5 by the state auditor. The number of copies of the audit report requested by the state
6 auditor must be filed with the state auditor when the public accountant delivers the
7 audit report to the political subdivision. The state auditor shall review the audit report
8 to determine if the report is in the required form and has the required content, and if
9 the audit meets generally accepted government auditing standards. The state auditor
10 also may periodically review the public accountant's workpapers to determine if the
11 audit meets generally accepted government auditing standards. If the report is in the
12 required form and has the required content, and the report and workpapers comply
13 with generally accepted government auditing standards, the state auditor shall accept
14 the audit report. The state auditor may charge the political subdivision a fee of up to
15 ~~eighty~~ eighty-six dollars an hour, but not to exceed ~~five~~ six hundred dollars per review,
16 for the related costs of reviewing the audit report and workpapers.
- 17 5. A political subdivision may not pay a public accountant for an audit until the state
18 auditor has accepted the audit. However, a political subdivision may make progress
19 payments to the public accountant. A political subdivision shall retain twenty percent of
20 any progress payment until the audit report is accepted by the state auditor.
- 21 6. The state auditor may require the correction of any irregularities, objectionable
22 accounting procedures, or illegal actions on the part of the governing board, officers,
23 or employees of the political subdivision disclosed by the audit report or workpapers,
24 and failure to make the corrections must result in audits being resumed by the state
25 auditor until the irregularities, objectionable accounting procedures, or illegal actions
26 are corrected.

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

29 **54-10-27. Occupational and professional boards - Audits and reports.**

30 The governing board of any occupational or professional board shall provide for an audit
31 once every two years by a certified public accountant or licensed public accountant. The

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1 accountant conducting the audit shall submit the audit report to the state auditor's office. If the
2 report is in the form and style prescribed by the state auditor, the state auditor may not audit
3 that board. An occupational or professional board may request the state auditor to conduct its
4 audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees
5 charged to the occupational or professional board into the state auditor operating account.
6 Instead of providing for an audit every two years, an occupational or professional board that has
7 less than two hundred thousand dollars of annual receipts may submit an annual report to the
8 state auditor. The report must contain the information required by the state auditor. The state
9 auditor also may make any additional examination or audit determined necessary in addition to
10 the annual report. When a report is not filed, the state auditor may charge the occupational or
11 professional board an amount equal to the fair value of the additional examination or audit and
12 any other services rendered. The state auditor may charge an occupational or professional
13 board a fee not to exceed ~~five~~eighty-six dollars an hour for the costs of reviewing the annual
14 report.

April 7, 2021

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1004

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	\$620,866	\$13,289,084
Operating expenses	1,161,820	219,883	1,381,703
Information technology consultants	<u>450,000</u>	<u>0</u>	<u>450,000</u>
Total all funds	\$14,280,038	\$840,749	\$15,120,787
Less estimated income	<u>4,173,178</u>	<u>1,652,974</u>	<u>5,826,152</u>
Total general fund	\$10,106,860	(\$812,225)	\$9,294,635
Full-time equivalent positions	58.00	4.00	62.00"

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-six~~ 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~~ fivesix dollars an hour, but not to exceed fivesix hundred 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~~ fivesix dollars an hour for the costs of reviewing the annual report."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$12,668,218	\$11,880,488	\$1,408,596	\$13,289,084
Operating expenses	1,161,820	1,262,547	119,156	1,381,703
Information technology consultants	450,000	450,000		450,000
Total all funds	\$14,280,038	\$13,593,035	\$1,527,752	\$15,120,787
Less estimated income	4,173,178	4,667,785	1,158,367	5,826,152
General fund	\$10,106,860	\$8,925,250	\$369,385	\$9,294,635
FTE	58.00	54.00	8.00	62.00

Department 117 - State Auditor - Detail of Senate Changes

	Adjusts Funding for Salary Increases¹	Adds Local Government Division Audit Positions²	Restores Auditor IV Positions³	Total Senate Changes
Salaries and wages	\$14,469	\$1,054,155	\$339,972	\$1,408,596
Operating expenses		99,156	20,000	119,156
Information technology consultants				
Total all funds	\$14,469	\$1,153,311	\$359,972	\$1,527,752
Less estimated income	5,056	1,153,311	0	1,158,367
General fund	\$9,413	\$0	\$359,972	\$369,385
FTE	0.00	6.00	2.00	8.00

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 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. Funding for operating expenses for each new audit position is increased from \$10,422 as provided by the House to \$15,000.

³ Two vacant FTE auditor IV positions and related salaries and wages and operating expenses removed by the House are restored.

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.
- Adds Section 4 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 \$600 per review.
- 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.

