



Office of the  
State Auditor

HOUSE DIVISION MEETING

# OFFICE OF THE STATE AUDITOR

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# **N.D.C.C. 54-10 MAJOR RESPONSIBILITIES**

- **Audit all state agencies and higher education**
- **Audit and review all local governments**
- **Petition audits**
- **Audit oil & gas federal royalty payments**
- **IT security review**
- **Audit of the Annual Comprehensive Financial Report**
- **Conduct the Biennial Federal Single Audit**



# DIVISIONS



**JOSHUA C. GALLION**  
State Auditor

DEPUTY STATE  
AUDITOR

UNIVERSITY SYSTEM  
PERFORMANCE

LOCAL  
GOVERNMENT

AGENCY

MINERAL  
ROYALTIES

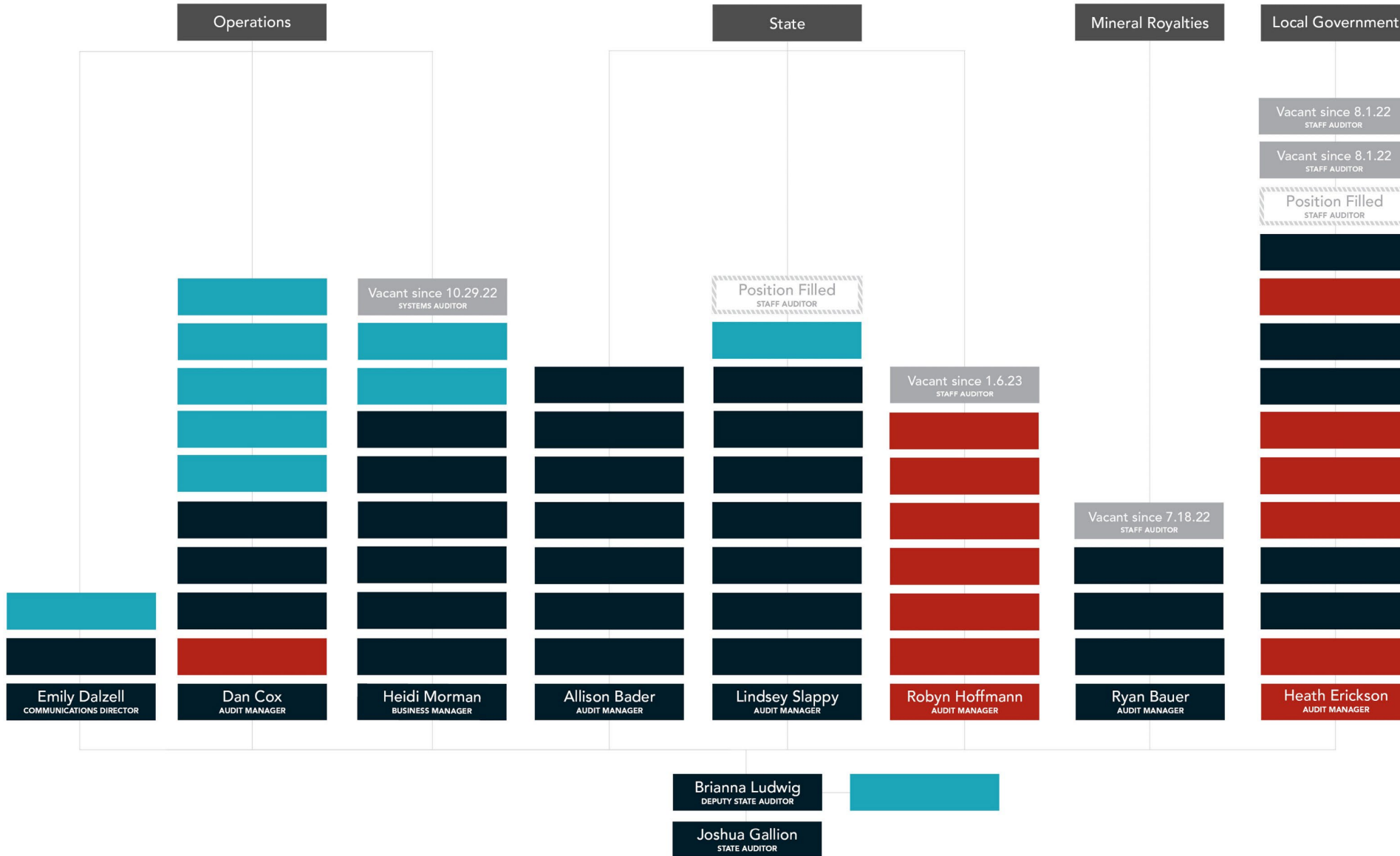
OPERATIONS



Intern

Fargo TEAM

Bismarck TEAM





# AUDIT RESULTS

- **Procured by Legislative Council**
- **Conducted by Eide Bailly LLP**
- **For fiscal years 2020 and 2021**





# ACCOMPLISHMENTS

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- **First-ever virtual audit summit with over 320 attendees**
- **Hired 17 interns and extended full-time offers to six**
- **Auditing American Rescue Plan Act (ARPA) and Cares Funding**
- **Reorganized to better support local governments**
- **Implemented software to speed up internal processes**

# CHALLENGES

The background of the slide features a dramatic sunset or sunrise sky with warm orange and yellow tones. In the foreground, the dark silhouettes of two mountain climbers are visible. One climber is positioned higher on a rocky ledge, while the other is lower down, reaching up to hold onto a rope. The overall scene conveys a sense of challenge and perseverance.

- **Planning for unknown petition audits**
- **Unknown effects of changes to independence requirements on the SAO and private firms**
- **Retention of qualified staff in a competitive workforce**
- **Training and education for local governments**

# NEXT BIENNIUM GOALS

- **Retain experienced staff with competitive pay**
- **Training opportunities to stay up-to-date on changing professional standards**
- **Education and awareness to local governments about accounting requirements**







## 14 SPECIAL FUNDED FTE

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**Our office conducts  
15% of the local  
government audits in  
the state**



**The 11 private firms doing  
local government audits  
are 631 years behind  
on audits**



**We currently have 45  
entities on our waiting  
list requesting  
our services**



## REQUESTING 6 GENERAL FUNDED FTE

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**4**

**Auditors**

**1**

**Attorney**

**1**

**Education  
Coordinator**



## **FOUR GENERAL FUNDED AUDITORS**

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- **760 hours of overtime**
- **51% increase in Federal spending we audit**



## TRAINING AND EDUCATION COORDINATOR

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- **Develop and manage external training and education initiatives, to include developing, implementing, and connecting clients with learning opportunities**
- **Coordinate annual Audit Summit**
- **Plan regular webinars**

“

**Greatly appreciated the virtual format!  
Webinar on new GASB compliance  
statements would be useful too.**

”

“

**The training was very informative and  
easy to understand. Look forward to  
all events like this one.**

”

“

**The speakers did a nice job addressing  
an audience that ranged greatly in  
responsibilities and population.**

”



# TEMPORARY SALARY LINE/INTERNSHIP PROGRAM

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“

The energy, culture, and people at the SAO all contributed to the amazing internship experience I have had.

“

It brings me hope that some places are truly welcoming to fresh graduates, or, like here, even prefer them!

“

It has been an amazing experience working here for the past 2 years and would hope to join the team full-time someday.

- **34 interns since 2018**
- **Average 8 months in length**
- **Hired 13 into FT positions**
- **\$294,000 projected dollars this biennium**



# TRAINING AND DEVELOPMENT INFLATIONARY INCREASE

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**48% increase in  
fuel costs**



**25% increase in  
hotel room costs**



**24% increase in  
airfare costs**



**23% increase in  
rental car costs**



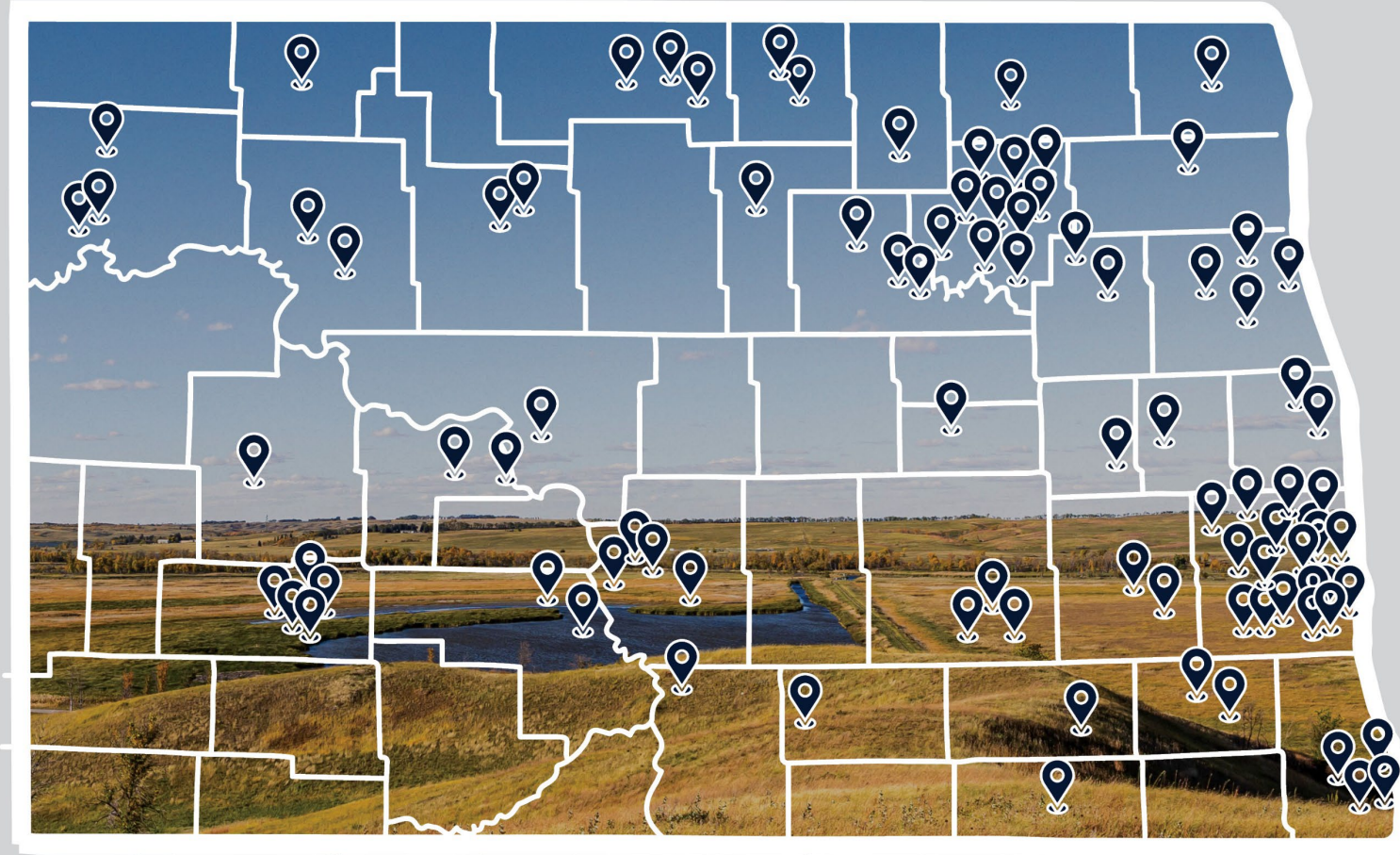
## TeamMate Upgrade

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- **One-time migration cost \$46,750 for the whole team**
- **End of Life is approaching and requires upgrade**
- **Used 80% of the workday**
- **Other agencies already upgraded include: BND, DOT and Trust Lands, the Auditor's Offices utilizes 68 of the 80 State of ND licenses**



# Dickinson Office



*Map of where our office provides audit services, as of December 2022.*





## Details on Funding by Program/Line Item

Class	Agency	Operations	University Systems	Local Governments	Mineral Royalties	Total	% of Funding
11710 - Salaries	4,221,348	2,301,249	1,778,592	3,718,600	1,208,025	13,227,814	88%
11730 - Operating	390,556	195,278	156,223	464,785	164,935	1,371,777	9%
11750 - Capital Assets	-	-	-	-	-	-	0%
11770 - IT Systems Security Review	-	450,000	-	-	-	450,000	3%
	<u>4,611,904</u>	<u>2,946,527</u>	<u>1,934,815</u>	<u>4,183,385</u>	<u>1,372,960</u>	<u>15,049,591</u>	
FTE	20	10	8	18	5	61	

### Expenditures through 12/31/22

IT Costs	48%
Rent	22%
Travel and Professional Development	15%



## Current Biennium One-Time Funding

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- **SecureYeti Contract**
- **Cost going up - limits what we're able to look at**

Biennium 2021-2023				Biennium 2023-2025			
Labor Category	Rate	Hours	Cost	Labor Category	Rate	Hours	Cost
Project Manager	200	86	17,200	Project Manager	200	86	17,200
Penetration Tester	230	1795	412,850	Penetration Tester	250	1795	448,750
		Total:	430,050			Total:	465,950



## DEPOSITS INTO GENERAL FUND

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

1. The state auditor shall:
  - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
  - b. 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 in accordance with government auditing standards.
  - c. Perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two years. Audits may be conducted at more frequent intervals if requested by the governor or 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 an agency that receives and expends both general fund and nongeneral fund moneys. State agencies shall use nongeneral fund moneys to pay for the cost of the audit. 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 the



## **DEPOSITS INTO SPECIAL FUND**

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- **Local government division is a self-funded special fund**
- **18 FTE**
- **The group bills local governments "an amount equal to the fair value of an audit" and the money is deposited into their operating account**
- **The bill rate for reviewing of annual financial reports is defined in N.D.C.C. 54-10-14(3)**
- **Biennium-to-date revenue: \$2,907,768**



## **23 - 25 REQUESTS COMPARED TO CURRENT BIENNIUM**

- **14 Special Funded FTE**
- **6 General Funded FTE**
- **Temporary Salary Line**
- **Equity Package**
- **Training and Development Inflationary Increase**
- **TeamMate Upgrade**
- **Dickinson Office**





# COMPARISON OF MAJOR REQUESTS TO EXECUTIVE BUDGET

Office of the State Auditor  
Decision Package Summary  
Biennium 2023-25

	2023-25 Agency Request					2023-25 Executive Recommendation				
	General Fund	Federal Funds	Special Funds	Total	FTE	General Fund	Federal Funds	Special Funds	Total	FTE
<b>11700 - Office of the State Auditor</b>	<b>2,758,181</b>	<b>108,513</b>	<b>3,801,082</b>	<b>6,667,776</b>	<b>20.00</b>	<b>593,076</b>	<b>10,442</b>	<b>1,988,150</b>	<b>2,591,668</b>	<b>7.00</b>
<i>Special Fund FTE</i>	42,000	-	3,036,624	3,078,624	14.00	21,000	-	1,650,326	1,671,326	7.00
<i>General Fund FTE</i>	1,413,924	-	-	1,413,924	6.00	-	-	-	-	-
<i>Equity Package</i>	795,409	98,071	312,634	1,206,114	-	-	-	-	-	-
<i>Temporary Salaries</i>	250,000	-	250,000	500,000	-	250,000	-	250,000	500,000	-
<i>Travel and Professional Development Inflationary Increase</i>	44,000	5,000	32,000	81,000	-	44,000	5,000	32,000	81,000	-
<i>TeamMate Upgrade</i>	99,848	5,442	55,824	161,114	-	99,848	5,442	55,824	161,114	-
<i>Dickinson Office Space</i>	113,000	-	114,000	227,000	-	-	-	-	-	-



## FEDERAL FUNDING

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- **One federal fund**
- **Awarded by the Department of the Interior (DOI) and the Office of Natural Resources Revenue (ONRR)**
- **Approved federal funding for Federal Fiscal Year 2023 is \$700,668**
- **Team of five**

# QUESTIONS?



Office of the  
State Auditor