

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2004

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

Page 1, line 3, after "auditor" insert "and audits, fees, and alternative audits and reports of political subdivisions; to provide for retroactive application"

Page 2, line 15, replace "\$24,358" with "\$180,095"

Page 2, line 16, remove "local governments whose audit fees"

Page 2, line 17, replace "exceeded one percent of their revenues" with "a firefighters relief association, rural fire protection districts, and rural ambulance service districts"

Page 2, after line 24, insert:

"SECTION 5. 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~~Except as provided in subsection 7, 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 political subdivisions subject to this section, or otherwise provided by law, with less than 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. Except as provided in subsection 7:
- a. 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.
 - b. The state auditor may charge a political subdivision a fee not to exceed 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~~Except as provided in subsection 7, the state auditor may charge the political subdivision a fee of up to eighty-six dollars an hour, but not to exceed seven hundred 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.
7. Notwithstanding any other provision of law, the state auditor may not charge or collect any fee from a firefighters relief association, rural fire protection district, or rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.

SECTION 6. RETROACTIVE APPLICATION. This Act applies retroactively to audits conducted after December 31, 2017."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Increases the funding provided to the State Auditor from \$24,358 to \$180,095 of special funds for the 2021-23 biennium to provide refunds of audit fees to certain political subdivisions; and
- Prohibits the State Auditor from charging a firefighters relief association, rural fire protection districts, or rural ambulance service districts for the audit, review or examination of audit reports, workpapers, or annual reports, or any other services rendered.