

Senate Bill 2259

Chairman Luick, members of the Committee, my name is Lindsey Slappy. I am an audit manager for the North Dakota State Auditor's Office. I am here to testify neutrally on Senate Bill 2259 and would like to provide some additional information to clarify previous testimony. There are currently 2 commodities that receive annual financial statement audits. These two commodities are the Beef Commission and the Soybean Council. Their national organizations require them to receive an annual financial statement audit. Within this requirement, there are a couple additional items that are required to be included in the Supplementary Information of that report.

The auditing standards used to complete these audits are no different than the standards used by our office and all other auditing firms that complete government audits. All audits are completed under *Government Auditing Standards*. The financial statements are required to be prepared in accordance with pronouncements issue by the Government Auditing Standards Board referred to as the GASB. Both auditing standards and GASB standards are always changing. This can result in fluctuations in the amount of time to complete the project. This is especially true since the Auditor's Office not only audits the financial statements, but they help prepare them. A GASB change could increase preparation time as well as auditing time.

All other commodities receive what is called a special purpose financial statement audit. NDCC 4.1-44-04 states that those commodities receive an audit of a single page statement of revenues and expenditures for two fiscal years. None of the other commodities have requirements to receive an annual audit so this is how these are handled by our office.

The potential change to opt-out would also result in increased costs to the commodity groups. While the concept to cap the bills issued from the State Auditor's Office is feasible (Money goes into the General Fund), we would not have the ability to cap the fees charged by private firms. The current average bill rate used by the State Auditor's Office is \$85 dollars an hour. The average bill rate from a local firm that is contracted to complete an audit of a state agency is \$157 per hour.

All audits of state agencies are the responsibility of the State Auditor's Office under NDCC 54-10. Due to this, there would also still be time required from the state auditor's office for this change. We would still be responsible for contracting the audit with a private firm if this opt-out option was available. This would include preparing and posting a request for proposal, scoring the request for proposal, completing the contract, and reviewing the completed audit report for approval. We currently contract for all audits of state agencies completed by private firms except for entities that are not considered legally part of the State of ND. For example, Bank of North Dakota, Housing Finance, Job Service, and several others.