

Testimony for Senate Bill 2233

Chairman Larsen and members of the committee my name is Lindsey Slappy. I am an audit manager for the State Auditor's Office. I am here to support Senate Bill 2233.

I have been working with the Bank of North Dakota on a new approach for the audits of the legislatively directed loan programs. The current law requires that the audits of the legislatively directed loan programs must be completed by a CPA firm. It does not give us the flexibility to complete these audits within our office. This is different than all the other state agencies. Our office does contract for audits of other state agencies but those are done at our discretion.

Our office does currently spend time on these legislatively directed audits. There would be some time built into the RFP process as well as the approval of each of the 13 reports. The private firms submit the reports to our office for review and approval prior to issuance. These reports are then incorporated into the Annual Comprehensive Financial Report (ACFR). I have provided an example of how the information is presented in the ACFR. Each of the individual loan programs can be found in their own column. The main difference is the information isn't contained within its own separate cover.

Under the new approach, the Bank of North Dakota would still prepare the financial information and submit it to the Office of Management and Budget to include in the ACFR. This information would then be included and subjected for audit in the audit of the ACFR. This would prevent loan funds that have as few as a single loan from needing an individual audit. There are a variety of required standards that must be followed if each loan fund is audited separately. Putting all of this information into the ACFR testing would help reduce auditing time. We would be able to build the activity into our current testing and still present the information in a way that you could see it by individual loan program. The auditing processes we would apply for these loan funds would be the same as those applied for the other state agencies.

The final component to the change is related to billing. Since the ACFR is really an audit for the Office of Management and Budget, we do not actually bill for the ACFR. This means the individual loan funds would not be paying for their audit services.

This concludes my testimony and I can answer any questions.