

Seventieth
Legislative Assembly
of North Dakota

BILL NO.

Introduced by

Representative Timmons

1 A BILL for an Act to amend and reenact sections 54-10-14 and 54-10-27 of the North Dakota
2 Century Code, relating to political subdivision and occupational and professional board audits
3 and annual reports; and to provide a penalty.

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

5 **SECTION 1. AMENDMENT.** Section 54-10-14 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports -**
8 **Penalty.**

9 1. The state auditor shall audit the following political subdivisions once every two years,
10 except as provided in this section or otherwise by law:

11 a. Counties.

12 b. Cities, and when a city is audited, to include any political subdivision that was
13 created by the city and has bonding authority.

14 c. Park districts.

15 d. School districts.

16 e. Firefighters relief associations.

17 f. Airport authorities.

18 g. Public libraries.

19 h. Water resource districts, created under chapter 61-16 and operating under
20 chapter 61-16.1.

21 i. Garrison Diversion Conservancy District.

22 j. Rural fire protection districts.

23 k. Special education districts.

24 l. Area career and technology centers.

- 1 m. Correction centers.
- 2 n. Recreation service districts.
- 3 o. Weed boards.
- 4 p. Irrigation districts.
- 5 q. Rural ambulance service districts.
- 6 r. Southwest water authority.
- 7 s. Regional planning councils.
- 8 t. Soil conservation districts.
- 9 u. Western area water supply authority industrial water sales on an annual basis.
- 10 v. Water districts subject to chapter 61-35.

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 political subdivisions subject to this section, or otherwise provided by law,
19 for any report delinquent as of June 30, 2023, or from political subdivisions with less
20 than two million dollars of annual receipts, excluding any funds passed through the
21 political subdivision to another entity. If any federal agency performs or requires an
22 audit of a political subdivision that receives federal funds to pass through to another
23 entity, the political subdivision shall provide a copy to the state auditor upon request by
24 the state auditor. The reports must contain the financial information required by the
25 state auditor. The state auditor may:

- 26 a. Make any additional examination or audit determined necessary in addition to the
27 annual report.
- 28 b. Charge the political subdivision an amount equal to the fair value of the additional
29 examination or audit and any other services rendered.
- 30 c. Charge a political subdivision a fee not to exceed ninety dollars an hour for the
31 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 annually shall register with the state auditor and comply with
4 generally accepted government auditing standards for audits of political subdivisions.
5 The report must be in the form and content required by the state auditor. The number
6 of copies of the audit report requested by the state auditor must be filed with the state
7 auditor when the public accountant delivers the audit report to the political subdivision.
8 The state auditor shall review the audit report to determine if the report is in the
9 required form and has the required content, and if the audit meets generally accepted
10 government auditing standards. The state auditor also may periodically review the
11 public accountant's workpapers to determine if the audit meets generally accepted
12 government auditing standards. If the report is in the required form and has the
13 required content, and the report and workpapers comply with generally accepted
14 government auditing standards, the state auditor shall accept the audit report. The
15 state auditor may charge the political subdivision a fee of up to ninety dollars an hour,
16 but not to exceed seven hundred fifty dollars per review, for the related costs of
17 reviewing the audit report and workpapers.
- 18 5. A political subdivision may not pay a public accountant for an audit until the state
19 auditor has accepted the audit. However, a political subdivision may make progress
20 payments to the public accountant. A political subdivision shall retain five percent of
21 any progress payment until the audit report is accepted by the state auditor.
- 22 6. The state auditor may require the correction of any irregularities, objectionable
23 accounting procedures, or illegal actions on the part of the governing board, officers,
24 or employees of the political subdivision disclosed by the audit report or workpapers,
25 and failure to make the corrections must result in audits being resumed by the state
26 auditor until the irregularities, objectionable accounting procedures, or illegal actions
27 are corrected.
- 28 7. If a political subdivision fails to provide an annual report or have an audit performed in
29 accordance with this section, the state auditor may assess a penalty not to exceed
30 one thousand dollars for deposit in the state general fund.

1 **SECTION 2. AMENDMENT.** Section 54-10-27 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **54-10-27. Occupational and professional boards - Audits and reports - Penalty.**

4 The governing board of any occupational or professional board shall provide for an audit
5 once every two years by a certified public accountant or licensed public accountant. The
6 accountant conducting the audit shall submit the audit report to the state auditor's office. If the
7 report is in the form and style prescribed by the state auditor, the state auditor may not audit
8 that board. An occupational or professional board may request the state auditor to conduct its
9 audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees
10 charged to the occupational or professional board into the state auditor operating account.
11 Instead of providing for an audit every two years, an occupational or professional board that has
12 less than two million dollars of annual receipts may submit an annual report to the state auditor.
13 The report must contain the information required by the state auditor. The state auditor also may
14 make any additional examination or audit determined necessary in addition to the annual report.
15 When a report is not filed, the state auditor may charge the occupational or professional board
16 an amount equal to the fair value of the additional examination or audit and any other services
17 rendered. The state auditor may charge an occupational or professional board a fee not to
18 exceed ninety dollars an hour for the costs of reviewing the annual report. If an occupational or
19 professional board fails to provide an annual report or have an audit performed in accordance
20 with this section, the state auditor may assess a penalty not to exceed five hundred dollars for
21 deposit in the state general fund.