



Office of the
State Auditor

SENATE APPROPRIATIONS
GOVERNMENT OPERATIONS DIVISION

OFFICE OF THE STATE AUDITOR





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

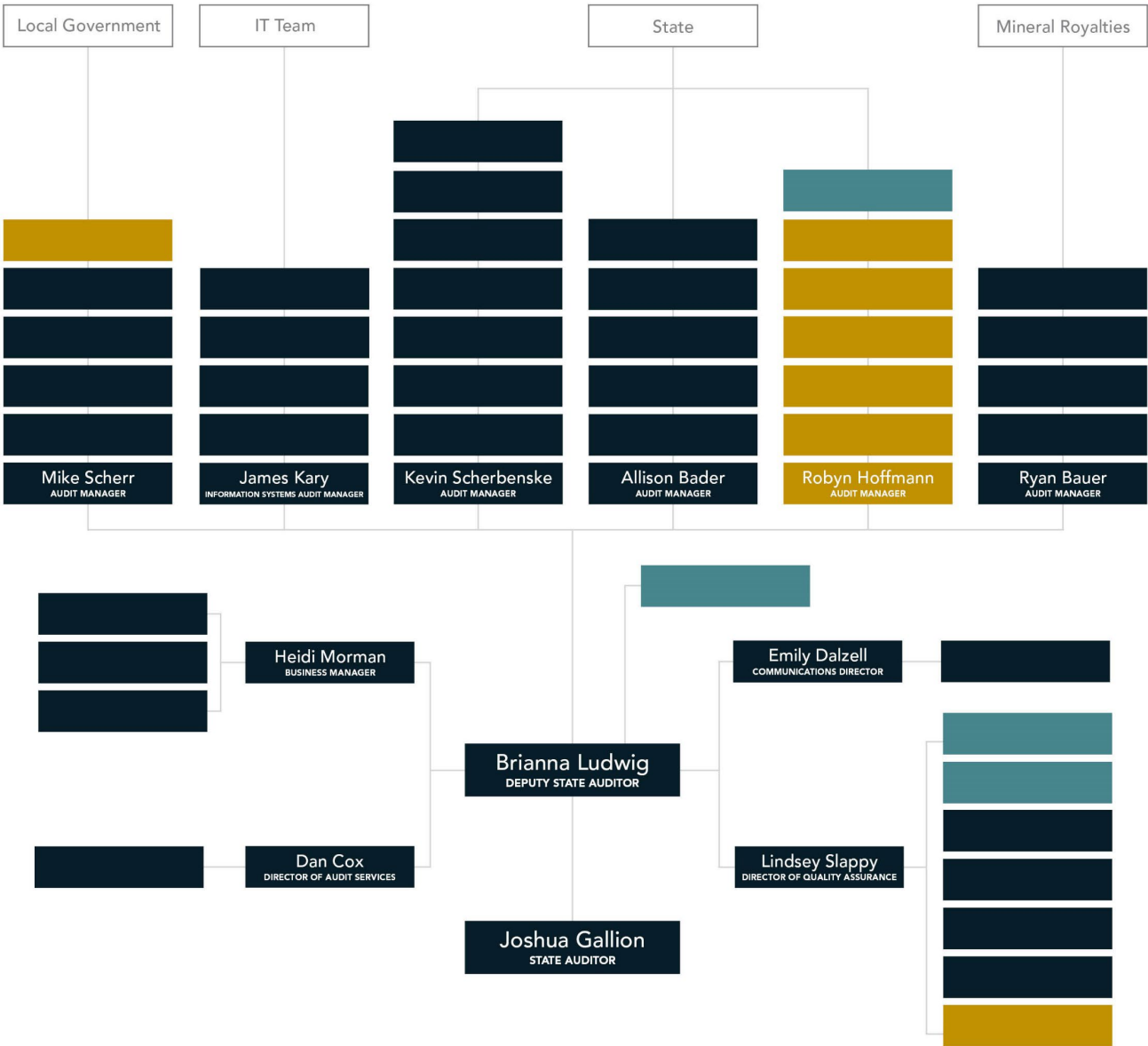
OPERATIONS



Intern

Fargo
TEAM

Bismarck
TEAM





AUDIT RESULTS

- **National State Auditor's Association, Peer Review**
- **Procured by Legislative Council**
- **Conducted by Eide Bailly LLP**
- **For fiscal years 2022 and 2023**





ACCOMPLISHMENTS



- **Third annual virtual audit summit with over 300 attendees**
- **Streamlined ACFR Process**
- **Reorganized to find savings for local governments**
- **More transparency for the cost proposal process for LG clients**
- **Led food drive for the fourth year, nearly 18,000 items donated**

CHALLENGES

The background of the slide features a dramatic sunset scene. Two hikers are silhouetted against the bright orange and yellow sky as they ascend a dark, craggy mountain peak. One hiker is positioned higher on the rock, pulling a rope that the second hiker is using to climb. The sky transitions from a deep orange near the horizon to a darker blue at the top, with some wispy clouds visible. In the distance, layers of mountain ranges are visible, creating a sense of depth and scale.

- Planning for unknown petition audits
- Retention of qualified staff in a competitive workforce
- Training and education for local governments

NEXT BIENNIIUM GOALS

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





25-27 REQUESTS COMPARED TO CURRENT BIENNIUM

- Cost to continue services
- Convert 2 special funded to general funded positions
- Continue legislative approved 4% salary increase for fiscal year 2025
- Security assessment
- Temporary salary line
- One federal funded FTE





CONVERT 2 SPECIAL FUNDED POSITIONS TO GENERAL FUNDED POSITIONS

- **850+ Local governments impacted**
- **Cost savings of \$380,344**



COST TO CONTINUE SERVICES

- **26% increase by NDIT**
- **Increase in Capitol rent**
- **Peer review**
- **TeamMate+ migration costs**



COST TO CONTINUE SALARIES

- **Continue legislative approved 4% salary increase for fiscal year 2025**

CYBER SECURITY ASSESSMENT

- Previously cost \$450,000
- \$585,000 Change funding to all general fund
- As inflation increases, the scope of the security assessment has decreased





TEMPORARY SALARY LINE/INTERNSHIP PROGRAM

“

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 2021
- Internships average 7 months in length
- Hired 13 into FT positions

ONE FEDERALLY FUNDED FULL-TIME EMPLOYEE

- Requesting appropriation authority
- 22% of ONRRs yearly goal is accomplished by North Dakota's team of five

YEAR	CLOSED CASES	COLLECTIONS
2022	62	\$1.9 Million
2023	41	\$2.1 Million
2024	47	\$1.9 Million





NEW POSITIONS APPROVED

- Last legislative session, four additional FTE were approved for our office.



VACANT POSITIONS

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
New FTE positions	(\$218,672)	(\$739,760)	(\$958,432)
Vacant FTE positions	<u>(375,577)</u>	<u>(276,409)</u>	<u>(651,986)</u>
Total	(\$594,249)	(\$1,016,169)	(\$1,610,418)

Use of vacant position savings:		
Accrued Leave Payouts		39,420
Extra Salary Increases		49,774
Bonuses		57,887
Incentive/location Pay		-
Reclassifications		-
Extra Temporary salary Funding		-
Extra Overtime Funding		20,419
Other (identify)		-



FUNDING FOR EACH PROGRAM/LINE ITEM

Class	General Fund <u>Agency Audits and Operations</u>	Special Fund <u>Local Government Audits and Reviews</u>	Federal Fund <u>Mineral Royalties</u>	<u>Total</u>	<u>% of Funding</u>
11710 - Salaries	9,258,856	4,155,436	1,373,022	14,787,314	87%
11730 - Operating	1,092,408	552,805	142,558	1,787,771	10%
11750 - Capital Assets	70,550	-	-	70,550	0%
11770 - IT Systems Security Review	150,000	300,000	-	450,000	3%
	<u>10,571,814</u>	<u>5,008,241</u>	<u>1,515,580</u>	<u>17,095,635</u>	
FTE	39	21	5	65	

Significant Operating Expenditures	Percentage of Operating
NDIT Costs	38%
Rent	27%
Travel and Professional Development	<u>18%</u>
	<u>83%</u>



CURRENT BIENNIUM ONE TIME FUNDING

23-25 One-Time Funding							
<u>Description</u>	<u>Expenditure Type</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>	<u>Expected Expenditures</u>	<u>Estimated Turnback</u>
1. New FTE Office Equipment	Operating	9,000	-	-	9,000	-	9,000
2. Travel and Professional Development Inflationary Increase	Operating	22,000	37,000	-	59,000	22,000	37,000
3. Audit Software Migration	Capital Asset	45,550	-	-	45,550	45,550	-
4. Office Equipment Replacement	Capital Asset	25,000	-	-	25,000	15,668	9,332
Total		<u>101,550</u>	<u>37,000</u>	<u>-</u>	<u>138,550</u>	<u>83,218</u>	<u>55,332</u>



ONE TIME FUNDING BEING REQUESTED

25-27 Requested One-Time Funding

<u>Description</u>	<u>Expenditure Type</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
1. Federal Fund FTE Office Equipment	Operating	-	-	3,000	3,000
2. Peer Review	Operating	25,000	-	-	25,000
3. TeamMate Server Migration	Operating	25,200	10,800	-	36,000
Total		50,200	10,800	3,000	64,000



DEPOSITS INTO THE GENERAL FUND

CHAPTER 54-10 STATE AUDITOR

54-10-01. Powers and duties of state auditor - Report. (Retroactive application - [See note](#))

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. Except for the audit of the department of financial institutions as outlined in section 54-10-31, 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 to four 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. The charge for an audit



DEPOSITS INTO THE SPECIAL FUND

- **Local government division is a self-funded special fund**
- **21 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.**



AGENCY REQUESTED CHANGES TO HOUSE VERSION

REQUEST NAME	GENERAL FUNDS	SPECIAL FUNDS	TOTAL REQUEST
Temporary Salaries	\$114,064	\$0	\$114,064
Restoration of Operating costs	\$139,783	(\$59,970)	\$79,813

QUESTIONS?



Office of the
State Auditor