

To: Chair Roers and Members of the Senate Committee on SLG
From: Senator Sean Cleary, District 35 — Bismarck, Bill Sponsor
Date: January 30, 2025
Subject: Testimony in Support of SB 2251: Updates to the State Auditor's Office

Dear Chair Roers and Members of the Committee,

Thank you for the opportunity to present SB 2251, which updates the State Auditor's Office operations, billing practices, and audit thresholds to improve efficiency, reduce costs, and ensure accountability for North Dakota taxpayers. I have worked with the State Auditor's Office on this legislation, and they will be providing additional testimony on the following provisions. Here is a list of the changes in the bill:

Section 1: Reduce Billing for Audits - 1 (pg. 1, lines 24 – pg. 2, lines 14)

- Currently, state law allows agencies that are special funded to be billed based on a percentage of their special funds. This proposed change eliminates this billing, similar to what we did for NDUS last session.
- This change removes a low-revenue, high-administration process and allows state agencies to better use their funds.

Section 2: Codify Billing for Federal Single Audits (pg. 3, lines 27-29)

- Codifies the existing practice of charging federal programs for Federal Single Audits.
- Formalizing this ensures continued reimbursement of \$1.25 million per biennium for audits required by federal law, clarifying the practice moving forward.

Section 3: Reduce Local Government Retainage Percentage (pg. 5, line 5)

- Reduces the retainage percentage for local government audits from 20% to 5%.
- This adjustment, requested by private CPA firms, assists with cash flow issues for private firms as the wait for the audit to be accepted by the auditor's office.

Section 4: Expand Subpoena Authority for Authorized Audits (pg. 5, lines 12-14)

- Grants the State Auditor's Office authority to subpoena records from non-government entities using public funds.
- As public/private partnerships grow, this ensures transparency and accountability in how taxpayer dollars are spent. Subpoenas would be issued in collaboration with the Attorney General's Office.

Section 5: Raise Audit Threshold for Occupational and Professional Boards (pg. 5, line 30)

- Increases the audit threshold for these boards from \$200,000 to \$2 million, allowing smaller boards to submit financial reports instead of full audits while maintaining the option to audit.
 - This aligns with other state audit thresholds, reducing unnecessary costs for smaller boards while ensuring financial oversight.
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Anticipated Impact

SB 2251 modernizes the State Auditor's Office by reducing inefficiencies, updating processes, and strengthening transparency. These changes lower costs for state agencies, boards, and local governments while safeguarding public funds and maintaining oversight.

Conclusion

I respectfully ask the committee to support SB 2251 and recommend a "Do-Pass." I am happy to answer any questions or provide further information.

Sincerely,

Sean

Sean Cleary
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