2023 SENATE AGRICULTURE AND VETERANS AFFAIRS

SB 2259

2023 SENATE STANDING COMMITTEE MINUTES

Agriculture and Veterans Affairs Committee
Fort Union Room, State Capitol

SB 2259
1/26/2023

A BILL for an Act to amend and reenact North Dakota Century Code relating to audit fees charged by the state auditor.

8:58 AM Chairman Luick called the committee to order. Senators Hogan, Weston, Weber, Luick, Myrdal, and Lemm were present.

Discussion Topics:

- State auditor fees
- Auditing frequency across professions

8:58 AM Senator Klein, District 14, introduced the bill and testified in favor verbally.
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9:04 AM Deana Wiese, Director, North Dakota Ethanol Council, testified in favor #16959.

9:10 AM Phil Murphy, on behalf of North Dakota Soybean Growers, testified in favor #15746.

9:15 AM Lindsey Slappy, Audit Manager, North Dakota State Auditor's Office, testified neutral #17109.

9:22 AM Dan Cox, Audit Manager, North Dakota State Auditor's Office, testified neutral verbally.

9:27 AM Chairman Luick, closed the committee hearing on SB 2259.

Dave Owen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Agriculture and Veterans Affairs Committee
Fort Union Room, State Capitol

SB 2259
1/27/2023

A BILL for an act relating to audit fees charged by state auditor

10:20 AM Chairman Luick called the committee to order. Senators Weston, Weber, Luick, Myrdal and Lemm were present. Senator Hogan was absent.

Discussion Topics:

- Fees
- State auditor
- Certified auditors report
- Timeline

10:20 AM Chairman Luick spoke about the amendment. Testimony # 19958.

10:26 AM Chairman Luick closed the committee work on SB 2259

Dave Owen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Agriculture and Veterans Affairs Committee
Fort Union Room, State Capitol

SB 2259
2/2/2023

A BILL for an act relating to audit fees charged by the auditor

3:57 PM Chairman Luick called the committee work to order. Senators Weston, Weber, Luick, and Lemm present. Senators Hogan and Myrdal absent

Discussion Topics:

- Amendment #23.0707.02001
- Committee action

3:57 PM Senator Klein, North Dakota State Senate, District 14, introduced amendment #23.0707.02001 and discussed with the committee.

3:59 PM Lindsey Slappy, Audit Manager, North Dakota Auditors Office, clarified the amendment with the committee.

4:03 PM Senator Weber moved to adopt the amendment #23.0707.02001

4:03 PM Senator Lemm seconded to adopt the amendment #23.0707.02001

4:04 PM Roll Call Vote – Adopt the amendment #23.0707.02001

Senators	Vote
Senator Larry Luick	Y
Senator Janne Myrdal	A
Senator Kathy Hogan	A
Senator Randy D. Lemm	Y
Senator Mark F. Weber	Y
Senator Kent Weston	Y

Key held open for Senators Myrdal and Hogan. Senators Myrdal and Hogan voted on the morning of February 3, 2023.

Final vote

Senators	Vote
Senator Larry Luick	Y
Senator Janne Myrdal	Y
Senator Kathy Hogan	Y
Senator Randy D. Lemm	Y
Senator Mark F. Weber	Y
Senator Kent Weston	Y

Motion Passed 6-0-0. Adopt Amendment #23.0707.02001.

4:04 PM Senator Weston moved DO PASS AS AMENDED SB 2259
4:05 PM Senator Weber seconded DO PASS AS AMENDED SB 2259

4:05 PM Roll Call Vote – DO PASS AS AMENDED SB 2259

Senators	Vote
Senator Larry Luick	Y
Senator Janne Myrdal	A
Senator Kathy Hogan	A
Senator Randy D. Lemm	Y
Senator Mark F. Weber	Y
Senator Kent Weston	Y

Key held open for Senators Myrdal and Hogan. Senators Myrdal and Hogan voted on the morning of February 3, 2023.

Final vote

Senators	Vote
Senator Larry Luick	Y
Senator Janne Myrdal	Y
Senator Kathy Hogan	Y
Senator Randy D. Lemm	Y
Senator Mark F. Weber	Y
Senator Kent Weston	Y

Motion Passed 6-0-0. DO PASS AS AMENDED.

Senator Weber will carry.

4:06 PM Chairman Luick called the committee work to a close

Dave Owen, Committee Clerk

23.0707.02001
Title.03000

Prepared by the Legislative Council staff for
Senator Klein
February 3, 2023

DK
1f1
2-3-2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2259

Page 1, line 1, after "reenact" insert "subsection 2 of section 4.1-44-04 and"

Page 1, after line 3, insert:

"**SECTION 1. AMENDMENT.** Subsection 2 of section 4.1-44-04 of the North Dakota Century Code is amended and reenacted as follows:

2. The presiding officer of each house of the legislative assembly may direct the reports be filed with some other standing committee of that house. Each report must contain a summary of the activities of the commodity group during the current biennium, and a single-page uniform statement of revenues and expenditures for the next biennium. Each report, except the reports of the North Dakota beekeepers association and the North Dakota turkey federation, also must include ~~a statean~~ auditor's report on the commodity group's single-page uniform statement of revenues and expenditures for the previous two fiscal years or an annual financial statement audit as required by the respective group's national association."

Page 1, line 17, replace "established in title 4.1" with "listed in section 4.1-44-04"

Page 1, line 17, replace "five" with "six"

Page 1, line 17, after "an" insert "annual financial statement audit or four thousand for a two-year single-page financial statement"

Renumber accordingly

2023 SENATE STANDING COMMITTEE MINUTES

Agriculture and Veterans Affairs Committee
Fort Union Room, State Capitol

SB 2259
2/3/2023

A BILL for an Act relating to audit fees charged by the state auditor.

9:35 AM Chairman Luick called the committee work to order. Senators Hogan, Weston, Weber, Luick, Myrdal, and Lemm present.

Discussion Topics:

- Committee action

9:35 AM Chairman Luick re-opened the key for the absent senators (Myrdal and Hogan) to vote on SB 2259 from the 02-02-23 meeting.

9:35 AM Roll Call Vote – DO PASS AS AMENDED SB 2259

Senators	Vote
Senator Larry Luick	Y
Senator Janne Myrdal	Y
Senator Kathy Hogan	Y
Senator Randy D. Lemm	Y
Senator Mark F. Weber	Y
Senator Kent Weston	Y

Motion Passed. 6-0-0 DO PASS AS AMENDED SB 2259

Senator Weber will carry the bill.

9:35 AM Chairman Luick adjourned the committee work on SB 2259.

Dave Owen, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2259: Agriculture and Veterans Affairs Committee (Sen. Luick, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2259 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 1, after "reenact" insert "subsection 2 of section 4.1-44-04 and"

Page 1, after line 3, insert:

"**SECTION 1. AMENDMENT.** Subsection 2 of section 4.1-44-04 of the North Dakota Century Code is amended and reenacted as follows:

2. The presiding officer of each house of the legislative assembly may direct the reports be filed with some other standing committee of that house. Each report must contain a summary of the activities of the commodity group during the current biennium, and a single-page uniform statement of revenues and expenditures for the next biennium. Each report, except the reports of the North Dakota beekeepers association and the North Dakota turkey federation, also must include ~~a state~~an auditor's report on the commodity group's single-page uniform statement of revenues and expenditures for the previous two fiscal years or an annual financial statement audit as required by the respective group's national association."

Page 1, line 17, replace "established in title 4.1" with "listed in section 4.1-44-04"

Page 1, line 17, replace "five" with "six"

Page 1, line 17, after "an" insert "annual financial statement audit or four thousand for a two-year single-page financial statement"

Renumber accordingly

2023 HOUSE AGRICULTURE

SB 2259

2023 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee
Room JW327C, State Capitol

SB 2259
3/2/2023

Relating to audit fees charged by the state auditor.

Chairman Thomas call the meeting to order 8:47 AM

Members present: Chairman Thomas, Vice Chairman Beltz, Representatives Finley-DeVille, Fisher, Headland, Kiefert, Olson, Prichard, Schreiber-Beck, Tveit, VanWinkle.

Members absent: Representatives Christy, Henderson.

Discussion Topics:

- Commodity groups
- Minimal transactions
- Accounting practices
- Experienced auditors
- Increased understanding
- Private firms audit review

In Favor:
Senator Jerry Klein, District 14, Fessenden, ND (no written testimony)
Phil Murphy, ND Soybean Association (no written testimony)
Julie Ellingson, ND Stockmen's Association (no written testimony)
Deana Wiese, Representing ND Producers Ethanol Association (no written testimony)
Lindsey Slappy, Audit Manager, ND Auditor's Office (no written testimony)

Chairman Thomas adjourned the meeting 9:17 AM

Diane Lillis, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Agriculture Committee
Room JW327C, State Capitol

SB 2259
3/2/2023

Relating to audit fees charged by the state auditor.

Chairman Thomas call the meeting to order 11:17 AM

Members present: Chairman Thomas, Vice Chairman Beltz, Representatives Finley-DeVille, Fisher, Headland, Kiefert, Olson, Prichard, Schreiber-Beck, Tveit, VanWinkle.

Members absent: Representatives Christy, Henderson.

Discussion Topics:

- Committee Action

Representative Prichard moved a do pass.
Representative Schreiber-Beck seconded.

Roll call vote:

Representatives	Vote
Representative Paul J. Thomas	Y
Representative Mike Beltz	Y
Representative Josh Christy	AB
Representative Lisa Finley-DeVille	AB
Representative Jay Fisher	Y
Representative Craig Headland	Y
Representative Donna Henderson	AB
Representative Dwight Kiefert	Y
Representative SuAnn Olson	Y
Representative Brandon Prichard	Y
Representative Cynthia Schreiber-Beck	Y
Representative Bill Tveit	Y
Representative Lori VanWinkle	Y

Motion passed 10-0-3

Representative Olson will carry the bill.

Chairman Thomas adjourned the meeting 11:20 AM

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2259, as engrossed: Agriculture Committee (Rep. Thomas, Chairman) recommends **DO PASS** (10 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Engrossed SB 2259 was placed on the Fourteenth order on the calendar.

TESTIMONY

SB 2259

Testimony in Favor of 2259 68th session

Chair and Committee, My name is Phil Murphy representing the ND Soybean Growers Association. We are thankful to the prime sponsor and the State Auditor for the extensive discussions resulting in this bill. That both wish this to succeed speaks volumes as to why it should be approved. I believe that there is an intention to propose an amendment for an opt-out option as well, but if not I would request it. I would expect that option to apply to all, but if not, would like to explain why the NDSGA requests it for our sister organization, the ND Soybean Council, aka the NDSC. It has to do with the fact that they are the only purely Federal checkoff and have been more work for the State Auditor departments for a couple of reasons; One, the NDSC auditing standards are more stringent/different than North Dakota's and Two, instead of being audited once every two years as are other commodities, the NDSC must be audited each year. This is, another words, a longer and unfamiliar process resulting in higher costs for audits. Thank you for your kind consideration.

North Dakota Ethanol Council

Testimony of
Deana Wiese, Executive Director
North Dakota Ethanol Council
In Support of SB 2259
January 26, 2023

Chairman Luick and members of the Senate Agriculture and Veterans Affairs Committee,

For the record, my name is Deana Wiese, and I am here today as the executive director of the North Dakota Ethanol Council in support of SB 2259, which caps the audit cost for agriculture commodity groups.

The North Dakota Ethanol Council (Council) was established in 2009 by the North Dakota State Legislature to fund research, education programs, promotion, and market development efforts. The structure of the Council was modeled off those of other state agricultural check-off organizations. It is funded by the first ethanol check-off program in the nation with each plant contributing three one-hundredths of one cent per gallon of ethanol produced. The Council has an annual budget of roughly $150,000-$200,000, which makes it one of the smallest commodity councils based on funding.

The Council appreciates the work done by the bill sponsor and the State Auditor to bring this bill forward for discussion. The cap amount can be debated given the diverse budgets and activities of each commodity. While I don't have any immediate suggestions, I would be happy to be in on those discussions. However, more importantly, I would like to reference line 17 of the bill that establishes the agricultural commodity groups '***established in title 4.1'*** as those included in the intent of the bill. There are several listings of agriculture commodity groups within the agriculture title 4.1. Given this, I would respectfully recommend specifying the ***agriculture commodity promotion groups in 4.1-44-04***, which are the ag commodity groups that must report to the House and Senate Agriculture Committees during each legislative assembly.

With this specification, the North Dakota Ethanol Council supports SB 2259. I'd be happy to answer any questions.

1605 E. Capitol Avenue
PO Box 1091 • Bismarck, ND 58502
701.355.4458 • 701.223.4645 (fax) • www.ndethanol.org

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.

23.0707.02001
Title.

Prepared by the Legislative Council staff for
Senator Klein
January 26, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2259

Page 1, line 1, after "54-10-01" insert "and subsection 2 of section 4.1-44-04"

Page 1, line 17, replace "established in title 4.1" with "listed in section 4.1-44-04"

Page 1, line 17, replace "five" with "six"

Page 1, line 17, after "an" insert "annual financial statement audit or four thousand for a two-year single-page financial statement"

Page 1, after line 24, insert:

"**SECTION 2. AMENDMENT.** Subsection 2 of section 4.1-44-04 of the North Dakota Century Code is amended and reenacted as follows:

2. The presiding officer of each house of the legislative assembly may direct the reports be filed with some other standing committee of that house. Each report must contain a summary of the activities of the commodity group during the current biennium, and a single-page uniform statement of revenues and expenditures for the next biennium. Each report, except the reports of the North Dakota beekeepers association and the North Dakota turkey federation, also must include ~~a state~~an auditor's report on the commodity group's single-page uniform statement of revenues and expenditures for the previous two fiscal years or an annual financial statement audit as required by the respective group's national association."

Renumber accordingly