

Sixty-first
Legislative Assembly
of North Dakota

HOUSE BILL NO.

Introduced by

Representative Holman

1 A BILL for an Act to amend and reenact section 54-10-14 of the North Dakota Century Code,
2 relating to audits of cities.

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

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

6 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

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

9 ~~1.~~ a. Counties.

10 ~~2.~~ b. Cities.

11 ~~3.~~ c. Park districts.

12 ~~4.~~ d. School districts.

13 ~~5.~~ e. Firefighters relief associations.

14 ~~6.~~ f. Airport authorities.

15 ~~7.~~ g. Public libraries.

16 ~~8.~~ h. Water resource districts.

17 ~~9.~~ i. Garrison Diversion Conservancy District.

18 ~~10.~~ j. Rural fire protection districts.

19 ~~11.~~ k. Special education districts.

20 ~~12.~~ l. Area career and technology centers.

21 ~~13.~~ m. Correction centers.

22 ~~14.~~ n. Recreation service districts.

23 ~~15.~~ o. Weed boards.

24 ~~16.~~ p. Irrigation districts.

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- 1 ~~17.~~ q. Rural ambulance service districts.
- 2 ~~18.~~ r. Southwest water authority.
- 3 ~~19.~~ s. Regional planning councils.
- 4 ~~20.~~ t. Soil conservation districts.
- 5 2. The state auditor shall charge the political subdivision an amount equal to the fair
6 value of the audit and any other services rendered. The fees must be deposited in
7 the state auditor operating account. The state treasurer shall credit the state
8 auditor operating account with the amount of interest earnings attributable to the
9 deposits in that account. Expenses relating to political subdivision audits must be
10 paid from the state auditor operating account, within the limits of legislative
11 appropriation.
- 12 3. In lieu of conducting an audit every two years, the state auditor may require annual
13 reports from school districts with less than one hundred enrolled students; cities
14 with less than ~~three~~ five hundred population; park districts and soil conservation
15 districts with less than two hundred thousand dollars of annual receipts; and other
16 political subdivisions subject to this section, or otherwise provided by law, with less
17 than one hundred thousand dollars of annual receipts, excluding any federal funds
18 passed through the political subdivision to another entity. If any federal agency
19 performs or requires an audit of a political subdivision that receives federal funds to
20 pass through to another entity, the political subdivision shall provide a copy to the
21 state auditor upon request by the state auditor. The reports must contain the
22 financial information required by the state auditor. The state auditor also may
23 make any additional examination or audit determined necessary in addition to the
24 annual report. When a report is not filed, the state auditor may charge the political
25 subdivision an amount equal to the fair value of the additional examination or audit
26 and any other services rendered. The state auditor may charge a political
27 subdivision a fee not to exceed fifty dollars an hour for the costs of reviewing the
28 annual report.
- 29 4. A political subdivision, at the option of its governing body, may be audited by a
30 certified public accountant or licensed public accountant rather than by the state
31 auditor. The public accountant shall comply with generally accepted government

1 auditing standards for audits of political subdivisions. The report must be in the
2 form and content required by the state auditor. The number of copies of the audit
3 report requested by the state auditor must be filed with the state auditor when the
4 public accountant delivers the audit report to the political subdivision. The state
5 auditor shall review the audit report to determine if the report is in the required form
6 and has the required content, and if the audit meets generally accepted
7 government auditing standards. The state auditor also may periodically review the
8 public accountant's workpapers to determine if the audit meets generally accepted
9 government auditing standards. If the report is in the required form and has the
10 required content, and the report and workpapers comply with generally accepted
11 government auditing standards, the state auditor shall accept the audit report. The
12 state auditor may charge the political subdivision a fee of up to fifty dollars an hour,
13 but not to exceed five hundred dollars per review, for the related costs of reviewing
14 the audit report and workpapers.

15 5. A political subdivision may not pay a public accountant for an audit until the state
16 auditor has accepted the audit. However, a political subdivision may make
17 progress payments to the public accountant. A political subdivision shall retain
18 twenty percent of any progress payment until the audit report is accepted by the
19 state auditor.

20 6. The state auditor may require the correction of any irregularities, objectionable
21 accounting procedures, or illegal actions on the part of the governing board,
22 officers, or employees of the political subdivision disclosed by the audit report or
23 workpapers, and failure to make the corrections shall result in audits being
24 resumed by the state auditor until the irregularities, objectionable accounting
25 procedures, or illegal actions are corrected.