

Sixty-first
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1129

Introduced by

Political Subdivisions Committee

(At the request of the State Auditor)

1 A BILL for an Act to amend and reenact sections 54-10-14 and 54-10-19 of the North Dakota
2 Century Code, relating to audits of political subdivisions; and to repeal section 54-10-18 of the
3 North Dakota Century Code, relating to records and fiscal affairs of counties.

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

- 10 1. Counties.
- 11 2. Cities.
- 12 3. Park districts.
- 13 4. School districts.
- 14 5. Firefighters relief associations.
- 15 6. Airport authorities.
- 16 7. Public libraries.
- 17 8. Water resource districts.
- 18 9. Garrison Diversion Conservancy District.
- 19 10. Rural fire protection districts.
- 20 11. Special education districts.
- 21 12. Area career and technology centers.
- 22 13. Correction centers.
- 23 14. Recreation service districts.
- 24 15. Weed boards.

- 1 16. Irrigation districts.
- 2 17. Rural ambulance service districts.
- 3 18. Southwest water authority.
- 4 19. Regional planning councils.
- 5 20. Soil conservation districts.

6 The state auditor shall charge the political subdivision an amount equal to the fair value
7 of the audit and any other services rendered. The fees must be deposited in the state auditor
8 operating account. The state treasurer shall credit the state auditor operating account with the
9 amount of interest earnings attributable to the deposits in that account. Expenses relating to
10 political subdivision audits must be paid from the state auditor operating account, within the
11 limits of legislative appropriation.

12 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 with less than
14 three hundred population; park districts and soil conservation districts with less than two
15 hundred thousand dollars of annual receipts; and other political subdivisions subject to this
16 section, or otherwise provided by law, with less than one hundred thousand dollars of annual
17 receipts, excluding any federal funds passed through the political subdivision to another entity.
18 If any federal agency performs or requires an audit of a political subdivision that receives
19 federal funds to pass through to another entity, the political subdivision shall provide a copy to
20 the state auditor upon request by the state auditor. The reports must contain the financial
21 information required by the state auditor. The state auditor also may make any additional
22 examination or audit determined necessary in addition to the annual report. When a report is
23 not filed, the state auditor may charge the political subdivision an amount equal to the fair value
24 of the additional examination or audit and any other services rendered. The state auditor may
25 charge a political subdivision a fee not to exceed ~~fifty~~ eighty dollars an hour for the costs of
26 reviewing the annual report.

27 A political subdivision, at the option of its governing body, may be audited by a certified
28 public accountant or licensed public accountant rather than by the state auditor. The public
29 accountant shall comply with generally accepted government auditing standards for audits of
30 political subdivisions. The report must be in the form and content required by the state auditor.
31 The number of copies of the audit report requested by the state auditor must be filed with the

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

11 A political subdivision may not pay a public accountant for an audit until the state
12 auditor has accepted the audit. However, a political subdivision may make progress payments
13 to the public accountant. A political subdivision shall retain twenty percent of any progress
14 payment until the audit report is accepted by the state auditor.

15 The state auditor may require the correction of any irregularities, objectionable
16 accounting procedures, or illegal actions on the part of the governing board, officers, or
17 employees of the political subdivision disclosed by the audit report or workpapers, and failure to
18 make the corrections ~~shall~~ must result in audits being resumed by the state auditor until the
19 irregularities, objectionable accounting procedures, or illegal actions are corrected.

20 **SECTION 2. AMENDMENT.** Section 54-10-19 of the North Dakota Century Code is
21 amended and reenacted as follows:

22 **54-10-19. Supervision of ~~books and accounts of public institutions and private~~**
23 **~~institutions with which state has dealings.~~** ~~The state auditor shall assume and exercise~~
24 ~~supervision over the books and financial accounts of the several public offices and institutions~~
25 ~~which the state auditor is authorized to examine.~~ The state auditor may examine the books and
26 accounts of all private institutions with which the state has any dealings so far only as the same
27 relate to such dealings. If any public officer having control of any such office or institutions fails
28 or refuses to comply with the directions of the state auditor, the auditor shall report the facts to
29 the governor and to the manager of the state bonding fund, and such refusal constitutes
30 grounds for removal from office and cancellation of the bond of such officer.

- 1 **SECTION 3. REPEAL.** Section 54-10-18 of the North Dakota Century Code is
- 2 repealed.