

Sixty-first
Legislative Assembly
of North Dakota

SENATE BILL NO.

Introduced by

Senator Anderson

1 A BILL for an Act to amend and reenact section 54-10-14 of the North Dakota Century Code,
2 relating to exceptions for small cities from political subdivision audit requirements.

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

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

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

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

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

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

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

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

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