

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after the semicolon insert "to create and enact a new section to chapter 54-10 of the North Dakota Century Code, relating to a higher education audit division of the state auditor's office;"

Page 1, line 2, replace "section" with "sections 54-10-01 and"

Page 1, line 2, after the second "to" insert "the powers and duties of the state auditor and"

Page 1, replace lines 12 through 19 with:

"Salaries and wages	\$10,113,137	\$2,209,055	\$12,322,192
Accrued leave payments	201,157	(201,157)	0
Operating expenses	901,113	294,397	1,195,510
Information technology consultants	<u>250,000</u>	<u>0</u>	<u>250,000</u>
Total all funds	\$11,465,407	\$2,302,295	\$13,767,702
Less estimated income	<u>3,036,918</u>	<u>268,952</u>	<u>3,305,870</u>
Total general fund	\$8,428,489	\$2,033,343	\$10,461,832
Full-time equivalent positions	53.80	6.00	59.80"

Page 2, after line 3, insert:

**"SECTION 3. AMENDMENT.** Section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-01. Powers and duties of state auditor.**

The state auditor shall:

1. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of the state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
2. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state and perform or provide for the audits and reviews of state agencies. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit or review each state agency once every two years. The state auditor shall determine the contents of the audits and reviews of state agencies. The state auditor may conduct any work required by the federal government. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for any agency that receives and expends both general fund and non-general fund moneys. Audits and reviews may be conducted at more frequent intervals if requested by the governor or legislative audit and fiscal review committee.

3. Be vested with the authority to determine whether to audit the international peace garden at the request of the board of directors of the international peace garden.
4. Perform or provide for performance audits of state agencies, or the agencies' blended component units or discreetly presented component units, as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor may not hire a consultant to assist with conducting a performance audit of a state agency without the prior approval of the legislative audit and fiscal review committee. The state auditor shall notify an agency of the need for a consultant before requesting approval by the legislative audit and fiscal review committee. The agency that is audited shall pay for the cost of any consultant approved.
5. For the audits and reviews the state auditor is authorized to perform or provide for under this section, the audit or review may be provided for by contract with a private certified or licensed public accountant or other qualified professional. If the state auditor determines that the audit or review will be done pursuant to contract, the state auditor, except for occupational or professional boards, shall execute the contract, and any executive branch agency, including higher education institutions, shall pay the fees of the contractor.
6. Be responsible for the above functions and report thereon to the governor and the secretary of state in accordance with section 54-06-04 or more often as circumstances may require.
7. Perform all other duties as prescribed by law."

Page 2, after line 10, insert:

"**SECTION 5.** A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

**State board of higher education audits - Higher education audit division.**

1. The state auditor shall establish a higher education audit division and employ a division audit manager to perform all audit related functions of the state board of higher education, including the examination and evaluation of the adequacy and effectiveness of the board's governance, risk management, internal controls, performance of constitutionally and statutorily required duties, and other areas as determined by the state auditor. The audit manager shall conduct audits, as determined appropriate by the state auditor, of each institution under the supervision and control of the state board of higher education. The audit manager may consult with the state board of higher education, or a committee designated by the board, regarding audit plans, results of audit activities, and any other appropriate issue. The state auditor shall determine the audit scope and related audit areas of any audit conducted by the audit manager. This section does not require the state auditor to perform any duties that would compromise the auditor's independence under government auditing standards.

2. The audit manager may access and examine any record under the control of the state board of higher education. For purposes of reviewing records under the Family Educational Rights and Privacy Act [20 U.S.C. 1232g; 34 CFR 99] or any other federal privacy law, the audit manager must be considered a state educational official authorized to access student records for audit purposes.
  
3. The state auditor may hire employees necessary to carry out the duties and responsibilities of this section. The state auditor may hire consultants to assist with any duties required under this section subject to approval by the legislative audit and fiscal review committee. The state board of higher education shall pay for the cost of any consultant approved under this section."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - House Action**

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$10,113,137	\$11,244,931	\$1,077,261	\$12,322,192
Operating expenses	901,113	1,091,510	104,000	1,195,510
Information technology consultants	250,000	450,000	(200,000)	250,000
Accrued leave payments	201,157			
Total all funds	\$11,465,407	\$12,786,441	\$981,261	\$13,767,702
Less estimated income	3,036,918	3,515,167	(209,297)	3,305,870
General fund	\$8,428,489	\$9,271,274	\$1,190,558	\$10,461,832
FTE	53.80	53.80	6.00	59.80

**Department No. 117 - State Auditor - Detail of House Changes**

	Adds Funding for Higher Education Auditors <sup>1</sup>	Adjusts Funding for Health Insurance Premium Increases <sup>2</sup>	Removes Funding for University System Security Audits <sup>3</sup>	Total House Changes
Salaries and wages	\$1,117,914	(\$40,653)		\$1,077,261
Operating expenses	104,000			104,000
Information technology consultants			(200,000)	(200,000)
Accrued leave payments				
Total all funds	\$1,221,914	(\$40,653)	(\$200,000)	\$981,261
Less estimated income	0	(9,297)	(200,000)	(209,297)
General fund	\$1,221,914	(\$31,356)	\$0	\$1,190,558
FTE	6.00	0.00	0.00	6.00

<sup>1</sup> Funding is added for 6 auditor FTE positions and related operating expenses to provide audit services to the State Board of Higher Education and its institutions.

<sup>2</sup> Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

<sup>3</sup> Funding to complete security audits of the 11 institutions in the North Dakota University System is

removed.

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This amendment also:

- Amends Section 54-10-01 relating to performance audits conducted by the State Auditor; and
- Creates a new section to Chapter 54-10 to establish a higher education audit division in the State Auditor's office.