

20Mar2023

SB 2004

House Appropriations Committee

Chairman Vigesaa and members of the House Appropriations Committee, I'm Jason Asche, a Sargent County ND resident and Chairman of the Board for the Volunteer Gwinner Rural Fire District (GFD). This testimony is submitted in favor of changes to the North Dakota State Auditor's Office (SAO) budget with respect to small government audits.

I'll start with a little background. GFD serves its district with about 40 volunteer members. Looking at 2018 (the year recently under audit) GFD collected \$91,568.96 between tax and insurance fund money. There was about \$15k in donations and GFD generated around \$10k with the annual gun raffle. In total, GFD was about a \$115K operation in 2018. That money was used for maintaining equipment, fuel and oil for the trucks, utilities for the fire hall, equipment for a new pumper truck that was purchased, debt repayment on truck, and monthly meeting expenses.

GFD protects the city of Gwinner and six surrounding townships. GFD also plays an important role in the SE corner of ND by protecting the Bobcat factory and supporting facilities where 1500 employees come to work every day. Bobcat generates \$5 billion in revenue annually and a large portion of that comes from the Gwinner operations. In 2018 29% of GFD calls were to the Bobcat factory. These are big numbers and there is a lot on the line for not only Bobcat but also the entire state of ND when GFD gets called. All of this protection provided by volunteers on a \$115K/year budget. It is a high value operation.

Value is something the SAO should be focused on as well. In the case of the recent audit performed remotely by the SAO for GFD the actual cost was \$17,022.27 for 166 hrs of work (\$108/hr) prior to adjustments. See supporting documents for breakdown. Calculated, this is about 15% of the total operating budget. Another interesting way to analyze it is \$128 per transaction made in auditor fees. Total transactions for the year was 132 and in that included 24 recurring transactions that were the same every month. Is this a good value?

The hallmark finding of the 2018 GFD audit was \$5,608 that was spent on groceries and drinks for monthly meetings where GFD volunteers rotate cooking assignments to serve their fellow volunteers dinner after the meeting. This money was generated by the gun raffle and kept in a separate discretionary checking account. Do the math for some perspective. \$5,608 is \$11.68 per volunteer per month or about \$140 per volunteer per year. This is the information the SAO felt was important enough to do a full scale press release on. In comparison, the original audit bill comes out to \$425 per member per year.

Instead of offering solutions to gain additional separation between the GFD general fund checking account and the discretionary fund checking account the SAO chose to parade the embellished findings to the media. More recently, Mr. Gallion stated in opposing testimony for HB 1508 and in several media outlets GFD spent \$30,000 on alcohol alone. This is false information and doesn't match data from his own audit. We should expect more from our state auditor and he should be held accountable

for misleading the public. In addition, I have communicated directly with officials in the North Dakota Firefighter's Association (NDFA) who expressed disappointment in the SAO with respect to assistance in the development of best accounting practices for rural volunteer departments like ours. A meeting was held but no direction was provided. Unfortunately, media attention took priority over problem solving.

GFD had no issues with the audit being performed because there was nothing to hide, no malice or missing money was uncovered. However, the expense of the audit is something that no rural volunteer fire district should bear in North Dakota. Budgets are small and expenses are high. I'm calling on you to act for change. Don't continue to allow the SAO to hamstring volunteer rural fire departments with auditor fees that limit their ability to serve their district. This committee needs to develop a reasonable solution for a real problem. Thanks for your time and attention to this matter.

A handwritten signature in cursive script, reading "Jasa Arche". The signature is written in black ink on a white background. The first letter "J" is large and loops around, and the last letter "e" has a long, horizontal tail stroke.

JH Asche

From: Erickson, Heath M. <hmerickson@nd.gov>
Sent: Wednesday, April 13, 2022 5:01 PM
To: jhasche@drtel.net
Subject: Audit Bill

Jason,

I appreciate the question. I can break it down for you and explain a few things at the end as well. The \$11,000 is for the financial statement audit for 2018. There was a lot of moving parts that I will try to explain. See Below:

Some may not know this, but the local government division of the Office of the State Auditor is self-funded and operates on its own steam and must charge what the actual cost of these audits is in order to run the division.

Actual Cost – 17,928.50
Actual Hours – 166
Adjusted Cost = \$11,000

As you can see our actual cost was quite higher than was actually billed. Usually we do not adjust bills because that would mean that we would not be able to cover our costs on the project. Due to the circumstances, Josh Gallion chose to lower the bill to \$11,000.

First time audits are more work for the following reasons:

1. Financial Statements need to be created from scratch
2. Opening balances need to be reviewed since there hasn't been an audit done before
3. Internal controls need to be documented and added to our working papers
4. Risk assessments on any new client are set higher because we are not familiar with them, which means more testing.
5. If findings are written, more time is spent in this area because of discussions with the client and possibly our lawyers if needed to ensure mistakes are not made.

If you would have searched for a private firm to do this audit, I think you would find that \$11,000 would not be out of line.

I hope that the staff that your team worked with were respectful during this process. If anybody from your team would like to chat with me about this audit or this billing. Please let me know. Thanks.

Heath Erickson, CPA
Audit Manager | Division of Local Government Audit



Office of the
State Auditor

1655 43rd Street S., Suite 203, Fargo, ND 58103

  Phone: 701.239.7286 Website: nd.gov/auditor