

**State Auditor
Budget No. 117
Senate Bill No. 2004**

	FTE Positions	General Fund	Other Funds	Total
2023-25 legislative appropriation	65.00	\$10,033,672 ¹	\$6,344,152 ²	\$16,377,824 ³
2021-23 legislative appropriation	<u>61.00</u>	<u>9,130,110⁴</u>	<u>5,826,152</u>	<u>14,956,262</u>
2023-25 appropriation increase (decrease) to 2021-23 appropriation	4.00	\$903,562	\$518,000	\$1,421,562

¹This amount includes \$101,550 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$9,932,122.

²This amount includes \$37,000 of one-time funding. Excluding this amount, the agency's ongoing other funds appropriation is \$6,307,152.

³This amount does not include any transfers of appropriation authority from the Office of Management and Budget funding pools for targeted market equity adjustments, retirement contribution increases, or new and vacant FTE positions.

⁴This amount includes a 2021-23 biennium deficiency appropriation of \$11,000 from the general fund to the State Auditor to provide a refund to a political subdivision which, pursuant to the retroactive application of Senate Bill No. 2180 (2023), would not have had to contract for an audit.

Item Description

Full-time equivalent changes - The Legislative Assembly approved 65 FTE positions for the State Auditor for the 2023-25 biennium, an increase of 4 FTE positions from the 2021-23 biennium authorized level of 61 FTE positions. The Legislative Assembly added 3 FTE Local Government Division audit positions and 1 FTE education coordinator position.

Targeted market equity - The Legislative Assembly appropriated \$82.5 million, including \$45.1 million from the general fund and \$37.4 million from other funds, to the Office of Management and Budget for a targeted market equity pool to be distributed to state agencies.

New and vacant FTE funding pool - The Legislative Assembly reduced the 2023-25 biennium appropriation authority for the State Auditor by \$1,610,418, of which \$594,249 was from the general fund and \$1,016,169 was from other funds for the new and vacant FTE funding pool. The reduction included \$958,432 for new FTE positions and \$651,986 for estimated vacant salary savings.

Status/Result

The State Auditor filled the education coordinator position in November 2023. Two of the 3 FTE Local Government Division audit positions have been filled; an audit manager began in April 2024 and an auditor II began in May 2024. The auditor I position remains open.

The State Auditor received \$499,559 for targeted market equity increases, of which \$347,052 is from the general fund and \$152,507 from other funds. Equity increases were provided to 48 employees.

The State Auditor has received \$159,415 of general fund authority from the new and vacant FTE funding pool to fill the new FTE education coordinator position. Through January 2024, the State Auditor had estimated vacant FTE position savings of \$744,181. The State Auditor used \$29,496 of the savings for other purposes, including accrued leave payouts, extra salary increases, bonuses, and extra overtime funding. Vacancies in the State Auditor's office have ranged from 12 to 14 FTE positions with an average monthly vacancy rate of 13.57 FTE positions.

One-time funding - The Legislative Assembly appropriated \$138,550 of one-time funding to the State Auditor for the 2023-25 biennium as follows:

	General Fund	Other Funds	Total
Local government audit office furniture	\$9,000		\$9,000
Inflationary increases for travel and professional development	22,000	\$37,000	59,000
Audit software setup and migration	45,550		45,550
Capital equipment replacement	25,000		25,000
Total	\$101,550	\$37,000	\$138,550

Refund of audit fees - 2021-23 biennium - The Legislative Assembly, in Section 3 of Senate Bill No. 2004, provided a deficiency appropriation of \$11,000 from the general fund to the State Auditor to provide a refund to a political subdivision which, pursuant to the retroactive application of Senate Bill No. 2180 (2023), would not have had to contract for an audit.

Powers and duties of the State Auditor - The Legislative Assembly, in Section 4 of Senate Bill No. 2004, amended the powers and duties of the State Auditor to allow the Department of Financial Institutions to contract with a certified public accountant for an audit; require the State Auditor to provide reports to the Legislative Audit and Fiscal Review Committee regarding instances where the State Auditor did not distribute a final audit report to a client prior to public release; and exempt the institutions under the control of the State Board of Higher Education from certain audit fees.

The following is a summary of the status of the State Auditor's one-time funding items:

Local government audit office furniture	The State Auditor has not yet purchased the office furniture.
Inflationary increases for travel and professional development	The State Auditor has indicated travel and professional development costs continue to be higher due to inflation and funding from the general fund will likely be expended on travel and conference registrations. The federal funded positions have been traveling less due to budget tightening at the national level. The special funded positions are traveling to audit clients at prepandemic levels.
Audit software setup and migration	The State Auditor anticipates signing the statement of work and order form in early May and plans to begin the migration July 1, 2024. The migration is anticipated to cost \$46,000.
Capital equipment replacement	The State Auditor has not replaced any capital equipment to date but anticipates replacing a multifunction machine during the 2023-25 biennium.

The State Auditor issued a refund of \$11,000 to the Gwinner Fire District in July 2023. The expenditure was applied to the 2021-23 biennium appropriation.

The State Auditor last audited the Department of Financial Institutions as of June 30, 2022. For fiscal years after 2022, the State Banking Board is required to provide for an audit of the Department of Financial Institutions once every 2 years.

The State Auditor has implemented a 7-day waiting period to ensure all individuals charged with governance of a political subdivision have an opportunity to review the auditor's report before it is finalized. The political subdivision may choose to shorten the waiting period to make the report publicly available. Agency audits are finalized and provided to the Legislative Audit and Fiscal Review Committee via a secure portal for 7 days, after which the report is publicly available. The State Auditor reports to the Legislative Audit and Fiscal Review Committee at each meeting regarding the progress of audits. The State Auditor has not indicated there have been any reports released to the public prior to distribution to the client.

Beginning in the 2023-25 biennium, except for a proportional share of audit fees on federal programs or grants to the extent the audited federal programs or grants provide for allowable cost recovery, the State Auditor will not bill North Dakota University System institutions for audit fees. These fees billed to University System institutions during the 2021-23 biennium totaled \$621,560, which were deposited in the general fund.

County auditor financial reports - The Legislative Assembly, in House Bill No. 1245 (2023), required each county to provide a financial report to the State Auditor by March 1st of each year showing the ending balances of the county general fund and county road and bridge fund for the preceding calendar year, including the amount in each fund which is committed for a specific use. The county auditor is required to provide the report to the State Auditor regardless of whether an audit is complete.

The State Auditor collaborated with the North Dakota Association of Counties to create an electronic form to collect the information and sent the form to each county on February 1. Weeks later, the North Dakota Association of Counties sent a reminder notice to counties that had not submitted the information. Through April 2024, the State Auditor had received information from 49 counties.