

**2023 HOUSE POLITICAL SUBDIVISIONS**

**HB 1508**

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Room JW327B, State Capitol

HB 1508  
2/2/2023

Relating to audit fees of state institutions, political subdivisions, and occupational and professional boards; and to provide for retroactive application.

Chairman Longmuir opened the hearing on HB 1508 at 9:00 AM. Members present: Chairman Longmuir, Vice Chairman Fegley, Rep. Hatlestad, Rep. Heilman, Rep. Holle, Rep. Jonas, Rep. Klemin, Rep. Motschenbacher, Rep. Ostlie, Rep. Rios, Rep. Toman, Rep. Warrey, Rep. Davis, Rep. Hager

### Discussion Topics:

- Powers and duties of auditors
- Excessive audit fees
- Timely response
- UND System review
- Auditor's response
- General fund appropriation
- SB 2180 Auditor's bill
- Itemized bills

Rep. O'Brien: Introduced the bill. Testimony # 18906, #19049,  
Ann Hafner, EM Responder, Dunn County. Testimony #18907  
David Krebsbach, Vice Chancellor, Administrative Affairs & Chief Financial Officer of NDUS:  
Testimony #18679  
Joshua Gallion, Office of the State Auditor. #18636, 18549  
Jan Naryln, District 8: Citizen. No written testimony

### Additional written testimony:

Kelly Woessner, City Auditor, City of Parshall: Testimony #18674

Hearing closed at 10:40 AM.

Delores Shimek, Committee Clerk

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Room JW327B, State Capitol

HB 1508  
2/3/2023

Relating to audit fees of state institutions, political subdivisions, and occupational and professional boards; and to provide for retroactive application.

Chairman Longmuir opened the meeting on HB 1508 at 10:20 AM. Members present: Chairman Longmuir, Vice Chairman Fegley, Rep. Hatlestad, Rep. Heilman, Rep. Holle, Rep. Jonas, Rep. Klemin, Rep. Motschenbacher, Rep. Ostlie, Rep. Rios, Rep. Toman, Rep. Warrey, Rep. Davis, Rep. Hager

### Discussion Topics:

- Amendment
- Class C felony
- Inconsistent fees
- SB 2180
- Itemized invoice
- Training sessions

Chairman Longmuir: Went over the proposed amendment 23.0579.02002. Previous testimony #19049

Josh Gallion, State Auditor: Oral testimony.

Rep. Heilman moved a Do Not Pass  
Seconded by Rep. Rios

Representatives	Vote
Representative Donald W. Longmuir	Y
Representative Clayton Fegley	Y
Representative Jayme Davis	Y
Representative LaurieBeth Hager	N
Representative Patrick Hatlestad	Y
Representative Matt Heilman	Y
Representative Dawson Holle	Y
Representative Jim Jonas	Y
Representative Lawrence R. Klemin	Y
Representative Motschenbacher	Y
Representative Mitch Ostlie	Y
Representative Nico Rios	Y
Representative Nathan Toman	Y
Representative Jonathan Warrey	Y

House Political Subdivisions Committee  
HB 1508  
February 3, 2023  
Page 2

Roll Call Vote: 13 Yes 1 No 0 Absent Carrier: Rep. Heilman

Meeting closed at 11:02 AM.

Delores Shimek, Committee Clerk

**REPORT OF STANDING COMMITTEE**

**HB 1508: Political Subdivisions Committee (Rep. Longmuir, Chairman)** recommends **DO NOT PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1508 was placed on the Eleventh order on the calendar.

**2023 HOUSE APPROPRIATIONS**

**HB 1508**

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Appropriations Committee Brynhild Haugland Room, State Capitol

HB 1508  
2/20/2023

Relating to audit fees of state institutions, political subdivisions, and occupational and professional boards
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**8:10 AM Chairman Vigesaa-** Meeting was called to order and roll call was taken:

**Members present;** Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

**Members not Present-** Representative Bellew

### Discussion Topics:

- Verbal Amendment

**Representative Longmuir-** Introduces the bill.

**Representative O'Brien-** Gives a verbal amendment to remove the 1/1000 of 1 percent retroactive, section 1 subsection C subsection 3, leave subsection 4, section 2 subsection 2 taking out amendment, subsection 3, section 3 lines 28, 29 and 30 and section 4 which is the retroactive application. (#21149)

**Representative Nathe-** Move to adopt the amendment as stated.

**Representative Brandenburg** Second the motion

Committee Discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y

Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

**Motion Carries 21-1-1**

**Representative O'Brien** Move for a Do Pass as Amended

**Representative Monson-** Seconds the motion.

Committee discussion- Roll call vote

<b>Representatives</b>	<b>Vote</b>
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	AB
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Mike Schatz	N
Representative Randy A. Schobinger	N
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

**Motion Carries 20-2-1 Representative Brandenburg will carry the bill**

**8:17 AM Chairman Vigesaa** Closed the meeting for HB 15018

*Risa Berube, Committee Clerk*

24  
2-20-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1508

- Page 1, line 1, replace "sections" with "section"
  - Page 1, line 1, remove ", 54-10-14, and 54-10-27"
  - Page 1, line 2, remove "audit fees of state institutions, political subdivisions, and"
  - Page 1, line 3, replace "occupational and professional boards; and to provide for retroactive application" with "duties of the state auditor"
  - Page 1, line 7, remove " - **Exception**"
  - Page 1, line 22, remove the overstrike over "~~the cost of the~~"
  - Page 1, line 23, remove the overstrike over "~~audit and other services rendered by the state auditor~~"
  - Page 1, line 23, remove "one thousandth of one"
  - Page 1, line 24, remove "percent of the agency's total biennial operating budget"
  - Page 3, line 25, remove "Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the"
  - Page 3, remove lines 26 and 27
  - Page 3, line 28, remove "4."
  - Page 3, remove lines 30 and 31
  - Page 4, remove lines 1 through 30
  - Page 5, remove lines 1 through 30
  - Page 6, remove lines 1 through 30
  - Page 7, remove lines 1 through 6
- Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1508: Appropriations Committee (Rep. Vigesaa, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING). HB 1508 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove ", 54-10-14, and 54-10-27"

Page 1, line 2, remove "audit fees of state institutions, political subdivisions, and"

Page 1, line 3, replace "occupational and professional boards; and to provide for retroactive application" with "duties of the state auditor"

Page 1, line 7, remove " - **Exception**"

Page 1, line 22, remove the overstrike over "~~the cost of the~~"

Page 1, line 23, remove the overstrike over "~~audit and other services rendered by the state auditor~~"

Page 1, line 23, remove "one thousandth of one"

Page 1, line 24, remove "percent of the agency's total biennial operating budget"

Page 3, line 25, remove "Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the"

Page 3, remove lines 26 and 27

Page 3, line 28, remove "4."

Page 3, remove lines 30 and 31

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 30

Page 6, remove lines 1 through 30

Page 7, remove lines 1 through 6

Renumber accordingly

**2023 SENATE STATE AND LOCAL GOVERNMENT**

**HB 1508**

# 2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee  
Room JW216, State Capitol

HB 1508  
3/10/2023

Relating to the final disposition of records, mandatory records retention policies for state agencies, and the administration of employee accounts upon employee departure from an agency; to declare an emergency.

9:00 AM Chair Roers opened the hearing. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

## Discussion Topics:

- Audit fees
- Public comments
- Independent audits
- Checks and balances
- Petition audits vs regular audits

Rep O'Brien, Dist 42, bill sponsor testified in support #23609, #23610, #23611, #23595, #23642.

Rep O'Brien read some of testimony by Kelly Woessner #23424.

Ann Hafner, Paramedic/Operations Chief, Killdeer, ND testified in support #23594.

Josh Gallion, State Auditor, testified opposed and wants time to evaluate supporting testimony and the amendment #23595. No written testimony.

## Additional written testimony:

Jason Asche, Gwinner, ND, in support #23559.

Jayne Tenneson, Lakota, ND in support #23558.

Daryl Dukart, Dunn Center, ND in support #23549.

Kelly Woessner, City Auditor, Parshall, ND in support #23424.

Gerald Waswick, Gwinner, ND in support #22545.

10:37 AM Chair Roers closed the hearing.

*Pam Dever, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee  
Room JW216, State Capitol

HB 1508  
3/17/2023

Relating to duties of the state auditor.
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11:22 AM Chair Roers reopened the hearing. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

**Discussion Topics:**

- State agency audits
- Billings
- Privacy guidelines

Lindsey Slappy, Audit Manager, State Auditor's Office testified opposed #25713.

**Additional written testimony:**

Brad Miller, Bismarck, ND opposed #25630  
Wanda Sheppard, Ellendale, ND opposed #25633  
Darcie Huwe, Wahpeton, ND opposed #25634  
Jewell Hamilton, Minot, ND opposed #25677.  
Jessica Alonge, Jamestown, ND opposed #25644.  
Mike Rott, Anamoose, ND opposed #25640.  
Ashley Frederick, Hillsboro, ND neutral #25591  
Marvin Lepp, opposed #25719  
Jan Wangler, Bismarck, ND #25720  
Kathy Monti, opposed #25721  
Cathy Brennan, opposed #23767  
Bruce Moe, opposed #23768

12:17 PM Chair Roers closed the hearing.

*Pam Dever, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee  
Room JW216, State Capitol

HB 1508  
3/17/2023

Relating to duties of the state auditor.

1: 52 PM Chair Roers reopened the hearing. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

**Discussion Topics:**

- Communication breakdown
- Petition discretion
- State law requirements
- Confidentiality

Josh Gallion, State Auditor testified opposed with no written testimony.

3:13 PM Chair Roers closed the hearing.

*Pam Dever, Committee Clerk*

# 2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee  
Room JW216, State Capitol

HB 1508  
4/6/2023

Relating to duties of the state auditor.

10:12 AM Chair Roers opened committee work. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

### Discussion Topics:

- Committee action
- Financial vs performance audit

Chair Roers had amendment #27334 and explained.

Josh Gallion, State Auditor asked a few questions.

Senator Lee moved to adopt Amendment LC 23.0679.03003, #27384, with added language – including voter registration. Sen Braunberger seconded the motion.

Senators	Vote
Senator Kristin Roers	Y
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Sean Cleary	Y
Senator Judy Estenson	Y
Senator Judy Lee	Y

ROLL CALL VOTE: YES – 6 NO – 0 Absent – 0 Motion PASSED

Senator Lee moved a DO PASS as Amended. Sen Estenson seconded the motion.

Senators	Vote
Senator Kristin Roers	Y
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Sean Cleary	Y
Senator Judy Estenson	Y
Senator Judy Lee	Y

ROLL CALL VOTE: YES – 6 NO – 0 Absent – 0 Motion PASSED

Senator Roers will carry the bill.

10:29 AM Chair Roers adjourned the meeting.

*Pam Dever, Committee Clerk*

AG  
4-6-23  
(1-1)

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1508

Page 1, line 2, after "auditor" insert "; and to provide for a legislative management study"

Page 2, after line 20, insert:

- "e. Report quarterly to the legislative audit and fiscal review committee regarding:
- (1) Communication processes with audited entities and any changes to the processes;
  - (2) Billing practices and procedures, including the use of cost estimates for audits and itemized invoices;
  - (3) Information on audits completed, including:
    - (a) Name of the audited organization;
    - (b) Organization type;
    - (c) Audit type;
    - (d) Audit period;
    - (e) Estimated and actual hours and costs; and
    - (f) Total audit cost and the total cost as a percentage of the audited organization's operating budget; and
  - (4) Audit schedule, including audits performed by private firms and audits performed by the auditor's office."

Page 2, line 21, overstrike "e." and insert immediately thereafter "f."

Page 2, line 24, overstrike "f." and insert immediately thereafter "g."

Page 2, line 26, overstrike "g." and insert immediately thereafter "h."

Page 3, replace lines 22 and 23 with:

**"SECTION 2. LEGISLATIVE MANAGEMENT STUDY - VALIDATION OF PETITION SIGNATURES.** During the 2023-24 interim, the legislative management shall consider studying the process used to validate signatures submitted on local and statewide petitions and options to improve the validation process, including voter registration. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

Re-number accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1508, as engrossed: State and Local Government Committee (Sen. K. Roers, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1508 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 2, after "auditor" insert "; and to provide for a legislative management study"

Page 2, after line 20, insert:

- "e. Report quarterly to the legislative audit and fiscal review committee regarding:
  - (1) Communication processes with audited entities and any changes to the processes;
  - (2) Billing practices and procedures, including the use of cost estimates for audits and itemized invoices;
  - (3) Information on audits completed, including:
    - (a) Name of the audited organization;
    - (b) Organization type;
    - (c) Audit type;
    - (d) Audit period;
    - (e) Estimated and actual hours and costs; and
    - (f) Total audit cost and the total cost as a percentage of the audited organization's operating budget; and
  - (4) Audit schedule, including audits performed by private firms and audits performed by the auditor's office."

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Page 3, replace lines 22 and 23 with:

**"SECTION 2. LEGISLATIVE MANAGEMENT STUDY - VALIDATION OF PETITION SIGNATURES.** During the 2023-24 interim, the legislative management shall consider studying the process used to validate signatures submitted on local and statewide petitions and options to improve the validation process, including voter registration. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

ReNUMBER accordingly

**2023 CONFERENCE COMMITTEE**

**HB 1508**

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Room JW327B, State Capitol

HB 1508  
4/17/2023  
Conference Committee

Relating to audit fees of state institutions, political subdivisions, and occupational and professional boards; and to provide for retroactive application.

Rep. Fegley, Chairman opened the meeting on HB 1508 at 5:00 PM.

Members present: Chairman Fegley, Rep. Hatlestad, Rep. Warrey; Senator Roers, Chairman, Senator Barta, Senator Estenson.

### **Discussion Topics:**

- Senate Amendment

Senator Roers: Explained the Senate amendments.

Committee Discussion.

Rep. Warrey: Will work on an amendment.

The meeting closed at 5:12 PM.

Delores Shimek, Committee Clerk

# 2023 HOUSE STANDING COMMITTEE MINUTES

## Political Subdivisions Committee Room JW327B, State Capitol

HB 1508  
4/19/2023  
Conference Committee

Relating to audit fees of state institutions, political subdivisions, and occupational and professional boards; and to provide for retroactive application.

Rep. Fegley, Chairman opened the meeting on HB 1508 at 9:03 PM.

Members present: Chairman Fegley, Rep. Hatlestad, Rep. Warrey; Senator Roers, Chairman, Senator Barta, Senator Estenson.

### Discussion Topics:

- Amendment

Rep. Warrey: Explained the amendment 23.0679.03004. Testimony #27697

Senator Roers moved Senate recede from Senate amendments and amend as follows: 23.0679.03004. Seconded by Senator Estenson

Roll call vote: 6 Yes 0 No 0 Absent

House Carrier: Rep. Warrey Senate Carrier: Senator Roers

The meeting closed at 9:08 PM.

Delores Shimek, Committee Clerk

OR  
lf1  
4-19-23

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1508

That the Senate recede from its amendments as printed on pages 1796 and 1797 of the House Journal and page 1478 of the Senate Journal and that Engrossed House Bill No. 1508 be amended as follows:

Page 2, line 21, after "e." insert: "Report quarterly to the legislative audit and fiscal review committee regarding:

- (1) Communication processes with audited entities and any changes to the processes;
- (2) Billing practices and procedures, including the use of cost estimates for audits, an itemized invoicing methodology, and a defined change order process for audits that exceed the original estimate;
- (3) Information on audits completed, including:
  - (a) Name of the audited organization;
  - (b) Organization type;
  - (c) Audit type;
  - (d) Audit period;
  - (e) Estimated and actual hours and costs; and
  - (f) Total audit cost and the total cost as a percentage of the audited organization's operating budget; and
- (4) Audit schedules, including audits performed by private firms and audits performed by the auditor's office.

f."

Page 2, line 24, overstrike "f." and insert immediately thereafter "g."

Page 2, line 26, overstrike "g." and insert immediately thereafter "h."

Page 3, remove lines 22 and 23

Renumber accordingly

**2023 HOUSE CONFERENCE COMMITTEE  
 ROLL CALL VOTES**

HB 1508 as engrossed

**House Judiciary Committee**

- Action Taken**
- HOUSE accede to Senate Amendments
  - HOUSE accede to Senate Amendments and further amend
  - SENATE recede from Senate amendments
  - SENATE recede from Senate amendments and amend as follows
  - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Senator Roers Seconded by: Senator Estenson

Representatives	4/14	4/19		Yes	No	Senators	4/14	4/19		Yes	No
Rep. Fegley, Chairman	X	X		X		Senator Roers, Chairman	X	X		X	
Rep. Hatlestad	X	X		X		Senator Barta	X	X		X	
Rep. Warrey	X	X		X		Senator Estenson	X	X		X	
Total Rep. Vote				3		Total Senate Vote				3	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Rep. Warrey Senate Carrier Senator Roers

LC Number 23.0679. . 03004 of amendment

LC Number 23.0679. . 05000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

**REPORT OF CONFERENCE COMMITTEE**

**HB 1508, as engrossed:** Your conference committee (Sens. K. Roers, Barta, Estenson and Reps. Fegley, Hatlestad, Warrey) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1796-1797, adopt amendments as follows, and place HB 1508 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1796 and 1797 of the House Journal and page 1478 of the Senate Journal and that Engrossed House Bill No. 1508 be amended as follows:

Page 2, line 21, after "e." insert: "Report quarterly to the legislative audit and fiscal review committee regarding:

- (1) Communication processes with audited entities and any changes to the processes;
- (2) Billing practices and procedures, including the use of cost estimates for audits, an itemized invoicing methodology, and a defined change order process for audits that exceed the original estimate;
- (3) Information on audits completed, including:
  - (a) Name of the audited organization;
  - (b) Organization type;
  - (c) Audit type;
  - (d) Audit period;
  - (e) Estimated and actual hours and costs; and
  - (f) Total audit cost and the total cost as a percentage of the audited organization's operating budget; and
- (4) Audit schedules, including audits performed by private firms and audits performed by the auditor's office.

f."

Page 2, line 24, overstrike "f." and insert immediately thereafter "g."

Page 2, line 26, overstrike "g." and insert immediately thereafter "h."

Page 3, remove lines 22 and 23

Renumber accordingly

Engrossed HB 1508 was placed on the Seventh order of business on the calendar.

**TESTIMONY**

**HB 1508**

Summary of Payments from UND to ND State Auditor’s Office since 2010

2/2/23, HB 1508 Neutral Testimony

Below is a table showing audit fees charged to the University of North Dakota since 2010 by audit type.

Supplier	State Auditor														
Sum of Amount	FY Paid														
Audit Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Grand Total		
Federal Single Audit	\$ 63,648			\$ 70,452	\$ 74,578		\$ 83,595		\$ 40,556		\$ 124,668	\$ 25,052	\$ 482,549		
Financial Audit	\$ 36,345	\$ 37,254	\$ 38,185	\$ 39,140	\$ 40,118	\$ 41,121	\$ 42,149	\$ 43,203	\$ 44,283	\$ 60,992	\$ 76,987	\$ 99,681	\$ 599,458		
Performance Audit		\$ 5,101		\$ 5,356		\$ 5,624			\$ 5,905	\$ 6,201			\$ 28,187		
<b>Grand Total</b>	<b>\$ 99,993</b>	<b>\$ 42,355</b>	<b>\$ 38,185</b>	<b>\$ 114,948</b>	<b>\$ 114,696</b>	<b>\$ 46,745</b>	<b>\$ 125,744</b>	<b>\$ 43,203</b>	<b>\$ 90,744</b>	<b>\$ 67,193</b>	<b>\$ 201,655</b>	<b>\$ 124,733</b>	<b>\$ 1,110,194</b>		
<b>Financial Audit % Increase</b>		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	37.73%	26.22%	29.48%			
<b>Federal Financial Audit increase from previous audit period</b>				10.69%	5.86%		12.09%		-51.49%		207.40%				

From 2011 through 2019 audit fees for the annual financial audit increased by 2.50% per year. In FY 2020, 2021 and 2022 they increased by 37.73%, 26.22% and 29.48% year over year. The Federal Single Audit, which is completed every two years increased by 207.40% from FY 2019 to FY 2021.



Office of the  
State Auditor

# HB 1508

2023-2025 Legislative Session

House Political Subdivisions

February 2, 2023

Good morning, Chairman Longmuir, members of the committee, my name is Joshua Gallion, and I have the honor of serving as North Dakota's State Auditor. I'm here today to testify in opposition to HB1508.

This bill does three things:

- It caps the amount the State Auditor can charge state agencies, political subdivisions, occupational boards, and the federal government.
- It removes the ability for the office to charge higher education at all and retroactively we would need to reimburse the colleges back to 2021.
- And this bill would also require each audit performed by the State Auditor to be reviewed and approved by a certified public accountant.

HB 1508

City of Parshall

February 2, 2023

Chairperson and members of the legislature, I would like to thank you for this opportunity to testify on behalf of HB1508. I am Kelly Woessner, City Auditor, representing the City of Parshall, and I am here to tell our story regarding a petition audit performed last year.

On February 23, 2022, the State Auditor's office released notification to KFVR that the City of Parshall was to be petition audited (Exhibit "A" copy attached 1 page). I was contacted by friend on February 24, 2022, from out of state that our City was going to be audited. And shortly after, I received a call from KMOT News for a statement regarding the upcoming petition audit. I was not aware of this at this time, nor did I have a letter of engagement. It wasn't until a few days later that I was contacted by the ND State Auditor's office, Heath Erickson, that there was a petition filed by the residents of the City of Parshall to have the City audited. The letter of engagement was not issued until March 7, 2022 (Exhibit "B" copy attached 5 pages). My first response to Mr. Erickson was obviously this is retaliation against me. I told him that they had dropped the ball and that I should not have had to hear this from the news media first. Reason I said this was I had presented a petition audit to have another entity audited in 2020. I petitioned to have an audit done, and I was the only person collecting signatures, so if any one of the people who signed my petition was asked who circulated it, they could only say it was me. I asked for information about the petition, and was told that the petition was not able to be released for me to see. I was told there was only 1 petitioner. I requested that the Auditor's Office should contact some of the signors to see if the petition was presented to them by the petitioner, because I felt that it was not circulated legally and according to the rules set out by the State Auditor's office. Come to find out from some of the people who actually signed that petition, the petition was sitting on the desk in the front office the other business collecting signatures and was also circulated by another person who did not fill out the affidavit of circulator and have it notarized (Exhibit "C" copy of their process attached 4 pages). The petitioner is the person responsible to send the gathered signatures in to the State Auditor's office. All persons who collect signatures are to have a notarized paper stating they were the circulator. Again, I brought it to the attention of the State Auditors and told them I had proof that it was not circulated according to their rules. I do know who the petitioner was and I do know who else circulated the petition, from visiting with residents of our City. I believe that requesting who petitioned the audit and who signed should be of public record.

I was not against the Audit being performed, and I was ready when they started requesting information to proceed.

When the audit began, the auditors would send me email requests for information from the City, and I would return the requested information immediately or within the day. We received the first bill from the State Auditor's Office and paid it on April 18, 2022 in the amount of \$12,500.00 (Exhibit "D" copy of bill attached). This process lasted a little over a month. They came to my office for 1 day for a verification of records, and that is all the time that was spent on site. All documentation was emailed to their office. On May 20, 2022 I received the final bill from the State Auditor's office in the amount of

\$26,750.00 (Exhibit "E" copy of the bill attached). I presented this to the City Council on June 8, 2022, for payment and it was not passed for payment. The City regularly has annual audits performed each year and the State Auditor approves each of these audits. Costs of the audits for the past five years is as follows:

2016 - \$5,800.00 Rath & Mehrer

2017 - \$9,300.00 Rath& Mehrer

2018 - \$7,000.00 Rath& Mehrer

2019 - \$8,300.00 Rath& Mehrer

2020 - \$8,800.00 Rath& Mehrer

TOTAL: \$39,200.00

This cost from the State Auditor's was more than what it had cost the City of Parshall for the last 5 years. The City of Parshall has Rath and Mehrer audit their books every year, so the City does follow the requirements of NDCC 54-10-14. Our past audits are also reviewed by the State of ND and we pay a fee for this also.

A press release was made on May 27, 2022, regarding the outcome of the Audit (Exhibit "F" copy attached). It appeared their only problem was that checks were not voided timely.

There are many small Cities in North Dakota and they would not be prepared or financially able to pay these prices if a petition audit was executed on them. Most of the reasons given to the State Auditors to conduct an audit of our City were unjustified and personal from the petitioner, however they still have to follow up on all inquiries.

To date the City of Parshall has not paid the \$26,750.00 and had asked for an opinion from the ND Attorney General's Office (Exhibit "G" which is attached). The letter from the Attorney General's office stated that they cannot issue an opinion. This leaves the City holding the bill at this time. The outcome of the audit was good

As shown above, fair and reasonable charges should be around the \$8800.00 price, and not almost 5 times higher.

The findings in the actual audit report were only 4 items, and financials were in good standing (Exhibit "H" copy attached 7 pages).

Again, a reminder that the ND State Auditors only spent 1 day on site and all other correspondence was transferred through email and the City of Parshall turned out to be ok, does not justify the cost of \$39,250.00. What happens if another person feels that they would like to petition for another audit to be done. This could be an ongoing issue for any community.

I want to thank you for this opportunity to tell you our story and hope that this will not happen to other communities in ND.

I would be happy to address any questions if you would like to call me at (701) 862-3459.

Kelly Woessner, City Auditor, City of Parshall





ADVERTISEMENT

## Audit to begin on the City of Parshall

### AUDIT FOR THE CITY OF PARSHALL

- REQUESTED THROUGH PETITION
- REQUIRED AT LEAST 50 SIGNATURES
- RESULTS TO BE ANNOUNCED ONCE COMPLETE

Parshall audit (KFYP)

By Brian Gray

Published: Feb. 23, 2022 at 11:44 AM CST



PARSHALL, N.D. (KFYP) - The state auditor's office is set to begin an audit on the City of Parshall, by request of a citizen-led petition.

An audit of a city by way of a petition is the first of its kind for the state department. The state auditor says the public will receive the results of the audit once it is complete.

"We look forward to working with the staff of the City of Parshall to address the concerns that were brought to our attention," said State Auditor Joshua Gallion.

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"B" #1

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Joshua C. Gallion



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701-328-2241

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701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave, Dept. 117  
Bismarck, North Dakota, 58505

ndsao@nd.gov

March 7, 2022

Kelly Woessner  
City Auditor  
25 N Main St.  
Parshall, ND 58770

Dear Ms. Woessner:

This letter is to inform you of the petition audit of the City of Parshall for the year ended December 31, 2021. We will audit the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information that collectively comprise the basic financial statements of the City of Parshall as of and for the year ended December 31, 2021.

This audit is being conducted pursuant to a petition under North Dakota Century Code (NDCC) 54-10-15, which is as follows:

**Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, upon petition, or upon request of the state court administrator.**

The state auditor, by duly appointed deputy auditors or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, **in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election**, or upon the request of the state court administrator with respect to clerk of district court services provided by a county in accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with the provisions of section 54-10-14.

We have also been engaged to report on supplementary information other than RSI that accompanies City of Parshall's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- Budgetary Comparison Schedules

## **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting, and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of City of Parshall and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of City of Parshall 's financial statements. Our report will be addressed to the city commission of the City of Parshall. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that City of Parshall is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that you have reviewed and provided the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of

the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. Since most of our audit documentation becomes public information, you are also responsible for notifying us of any confidential information you provide us so that we can properly safeguard such confidential information.

It is the policy of the State Auditor to use the State's Secure File Transfer System (<https://secure.intranetapps.nd.gov/itd/filetransfer/login.htm>) when sending or receiving audit client computer files. If you need assistance with this system, please notify us. Computer files should not be e-mailed to auditors.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, Grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and Grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting, which is an other comprehensive basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting, which is an other comprehensive basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Professional standards require us to be independent with respect to City of Parshall in the performance of our services. Any discussions that you have with personnel of our office regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

### **Other Services**

We will also assist in preparing the financial statements and related notes of City of Parshall in conformity with the modified cash basis of accounting based on information provided by you. These non-audit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

## **Audit Procedure-Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

## **Audit Procedure-Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Parshall's compliance with the provisions of applicable laws, regulations, contracts, agreements, and Grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Audit Administration, Fees, and Other**

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing, as well as prepare any requested supporting schedules.

GAAS require that we communicate certain additional matters related to the conduct of our audit to those charged with governance. Such matters include (1) our responsibilities under auditing standards generally accepted in the United States of America; (2) an overview of the planned scope and timing of the audit; (3) significant findings from the audit, including, among others: (a) the initial selection of and changes in significant accounting policies and their application; (b) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates; (c) significant difficulties that we encountered in dealing with management related to the performance of the audit; (d) audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on your financial reporting process and uncorrected misstatements of the financial statements that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole; (e) any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our report; (j) management representations; (g) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (h) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, and if applicable, events or conditions indicating there could be a substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; and (4) other matters as considered necessary or required to be communicated under professional standards.

If you intend to publish or otherwise reproduce the financial statements and make reference to our office, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

The audit documentation for this engagement is the property of the Office of the State Auditor. Once an audit is complete most of our audit documentation is public information. This audit documentation is therefore subject to inspection in our office with prior authorization by the State Auditor, Director, or Audit Managers. Any confidential information or data in our work papers will be safeguarded from public disclosure. Management is responsible for informing us of any confidentiality provisions related to documentation provided to the State Auditor's Office.

We expect to begin our audit in March 2022 and to issue our reports upon completion. Heath Erickson, CPA will be the audit manager and is responsible for supervising the engagement.

Our fee for these services will be at our standard hourly rates plus travel and other out-of-pocket costs. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report or any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Copies of our latest peer review reports may be found online at <https://www.nd.gov/auditor/about-us/peer-review-reports>

We believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,



Heath Erickson, CPA  
Audit Manager  
Division of Local Government Audit

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

#1

FAX  
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

ndsao@nd.gov

C"

**PETITION FOR FINANCIAL AUDIT**

We, the undersigned, being qualified electors request an audit authorized by North Dakota Century Code 54-10-15. The state auditor shall audit and review the books, records, and financial accounts of \_\_\_\_\_, which is a political subdivision enumerated in North Dakota Century Code 54-10-14.

***This audit will be charged to the political subdivision that is the subject of this petition as set forth in North Dakota Century Code 54-10-15.***

**CHIEF PETITIONER**

The following is the name and address of the qualified elector of the political subdivision who, as the chief petitioner for the petitioners, represents and acts for the petitioners in accordance with law:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_, ND Zip: \_\_\_\_\_

Contact #: \_\_\_\_\_

Contact Email: \_\_\_\_\_

**Top three (3) major concerns**

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

**BEFORE COLLECTING SIGNATURES, PLEASE FILL OUT THE ABOVE INFORMATION AND  
E-MAIL OR MAIL TO THE STATE AUDITOR'S OFFICE AT:**

#2

**Mail:** NDSAO  
600 E. Blvd. Ave. Dept. 117  
Bismarck, ND 58505

**Email:** NDSAO@ND.GOV

The State Auditor's Office will notify you at the above contact information provided, that the petition has been approved and can be circulated for signatures. Do not start collecting signatures until our office has let you know approval status.

**INSTRUCTIONS FOR PETITION**

**HOW TO CIRCULATE:** Each individual Petition must be circulated in its entirety with the completed information shown above and must be made available to each signer at the time of signing. Each person collecting signatures shall sign and have his or her signature on the petition notarized affirming that the signatures are of qualified electors.

Only qualified electors of the political subdivision may sign the petition. In addition to signing and printing the person's name, petition signers shall include: the date of signing; their complete residential address to include the name of the North Dakota city and its corresponding ZIP code.

For a petition to be sufficient, it must contain signatures from at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election.

Incomplete information provided by petition signers will invalidate such signatures.

**WHO FILES:** The Petition must be submitted by the chief petitioner to the State Auditor before the petitions are circulated and after signatures have been gathered.

**WHEN TO FILE:** 180 days from the approval of the petition for circulation by the State Auditor's Office.

**ASSISTANCE:** Questions regarding the Petition may be directed to the State Auditor's office at (701) 328-2241.

#3

We, the undersigned, being qualified electors request an audit authorized by North Dakota Century Code 54-10-15. The state auditor shall audit and review the books, records, and financial accounts of \_\_\_\_\_, which is a political subdivision enumerated in North Dakota Century Code 54-10-14.

**INSTRUCTIONS TO PETITION SIGNERS**

You are being asked to sign a petition. You must be a qualified elector. This means you are eligible to vote in the political subdivision subject to this petition. All signers shall legibly print their name, complete residential address, and the date of signing on the petition. Every qualified elector signing a petition must do so in the presence of the individual circulating the petition.

**QUALIFIED ELECTORS**

Month/Day /Year	<b>PRINTED</b> Name of Qualified Elector	<b>SIGNED</b> Name of Qualified Elector	Residential Address	City, State, ZIP Code
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				

#4

State of North Dakota

County of \_\_\_\_\_  
(County where signed)

I, \_\_\_\_\_, being sworn, say that I am a qualified elector; that I reside at  
(circulator)

\_\_\_\_\_  
(address)

that each signature contained on the attached petition for the state auditor to audit and review the books, records, and financial accounts of \_\_\_\_\_ was executed in my presence; and that to the best of my knowledge and belief each individual whose signature appears on the attached petition is a qualified elector; and that each signature contained on the attached petition is the genuine signature of the individual whose name it purports to be.

\_\_\_\_\_  
(Signature of circulator)

Subscribed and sworn to before me on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, North Dakota  
(city)

(Notary Stamping Device)

\_\_\_\_\_  
(Signature of notarial officer)

11 "D" 11

INVOICE

Please Remit To:

Office of the State Auditor  
600 East Boulevard - Dept. 117  
Bismarck ND 58505-0400  
United States

Page: 1  
Invoice No: SA0000017837  
Invoice Date: 03/22/2022  
Customer Number: 31120  
Payment Terms: Due Immed  
Due Date: 03/22/2022

Bill To:

CITY OF PARSHALL  
Governing Board  
PO BOX 159  
PARSHALL ND 58770

AMOUNT DUE: 12,500.00 USD

Amount Remitted



pd. Ck# 035865  
4-18-2022

For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
1		POLITICAL SUB	Political Sub Audits	1.00	EA	12,500.00	12,500.00
			PROGRESS BILL #1 - YEAR ENDED 2021				

PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!

SUBTOTAL:

12,500.00

TOTAL AMOUNT DUE :

12,500.00

"E"

**INVOICE**

**Please Remit To:**

Office of the State Auditor  
600 East Boulevard - Dept. 117  
Bismarck ND 58505-0400  
United States

Page: 1  
Invoice No: SA0000017969  
Invoice Date: 05/20/2022  
Customer Number: 31120  
Payment Terms: Due Immed  
Due Date: 05/20/2022

**Bill To:**

CITY OF PARSHALL  
Governing Board  
PO BOX 159  
PARSHALL ND 58770

AMOUNT DUE: 26,750.00 USD

**PAST DUE**

Amount Remitted



For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
1		POLITICAL SUB	Political Sub Audits	1.00	EA	26,750.00	26,750.00
			FINAL BILL - YEAR ENDED 2021				

PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!

**SUBTOTAL:** 26,750.00

**TOTAL AMOUNT DUE :** 26,750.00

"F"

## Parshall audit reveals delayed financial statements

by: [Brendan Rodenberg](#)

Posted: May 27, 2022 / 12:35 PM CDT

Updated: May 27, 2022 / 02:55 PM CDT

### SHARE

## Parshall audit reveals delayed financial statements

The North Dakota State Auditor's Office recently finished its audit on the City of Parshall.

In February, the office received a citizen petition request to look at the city's books. Under state law, the auditor's office can be called to audit or review a political subdivision if enough qualified voters of that entity request the audit. In Parshall's case, the petition required 50 valid signatures to obtain the audit or review.

The Auditor's Office found one main issue: concerns regarding the city's failure to properly file and void checks at an appropriate time.

The office noted such a failure makes accurately reporting the city's finances extremely difficult, which could potentially cause the finances to be misrepresented.

### **State Auditor take to Parshall after citizen petition**

The auditor requested Parshall begin to void their checks in a more timely manner in the general ledger, in order to ensure reporting of cash and expenses is done as quickly and as accurately as possible.

Normally, state audits occur once a year, but special audits can take place when requested by citizens through petitions requesting the State Auditor's office to perform an in-depth audit of a city or other government entity outside of the designated times. In this case, a successful citizen petition effort was what led to Parshall's audit.



STATE OF NORTH DAKOTA  
 OFFICE OF ATTORNEY GENERAL  
 www.attorneygeneral.nd.gov  
 (701) 328-2210

"G"

Drew H. Wrigley  
 ATTORNEY GENERAL

December 2, 2022

Mr. William E. Woods Jr.  
 City of Parshall  
 Box 159  
 Parshall, ND 58770-0159

Dear Mr. Woods,

In June you requested an opinion from this office regarding issues surrounding an audit conducted by the North Dakota State Auditor's office. The audit was done pursuant to a petition as set forth in N.D.C.C. § 54-10-15(1). You take issue with whether the circulator witnessed the people signing the petition. You ask what agency is responsible for verifying the contents of a petition. The petition is filed with the State Auditor, so it is the office that has the responsibility to judge whether any filed petition meets the requirements of the statute. The statute, however, is silent regarding whether a circulator must witness the signatures. The only requirement set out in the statute is that the petition is signed by at least thirty-five percent of the electors of any political subdivision. . .for office of governor.<sup>1</sup> The responsibility to verify that requirement is with the Auditor's Office.

You also dispute the bill received by the State Auditor. The law allows the State Auditor to charge an amount equal to the fair value of the audit. This office cannot issue an opinion resolving factual issues.<sup>2</sup> Therefore, we cannot determine whether the auditor's bill represents the fair market value of an audit. As we discussed previously, concerns about the authority of the State Auditor should be addressed with your legislative representative. If you take issue with the audit amount, you should contact the State Auditor to come to a resolution regarding the amount owed.

Sincerely,

Mary Kae Kelsch  
 Assistant Attorney General

<sup>1</sup> N.D.C.C. § 54-10-15(1).

<sup>2</sup> N.D.A.G. 2004-L-49; N.D.A.G. 2002-F-07; N.D.A.G. 94-L-327.

"H" #1

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

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701-328-2345

www.nd.gov/auditor

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OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

ndsco@nd.gov

## GOVERNANCE COMMUNICATION

May 23, 2022

Board of City Councilmembers  
City of Parshall  
Parshall, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parshall, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 7, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Parshall are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City of Parshall during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#2

**CITY OF PARSHALL**  
Governance Communication - Continued

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule lists all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

	<u>Client Provided Adjustments</u>		<u>Audit Adjustments</u>		<u>Total Adjustment</u>	
	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>	<u>Debit</u>	<u>Credit</u>
<b>Governmental Activities</b>						
<u>To record net position PPA</u>						
Capital Assets, Net	-	-	2,061,023	-	2,061,023	-
Cash	6,958	-	-	-	6,958.00	-
Net Position - Jan 1	-	6,958	-	2,061,023	-	2,067,981
<u>To record depreciation expense</u>						
Depreciation Expense	-	-	87,091	-	87,091	-
Accumulated Depreciation	-	-	-	87,091	-	87,091
<u>To record capital asset additions</u>						
Capital Assets	-	-	59,841	-	59,841	-
Expenditures	-	-	-	59,841	-	59,841
<b>General Fund</b>						
<u>To record prior period errors PPA</u>						
Cash	6,958	-	-	-	6,958	-
Fund Balance - Jan 1	-	6,958	-	-	-	6,958
<u>To record voids</u>						
Cash	-	-	9,298	-	9,298	-
Expenditures	-	-	-	9,298	-	9,298
<u>To record change in due from other funds</u>						
Cash	-	-	114,682	-	114,682	-
Due from other funds	-	-	-	114,682	-	114,682
<b>Special Revenue Fund</b>						
<u>To record voids</u>						
Cash	-	-	2,369	-	2,369	-
Expenditures	-	-	-	2,369	-	2,369
<b>Business Type Activities</b>						
<u>To record capital asset PPA</u>						
Capital Assets, Net	117,313	-	-	-	117,313	-
Net Position - Jan 1	-	117,313	-	-	-	117,313
<u>To record change in due to other funds</u>						
Due to Other Funds	-	-	114,682	-	114,682	-
Net Position - Unrestricted	-	-	-	114,682	-	114,682
<b>Water Fund</b>						
<u>To record voids</u>						
Cash	-	-	114,682	-	114,682	-
Expenditures	-	-	-	114,682	-	114,682
<u>To record capital asset PPA</u>						
Capital Assets, Net	117,313	-	-	-	117,313	-
Net Position - Jan 1	-	117,313	-	-	-	117,313
<b>Fiduciary Activities</b>						
<u>To record custodial funds PPA</u>						
Cash	72,059	-	-	-	72,059	-
Net Position - Jan 1	-	72,059	-	-	-	72,059
<b>Component Unit - Airport</b>						
<u>To record Airport PPA</u>						
Net Position - Jan 1	-	-	1,481,164	-	1,481,164	-
Capital Assets	-	-	-	1,198,372	-	1,198,372
Cash	-	-	-	282,792	-	282,792

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 23, 2022.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We were engaged to report on *budgetary comparison schedules, and notes to the supplementary information*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the use of the City Commissioners and management of City of Parshall, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of City of Parshall for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve City of Parshall.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 23, 2022

#4

**CITY OF PARSHALL**

Schedule of Audit Findings

For the Year Ended December 31, 2021

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**2021-001    SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

The City Auditor is responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

**Effect**

The lack of segregation of duties increases the risk of material misstatement to the City of Parshall's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of the City of Parshall.

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the city.

**Prior Recommendation**

Yes

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and bank reconciliations.
- Include the board in reviewing credit memos, manual adjustments, etc.

**City of Parshall's Response**

The City is aware of the condition and segregates duties whenever possible. The City agrees with the findings.

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-002 LACK OF SUPPORTING DOCUMENTATION FOR BUDGET ESTIMATES – MATERIAL NONCOMPLIANCE**

**Condition**

The City of Parshall did not maintain supporting documentation for year-end cash, transfers, and revenues for the 2021 General Fund and Special Revenue Fund budgets.

**Effect**

The estimates for year-end cash, transfers, and revenues are key components in the tax levy calculation in any budget year. Thus, the City of Parshall may have improperly calculated the tax levies for the general fund and special revenue fund.

**Cause**

The City of Parshall did not maintain supporting documentation for the estimates included in the budgets.

**Criteria**

N.D.C.C. §57-15-31(1) states, “The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03.”

**Prior Recommendation**

No

**Recommendation**

We recommend the City of Parshall ensure its compliance with all aspects of N.D.C.C. §57-15-31(1). We further recommend the City of Parshall review budgeted estimates carefully to ensure supporting documentation exists to support the estimated amounts used in the preliminary and final budgets prior to approval.

**City of Parshall’s Response**

The City agrees with the findings. City will create a worksheet to define A-F for year-end closeout.

#6

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-003 CAPITAL ASSET MAINTENANCE– MATERIAL WEAKNESS**

**Condition**

During testing, it was found that street improvement projects in the amount of \$2,061,023 were not included in the 2021 capital asset listing. A prior period adjustment to the financial statements was proposed and accepted by the City of Parshall.

**Effect**

The financial statements may have been materially misstated if the capital assets had not been adjusted during the audit.

**Cause**

The City of Parshall's management does not have sufficient procedures in place to ensure the capital asset listing used to compile the financial statements is accurate and free of material misstatement.

**Criteria**

The City of Parshall is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No

**Recommendation**

We recommend the City of Parshall review the capital asset additions and deletions list at the end of the year to ensure that the capital asset listing is accurate and free of material misstatement.

**City of Parshall's Response**

The Capital assets would be updated when the annual audit by an independent firm would have been completed in February 2022, as this project was completed last year. City Agrees with findings.

#7

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-004 MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

The City of Parshall included expenditures in the amount of \$126,349 in its general ledger that were voided after the last audit period. Adjustments to the general ledger were proposed and accepted by the City of Parshall.

**Effect**

The financial statements may have been materially misstated if adjustments have not been made for voided checks in the general ledger.

**Cause**

The City of Parshall's management does not adjust expenditures in the general ledger, for voided checks, in a timely manner.

**Criteria**

The City of Parshall is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No

**Recommendation**

We recommend that the City of Parshall void checks timely in the general ledger to ensure accurate reporting of cash and expenditures in each fund.

**City of Parshall's Response**

The City of Parshall has an independent audit every year, at which time the outstanding checks are voided and reconciled. The City will void checks throughout the year as per recommendation. City Agrees with findings.

**HB1508**

House Political Subdivisions Committee

February 2, 2023

David Krebsbach, Vice Chancellor for Administrative Affairs and CFO, NDUS  
701.328.4116 | david.krebsbach@ndus.edu

Chair Longmuir and members of the House Political Subdivisions Committee. My name is David Krebsbach, and I serve as the Vice Chancellor for Administrative Affairs & Chief Financial Officer of the North Dakota University System (NDUS). I am here today on behalf of the NDUS and its eleven institutions to testify in support of HB1508.

The North Dakota University System (NDUS) recently reviewed the systemwide audit fees charged to each institution by the State Auditor's Office (SAO) over the last several fiscal years (FY) and the funding sources used by each institution to pay for the audit fees. Non-general fund sources available to the institutions include federal funds and other funds, which are derived from tuition paid by students & their families. These non-general fund dollars are considered "other funds" in each institution's appropriation and are a part of the non-general funds used to calculate audit fees per NDCC 54-10-01.

Federal funds are generally not ongoing, open-ended funding sources. In many cases the administrative limits are fully expended and finalized with the federal awarding agency prior to SAO audits being conducted. Therefore, institutions are unable to charge the prorated audit fees back to federal grants. As a result, 100% of the audit fees are being paid with tuition dollars provided by students who attend the institution.

Audit billings to the System Office and Core Technology Services (CTS) include charges for contracted IT audit services as well as the billings calculated using other fund appropriations. These other funds in the CTS budget consist of mandatory fees charged to students. Other funds in the System Office are comprised of shared services initiated in the System Office and billed back to the

institutions on a pro-rata basis. Institutions indicate that tuition dollars are used to pay for these shared services.

While it is within the statute for the SAO to bill NDUS institutions and entities, the practice raises tuition rates paid by students who attend the institutions. The following table shows audit fees paid to the SAO by NDUS institutions and entities for FY2018 through FY2023:

NDUS Entity	FY18	FY19	FY20	FY21	FY22	FY23	Grand Total
BSC	\$10,098	\$19,784	\$13,289	\$ 35,857	\$ 9,987		\$ 89,015
CTS				286,335	5,499		291,835
DCB	988	12,987	6,553	6,576	22,919		50,024
DSU	9,807	11,698	10,902	22,634	5,127		60,167
LRSC	1,342	14,014	17,418	7,435	3,354	\$15,539	59,102
MaSU	1,970	15,750	3,788	25,956	5,112	28,471	81,047
MiSU	12,060	16,799	14,998	14,590	25,198		83,646
NDSCS	11,388	20,963	7,322	29,516	9,902	17,422	96,513
NDSU	37,213	86,481	102,093	171,190	145,170		542,147
NDUSO	1,071	1,073	10,599	6,712			19,455
UND	43,203	90,744	67,193	201,655	124,733	17,380	544,908
VCSU	7,874	10,631	20,453	8,135	5,452		52,545
WSC	1,249	13,814	17,289	5,609	20,836		58,797
<b>Grand Total</b>	<b>\$138,263</b>	<b>\$314,739</b>	<b>\$291,897</b>	<b>\$ 822,200</b>	<b>\$383,289</b>	<b>\$78,812</b>	<b>\$2,029,200</b>

It is our understanding that higher education audit fees are currently being transferred back to the State's general fund because the SAO general fund appropriation covers operational costs.

**Section 1** of the bill (page 3 lines 25-27) would eliminate SAO audit fees being charged to the higher education institutions and entities, such as CTS and the System Office, thereby reducing expenses that must be paid with students' tuition dollars. **Section 4** would refund institutions for audit fees paid during the current biennium. As of today, this equates to \$462,101 in savings for ND higher education students and the institutions they attend.

This concludes my testimony. I will stand for questions from Committee members.



# North Dakota House of Representatives

STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360

#18906



## Representative Emily O'Brien

District 42  
5021 West Elm Court  
Grand Forks, ND 58203-0606  
[eobrien@ndlegis.gov](mailto:eobrien@ndlegis.gov)

**COMMITTEES:**  
Appropriations

February 2, 2023

### House Bill 1508

#### House Political Subdivisions, Chairman Don Longmuir

Chairman Longmuir and members of the Political Subdivisions:

I am Representative Emily O'Brien, from District 42, in Grand Forks, North Dakota.

I served as the Vice Chair for Legislative Audit and Fiscal Review Committee. It was brought to my attention several times from many individuals their concerns about their audit fees being charged by the State Auditors Office.

Hence why I have introduced HB 1508. Before I go through the bill – I want to go through several situations that I have discovered. Many did not want to come forward with concerns of retaliation, so I did random samplings of the audit fees that the State Auditors Office provided to the Legislative Council. That will be discussed later in my testimony.

#### **CONCERN 1**

Press Releases –

On Tuesday, August 16, 2022 at 3:34 PM the Legislative Audit and Fiscal Review Committee and a handful of other individuals and agency heads received an email regarding the Department of Human Services' final audit report. On the State Auditor's Office Website – there is a News Release, with the time stamp 4:08 PM "State Auditor's Office Holding Press Conference On Department of Human Services Audit Results". In my opinion, I do not believe 34 minutes is a sufficient amount of time for any individual to respond to audit findings. There are several other instances – you can find those on the State Auditor's Office Website.

**CONCERN 2**

Some North Dakota Counties are delinquent in Audits due to backlog with independent audits. The State Auditor's Office has rejected audits from one company; in addition, the State Auditor's Office is no longer accepting audits by one company that conducted audits for 14 counties. These counties then have to pay for the rejected independent audits and then pay again for another audit to be in compliance.

In 2021, 27 school districts received notifications from the State Auditor's Office regarding audits being conducted by auditor Harold Rotunda, which were being rejected due to required work paper documentation not being submitted by Rotunda. The Auditor questioned the methodology of former school auditor Harold Rotunda and then advised these school districts not to pay the fees to Mr. Rotunda for both audits. Unfortunately, Mr. Rotunda was not able to tell his side of the story in this article. In previous years, the audit reports accepted by the State Auditor's Office were conducted by Mr. Rotunda. The State Auditor's Office has continuously stated in testimony the need for more auditors across the entire state. Last biennium, we appropriated 7 or 8 FTEs for the auditor's office. In this session, he is requesting 20 FTEs. I am concerned if we have a private industry willing to aid in conducting the audits – why are we rejecting them, advising agencies not to pay, and putting these entities in delinquent status for not having the audits completed?

Please see the attachment of all of the audits accepted by the Auditor's Office and completed by Mr. Rotunda. I could not reach Mr. Rotunda to be here to tell his side of the story – I saw that his office is now closed. I hope that it is not due to not being paid for the audits he performed that were rejected by the auditor's office.

**CONCERN 3**

The City of Parshall was audited by the State Auditor's Office for reviewing a Petition. I am going to read the information that I received from the City of Parshall Attorney.

We have paid a partial sum of the total billing from the State Auditor's Office. We believe that, based upon NDCC provisions, the Auditor's fees are not valid.

SEE:

**54-10-14.** Political subdivisions - Audits - Fees - Alternative audits and reports.

**2. The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered.**

The City of Parshall requested an Attorney General's Opinion – on Section 2. Language, but they refused to give an opinion.

The total billing for services, in our opinion, is not in compliance with the statute, as our annual costs for auditor services were a lot less. Private accounting businesses set the fair value.

The City regularly has annual audits performed each year and the State Auditor approves each of these audits. Costs of the audits for the past five years is as follows:

2016 -	\$5,800.00
2017 -	\$9,300.00
2018 -	\$7,000.00
2019 -	\$8,300.00
2020 -	\$8,800.00
TOTAL:	\$39,200.00

We paid the sum of \$12,500.00 to date on the State Auditor's bill. Their bill was \$39,205.00, which is 5 times the sum we have paid for audits they approved each year in the past. This audit found virtually nothing wrong, just a couple of differing interpretations of where money (all totally accounted for) should be recorded and kept. They should have been able to wrap up their audit in no time at all.

We think the audit should have never happened, if Auditor's Office did its due diligence in reviewing the Petition. It was an improperly circulated petition they relied upon, and such did not meet state law, and should have been rejected.

We have told the Auditors office, that we have no intention to pay any additional funds, and they are free to bring suit against our City in District Court.

I have spoken to other cities and school districts, that have had dreadful loss of needed funds, paid toward State Auditor's fees from audits stemming from persons circulating petitions with no basis for the same.

Finally, Why is State Auditor billing anyway? Their department is fully budgeted, the employees are paid from their budget, and isn't this equivocal to double dipping, by charging the citizens of North Dakota basically two times. Once through state funds, once through municipal funds.

I would like to note that the City of Parshall has Rath & Mehrer CPA issue their audit report. As you will see in the State Auditor's Office spreadsheet, they have \$39,250.00 listed for the Audit Fees, but they have only

received \$12,500. Why is there a discrepancy there? Does the chart show what the State Auditor's Office charged? Not what was received?

#### **CONCERN 4**

Morton County:

	<b>MORTON COUNTY AUDIT FEES</b>	
	<b>MORTON COUNTY</b>	<b>STATE AUDITOR</b>
<b>2015</b>	\$19,250.00	
<b>2016</b>	\$19,950.00	
<b>2017</b>	\$20,950.00	
<b>2018</b>	\$22,150.00	\$12,500.00
<b>2019</b>	\$21,650.00	\$13,000.00
<b>2020</b>	\$21,650.00	\$50,000.00
<b>2021</b>	\$22,250.00	\$13,000.00
<b>2022</b>	\$25,450.00	\$19,750.00
	\$173,300.00	\$108,250.00

As you will see in the table – there are several inconsistencies each year. Even if we only compared the data that the Auditor's Office provided for 2018-2022 Morton County's total would be \$113,150 versus the \$108,250.00 the State Auditor's Office provided. I obtained this information from the following resources: on the State Auditor Office's website – they are listed as the issuing entity of Morton Counties Audit. The email provided to me by the Morton County Auditor lists their audit fees. You will find the audit fees provided to Legislative Council by the State Auditor's Office on the large table. I am wondering why the State Auditor's Office that billed this political subdivision is different from what the political subdivision provided.

#### **CONCERN 5**

Looking at the spreadsheet the State Auditor's Office provided to Legislative Council – you will observe audit fees gradually increasing. I have highlighted those for your information.

When reaching out to a random sampling of entities – several stated that they did not know why their audit fees increased and were shocked that they doubled or in some cases tripled, and several stated that they were told it was from COVID/ARPA dollars they received. One example – is I contacted the Wahpeton Airport Authority. Their audit fees were the following:

WAHPETON AIRPORT AUTHORITY	
2015	
2016	
2017	
2018	\$6,250.00
2019	
2020	\$8,450.00
2021	
2022	\$15,750.00

They did not know why their audit fees increased by \$2,200 from 2018 to 2020. They did not know why their audit fees increased by \$7,300 from 2020 to 2022 – they had received \$1.7 million in federal dollars – but did not feel it should result in a significant increase in audit fees.

### **CONCERN 6**

City of Williston – I inquired about the fees they were charged in 2018. This is the information that I received: This was before my time, but the City of Williston entered into a three-year contract with the State 2018 to perform the audit services in. Upon review of the findings, the State auditors reached out to the media to share the findings without our knowledge. Typically, media covers serious fraud charges so we were a very surprised the State even did that.

Additionally, after further discussion and explanation with the auditors, the State retracted some of the findings they shared with the media. However, the media damaged was already done.

When I took the finance director position in 2020, I reached out to them and we both mutually agreed to pull out of the contract and depart ways. We sent a bid out and awarded Brady Martz.

### **CONCERN 7**

I received an email from another Representative in our Chamber with concerns about the Cavalier County Job Development Authority and its audit fees.

Our 2021 audit done in 2022 was \$4,600. I had only budgeted \$2,200. I budgeted that because the previous year we were charged \$1950 and I wanted small cushion in the event of a small increase. Having the audit more than double with NO WARNING and after budgets for the year are already set and approved by the commission is a huge burden on a small budget.

We a small component unit of local government. We should not have that dramatic of a price increase.

Limiting what the state auditors can charge and having that amount based on budget so we can accurately predict the cost is a much needed change that I would support.

When I went to verify their audit fees – they were not listed on the spreadsheet I received from the Auditor's Office. I discussed this with the Representative. He mentioned that it was signed off by the Department of Commerce Audit Fees. I went back to the spreadsheet and again – those numbers do not align with what is listed under the Department of Commerce – why were their audit fees left out of the report?

### **CONCERN 8**

A bill was introduced to address the concerns about the audit fees issued to the Gwinner Rural Fire District and Rural Killdeer Area Ambulance District. That is House Bill 1129. This bill would not have allowed the State Auditor to charge audit fees from a firefighter's relief association, rural fire protection district, or a rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, work papers, or annual reports, or any other services rendered. Additionally, provide a retroactive application to audits conducted after December 31, 2017.

Instead of the bill being heard in this committee, it was announced at 10:30 AM that the hearing would be postponed. Constituents had traveled to come and testify in support of this bill. A few hours later, the rumors were that the Auditor wanted to make a deal and would pay the audit fees back if the sponsor withdrew the bill. We have heard other conversations that this is being taken care of in the Senate – items such as the \$250,000 threshold will be increased to \$2,000,000 to perform audits, changing "shall" audit to "may" audit, audit fees will be paid back to Rural Killdeer Ambulance District and Gwinner Rural Fire District OR only going to charge \$1,000 or so, start an "audit fund" to cover audit fees paid for by the State to Rural Fire Departments and Rural Ambulance Districts, and lastly provide some sort of educational information seminar to comply with audits.

Gwinner stated that they never met their auditor face to face- everything was provided to the assigned auditor via email and through conversations on the phone. Since there is no travel from the auditor based out of Fargo for this specific audit, and total bill of \$17,000 at \$68/hour – this would equal to 250 hours for the Gwinner Rural Fire District. Gwinner Rural Fire District only had 40 checks to review. I am not aware of how many hours individuals from the Gwinner Rural Fire District spent on providing information.

Gwinner Rural Fire District had to borrow money from the bank to do a fundraiser because the State Auditor advised that they needed a separate tax account. The Auditor advised that he would help with how to properly set this up with the Fire Associations – but never followed through.

Gwinner Rural Fire District asked why the Auditor's Office was so compelled to do a press release. They were told by the Auditor that the taxpayers deserve to know where their dollars are being spent.

As mentioned above, Gwinner Rural Fire District received a bill for \$17,000. The bill was reduced to \$11,000. The community, surrounding communities and constituents that Gwinner Rural Fire District serves made several comments that the State Auditors Office should not be profiting off the backs of a volunteer group of individuals. Lastly, Gwinner Rural Fire District heard they would get their money back but have not heard anything since.

### **CONCERN 9**

Rural Killdeer Area Ambulance District

Had a similar situation to the Gwinner Rural Fire District. The Rural Killdeer Area Ambulance District was here in person, on January 12 to come and testify in support of House Bill 1129 to this committee. They were then told that the hearing would not be held – with no other details.

I had several conversations with a representative from the Rural Killdeer Area Ambulance District – they were unaware that the bill was withdrawn. They did not know there was any potential of their audit fees to be reimbursed without HB 1129.

She is here today to tell her side of the story.

I would like to bring up a few of my concerns–

I observed on social media – comments on a Facebook thread that a public citizen from the Killdeer area had received confidential information from an employee of the State Auditor’s Office before the audit was complete. When I inquired more about this, the Rural Killdeer Ambulance District was told that this individual did not have anything to do with their audit and should not have access to the information. The individual from the Rural Killdeer Ambulance District provided me with those documents. I have attached those documents from the Facebook thread and the email the individual from the Auditor’s Office sent to the citizen.

The public citizen, stated in a letter to the KAAS Directors and Dunn County Commission “.... And there is an email attached that he sent yesterday stating the status of the audit. He also told me in a phone call that the audit was being performed due to serious delinquency of reporting by KAAS and that he had been in contact with...”

The email from the employee at the State Auditor’s Office stated, “... it has taken way longer than it ever should have to receive the records from them in order to prepare their financial statements from 2017 thru 2020. Normally, when we request financial records it takes less than a month (from much larger clients) & they have taken almost 7 months.” The email went on to say. “If you or any board member wants to know whether they should get additional money thru an increased mill levy then 1<sup>st</sup> determine how good of a job they’re doing with

the money they're currently receiving. Since the audit isn't completed yet you can't rely on that but what you can do is to ask for the December 31<sup>st</sup>, 2021 bank statement & see if it ties to their 2021 year-end financial reports. If it doesn't, or they can't provide it then you know all that you need to know."

These types of comments can damage any community – large or small. The Rural Killdeer Ambulance District had an employee resign because of the rumors from these emails.

### **CONCERN 10**

Napoleon School District

Napoleon School paid the State Auditor's Office:

<b>NAPOLEON SCHOOL DISTRICT</b>		
	<b>NAPOLEON</b>	<b>STATE AUDITOR</b>
<b>2019</b>	\$29,950.00	
<b>2020</b>		
<b>2021</b>	\$26,500.00	\$20,000.00
<b>2022</b>	\$27,950.00	\$36,450.00
	\$84,400.00	\$56,450.00

Why was the audit in 2022 (1 year audit) roughly the same amount as the audit in 2018 and 2019? Audit in 2020 and 2021 which were both 2 year audits.

You will also observe the discrepancies in the numbers that were provided for the fees.

### **CONCERN 11**

The North Dakota University System reviewed the systemwide audit fees charged to each institution by the State Auditor's Office over the last several fiscal years and the funding sources utilized by each institution to pay for the audit fees. All institutions are using tuition revenues to pay for the audits conducted by the State Auditor's Office.

Currently, if the North Dakota University System Institutions need to use General Fund dollars to pay their audit fees, they must present to the Budget Section to request that the fees be covered by General Fund dollars. In addition, the State Auditor's Office is funded by General Fund dollars.

Higher Education Institutions – for the sake of time. I will allow the North Dakota University System to discuss this more in-depth.

In conclusion, this bill in the current format only allows the State Auditor's Office to charge one-one thousandth of one percent to agencies, boards and political subdivisions. It removes the ability for the office to charge higher education at all and retroactively the Auditor's Office will need to reimburse the Higher Education Institutions back to 2021. This bill will also require each audit performed by the State Auditor to be reviewed and approved by a certified public accountant.

I have had many requests of going away with audit fees for all agencies, boards and political subdivisions. This assembly funds the Auditors Office through General Funds to perform these audits. The fees that are charged to political subdivisions are deposited into the State Auditor Special Fund Operating Account. I would support amending this bill even further.

Thank you Chairman Longmuir and members of the committee.

Sum of Inv Amt			Fiscal Year							
Customer Name	Audit Type	Deposit Account	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Grand Total
BARNES RURAL WATER DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,250.00	15,750.00	14,500.00	12,950.00	13,750.00	72,200.00
BELCOURT PUBLIC SCHOOL DISTRICT #7	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	20,000.00	46,450.00	-	-	66,450.00
BEULAH PUBLIC SCHOOL DISTRICT #27	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	19,650.00	18,950.00	16,000.00	22,950.00	77,550.00
Bismarck State College	ACFR - Financial Audit	General Fund	3,754.00	3,848.00	3,944.00	4,042.00	7,090.00	7,678.00	9,987.37	40,343.37
	Performance Audit	General Fund	5,623.00	-	5,904.00	-	6,199.00	22,400.00	-	40,126.00
	Single Audit - Financial Audit	General Fund	-	25,925.52	-	15,742.42	-	5,778.59	-	47,446.53
BOARD OF EDUCATION OF THE CITY OF FARGO	Financial Audit	State Auditor Special Fund Operating Account	-	-	22,500.00	24,450.00	26,750.00	26,750.00	58,250.00	158,700.00
BOTTINEAU COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	19,950.00	23,650.00	22,950.00	47,750.00	4,000.00	118,300.00
BURKE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	24,950.00	35,500.00	60,450.00
BURLEIGH COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	25,950.00	-	49,450.00	33,200.00	33,000.00	141,600.00
BURLEIGH COUNTY WATER RESOURCE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	6,250.00	6,650.00	7,350.00	9,750.00	-	30,000.00
Career and Technical Education	Performance Audit	General Fund	-	76.00	-	80.00	-	-	603.84	759.84
CASS CO. SOIL CONSERVATION DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	11,750.00	11,750.00	11,500.00	11,500.00	12,750.00	59,250.00
CASS CO. WATER RESOURCE DISTRICTS	Financial Audit	State Auditor Special Fund Operating Account	-	-	22,450.00	25,550.00	25,450.00	26,000.00	31,250.00	130,700.00
CASS COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	22,250.00	42,500.00	41,950.00	38,000.00	144,700.00
CASSELTON PARK DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	7,500.00	7,500.00
CAVALIER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,250.00	21,350.00	22,000.00	21,750.00	39,000.00	122,350.00
Center for Tobacco Prevention & Control	Performance Audit	General Fund	9,338.00	9,805.00	-	-	-	-	-	19,143.00
CITY OF CANDO	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	13,500.00	-	18,250.00	31,750.00
CITY OF DEVILS LAKE	Financial Audit	State Auditor Special Fund Operating Account	-	-	23,450.00	23,650.00	22,650.00	20,950.00	20,500.00	111,200.00
CITY OF HILLSBORO	Financial Audit	State Auditor Special Fund Operating Account	-	-	22,250.00	-	-	15,000.00	14,000.00	51,250.00
CITY OF PARSHALL	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	39,250.00	39,250.00
CITY OF WAHPETON	Financial Audit	State Auditor Special Fund Operating Account	-	-	24,950.00	27,250.00	24,500.00	-	24,500.00	101,200.00
CITY OF WASHBURN	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	29,950.00	-	39,450.00	-	69,400.00
CITY OF WEST FARGO	Financial Audit	State Auditor Special Fund Operating Account	-	-	27,950.00	-	27,500.00	-	-	55,450.00
CITY OF WILLISTON	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	27,000.00	-	-	27,000.00
Comm. on Legal Counsel for Indigents	Performance Audit	General Fund	1,731.00	-	1,817.00	-	-	-	-	3,548.00
Core Technology Services	ACFR - Financial Audit	General Fund	-	-	-	-	4,377.00	4,999.00	5,499.35	14,875.35
Corn Utilization Council	Financial Audit	General Fund	-	3,738.00	-	3,925.00	-	6,700.00	-	14,363.00
Department of Commerce	Performance Audit	General Fund	-	2,193.00	2,303.00	-	2,418.00	-	2,057.85	8,971.85
	Single Audit - Financial Audit	General Fund	-	-	-	-	-	83,412.69	-	83,412.69
DEPARTMENT OF ENVIRONMENTAL QUALITY	Performance Audit	General Fund	-	-	-	-	-	-	7,386.97	7,386.97
Department of Financial Institutions	Performance Audit	General Fund	-	3,932.00	-	4,129.00	-	9,700.00	-	17,761.00
Department of Public Instruction	Performance Audit	General Fund	3,628.00	-	3,810.00	-	-	4,000.00	-	11,438.00
	Single Audit - Financial Audit	General Fund	-	132,710.00	-	155,782.50	-	142,668.64	-	431,161.14
Department of Transportation	Performance Audit	General Fund	-	24,705.00	25,940.00	-	-	27,237.00	-	77,882.00
	Single Audit - Financial Audit	General Fund	-	94,622.50	-	7,666.29	-	94,125.61	-	196,414.40
Dept. of Corrections & Rehabilitation	Performance Audit	General Fund	1,205.00	-	-	1,265.00	-	-	1,356.60	3,826.60
DEVILS LAKE PARK BOARD	Financial Audit	State Auditor Special Fund Operating Account	-	-	6,500.00	7,000.00	15,950.00	8,400.00	-	37,850.00
DEVILS LAKE PSD #1	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,750.00	16,495.00	18,750.00	22,250.00	25,250.00	98,495.00
DICKEY COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	41,250.00	17,500.00	6,000.00	37,250.00	40,450.00	142,450.00
Dickinson State University	ACFR - Financial Audit	General Fund	3,351.00	3,434.00	3,520.00	3,631.00	4,301.00	4,316.00	5,126.64	27,679.64
	Performance Audit	General Fund	5,987.00	-	6,287.00	-	6,601.00	13,100.00	-	31,975.00
	Single Audit - Financial Audit	General Fund	-	10,769.00	-	8,067.03	-	5,217.62	-	24,053.65
DOC-Roughrider Industries	Performance Audit	General Fund	6,862.00	-	-	-	-	-	-	6,862.00
Dry Pea and Lentil Association	Financial Audit	General Fund	-	3,184.00	-	3,343.00	-	6,400.00	-	12,927.00
FOSTER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	10,000.00	27,000.00	37,000.00
GRAND FORKS COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	24,250.00	23,900.00	21,000.00	-	33,450.00	102,600.00
GRANT COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	8,000.00	8,000.00
GREATER RAMSEY WATER DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	8,500.00	18,900.00	-	22,750.00	50,150.00
GRIGGS COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	36,000.00	36,000.00
GWINNER FIRE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	11,000.00	11,000.00
Information Technology Department	Performance Audit	General Fund	-	20,316.00	-	-	21,332.00	-	27,900.00	69,548.00
KILLDEER AREA AMBULANCE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	6,000.00	6,000.00
KINDRED PUBLIC SCHOOL DISTRICT NO. 2	Financial Audit	State Auditor Special Fund Operating Account	-	-	14,250.00	15,200.00	15,250.00	19,250.00	22,950.00	86,900.00
LAKE METIGOSHE REC. SERVICE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	14,350.00	-	14,000.00	28,350.00
LAKE REGION DISTRICT HEALTH UNIT	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,750.00	-	-	12,500.00	26,975.00	55,225.00

Sum of Inv Amt			Fiscal Year							
Customer Name	Audit Type	Deposit Account	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Grand Total
LAKE REGION LAW ENFORCEMENT CENTER Lake Region State College	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	9,750.00	9,650.00	11,500.00	21,950.00	52,850.00
	ACFR - Financial Audit	General Fund	1,277.00	1,309.00	1,342.00	1,376.00	2,718.00	2,856.00	3,353.70	14,231.70
	Performance Audit	General Fund	4,938.00	-	-	5,185.00	14,700.00	-	-	24,823.00
	Single Audit - Financial Audit	General Fund	-	22,772.56	-	7,453.46	-	4,579.29	-	34,805.31
LAMOURE COUNTY LEC BUILDING MAINTENANCE FUND	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,000.00	15,950.00	18,950.00	18,950.00	25,450.00	94,300.00
	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	4,250.00	-	5,200.00	9,450.00
LISBON PUBLIC SCHOOL DISTRICT #19 Mayville State University	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,950.00	-	-	18,200.00	24,650.00	58,800.00
	ACFR - Financial Audit	General Fund	1,875.00	1,922.00	1,970.00	2,019.00	3,788.00	4,130.00	5,111.95	20,815.95
	Performance Audit	General Fund	4,920.00	-	-	5,166.00	17,800.00	-	-	27,886.00
	Single Audit - Financial Audit	General Fund	-	11,811.10	-	8,564.50	-	4,026.05	-	24,401.65
MCHENRY COUNTY MEDINA PUBLIC SCHOOL DISTRICT #3	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	34,250.00	34,250.00
	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	5,000.00	5,000.00
MERCER COUNTY Minot State University	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	74,950.00	74,950.00
	ACFR - Financial Audit	General Fund	6,239.00	6,395.00	6,555.00	6,719.00	9,218.00	9,247.00	10,946.82	55,319.82
	Performance Audit	General Fund	5,243.00	-	5,505.00	-	5,780.00	-	14,251.56	30,779.56
	Single Audit - Financial Audit	General Fund	-	13,878.08	-	10,080.34	-	5,342.87	-	29,301.29
MISU Bottineau	ACFR - Financial Audit	General Fund	941.00	964.00	988.00	1,013.00	1,652.00	2,026.00	2,338.29	9,922.29
	Performance Audit	General Fund	4,446.00	-	-	4,668.00	4,901.00	-	20,581.05	34,596.05
	Single Audit - Financial Audit	General Fund	-	10,067.17	-	7,305.99	-	4,550.49	-	21,923.65
	Financial Audit	State Auditor Special Fund Operating Account	-	-	12,500.00	13,000.00	50,000.00	13,000.00	19,750.00	108,250.00
MORTON COUNTY WRD	Financial Audit	State Auditor Special Fund Operating Account	-	-	10,750.00	-	25,250.00	12,000.00	7,500.00	55,500.00
MOUNTRAIL COUNTY NAPOLEON PSD #2	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	29,000.00	27,250.00	56,250.00
	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	20,000.00	36,450.00	56,450.00
ND Adjutant General	Performance Audit	General Fund	-	472.00	-	495.00	-	-	6,000.00	6,967.00
	Single Audit - Financial Audit	General Fund	-	56,602.50	-	-	-	66,303.89	-	122,906.39
	Performance Audit	General Fund	-	7,294.00	3,830.00	-	4,021.00	-	8,813.31	23,958.31
	Performance Audit	General Fund	-	-	-	-	-	21,800.00	15,483.60	37,283.60
ND Aeronautics Commission	Performance Audit	General Fund	-	5,759.00	-	6,047.00	-	-	16,100.00	27,906.00
ND Ag Experiment Station, NDSU Extension	Performance Audit	General Fund	-	6,573.00	-	6,901.00	-	5,600.00	-	19,074.00
ND Attorney General	Performance Audit	General Fund	4,698.00	4,816.00	4,936.00	5,060.00	5,186.00	16,800.00	16,800.00	58,296.00
ND Barley Council	Performance Audit	General Fund	180.00	-	189.00	-	-	-	-	369.00
ND Beef Commission	Performance Audit	General Fund	-	3,381.00	-	3,550.00	-	6,000.00	-	12,931.00
ND Council on the Arts	Performance Audit	General Fund	6,464.00	-	-	6,787.00	11,500.00	-	-	24,751.00
ND Dairy Promotion Commission	Performance Audit	General Fund	-	972.00	1,021.00	-	25,700.00	-	-	27,693.00
ND Department of Agriculture	Performance Audit	General Fund	-	19,185.00	-	51,552.50	-	-	-	70,737.50
ND Department of Health	Performance Audit	General Fund	-	10,325.00	10,841.00	-	68,900.00	-	-	90,066.00
ND Department of Human Services	Single Audit - Financial Audit	General Fund	-	575,910.00	-	500,458.75	-	494,924.88	-	1,571,293.63
ND Department of Veteran's Affairs	Performance Audit	General Fund	-	3,822.00	-	4,014.00	-	-	-	7,836.00
ND Dry Bean Council	Performance Audit	General Fund	-	2,495.00	-	2,620.00	-	5,600.00	-	10,715.00
ND Forest Service	Performance Audit	General Fund	-	-	-	-	6,400.00	-	7,537.12	13,937.12
ND Game and Fish Department	Performance Audit	General Fund	-	15,187.00	-	15,947.00	-	-	25,800.00	56,934.00
ND Governor's Office	Single Audit - Financial Audit	General Fund	-	50,247.50	-	4,316.94	-	52,143.96	-	106,708.40
	Performance Audit	General Fund	751.00	-	-	-	-	-	-	751.00
ND Highway Patrol	Performance Audit	General Fund	-	11,207.00	-	11,767.00	-	-	2,939.30	25,913.30
ND Historical Society	Single Audit - Financial Audit	General Fund	-	-	-	29,892.50	-	1,915.95	-	31,808.45
	Performance Audit	General Fund	-	2,999.00	-	3,148.00	-	-	-	6,147.00
ND Industrial Commission	Performance Audit	General Fund	-	5,561.00	5,839.00	-	6,131.00	-	14,100.00	31,631.00
ND Insurance Department	Performance Audit	General Fund	-	7,832.00	-	8,224.00	8,635.00	-	21,250.00	45,941.00
ND Judicial Branch	Performance Audit	General Fund	-	137.00	144.00	-	-	-	403.96	684.96
ND Milk Marketing Board	Performance Audit	General Fund	-	2,990.00	-	3,140.00	-	6,000.00	-	12,130.00
ND Mill and Elevator	Financial Audit	General Fund	19,827.00	20,323.00	20,831.00	42,704.00	21,886.00	29,000.00	34,000.00	188,571.00
ND Parks and Recreation Department	Performance Audit	General Fund	-	5,984.00	6,283.00	-	-	6,597.00	-	18,864.00
ND Potato Council	Performance Audit	General Fund	-	5,893.00	-	6,188.00	-	5,600.00	-	17,681.00
ND Racing Commission	Performance Audit	General Fund	-	5,895.00	6,190.00	-	6,499.00	-	5,770.48	24,354.48
ND School for the Blind	Performance Audit	General Fund	-	-	-	-	2,810.00	-	1,484.78	4,294.78
ND School for the Deaf	Performance Audit	General Fund	-	-	-	-	-	-	2,237.12	2,237.12
ND Secretary of State	Performance Audit	General Fund	-	552.00	-	580.00	-	-	-	1,132.00

Customer Name	Audit Type	Deposit Account	Fiscal Year								Grand Total
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022		
ND Securities Department	Performance Audit	General Fund	-	83.00	-	87.00	-	-	-	170.00	
ND Soybean Council	Financial Audit	General Fund	4,727.00	4,846.00	4,967.00	5,091.00	5,218.00	16,800.00	16,800.00	58,449.00	
ND State College of Science	ACFR - Financial Audit	General Fund	5,221.00	5,352.00	5,486.00	5,623.00	7,322.00	7,243.00	9,901.53	46,148.53	
	Performance Audit	General Fund	5,621.00	-	5,902.00	-	16,300.00	-	-	27,823.00	
	Single Audit - Financial Audit	General Fund	-	24,230.69	-	15,340.47	-	5,973.48	-	45,544.64	
ND University System	ACFR - Financial Audit	General Fund	954.00	978.00	1,071.00	1,073.00	5,389.00	6,712.00	9,708.07	25,885.07	
	Performance Audit	General Fund	-	793.00	-	-	833.00	-	-	1,626.00	
	Single Audit - Financial Audit	General Fund	-	1,558.75	-	-	-	-	-	1,558.75	
ND Veteran's Home	Performance Audit	General Fund	7,786.00	-	-	8,176.00	14,000.00	-	-	29,962.00	
ND Wheat Commission	Financial Audit	General Fund	-	4,924.00	-	5,170.00	-	6,700.00	-	16,794.00	
NELSON COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,500.00	-	23,000.00	-	24,500.00	66,000.00	
NELSON/GRIGGS DISTRICT HEALTH UNIT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	13,250.00	-	13,250.00	
North Dakota Ethanol Council	Financial Audit	General Fund	-	4,712.50	-	5,289.00	-	6,000.00	-	16,001.50	
North Dakota State University	ACFR - Financial Audit	General Fund	35,135.00	36,313.00	37,213.00	38,136.00	53,793.00	68,378.00	82,700.26	351,668.26	
	Performance Audit	General Fund	40,647.00	-	-	5,498.00	31,500.00	-	-	77,645.00	
	Single Audit - Financial Audit	General Fund	-	30,972.99	-	42,847.26	-	81,011.51	-	154,831.76	
OBERON PUBLIC SCHOOL DISTRICT NO. 16	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	44,950.00	30,950.00	75,900.00	
Office of Administrative Hearings	Performance Audit	General Fund	-	5,566.00	5,845.00	-	6,137.00	-	7,223.56	24,771.56	
Office of Management and Budget	Performance Audit	General Fund	19,834.00	-	20,826.00	-	29,000.00	-	-	69,660.00	
	Single Audit - Financial Audit	General Fund	-	-	-	-	-	18,314.74	-	18,314.74	
Oilseed Council	Financial Audit	General Fund	-	3,353.00	-	3,521.00	-	6,000.00	-	12,874.00	
PARSHALL PUBLIC SCHOOL DISTRICT #3	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	27,000.00	44,450.00	71,450.00	
PEMBINA COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	18,950.00	18,650.00	18,500.00	31,850.00	87,950.00	
PIERCE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	19,250.00	6,500.00	31,750.00	17,750.00	23,700.00	98,950.00	
Public Service Commission	Performance Audit	General Fund	-	855.00	-	898.00	942.00	-	-	2,695.00	
RAMSEY COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	17,500.00	20,300.00	31,850.00	6,200.00	75,850.00	
RAMSEY COUNTY WRD	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	2,950.00	-	-	5,950.00	8,900.00	
RANSOM COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	16,250.00	18,500.00	7,000.00	19,250.00	29,950.00	90,950.00	
RICHLAND COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	20,000.00	11,000.00	10,950.00	48,700.00	29,950.00	120,600.00	
ROLETTE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,950.00	19,250.00	18,750.00	18,750.00	34,250.00	109,950.00	
SIOUX COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,500.00	21,500.00	-	17,500.00	8,250.00	65,750.00	
SOLEN PUBLIC SCHOOL DISTRICT #3	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	4,250.00	36,500.00	7,500.00	48,250.00	
SOUTHWEST MULTI-COUNTY CORRECTION CTR.	Financial Audit	State Auditor Special Fund Operating Account	-	-	19,500.00	-	12,750.00	-	12,750.00	45,000.00	
STARK COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	21,000.00	39,450.00	24,000.00	26,500.00	30,950.00	141,900.00	
State Seed Department	Financial Audit	General Fund	-	6,861.00	-	7,204.00	-	8,600.00	-	22,665.00	
STEELE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	16,500.00	17,600.00	18,500.00	38,450.00	6,500.00	97,550.00	
STUTSMAN COUNTY	Financial Audit	State Auditor Special Fund Operating Account	300.00	-	24,500.00	49,900.00	24,750.00	24,500.00	30,350.00	154,300.00	
TOWNER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	25,450.00	-	23,500.00	-	38,250.00	87,200.00	
TRAILL COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	13,750.00	14,500.00	16,500.00	13,250.00	29,500.00	87,500.00	
University of North Dakota	ACFR - Financial Audit	General Fund	41,121.00	42,149.00	43,203.00	44,283.00	60,992.00	76,987.00	99,681.02	408,416.02	
	Performance Audit	General Fund	5,624.00	-	-	5,905.00	6,201.00	19,950.00	25,052.19	62,732.19	
	Single Audit - Financial Audit	General Fund	-	83,595.28	-	40,555.65	-	104,717.76	-	228,868.69	
Upper Great Plains Transportation Instit	Performance Audit	General Fund	-	-	-	-	10,400.00	-	10,048.91	20,448.91	
Valley City State University	ACFR - Financial Audit	General Fund	2,407.00	2,560.00	2,644.00	2,707.00	4,153.00	4,841.00	5,451.62	24,763.62	
	Performance Audit	General Fund	4,981.00	-	5,230.00	-	16,300.00	-	-	26,511.00	
	Single Audit - Financial Audit	General Fund	-	10,317.04	-	7,924.12	-	3,294.29	-	21,535.45	
WAHPETON AIRPORT AUTHORITY	Financial Audit	State Auditor Special Fund Operating Account	-	-	6,250.00	-	8,450.00	-	15,750.00	30,450.00	
WALSH COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	31,450.00	25,250.00	33,500.00	23,250.00	113,450.00	
Water Commission	Performance Audit	General Fund	6,022.00	-	6,324.00	-	20,600.00	-	-	32,946.00	
	Single Audit - Financial Audit	General Fund	-	-	-	-	-	15,302.62	-	15,302.62	
WEST FARGO PARK DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	13,500.00	14,950.00	14,750.00	15,250.00	15,500.00	73,950.00	
WEST FARGO PSD #6	Financial Audit	State Auditor Special Fund Operating Account	-	-	20,500.00	22,950.00	-	-	-	43,450.00	
WILLISTON PUBLIC SCHOOL DISTRICT #1	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-	14,450.00	14,450.00	
Williston State College	ACFR - Financial Audit	General Fund	1,189.00	1,219.00	1,249.00	1,281.00	2,789.00	3,058.00	3,583.38	14,368.38	
	Performance Audit	General Fund	5,048.00	-	-	5,300.00	14,500.00	-	-	24,848.00	
	Single Audit - Financial Audit	General Fund	-	9,877.82	-	7,232.62	-	2,550.55	-	19,660.99	
<b>Grand Total</b>			<b>289,895.00</b>	<b>1,521,908.00</b>	<b>955,249.00</b>	<b>1,945,903.34</b>	<b>1,511,312.00</b>	<b>2,680,910.48</b>	<b>2,028,797.20</b>	<b>10,933,975.02</b>	

## O'Brien, Emily

---

**From:** Dawn Rhone <Dawn.Rhone@mortonnd.org>  
**Sent:** Friday, January 27, 2023 3:22 PM  
**To:** O'Brien, Emily  
**Subject:** RE: Audit Fees Inquiry

Hi Emily

Here is the information you requested. We have just had fiscal audits.

2022	25,450
2021	22,250
2020	21,650
2019	21,650
2018	22,150
2017	20,950
2016	19,950
2015	19,250



**DAWN R. RHONE, CPA**

MORTON COUNTY AUDITOR

📍 210 2nd Ave NW, Mandan, ND 58554

✉️ dawn.rhone@mortonnd.org

📞 701.667.3300

🌐 www.mortonnd.org

---

**From:** O'Brien, Emily <eobrien@ndlegis.gov>  
**Sent:** Thursday, January 26, 2023 9:07 AM  
**To:** Dawn Rhone <Dawn.Rhone@mortonnd.org>  
**Subject:** Audit Fees Inquiry

Hi Dawn,

This is Representative Emily O'Brien from Grand Forks; I am wondering if you could help provide me with some information on the audit fees charged to Morton County by the State Auditor's Office for audits that have been performed. I am looking for any audit fees charged between 2015-2023 and what type of audit was performed – fiscal or performance audit. Is this something that you could help me with? Or point me in the direction of the appropriate individual with this information.

Thanks so much!

Emily O'Brien

Representative Emily O'Brien



# COPY

## City of Parshall

Box 159, Parshall, ND 58770-0159  
Telephone 862-3459

<b>MAYOR</b> Kyle Christianson	<b>ALDERMEN</b> Robert Morenski Tom Huus Katherine Moreno Bernie Jorgenson
<b>AUDITOR</b> Kelly Woessner	

June 10, 2022

Drew Wrigley  
Attorney General  
600 E. Boulevard Ave.  
Bismarck, ND 58505

RECEIVED  
JUN 15 2022

OFFICE OF  
ATTORNEY GENERAL

RE: Attorney General's Opinion – Auditor Fees

The City Council in and for the City of Parshall was informed that the total costs for an audit from the Office of the State Auditor would total \$39,205.00. The audit was conducted pursuant to provisions in NDCC 54-10. The audit stemmed from a Petition submitted as follows:

**54-10-15.** Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, **upon petition**, or upon request of the state court administrator.

A review of the century code sets a threshold of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election.

**Issue One** – The City has good cause to believe that the Petition was not properly circulated, and the Petition should not have been acted upon. It is requested that your office give an opinion as to how a Petition under 54-10-15 is reviewed upon submission, which agency is responsible for verifying the contents of such Petition, and whether the circulator actually witnessed the signing of the same.

**Issue Two.** Upon reading the statute it is clear that the costs of the audit are to comply with the following provision:

**54-10-14.** Political subdivisions - Audits - Fees - Alternative audits and reports.

**2. The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered.**

The total billing for services is not in compliance with the statute.

The City regularly has annual audits performed each year and the State Auditor approves each audit. Costs of the audits for the past five years is as follows:

2016 - \$5,800.00

2017 - \$9,300.00

2018 - \$7,000.00

2019 - \$8,300.00

2020 - \$8,800.00

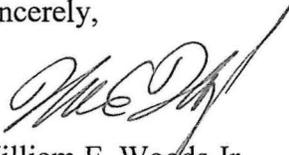
TOTAL: \$39,200.00

As you can see this audit cost by the State Auditor is as much as the total five previous years combined.

It should be noted that the City fully complied with all books and records requested, and city officials were complimented by the State Auditor's representatives for being so swift in turning over records. That no significant irregularity in handling funds nor embezzlement found, justifying increased costs.

The City would like an opinion on the consequences of the State Auditor having duly failed to follow 54-10-14, as it failed to charge an amount equal to fair value of said services.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Woods Jr.', with a long, sweeping flourish extending upwards and to the right.

William E. Woods Jr.  
City Attorney



### Comment



**Farra Meeker**

**Timothy Drake** the information is relatively easy to find on a web search. They pay a bookkeeper and a CPA, shouldn't they know what the financial requirements are? Accountability 101.



3d Like Reply Message 1 Hide



**Farra Meeker**

**Timothy Drake** additionally, I'm not too concerned about the other ambulance services in this position. My tax dollars don't go there.

3d Like Reply Message Hide



**Timothy Drake**

**Farra Meeker** Do you know when the taxing district was established? I don't, but that certainly should have been discussed as a requirement of the taxing district.

They absolutely are accountable, you're right. It appears they are taking the steps to rectify their mistakes and provide the taxpayers with appropriate information and ensure they're

Write a reply...



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Notifications



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## Comment



**Timothy Drake**

**Farra Meeker** Right or wrong, KAAS is certainly not the only rural ambulance district in this position. If you look at the state auditor's data, they are missing ambulance districts and a few are delinquent. I wouldn't attribute this to malice just yet.

There has historically been no guidance issued. There is no law specifically within the rural ambulance district statutes, only in state auditor statutes, which can certainly confuse a new board member (of which there is no required training!).

The state EMS association certainly hasn't helped in disseminating this information either, even though the last changes to the law were tracked.

I would certainly hope that now that the board is aware of their responsibilities, they will retain their third party firm to perform audits and submit those audits as required to the State Auditor's office.

Write a reply...



Home



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Notifications



Menu



August 7  
18:29

Edit

LIKE REPLY



**Hollie Megan Kuntz**

**Farra Meeker** I am just saying their are 2 sides to this and the truth I am sure is somewhere in between them. I will call the state auditor on Monday, but most businesses have to do an audit every year.

1h Like Reply



**Farra Meeker**

**Hollie Megan Kuntz** I think you need to reread the post. They have NEVER SUBMITTED THEIR FINANCIALS.

1h Like Reply



**Beth Gaugler**

**Erika Leigh** a third party should count the votes also!

15m Like Reply



**Farra Meeker**

**Beth Gaugler** ABSOLUTELY!

14m Like Reply



**Erika Leigh**

**Farra Meeker** who did they not submit their financials to? The county?



8m Like Reply



Write a reply...





August 7  
18:29

Edit

Like

Comment

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**Beth Gaugler**

5h ·



**Farra Meeker**

6h ·

When voting on Tuesday for the mill levy for the Killdeer Area Ambulance, keep in mind they are in the middle of an audit. They did not submit their financials from 2017-current as they should have been as their revenue exceeded \$750k. Why have this special vote now when the audit has not been completed? Wouldn't it make sense to see the results of this audit before more taxpayer monies are allotted? Additionally, this is NOT an audit that every ambulance and fire department is required to do as was stated in another post. That simply is not true.

Edited to add: It is my understanding that the ambulance board counts the votes for this special mill levy vote. Does that make any sense?

RS Tim and 8 others

12 comments

Like

Comment

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August 7  
17:35

Edit

financial report (if approved) or an independent audit. They have never submitted anything. They were prompted to do this audit because of that. You are welcome to call the ND State Auditor office and speak to Dan Cox. The public has been misled.

2h Like Reply

3



**Erika Leigh**

**Amy Woodbury Cook** we (Killdeer Mountain Mfg) have to do a third party financial audit and a third party 401k audit every year

1h Like Reply

2



**Hollie Megan Kuntz**

**Farra Meeker** I am just saying their are 2 sides to this and the truth I am sure is somewhere in between them. I will call the state auditor on Monday, but most businesses have to do an audit every year.

30m Like Reply



**Farra Meeker**

**Hollie Megan Kuntz** I think you need to reread the post. They have NEVER SUBMITTED THEIR FINANCIALS.

26m Like Reply



Write a reply...





August 7  
17:35

Edit



**Farra Meeker**

**Hollie Megan Kuntz** no, that isn't completely true. If the revenue exceeds \$750k they are to submit their financials. They have NEVER SUBMITTED. They are to furnish EITHER an annual financial report (if approved) or an independent audit. They have never submitted anything. They were prompted to do this audit because of that. You are welcome to call the ND State Auditor office and speak to Dan Cox. The public has been misled.

2h Like Reply

3



**Erika Leigh**

**Amy Woodbury Cook** we (Killdeer Mountain Mfg) have to do a third party financial audit and a third party 401k audit every year

1h Like Reply

2



**Hollie Megan Kuntz**

**Farra Meeker** I am just saying their are 2 sides to this and the truth I am sure is somewhere in between them. I will call the state auditor on Monday, but most businesses have to do an audit every year.

30m Like Reply





RS Tim and 5 others

Most relevant



**Travis Bateman**

Yeah, major issues with the management there on money. They came to the McKenzie County Commission and got a big chunk too and claimed alot of calls in the Grassy Butte area. Something isn't adding up....

2h Like Reply

1



**Ann Williams Hafner**

[Travis Bateman](#) Ambulance service areas are assigned by the ND Dept of Health based on what service can respond to a given area first. Killdeer Ambulance was assigned parts of McKenzie and Billings Counties by the state of ND. To keep the taxpayers from bearing the burden of their service covering other counties, the century code allows services to request support from the other townships that they provide service to.

The only calls that Killdeer Ambulance claims are only the ones in their assigned service area, a portion of which is near Grassy Butte.

Just now Like Reply





August 7  
17:10

Edit

every single year, then why have they not submitted their financials From 2017- current? That makes no sense. No organization gets audited every year.

2h Like Reply

2



**Farra Meeker**

**Hollie Megan Kuntz** no, that isn't completely true. If the revenue exceeds \$750k they are to submit their financials. They have NEVER SUBMITTED. They are to furnish EITHER an annual financial report (if approved) or an independent audit. They have never submitted anything. They were prompted to do this audit because of that. You are welcome to call the ND State Auditor office and speak to Dan Cox. The public has been misled.

1h Like Reply

3



**Erika Leigh**

**Amy Woodbury Cook** we (Killdeer Mountain Mfg) have to do a third party financial audit and a third party 401k audit every year

1h Like Reply

2



Write a reply...





August 6  
18:52

Edit

Posted by Ann Williams Hatner  
4h ·

See insights and ads

Boost post



Like



Comment



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16

6 Shares

Most relevant



**Farra Meeker**

Can the taxpayers get an explanation as to why the KAAS financial statements/reports haven't been reported to the state since 2017 and prior as they should be as their financials exceed \$750k? I think the taxpayers have been terribly misled regarding this audit. The taxpayers might consider this mill levy if they felt confident that monies have been being used appropriately during that time. Transparency and truth would go a long ways here.

1h

Like

Reply

Message

Hide

1



Write a reply...

Most relevant is selected, so some comments may have been filtered out.



August 6  
14:59

Edit

**Posts** **Photos****Candyce Kleemann**1d · 

There will be a special election held Tuesday, August 9th at the Killdeer Ambulance building. The Killdeer Area Ambulance Service (KAAS) is requesting this special election to vote on a 5 mill increase to their tax income. In 2021, they received \$282,252 from their present 5.11 mill levy (based upon your taxable evaluation). If this passes, they will approximately double their tax income (receive an additional \$280,000). They completed their first step of an audit with the ND State Auditor. The audit has one final stage to determine if there are discrepancies in their financials which should be completed this fall. Please go out and vote. Eligible voters are those in the Killdeer Ambulance District. There are other ways to fund this request without raising our taxes. Please share this message.

 4

9 shares

 Like Share



July 30  
16:10

Edit

Comments

Done



**NM J Spethman**  
I agree 100% ~Nikki

16h Like Reply

2



**Anita Recksiek Mjolhus**  
Thank you, Eric! I also agree with your assessment.

14h Like Reply

2



**Julie Karey**  
Also the ambulance is under an audit with the state. The state came to them in the first quarter but they haven't produced the necessary paperwork for them so it's been pushed back to the fourth quarter. Why not wait until that has been completed or at the very least why a special election? Put it on the November ballot.

6h Like Reply

2



**DeAnn Zander**  
As a small business owner in this community, yes, we are one of the highest taxed in the state. We "do not" need another tax increase.

6h Like Reply

2



**Julie Karey**  
And either way it ultimately comes from our pockets! Why doesn't the ambulance live



FW: KAAS Audit

From: Tracey Dolezal (tracey.dolezal@dunncountynd.org)

To: mahafner@ymail.com

Date: Friday, October 14, 2022 at 03:17 PM MDT

**From:** Tracey Dolezal  
**Sent:** Thursday, August 4, 2022 11:16 AM  
**To:** candycekleemann <candycekleemann@gmail.com>  
**Cc:** 'Julie Karey (mjez@ndsupernet.com)' <mjez@ndsupernet.com>  
**Subject:** KAAS Audit

Good Morning,

I want to clarify something in the letter you are sending out regarding a quote from me. This is the reference for the statement I made in the email to a resident:

**NDCC 54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

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

We agreed with the state auditor's office to engage them, to conduct the required audit, because they would start right away and the fact that we hadn't done one prior,

I think your statement that I said, "the audit was for their use, not a state audit", was taken entirely out of context. If you look at the email, **I did not say it was for our use, I said they are doing it for us.** There is an obvious difference in context to what was implied.

Tracey



0225\_001.pdf  
105.9kB

Subject **RE: Killdeer Area Ambulance Audit**  
From Cox, Daniel D. <dcox@nd.gov>  
To cackleman@ndsupernet.com <cackleman@ndsupernet.com>  
Date 2022-08-02 3:39 pm  
Candyce ~

*The actual audit takes place in two parts: 1) prepare the financial statements & get them to balance; & 2) review the records (support documentation like invoices & bank stmts) to make sure the numbers are accurate.*

*To date we have just finished part 1 of getting the financial statements prepared & balanced. I can't say anything about that outcome until the completion of the audit but I can tell you that it has taken way longer than it ever should have to receive the records from them in order to prepare their financial statements from 2017 thru 2020. Normally, when we request financial records it takes less than a month (from much larger clients) & they have taken almost 7 months.*

*We will be starting the part 2...the audit portion soon & hopefully those type of records are more readily available.*

*If you or any board member wants to know whether they should get additional money thru an increased mill levy then 1<sup>st</sup> determine how good of a job they're doing with the money they're currently receiving. Since the audit isn't completed yet you can't rely on that but what you can do is to ask for the December 31<sup>st</sup>, 2021 bank statement & see if it ties to their 2021 year end financial reports. If it doesn't or they can't provide it then you know all that you need to know.*

\* Any questions call ~

Dan Cox, CPA  
Quality Assurance Audit Manager  
ND State Auditor's Office  
(701) 328-2745

August 3, 2022

KAAS Directors and Dunn County Commission:

→ I am writing this because of some false information that has surfaced since the discussions about the KAAS special election have developed.

First, the audit that the KAAS is going through has been brought up. The following email was sent to a resident by Tracey Dolezal stating the audit was for their use, not a "state audit". This is not true. I talked to another director about the audit and he also did not seem to feel there was any cause for concern. Josh Edwards posted that all ambulances and fire districts were being audited by the state as per Century Code. That is partially true. Once a department hits a specific threshold of operating dollars they are REQUIRED to furnish the ND State Auditor with either an annual financial report (if approved to do so), or furnish an independent audit every two years. This has not been done by KAAS.

A couple years ago, Bob was presented with several complaints from several people about concerns with KAAS. Because several were personnel complaints, they were difficult to verify. However, several dealt with financial concerns so he called the ND State Auditor's office to see if the financial reports turned in showed any discrepancies. At that time we were told the Service had NEVER turned in any reports. Because of this we were informed there would be a state audit as soon as the schedule allowed it. That audit started about 7 months ago and is indeed an audit of KAAS finances by the state. The contact is Dan Cox and there is an email attached that he sent yesterday stating the status of the audit. He also told me in a phone call that the audit was being performed due to serious delinquency of reporting by KAAS and that he had been in contact with Tracey and Josh.

Amedic

It troubles me that directors and the financial contact at KAAS seem to think this is not an audit by the State because of their failure to report. I am not sure where they got that idea and if necessary I was told we could request the letter from the State that initiated the audit to show it was state led, however, KAAS has that letter.

Attached is the partial printout of the list of Planned Audits for the State which includes the KAAS listing showing it is a "state audit". Also attached is the email I received from Dan Cox on the status of the audit.

I followed up on this because I feel there is miscommunication within the Service and because any entity getting tax money should be following the laws for State reporting. A copy of this is being delivered to all ambulance directors so everyone has firsthand knowledge of it, not rumors.

Thank you for your time.

*Candyce Kleemann*  
Candyce Kleemann

STATE AUDITOR  
Joshua C. Gallion

Phone  
(701) 328-2241



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT 117  
BISMARCK, NORTH DAKOTA 58505

January 1, 2023

Ann Hafner  
KAAS Director  
25 High Street  
Killdeer, ND 58640

Dear Ms. Hafner,

On behalf of the North Dakota State Auditor's Office (SAO), I am pleased to present Killdeer Area Ambulance District with our response to the request for auditing services.

The State Auditor's Office takes pride in following the industry's highest auditing standards. These standards include Generally Accepted Auditing Standards (GAAS), as prescribed by the American Institute of Certified Public Accountants (AICPA), and Government Auditing Standards, issued by the Comptroller General of the United States.

If you need to contact to me at any time, please contact me via the information below.

Sincerely,

A handwritten signature in black ink, appearing to read "Heath Erickson".

Heath Erickson, CPA, Audit Manager  
Local Government Division  
701-239-7286  
hmerickson@nd.gov

**Testimony in Support of HB 1508**  
**House Political Subdivisions Committee – February 2, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

Good Morning, Chairman Longmuir and members of this committee.

My name is Ann Hafner and I am a resident of Dunn County, District 26. I am a Paramedic and Operations Chief of Killdeer Area Ambulance Service, a rural ambulance taxing district and a member of North Dakota EMS Association.

Today I represent myself and our ambulance district to voice our strong support of House Bill 1508.

As background, our rural ambulance taxing district with a current population of 2800 was established in 2005 and granted a levy of 5 mills. We serve nearly 1000 square miles in Dunn, McKenzie and Billings Counties. Since 2014 we had proudly been one of the smallest Advanced Life Support Ambulance Services in the state, meaning we guaranteed our area at least one Paramedic staffed ambulance at all times.

The past 3 years have been a struggle financially as our call volume has increased with employee expenses along with it, while health insurance reimbursements dropped dramatically. The ambulance district board had been hesitant to increase taxes so our levy remained as set in 2005, 5 mills (about \$255,000). The decision was made to pursue a vote to increase the mill levy in 2022.

Last January our ambulance district was notified by the Office of ND Auditor that we were delinquent in providing financial statements, a requirement we were previously unaware of. They advised that we should immediately contract to have an audit completed or alternately, hire the Office of ND State Auditor to perform an audit for us. We received a verbal estimate of \$17,000 to complete the audit. It was explained that cost could be less if we did most of the work ourselves and did not require staff to travel to Killdeer. We agreed and engaged their audit team. We paid our first invoice of \$6000 in June. (copies of invoices and cleared checks are attached to my written testimony.)

As the mill levy vote approached it was discovered that an employee of the ND State Auditor's Office had been communicating regarding our district audit by email with local residents and word had spread that our service was "under audit by the state". A campaign was launched using social media to deny the mill levy increase until the district received a "clean audit" and our requested 5 mill increase failed miserably. By September we were beyond struggling financially, our Paramedic – Bookkeeper had resigned, in part from the stress of the audit, I volunteered to take a significant pay cut to make ends meet and we could no longer afford to pay sufficient staff to maintain our Advanced Life Support Designation. After eight years as the smallest Advanced Life Support Ambulance in the state we were forced to downgrade our services to Basic Life Support. We had drawn all available funds and were hesitant to approach the Dunn County Commission because our audit had not been completed.

It was also in September that we held our first in-person meeting (via Zoom) with members of our audit team. We explained that we were near shut down, in part because of the audit circumstances and literally begged





Account: KILLDEER CHKG  
Date: 1/31/2023

For Deposit Only  
State Treasurer  
To the Accountant  
08/02/2022 ND STATE TREASURER  
ND ST. TREAS. S. 42-00-130

DO NOT WRITE STAMP OR SIGN BELOW THIS LINE

MerchantCap v 09 002854 2018912600090 08/02/2022

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THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

**KILLDEER AREA AMBULANCE SERVICE**  
 P.O. Box 33  
 Killdeer, ND 58640

**AMERICAN BANK CENTER**  
 77-1061/913

8300

DATE 7/26/2022

PAY TO THE ORDER OF ND STATE AUDITOR

\$ \*\*6,000.00

Six Thousand and 00/100\*\*\*\*\* DOLLARS

ND STATE AUDITOR  
 600 EAST BOULEVARD DEPT 117  
 BISMARCK, ND 58505-0400

MEMO INVOICE SA0000018023

THE BACK OF THIS DOCUMENT CONTAINS COLOR SECURITY WATERMARK AND OTHER SECURITY FEATURES

Details on back

Security Features Included

**INVOICE**

**Please Remit To:**

Office of the State Auditor  
 600 East Boulevard - Dept. 117  
 Bismarck ND 58505-0400  
 United States

Page: 1  
 Invoice No: SA0000018426  
 Invoice Date: 12/12/2022  
 Customer Number: 13350  
 Payment Terms: Due Immed  
 Due Date: 12/12/2022

**Bill To:**

KILLDEER AREA AMBULANCE DISTRICT  
 25 HIGH ST  
 KILLDEER ND 58640

AMOUNT DUE: 31,650.00 USD

|||||

Amount Remitted

For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
1		POLITICAL SUB	Political Sub Audits	1.00	EA	31,650.00	31,650.00
			FINAL BILL - YEAR ENDED 2020-2017				
			PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!				
			<b>SUBTOTAL:</b>				<b>31,650.00</b>
			<b>TOTAL AMOUNT DUE :</b>				<b>31,650.00</b>

*pay AH  
audit*

August 3, 2022

KAAS Directors and Dunn County Commission:

→ I am writing this because of some false information that has surfaced since the discussions about the KAAS special election have developed.

First, the audit that the KAAS is going through has been brought up. The following email was sent to a resident by Tracey Dolezal stating the audit was for their use, not a "state audit". This is not true. I talked to another director about the audit and he also did not seem to feel there was any cause for concern. Josh Edwards posted that all ambulances and fire districts were being audited by the state as per Century Code. That is partially true. Once a department hits a specific threshold of operating dollars they are REQUIRED to furnish the ND State Auditor with either an annual financial report (if approved to do so), or furnish an independent audit every two years. This has not been done by KAAS.

A couple years ago, Bob was presented with several complaints from several people about concerns with KAAS. Because several were personnel complaints, they were difficult to verify. However, several dealt with financial concerns so he called the ND State Auditor's office to see if the financial reports turned in showed any discrepancies. At that time we were told the Service had NEVER turned in any reports. Because of this we were informed there would be a state audit as soon as the schedule allowed it. That audit started about 7 months ago and is indeed an audit of KAAS finances by the state. The contact is Dan Cox and there is an email attached that he sent yesterday stating the status of the audit. He also told me in a phone call that the audit was being performed due to serious delinquency of reporting by KAAS and that he had been in contact with Tracey and Josh.

It troubles me that directors and the financial contact at KAAS seem to think this is not an audit by the State because of their failure to report. I am not sure where they got that idea and if necessary I was told we could request the letter from the State that initiated the audit to show it was state led, however, KAAS has that letter.

Attached is the partial printout of the list of Planned Audits for the State which includes the KAAS listing showing it is a "state audit". Also attached is the email I received from Dan Cox on the status of the audit.

I followed up on this because I feel there is miscommunication within the Service and because any entity getting tax money should be following the laws for State reporting. A copy of this is being delivered to all ambulance directors so everyone has firsthand knowledge of it, not rumors.

Thank you for your time.

*Candyce Kleemann*

Candyce Kleemann

23.0679.02002

Sixty-eighth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1508**

Introduced by

Representatives O'Brien, Lefor, Nathe, Sanford, Schreiber-Beck

Senators Kreun, Meyer

1 A BILL for an Act to create and enact a new subdivision to subsection 2 of section 12-60-24 and  
 2 two new sections to chapter 54-10 of the North Dakota Century Code, relating to criminal  
 3 history background checks of employees of the state auditor and audits of state agencies,  
 4 political subdivisions, and occupation and professional boards; to amend and reenact sections  
 5 54-10-01, and 54-10-14, subsection 1 of section 54-10-15, and sections 54-10-25 and 54-10-27  
 6 of the North Dakota Century Code, relating to audit fees of state institutions, political  
 7 subdivisions, and occupational and professional boards; to provide a penalty; and to provide for  
 8 retroactive application.

9 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

10 **SECTION 1.** A new subdivision to subsection 2 of section 12-60-24 of the North Dakota  
 11 Century Code is created and enacted as follows:  
 12 The state auditor for all employees, as required by section 8 of this Act.

13 **SECTION 2. AMENDMENT.** Section 54-10-01 of the North Dakota Century Code is  
 14 amended and reenacted as follows:

15 **54-10-01. Powers and duties of state auditor - Exception.**

- 16 1. The state auditor shall:
  - 17 a. Be vested with the duties, powers, and responsibilities involved in performing the
  - 18 postaudit of all financial transactions of state government, detecting and reporting
  - 19 any defaults, and determining that expenditures have been made in accordance
  - 20 with law and appropriation acts.
  - 21 b. Perform or provide for the audit of the general purpose financial statements and a
  - 22 review of the material included in the comprehensive annual financial report of
  - 23 the state in accordance with government auditing standards.

- 1           c. Perform or provide for audits of state agencies in accordance with government  
2           auditing standards and legislative audit and fiscal review committee guidelines  
3           developed under section 54-35-02.10. Except for the annual audit of the North  
4           Dakota lottery required by section 53-12.1-03, the state auditor shall audit each  
5           state agency once every two years. Audits may be conducted at more frequent  
6           intervals if requested by the governor or the legislative audit and fiscal review  
7           committee. ~~The state auditor shall charge an amount equal to the cost of the~~  
8           ~~audit and other services rendered by the state auditor~~one thousandth of one  
9           ~~percent of the agency's total biennial operating budget to all agencies that~~  
10           ~~receive and expend moneys from other than the general fund. This charge may~~  
11           ~~be reduced for an agency that receives and expends both general fund and~~  
12           ~~nongeneral fund moneys. State agencies shall use nongeneral fund moneys to~~  
13           ~~pay for the cost of the audit. If nongeneral fund moneys are not available, the~~  
14           ~~agency may, upon approval of the legislative assembly, or the budget section if~~  
15           ~~the legislative assembly is not in session, use general fund moneys to pay for the~~  
16           ~~audit. Any budget section action under this subdivision must comply with section~~  
17           ~~54-35-02.9.~~
- 18           d. Perform or provide for performance audits of state agencies, or the agencies'  
19           blended component units or discreetly presented component units, as  
20           determined necessary by the legislative assembly, or the legislative audit and  
21           fiscal review committee if the legislative assembly is not in session. When  
22           determining the necessity of a performance audit, the legislative audit and fiscal  
23           review committee shall consider:
- 24           (1) The potential cost-savings or efficiencies that may be gained as a result of  
25           the performance audit;
- 26           (2) The staff resources of the state auditor's office and of the state agency  
27           being audited which will be required to conduct the audit;
- 28           (3) The potential for discovery of noncompliance with state law or legislative  
29           intent regarding the program or agency; and
- 30           (4) The potential for the performance audit to identify opportunities for program  
31           improvements.

- 1 e. Report on the functions of the state auditor's office to the governor and the  
2 secretary of state in accordance with section 54-06-04 or more often as  
3 circumstances may require.
- 4 f. Perform work on mineral royalties for the federal government in accordance with  
5 section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
- 6 g. Perform all other duties as prescribed by law.
- 7 2. The state auditor may:
- 8 a. Conduct any work required by the federal government.
- 9 b. Within the resources available to the state auditor, perform or provide for  
10 performance audits of state agencies as determined necessary by the state  
11 auditor.
- 12 c. Audit the International Peace Garden at the request of the board of directors of  
13 the International Peace Garden.
- 14 d. Contract with a private certified public accountant or other qualified professional  
15 to conduct or assist with an audit, review, or other work the state auditor is  
16 authorized to perform or provide for under this section. Before entering any  
17 contract, the state auditor shall present information to the legislative audit and  
18 fiscal review committee on the need for the contract and its estimated cost and  
19 duration. Except for performance audits conducted under subdivision d of  
20 subsection 1 or subdivision b of this subsection and except for audits of  
21 occupational or professional boards, the state auditor shall execute the contract  
22 ~~and any executive branch agency, including higher education institutions, shall~~  
23 ~~pay the fees of the contractor.~~ For performance audits conducted under  
24 subdivision d of subsection 1 or subdivision b of this subsection, the state auditor  
25 may charge a state agency for the cost of a contract relating to an audit, subject  
26 to approval by the legislative assembly or the legislative audit and fiscal review  
27 committee if the legislative assembly is not in session. When considering a  
28 request, the legislative audit and fiscal review committee shall consider the effect  
29 of the audit cost on the agency being audited, the necessity of the contract, and  
30 the potential benefit to the state resulting from the contract. The state auditor

1 shall notify the affected agency of the potential cost before requesting approval  
2 from the legislative assembly or the legislative audit and fiscal review committee.

3 3. ~~Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the~~  
4 ~~state auditor may not charge audit fees to an institution of higher education under the~~  
5 ~~control of the state board of higher education. The auditor may not reject an audit~~  
6 ~~report of an audit performed by a certified public accountant or licensed public~~  
7 ~~accountant which meets generally accepted auditing standards.~~

8 4. All audits performed by the state auditor must be reviewed and approved by a certified  
9 public accountant.

10 **SECTION 3. AMENDMENT.** Section 54-10-14 of the North Dakota Century Code is  
11 amended and reenacted as follows:

12 **54-10-14. Political subdivisions - Audits - Fees--Alternative audits and reports.**

- 13 1. The state auditor shall audit the following political subdivisions once every two years,  
14 except as provided in this section or otherwise by law:
- 15 a. Counties.
  - 16 b. Cities, and when a city is audited, to include any political subdivision that was  
17 created by the city and has bonding authority.
  - 18 c. Park districts.
  - 19 d. School districts.
  - 20 e. Firefighters relief associations.
  - 21 f. Airport authorities.
  - 22 g. Public libraries.
  - 23 h. Water resource districts.
  - 24 i. Garrison Diversion Conservancy District.
  - 25 j. Rural fire protection districts.
  - 26 k. Special education districts.
  - 27 l. Area career and technology centers.
  - 28 m. Correction centers.
  - 29 n. Recreation service districts.
  - 30 o. Weed boards.
  - 31 p. Irrigation districts.

- 1 q. Rural ambulance service districts.
- 2 r. Southwest water authority.
- 3 s. Regional planning councils.
- 4 t. Soil conservation districts.
- 5 u. Western area water supply authority industrial water sales on an annual basis.

6 2. ~~The state auditor shall charge the political subdivision an amount equal to the fair-~~  
7 ~~value of the audit and any other services rendered~~no more than one thousandth of  
8 one percent of the political subdivision's total annual operating budget. ~~The fees must-~~  
9 ~~be deposited in the state auditor operating account. The state treasurer shall credit the~~  
10 ~~state auditor operating account with the amount of interest earnings attributable to the~~  
11 ~~deposits in that account. Expenses relating to political subdivision audits must be paid~~  
12 ~~from the state auditor operating account, within the limits of legislative appropriation.~~

13 ~~3.~~ In lieu of conducting an audit every two years, the state auditor may require annual  
14 reports from political subdivisions subject to this section, or otherwise provided by law,  
15 with less than seven hundred fifty thousand dollars of annual receipts, excluding any  
16 federal funds passed through the political subdivision to another entity. If any federal  
17 agency performs or requires an audit of a political subdivision that receives federal  
18 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  
20 financial information required by the state auditor. The state auditor also may make  
21 any additional examination or audit determined necessary in addition to the annual  
22 report. ~~When a report is not filed, the state auditor may charge the political subdivision-~~  
23 ~~an amount equal to~~ the fair value of the additional examination or audit and any other  
24 ~~services rendered~~one thousandth of one percent of the political subdivision's total-  
25 annual operating budget. ~~The state auditor may charge a political subdivision a fee not-~~  
26 ~~to exceed eighty-six dollars an hour for the costs of reviewing the annual report.~~

27 4.3. 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  
29 public accountant shall comply with generally accepted government auditing standards  
30 for audits of political subdivisions. The report must be in the form and content required  
31 by the state auditor. The number of copies of the audit report requested by the state

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

12 5.4. A political subdivision may not pay a public accountant for an audit until the state  
13 auditor has accepted the audit. However, a political subdivision may make progress  
14 payments to the public accountant. A political subdivision shall retain twenty percent of  
15 any progress payment until the audit report is accepted by the state auditor.

16 6.5. The state auditor may require the correction of any irregularities, objectionable  
17 accounting procedures, or illegal actions on the part of the governing board, officers,  
18 or employees of the political subdivision disclosed by the audit report or workpapers,  
19 and failure to make the corrections must result in audits being resumed by the state  
20 auditor until the irregularities, objectionable accounting procedures, or illegal actions  
21 are corrected.

22 **SECTION 4. AMENDMENT.** Subsection 1 of section 54-10-15 of the North Dakota Century  
23 Code is amended and reenacted as follows:

- 24 1. The state auditor, by duly appointed deputy auditors or other authorized agents, shall  
25 audit or review the books, records, and financial accounts of any political subdivision  
26 when ordered by the governor or the legislative audit and fiscal review committee,  
27 requested by the governing board, or upon petition of at least thirty-five percent of the  
28 qualified electors of any political subdivision enumerated in section 54-10-14 voting for  
29 the office of governor at the preceding general election or, in the case of school  
30 districts, upon petition of at least thirty-five percent of the qualified electors voting at  
31 the preceding school board election, or upon the request of the state court

1 administrator with respect to clerk of district court services provided by a county in  
2 accordance with chapter 27-05.2. ~~Fees for the audits must be paid in accordance with~~  
3 ~~the provisions of section 54-10-14.~~

4 **SECTION 5. AMENDMENT.** Section 54-10-27 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **54-10-27. Occupational and professional boards - Audits and reports.**

7 The governing board of any occupational or professional board shall provide for an audit  
8 once every two years by a certified public accountant or licensed public accountant. The  
9 accountant conducting the audit shall submit the audit report to the state auditor's office. If the  
10 report is in the form and style prescribed by the state auditor, the state auditor may not audit  
11 that board. An occupational or professional board may request the state auditor to conduct its  
12 audit, ~~and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees~~  
13 ~~charged to the occupational or professional board into the state auditor operating account.~~

14 Instead of providing for an audit every two years, an occupational or professional board that has  
15 less than two hundred thousand dollars of annual receipts may submit an annual report to the  
16 state auditor. The report must contain the information required by the state auditor. The state  
17 auditor also may make any additional examination or audit determined necessary in addition to  
18 the annual report. When a report is not filed, the state auditor ~~may charge the occupational or~~  
19 ~~professional board an amount equal to~~ the fair value of the additional examination or audit and  
20 ~~any other services rendered~~ one thousandth of one percent of the occupational or professional  
21 board's total biennial operating budget. ~~The state auditor may charge an occupational or~~  
22 ~~professional board a fee not to exceed eighty-six dollars an hour for the costs of reviewing the~~  
23 ~~annual report~~ shall perform an additional examination or audit.

24 **SECTION 6. AMENDMENT.** Section 54-10-25 of the North Dakota Century Code is  
25 amended and reenacted as follows:

26 **54-10-25. Divulging of certain secret information prohibited - Penalty.**

- 27 1. The state auditor and the auditor's employees, including any person employed by the  
28 auditor to perform the examination of any return, report, or other information filed and  
29 in the possession of the tax commissioner which is made confidential by law, may not  
30 divulge the contents of any return, report, or other information examined or any listing

1 made therefrom by the state auditor or the auditor's employees except when otherwise  
2 directed by judicial order, or as is otherwise provided by law.

3 2. The state auditor, the auditor's employees, or an agent of the auditor may not divulge  
4 any information relating to a matter forwarded to the attorney general or a state's  
5 attorney for further investigation until the attorney general or state's attorney has made  
6 a determination as to whether there is probable cause to believe a violation of law has  
7 occurred.

8 3. An individual who violates this section is guilty of a class C felony.

9 **SECTION 7.** A new section to chapter 54-10 of the North Dakota Century Code is created  
10 and enacted as follows:

11 **Audit findings - Review period.**

12 The state auditor shall provide any audit findings to the audited state entity, political  
13 subdivision, or occupational or professional board thirty days before the state auditor publishes  
14 the audit findings. The state auditor shall provide all audit findings to the legislative audit and  
15 fiscal review committee.

16 **SECTION 8.** A new section to chapter 54-10 of the North Dakota Century Code is created  
17 and enacted as follows:

18 **Criminal history background checks - Employees.**

19 Each employee of the state auditor hired after June 30, 2001, shall complete a state and  
20 national criminal history check as provided under section 12-60-24. The state auditor is  
21 responsible for all costs associated with a state and nationwide criminal history record check.

22 **SECTION 9. RETROACTIVE APPLICATION - AUDIT FEES - INSTITUTIONS OF HIGHER**  
23 **EDUCATION.** ~~Subsection 3 of section 4 of this~~ This Act applies retroactively to all audit fees  
24 assessed to North Dakota institutions of higher education after July 31, 2021. The state auditor  
25 shall reimburse all audit fees paid by each respective institution during the 2021-23 biennium.

26 **SECTION 10. RETROACTIVE APPLICATION - AUDIT FEES - RURAL FIRE DISTRICTS**  
27 **AND RURAL AMBULANCE DISTRICTS - FIREFIGHTERS RELIEF ASSOCIATION.** This Act  
28 applies retroactively to all audit fees assessed to rural fire districts, rural ambulance districts,  
29 and firefighter relief associations after December 31, 2017. The state auditor shall reimburse all  
30 audit fees paid by each entity since the 2017-18 biennium.

23.0679.02003  
Title.03000

Prepared by the Legislative Council staff for  
the House Appropriations Committee  
February 20, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1508

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove ", 54-10-14, and 54-10-27"

Page 1, line 2, remove "audit fees of state institutions, political subdivisions, and"

Page 1, line 3, replace "occupational and professional boards; and to provide for retroactive application" with "duties of the state auditor"

Page 3, line 25, remove "Notwithstanding subdivision c of subsection 1 and subdivision d of subsection 2, the"

Page 3, remove lines 26 and 27

Page 3, line 28, remove "4."

Page 3, remove lines 30 and 31

Page 4, remove lines 1 through 30

Page 5, remove lines 1 through 30

Page 6, remove lines 1 through 30

Page 7, remove lines 1 through 6

Renumber accordingly

## HB1508

As a resident of Sargent County we have seen the State Auditor charge audit fees that appear to be excessive. The Fire department was hit with an audit fee of 11K for a one year audit that only had 132 checks for the whole year. The State Auditor didn't accept the public schools audits for two years and they had to pay again to have the audits re-done to the tune of \$12,500., as a tax payer I hate paying twice for the same thing and the school Superintendant states that the auditors office says the first audit wasn't complete but wouldn't say what was missing. Sargent County budgets 11k for their two year audit. It ranges from 8 to 10 K every two years. The firm that previous performed the audits is no longer doing them and the County auditor, Pam Malony, said the State Auditors office said they would do it. So the County agreed to have the State do the audit, now Pam just found out its not done yet and was told they already have about 25K into it. Why is the cost 2.5 times higher and probably worse when they get the final bill? Thats THREE excessive and/or unnecessary audits alone in our small County of just 3,800 population. We need property tax relief and this run away train of the State Auditors office has to be brought back to a reasonable speed. The bill needs to do more and hopefully it gets added to.

HB 1508

City of Parshall

March 9, 2023

Chairperson and members of the legislature, I would like to thank you for this opportunity to testify on behalf of HB1508. I am Kelly Woessner, City Auditor, representing the City of Parshall, and I am here to tell our story regarding a petition audit performed last year.

On February 23, 2022, the State Auditor's office released notification to KFVR that the City of Parshall was to be petition audited (Exhibit "A" copy attached 1 page). I was contacted by friend on February 24, 2022, from out of state that our City was going to be audited. And shortly after, I received a call from KMOT News for a statement regarding the upcoming petition audit. I was not aware of this at this time, nor did I have a letter of engagement. It wasn't until a few days later that I was contacted by the ND State Auditor's office, Heath Erickson, that there was a petition filed by the residents of the City of Parshall to have the City audited. The letter of engagement was not issued until March 7, 2022 (Exhibit "B" copy attached 5 pages). My first response to Mr. Erickson was obviously this is retaliation against me. I told him that they had dropped the ball and that I should not have had to hear this from the news media first. Reason I said this was I had presented a petition audit to have another entity audited in 2020. I petitioned to have an audit done, and I was the only person collecting signatures, so if any one of the people who signed my petition was asked who circulated it, they could only say it was me. I asked for information about the petition, and was told that the petition was not able to be released for me to see. I was told there was only 1 petitioner. I requested that the Auditor's Office should contact some of the signors to see if the petition was presented to them by the petitioner, because I felt that it was not circulated legally and according to the rules set out by the State Auditor's office. Come to find out from some of the people who actually signed that petition, the petition was sitting on the desk in the front office the other business collecting signatures and was also circulated by another person who did not fill out the affidavit of circulator and have it notarized (Exhibit "C" copy of their process attached 4 pages). The petitioner is the person responsible to send the gathered signatures in to the State Auditor's office. All persons who collect signatures are to have a notarized paper stating they were the circulator. Again, I brought it to the attention of the State Auditors and told them I had proof that it was not circulated according to their rules. I do know who the petitioner was and I do know who else circulated the petition, from visiting with residents of our City. I believe that requesting who petitioned the audit and who signed should be of public record.

I was not against the Audit being performed, and I was ready when they started requesting information to proceed.

When the audit began, the auditors would send me email requests for information from the City, and I would return the requested information immediately or within the day. We received the first bill from the State Auditor's Office and paid it on April 18, 2022 in the amount of \$12,500.00 (Exhibit "D" copy of bill attached). This process lasted a little over a month. They came to my office for 1 day for a verification of records, and that is all the time that was spent on site. All documentation was emailed to their office. On May 20, 2022 I received the final bill from the State Auditor's office in the amount of

\$26,750.00 (Exhibit "E" copy of the bill attached). I presented this to the City Council on June 8, 2022, for payment and it was not passed for payment. The City regularly has annual audits performed each year and the State Auditor approves each of these audits. Costs of the audits for the past five years is as follows:

2016 - \$5,800.00 Rath & Mehrer

2017 - \$9,300.00 Rath& Mehrer

2018 - \$7,000.00 Rath& Mehrer

2019 - \$8,300.00 Rath& Mehrer

2020 - \$8,800.00 Rath& Mehrer

TOTAL: \$39,200.00

This cost from the State Auditor's was more than what it had cost the City of Parshall for the last 5 years. The City of Parshall has Rath and Mehrer audit their books every year, so the City does follow the requirements of NDCC 54-10-14. Our past audits are also reviewed by the State of ND and we pay a fee for this also.

A press release was made on May 27, 2022, regarding the outcome of the Audit (Exhibit "F" copy attached). It appeared their only problem was that checks were not voided timely.

There are many small Cities in North Dakota and they would not be prepared or financially able to pay these prices if a petition audit was executed on them. Most of the reasons given to the State Auditors to conduct an audit of our City were unjustified and personal from the petitioner, however they still have to follow up on all inquiries.

To date the City of Parshall has not paid the additional \$26,750.00 and had asked for an opinion from the ND Attorney General's Office (Exhibit "G" which is attached). The letter from the Attorney General's office stated that they cannot issue an opinion. This leaves the City holding the bill at this time. The outcome of the audit was good.

As shown above, fair and reasonable charges should be around the \$8800.00 price, and not almost 5 times higher.

The findings in the actual audit report were only 4 items, and financials were in good standing (Exhibit "H" copy attached 7 pages).

Again, a reminder that the ND State Auditors only spent 1 day on site and all other correspondence was transferred through email and the City of Parshall turned out to be ok, does not justify the cost of \$39,250.00. What happens if another person feels that they would like to petition for another audit to be done. This could be an ongoing issue for any community.

I want to thank you for this opportunity to tell you our story and hope that this will not happen to other communities in ND.

In closing, I listened to the testimony of Mr. Josh Gallion before the House Committee and would like to add that during Mr. Gallion's testimony, he stated that the petition audit on the City of Parshall was a

retaliation audit and that the (so-called) petitioner questioned the City of Parshall's Public Library hours and who drives the City vehicles, does not justify why the audit should have taken place, but again due diligence to verify the petitioner as the only person collecting signatures should have been addressed when I questioned the petition. Community members let me know who was holding the petition when they were asked to sign it, and it was not the certified petitioner. Our City only had 4 material weaknesses from the result of the audit performed by the State which are attached.

Dan Cox from the Auditor's Office provided this to the Majority Leader and Appropriations Chair on February 13, 2023.

From Dan Cox today:

#3 ~ a) City of Parshall audit bill higher than past audits, b) audit bill higher than market value, c) audit bill didn't match SAO records, & d) the SAO is double-dipping by billing Parshall when they're funded by the General Fund

This was Dan Cox's reply to #3 above:

**FACT** = a) you cannot compare the cost of a financial audit to the cost of a petition audit as a petition audit must complete a financial audit PLUS address each valid concern from the petitioners, b) market value cannot be determined by what one firm charges but the average of what all firms in the market charge, c) amounts didn't match our spreadsheet sent to Legislative Council because Parshall has not paid all of their bill despite being told by the Attorney General's Office they need to, & d) the staff doing the audit are not paid from the general fund budget but from their own special operating fund which derives its monies from audit fees billed to clients

The fact that they did not due their due diligence to confirm that the petition was circulated within their guidelines and not honor our request to verify its legality, this audit may have never happened. Hence we would not have this large outstanding bill from this agency. I have attached a copy of the Attorney General's Opinion that states we should take action with the State Auditor and it does not say we should pay the bill.

I was recently contacted by the auditing firm we have had in the past to perform our 2022 audit and I feel that because of the State Audit, they have now increased their fees to \$12,500.00.

I would be happy to address any questions if you would like to call me at (701) 862-3459.

Kelly Woessner, City Auditor, City of Parshall





ADVERTISEMENT

## Audit to begin on the City of Parshall

### AUDIT FOR THE CITY OF PARSHALL

- REQUESTED THROUGH PETITION
- REQUIRED AT LEAST 50 SIGNATURES
- RESULTS TO BE ANNOUNCED ONCE COMPLETE

Parshall audit (KFYP)

By Brian Gray

Published: Feb. 23, 2022 at 11:44 AM CST



PARSHALL, N.D. (KFYP) - The state auditor's office is set to begin an audit on the City of Parshall, by request of a citizen-led petition.

An audit of a city by way of a petition is the first of its kind for the state department. The state auditor says the public will receive the results of the audit once it is complete.

"We look forward to working with the staff of the City of Parshall to address the concerns that were brought to our attention," said State Auditor Joshua Gallion.

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**Bismarck School Board member refuses to resign**



"B" #1

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241

FAX  
701-328-2345

www.nd.gov/auditor

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave, Dept. 117  
Bismarck, North Dakota, 58505

ndsao@nd.gov

March 7, 2022

Kelly Woessner  
City Auditor  
25 N Main St.  
Parshall, ND 58770

Dear Ms. Woessner:

This letter is to inform you of the petition audit of the City of Parshall for the year ended December 31, 2021. We will audit the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information that collectively comprise the basic financial statements of the City of Parshall as of and for the year ended December 31, 2021.

This audit is being conducted pursuant to a petition under North Dakota Century Code (NDCC) 54-10-15, which is as follows:

**Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, upon petition, or upon request of the state court administrator.**

The state auditor, by duly appointed deputy auditors or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, **in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election**, or upon the request of the state court administrator with respect to clerk of district court services provided by a county in accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with the provisions of section 54-10-14.

We have also been engaged to report on supplementary information other than RSI that accompanies City of Parshall's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- Budgetary Comparison Schedules

## **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting, and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of City of Parshall and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of City of Parshall's financial statements. Our report will be addressed to the city commission of the City of Parshall. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that City of Parshall is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that you have reviewed and provided the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of

the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. Since most of our audit documentation becomes public information, you are also responsible for notifying us of any confidential information you provide us so that we can properly safeguard such confidential information.

It is the policy of the State Auditor to use the State's Secure File Transfer System (<https://secure.intranetapps.nd.gov/itd/filetransfer/login.htm>) when sending or receiving audit client computer files. If you need assistance with this system, please notify us. Computer files should not be e-mailed to auditors.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, Grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and Grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting, which is an other comprehensive basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting, which is an other comprehensive basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Professional standards require us to be independent with respect to City of Parshall in the performance of our services. Any discussions that you have with personnel of our office regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

### **Other Services**

We will also assist in preparing the financial statements and related notes of City of Parshall in conformity with the modified cash basis of accounting based on information provided by you. These non-audit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

## **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

## **Audit Procedure-Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

## **Audit Procedure-Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Parshall's compliance with the provisions of applicable laws, regulations, contracts, agreements, and Grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Audit Administration, Fees, and Other**

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing, as well as prepare any requested supporting schedules.

GAAS require that we communicate certain additional matters related to the conduct of our audit to those charged with governance. Such matters include (1) our responsibilities under auditing standards generally accepted in the United States of America; (2) an overview of the planned scope and timing of the audit; (3) significant findings from the audit, including, among others: (a) the initial selection of and changes in significant accounting policies and their application; (b) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates; (c) significant difficulties that we encountered in dealing with management related to the performance of the audit; (d) audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on your financial reporting process and uncorrected misstatements of the financial statements that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole; (e) any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our report; (j) management representations; (g) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (h) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, and if applicable, events or conditions indicating there could be a substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; and (4) other matters as considered necessary or required to be communicated under professional standards.

If you intend to publish or otherwise reproduce the financial statements and make reference to our office, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

The audit documentation for this engagement is the property of the Office of the State Auditor. Once an audit is complete most of our audit documentation is public information. This audit documentation is therefore subject to inspection in our office with prior authorization by the State Auditor, Director, or Audit Managers. Any confidential information or data in our work papers will be safeguarded from public disclosure. Management is responsible for informing us of any confidentiality provisions related to documentation provided to the State Auditor's Office.

We expect to begin our audit in March 2022 and to issue our reports upon completion. Heath Erickson, CPA will be the audit manager and is responsible for supervising the engagement.

Our fee for these services will be at our standard hourly rates plus travel and other out-of-pocket costs. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report or any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Copies of our latest peer review reports may be found online at <https://www.nd.gov/auditor/about-us/peer-review-reports>

We believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,



Heath Erickson, CPA  
Audit Manager  
Division of Local Government Audit

STATE AUDITOR  
Joshua C. Gallion



Office of the  
State Auditor

PHONE  
701-328-2241

FAX  
701-328-2345

#1

www.nd.gov/auditor

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

ndsao@nd.gov

21

**PETITION FOR FINANCIAL AUDIT**

We, the undersigned, being qualified electors request an audit authorized by North Dakota Century Code 54-10-15. The state auditor shall audit and review the books, records, and financial accounts of \_\_\_\_\_, which is a political subdivision enumerated in North Dakota Century Code 54-10-14.

***This audit will be charged to the political subdivision that is the subject of this petition as set forth in North Dakota Century Code 54-10-15.***

**CHIEF PETITIONER**

The following is the name and address of the qualified elector of the political subdivision who, as the chief petitioner for the petitioners, represents and acts for the petitioners in accordance with law:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_, ND Zip: \_\_\_\_\_

Contact #: \_\_\_\_\_

Contact Email: \_\_\_\_\_

**Top three (3) major concerns**

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

**BEFORE COLLECTING SIGNATURES, PLEASE FILL OUT THE ABOVE INFORMATION AND  
E-MAIL OR MAIL TO THE STATE AUDITOR'S OFFICE AT:**

#2

**Mail:** NDSAO  
600 E. Blvd. Ave. Dept. 117  
Bismarck, ND 58505

**Email:** NDSAO@ND.GOV

The State Auditor's Office will notify you at the above contact information provided, that the petition has been approved and can be circulated for signatures. Do not start collecting signatures until our office has let you know approval status.

**INSTRUCTIONS FOR PETITION**

**HOW TO CIRCULATE:** Each individual Petition must be circulated in its entirety with the completed information shown above and must be made available to each signer at the time of signing. Each person collecting signatures shall sign and have his or her signature on the petition notarized affirming that the signatures are of qualified electors.

Only qualified electors of the political subdivision may sign the petition. In addition to signing and printing the person's name, petition signers shall include: the date of signing; their complete residential address to include the name of the North Dakota city and its corresponding ZIP code.

For a petition to be sufficient, it must contain signatures from at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election.

Incomplete information provided by petition signers will invalidate such signatures.

**WHO FILES:** The Petition must be submitted by the chief petitioner to the State Auditor before the petitions are circulated and after signatures have been gathered.

**WHEN TO FILE:** 180 days from the approval of the petition for circulation by the State Auditor's Office.

**ASSISTANCE:** Questions regarding the Petition may be directed to the State Auditor's office at (701) 328-2241.

#3

We, the undersigned, being qualified electors request an audit authorized by North Dakota Century Code 54-10-15. The state auditor shall audit and review the books, records, and financial accounts of \_\_\_\_\_, which is a political subdivision enumerated in North Dakota Century Code 54-10-14.

**INSTRUCTIONS TO PETITION SIGNERS**

You are being asked to sign a petition. You must be a qualified elector. This means you are eligible to vote in the political subdivision subject to this petition. All signers shall legibly print their name, complete residential address, and the date of signing on the petition. Every qualified elector signing a petition must do so in the presence of the individual circulating the petition.

**QUALIFIED ELECTORS**

Month/Day /Year	<b>PRINTED</b> Name of Qualified Elector	<b>SIGNED</b> Name of Qualified Elector	Residential Address	City, State, ZIP Code
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				

State of North Dakota

County of \_\_\_\_\_  
(County where signed)

I, \_\_\_\_\_, being sworn, say that I am a qualified elector; that I reside at  
(circulator)

\_\_\_\_\_  
(address)

that each signature contained on the attached petition for the state auditor to audit and review the books, records, and financial accounts of \_\_\_\_\_ was executed in my presence; and that to the best of my knowledge and belief each individual whose signature appears on the attached petition is a qualified elector; and that each signature contained on the attached petition is the genuine signature of the individual whose name it purports to be.

\_\_\_\_\_  
(Signature of circulator)

Subscribed and sworn to before me on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, North Dakota  
(city)

(Notary Stamping Device)

\_\_\_\_\_  
(Signature of notarial officer)

"D"

INVOICE

Please Remit To:

Office of the State Auditor  
600 East Boulevard - Dept. 117  
Bismarck ND 58505-0400  
United States

Page: 1  
Invoice No: SA0000017837  
Invoice Date: 03/22/2022  
Customer Number: 31120  
Payment Terms: Due Immed  
Due Date: 03/22/2022

Bill To:

CITY OF PARSHALL  
Governing Board  
PO BOX 159  
PARSHALL ND 58770

AMOUNT DUE: 12,500.00 USD

Amount Remitted



pd. Ck# 035865  
4-18-2022

For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount	
1		POLITICAL SUB	Political Sub Audits	1.00	EA	12,500.00	12,500.00	
			PROGRESS BILL #1 - YEAR ENDED 2021					
PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!								
<b>SUBTOTAL:</b>							<u>12,500.00</u>	
<b>TOTAL AMOUNT DUE :</b>							<u>12,500.00</u>	

"E"

**INVOICE**

**Please Remit To:**

Office of the State Auditor  
600 East Boulevard - Dept. 117  
Bismarck ND 58505-0400  
United States

Page: 1  
Invoice No: SA0000017969  
Invoice Date: 05/20/2022  
Customer Number: 31120  
Payment Terms: Due Immed  
Due Date: 05/20/2022

**Bill To:**

CITY OF PARSHALL  
Governing Board  
PO BOX 159  
PARSHALL ND 58770

AMOUNT DUE: 26,750.00 USD

**PAST DUE**

Amount Remitted



For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount	
1		POLITICAL SUB	Political Sub Audits	1.00	EA	26,750.00	26,750.00	
			FINAL BILL - YEAR ENDED 2021					
PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!								
<b>SUBTOTAL:</b>							26,750.00	
<b>TOTAL AMOUNT DUE :</b>							26,750.00	

"F"

## Parshall audit reveals delayed financial statements

by: [Brendan Rodenberg](#)

Posted: May 27, 2022 / 12:35 PM CDT

Updated: May 27, 2022 / 02:55 PM CDT

**SHARE**

### Parshall audit reveals delayed financial statements

The North Dakota State Auditor's Office recently finished its audit on the City of Parshall.

In February, the office received a citizen petition request to look at the city's books. Under state law, the auditor's office can be called to audit or review a political subdivision if enough qualified voters of that entity request the audit. In Parshall's case, the petition required 50 valid signatures to obtain the audit or review.

The Auditor's Office found one main issue: concerns regarding the city's failure to properly file and void checks at an appropriate time.

The office noted such a failure makes accurately reporting the city's finances extremely difficult, which could potentially cause the finances to be misrepresented.

### **State Auditor take to Parshall after citizen petition**

The auditor requested Parshall begin to void their checks in a more timely manner in the general ledger, in order to ensure reporting of cash and expenses is done as quickly and as accurately as possible.

Normally, state audits occur once a year, but special audits can take place when requested by citizens through petitions requesting the State Auditor's office to perform an in-depth audit of a city or other government entity outside of the designated times. In this case, a successful citizen petition effort was what led to Parshall's audit.



STATE OF NORTH DAKOTA  
OFFICE OF ATTORNEY GENERAL  
www.attorneygeneral.nd.gov  
(701) 328-2210

"G"

Drew H. Wrigley  
ATTORNEY GENERAL

December 2, 2022

Mr. William E. Woods Jr.  
City of Parshall  
Box 159  
Parshall, ND 58770-0159

Dear Mr. Woods,

In June you requested an opinion from this office regarding issues surrounding an audit conducted by the North Dakota State Auditor's office. The audit was done pursuant to a petition as set forth in N.D.C.C. § 54-10-15(1). You take issue with whether the circulator witnessed the people signing the petition. You ask what agency is responsible for verifying the contents of a petition. The petition is filed with the State Auditor, so it is the office that has the responsibility to judge whether any filed petition meets the requirements of the statute. The statute, however, is silent regarding whether a circulator must witness the signatures. The only requirement set out in the statute is that the petition is signed by at least thirty-five percent of the electors of any political subdivision. . .for office of governor.<sup>1</sup> The responsibility to verify that requirement is with the Auditor's Office.

You also dispute the bill received by the State Auditor. The law allows the State Auditor to charge an amount equal to the fair value of the audit. This office cannot issue an opinion resolving factual issues.<sup>2</sup> Therefore, we cannot determine whether the auditor's bill represents the fair market value of an audit. As we discussed previously, concerns about the authority of the State Auditor should be addressed with your legislative representative. If you take issue with the audit amount, you should contact the State Auditor to come to a resolution regarding the amount owed.

Sincerely,

MaryKae Kelsch  
Assistant Attorney General

<sup>1</sup> N.D.C.C. § 54-10-15(1).

<sup>2</sup> N.D.A.G. 2004-L-49; N.D.A.G. 2002-F-07; N.D.A.G. 94-L-327.

"H" #1

STATE AUDITOR  
Joshua C. Gallion



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OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndsao@nd.gov](mailto:ndsao@nd.gov)

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## GOVERNANCE COMMUNICATION

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May 23, 2022

Board of City Councilmembers  
City of Parshall  
Parshall, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parshall, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 7, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Parshall are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City of Parshall during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

CITY OF PARSHALL  
Governance Communication - Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule lists all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
<b>Governmental Activities</b>						
<u>To record net position PPA</u>						
Capital Assets, Net	-	-	2,061,023	-	2,061,023	-
Cash	6,958	-	-	-	6,958.00	-
Net Position - Jan 1	-	6,958	-	2,061,023	-	2,067,981
<u>To record depreciation expense</u>						
Depreciation Expense	-	-	87,091	-	87,091	-
Accumulated Depreciation	-	-	-	87,091	-	87,091
<u>To record capital asset additions</u>						
Capital Assets	-	-	59,841	-	59,841	-
Expenditures	-	-	-	59,841	-	59,841
<b>General Fund</b>						
<u>To record prior period errors PPA</u>						
Cash	6,958	-	-	-	6,958	-
Fund Balance - Jan 1	-	6,958	-	-	-	6,958
<u>To record voids</u>						
Cash	-	-	9,298	-	9,298	-
Expenditures	-	-	-	9,298	-	9,298
<u>To record change in due from other funds</u>						
Cash	-	-	114,682	-	114,682	-
Due from other funds	-	-	-	114,682	-	114,682
<b>Special Revenue Fund</b>						
<u>To record voids</u>						
Cash	-	-	2,369	-	2,369	-
Expenditures	-	-	-	2,369	-	2,369
<b>Business Type Activities</b>						
<u>To record capital asset PPA</u>						
Capital Assets, Net	117,313	-	-	-	117,313	-
Net Position - Jan 1	-	117,313	-	-	-	117,313
<u>To record change in due to other funds</u>						
Due to Other Funds	-	-	114,682	-	114,682	-
Net Position - Unrestricted	-	-	-	114,682	-	114,682
<b>Water Fund</b>						
<u>To record voids</u>						
Cash	-	-	114,682	-	114,682	-
Expenditures	-	-	-	114,682	-	114,682
<u>To record capital asset PPA</u>						
Capital Assets, Net	117,313	-	-	-	117,313	-
Net Position - Jan 1	-	117,313	-	-	-	117,313
<b>Fiduciary Activities</b>						
<u>To record custodial funds PPA</u>						
Cash	72,059	-	-	-	72,059	-
Net Position - Jan 1	-	72,059	-	-	-	72,059
<b>Component Unit - Airport</b>						
<u>To record Airport PPA</u>						
Net Position - Jan 1	-	-	1,481,164	-	1,481,164	-
Capital Assets	-	-	-	1,198,372	-	1,198,372
Cash	-	-	-	282,792	-	282,792

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 23, 2022.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We were engaged to report on *budgetary comparison schedules, and notes to the supplementary information*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the City Commissioners and management of City of Parshall, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of City of Parshall for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve City of Parshall.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 23, 2022

#4

**CITY OF PARSHALL**  
Schedule of Audit Findings  
For the Year Ended December 31, 2021

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**2021-001    SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

The City Auditor is responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

**Effect**

The lack of segregation of duties increases the risk of material misstatement to the City of Parshall's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of the City of Parshall.

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the city.

**Prior Recommendation**

Yes

**Recommendation**

To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:

- Financial statements and credit memos should be reviewed by a responsible official.
- Where possible, segregate the functions of approval, posting, custody of assets, and bank reconciliations.
- Include the board in reviewing credit memos, manual adjustments, etc.

**City of Parshall's Response**

The City is aware of the condition and segregates duties whenever possible. The City agrees with the findings.

#5

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-002 LACK OF SUPPORTING DOCUMENTATION FOR BUDGET ESTIMATES – MATERIAL NONCOMPLIANCE**

**Condition**

The City of Parshall did not maintain supporting documentation for year-end cash, transfers, and revenues for the 2021 General Fund and Special Revenue Fund budgets.

**Effect**

The estimates for year-end cash, transfers, and revenues are key components in the tax levy calculation in any budget year. Thus, the City of Parshall may have improperly calculated the tax levies for the general fund and special revenue fund.

**Cause**

The City of Parshall did not maintain supporting documentation for the estimates included in the budgets.

**Criteria**

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03."

**Prior Recommendation**

No

**Recommendation**

We recommend the City of Parshall ensure its compliance with all aspects of N.D.C.C. §57-15-31(1). We further recommend the City of Parshall review budgeted estimates carefully to ensure supporting documentation exists to support the estimated amounts used in the preliminary and final budgets prior to approval.

**City of Parshall's Response**

The City agrees with the findings. City will create a worksheet to define A-F for year-end closeout.

#6

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-003 CAPITAL ASSET MAINTENANCE– MATERIAL WEAKNESS**

**Condition**

During testing, it was found that street improvement projects in the amount of \$2,061,023 were not included in the 2021 capital asset listing. A prior period adjustment to the financial statements was proposed and accepted by the City of Parshall.

**Effect**

The financial statements may have been materially misstated if the capital assets had not been adjusted during the audit.

**Cause**

The City of Parshall's management does not have sufficient procedures in place to ensure the capital asset listing used to compile the financial statements is accurate and free of material misstatement.

**Criteria**

The City of Parshall is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No

**Recommendation**

We recommend the City of Parshall review the capital asset additions and deletions list at the end of the year to ensure that the capital asset listing is accurate and free of material misstatement.

**City of Parshall's Response**

The Capital assets would be updated when the annual audit by an independent firm would have been completed in February 2022, as this project was completed last year. City Agrees with findings.

#7

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-004 MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

The City of Parshall included expenditures in the amount of \$126,349 in its general ledger that were voided after the last audit period. Adjustments to the general ledger were proposed and accepted by the City of Parshall.

**Effect**

The financial statements may have been materially misstated if adjustments have not been made for voided checks in the general ledger.

**Cause**

The City of Parshall's management does not adjust expenditures in the general ledger, for voided checks, in a timely manner.

**Criteria**

The City of Parshall is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No

**Recommendation**

We recommend that the City of Parshall void checks timely in the general ledger to ensure accurate reporting of cash and expenditures in each fund.

**City of Parshall's Response**

The City of Parshall has an independent audit every year, at which time the outstanding checks are voided and reconciled. The City will void checks throughout the year as per recommendation. City Agrees with findings.

## **Written testimony in support of HB 1508**

### **Senate State and Local Government Committee**

Chairwoman Senator Karen Roers, members of the Senate State and Local Government Committee.

My name is Daryl Dukart, I am a past Dunn County Commissioner, served on the Killdeer Area Ambulance District Board for ten years, along with many other local, regional, state, and national boards.

The state auditor's office charging the fees they do when performing Audit's. This State Auditors Department is operating and funded by the state under a two-year planned budget which you as legislator finalize every biennium.

This is what happened: Killdeer Area Ambulance District was selected to be audited and that is fine. As I do not disagree with the fact that small local fire and ambulance district should be audited every so often by someone. But when your district receives billing from the state auditor's office for an end amount of \$48,650 this is totally wrong to perform the audit for 2017-2020. It took them 565 plus hours to do the three-year audits. Seems to be a very high number of hours for three years when the annual for KAAS is a little over 1 million dollars annually.

As I have listened to testimony when HB1508 was in the House Political Subdivision committee and I have also read the many comments made by our State Auditor and reviews by media reporters, have had one on one discussions with state some of the Representatives and Senators over the last 30 days. Makes me wonder what do we have going on in this state department?

In Galion's testimony on HB1508 he referred to a Dunn County Commissioner placing the request for the audit. Well, this is a false statement because I was still a county commissioner at this time, and it was not a request of anyone of the commissioners or as a Dunn County Commission body. Also if century code demands that Killdeer Area Ambulance was to file an annual audit, "why "is it I cannot remember during my last three years of being a board member of KAAS during the years of 2017-2021 that a request letter was not received from the state auditors department noticing us that we are delinquent in our reports to the state auditor's office.

After review of many of the different bills which deal with the State Auditor's office, I wonder about fairness to all from this department at the time. HB1129 was withdrawn and I was told it will be covered under appropriations. "What" I told myself, under appropriations, I do not believe that appropriation should be the committee to solve the issues when so much of this is policy and in the Century Code. 54-10

Maybe it's time for our legislation process and legal council to review and redesign the State Auditor's office and policies. I believe strongly HB1508 IS an excellent start and ask your support for a do pass.

I also feel that KAAS along with others should receive a greater refund than the \$2000 presently being talked about. Even if I totally disagree with the fact that the State Auditor office charges fees for their work preformed and that you legislation establish a budget for his FTE's which should cover those cost. 565 hours for a three year review is lots of hours I feel a sum of about \$10,000 should be credited from the State Auditor's office to KAAS.

Daryl Dukart

Dunn County Retired Citizen

TESTIMONY IN SUPPORT OF HB 1508  
SENATE STATE AND LOCAL GOVERNMENT COMMITTEE  
JAYME TENNESON, GRIGGS COUNTY STATE'S ATTORNEY

Chairperson Roers and members of the State and Local Government Committee, my name is Jayme Tenneson, I'm the Griggs County State's Attorney and the First Vice President of the North Dakota Association of Counties. Today, I am voicing my support of HB 1508.

I think that it is appropriate to tell you the story of Griggs County's encounter with the North Dakota State Auditor's Office.

In September of 2021, the Griggs County Auditor received notification that the County was delinquent in filing the 2018 and 2019 audit's performed by Harold Rotunda, CPA. Harold Rotunda has audited Griggs County for a number of years prior to 2018 and 2019, which had all been accepted. Griggs County had no knowledge that Rotunda's audits would not be accepted by the State Auditor at the time Rotunda was hired to do the audits. To my knowledge, Rotunda has always remained in good standing with the North Dakota Accountancy Board.

The cost for the Rotunda audits were approximately \$3,500 a year. In the September 21, 2021 letter from ND State Auditor, the estimated cost for the 2018 and 2019 audits was in excess of \$25,000 depending on the amount of work required. Griggs County has since received a \$12,000 bill for the pre-audit, and though we have not received the rest of the audit bill, we have been told the bill is going to be in excess of \$30,000. Since Griggs County's encounter with the State Auditor, Rotunda has raised his audit fees to \$5,500.

The 2018 and 2019 audit drafts have been completed by the ND State Auditor. However, in email exchanges between the Auditor and Griggs County staff, the ND State Auditor's Office will not meet with the entire Griggs County Commission to discuss the audit and the findings prior to the audit being finalized. The ND State Auditor attempted to coerce Griggs County to a meeting outside the regular commission by making attempts to go to the media. Griggs County has requested that the Auditor meet with the entire commission to discuss the audit. These requests have failed, and as a result Griggs County's audits for 2018 and 2019 are still incomplete with little to no communication with the ND State Auditor's Office for months.

When the ND State Auditor began his term, it appeared that he was a truth seeker and doing the right things for citizens of North Dakota. Now, I believe the office of ND State Auditor has grossly overstepped its authority, harming the entities in North Dakota that are least capable of producing revenue to pay for the audits. Passing HB 1508 will hold the current and future ND State Auditors accountable to the taxpayers.

I respectfully urge you to pass HB 1508.

Respectfully,

*Jayme Tenneson*

Jayme Tenneson  
Griggs County State's Attorney

HB 1508

10MAR23

Jason Asche

I am Jason Asche, a resident of Sargent County and Chair of the Gwinner Fire District (GFD) Board. I am offering my support as well as the GFD Board and Members support for HB1508. Mr. Waswick who is also a GFD member has written testimony for this bill and I am in full agreement with his testimony.

Without getting into every detail of the GFD audit I will break it down into three simple concerns:

1. GFD audit initiated by “concerned citizen”. Who checks into the validity of the concerns? Why is there no documentation of the concerns? Shouldn’t there be an opportunity to provide feedback to those concerns prior to engaging in an expensive audit?
2. Billing for Auditor fees. Fire Departments don’t budget for fees charged by the SAO and can’t afford to pay them. They are paid by forfeiting the purchase of equipment needed to fight fires in our community making them less safe. 166 Audit Hours were spent at a cost of \$17928.50. This was adjusted to \$11000 when there were questions raised about the charges.
3. No direction from SAO to address findings from audit. GFD had a separate checking account for fund raising and money was spent out of that account for meeting expenses which was determined by SAO to be against century code. GFD asked for suggestions on how to resolve but was never given any direction nor was any resource offered to address this finding.

The SAO should be focused on providing value for the citizens of North Dakota. Unfortunately, the citizens of the Gwinner Fire District were provided with **negative** value by SAO and are not better off. In fact, our district will be less safe because money collected by taxpayers was diverted to the SAO instead of being spent on GFD resources.

HB 1508 doesn’t address all the above concerns at last reading but it is a step in the right direction. Maybe it can be amended to address more of the problems caused by the SAO that have unfortunately become very common across North Dakota. Please vote to pass HB 1508.

**Testimony in Support of HB 1508**  
**Senate State and Local Government Committee – March 10, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

Good morning, Chairman Roers and members of this committee, My name is Ann Hafner and I am a resident of Dunn County, District 26. I am a Paramedic and Operations Chief of Killdeer Area Ambulance Service, a rural ambulance taxing district and a member of North Dakota EMS Association.

Today I represent myself and our ambulance district to voice our strong support of House Bill 1508.

I originally wrote this testimony for HB 1129. I was present on January 12 to present it to the House Political Subdivision Committee when I was informed by Representative Longmuir that the bill had been withdrawn for unknown reasons. I was informed Auditor Gallion had urged the bill to be withdrawn as it was not good for his office and a deal had been made to refund audit fees to Gwinner Rural Fire Protection District and Killdeer Area Ambulance Service. Today I present my revised testimony.

As background, our rural ambulance taxing district with a current population of 2800 was established in 2005 and granted a levy of 5 mills. We serve nearly 1000 square miles in Dunn, McKenzie, and Billings Counties. There is no physician, no hospital, and no emergency room within the area we serve. Since 2014 we had proudly been one of the smallest Advanced Life Support



**Testimony in Support of HB 1508**  
**Senate State and Local Government Committee – March 10, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

Ambulance Services in the state, meaning we guaranteed our area at least one Paramedic staffed ambulance at all times.

The past 3 years have been a struggle as our call volume has increased along with expenses, and health insurance reimbursements have dropped dramatically. The ambulance district board has been against a tax increase, so our levy remained as set in 2005, 5 mills (about \$255,000).

In January 2022 our ambulance district was notified by the Office of ND Auditor that we were delinquent in providing financial statements, a requirement we were previously unaware of. They advised that we should immediately have an audit completed and that we could hire the Office of ND State Auditor to perform an audit for us. The first meeting was on January 24, 2022 by phone. At that meeting we were given a price of \$17,000 to complete the four-year audit. We were told that cost would be less if we did most of the work ourselves and did not require staff to travel to Killdeer. We agreed and engaged their audit team. We paid our first invoice of \$6000 in June. I would like to add that the entire audit was conducted online or by phone, at no time did any employee of the auditor's office travel to our location.

As summer approached, our Board made the decision to ask the voters for an increase of 5 mills. Prior to the election, an employee



**Testimony in Support of HB 1508**  
**Senate State and Local Government Committee – March 10, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

of the ND State Auditor's Office, CPA Dan Cox, began communicating about our district audit by phone and email with a local resident, Candyce Kleeman. She and others spread word that our service was "under audit by the state". A campaign was launched using social media to deny the mill levy increase until the district received a "clean audit" and the requested 5 mill increase that we so desperately needed failed miserably. By September we were struggling financially, our Paramedic – Bookkeeper had resigned from the stress of the audit, I volunteered to take a significant pay cut to make ends meet and we could no longer afford to pay sufficient staff to maintain our Advanced Life Support Designation. After eight years as the smallest Advanced Life Support Ambulance in the state we were forced to downgrade our services to Basic Life Support. We got a loan against one of our ambulances to make payroll, had drawn all available funds and were still hesitant to approach the Dunn County Commission because our audit had not been completed.

It was also in September that we held our first in-person meeting (via Zoom) with members of our audit team. We explained that we were near shut down because of fallout from the audit and literally begged them to complete at least the first section of the audit so that we could petition Dunn County for financial assistance. The audit team told us that all work on our audit had



**Testimony in Support of HB 1508**  
**Senate State and Local Government Committee – March 10, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

been **suspended** and would not be resumed until we made an \$11,000 payment on the audit. We were told the **state did not fund the Auditor's office and this is what they had to do to make money**. We were informed that at least an additional \$30,000 would be required prior to receiving the final audit report.

Community members continued to demand zero funding for the ambulance service until a "clean audit report" was delivered. Fortunately, County Commissioners Lundberg, Dukart and Pelton recognized the importance of our ambulance service and granted the needed financial support. We were provided no assistance by the auditors office in securing county funds although Mr. Gallion stated in previous testimony that his office helped us "secure a grant" from Dunn County. That statement is absolutely false. In contrast to Mr. Gallion's assertions of assistance, our employees spent nearly 200 hours compiling, faxing, and scanning records and attending meetings required by the audit team. Those 200 hours could have been spent writing grants or searching for funding and staffing options that would have allowed us to operate more efficiently.

Our "clean audit" was finally received in December. We were awarded an "unmodified opinion" and were told that was "awesome" and the "best you can get" by our audit team. The



**Testimony in Support of HB 1508**  
**Senate State and Local Government Committee – March 10, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

total cost of the audit was \$54,374; \$48,650 directly to the ND State Auditor's Office, \$399 attorney fees for letters required by the Auditor's Office, \$5325 to the local CPA for requested records and meetings with the audit team.

I want to emphasize this point; we received a mill levy of \$255,000 and paid \$54,374 for the state required audit, 21% of the funds provided by local taxpayers. To their credit, the Auditor's Office has said future audits would be less expensive because they have laid all the groundwork. On January 10 we received an estimate of \$23,000 – \$26,000 for a biannual audit, a great expense for the 700 taxed households in our district to bear.

We willingly and eagerly participated in the audit not just because it was required by the century code but also because we had nothing to hide and hoped to improve our policies and processes. However, our experience with the audit process has left us disillusioned and with significant concerns.

**Ethical Conduct.** The Century Code allows the Auditor to conduct an audit of a political subdivision at his discretion for alleged improprieties. Auditor Gallion allowed an anonymous, disgruntled community member to weaponize his office (supported by tax dollars) against a registered nonprofit ambulance service owned by the taxpayers for reasons that we aren't allowed to know. I am a



**Testimony in Support of HB 1508**  
**Senate State and Local Government Committee – March 10, 2023**  
**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

scientist, a medical professional and usually not a conspiracy theorist, but audits were initiated based on an anonymous complaint against Killdeer Area Ambulance which led to huge revenue for the auditor's office. Despite multiple requests to review the complaints and be allowed to respond, the auditor's office still refuses to provide any information regarding the complaint or allegations. The Auditor's Office did not inform Killdeer Ambulance that there was an "allegation of improprieties" or a complaint against us prior to his testimony against HB1508 in February. Since that time, Mr. Gallion has continued to publicize false information regarding Killdeer Area Ambulance and our audit including the existence of allegations made variously by community members, County Commissioners of multiple counties, a past county commissioner and the wife of a commissioner. He continues to make false statements in the media against Killdeer Ambulance including stating one of our employees "quit and moved out of state (with financial records) and we (auditor's office) had to find them", a statement that is absolutely not true.

**Lack of Confidentiality.** The Century Code (54-10-22.1 and 54-10-26) makes working papers of the state auditor and draft audit reports confidential. An employee of the auditor's office chose to ignore these requirements, to the detriment of our community. CPA Dan Cox knowingly engaged in careless behavior by



**Testimony in Support of HB 1508**

**Senate State and Local Government Committee – March 10, 2023**

**Ann Hafner NRP, Operations Chief Killdeer Area Ambulance Service**

communicating confidential information to individuals unrelated to Killdeer Ambulance who were not authorized to receive such information. When questioned about an audit currently ongoing, Mr. Cox should have refused to discuss the audit and should not have offered his personal opinions of the audit's progress. Mr. Cox misrepresented the status of the audit which caused damage to the reputation of employees, the service, financial loss to the service and erosion of public trust which hindered the ability of Killdeer Area Ambulance to perform its function as an Advanced Life Support Ambulance Service.

**Unfamiliarity with and Violation of Federal Law.** Our letter of Engagement states that our entity is responsible for implementing systems designed to achieve compliance with applicable laws and regulations. Also in that letter is policy that files and information are to be sent to the auditor's office using the state's secure file transfer system. As our audit progressed, we were encouraged by the audit team *not* to use that system and email documents. I was never provided access to the secure system although I submitted many documents during the audit.

We made the auditing team aware that as an entity that provides treatment, payment and operations in healthcare, Killdeer Area Ambulance must meet HIPAA compliance guidelines. We



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requested that our audit team sign a Business Associate's Agreement as specified in federal statute. The auditor's office informed us that the federal HIPAA statute did not apply to them because of their confidentiality policy, the same policy CPA Cox previously broke. Refusal to sign a Business Associate Agreement is cause to end the relationship with the entity that refuses to sign. By this point, we felt we were struggling for survival and could not withstand the retaliation and community anger we would face if we stopped the audit. Based on failure of the auditor's office to sign this agreement, our confidentiality concerns and to protect ourselves from potential federal fines (as high as \$25,000 per incident) Killdeer Area Ambulance has filed a complaint with the United States Department of Health and Human Services, Office of Civil Rights against the Office of North Dakota State Auditor.

**Transparency in Billing.** Audit fees are fluid, unenforceable and the auditor grants discounts at will. Some entities can refuse to pay with no repercussions. Nine months into the audit process we were told that all work on our audit had been **suspended** and would not be resumed until we paid them \$11,000. The Gwinner Rural Fire Dept was granted a \$6000 discount and Griggs County only paid \$12,000 of the \$36,000 they were billed. Audit fees should be reasonable, applied without prejudice and be determined by the legislature. The Auditor should not have the authority to apply



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discounts or upcharge on a whim. As of this date, we do not know the hourly rate we were charged for this audit nor the number of hours we were charged for. We received three individual invoices for \$6000, \$11,000 and \$31,650 due for “Political Sub Audits, 1 each” no other unit of measure or detail. Mr. Gallion claims the reason our fees were high is because our financial records were a mess, we did not have financial statements and his office had to redo them. Again, these claims are false. Monthly financial reports were presented and approved by the Board of Directors as recorded in the Monthly Minutes of the District. The District hired a CPA in 2020, prior to any contact from the auditor’s office, to oversee our accounts. Our CPA made every correction and change recommended by the audit team and submitted the reports and documents to them exactly as they directed.

As you continue to debate House Bill 1508, I urge you to keep in mind the dire straits our district was placed in because of the actions and the audit processes of the ND Auditor’s Office.

Please vote in favor of HB 1508. On behalf of those I represent and myself, as a voter of District 26, I thank you for your service to our state. I will be glad to remain and answer any questions you may have.



Subject **RE: Killdeer Area Ambulance Audit**

From Cox, Daniel D. <dcox@nd.gov>

To   
cakleman@ndsupernet.com <cakleman@ndsupernet.com>

Date 2022-08-02 3:39 pm

Candyce ~

*The actual audit takes place in two parts: 1) prepare the financial statements & get them to balance; & 2) review the records (support documentation like invoices & bank stmts) to make sure the numbers are accurate.*

*To date we have just finished part 1 of getting the financial statements prepared & balanced. I can't say anything about that outcome until the completion of the audit but I can tell you that it has taken way longer than it ever should have to receive the records from them in order to prepare their financial statements from 2017 thru 2020. Normally, when we request financial records it takes less than a month (from much larger clients) & they have taken almost 7 months.*

*We will be starting the part 2...the audit portion soon & hopefully those type of records are more readily available.*

*If you or any board member wants to know whether they should get additional money thru an increased mill levy then 1<sup>st</sup> determine how good of a job they're doing with the money they're currently receiving. Since the audit isn't completed yet you can't rely on that but what you can do is to ask for the December 31<sup>st</sup>, 2021 bank statement & see if it ties to their 2021 year end financial reports. If it doesn't or they can't provide it then you know all that you need to know.*

\* Any questions call ~

Dan Cox, CPA  
Quality Assurance Audit Manager  
ND State Auditor's Office  
(701) 328-2745



23.0679.03001

FIRST ENGROSSMENT

Sixty-eighth  
Legislative Assembly  
of North Dakota

ENGROSSED HOUSE BILL NO. 1508

Introduced by

Representatives O'Brien, Lefor, Nathe, Sanford, Schreiber-Beck

Senators Kreun, Meyer

1 A BILL for an Act to create and enact a new subdivision to subsection 2 of section 12-60-24, a  
 2 new subsection to section 54-10-26, and four new sections to chapter 54-10 of the North  
 3 Dakota Century Code, relating to criminal history background checks of employees of the state  
 4 auditor and audits of state agencies, political subdivisions, and occupation and professional  
 5 boards; to amend and reenact ~~section~~sections 16.1-01-10, 54-10-01, and 54-10-13,  
 6 subsection 5 of section 54-10-14, and sections 54-10-15 and 54-10-25 of the North Dakota  
 7 Century Code, relating to duties of the state auditor; and to provide a penalty.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1.** A new subdivision to subsection 2 of section 12-60-24 of the North Dakota  
 10 Century Code is created and enacted as follows:

11 The state auditor for all employees, as required by section 10 of this Act.

12 **SECTION 2. AMENDMENT.** Section 16.1-01-10 of the North Dakota Century Code is  
 13 amended and reenacted as follows:

14 **16.1-01-10. Secretary of state to pass upon sufficiency of petitions - Method - Time**  
 15 **limit.**

16 The secretary of state shall have a reasonable period, not to exceed thirty-five days, in  
 17 which to pass upon the sufficiency of any petition mentioned in ~~section~~sections 16.1-01-09 and  
 18 54-10-15. The secretary of state shall conduct a representative random sampling of the  
 19 signatures contained in the petitions by the use of questionnaires, postcards, telephone calls,  
 20 personal interviews, or other accepted information-gathering techniques, or any combinations  
 21 thereof, to determine the validity of the signatures. Signatures determined by the secretary of  
 22 state to be invalid may not be counted and all violations of law discovered by the secretary of  
 23 state must be reported to the attorney general for prosecution.

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

3       **54-10-01. Powers and duties of state auditor.**

4       1. The state auditor shall:

5           a. Be vested with the duties, powers, and responsibilities involved in performing the  
6           postaudit of all financial transactions of state government, detecting and reporting  
7           any defaults, and determining that expenditures have been made in accordance  
8           with law and appropriation acts.

9           b. Perform or provide for the audit of the general purpose financial statements and a  
10          review of the material included in the comprehensive annual financial report of  
11          the state in accordance with government auditing standards.

12          c. Perform or provide for audits of state agencies in accordance with government  
13          auditing standards and legislative audit and fiscal review committee guidelines  
14          developed under section 54-35-02.10. Except for the annual audit of the North  
15          Dakota lottery required by section 53-12.1-03, the state auditor shall audit each  
16          state agency once every two years. Audits may be conducted at more frequent  
17          intervals if requested by the governor or the legislative audit and fiscal review  
18          committee. The state auditor shall charge an amount equal to the cost of the  
19          audit and other services rendered by the state auditor to all agencies that receive  
20          and expend moneys from other than the general fund. This charge may be  
21          reduced for an agency that receives and expends both general fund and  
22          nongeneral fund moneys. State agencies shall use nongeneral fund moneys to  
23          pay for the cost of the audit. If nongeneral fund moneys are not available, the  
24          agency may, upon approval of the legislative assembly, or the budget section if  
25          the legislative assembly is not in session, use general fund moneys to pay for the  
26          audit. If the lead auditor on an agency audit has less than two years of  
27          experience with the state auditor or has not previously audited the agency, the  
28          agency may not be charged for the audit. Any budget section action under this  
29          subdivision must comply with section 54-35-02.9.

30          d. Perform or provide for performance audits of state agencies, or the agencies'  
31          blended component units or discreetly presented component units, as

1 determined necessary by the legislative assembly, or the legislative audit and  
2 fiscal review committee if the legislative assembly is not in session. When  
3 determining the necessity of a performance audit, the legislative audit and fiscal  
4 review committee shall consider:

- 5 (1) The potential cost-savings or efficiencies that may be gained as a result of  
6 the performance audit;
- 7 (2) The staff resources of the state auditor's office and of the state agency  
8 being audited which will be required to conduct the audit;
- 9 (3) The potential for discovery of noncompliance with state law or legislative  
10 intent regarding the program or agency; and
- 11 (4) The potential for the performance audit to identify opportunities for program  
12 improvements.

13 e. Report on the functions of the state auditor's office to the governor and the  
14 secretary of state in accordance with section 54-06-04 or more often as  
15 circumstances may require.

16 f. Perform work on mineral royalties for the federal government in accordance with  
17 section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].

18 g. Perform all other duties as prescribed by law.

19 2. The state auditor may:

20 a. Conduct any work required by the federal government.

21 b. ~~Within the resources available to the state auditor, perform or provide for~~  
22 ~~performance audits of state agencies as determined necessary by the state~~  
23 ~~auditor.~~

24 ~~e.~~ Audit the International Peace Garden at the request of the board of directors of  
25 the International Peace Garden.

26 ~~d.c.~~ Contract with a private certified public accountant or other qualified professional  
27 to conduct or assist with an audit, review, or other work the state auditor is  
28 authorized to perform or provide for under this section. Before entering any  
29 contract, the state auditor shall present information to the legislative audit and  
30 fiscal review committee on the need for the contract and its estimated cost and  
31 duration. Except for performance audits conducted under subdivision d of

1 subsection 1 ~~or subdivision b of this subsection~~ and except for audits of  
2 occupational or professional boards, the state auditor shall execute the contract  
3 and any executive branch agency, including higher education institutions, shall  
4 pay the fees of the contractor. For performance audits conducted under  
5 subdivision d of subsection 1 ~~or subdivision b of this subsection~~, the state auditor  
6 may charge a state agency for the cost of a contract relating to an audit, subject  
7 to approval by the legislative assembly or the legislative audit and fiscal review  
8 committee if the legislative assembly is not in session. When considering a  
9 request, the legislative audit and fiscal review committee shall consider the effect  
10 of the audit cost on the agency being audited, the necessity of the contract, and  
11 the potential benefit to the state resulting from the contract. The state auditor  
12 shall notify the affected agency of the potential cost before requesting approval  
13 from the legislative assembly or the legislative audit and fiscal review committee.

14 3. All audits performed by the state auditor must be reviewed and approved by a certified  
15 public accountant.

16 4. The state auditor may not reject an audit report of an audit performed by a certified  
17 public accountant or licensed public accountant which meets generally accepted  
18 auditing standards.

19 5. The state auditor shall provide an audit template that meets generally accepted  
20 government auditing standards to be used by a certified public accountant or licensed  
21 public accountant who is contracted to complete an audit on behalf of a political  
22 subdivision or state entity.

23 6. In the audit reports provided to the legislative audit and fiscal review committee under  
24 subsection 1 of this section, the state auditor's report for each audit must include:

25 a. A summary of the audit conducted.

26 b. Disclosure of any disagreements with management.

27 c. Any findings and whether the findings were addressed or corrected.

28 d. A copy of the engagement letter, number of staff hours worked to complete the  
29 audit, and the final cost of the audit.

30 **SECTION 4. AMENDMENT.** Section 54-10-13 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1        **54-10-13. Political subdivisions - Audits—~~State auditor powers.~~**

2        The state auditor shall perform audits of political subdivisions pursuant to section 54-10-14  
3 unless otherwise requested by the governing board, ordered by the governor or the legislative  
4 audit and fiscal review committee, or on petition pursuant to section 54-10-15, ~~or at the~~  
5 ~~discretion of the state auditor for alleged improprieties.~~

6        **SECTION 5. AMENDMENT.** Subsection 5 of section 54-10-14 of the North Dakota Century  
7 Code is amended and reenacted as follows:

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

12        **SECTION 6. AMENDMENT.** Section 54-10-15 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14        **54-10-15. Audits of political subdivisions by order of governor or the legislative audit**  
15 **and fiscal review committee, upon petition, or upon request of the state court**  
16 **administrator.**

- 17        1. The state auditor, by duly appointed deputy auditors or other authorized agents, shall  
18 audit or review the books, records, and financial accounts of any political subdivision  
19 when ordered by the governor or the legislative audit and fiscal review committee,  
20 requested by the governing board, or upon petition of at least thirty-five percent of the  
21 qualified electors of any political subdivision enumerated in section 54-10-14 voting for  
22 the office of governor at the preceding general election or, in the case of school  
23 districts, upon petition of at least thirty-five percent of the qualified electors voting at  
24 the preceding school board election, or upon the request of the state court  
25 administrator with respect to clerk of district court services provided by a county in  
26 accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with  
27 the provisions of section 54-10-14.
- 28        2. If an audit is ordered due to financial irregularities or allegations of embezzlement, the  
29 governor may suspend an elected or appointed school board member from the  
30 individual's duties if the governor determines suspension is in the best interest of the  
31 state pending the results of the audit. If the governor suspends an elected or

1 appointed school board member, the governor immediately shall provide notice to the  
2 school board with which the suspended member serves. Within five days of receiving  
3 notice, the school board shall appoint an individual to replace the suspended member  
4 to serve during the pendency of the audit. The governor shall consult with the  
5 superintendent of public instruction in determining whether suspension of a member of  
6 a school board is in the best interest of the state.

7 3. Upon review of a petition for an audit by the secretary of state under section  
8 16.1-01-10, the secretary of state shall forward a valid petition for an audit under  
9 subsection 1 to the state auditor. Within fourteen days of determining the sufficiency of  
10 a petition under this section, the secretary of state shall provide notice of any  
11 approved petition to the legislative audit and fiscal review committee.

12 **SECTION 7. AMENDMENT.** Section 54-10-25 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14 **54-10-25. Divulging of certain secret information prohibited - Penalty.**

- 15 1. The state auditor and the auditor's employees, including any person employed by the  
16 auditor to perform the examination of any return, report, or other information filed and  
17 in the possession of the tax commissioner which is made confidential by law, may not  
18 divulge the contents of any return, report, or other information examined or any listing  
19 made therefrom by the state auditor or the auditor's employees except when otherwise  
20 directed by judicial order, or as is otherwise provided by law.
- 21 2. The state auditor, the auditor's employees, or an agent of the auditor may not divulge  
22 any information relating to a matter forwarded to the attorney general or a state's  
23 attorney for further investigation until the attorney general or state's attorney has made  
24 a determination as to whether there is probable cause to believe a violation of law has  
25 occurred.

26 3. An individual who violates this section is guilty of a class C felony.

27 **SECTION 8.** A new subsection to section 54-10-26 of the North Dakota Century Code is  
28 created and enacted as follows:

29 The state auditor may not request the working papers of any entity.

30 **SECTION 9.** A new section to chapter 54-10 of the North Dakota Century Code is created  
31 and enacted as follows:

1     **Audit findings - Review period.**

2     The state auditor shall provide any audit findings to the audited state entity, political  
3 subdivision, or occupational or professional board thirty days before the state auditor publishes  
4 the audit findings. The state auditor shall provide all audit findings to the legislative audit and  
5 fiscal review committee.

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

8     **Criminal history background checks - Employees.**

9     Each employee of the state auditor hired after June 30, 2001, shall complete a statewide  
10 and nationwide criminal history record check as provided under section 12-60-24. The state  
11 auditor is responsible for all costs associated with a statewide and nationwide criminal history  
12 record check.

13     **SECTION 11.** A new section to chapter 54-10 of the North Dakota Century Code is created  
14 and enacted as follows:

15     **Engagement letters - Prohibition.**

16     Upon completion of an audit, the state auditor may not increase the cost of the audit beyond  
17 the estimated cost proposed in the initial engagement letter.

18     **SECTION 12.** A new section to chapter 54-10 of the North Dakota Century Code is created  
19 and enacted as follows:

20     **Special state auditor.**

21     If the governor considers it in the best interests of the state, the governor may appoint a  
22 special state auditor to examine any state institution, state industry, state department, or public  
23 office. The special state auditor has all the powers and authority granted to the state auditor in  
24 making audits and shall examine and report upon any other matters connected with the state  
25 institutions and public offices as the governor may direct.



# North Dakota House of Representatives

STATE CAPITOL  
600 EAST BOULEVARD  
BISMARCK, ND 58505-0360



## Representative Emily O'Brien

District 42  
5021 West Elm Court  
Grand Forks, ND 58203-0606

[eobrien@ndlegis.gov](mailto:eobrien@ndlegis.gov)

**COMMITTEES:**  
Appropriations

March 10, 2023

### House Bill 1508

#### Senate State and Local Government Committee, Chairman Kirsten Roers

Chairman Roers and members of the Senate State and Local Government Committee:

I am Representative Emily O'Brien, from District 42, in Grand Forks, North Dakota.

I served as the Vice Chair for Legislative Audit and Fiscal Review Committee (LAFRC). It was brought to my attention several times by many individuals their concerns about their audit fees being charged by the State Auditor's Office (SAO). Hence why I have introduced HB 1508.

I have only been the Vice Chair for LAFRC for only a small portion of my legislative service, so I have been able to look at these concerns with an objective eye and without emotional attachment and determine what could be learned.

Before I go through the bill and the new proposed amendments, I want to go through several situations I have discovered. Since, this bill was introduced in the House, I have had 49 entities contact me with similar "me too" stories. Many, if not all, did not want to come forward with serious concerns of retaliation, so initially I did a random sampling of state agencies, political subdivisions, and boards. I then compared this information that I received to the Summary of Invoice Amounts Spreadsheet that the SAO provided to the Legislative Council. That will be discussed later in my testimony.

It is unfortunate that it has gotten to this point, but it must be resolved. It has been quite exhausting to have to double check the facts and information that is provided by an individual from the Executive Branch to the public via several radio and podcast programs, an OpEd, Facebook Posts, TV interviews and press releases. According to the SAO website, "The State Auditor's Office works to maintain accountability and increase transparency for

the citizens of North Dakota through independent audits. In the spirit of providing transparency for the benefit of North Dakota's citizens", it provides further information regarding the agency's operations.

For one to pride themselves and the operations of their agency on "transparent, effective, and responsive government". The pleas, stories, and turmoil these individuals and entities have gone through are concerning. I wish all of them were here today to share their side of the story. Some are here. Some provided written testimony and couldn't travel due to the weather. Some won't ever share their story because they live in fear. Fear of intimidation. Fear of retaliation.

The State Auditor's Office is responsible for evaluating departments' administration and management of public funds and programs to ensure proper checks and balances are in place.

To begin, I'd like to address a couple of remarks made in an OpEd sent to every North Dakota news outlet and state agency except the Legislature by our State Auditor after HB 1508 passed the House Floor. The OpEd is enclosed in your packet, on official "Office of the State Auditor" letterhead, titled "OP-ED HB 1508". I know you are all very aware of the processes, but I believe it is important to address this on the record – what legislators are accused of because of HB 1508 being introduced. *Attachment.*

1. "It wouldn't be a new legislative session with another attack from our Legislature on the North Dakota State Auditor's Office."

**Attack?** When constituents bring forward problems and concerns, it is our job as Legislators to address those concerns. The only way to change those concerns and problems is through legislation. If the Auditor feels that this is an attack on the State Auditor's Office or him personally – that is a personal problem. Not a legislative problem.

2. "Clearly, our legislature believes more in shooting the messenger than holding the government accountable. The citizens of this state should be concerned with what these legislators have to hide since they're trying to undermine our office"

I would like to know what the State Auditor is accusing Legislators of hiding. Who is specifically trying to undermine the State Auditor's Office? To use the word "undermine" is as if we, as legislators are trying to weaken the SAO insidiously or secretly. To make blanket statements about elected officials without supporting information is alarming. I believe that the State Auditor is confused about how the legislative process works. The legislature drafts and passes the laws that are then signed by the Governor. The respective entities, individuals

and citizens of North Dakota then uphold what is put into the law. When the law is not followed, penalties may arise. That is not undermining. That is doing the job we were elected to do.

3. "My first year with the office came with the legislature targeting one of our employees to be terminated in their role."

It was determined that was false. Our State Auditor requested the removal of that FTE and attempted to point fingers at the Legislature. *Attachment.*

4. "Our office is the only office that receives scrutiny when other people do something wrong."

This could not be further from the truth. Look at every single bill that receives opposition testimony. It does not matter if it is a state agency, local division, board, or a singled-out group. To make a blanket statement that they are the only ones that receive scrutiny when other people do something wrong is disingenuous. Look at all the entities that received criticism when they didn't know they were doing something wrong, and the SAO does a press release about it.

5. "The legislature is coming after our office yet again. House Bill 1508 was introduced as a way of eliminating funding to our office."

As stated earlier – HB 1508 was a solution to address concerns brought forward. The initial bill draft had a formula that was simply not feasible. There was no intention to eliminate the funding to the SAO office – but to address the concerns about the severe audit fee increases.

6. "Under this bill, I would be required to add three letters to my title, of CPA. Nationally, this is an unusual request, with less than half of State Auditor's having such credentials."

We will get to this in the bill – but nowhere in the original bill draft or amendments does it require the State Auditor to be a CPA. Nationally, this is NOT an unusual request. Many states require their State Auditor to have a CPA, if they don't, their Deputy State Auditor has a CPA. Some states are legislative-appointed auditors, some are called Comptrollers, etc. In North Dakota, our State Auditor does not have a CPA. Our Deputy State Auditor does not have a CPA, let alone an accounting background.

7. "The most insulting part of this bill is that several bill sponsors – including the person who introduced this bill – refused to meet with our office to discuss any of their concerns. We reached out on numerous occasions, asking the bill sponsors to meet with our team. Rather than have a productive conversation

helping answer their questions, they'd rather splash out a bill that essentially eliminates an entire section of our office who is responsible for being a watchdog in government."

**The most insulting part.** The State Auditor reprimanded me in front of the House Political Subdivisions, claiming that several bill sponsors and I refused to meet with their office to discuss our concerns. The State Auditor stated that he reached out on several occasions and I refused. Again, could not be further from the truth. On January 11, I was in the middle of a Zoom meeting that was scheduled from 3:30 PM – 5:00 PM. An intern, from the SAO came to visit at 4:10 PM to see if I received his email about a meeting with our State Auditor. I had not received that email. I located the email in my 'Junk email box'. I read the email and said, let me quickly check my calendar. I showed the calendar to the intern that I had three overlapping meetings. The following day, we were scheduled to be in Committee hearings which is my first obligation as a Legislator. I was going to be gone on January 13, for my daughter two month shots, so that was not going to work either. After being accused of 'refusing' to meet with the State Auditor during the bill hearing on February 2, I went back to check my emails, and I located another request from the intern in my 'Junk' mailbox dated January 18. It stated, "I am again emailing you requesting that you and Auditor Gallion meet concerning legislature this session. I will provide three times at which Auditor Gallion can visit with you.' The representative that carried this bill on the floor, learned from an executive branch official that it is acceptable and professional decorum to attack when they feel threatened. That type of temper tantrum behavior is unacceptable of elected officials. As far as I am aware, the only co-sponsor of the bill that has had a requested meeting by our State Auditor himself is the House Majority Leader. No other co-sponsors have been asked to meet. Yesterday, March 9, I received an email from State Auditor Gallion, requesting to meet to discuss any government auditing concerns I have to avoid these issues continuing to play out in public hearings and the media. While I'd be happy to oblige, and I'm happy that he's decided to try dialogue instead of wild accusations of corruption made in a letter to the news media, he only offered the invitation a day before this hearing, and my schedule precluded it. *Attachment.*

8. "Before our legislative members accuse a State Office of criminal offenses, they should know what those words mean."

I find this ironic, the State Auditor has requested from LAFRC that some entity's audit findings be referred for criminal investigation. Has insinuated on several recorded interviews that there MAY BE illegal activity occurring in entities that the SAO has performed audits on. That certain issues are against our constitution. He should know what those words mean.

9. "I'm asking you to not let corrupt government officials stand in the way of accountability. I'm asking you to contact your elected legislators today, tell them to vote do not pass for House Bill 1508. You deserve

to know where your tax dollars are going. Don't let bureaucrats push freedom aside for more backdoor corrupt deals."

To make another blanket statement calling government officials corrupt – and insinuate that backdoor corrupt deals are occurring is offensive and disturbing. The North Dakota Legislature is filled with many outstanding public servants who want to do the right thing for the people of North Dakota.

I apologize I took so much time to review those items before even getting to how I got to HB 1508 – but I believe those statements in the Op-Ed show the true colors of the situation we have at hand. How words and scenarios are twisted and people are misguided about the severity of the situation.

Please feel free to stop me at any point in my testimony to ask questions, as I understand this is a lot to digest. I will do my best to explain what I have discovered. I will clarify the examples I used in the House Committee Hearing. The State Auditor's Office, Quality Assurance Audit Manager, responded to the Majority Leader and House Appropriations Chair with the concerns listed in my testimony and the State Auditor's Office corresponding facts for each of them. Again, I found discrepancies in some of their "FACTS."

#### **CONCERN 1**

Press Releases – I have received numerous complaints from several entities about the State Auditor's Office doing a press release before they are made aware of the audit report. In my testimony to the House, I used the example of the Department of Human Services' final audit report. That seemed more of a media parade, albeit the department corrected those audit findings. There are several entities that have found out about their audit findings through the media, one example is the Gwinner Fire Department.

#### **CONCERN 2**

Some North Dakota Counties are delinquent in Audits due to backlog with independent audits. The State Auditor's Office has rejected audits from one company; in addition, the State Auditor's Office is no longer accepting audits by one company that conducted audits for 14 counties. These counties then have to pay for the rejected independent audits and then pay again for another audit to be in compliance.

In 2021, 27 school districts received notifications from the State Auditor's Office regarding audits being conducted by auditor Harold Rotunda, which were being rejected due to required work paper documentation not being submitted by Rotunda. The SAO's working papers are protected in North Dakota Century Code, why wouldn't a third-party entity working papers be protected as well?

**According to the SAO - FACT =** *audit reports from all private firms are reviewed to ensure they meet generally accepted government audit standards (GAGAS) as required by NDCC 54-10-14. If they do not meet the standards and required form and content, they are rejected until the firm fixes it to the point where it is acceptable under the standards.*

When I looked into this initially – Mr. Rotunda has his CPA, and he meets all of the generally accepted accounting standards. But, our State Auditor questioned the methodology of former school auditor Harold Rotunda and then advised several school districts not to pay the fees to Mr. Rotunda for both audits. I am concerned if we have a private industry willing to aid in conducting the audits – why are we rejecting them, advising agencies not to pay, and putting these entities in delinquent status for not having the audits completed?

### **CONCERN 3**

One of my random samplings was the City of Parshall. The State Auditor's Office audited the City of Parshall for reviewing a Petition. I have provided a printout of their testimony for your review. When I first reached out to the City of Parshall – this is the information that I received:

We have paid a partial sum of the total billing from the State Auditor's Office. We believe that, based upon NDCC provisions, the Auditor's fees are not valid.

SEE:

**54-10-14.** Political subdivisions - Audits - Fees - Alternative audits and reports.

**2. The state auditor shall charge the political subdivision an amount equal to the fair value of the audit and any other services rendered.**

The City of Parshall requested an Attorney General's Opinion – on Section 2. Language, but they refused to give an opinion.

The total billing for services, in our opinion, is not in compliance with the statute, as our annual costs for auditor services were a lot less. Private accounting businesses set the fair value.

The City regularly has annual audits performed each year and the State Auditor approves each of these audits. Costs of the audits for the past five years is as follows:

2016 - \$5,800.00  
2017 - \$9,300.00  
2018 - \$7,000.00  
2019 - \$8,300.00

2020 - \$8,800.00

TOTAL: \$39,200.00

We paid the sum of \$12,500.00 to date on the State Auditor's bill. Their bill was \$39,205.00, which is 5 times the sum we have paid for audits they approved each year in the past. This audit found virtually nothing wrong, just a couple of differing interpretations of where money (all totally accounted for) should be recorded and kept. They should have been able to wrap up their audit in no time at all.

We think the audit should have never happened, if Auditor's Office did its due diligence in reviewing the Petition. It was an improperly circulated petition they relied upon, and such did not meet state law, and should have been rejected.

We have told the Auditors office, that we have no intention to pay any additional funds, and they are free to bring suit against our City in District Court.

I have spoken to other cities and school districts, that have had dreadful loss of needed funds, paid toward State Auditor's fees from audits stemming from persons circulating petitions with no basis for the same.

Finally, Why is State Auditor billing anyway? Their department is fully budgeted, the employees are paid from their budget, and isn't this equivocal to double dipping, by charging the citizens of North Dakota basically two times. Once through state funds, once through municipal funds.

I would like to note that the City of Parshall has Rath & Mehrer CPA issue their audit report. As you will see in the State Auditor's Office spreadsheet, they have \$39,250.00 listed for the Audit Fees, but they have only received \$12,500. Why is there a discrepancy there? Does the chart show what the State Auditor's Office charged? Not what was received?

**According to SAO – FACT =** a) you cannot compare the cost of a financial audit to the cost of a petition audit as a petition audit must complete a financial audit PLUS address each valid concern from the petitioners, b) market value cannot be determined by what one firm charges but the average of what all firms in the market charge, c) amounts didn't match our spreadsheet sent to Legislative Council because Parshall has not paid all of their bill despite being told by the Attorney General's Office they need to, & d) the staff doing the audit are not paid from the general fund budget but from their own special operating fund which derives its monies from audit fees billed to clients

See testimony provided by Kelly Woessner, City Auditor, City of Parshall.

**CONCERN 4**

Another one of my random samplings was Morton County.

MORTON COUNTY AUDIT FEES		
	MORTON COUNTY	STATE AUDITOR
2015	\$19,250.00	
2016	\$19,950.00	
2017	\$20,950.00	
2018	\$22,150.00	\$12,500.00
2019	\$21,650.00	\$13,000.00
2020	\$21,650.00	\$50,000.00
2021	\$22,250.00	\$13,000.00
2022	\$25,450.00	\$19,750.00
	\$173,300.00	\$108,250.00

As you will see in the table – there are several inconsistencies each year. Even if we only compared the data the Auditor’s Office provided for 2018-2022 Morton County’s total would be \$113,150 versus the \$108,250.00 the State Auditor’s Office provided. I obtained this information from the following resources: on the State Auditor Office’s website – they are listed as the issuing entity of Morton Counties Audit. The email provided to me by the Morton County Auditor lists their audit fees. You will find the audit fees provided by the State Auditor’s Office to Legislative Council on the legal-size spreadsheet. To ensure, I had not missed anything, I requested the invoices from Morton County to check and verify my information. Listed on the invoices is the Lower Heart Water Resource District. The county auditor explained to me that Morton County is the governing body for the Lower Heart Water Resource District and Morton County covers the audit fees for the Lower Heart Water Resource District. There are still discrepancies.

*According to the SAO – FACT = Morton County and their component unit (Lower Heart Water Resource District) were done under one audit but the county only paid their portion of the audit bill while the water resource district separately paid for their own portion*

When I went to verify the FACT from the SAO regarding Morton County and Lower Heart Water Resource District, the Lower Heart Water Resource District is not listed on the spreadsheet, which they wouldn’t because they are invoiced under Morton County. So the payment should have been applied to the Morton County Invoice. The numbers still do not equal. Why is the SAO missing 2016 and 2017? Is the spreadsheet that the SAO provided to Legislative Council incomplete? This document is considered an official state document – I am concerned that there is misinformation or skewed data that was provided.

**CONCERN 5**

Looking at the spreadsheet the State Auditor’s Office provided to Legislative Council – you will observe audit fees gradually increasing. I have highlighted those for your information.

When reaching out to a random sampling of entities – several stated that they did not know why their audit fees increased and were shocked that they doubled or in some cases tripled, and several stated that they were told it was from COVID/ARPA dollars they received. One example – is I contacted the Wahpeton Airport Authority. Their audit fees were the following:

WAHPETON AIRPORT AUTHORITY	
2015	
2016	
2017	
2018	\$6,250.00
2019	
2020	\$8,450.00
2021	
2022	\$15,750.00

They did not know why their audit fees increased by \$2,200 from 2018 to 2020. They did not know why their audit fees increased by \$7,300 from 2020 to 2022 – they had received \$1.7 million in federal dollars – but did not feel it should result in a significant increase in audit fees.

***According to the SAO – FACT = as the bill sponsor's own testimony points out, the airport received \$1.7 million in federal money the next year which also triggers the requirement a federal single audit (receiving federal dollars of \$750K or more) in addition to their regular financial audit***

Was this disclosed in the engagement letter to the Wahpeton Airport Authority that their bill would be almost double from receiving federal dollars?

**CONCERN 6**

City of Williston – I inquired about the fees they were charged in 2018. This is the information that I received: This was before my time, but the City of Williston entered into a three-year contract with the State 2018 to perform the audit services in. Upon review of the findings, the State auditors reached out to the media to share the findings without our knowledge. Typically, media covers serious fraud charges so we were a very surprised the State even did that.

Additionally, after further discussion and explanation with the auditors, the State retracted some of the findings they shared with the media. However, the media damaged was already done.

When I took the finance director position in 2020, I reached out to them and we both mutually agreed to pull out of the contract and depart ways. We sent a bid out and awarded Brady Martz.

*According to the SAO – FACT = the audit was signed off by the city representative as being complete & he agreed with all the findings*

### CONCERN 7

I received an email from another Representative in our Chamber with concerns about the Cavalier County Job Development Authority and its audit fees.

Our 2021 audit done in 2022 was \$4,600. I had only budgeted \$2,200. I budgeted that because the previous year we were charged \$1950 and I wanted small cushion in the event of a small increase. Having the audit more than double with NO WARNING and after budgets for the year are already set and approved by the commission is a huge burden on a small budget.

We a small component unit of local government. We should not have that dramatic of a price increase. Limiting what the state auditors can charge and having that amount based on budget so we can accurately predict the cost is a much needed change that I would support.

When I went to verify their audit fees – they were not listed on the spreadsheet I received from the Auditor's Office. I discussed this with the Representative. He mentioned that it was signed off by the Department of Commerce Audit Fees. I went back to the spreadsheet and again – those numbers do not align with what is listed under the Department of Commerce – why were their audit fees left out of the report?

*According to the SAO – FACT = we discovered they had an unreported capital asset (it was the missile site) that had to be looked into – that takes additional staff hours which does increase our audit bill because their fees do go back into a special operating fund to cover salaries.*

The SAO FACT is confusing. It does not address my question or concern. This would be considered a political subdivision. All other subdivisions are listed on the spreadsheet, where those audit fees are accounted for in the special operating fund. Why is Cavalier County JDA not listed on the spreadsheet?

### CONCERN 8

A bill was introduced to address the concerns about the audit fees issued to the Gwinner Rural Fire District and Rural Killdeer Area Ambulance District. That is House Bill 1129. This bill would not have allowed the State Auditor to charge audit fees from a firefighter's relief association, rural fire protection district, or a rural ambulance service district related to the cost or value of an audit, review or examination of audit reports, work papers, or annual

reports, or any other services rendered. Additionally, provide a retroactive application to audits conducted after December 31, 2017.

Instead of the bill being heard in this committee, it was announced at 10:30 AM that the hearing would be postponed. Constituents had traveled to come and testify in support of this bill. A few hours later, the rumors were that the Auditor wanted to make a deal and would pay the audit fees back if the sponsor withdrew the bill. We have heard other conversations that this is being taken care of in the Senate – items such as the \$250,000 threshold will be increased to \$2,000,000 to perform audits, changing “shall” audit to “may” audit, audit fees will be paid back to Rural Killdeer Ambulance District and Gwinner Rural Fire District OR only going to charge \$1,000 or so, start an “audit fund” to cover audit fees paid for by the State to Rural Fire Departments and Rural Ambulance Districts, and lastly provide some sort of educational information seminar to comply with audits.

Gwinner stated that they never met their auditor face to face- everything was provided to the assigned auditor via email and through conversations on the phone. Since there is no travel from the auditor based out of Fargo for this specific audit, and total bill of \$17,000. Gwinner Rural Fire District only had 40 checks to review.

Gwinner Rural Fire District had to borrow money from the bank to do a fundraiser because the State Auditor advised that they needed a separate tax account. The Auditor advised that he would help with how to properly set this up with the Fire Associations – but never followed through.

Gwinner Rural Fire District asked why the Auditor’s Office was so compelled to do a press release. They were told by the Auditor that the taxpayers deserve to know where their dollars are being spent.

As mentioned above, Gwinner Rural Fire District received a bill for \$17,000. The bill was reduced to \$11,000. The community, surrounding communities and constituents that Gwinner Rural Fire District serves made several comments that the State Auditors Office should not be profiting off the backs of a volunteer group of individuals. Lastly, Gwinner Rural Fire District heard they would get their money back but have not heard anything since.

According to SAO – **FACT** = a) this is the first audit they’ve ever had and conducting an audit is much more than just testing expenses which is why SB 2180 was introduced, b) we bill for our costs so there is no profit, & c) since SB 2180 has a retroactive application and issues like this will cease to exist the bill sponsors agreed to withdraw the bill

SB 2180 does not have anything to do with a retroactive application or addressing the issues that were drafted in HB 1129. On SB 2004, there is a retroactive amendment, “Audits conducted during the 2021-23 biennium whereby the audit cost was > 1% of the annual revenue amount audited will be refunded the difference between

the audit cost & their billing amount up to the full billing amount.” I have provided a copy of the document listing the refund amounts. The SAO has Gwinner RFPD Audit Cost listed at \$17,000 but the bill was reduced to \$11,000. Again, this is misleading information. When Auditor Gallion was asked why adjust or decrease the audit fees, his response was, “because I can.”

### CONCERN 9

Rural Killdeer Area Ambulance District

Had a similar situation to the Gwinner Rural Fire District. The Rural Killdeer Area Ambulance District was here in person on January 12 to come and testify in support of House Bill 1129 to this committee. They were then told that the hearing would not be held – with no other details.

I had several conversations with a representative from the Rural Killdeer Area Ambulance District – they were unaware that the bill was withdrawn. They did not know there was any potential for their audit fees to be reimbursed without HB 1129.

On the same document listing the refund amounts, you will see that Killdeer Ambulance’s audit cost was \$48,650, and their refund amount is \$2,021.00.

She is here today to tell her side of the story.

I would like to bring up a few of my concerns–

I observed on social media – comments on a Facebook thread that a public citizen from the Killdeer area had received confidential information from an employee of the State Auditor’s Office before the audit was complete. When I inquired more about this, the Rural Killdeer Ambulance District was told that this individual had nothing to do with their audit and should not have access to the information. The individual from the Rural Killdeer Ambulance District provided me with those documents. I have attached those documents from the Facebook thread and the email the individual from the Auditor’s Office sent to the citizen.

The public citizen, stated in a letter to the KAAS Directors and Dunn County Commission “.... And there is an email attached that he sent yesterday stating the status of the audit. He also told me in a phone call that the audit was being performed due to serious delinquency of reporting by KAAS and that he had been in contact with...”

The email from the employee at the State Auditor's Office stated, "... it has taken way longer than it ever should have to receive the records from them in order to prepare their financial statements from 2017 thru 2020. Normally, when we request financial records it takes less than a month (from much larger clients) & they have taken almost 7 months." The email went on to say. "If you or any board member wants to know whether they should get additional money thru an increased mill levy then 1<sup>st</sup> determine how good of a job they're doing with the money they're currently receiving. Since the audit isn't completed yet you can't rely on that but what you can do is to ask for the December 31<sup>st</sup>, 2021 bank statement & see if it ties to their 2021 year-end financial reports. If it doesn't, or they can't provide it then you know all that you need to know."

These types of comments can damage any community – large or small. The Rural Killdeer Ambulance District had an employee resign because of the rumors from these emails.

*According to the SAO – FACT = the communication from our office was to a Dunn County Commissioner who was being asked to provide funding to the Killdeer Area Ambulance with no financial statements. That email provided standards questions we give any citizen that has concerns about their local government's finances*

This is false. The individual that inquired was not a Dunn County Commissioner. The individual that inquired was the spouse of an individual that was running to be a Dunn County Commissioner. They were not elected yet. The SAO has repeatedly told their clients that their working papers are confidential. But, when asked about this specific situation – they state that this is "comparing apples and oranges".

**CONCERN 10**

Napoleon School District

Napoleon School paid the State Auditor's Office:

NAPOLEON SCHOOL DISTRICT		
	NAPOLEON	STATE AUDITOR
2019	\$29,950.00	
2020		
2021	\$26,500.00	\$20,000.00
2022	\$27,950.00	\$36,450.00
	<u>\$84,400.00</u>	<u>\$56,450.00</u>

Why was the audit in 2022 (1 year audit) roughly the same amount as the audit in 2018 and 2019? Audit in 2020 and 2021 which were both 2 year audits.

You will also observe the discrepancies in the numbers that were provided for the fees.

**According to the SAO – FACT =** 1) Based on how the Legislative Council request came in, the numbers were not going to match due to progress billings being paid over different fiscal years. & 2) going from a 2-year to a 1-year doesn't save much money on audit costs as all of the planning, testing & reporting still have to be done plus the previous audit

Even with how the progress billings being paid over different fiscal years came in – the totals for all of the audit fees should be equal. There should not be discrepancies between the two entities.

### **CONCERN 11**

The North Dakota University System reviewed the systemwide audit fees charged to each institution by the State Auditor's Office over the last several fiscal years and the funding sources utilized by each institution to pay for the audit fees. All institutions are using tuition revenues to pay for the audits conducted by the State Auditor's Office.

Currently, if the North Dakota University System Institutions need to use General Fund dollars to pay their audit fees, they must present to the Budget Section to request that the fees be covered by General Fund dollars. In addition, the State Auditor's Office is funded by General Fund dollars.

**According to the SAO – FACT =**We're following NDCC 54-10-01(c). We do not need to be the Legislator's tax collector for either the NDUS or the state agencies. We do not directly benefit from charging for these audits as it all goes into the general fund for future appropriation by the legislature.

Other things the bill does:

- Require the taxpayers of ND to subsidize the audit requirements by the federal government which are currently charged back to the federal government based on actual cost (section 1 amendment)
- Require audits to be reviewed by a CPA when our own Generally Accepted Government Audit Standards don't require such &, in point of fact, all financial audits are already reviewed by audit managers who are CPAs (section 1 amendment)
- Require the taxpayers of ND to subsidize only 15% of the local governments statewide, while the rest would either have to pay full audit fees (\$20,000 compared to our being able to only charge \$20) to the private sector or they would all drop their private auditors to go on our waiting list & all transparency provided by the audit & review process would cease to exist (section 2 & 3 amendments)

The NDUS conversation will be moved to SB 2004 as it has to do with fiscal.

With all that being said. We need to make changes. It has been requested of this legislative body several times to address these concerns. I have provided amendments to HB 1508 that were not taken up in the House and further suggestions from industry professionals and auditors.

Section 1 & Section 10 – Requires criminal history background checks. Employees in the SAO have access to tax documents thru the Tax Department.

Section 2 – is the process of validating petition signatures. Currently, there is no process in code to validate signatures for petitions circulated for audits. There have been 6 petition audits completed by the SAO. When I inquired with the SOS and the respective Counties, they had not validated any of the signatures for the petitions. I am unaware if the SAO has an individual with the credentials to validate signatures.

Section 3 – Page 2, lines 26-28 – if the lead auditor on an agency audit has less than two years of experience with the state auditor or has not previously audited the agency, the agency may not be charged for the audit.

Page 3, lines 21-23 – Remove – Within the resources available to the state auditor, perform or provide for performance audits of state agencies as determined necessary by the state auditor.

Page 4 – line 1 and line 5 – Removes subdivision b of this section – performance audits

Page 4 – subsection 3 – all audits performed by the state auditor must be reviewed and approved by a certified public accountant. The SAO has 18 CPAs currently in the office that can sign off on the financial audits.

Page 4 – subsection 4 – The state auditor may not reject an audit report of an audit performed by a certified public accountant or licensed public accountant which meets generally accepted auditing standards.

Page 4 – subsection 5 – The state auditor shall provide an audit template that meets generally accepted government auditing standards to be used by a certified public accountant or licensed public accountant who is contracted to complete an audit on behalf of a political subdivision or state entity.

Page 4 – subsection 6 – In the audit reports provided to the legislative audit and fiscal review committee under subsection 1 of this section, the state auditor's report for each audit must include:

- a. A summary of the audit conducted,
- b. Disclosure of any disagreements with management,
- c. Any findings and whether the findings were addressed or corrected,
- d. A copy of the engagement letter, number of staff hours worked to complete the audit, and the final cost of the audit.

Section 4 – Removes “or at the discretion of the state auditor for alleged improprieties”

Section 5 – Removes “A political subdivision shall retain twenty percent of any progress payment until the audit report is accepted by the state auditor.”

Section 6 – subsection 3 – upon review of a petition for an audit by the secretary of state, the secretary of state shall forward a valid petition for an audit under subsection 1 to the state auditor. Within fourteen days of determining the sufficiency of a petition under this section, the secretary of state shall provide notice of any approved petition to the legislative audit and fiscal review committee

Section 7 – Provides a penalty for the divulging of certain secret information – class C felony. This is consistent in code

Section 8 – The state auditor may not request the working papers of any entity.

Section 9 – Provides an audit finding review period – The state auditor shall provide any audit findings to the audited state entity, political subdivision, or occupational or professional board thirty days before the state auditor publishes the audit findings. The state auditor shall provide all audit findings to the legislative audit and fiscal review committee.

Section 11 – Engagement letters – upon completion of an audit, the state auditor may not increase the cost of the audit beyond the estimated cost proposed in the initial engagement letter. Should read – Upon execution of the initial engagement letter.

Section 12 – Special state auditor – the governor may appoint a special state auditor to examine any state institution, state industry, state department, or public office.

Thank you Chairman Roers and members of the committee. I will stand for any questions.



## OP-ED HB 1508

I always thought bad things were limited to happening in three, but I was wrong. It wouldn't be a new legislative session without another attack from our Legislature on the North Dakota State Auditor's Office. This is my fourth session as State Auditor and each session has presented attempts by certain legislators to harm this office and our ability to share transparent audit reports with the citizens of North Dakota. These attacks have continued to ramp up and are getting worse as we identify more and more issues across all levels of government.

Clearly, our legislature believes more in shooting the messenger than holding government accountable. The citizens of this state should be concerned with what these legislators have to hide since they're trying to undermine our office.

Since I came into office, we have been under constant attack from the legislature. My first year with the office came with the legislature targeting one of our employees to be terminated in their role. During my time in the second legislative assembly, the legislature was outraged that we were sending out press releases informing the public of how the government was spending their money. The legislature passed a bill that made the legislature approve audit reports before they were released publicly. This is a law that passed in the legislature; however, the Attorney General issued an opinion that it was likely unconstitutional.

Our office is the only office that receives scrutiny when other people do something wrong. We follow state law and federal standards, and we have a duty to report what we found to the people we serve – the people I work for - the citizens of North Dakota. Our office saves the state *millions* of dollars every year by discovering waste, abuse, and fraud from state and local government agencies.

In addition to the significant financial benefit, we also conduct performance audits. These audits look at procedures and recommend opportunities for improvement. One example of this is our audit last year of the Department of Human Services, which found that for the sixth straight year, DHS was not removing children from extremely abusive situations such as sexual abuse, inappropriate discipline, and death for 13 days. The mandated response time for a child in that situation is 24 hours. Because of our work, there are now eight bills to help address this critical issue and help our most vulnerable population.

The legislature is coming after our office yet again. House Bill 1508 was introduced as a way of eliminating funding to our office.

This is the worst bill our office has ever encountered. These are the reasons why:

- For local government audits, we could only charge 1/1,000<sup>th</sup> of 1%. To be clear, that is a ridiculously small number. An organization with a \$1,000,000 operating budget would be charged \$10 for an audit. The person who introduced this bill said she conducted her own market research to find a fair number to charge for an audit. It is impossible to conduct an audit of an organization for \$10.

The Auditor's Office only audits 15% of local government agencies in North Dakota. The remaining 85% of local government agencies that use a private firm would still be paying a firm the full cost for an audit. 15% of local government entities would have a few dollars for an audit bill, the rest would be charged the full amount from a private firm. Our office's average billing rate is \$112 per hour. The average bill rate for a private firm to conduct an audit is \$157 per hour. We cannot pay our auditors pennies per hour to work, and the entire local government branch of our office would be forced to close. This is the branch that conducts petition audits, with the most recent petition audit being the Williston Public School District which identified 21 different major areas for improvement and impacted hundreds of millions of dollars. Eliminating an entire division of our office will negatively impact every single taxpayer in this state who deserves to know how their money is being spent.

- North Dakota taxpayers will be subsidizing the Federal Government for three different audit areas that we receive Federal funds to the approximate tune of \$1.3 million biennially.
- One of the shots fired in this bill is at me directly. My background is serving our country in the Air Force, I also hold an Associate Degree, a Bachelor of Science degree in Accounting, have a Masters' degree, and prior work experience as the Accounting Manager for the Public Service Commission. Apparently, this isn't enough. Under this bill, I would also be required to add three letters to my title, of CPA. Nationally, this is an unusual request, with less than half of State Auditor's having such credentials.
- The most insulting part of this bill is that several bill sponsors — including the person who introduced this bill — refused to meet with our office to discuss any of their concerns. We reached out on numerous occasions, asking the bill sponsors to meet with our team. Rather than have a productive conversation helping answer their questions, they'd rather splash out a bill that essentially eliminates an entire section of our office who is responsible for being a watchdog in government.

This is not just misinformed legislation, this is bad legislation that is targeting myself and our office from doing our job. We are here to serve the public, to make sure your taxpayer dollars are being used the way they should. No one should be afraid of our office if you're doing the right thing.

This is not meant to paint a broad brushstroke across every legislative member. There are legislators who are champions of our office, and we deeply appreciate their support and goal of bringing transparency to government.

During committee work on this bill, every single committee member, other than one recommended to the House a "Do Not Pass" recommendation on this bill. Our office had the opportunity to share during committee meetings, and we explained how detrimental this bill would be to North Dakotans everywhere for the reasons outlined above. During the House floor session, no one other than legislators are able to share anything. During that floor session, we had a legislative member say on record that "the Auditor's Office is laundering money and double dipping." Before our legislative members accuse a State Office of criminal offenses, they should know what those words mean. To throw around an accusation like money laundering, especially when it's aimed at the organization that serves as the watchdog for government, is irresponsible.

I'm asking you to not let corrupt government officials stand in the way of accountability. I'm asking you to contact your elected legislators today, tell them to vote do not pass for House Bill 1508. You deserve to know where your tax dollars are going. Don't let bureaucrats push freedom aside for more backdoor corrupt deals.

-Joshua Gallion  
North Dakota State Auditor

.....

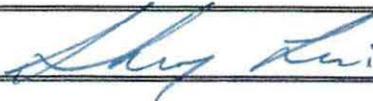
## 2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee – Government Operations Division  
Medora Room, State Capitol

HB1004  
4/17/2017  
Recording Job# 30165

Subcommittee  
 Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor.

Minutes:

Attachment A

**Chairman Nathe:** Opened the conference committee on HB1004.

**Chairman Nathe:** Explained amendment 17.0489.02003 and attachment A.

**Senator Dever:** This is not what we discussed as a conference committee; but what has been discussed between you and the auditor since. Am I correct?

**Chairman Nathe:** Correct. I had also shared our discussions with Senator Oehlke and included him in as far as what we've been talking about and where we're going.

**Representative Boehning:** Made a motion to recede from Senate amendments and amend with 17.0489.02003.

**Senator Oehlke:** Seconded the motion.

**Senator Mathern:** The House version cut general funds \$340,000.00. The Senate cut \$22,000.00; and now this conference committee is \$582,000.00. So this conference committee is going beyond the House and Senate in the cutting of general funds. Am I reading this right?

**Senator Mathern:** I'm wondering why the auditor comes into conference committee and leaves in a private conversation with even more cuts than the House or the Senate.

**Sheila Sandness, Fiscal Auditor, ND Legislative Council:** The difference would be the position. The House added back the underfunding.

**Chairman Nathe:** From talking to the auditor, he had also realized that they could find some efficiencies. They had some other needs that they wanted to do. They wanted to have four higher ed auditors and then four auditors; versus having the five and four. They

could eliminate this position to take care of any of the other FTE needs that they need to do to increase those areas.

**Senator Mathern:** So I am reading this correctly, that there are more cuts in conference committee.

**Sheila Sandness:** That's correct. The difference would be the difference between the \$582,340.00.

**Roll Call Vote:** 5 Yeas 1 Nay 0 Absent.

**Motion Carried.**

**Chairman Nathe:** Closed the conference committee.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1004

That the Senate recede from its amendments as printed on pages 1277 and 1278 of the House Journal and pages 994 and 995 of the Senate Journal and that Engrossed House Bill No. 1004 be amended as follows:

Page 1, replace lines 10 through 18 with:

"Salaries and wages	\$11,655,646	\$111,666	\$11,767,312
Operating expenses	1,176,806	(34,023)	1,142,783
North Dakota university system information technology security audits	200,000	(200,000)	0
Information technology consultants	<u>250,000</u>	<u>(250,000)</u>	<u>0</u>
Total all funds	\$13,282,452	(\$372,357)	\$12,910,095
Less estimated income	<u>3,505,870</u>	<u>(94,383)</u>	<u>3,411,487</u>
Total general fund	\$9,776,582	(\$277,974)	\$9,498,608
Full-time equivalent positions	59.80	(3.80)	56.00"

Page 1, line 20, replace "\$163,134" with "\$140,696"

Page 1, line 20, replace "\$123,788" with "\$104,201"

Page 1, line 21, replace "\$1,249" with "\$1,241"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Salaries and wages	\$11,655,646	\$11,714,840	\$52,472	\$11,767,312	\$12,002,621	(\$235,309)
Operating expenses	1,176,806	1,136,039	6,744	1,142,783	1,162,783	(20,000)
University system IT security audits	200,000					
Information technology consultants	250,000					
Total all funds	\$13,282,452	\$12,850,879	\$59,216	\$12,910,095	\$13,165,404	(\$255,309)
Less estimated income	<u>3,505,870</u>	<u>3,414,338</u>	<u>(2,851)</u>	<u>3,411,487</u>	<u>3,411,487</u>	<u>0</u>
General fund	\$9,776,582	\$9,436,541	\$62,067	\$9,498,608	\$9,753,917	(\$255,309)
FTE	59.80	57.80	(1.80)	56.00	57.80	(1.80)

Department No. 117 - State Auditor - Detail of Conference Committee Changes

	Adjusts Funding for Health Insurance Increases <sup>1</sup>	Removes .8 FTE Position <sup>2</sup>	Removes 1 FTE Performance Audit Manager Position <sup>3</sup>	Restores Funding for Salaries and Wages <sup>4</sup>	Restores Funding for Operating Expenses <sup>5</sup>	Total Conference Committee Changes
Salaries and wages	(\$22,438)		(\$277,191)	\$352,101		\$52,472
Operating expenses					6,744	6,744
University system IT security audits						

Information technology consultants						
Total all funds	(\$22,438)	\$0	(\$277,191)	\$352,101	\$6,744	\$59,216
Less estimated income	(2,851)	0	0	0	0	(2,851)
General fund	(\$19,587)	\$0	(\$277,191)	\$352,101	\$6,744	\$62,067
FTE	0.00	(0.80)	(1.00)	0.00	0.00	(1.80)

<sup>1</sup> Funding for employee health insurance is adjusted to reflect the updated premium amount of \$1,241 per month. Section 2 of the bill is also changed to reflect the revised premium rate, the same as the Senate version.

<sup>2</sup> Full-time equivalent positions are reduced as a result of underfunding salaries and wages. This change was not included in the House or Senate version.

<sup>3</sup> One FTE performance audit manager position (Position No. 00000510-1) and related funding for salaries and wages are removed. This change was not included in the House or Senate version.

<sup>4</sup> Funding for salaries and wages is restored agencywide, the same as the Senate version. The House underfunded salaries and wages by an additional \$373,869.

<sup>5</sup> Funding for operating expenses is partially restored to provide for a reduction of \$20,000 agencywide. The House reduced operating expenses agencywide by \$26,744. The Senate version restored the House reduction.

## O'Brien, Emily

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**From:** Koep, Andrew S. <askoep@nd.gov>  
**Sent:** Wednesday, January 11, 2023 3:55 PM  
**To:** O'Brien, Emily  
**Subject:** Meet with State Auditor Josh Gallion

Hello Representative B'Brien,

My name is Andrew Koep, I am currently working as the legislative intern for the North Dakota State Auditor's office. Auditor Josh Gallion would like to meet with you concerning potential legislation this session. Please pick one of the following times at which you can meet with Auditor Gallion.

Wednesday the 11<sup>th</sup> (today) @4:45pm  
Thursday the 12<sup>th</sup> @12:00noon  
Thursday the 12<sup>th</sup> @4:00pm

If you are unable to make any of these times please propose a time that does work for you. Please also provide a place/method of contact so that Auditor Gallion can get in contact with you at the time of your meeting.

Feel free to email me if you have any questions.

  
Andrew Koep  
Legislative Assistant



Office of the  
State Auditor

Email: [askoep@nd.gov](mailto:askoep@nd.gov)

600 E. Boulevard Ave Dept 117, Bismarck, ND 58505

Phone: 701-328-2971 Website: [nd.gov/auditor](http://nd.gov/auditor)



## O'Brien, Emily

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**From:** Koep, Andrew S. <askoep@nd.gov>  
**Sent:** Wednesday, January 18, 2023 10:25 AM  
**To:** O'Brien, Emily  
**Subject:** Visit with Auditor Gallion

Hello Representative O'Brien,

I am again emailing you requesting that you and Auditor Gallion meet concerning legislature this session. I will provide three times at which Auditor Gallion can visit with you.

Wednesday the 18<sup>th</sup> @4:30pm

Thursday the 19<sup>th</sup> @12:15

Thursday the 19<sup>th</sup> @3:00pm

Please select the time that works best for you. If none of these times work, please email me back and provide a time that does work for you.

Feel free to email me if you have any questions

Andrew Koep  
Legislative Assistant



Office of the  
State Auditor

Email: [askoep@nd.gov](mailto:askoep@nd.gov)

600 E. Boulevard Ave Dept 117, Bismarck, ND 58505

Phone: 701-328-2971 Website: [nd.gov/auditor](http://nd.gov/auditor)



## O'Brien, Emily

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**From:** Gallion, Joshua C. <jcgallion@nd.gov>  
**Sent:** Thursday, March 9, 2023 10:29 AM  
**To:** O'Brien, Emily  
**Cc:** Lefor, Mike; Ludwig, Brianna S.  
**Subject:** Meet to Discuss Legislation and Auditing Concerns

Rep. O'Brien,

Would you be available to visit regarding legislation? I would like to discuss any government auditing concerns you have to avoid these issues continuing to play out in public hearings and in the media. I've also CC'd Rep. Lefor on this email to inform and invite to the conversation.

I'm hopeful that we can find a time and place to talk in person.

Thanks,  
Josh

**Joshua C. Gallion**  
State Auditor



Office of the  
State Auditor

600 E. Boulevard Ave Dept 117, Bismarck, ND 58505  
  **Phone:** 701.328.4780 **Website:** [nd.gov/auditor](http://nd.gov/auditor)



## O'Brien, Emily

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**From:** Dawn Rhone <Dawn.Rhone@mortonnd.org>  
**Sent:** Friday, January 27, 2023 3:22 PM  
**To:** O'Brien, Emily  
**Subject:** RE: Audit Fees Inquiry

Hi Emily

Here is the information you requested. We have just had fiscal audits.

2022	25,450
2021	22,250
2020	21,650
2019	21,650
2018	22,150
2017	20,950
2016	19,950
2015	19,250



**DAWN R. RHONE, CPA**

MORTON COUNTY AUDITOR

📍 210 2nd Ave NW, Mandan, ND 58554

✉️ dawn.rhone@mortonnd.org

☎️ 701.667.3300

🌐 www.mortonnd.org

**From:** O'Brien, Emily <eobrien@ndlegis.gov>  
**Sent:** Thursday, January 26, 2023 9:07 AM  
**To:** Dawn Rhone <Dawn.Rhone@mortonnd.org>  
**Subject:** Audit Fees Inquiry

Hi Dawn,

This is Representative Emily O'Brien from Grand Forks; I am wondering if you could help provide me with some information on the audit fees charged to Morton County by the State Auditor's Office for audits that have been performed. I am looking for any audit fees charged between 2015-2023 and what type of audit was performed – fiscal or performance audit. Is this something that you could help me with? Or point me in the direction of the appropriate individual with this information.

Thanks so much!

Emily O'Brien

Representative Emily O'Brien

Customer Name	Audit Type	Deposit Account	Fiscal Year					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
BARNES RURAL WATER DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,250.00	15,750.00	14,500.00	12,9
BELCOURT PUBLIC SCHOOL DISTRICT #7	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	20,000.00	46,450.00	
BEULAH PUBLIC SCHOOL DISTRICT #27	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	19,650.00	18,950.00	16,0
Bismarck State College	ACFR - Financial Audit	General Fund	3,754.00	3,848.00	3,944.00	4,042.00	7,090.00	7,6
	Performance Audit	General Fund	5,623.00	-	5,904.00	-	6,199.00	22,4
	Single Audit - Financial Audit	General Fund	-	25,925.52	-	15,742.42	-	5,7
BOARD OF EDUCATION OF THE CITY OF FARGO	Financial Audit	State Auditor Special Fund Operating Account	-	-	22,500.00	24,450.00	26,750.00	26,7
BOTTINEAU COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	19,950.00	23,650.00	22,950.00	47,7
BURKE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	24,9
BURLEIGH COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	25,950.00	-	49,450.00	33,2
BURLEIGH COUNTY WATER RESOURCE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	6,250.00	6,650.00	7,350.00	9,7
Career and Technical Education	Performance Audit	General Fund	-	76.00	-	80.00	-	
CASS CO. SOIL CONSERVATION DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	11,750.00	11,750.00	11,500.00	11,5
CASS CO. WATER RESOURCE DISTRICTS	Financial Audit	State Auditor Special Fund Operating Account	-	-	22,450.00	25,550.00	25,450.00	26,0
CASS COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	22,250.00	42,500.00	41,9
CASSELTON PARK DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	
CAVALIER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,250.00	21,350.00	22,000.00	21,7
Center for Tobacco Prevention & Control	Performance Audit	General Fund	9,338.00	9,805.00	-	-	-	
CITY OF CANDO	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	13,500.00	
CITY OF DEVILS LAKE	Financial Audit	State Auditor Special Fund Operating Account	-	-	23,450.00	23,650.00	22,650.00	20,9
CITY OF HILLSBORO	Financial Audit	State Auditor Special Fund Operating Account	-	-	22,250.00	-	-	15,0
CITY OF PARSHALL	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	
CITY OF WAHPETON	Financial Audit	State Auditor Special Fund Operating Account	-	-	24,950.00	27,250.00	24,500.00	
CITY OF WASHBURN	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	29,950.00	-	39,4
CITY OF WEST FARGO	Financial Audit	State Auditor Special Fund Operating Account	-	-	27,950.00	-	27,500.00	
CITY OF WILLISTON	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	27,000.00	
Comm. on Legal Counsel for Indigents	Performance Audit	General Fund	1,731.00	-	1,817.00	-	-	
Core Technology Services	ACFR - Financial Audit	General Fund	-	-	-	-	4,377.00	4,9
Corn Utilization Council	Financial Audit	General Fund	-	3,738.00	-	3,925.00	-	6,7
Department of Commerce	Performance Audit	General Fund	-	2,193.00	2,303.00	-	2,418.00	
	Single Audit - Financial Audit	General Fund	-	-	-	-	-	83,4
	Performance Audit	General Fund	-	-	-	-	-	
DEPARTMENT OF ENVIRONMENTAL QUALITY	Performance Audit	General Fund	-	3,932.00	-	4,129.00	-	9,7
Department of Financial Institutions	Performance Audit	General Fund	-	-	-	-	-	
Department of Public Instruction	Performance Audit	General Fund	3,628.00	-	3,810.00	-	-	4,0
	Single Audit - Financial Audit	General Fund	-	132,710.00	-	155,782.50	-	142,6
	Performance Audit	General Fund	-	24,705.00	25,940.00	-	-	27,2
Department of Transportation	Single Audit - Financial Audit	General Fund	-	94,622.50	-	7,666.29	-	94,1
	Performance Audit	General Fund	1,205.00	-	-	1,265.00	-	
Dept. of Corrections & Rehabilitation	Performance Audit	General Fund	-	-	6,500.00	7,000.00	15,950.00	8,4
DEVILS LAKE PARK BOARD	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,750.00	16,495.00	18,750.00	22,2
DEVILS LAKE PSD #1	Financial Audit	State Auditor Special Fund Operating Account	-	-	41,250.00	17,500.00	6,000.00	37,2
DICKEY COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	3,520.00	3,631.00	4,301.00	4,3
Dickinson State University	ACFR - Financial Audit	General Fund	3,351.00	3,434.00	3,520.00	3,631.00	4,301.00	4,3
	Performance Audit	General Fund	5,987.00	-	6,287.00	-	6,601.00	13,1
	Single Audit - Financial Audit	General Fund	-	10,769.00	-	8,067.03	-	5,2
DOC-Roughrider Industries	Performance Audit	General Fund	6,862.00	-	-	-	-	
Dry Pea and Lentil Association	Financial Audit	General Fund	-	3,184.00	-	3,343.00	-	6,4
FOSTER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	10,0
GRAND FORKS COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	24,250.00	23,900.00	21,000.00	
GRANT COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	
GREATER RAMSEY WATER DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	8,500.00	18,900.00	
GRIGGS COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	
GWINNER FIRE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	
Information Technology Department	Performance Audit	General Fund	-	20,316.00	-	-	21,332.00	
KILLDEER AREA AMBULANCE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	
KINDRED PUBLIC SCHOOL DISTRICT NO. 2	Financial Audit	State Auditor Special Fund Operating Account	-	-	14,250.00	15,200.00	15,250.00	19,2
LAKE METIGOSHE REC. SERVICE DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	14,350.00	
LAKE REGION DISTRICT HEALTH UNIT	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,750.00	-	-	12,5

Sum of Inv Amt Customer Name	Audit Type	Deposit Account	Fiscal Year					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
LAKE REGION LAW ENFORCEMENT CENTER	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	9,750.00	9,650.00	11,500.00
Lake Region State College	ACFR - Financial Audit	General Fund	1,277.00	1,309.00	1,342.00	1,376.00	2,718.00	2,850.00
	Performance Audit	General Fund	4,938.00	-	-	5,185.00	14,700.00	-
	Single Audit - Financial Audit	General Fund	-	22,772.56	-	7,453.46	-	4,500.00
LA MOURE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,000.00	15,950.00	18,950.00	18,950.00
LEC BUILDING MAINTENANCE FUND	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	4,250.00	-
LISBON PUBLIC SCHOOL DISTRICT #19	Financial Audit	State Auditor Special Fund Operating Account	-	-	15,950.00	-	-	18,200.00
Mayville State University	ACFR - Financial Audit	General Fund	1,875.00	1,922.00	1,970.00	2,019.00	3,788.00	4,150.00
	Performance Audit	General Fund	4,920.00	-	-	5,166.00	17,800.00	-
	Single Audit - Financial Audit	General Fund	-	11,811.10	-	8,564.50	-	4,000.00
MCHENRY COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-
MEDINA PUBLIC SCHOOL DISTRICT #3	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-
MERCER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-
Minot State University	ACFR - Financial Audit	General Fund	6,239.00	6,395.00	6,555.00	6,719.00	9,218.00	9,240.00
	Performance Audit	General Fund	5,243.00	-	5,505.00	-	5,780.00	-
	Single Audit - Financial Audit	General Fund	-	13,878.08	-	10,080.34	-	5,340.00
MISU Bottineau	ACFR - Financial Audit	General Fund	941.00	964.00	988.00	1,013.00	1,652.00	2,000.00
	Performance Audit	General Fund	4,446.00	-	-	4,668.00	4,901.00	-
	Single Audit - Financial Audit	General Fund	-	10,067.17	-	7,305.99	-	4,500.00
MORTON COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	12,500.00	13,000.00	50,000.00	13,000.00
MORTON COUNTY WRD	Financial Audit	State Auditor Special Fund Operating Account	-	-	10,750.00	-	25,250.00	12,000.00
MOUNTRAIL COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	29,000.00
NAPOLEON PSD #2	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	20,000.00
ND Adjutant General	Performance Audit	General Fund	-	472.00	-	495.00	-	-
	Single Audit - Financial Audit	General Fund	-	56,602.50	-	-	-	66,300.00
ND Aeronautics Commission	Performance Audit	General Fund	-	7,294.00	3,830.00	-	4,021.00	-
ND Ag Experiment Station, NDSU Extension	Performance Audit	General Fund	-	-	-	-	-	21,800.00
ND Attorney General	Performance Audit	General Fund	-	5,759.00	-	6,047.00	-	-
ND Barley Council	Financial Audit	General Fund	-	6,573.00	-	6,901.00	-	5,600.00
ND Beef Commission	Financial Audit	General Fund	4,698.00	4,816.00	4,936.00	5,060.00	5,186.00	16,800.00
ND Council on the Arts	Performance Audit	General Fund	180.00	-	189.00	-	-	-
ND Dairy Promotion Commission	Financial Audit	General Fund	-	3,381.00	-	3,550.00	-	6,000.00
ND Department of Agriculture	Performance Audit	General Fund	6,464.00	-	-	6,787.00	11,500.00	-
ND Department of Health	Performance Audit	General Fund	-	972.00	1,021.00	-	25,700.00	-
	Single Audit - Financial Audit	General Fund	-	19,185.00	-	51,552.50	-	-
ND Department of Human Services	Performance Audit	General Fund	-	10,325.00	10,841.00	-	68,900.00	-
	Single Audit - Financial Audit	General Fund	-	575,910.00	-	500,458.75	-	494,900.00
ND Department of Veteran's Affairs	Performance Audit	General Fund	-	3,822.00	-	4,014.00	-	-
ND Dry Bean Council	Financial Audit	General Fund	-	2,495.00	-	2,620.00	-	5,600.00
ND Forest Service	Performance Audit	General Fund	-	-	-	-	6,400.00	-
ND Game and Fish Department	Performance Audit	General Fund	-	15,187.00	-	15,947.00	-	-
	Single Audit - Financial Audit	General Fund	-	50,247.50	-	4,316.94	-	52,100.00
ND Governor's Office	Performance Audit	General Fund	751.00	-	-	-	-	-
ND Highway Patrol	Performance Audit	General Fund	-	11,207.00	-	11,767.00	-	-
	Single Audit - Financial Audit	General Fund	-	-	-	29,892.50	-	1,900.00
ND Historical Society	Performance Audit	General Fund	-	2,999.00	-	3,148.00	-	-
ND Industrial Commission	Performance Audit	General Fund	-	5,561.00	5,839.00	-	6,131.00	-
ND Insurance Department	Performance Audit	General Fund	-	7,832.00	-	8,224.00	8,635.00	-
ND Judicial Branch	Performance Audit	General Fund	-	137.00	144.00	-	-	-
ND Milk Marketing Board	Financial Audit	General Fund	-	2,990.00	-	3,140.00	-	6,000.00
ND Mill and Elevator	Financial Audit	General Fund	19,827.00	20,323.00	20,831.00	42,704.00	21,886.00	29,000.00
ND Parks and Recreation Department	Performance Audit	General Fund	-	5,984.00	6,283.00	-	-	6,500.00
ND Potato Council	Financial Audit	General Fund	-	5,893.00	-	6,188.00	-	5,600.00
ND Racing Commission	Performance Audit	General Fund	-	5,895.00	6,190.00	-	6,499.00	-
ND School for the Blind	Performance Audit	General Fund	-	-	-	-	2,810.00	-
ND School for the Deaf	Performance Audit	General Fund	-	-	-	-	-	-
ND Secretary of State	Performance Audit	General Fund	-	552.00	-	580.00	-	-

Customer Name	Audit Type	Deposit Account	Fiscal Year					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
ND Securities Department	Performance Audit	General Fund	-	83.00	-	87.00	-	-
ND Soybean Council	Financial Audit	General Fund	4,727.00	4,846.00	4,967.00	5,091.00	5,218.00	16,8
ND State College of Science	ACFR - Financial Audit	General Fund	5,221.00	5,352.00	5,486.00	5,623.00	7,322.00	7,2
	Performance Audit	General Fund	5,621.00	-	5,902.00	-	16,300.00	-
	Single Audit - Financial Audit	General Fund	-	24,230.69	-	15,340.47	-	5,9
ND University System	ACFR - Financial Audit	General Fund	954.00	978.00	1,071.00	1,073.00	5,389.00	6,7
	Performance Audit	General Fund	-	793.00	-	-	833.00	-
	Single Audit - Financial Audit	General Fund	-	1,558.75	-	-	-	-
ND Veteran's Home	Performance Audit	General Fund	7,786.00	-	-	8,176.00	14,000.00	-
ND Wheat Commission	Financial Audit	General Fund	-	4,924.00	-	5,170.00	-	6,7
NELSON COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,500.00	-	23,000.00	-
NELSON/GRIGGS DISTRICT HEALTH UNIT	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	13,2
North Dakota Ethanol Council	Financial Audit	General Fund	-	4,712.50	-	5,289.00	-	6,0
North Dakota State University	ACFR - Financial Audit	General Fund	35,135.00	36,313.00	37,213.00	38,136.00	53,793.00	68,3
	Performance Audit	General Fund	40,647.00	-	-	5,498.00	31,500.00	-
	Single Audit - Financial Audit	General Fund	-	30,972.99	-	42,847.26	-	81,0
OBERON PUBLIC SCHOOL DISTRICT NO. 16	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	44,9
Office of Administrative Hearings	Performance Audit	General Fund	-	5,566.00	5,845.00	-	6,137.00	-
Office of Management and Budget	Performance Audit	General Fund	19,834.00	-	20,826.00	-	29,000.00	-
	Single Audit - Financial Audit	General Fund	-	-	-	-	-	18,3
Oilseed Council	Financial Audit	General Fund	-	3,353.00	-	3,521.00	-	6,0
PARSHALL PUBLIC SCHOOL DISTRICT #3	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	27,0
PEMBINA COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	18,950.00	18,650.00	18,5
PIERCE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	19,250.00	6,500.00	31,750.00	17,7
Public Service Commission	Performance Audit	General Fund	-	855.00	-	898.00	942.00	-
RAMSEY COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	17,500.00	20,300.00	31,8
RAMSEY COUNTY WRD	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	2,950.00	-	-
RANSOM COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	16,250.00	18,500.00	7,000.00	19,2
RICHLAND COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	20,000.00	11,000.00	10,950.00	48,7
ROLETTE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,950.00	19,250.00	18,750.00	18,7
SIoux COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	18,500.00	21,500.00	-	17,5
SOLEN PUBLIC SCHOOL DISTRICT #3	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	4,250.00	36,5
SOUTHWEST MULTI-COUNTY CORRECTION CTR.	Financial Audit	State Auditor Special Fund Operating Account	-	-	19,500.00	-	12,750.00	-
STARK COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	21,000.00	39,450.00	24,000.00	26,5
State Seed Department	Financial Audit	General Fund	-	6,861.00	-	7,204.00	-	8,6
STEELE COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	16,500.00	17,600.00	18,500.00	38,4
STUTSMAN COUNTY	Financial Audit	State Auditor Special Fund Operating Account	300.00	-	24,500.00	49,900.00	24,750.00	24,5
TOWNER COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	25,450.00	-	23,500.00	-
TRAILL COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	13,750.00	14,500.00	16,500.00	13,2
University of North Dakota	ACFR - Financial Audit	General Fund	41,121.00	42,149.00	43,203.00	44,283.00	60,992.00	76,9
	Performance Audit	General Fund	5,624.00	-	-	5,905.00	6,201.00	19,9
	Single Audit - Financial Audit	General Fund	-	83,595.28	-	40,555.65	-	104,7
Upper Great Plains Transportation Instit	Performance Audit	General Fund	-	-	-	-	10,400.00	-
Valley City State University	ACFR - Financial Audit	General Fund	2,407.00	2,560.00	2,644.00	2,707.00	4,153.00	4,8
	Performance Audit	General Fund	4,981.00	-	5,230.00	-	16,300.00	-
	Single Audit - Financial Audit	General Fund	-	10,317.04	-	7,924.12	-	3,2
WAHPETON AIRPORT AUTHORITY	Financial Audit	State Auditor Special Fund Operating Account	-	-	6,250.00	-	8,450.00	-
WALSH COUNTY	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	31,450.00	25,250.00	33,5
Water Commission	Performance Audit	General Fund	6,022.00	-	6,324.00	-	20,600.00	-
	Single Audit - Financial Audit	General Fund	-	-	-	-	-	15,3
WEST FARGO PARK DISTRICT	Financial Audit	State Auditor Special Fund Operating Account	-	-	13,500.00	14,950.00	14,750.00	15,2
WEST FARGO PSD #6	Financial Audit	State Auditor Special Fund Operating Account	-	-	20,500.00	22,950.00	-	-
WILLISTON PUBLIC SCHOOL DISTRICT #1	Financial Audit	State Auditor Special Fund Operating Account	-	-	-	-	-	-
Williston State College	ACFR - Financial Audit	General Fund	1,189.00	1,219.00	1,249.00	1,281.00	2,789.00	3,0
	Performance Audit	General Fund	5,048.00	-	-	5,300.00	14,500.00	-
	Single Audit - Financial Audit	General Fund	-	9,877.82	-	7,232.62	-	2,5
<b>Grand Total</b>			<b>289,895.00</b>	<b>1,521,908.00</b>	<b>955,249.00</b>	<b>1,945,903.34</b>	<b>1,511,312.00</b>	<b>2,680,9</b>

\*Amount to be reimbursed:

LOCAL GOV'T	AUDIT YEAR	AUDIT COST	1% REV AUDITED	REFUND
Burleigh County WRD	2021	\$ 17,950	\$ 11,746	\$ 6,204.00
Cass County SCD	2020	\$ 12,750	\$ 7,743	\$ 5,007.00
Gwinner RFPD	2018	\$ 17,000	\$ 3,622	\$ 11,000.00 *
Killdeer Ambulance	2017-20	\$ 48,650	\$ 46,629	\$ 2,021.00
Red River Retention Authority	2021	\$ 1,000	\$ 874	\$ 126.00
				\$ 24,358.00

\* limited to actual billed amount

Audits conducted during the 2021-23 Biennium whereby the audit cost was > 1% of the annual revenue amount audited will be refunded the difference between the audit cost & their billing amount upto the full billing amount.

Sixty-eighth  
Legislative Assembly  
of North Dakota

ENGROSSED HOUSE BILL NO. 1508

Introduced by

Representatives O'Brien, Lefor, Nathe, Sanford, Schreiber-Beck

Senators Kreun, Meyer

1 A BILL for an Act to create and enact a new subdivision to subsection 2 of section 12-60-24, a  
 2 new subsection to section 54-10-26, and four new sections to chapter 54-10 of the North  
 3 Dakota Century Code, relating to criminal history background checks of employees of the state  
 4 auditor and audits of state agencies, political subdivisions, and occupation and professional  
 5 boards: to amend and reenact ~~section~~sections 16.1-01-10, 54-10-01, and 54-10-13,  
 6 subsection 5 of section 54-10-14, and sections 54-10-15 and 54-10-25 of the North Dakota  
 7 Century Code, relating to duties of the state auditor; and to provide a penalty.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1.** A new subdivision to subsection 2 of section 12-60-24 of the North Dakota  
10 Century Code is created and enacted as follows:

11 The state auditor for all employees, as required by section 10 of this Act.

12 **SECTION 2. AMENDMENT.** Section 16.1-01-10 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14 **16.1-01-10. Secretary of state to pass upon sufficiency of petitions - Method - Time**  
15 **limit.**

16 The secretary of state shall have a reasonable period, not to exceed thirty-five days, in  
17 which to pass upon the sufficiency of any petition mentioned in ~~section~~sections 16.1-01-09 and  
18 54-10-15. The secretary of state shall conduct a representative random sampling of the  
19 signatures contained in the petitions by the use of questionnaires, postcards, telephone calls,  
20 personal interviews, or other accepted information-gathering techniques, or any combinations  
21 thereof, to determine the validity of the signatures. Signatures determined by the secretary of  
22 state to be invalid may not be counted and all violations of law discovered by the secretary of  
23 state must be reported to the attorney general for prosecution.

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

3       **54-10-01. Powers and duties of state auditor.**

4       1. The state auditor shall:

5           a. Be vested with the duties, powers, and responsibilities involved in performing the  
6           postaudit of all financial transactions of state government, detecting and reporting  
7           any defaults, and determining that expenditures have been made in accordance  
8           with law and appropriation acts.

9           b. Perform or provide for the audit of the general purpose financial statements and a  
10          review of the material included in the comprehensive annual financial report of  
11          the state in accordance with government auditing standards.

12          c. Perform or provide for audits of state agencies in accordance with government  
13          auditing standards and legislative audit and fiscal review committee guidelines  
14          developed under section 54-35-02.10. Except for the annual audit of the North  
15          Dakota lottery required by section 53-12.1-03, the state auditor shall audit each  
16          state agency once every two years. Audits may be conducted at more frequent  
17          intervals if requested by the governor or the legislative audit and fiscal review  
18          committee. The state auditor shall charge an amount equal to the cost of the  
19          audit and other services rendered by the state auditor to all agencies that receive  
20          and expend moneys from other than the general fund. This charge may be  
21          reduced for an agency that receives and expends both general fund and  
22          nongeneral fund moneys. State agencies shall use nongeneral fund moneys to  
23          pay for the cost of the audit. If nongeneral fund moneys are not available, the  
24          agency may, upon approval of the legislative assembly, or the budget section if  
25          the legislative assembly is not in session, use general fund moneys to pay for the  
26          audit. If the lead auditor on an agency audit has less than two years of  
27          experience with the state auditor or has not previously audited the agency, the  
28          agency may not be charged for the audit. Any budget section action under this  
29          subdivision must comply with section 54-35-02.9.

30          d. Perform or provide for performance audits of state agencies, or the agencies'  
31          blended component units or discreetly presented component units, as

- 1 determined necessary by the legislative assembly, or the legislative audit and  
2 fiscal review committee if the legislative assembly is not in session. When  
3 determining the necessity of a performance audit, the legislative audit and fiscal  
4 review committee shall consider:
- 5 (1) The potential cost-savings or efficiencies that may be gained as a result of  
6 the performance audit;
  - 7 (2) The staff resources of the state auditor's office and of the state agency  
8 being audited which will be required to conduct the audit;
  - 9 (3) The potential for discovery of noncompliance with state law or legislative  
10 intent regarding the program or agency; and
  - 11 (4) The potential for the performance audit to identify opportunities for program  
12 improvements.
- 13 e. Report on the functions of the state auditor's office to the governor and the  
14 secretary of state in accordance with section 54-06-04 or more often as  
15 circumstances may require.
- 16 f. Perform work on mineral royalties for the federal government in accordance with  
17 section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
- 18 g. Perform all other duties as prescribed by law.
- 19 2. The state auditor may:
- 20 a. Conduct any work required by the federal government.
  - 21 b. ~~Within the resources available to the state auditor, perform or provide for~~  
22 ~~performance audits of state agencies as determined necessary by the state~~  
23 ~~auditor.~~
  - 24 ~~e.~~ Audit the International Peace Garden at the request of the board of directors of  
25 the International Peace Garden.
  - 26 ~~d.c.~~ Contract with a private certified public accountant or other qualified professional  
27 to conduct or assist with an audit, review, or other work the state auditor is  
28 authorized to perform or provide for under this section. Before entering any  
29 contract, the state auditor shall present information to the legislative audit and  
30 fiscal review committee on the need for the contract and its estimated cost and  
31 duration. Except for performance audits conducted under subdivision d of

1 subsection 1 ~~or subdivision b of this subsection~~ and except for audits of  
2 occupational or professional boards, the state auditor shall execute the contract  
3 and any executive branch agency, including higher education institutions, shall  
4 pay the fees of the contractor. For performance audits conducted under  
5 subdivision d of subsection 1 ~~or subdivision b of this subsection~~, the state auditor  
6 may charge a state agency for the cost of a contract relating to an audit, subject  
7 to approval by the legislative assembly or the legislative audit and fiscal review  
8 committee if the legislative assembly is not in session. When considering a  
9 request, the legislative audit and fiscal review committee shall consider the effect  
10 of the audit cost on the agency being audited, the necessity of the contract, and  
11 the potential benefit to the state resulting from the contract. The state auditor  
12 shall notify the affected agency of the potential cost before requesting approval  
13 from the legislative assembly or the legislative audit and fiscal review committee.

14 3. All audits performed by the state auditor must be reviewed and approved by a certified  
15 public accountant.

16 4. The state auditor may not reject an audit report of an audit performed by a certified  
17 public accountant or licensed public accountant which meets generally accepted  
18 auditing standards.

19 5. The state auditor shall provide an audit template that meets generally accepted  
20 government auditing standards to be used by a certified public accountant or licensed  
21 public accountant who is contracted to complete an audit on behalf of a political  
22 subdivision or state entity.

23 6. In the audit reports provided to the legislative audit and fiscal review committee under  
24 subsection 1 of this section, the state auditor's report for each audit must include:

25 a. A summary of the audit conducted.

26 b. Disclosure of any disagreements with management.

27 c. Any findings and whether the findings were addressed or corrected.

28 d. A copy of the engagement letter, number of staff hours worked to complete the  
29 audit, and the final cost of the audit.

30 **SECTION 4. AMENDMENT.** Section 54-10-13 of the North Dakota Century Code is  
31 amended and reenacted as follows:

1        **54-10-13. Political subdivisions - Audits—State auditor powers.**

2        The state auditor shall perform audits of political subdivisions pursuant to section 54-10-14  
3 unless otherwise requested by the governing board, ordered by the governor or the legislative  
4 audit and fiscal review committee, or on petition pursuant to section 54-10-15, ~~or at the~~  
5 ~~discretion of the state auditor for alleged improprieties.~~

6        **SECTION 5. AMENDMENT.** Subsection 5 of section 54-10-14 of the North Dakota Century  
7 Code is amended and reenacted as follows:

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

12        **SECTION 6. AMENDMENT.** Section 54-10-15 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14        **54-10-15. Audits of political subdivisions by order of governor or the legislative audit**  
15 **and fiscal review committee, upon petition, or upon request of the state court**  
16 **administrator.**

- 17        1. The state auditor, by duly appointed deputy auditors or other authorized agents, shall  
18 audit or review the books, records, and financial accounts of any political subdivision  
19 when ordered by the governor or the legislative audit and fiscal review committee,  
20 requested by the governing board, or upon petition of at least thirty-five percent of the  
21 qualified electors of any political subdivision enumerated in section 54-10-14 voting for  
22 the office of governor at the preceding general election or, in the case of school  
23 districts, upon petition of at least thirty-five percent of the qualified electors voting at  
24 the preceding school board election, or upon the request of the state court  
25 administrator with respect to clerk of district court services provided by a county in  
26 accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with  
27 the provisions of section 54-10-14.
- 28        2. If an audit is ordered due to financial irregularities or allegations of embezzlement, the  
29 governor may suspend an elected or appointed school board member from the  
30 individual's duties if the governor determines suspension is in the best interest of the  
31 state pending the results of the audit. If the governor suspends an elected or

1 appointed school board member, the governor immediately shall provide notice to the  
2 school board with which the suspended member serves. Within five days of receiving  
3 notice, the school board shall appoint an individual to replace the suspended member  
4 to serve during the pendency of the audit. The governor shall consult with the  
5 superintendent of public instruction in determining whether suspension of a member of  
6 a school board is in the best interest of the state.

7 3. Upon review of a petition for an audit by the secretary of state under section  
8 16.1-01-10, the secretary of state shall forward a valid petition for an audit under  
9 subsection 1 to the state auditor. Within fourteen days of determining the sufficiency of  
10 a petition under this section, the secretary of state shall provide notice of any  
11 approved petition to the legislative audit and fiscal review committee.

12 **SECTION 7. AMENDMENT.** Section 54-10-25 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14 **54-10-25. Divulging of certain secret information prohibited - Penalty.**

- 15 1. The state auditor and the auditor's employees, including any person employed by the  
16 auditor to perform the examination of any return, report, or other information filed and  
17 in the possession of the tax commissioner which is made confidential by law, may not  
18 divulge the contents of any return, report, or other information examined or any listing  
19 made therefrom by the state auditor or the auditor's employees except when otherwise  
20 directed by judicial order, or as is otherwise provided by law.
- 21 2. The state auditor, the auditor's employees, or an agent of the auditor may not divulge  
22 any information relating to a matter forwarded to the attorney general or a state's  
23 attorney for further investigation until the attorney general or state's attorney has made  
24 a determination as to whether there is probable cause to believe a violation of law has  
25 occurred.

26 3. An individual who violates this section is guilty of a class C felony.

27 **SECTION 8.** A new subsection to section 54-10-26 of the North Dakota Century Code is  
28 created and enacted as follows:

29 The state auditor may not request the working papers of any entity.

30 **SECTION 9.** A new section to chapter 54-10 of the North Dakota Century Code is created  
31 and enacted as follows:

1 **Audit findings - Review period.**

2 The state auditor shall provide any audit findings to the audited state entity, political  
3 subdivision, or occupational or professional board thirty days before the state auditor publishes  
4 the audit findings. The state auditor shall provide all audit findings to the legislative audit and  
5 fiscal review committee.

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

8 **Criminal history background checks - Employees.**

9 Each employee of the state auditor hired after June 30, 2001, shall complete a statewide  
10 and nationwide criminal history record check as provided under section 12-60-24. The state  
11 auditor is responsible for all costs associated with a statewide and nationwide criminal history  
12 record check.

13 **SECTION 11.** A new section to chapter 54-10 of the North Dakota Century Code is created  
14 and enacted as follows:

15 **Engagement letters - Prohibition.**

16 Upon completion of an audit, the state auditor may not increase the cost of the audit beyond  
17 the estimated cost proposed in the initial engagement letter.

18 **SECTION 12.** A new section to chapter 54-10 of the North Dakota Century Code is created  
19 and enacted as follows:

20 **Special state auditor.**

21 If the governor considers it in the best interests of the state, the governor may appoint a  
22 special state auditor to examine any state institution, state industry, state department, or public  
23 office. The special state auditor has all the powers and authority granted to the state auditor in  
24 making audits and shall examine and report upon any other matters connected with the state  
25 institutions and public offices as the governor may direct.

HB 1508

City of Parshall

March 9, 2023

Chairperson and members of the legislature, I would like to thank you for this opportunity to testify on behalf of HB1508. I am Kelly Woessner, City Auditor, representing the City of Parshall, and I am here to tell our story regarding a petition audit performed last year.

On February 23, 2022, the State Auditor's office released notification to KFVR that the City of Parshall was to be petition audited (Exhibit "A" copy attached 1 page). I was contacted by friend on February 24, 2022, from out of state that our City was going to be audited. And shortly after, I received a call from KMOT News for a statement regarding the upcoming petition audit. I was not aware of this at this time, nor did I have a letter of engagement. It wasn't until a few days later that I was contacted by the ND State Auditor's office, Heath Erickson, that there was a petition filed by the residents of the City of Parshall to have the City audited. The letter of engagement was not issued until March 7, 2022 (Exhibit "B" copy attached 5 pages). My first response to Mr. Erickson was obviously this is retaliation against me. I told him that they had dropped the ball and that I should not have had to hear this from the news media first. Reason I said this was I had presented a petition audit to have another entity audited in 2020. I petitioned to have an audit done, and I was the only person collecting signatures, so if any one of the people who signed my petition was asked who circulated it, they could only say it was me. I asked for information about the petition, and was told that the petition was not able to be released for me to see. I was told there was only 1 petitioner. I requested that the Auditor's Office should contact some of the signors to see if the petition was presented to them by the petitioner, because I felt that it was not circulated legally and according to the rules set out by the State Auditor's office. Come to find out from some of the people who actually signed that petition, the petition was sitting on the desk in the front office the other business collecting signatures and was also circulated by another person who did not fill out the affidavit of circulator and have it notarized (Exhibit "C" copy of their process attached 4 pages). The petitioner is the person responsible to send the gathered signatures in to the State Auditor's office. All persons who collect signatures are to have a notarized paper stating they were the circulator. Again, I brought it to the attention of the State Auditors and told them I had proof that it was not circulated according to their rules. I do know who the petitioner was and I do know who else circulated the petition, from visiting with residents of our City. I believe that requesting who petitioned the audit and who signed should be of public record.

I was not against the Audit being performed, and I was ready when they started requesting information to proceed.

When the audit began, the auditors would send me email requests for information from the City, and I would return the requested information immediately or within the day. We received the first bill from the State Auditor's Office and paid it on April 18, 2022 in the amount of \$12,500.00 (Exhibit "D" copy of bill attached). This process lasted a little over a month. They came to my office for 1 day for a verification of records, and that is all the time that was spent on site. All documentation was emailed to their office. On May 20, 2022 I received the final bill from the State Auditor's office in the amount of

\$26,750.00 (Exhibit "E" copy of the bill attached). I presented this to the City Council on June 8, 2022, for payment and it was not passed for payment. The City regularly has annual audits performed each year and the State Auditor approves each of these audits. Costs of the audits for the past five years is as follows:

2016 - \$5,800.00 Rath & Mehrer

2017 - \$9,300.00 Rath& Mehrer

2018 - \$7,000.00 Rath& Mehrer

2019 - \$8,300.00 Rath& Mehrer

2020 - \$8,800.00 Rath& Mehrer

TOTAL: \$39,200.00

This cost from the State Auditor's was more than what it had cost the City of Parshall for the last 5 years. The City of Parshall has Rath and Mehrer audit their books every year, so the City does follow the requirements of NDCC 54-10-14. Our past audits are also reviewed by the State of ND and we pay a fee for this also.

A press release was made on May 27, 2022, regarding the outcome of the Audit (Exhibit "F" copy attached). It appeared their only problem was that checks were not voided timely.

There are many small Cities in North Dakota and they would not be prepared or financially able to pay these prices if a petition audit was executed on them. Most of the reasons given to the State Auditors to conduct an audit of our City were unjustified and personal from the petitioner, however they still have to follow up on all inquiries.

To date the City of Parshall has not paid the additional \$26,750.00 and had asked for an opinion from the ND Attorney General's Office (Exhibit "G" which is attached). The letter from the Attorney General's office stated that they cannot issue an opinion. This leaves the City holding the bill at this time. The outcome of the audit was good.

As shown above, fair and reasonable charges should be around the \$8800.00 price, and not almost 5 times higher.

The findings in the actual audit report were only 4 items, and financials were in good standing (Exhibit "H" copy attached 7 pages).

Again, a reminder that the ND State Auditors only spent 1 day on site and all other correspondence was transferred through email and the City of Parshall turned out to be ok, does not justify the cost of \$39,250.00. What happens if another person feels that they would like to petition for another audit to be done. This could be an ongoing issue for any community.

I want to thank you for this opportunity to tell you our story and hope that this will not happen to other communities in ND.

In closing, I listened to the testimony of Mr. Josh Gallion before the House Committee and would like to add that during Mr. Gallion's testimony, he stated that the petition audit on the City of Parshall was a

retaliation audit and that the (so-called) petitioner questioned the City of Parshall's Public Library hours and who drives the City vehicles, does not justify why the audit should have taken place, but again due diligence to verify the petitioner as the only person collecting signatures should have been addressed when I questioned the petition. Community members let me know who was holding the petition when they were asked to sign it, and it was not the certified petitioner. Our City only had 4 material weaknesses from the result of the audit performed by the State which are attached.

Dan Cox from the Auditor's Office provided this to the Majority Leader and Appropriations Chair on February 13, 2023.

From Dan Cox today:

#3 ~ a) City of Parshall audit bill higher than past audits, b) audit bill higher than market value, c) audit bill didn't match SAO records, & d) the SAO is double-dipping by billing Parshall when they're funded by the General Fund

This was Dan Cox's reply to #3 above:

**FACT** = a) you cannot compare the cost of a financial audit to the cost of a petition audit as a petition audit must complete a financial audit PLUS address each valid concern from the petitioners, b) market value cannot be determined by what one firm charges but the average of what all firms in the market charge, c) amounts didn't match our spreadsheet sent to Legislative Council because Parshall has not paid all of their bill despite being told by the Attorney General's Office they need to, & d) the staff doing the audit are not paid from the general fund budget but from their own special operating fund which derives its monies from audit fees billed to clients

The fact that they did not due their due diligence to confirm that the petition was circulated within their guidelines and not honor our request to verify its legality, this audit may have never happened. Hence we would not have this large outstanding bill from this agency. I have attached a copy of the Attorney General's Opinion that states we should take action with the State Auditor and it does not say we should pay the bill.

I was recently contacted by the auditing firm we have had in the past to perform our 2022 audit and I feel that because of the State Audit, they have now increased their fees to \$12,500.00.

I would be happy to address any questions if you would like to call me at (701) 862-3459.

Kelly Woessner, City Auditor, City of Parshall





ADVERTISEMENT

## Audit to begin on the City of Parshall

**AUDIT FOR THE CITY OF PARSHALL**

- REQUESTED THROUGH PETITION
- REQUIRED AT LEAST 50 SIGNATURES
- RESULTS TO BE ANNOUNCED ONCE COMPLETE

Parshall audit (KFYR)

By Brian Gray

Published: Feb. 23, 2022 at 11:44 AM CST



PARSHALL, N.D. (KFYR) - The state auditor's office is set to begin an audit on the City of Parshall, by request of a citizen-led petition.

An audit of a city by way of a petition is the first of its kind for the state department. The state auditor says the public will receive the results of the audit once it is complete.

"We look forward to working with the staff of the City of Parshall to address the concerns that were brought to our attention," said State Auditor Joshua Gallion.

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STATE AUDITOR  
Joshua C. Gallion



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OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave., Dept. 117  
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701-328-2345

[ndsao@nd.gov](mailto:ndsao@nd.gov)

"B" #1

March 7, 2022

Kelly Woessner  
City Auditor  
25 N Main St.  
Parshall, ND 58770

Dear Ms. Woessner:

This letter is to inform you of the petition audit of the City of Parshall for the year ended December 31, 2021. We will audit the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information that collectively comprise the basic financial statements of the City of Parshall as of and for the year ended December 31, 2021.

This audit is being conducted pursuant to a petition under North Dakota Century Code (NDCC) 54-10-15, which is as follows:

**Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, upon petition, or upon request of the state court administrator.**

The state auditor, by duly appointed deputy auditors or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election, or upon the request of the state court administrator with respect to clerk of district court services provided by a county in accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with the provisions of section 54-10-14.

We have also been engaged to report on supplementary information other than RSI that accompanies City of Parshall's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

- Budgetary Comparison Schedules

#2

## **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting, and to report on the fairness of the supplementary information referred to above when considered in relation to the financial statements as a whole.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and will include tests of the accounting records of City of Parshall and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of City of Parshall 's financial statements. Our report will be addressed to the city commission of the City of Parshall. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that City of Parshall is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the written representation letter our assistance with preparation of the financial statements and that you have reviewed and provided the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of

the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. Since most of our audit documentation becomes public information, you are also responsible for notifying us of any confidential information you provide us so that we can properly safeguard such confidential information.

It is the policy of the State Auditor to use the State's Secure File Transfer System (<https://secure.intranetapps.nd.gov/itd/filetransfer/login.htm>) when sending or receiving audit client computer files. If you need assistance with this system, please notify us. Computer files should not be e-mailed to auditors.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, Grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and Grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information in conformity with the modified cash basis of accounting, which is an other comprehensive basis of accounting. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting, which is an other comprehensive basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting, which is an other comprehensive basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Professional standards require us to be independent with respect to City of Parshall in the performance of our services. Any discussions that you have with personnel of our office regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

#### **Other Services**

We will also assist in preparing the financial statements and related notes of City of Parshall in conformity with the modified cash basis of accounting based on information provided by you. These non-audit services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

### **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also require certain written representations from you about the financial statements and related matters.

### **Audit Procedure-Internal Controls**

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risk of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

### **Audit Procedure-Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Parshall's compliance with the provisions of applicable laws, regulations, contracts, agreements, and Grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

### **Audit Administration, Fees, and Other**

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing, as well as prepare any requested supporting schedules.

#5

GAAS require that we communicate certain additional matters related to the conduct of our audit to those charged with governance. Such matters include (1) our responsibilities under auditing standards generally accepted in the United States of America; (2) an overview of the planned scope and timing of the audit; (3) significant findings from the audit, including, among others: (a) the initial selection of and changes in significant accounting policies and their application; (b) the process used by management in formulating particularly sensitive accounting estimates and the basis for our conclusions regarding the reasonableness of those estimates; (c) significant difficulties that we encountered in dealing with management related to the performance of the audit; (d) audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on your financial reporting process and uncorrected misstatements of the financial statements that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole; (e) any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our report; (f) management representations; (g) our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters; (h) major issues that were discussed with management in connection with the retention of our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards, and if applicable, events or conditions indicating there could be a substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; and (4) other matters as considered necessary or required to be communicated under professional standards.

If you intend to publish or otherwise reproduce the financial statements and make reference to our office, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

The audit documentation for this engagement is the property of the Office of the State Auditor. Once an audit is complete most of our audit documentation is public information. This audit documentation is therefore subject to inspection in our office with prior authorization by the State Auditor, Director, or Audit Managers. Any confidential information or data in our work papers will be safeguarded from public disclosure. Management is responsible for informing us of any confidentiality provisions related to documentation provided to the State Auditor's Office.

We expect to begin our audit in March 2022 and to issue our reports upon completion. Heath Erickson, CPA will be the audit manager and is responsible for supervising the engagement.

Our fee for these services will be at our standard hourly rates plus travel and other out-of-pocket costs. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report or any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Copies of our latest peer review reports may be found online at <https://www.nd.gov/auditor/about-us/peer-review-reports>

We believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,



Heath Erickson, CPA  
Audit Manager  
Division of Local Government Audit

STATE AUDITOR  
Joshua C. Gallion



Office of the  
State Auditor

PHONE  
701-328-2241

FAX  
701-328-2345

#1

www.nd.gov/auditor

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

ndsao@nd.gov

11  
11

**PETITION FOR FINANCIAL AUDIT**

We, the undersigned, being qualified electors request an audit authorized by North Dakota Century Code 54-10-15. The state auditor shall audit and review the books, records, and financial accounts of \_\_\_\_\_, which is a political subdivision enumerated in North Dakota Century Code 54-10-14.

***This audit will be charged to the political subdivision that is the subject of this petition as set forth in North Dakota Century Code 54-10-15.***

**CHIEF PETITIONER**

The following is the name and address of the qualified elector of the political subdivision who, as the chief petitioner for the petitioners, represents and acts for the petitioners in accordance with law:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_, ND Zip: \_\_\_\_\_

Contact #: \_\_\_\_\_

Contact Email: \_\_\_\_\_

**Top three (3) major concerns**

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

**BEFORE COLLECTING SIGNATURES, PLEASE FILL OUT THE ABOVE INFORMATION AND  
E-MAIL OR MAIL TO THE STATE AUDITOR'S OFFICE AT:**

#2

**Mail:** NDSAO  
600 E. Blvd. Ave. Dept. 117  
Bismarck, ND 58505

**Email:** NDSAO@ND.GOV

The State Auditor's Office will notify you at the above contact information provided, that the petition has been approved and can be circulated for signatures. Do not start collecting signatures until our office has let you know approval status.

**INSTRUCTIONS FOR PETITION**

**HOW TO CIRCULATE:** Each individual Petition must be circulated in its entirety with the completed information shown above and must be made available to each signer at the time of signing. Each person collecting signatures shall sign and have his or her signature on the petition notarized affirming that the signatures are of qualified electors.

Only qualified electors of the political subdivision may sign the petition. In addition to signing and printing the person's name, petition signers shall include: the date of signing; their complete residential address to include the name of the North Dakota city and its corresponding ZIP code.

For a petition to be sufficient, it must contain signatures from at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election.

Incomplete information provided by petition signers will invalidate such signatures.

**WHO FILES:** The Petition must be submitted by the chief petitioner to the State Auditor before the petitions are circulated and after signatures have been gathered.

**WHEN TO FILE:** 180 days from the approval of the petition for circulation by the State Auditor's Office.

**ASSISTANCE:** Questions regarding the Petition may be directed to the State Auditor's office at (701) 328-2241.

#3

We, the undersigned, being qualified electors request an audit authorized by North Dakota Century Code 54-10-15. The state auditor shall audit and review the books, records, and financial accounts of \_\_\_\_\_, which is a political subdivision enumerated in North Dakota Century Code 54-10-14.

**INSTRUCTIONS TO PETITION SIGNERS**

You are being asked to sign a petition. You must be a qualified elector. This means you are eligible to vote in the political subdivision subject to this petition. All signers shall legibly print their name, complete residential address, and the date of signing on the petition. Every qualified elector signing a petition must do so in the presence of the individual circulating the petition.

**QUALIFIED ELECTORS**

Month/Day /Year	PRINTED Name of Qualified Elector	SIGNED Name of Qualified Elector	Residential Address	City, State, ZIP Code
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				

#4

State of North Dakota

County of \_\_\_\_\_  
(County where signed)

I, \_\_\_\_\_,  
(circulator) being sworn, say that I am a qualified elector; that I reside at

\_\_\_\_\_  
(address);

that each signature contained on the attached petition for the state auditor to audit and review the books, records, and financial accounts of \_\_\_\_\_ was executed in my presence; and that to the best of my knowledge and belief each individual whose signature appears on the attached petition is a qualified elector; and that each signature contained on the attached petition is the genuine signature of the individual whose name it purports to be.

\_\_\_\_\_  
(Signature of circulator)

Subscribed and sworn to before me on \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, North Dakota  
(city)

(Notary Stamping Device)

\_\_\_\_\_  
(Signature of notarial officer)

INVOICE

"D"

Please Remit To:

Office of the State Auditor  
600 East Boulevard - Dept. 117  
Bismarck ND 58505-0400  
United States

Page: 1  
Invoice No: SA0000017837  
Invoice Date: 03/22/2022  
Customer Number: 31120  
Payment Terms: Due Immed  
Due Date: 03/22/2022

Bill To:

CITY OF PARSHALL  
Governing Board  
PO BOX 159  
PARSHALL ND 58770

AMOUNT DUE: 12,500.00 USD



Amount Remitted

pd. Ck# 035865  
4-18-2022

For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount	
1		POLITICAL SUB	Political Sub Audits	1.00	EA	12,500.00	12,500.00	
			PROGRESS BILL #1 - YEAR ENDED 2021					
PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!								
SUBTOTAL:							12,500.00	
TOTAL AMOUNT DUE :							12,500.00	

"E"

INVOICE

Please Remit To:

Office of the State Auditor  
600 East Boulevard - Dept. 117  
Bismarck ND 58505-0400  
United States

Page: 1  
Invoice No: SA0000017969  
Invoice Date: 05/20/2022  
Customer Number: 31120  
Payment Terms: Due Immed  
Due Date: 05/20/2022

Bill To:

CITY OF PARSHALL  
Governing Board  
PO BOX 159  
PARSHALL ND 58770

AMOUNT DUE: 26,750.00 USD

**PAST DUE**

Amount Remitted



For billing questions, please call 701-328-2241

Line	Adj	Identifier	Description	Quantity	UOM	Unit Amt	Net Amount
1		POLITICAL SUB	Political Sub Audits	1.00	EA	26,750.00	26,750.00
			FINAL BILL - YEAR ENDED 2021				

PLEASE RETURN TOP PORTION WITH PAYMENT. THANK YOU!

SUBTOTAL: 26,750.00

TOTAL AMOUNT DUE : 26,750.00

"F"

by: Brendan Rodenberg  
Posted: May 27, 2022 / 12:35 PM CDT  
Updated: May 27, 2022 / 02:55 PM CDT

**SHARE**

**Parshall audit reveals delayed financial statements**

The North Dakota State Auditor's Office recently finished its audit on the City of Parshall.

In February, the office received a citizen petition request to look at the city's books. Under state law, the auditor's office can be called to audit or review a political subdivision if enough qualified voters of that entity request the audit. In Parshall's case, the petition required 50 valid signatures to obtain the audit or review.

The Auditor's Office found one main issue: concerns regarding the city's failure to properly file and void checks at an appropriate time.

The office noted such a failure makes accurately reporting the city's finances extremely difficult, which could potentially cause the finances to be misrepresented.

**State Auditor take to Parshall after citizen petition**

The auditor requested Parshall begin to void their checks in a more timely manner in the general ledger, in order to ensure reporting of cash and expenses is done as quickly and as accurately as possible.

Normally, state audits occur once a year, but special audits can take place when requested by citizens through petitions requesting the State Auditor's office to perform an in-depth audit of a city or other government entity outside of the designated times. In this case, a successful citizen petition effort was what led to Parshall's audit.



STATE OF NORTH DAKOTA  
OFFICE OF ATTORNEY GENERAL  
www.attorneygeneral.nd.gov  
(701) 328-2210

"G"

Drew H. Wrigley  
ATTORNEY GENERAL

December 2, 2022

Mr. William E. Woods Jr.  
City of Parshall  
Box 159  
Parshall, ND 58770-0159

Dear Mr. Woods,

In June you requested an opinion from this office regarding issues surrounding an audit conducted by the North Dakota State Auditor's office. The audit was done pursuant to a petition as set forth in N.D.C.C. § 54-10-15(1). You take issue with whether the circulator witnessed the people signing the petition. You ask what agency is responsible for verifying the contents of a petition. The petition is filed with the State Auditor, so it is the office that has the responsibility to judge whether any filed petition meets the requirements of the statute. The statute, however, is silent regarding whether a circulator must witness the signatures. The only requirement set out in the statute is that the petition is signed by at least thirty-five percent of the electors of any political subdivision. . .for office of governor.<sup>1</sup> The responsibility to verify that requirement is with the Auditor's Office.

You also dispute the bill received by the State Auditor. The law allows the State Auditor to charge an amount equal to the fair value of the audit. This office cannot issue an opinion resolving factual issues.<sup>2</sup> Therefore, we cannot determine whether the auditor's bill represents the fair market value of an audit. As we discussed previously, concerns about the authority of the State Auditor should be addressed with your legislative representative. If you take issue with the audit amount, you should contact the State Auditor to come to a resolution regarding the amount owed.

Sincerely,

MaryKae Kelsch  
Assistant Attorney General

<sup>1</sup> N.D.C.C. § 54-10-15(1).

<sup>2</sup> N.D.A.G. 2004-L-49; N.D.A.G. 2002-F-07; N.D.A.G. 94-L-327.

"H" #1

STATE AUDITOR  
Joshua C. Gallion



PHONE  
701-328-2241  
FAX  
701-328-2345

[www.nd.gov/auditor](http://www.nd.gov/auditor)

STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota, 58505

[ndseo@nd.gov](mailto:ndseo@nd.gov)

## GOVERNANCE COMMUNICATION

May 23, 2022

Board of City Councilmembers  
City of Parshall  
Parshall, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parshall, North Dakota, for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 7, 2022. Professional standards also require that we communicate to you with the following information related to our audit.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Parshall are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City of Parshall during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the governmental activities financial statements were:

Management's estimate of the useful lives of capital assets is based on past history of each classification of capital assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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CITY OF PARSHALL  
Governance Communication - Continued

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management. Management has corrected all such misstatements. The schedule lists all misstatements provided by management or detected as a result of audit procedures that were corrected by management.

	Client Provided Adjustments		Audit Adjustments		Total Adjustment	
	Debit	Credit	Debit	Credit	Debit	Credit
<b>Governmental Activities</b>						
<u>To record net position PPA</u>						
Capital Assets, Net	-	-	2,061,023	-	2,061,023	-
Cash	6,958	-	-	-	6,958.00	-
Net Position - Jan 1	-	6,958	-	2,061,023	-	2,067,981
<u>To record depreciation expense</u>						
Depreciation Expense	-	-	87,091	-	87,091	-
Accumulated Depreciation	-	-	-	87,091	-	87,091
<u>To record capital asset additions</u>						
Capital Assets	-	-	59,841	-	59,841	-
Expenditures	-	-	-	59,841	-	59,841
<b>General Fund</b>						
<u>To record prior period errors PPA</u>						
Cash	6,958	-	-	-	6,958	-
Fund Balance - Jan 1	-	6,958	-	-	-	6,958
<u>To record voids</u>						
Cash	-	-	9,298	-	9,298	-
Expenditures	-	-	-	9,298	-	9,298
<u>To record change in due from other funds</u>						
Cash	-	-	114,682	-	114,682	-
Due from other funds	-	-	-	114,682	-	114,682
<b>Special Revenue Fund</b>						
<u>To record voids</u>						
Cash	-	-	2,369	-	2,369	-
Expenditures	-	-	-	2,369	-	2,369
<b>Business Type Activities</b>						
<u>To record capital asset PPA</u>						
Capital Assets, Net	117,313	-	-	-	117,313	-
Net Position - Jan 1	-	117,313	-	-	-	117,313
<u>To record change in due to other funds</u>						
Due to Other Funds	-	-	114,682	-	114,682	-
Net Position - Unrestricted	-	-	-	114,682	-	114,682
<b>Water Fund</b>						
<u>To record voids</u>						
Cash	-	-	114,682	-	114,682	-
Expenditures	-	-	-	114,682	-	114,682
<u>To record capital asset PPA</u>						
Capital Assets, Net	117,313	-	-	-	117,313	-
Net Position - Jan 1	-	117,313	-	-	-	117,313
<b>Fiduciary Activities</b>						
<u>To record custodial funds PPA</u>						
Cash	72,059	-	-	-	72,059	-
Net Position - Jan 1	-	72,059	-	-	-	72,059
<b>Component Unit - Airport</b>						
<u>To record Airport PPA</u>						
Net Position - Jan 1	-	-	1,481,164	-	1,481,164	-
Capital Assets	-	-	-	1,198,372	-	1,198,372
Cash	-	-	-	282,792	-	282,792

#3

**CITY OF PARSHALL**  
Governance Communication - Continued

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**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated May 23, 2022.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Matters**

We were engaged to report on *budgetary comparison schedules, and notes to the supplementary information*, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Restriction on Use**

This information is intended solely for the use of the City Commissioners and management of City of Parshall, and is not intended to be, and should not be, used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of City of Parshall for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve City of Parshall.

/S/

Joshua C. Gallion  
State Auditor

Bismarck, North Dakota  
May 23, 2022

#4

**CITY OF PARSHALL**  
Schedule of Audit Findings  
For the Year Ended December 31, 2021

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**2021-001 SEGREGATION OF DUTIES – MATERIAL WEAKNESS**

**Condition**

The City Auditor is responsible for the primary accounting functions. A lack of segregation of duties exists as one employee is responsible to collect monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

**Effect**

The lack of segregation of duties increases the risk of material misstatement to the City of Parshall's financial condition, whether due to error or fraud.

**Cause**

Management has chosen to allocate its economic resources to other functions of the City of Parshall.

**Criteria**

According to the COSO framework, proper internal control surrounding custody of assets, the recording of transactions, reconciling bank accounts and preparation of financial statements dictates that there should be sufficient accounting personnel, so duties of employees are properly segregated. The segregation of duties would provide better control over the assets of the city.

**Prior Recommendation**

Yes

**Recommendation**

- To mitigate the risk associated with this lack of segregation of duties, we will recommend the following:
- Financial statements and credit memos should be reviewed by a responsible official.
  - Where possible, segregate the functions of approval, posting, custody of assets, and bank reconciliations.
  - Include the board in reviewing credit memos, manual adjustments, etc.

**City of Parshall's Response**

The City is aware of the condition and segregates duties whenever possible. The City agrees with the findings.

#5

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-002 LACK OF SUPPORTING DOCUMENTATION FOR BUDGET ESTIMATES – MATERIAL NONCOMPLIANCE**

**Condition**

The City of Parshall did not maintain supporting documentation for year-end cash, transfers, and revenues for the 2021 General Fund and Special Revenue Fund budgets.

**Effect**

The estimates for year-end cash, transfers, and revenues are key components in the tax levy calculation in any budget year. Thus, the City of Parshall may have improperly calculated the tax levies for the general fund and special revenue fund.

**Cause**

The City of Parshall did not maintain supporting documentation for the estimates included in the budgets.

**Criteria**

N.D.C.C. §57-15-31(1) states, "The amount to be levied by any county, city, township, school district, park district, or other municipality authorized to levy taxes must be computed by deducting from the amount of estimated expenditures for the current fiscal year as finally determined, plus the required reserve fund determined upon by the governing board from the past experience of the taxing district, the total of the following items:

- a. The available surplus consisting of the free and unencumbered cash balance;
- b. Estimated revenues from sources other than direct property taxes;
- c. The total estimated collections from tax levies for previous years;
- d. Expenditures that must be made from bond sources;
- e. The amount of distributions received from an economic growth increment pool under section 57-15-61; and
- f. The estimated amount to be received from payments in lieu of taxes on a project under section 40-57.1-03."

**Prior Recommendation**

No

**Recommendation**

We recommend the City of Parshall ensure its compliance with all aspects of N.D.C.C. §57-15-31(1). We further recommend the City of Parshall review budgeted estimates carefully to ensure supporting documentation exists to support the estimated amounts used in the preliminary and final budgets prior to approval.

**City of Parshall's Response**

The City agrees with the findings. City will create a worksheet to define A-F for year-end closeout.

#6

**CITY OF PARSHALL**  
Schedule of Audit Findings – Continued

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**2021-003 CAPITAL ASSET MAINTENANCE– MATERIAL WEAKNESS**

**Condition**

During testing, it was found that street improvement projects in the amount of \$2,061,023 were not included in the 2021 capital asset listing. A prior period adjustment to the financial statements was proposed and accepted by the City of Parshall.

**Effect**

The financial statements may have been materially misstated if the capital assets had not been adjusted during the audit.

**Cause**

The City of Parshall's management does not have sufficient procedures in place to ensure the capital asset listing used to compile the financial statements is accurate and free of material misstatement.

**Criteria**

The City of Parshall is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No

**Recommendation**

We recommend the City of Parshall review the capital asset additions and deletions list at the end of the year to ensure that the capital asset listing is accurate and free of material misstatement.

**City of Parshall's Response**

The Capital assets would be updated when the annual audit by an independent firm would have been completed in February 2022, as this project was completed last year. City Agrees with findings.

#7

**CITY OF PARSHALL**  
**Schedule of Audit Findings – Continued**

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**2021-004 MATERIAL AUDIT ADJUSTMENTS – MATERIAL WEAKNESS**

**Condition**

The City of Parshall included expenditures in the amount of \$126,349 in its general ledger that were voided after the last audit period. Adjustments to the general ledger were proposed and accepted by the City of Parshall.

**Effect**

The financial statements may have been materially misstated if adjustments have not been made for voided checks in the general ledger.

**Cause**

The City of Parshall's management does not adjust expenditures in the general ledger, for voided checks, in a timely manner.

**Criteria**

The City of Parshall is responsible for the adjusting entries to its annual financial statements and to ensure the financial statements are reliable, free of material misstatement, and in accordance with the modified cash basis of accounting.

**Prior Recommendation**

No

**Recommendation**

We recommend that the City of Parshall void checks timely in the general ledger to ensure accurate reporting of cash and expenditures in each fund.

**City of Parshall's Response**

The City of Parshall has an independent audit every year, at which time the outstanding checks are voided and reconciled. The City will void checks throughout the year as per recommendation. City Agrees with findings.

23.0679.03001  
Title.

Prepared by the Legislative Council staff for  
Representative O'Brien  
March 9, 2023

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1508

Page 1, line 1, after "to" insert "create and enact a new subdivision to subsection 2 of section 12-60-24, a new subsection to section 54-10-26, and four new sections to chapter 54-10 of the North Dakota Century Code, relating to criminal history background checks of employees of the state auditor and audits of state agencies, political subdivisions, and occupation and professional boards; to"

Page 1, line 1, replace "section" with "sections 16.1-01-10,"

Page 1, line 1, after "54-10-01" insert ", and 54-10-13, subsection 5 of section 54-10-14, and sections 54-10-15 and 54-10-25"

Page 1, line 2, after "auditor" insert "; and to provide a penalty"

Page 1, after line 3, insert:

**"SECTION 1.** A new subdivision to subsection 2 of section 12-60-24 of the North Dakota Century Code is created and enacted as follows:

The state auditor for all employees, as required by section 10 of this Act.

**SECTION 2. AMENDMENT.** Section 16.1-01-10 of the North Dakota Century Code is amended and reenacted as follows:

**16.1-01-10. Secretary of state to pass upon sufficiency of petitions - Method - Time limit.**

The secretary of state shall have a reasonable period, not to exceed thirty-five days, in which to pass upon the sufficiency of any petition mentioned in ~~section~~sections 16.1-01-09 and 54-10-15. The secretary of state shall conduct a representative random sampling of the signatures contained in the petitions by the use of questionnaires, postcards, telephone calls, personal interviews, or other accepted information-gathering techniques, or any combinations thereof, to determine the validity of the signatures. Signatures determined by the secretary of state to be invalid may not be counted and all violations of law discovered by the secretary of state must be reported to the attorney general for prosecution."

Page 2, line 5, after the period insert "If the lead auditor on an agency audit has less than two years of experience with the state auditor or has not previously audited the agency, the agency may not be charged for the audit."

Page 2, line 29, overstrike "Within the resources available to the state auditor, perform or provide for"

Page 2, overstrike lines 30 and 31

Page 3, line 1, overstrike "c."

Page 3, line 3, overstrike "d." and insert immediately thereafter "c."

Page 3, line 9, overstrike "or subdivision b of this subsection"

Page 3, line 13, overstrike "or subdivision b of this subsection"

Page 3, after line 23, insert:

4. The state auditor may not reject an audit report of an audit performed by a certified public accountant or licensed public accountant which meets generally accepted auditing standards.
5. The state auditor shall provide an audit template that meets generally accepted government auditing standards to be used by a certified public accountant or licensed public accountant who is contracted to complete an audit on behalf of a political subdivision or state entity.
6. In the audit reports provided to the legislative audit and fiscal review committee under subsection 1 of this section, the state auditor's report for each audit must include:
  - a. A summary of the audit conducted.
  - b. Disclosure of any disagreements with management.
  - c. Any findings and whether the findings were addressed or corrected.
  - d. A copy of the engagement letter, number of staff hours worked to complete the audit, and the final cost of the audit.

**SECTION 4. AMENDMENT.** Section 54-10-13 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-13. Political subdivisions - Audits—~~State auditor powers.~~**

The state auditor shall perform audits of political subdivisions pursuant to section 54-10-14 unless otherwise requested by the governing board, ordered by the governor or the legislative audit and fiscal review committee, or on petition pursuant to section 54-10-15, ~~or at the discretion of the state auditor for alleged improprieties.~~

**SECTION 5. AMENDMENT.** Subsection 5 of section 54-10-14 of the North Dakota Century Code is amended and reenacted as follows:

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

**SECTION 6. AMENDMENT.** Section 54-10-15 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-15. Audits of political subdivisions by order of governor or the legislative audit and fiscal review committee, upon petition, or upon request of the state court administrator.**

1. The state auditor, by duly appointed deputy auditors or other authorized agents, shall audit or review the books, records, and financial accounts of any political subdivision when ordered by the governor or the legislative audit and fiscal review committee, requested by the governing board, or

upon petition of at least thirty-five percent of the qualified electors of any political subdivision enumerated in section 54-10-14 voting for the office of governor at the preceding general election or, in the case of school districts, upon petition of at least thirty-five percent of the qualified electors voting at the preceding school board election, or upon the request of the state court administrator with respect to clerk of district court services provided by a county in accordance with chapter 27-05.2. Fees for the audits must be paid in accordance with the provisions of section 54-10-14.

2. If an audit is ordered due to financial irregularities or allegations of embezzlement, the governor may suspend an elected or appointed school board member from the individual's duties if the governor determines suspension is in the best interest of the state pending the results of the audit. If the governor suspends an elected or appointed school board member, the governor immediately shall provide notice to the school board with which the suspended member serves. Within five days of receiving notice, the school board shall appoint an individual to replace the suspended member to serve during the pendency of the audit. The governor shall consult with the superintendent of public instruction in determining whether suspension of a member of a school board is in the best interest of the state.
3. Upon review of a petition for an audit by the secretary of state under section 16.1-01-10, the secretary of state shall forward a valid petition for an audit under subsection 1 to the state auditor. Within fourteen days of determining the sufficiency of a petition under this section, the secretary of state shall provide notice of any approved petition to the legislative audit and fiscal review committee.

**SECTION 7. AMENDMENT.** Section 54-10-25 of the North Dakota Century Code is amended and reenacted as follows:

**54-10-25. Divulging of certain secret information prohibited - Penalty.**

1. The state auditor and the auditor's employees, including any person employed by the auditor to perform the examination of any return, report, or other information filed and in the possession of the tax commissioner which is made confidential by law, may not divulge the contents of any return, report, or other information examined or any listing made therefrom by the state auditor or the auditor's employees except when otherwise directed by judicial order, or as is otherwise provided by law.
2. The state auditor, the auditor's employees, or an agent of the auditor may not divulge any information relating to a matter forwarded to the attorney general or a state's attorney for further investigation until the attorney general or state's attorney has made a determination as to whether there is probable cause to believe a violation of law has occurred.
3. An individual who violates this section is guilty of a class C felony.

**SECTION 8.** A new subsection to section 54-10-26 of the North Dakota Century Code is created and enacted as follows:

The state auditor may not request the working papers of any entity.

**SECTION 9.** A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

**Audit findings - Review period.**

The state auditor shall provide any audit findings to the audited state entity, political subdivision, or occupational or professional board thirty days before the state auditor publishes the audit findings. The state auditor shall provide all audit findings to the legislative audit and fiscal review committee.

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

**Criminal history background checks - Employees.**

Each employee of the state auditor hired after June 30, 2001, shall complete a statewide and nationwide criminal history record check as provided under section 12-60-24. The state auditor is responsible for all costs associated with a statewide and nationwide criminal history record check.

**SECTION 11.** A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

**Engagement letters - Prohibition.**

Upon completion of an audit, the state auditor may not increase the cost of the audit beyond the estimated cost proposed in the initial engagement letter.

**SECTION 12.** A new section to chapter 54-10 of the North Dakota Century Code is created and enacted as follows:

**Special state auditor.**

If the governor considers it in the best interests of the state, the governor may appoint a special state auditor to examine any state institution, state industry, state department, or public office. The special state auditor has all the powers and authority granted to the state auditor in making audits and shall examine and report upon any other matters connected with the state institutions and public offices as the governor may direct."

Renumber accordingly

I do NOT agree with the changes being put forth in this bill especially the governor being able to appoint a State Auditor!

There is a reason this office must remain elected by the people FOR the people.

This office provides a critical governmental element by separating agency operation and providing transparency. Having the governor able to simply appoint removes the ability to act independently and promotes the idea that ANY agency will be able to simply hide or avoid being accountable.

Many agencies and politicians have been embarrassed lately (rightfully so!) by timely audits. The answer here is NOT to destroy the messenger but for government to work harder at being in actual compliance of ND Century Code and our Constitutions.

If you vote to allow the choice if Auditor's to be removed from the people you will be culpable in voting to hide ANY transparency of government from the voter and the citizens. I feel compelled to ask those of you who are pushing for this change.....

WHAT ARE YOU SO DESPERATE TO HIDE?

This is going to be quick and simple.

1. Do you believe in honest and accountable checks and balances?

I believe in transparency in government and this can ONLY be achieved by having an independent Auditor.

Any politician that votes for this bill must, in my mind, be against the transparency and accountability that ND government says it contains and promotes.

HB 1508

I am the City Auditor for the City of Hillsboro and I take a neutral position on this bill. I see both the good and the bad as identified below.

When I first started in this position back in 2020, we were in the beginning of a two year audit. Mr. Erickson and the State Auditor's office were very helpful and patient with us as we were trying to recreate 2 years of financials. If it was not for the help, knowledge, and teachings of Mr. Erickson and his team I am not sure I would have been able to fix the mess that was left by the Auditor before me.

I have read through other testimony and done some research on this bill. I am in opposition of the Governor being able to appoint a State Auditor. I feel it should be up to the people of the State of ND to choose or vote who they want in that position. Allowing the people of ND to choose, gives the ability for more transparency in our government and adds that layer of protection from corruption, wrongdoing, misuse of fund and embezzlement. Many citizens already have trust issues with the Government. Allowing the Governor to appoint the person who will oversee Auditing Finances, especially those of the State, will cause more mistrust in an already contentious time between Government and the people.

I am in Favor of there being a cap on Audit fees. As I understand the need to charge a fee for staffing good quality employees, some of these Audits can be long and financially taxing to smaller cities and financial institutions.

Thank you for your time.

March 16, 2023

RE: HB 1508.

To whom it may concern

I am writing in opposition to HB 1508. I have followed the path of this bill since the beginning of this legislative session. To say it is a disheartening and disappointing to watch the bill sponsors actions is an understatement. As someone who has not paid enough attention to the legislature in action in the past, this bill's path has been an eye opener. To clarify, this bill had to have the majority of the amendments removed in order to pass the house, then the sponsors is allowed to put these amendments back in place once again, these amendments make the bill two completely different bills.

First off to address Ms O'Brien's statement that this bill is not an attack on the auditor's office is disingenuous, if her intention with this bill and specifically the amendments she authored was to enhance the office why did she not reach out to the auditor herself. Instead she offers up a low level employees excuse in response to the meeting requests of the auditors office. "the email was in my junk filter" is something one would expect to hear from a college intern, the modern day equivalent of the "dog ate my homework".

Another thing this bill's amendments seem to forget, and it seems many legislators have forgotten, the auditor is an elected position, so the office works for the people. His reports are the people's reports. This leads me to direct criticism of a few of the amendments, can the legislators clarify what is "secret information". I hope this is not the Dept of Commerce sending moneys to out of state vendors outside of the procurement procedures, this seems like an action the auditors office is intended to thwart. Knowing there is information that elected officials believe to be secret, and the public is not privy to only reinforces the need for the auditors office in the first place. I have heard many attacks that the auditor has made personal attacks and made public information that is damaging to public officials in numerous media appearances. I find this statement whole heartedly false. I listen to a lot of the auditors appearances and find him to be frustratingly unwilling to say any official has been performed their jobs, or done something illegal. Even when his audit reports have shown such activity has taken place. It does not go unnoticed that the majority of the public officials that are in support of these amendments have been found through an audit to have been deficient at their job and/or negligent. As for the costs of these audits, the general public realizes you are discussing which budget line you are putting our money in anyways. As for letting private sector firms perform these audits, I believe the audit of the Williston school district has glaringly shown that is not the best answer. The public needs a public official watchdog who works for them. A private sector auditing firm works for the people that hire them, the government entity that hired them. The last little caveat that was added, allowing the governor to appoint a special auditor comes across as nothing more than a power grab and a way to circumvent the auditors office, and does not instill trust in the public. The CPA requirement is a moot point, if the public wants to elect a streetsweeper, we can. I agreed having a CPA in the office, which there are 18 presently, look at the financial audits is not an acceptable idea.

I believe a Do NOT Pass on 1508 offers this legislative body an opportunity to start to regain some trust in the government. It will show that the legislators and executive branch are not looking for a way to avoid accountability and transparency. I believe a DO NOT PASS will be the best way to claw back some credibility, at worst passing the bill as it was passed in the house is a minor step in the right direction.

Thank you,

Brad Miller.

TESTIMONY IN CONCERN RELATED TO HB 1508  
SENATE STATE AND LOCAL GOVERNMENT COMMITTEE  
WANDA SHEPPARD, DICKEY COUNTY AUDITOR

Chairperson Roers and members of the State and Local Government Committee, my name is Wanda Sheppard and I am the County Auditor for Dickey County. I am voicing my concerns to HB 1508.

I have worked for Dickey County for 15 years. During that 15 years, Dickey County has used the State Auditors Office for all of our audits. We have worked with them to make any changes that need to be done to keep our books clear of any issues. Our last audit for the fiscal year 2021 was a completely clean audit.

Dickey County has worked to complete more of the tasks involved for the audit, which has decreased our total bill for the audit. The State Auditors office has been very helpful to assist us in meeting those requirements and review the work we have completed. We have not had any issues with them. I personally have seen financial information where the audits have been completed by private individuals that are not in compliance with generally accepted accounting principles.

In reviewing many of the testimonies on the website, many of them are political subdivisions where there are issues that have had to be worked through. It would seem logical that their bill is going to be higher as you are working through issues. Once items are cleaned up, the costs should decrease.

Some of the issues discussed are related to the immediate access to all information that is prevalent in this situation. There isn't a law in the world that is going to fix that problem.

## TESTIMONY IN OPPOSITION OF HB 1508 RELATING TO DUTIES OF THE STATE AUDITOR

Senate State and Local Government Committee  
Meeting Scheduled at 11:00 AM 3/17/2023.

Honorable Chairman Roers & Members of the State and Local Government Committee:

HB 1508 A BILL for an Act to amend and reenact section 54-10-01 of the North Dakota Century Code, relating to duties of the state auditor.

The City of Wahpeton has worked with the North Dakota State Auditor's Office for more than 30 years to provide timely, accurate and transparent financial statements. Consistency and integrity in financial reporting and the subsequent audit are imperative to our municipality's ability to communicate financial information to citizens, state agencies, bond holders, credit review agencies and potential development projects. North Dakota Century Code Chapter 54-10-13 currently allows any resident to contact the State Auditor's Office in reference to alleged improprieties which may be explained by an auditor or referred for additional investigation. This provides a check and balance in financial reporting and transparency to the public, both are essential to government accounting practices. This ability is proposed to be eliminated in the proposed amendments to HB 1508.

Auditing is a specialized professional skillset, an area of the accounting profession attracting fewer people despite increasing demand for specialized audit services. The competition to have a partnership with a skilled audit team is immense. When we advertised requests for proposals (RFP) for audit services in 2019, to ensure we were getting the best product for the best price for our citizens, we received two proposals to compare to the services and fees of the State Auditor's Office. The RFP process demonstrated we were receiving the best possible audit product for the lowest cost with the State Auditor's Office. The audited financial statements are consistent, GASB compliant and easily read by any interested party. To limit the ability of the State Auditor's Office to charge market rate fees and to bill in progressive increments is unrealistic in this underserved professional service delivery field. The proposed amendment to North Dakota Century Code Chapter 54-10-14 is untenable.

I greatly appreciate the expert knowledge, regulatory guidance and audit services our city receives from the North Dakota State Auditor's Office. A proposal to expand the audit services available to serve all political subdivisions equitably would be invaluable to public finance and transparency in North Dakota.

I strongly **OPPOSE** HB 1508 in reference to the duties of the state auditor.

Submitted with high regard.

*Darcie Huwe*

Darcie Huwe, Finance Director/Auditor

City of Wahpeton

Members of the State and Local Government Committee.

In regards to HB 1508 I am writing in opposition to this bill. As things stand now it appears that our State Auditor is the only government entity that is truly working for the people of ND. Any efforts to undermine or limit the authority of this office will do harm beyond repair. Of all the public money budgeted or taxed this is the best money spent. We can only look to the most recent uncovering of the Williston School District financial concerns as a reason for the auditor and the duties provided to continue as is. The unfounded fear is that the auditor will place undue expense on local small public service entities. Smaller public service entities natural have less accounting entries and therefore less to audit so the time and money spent is less making this a mute point. Please kill this bill! Thank you!

I am the Stutsman County Auditor and am in opposition of HB 1508.

The State Auditor's Office has conducted annual audits for Stutsman County for many years and I feel they have always been fair in their billings to the county. At times, the fees charged have gone beyond the budgeted amounts, but we have recognized the need for extra hours put into our audits, particularly in years federal audits are required. I do not feel we have been overbilled or billed for time not spent on our audits.

Heath Erickson and his staff have been instrumental in providing guidance to our office, as well as recommending best practices moving forward. We have had some staff turnover in the past several years and they have always remained patient with us and helped walk through the audit process and paperwork. They have spent a great deal of time training on the financial worksheets, which is training we would have paid for elsewhere. I believe it is impossible for the SAO to provide an exact cost for an audit in the engagement letter, especially for new clients they have not worked with previously.

Our 2022 audit has taken more time than past audits to complete, however we also recognize the changes and challenges in the workforce over the last three years.

Thank you for your consideration.

Jessica Alonge

Committee and Legislatures:

My Name is Jewell Hamilton and I live in Minot ND District 3. I am writing to vehemently oppose HB 1508. HB 1508 was created to intentionally financially cap the ability of the State Auditor, an elected official by the People of North Dakota, to prevent the Auditor's office from doing their due diligence in holding North Dakota entities and agencies accountable for the expenditures of tax payer dollars and to ensure these entities and agencies are being and continue to be good Stewards with expenditures that are utilizing North Dakota Citizens tax dollars.

I find It ironic that HB 1508 was submitted to Committee around the same time the Williston School District Audit was completed. An Audit that found disturbing financial inconsistencies and possible misuse of taxpayer dollars.

I also am writing to vehemently oppose the amendment to HB 1508 that would allow the Governor of North Dakota to APPOINT a special State Auditor to Audit the Auditor's office. This gives the Governor's office power he has no constitutional right to have. Any position that determines the expenditures of the North Dakota tax dollars and any position that holds accountable how the expenditures of North Dakota tax dollars are utilized and to ensure that North Dakota State law is being adhered to by entities and agencies spending North Dakota tax dollars are to be voted on by the people.

Thank You

Jewell Hamilton



Office of the  
State Auditor

# HB 1508

2023-2025 Legislative Session

Senate State and Local  
March 17, 2023

Hello, Madam Chair Roers and members of the committee for the record my name is Lindsey Slappy. I am an Audit Manager at the Auditor's Office. I have been with the office for almost 13 years and am a Certified Public Accountant (CPA). I'm going to walk you through each section of the proposed amendment that has a negative impact on the Auditor's Office. If you want to follow along, I'm looking at the amendment proposed during last week's hearing by Representative O'Brien.

## **Section 1 (page. 1, line 11)**

This section requires all employees to get a background check. This section is unnecessary. This is already common practice for us per OMB and their required HR Policy 112 to gain access to PeopleSoft. This policy already refers to N.D.C.C. 12-60-24. The background checks are done through BCI. We also undergo additional background checks, if required by the client. For example, the Tax Department has requested team members whose background check wasn't within the last 10 years to complete a new background check. We have also completed additional agreements for various entity's based on their own requirements. For example, we sign a secrecy agreement and watch a video on federal tax information confidentiality annually. Any additional agreements related to FERPA, HIPPA, and other provisions would be signed as necessary after consultation with our legal representative from the Attorney General's Office.

During Friday's hearing, there was a question about a HIPPA agreement for the Kildeer Area Ambulance. I consulted with the audit manager of this audit. We received guidance from the Attorney General's office that the HIPPA agreement was not necessary. The audit team did not review private health information as part of the audit.

## **Section 3 (page 2, lines 26-28)**

This particular section 54-10-01(c) relates only to state agency audits. The way this addition is written, we couldn't charge for audit work if the lead auditor was new to the audit or had less than two years of experience. We read this as a CPA who has 24 years of experience with our office wouldn't be able to charge for an audit if they were the lead auditor and had never been on that particular audit. The billing on the state agency side is deposited directly into the general fund for appropriation by the legislature. If the legislature would like us to stop billing for these two-year state agency audits, that would result in less funds being deposited into the general fund. Our office doesn't have an issue with not billing these state agencies for these two-year audits. Our current practice is based on Century Code.

We are unclear how this would impact our Federal Single Audit billing. This audit includes a variety of federal programs which are assigned to individual staff members for completion. Would we be unable to bill if the person completing this program did not have two years of experience or experience with that specific program? There were several brand new federal programs as a result of the COVID-19 pandemic which no one would have prior experience. We potentially couldn't bill the federal program for work completed by a senior level staff member.

**Section 3 (page 3, lines 21-23)**

We're not sure what the intention is with this section. Is it to remove the ability to do all performance audits? Our current post-audits done under 54-10-01(c) are conducted under the government auditing standards for performance audits. If that was the case, and those audits now had to be financial audits, this would have a tremendous financial impact on state agencies.

For us to do a financial statement audit at each agency, the agency's own accounting staff must prepare financial statements for us to audit. That's assuming that every single agency has staff with the skills, expertise, and capacity to create financial statements that follow Generally Accepted Accounting Principles (GAAP). This is a very detailed process and requires a significant amount of effort and time. The guidelines are expansive, and many agencies do not have the time or training to properly prepare these statements by following all the guidelines.

**Section 3 #3 (page 4, lines 14-15)**

This is the only section in the original bill as it came over from the House. This has little impact on our office. We currently have CPAs review and approve our financial audits.

**Section 3 #4 (page 4, lines 16-18)**

This is a redundancy as its already mentioned in 54-10-14(4) that "the state auditor shall review the audit report to determine if the report is in the required form and has the required content, and if the audit meets generally accepted auditing standards."

There is a misunderstanding happening with the word rejection. When a rejection letter goes out, its more of a correction letter. We outline what standards were not met and request that they fix the errors and then resubmit for another review. Most firms that receive rejection letters have a few errors that they fix, send back and they are accepted once they meet the standards. Our office would not require a whole new audit.

In previous testimony made, it has been inferred that because you have a CPA license, you meet generally accepted auditing standards. That is simply not true. With the standards, that can change annually, the purpose of reviews of outside audits is to ensure the consistency of information provided to the user of the report. Ultimately, all government audits are done on behalf of the State Auditor's Office, so this process is important to us.

**Section 3 #5 (page 4, lines 19-22)**

We're unsure what an audit template means. The American Institute of Certified Public Accountants (AICPA) publishes guides that can be purchased. These guides include specific guidance for audit opinions and reports on internal control and compliance that are used based on the circumstance of

your audit. These guides also provide additional guidance on various elements of auditing standards. There are additional tools that can be purchased through Thomson Reuters and other similar companies that can be used throughout the audit.

Audits are customized based on the client. There are a variety of factors that determine the work needed and how the information should be reported. This includes reporting framework (modified cash, GAAP), types of funds, component units, etc.

There is not a one-size fits all audit template that the Auditor's Office can compile. This is simply not possible.

**Section 3 #6 (page 4, lines 23-29)**

This section added additional requirements to be included in each audit report.

In this last interim, the [Legislative and Audit Fiscal Review Committee](#) worked in consultation with our office and the private firms to remove the 14 communication questions from the audit reports and instead, provide an executive summary outside of the audit report for audit periods ending on June 30, 2022. The committee members voted unanimously to make this change after discussion at multiple meetings. There are two separate executive summaries that will be used, one for performance audits and one for financial audits. These executive summaries will be provided for the first time for audits heard during the 2<sup>nd</sup> quarter 2023 LAFRC meeting. Currently, the information in A, B, and C are being included in the reports.

- A- A summary of the audit conducted-All performance audits included a highlights page which is a high-level overview of the audit. All financial audits follow the form and content required by the AICPA.
- B- Disclosure of any disagreements with management-Financial auditing standards already require disagreements with management to be disclosed in the governance communication which is a required communication for the audit. Also, any client disagreements with audit findings for performance and financial audits would be included in the entity's response.
- C- Any findings and whether the findings were addressed or corrected-Auditing standards for both performance and financial audits require that audit findings are reported within the audit reports. We are also required to receive a response or corrective action from the auditee to include with the audit recommendation. An audit addresses the circumstances that occurred during the audit period; therefore, the auditor's office cannot provide feedback on whether a finding was addressed. An audit addresses the circumstances that occurred during the audit period. Audit recommendations would be evaluated in subsequent audit periods to determine whether they were implemented.

**54-10-13 (page 5, lines 4-5)**

This section removes our ability to call for an audit based on alleged improprieties. This would prevent us from conducting an audit if we're made aware of fraud, waste or abuse.

**Section 7 54-10-25(3) (page 6, lines 3)**

This section creates a creates a criminal penalty for divulging information.

We take confidentiality seriously in the Auditor's office. We train all new staff on confidentiality. Our office utilizes guidelines compiled by the Attorney General's Office that identifies various types of confidential information. We also ask our clients to identify if any information provided contains confidential information. If we have any confidential documents, we lock it in our electronic workpapers, so only the people on the audit team can access the document. We also make efforts to remove confidential information from files if it is not needed in our audit.

A question was asked last week about the types of audits and the confidential aspects of those. Our office completes both performance and financial audits of state agencies, colleges, and universities. These audits may contain a variety of confidential information such as social security numbers, bank information, employee information, HIPPA, FERPA, and federal tax information. As I discussed previously, our office signs necessary confidentiality agreements, receives background checks, and follows procedures to lock confidential information within working papers.

Our office also completes financial audits of political subdivisions. These audits may have confidential information such as bank information and employee information.

This section is a response to an instance that claims confidential information had been provided by an employee in our office. At the end of my presentation, Josh will discuss this specific email more in depth.

**Section 8 (page 6, lines 29)**

This section prevents us from requesting workpapers. We have several major concerns with this section.

First, I would like to just provide the background on what are working papers. Working papers are the documents contained within an audit that demonstrate the work an auditor completed to get to their final conclusions. There are several instances when preventing the ability to access these working papers could prevent our office from doing our job.

1. Our office contracts with private firms to complete audits of State Agencies. As part of this process, we prepare a request for proposal that outlines the scope of work that needs to be completed. There are times we will request working papers to ensure that the scope of work in the contract was fulfilled. This has even been done at the request of the state agency being audited by a private firm. This section of code would prevent us from gaining that assurance that a private firm met the scope of work requirements for a contract with the state.
2. Our office takes on new clients that we did not previously audit. As part of the auditing standards, we are required to do work to ensure the beginning balances are accurate. Beginning balances are the ending balances from the prior auditor's working papers. The auditing standards allow us to review the working papers of the prior auditor to gain assurance on these balances. If we are not allowed to do this, it would require additional audit procedures for any new clients. Additional procedures would result in additional hours to the audit increasing the audit bill.
3. Under N.D.C.C. 26.1-21-12, our office is responsible for reviewing the claims filed with the North Dakota Insurance Reserve Fund for the State Bonding Fund. Throughout our review, we may identify that an external audit was completed and would relate to the incident in the Bonding fund claim. This proposed language would prevent us from getting access to the working papers

from the firm. This would result in our team needing to do additional work. Additional work again results in additional hours and costs.

4. Our office may require testing of specific laws at political subdivisions to ensure consistency between all firms and our office. For example, we require the budget to be tested for all County audits. In order to verify this is being included, we request the working papers related to that law testing. This section would prevent us from getting that verification.
5. Our office reviews all audit reports submitted for political subdivisions. During our review process, we may identify that the report appears to not follow auditing standards. We may request working papers to ensure something is completed. We would no longer be able to complete this type of verification.

### **Section 9 (page 7, lines 1-5)**

This section requires us to give “state entities, political subdivisions or occupational boards or professional boards 30 days to review findings before the office publishes the auditing findings.”

I want clarify our process for communicating audit findings to our clients. All audit findings are provided to the client prior to the completion of the audit. It is important to note that auditing standards require us to receive finding responses or corrective actions for all auditing findings. As you can see from reports posted on our website, the reports that contain auditing findings have a response from the auditee. The easiest way to explain this is to walk through an example.

This is the process we follow for our performance audits:

1. The audit team would identify errors during the audit process and communicate with the client.
2. The audit team would draft the audit findings as part of the audit report.
3. The draft audit report is provided to the auditee. The auditee is given two weeks to review and respond to the audit findings. During this time, the auditee has the ability to suggest potential wording changes and provide their response for inclusion in the audit. I want to make it clear that the two-week time is a guideline. It is not a firm deadline. We work with the client if this time is unreasonable to them.
4. The response is added to the audit report and the report is almost ready to finalize.
5. The audit report which includes the audit findings and responses is provided to the Legislative Audit and Fiscal Review Committee (LAFRC) for seven days. This was a change from HB 1453 from last session.
6. After this 7-day period, the audit is finalized. It is considered a public document and is uploaded to our website.

The process followed for financial audits is similar the one I just discussed. The main difference is these audits are not provided to the LAFRC committee for review. This step was not included as part of previous legislation due to the finalization time requirements for financial audits. The other difference is audit findings in financial audits may be included in a separate email or document rather than the draft audit report. The final steps include providing a final copy to the client, posting the report to our website and issuing a press release when necessary. By the time a report is posted to our website or a press release is issued, the client has already reviewed and approved the report as well as provided responses.

Now that I have outlined the process, I want to discuss some of the concerns with this section.

This section requires our office to provide the audit findings 30 days prior to publishing the audit findings. This could create problems for financial audits. First, many political subdivision clients have deadlines for receiving their final report. They provide their response quickly and need their final report. The language in this section does not provide any flexibility to meet the clients needs and provide quick turnaround at their request.

Next, auditing standards require financial audits to be finalized within 60 days of completion. The timing of completing the audit, providing the audit findings, including the 30 day period, and completing the audit may cause us to not meet the audit standards.

The next area of discussion is an area of uncertainty for our office. The language in this section requires our office to provide all audit findings to the LAFRC. It's not been common practice to report to the Legislative Audit and Fiscal Review Committee on political subdivisions. Is it the wishes of the committee to now hear reports on political subdivisions? How would findings from private firms be presented? Our office only completes around 15% of the local government audits. This would mean that LAFRC could now be hearing up to an additional 400 audit reports annually from the private firms who conduct local government audits. On the state agency side, the firms include in their cost proposals the time to come to the LAFRC and present the reports. Currently, LAFRC meets one day a quarter. This may need to increase to address the additional audits of political subdivisions.

#### **Section 10 (page 7, lines 8-12)**

As mentioned previously, this is already common practice for our agency. Every single employee, including temps and interns has a background check completed.

#### **Section 11 (page 7, lines 15-17)**

This section does not allow our office to increase audit costs beyond the cost of the engagement letter. There has been a lot of discussion on the billing of political subdivisions and our records of the amount charged to these entities.

It is not common practice for us to include a proposed audit cost in the engagement letter unless it is specifically requested from the client. As a reminder, the division that completes these audits is fully special funded. There has been a lot of discussion on the fees and the fact that our office receives an appropriation for these special funds. It is correct that we do receive an appropriation. However, it is important to note that a special fund appropriation does not provide any actual dollars to our office. It only gives us spending authority for the money we collect in audit fees. If the legislature gives our special fund the ability to spend \$5 million dollars and we only collect \$3 million in audit fees. We will only be able to spend \$3 million because the legislature does not give physical dollars. This is very different than general fund appropriation which provides physical dollars and the ability to spend them.

This section of law prohibits the ability to increase an audit bill above a proposed cost. That can create a problem. There are times that you would give a proposal and the scope of work may be different than originally thought. For example, the entity may have far more federal funding and federal programs than we realized. We would have to follow Single Audit guidelines for program selection, sampling etc. This would be additional work that was not initially planned for but based on this language we would not be

able to recover those costs. Since this division is special funded, how would we pay for the staff that completed this work? I can equate this to the Bank of North Dakota audit. We have allowed amendments because additional loan programs have been added through the legislative process which results in additional work.

There was a question last week related to the itemizing of audit bills. Our billing has always been based on actual hours put into a project and the billing rate for the individuals completing the work. For each audit, all members of the team complete timesheets in our electronic working papers software. Each audit has its own project. When the audit is completed, the billing amount is calculated based on those hours charged. This amount is summarized and provided on the bill.

### **Section 12 (page 7, lines 20-25)**

The special state auditor was a topic addressed in the last legislative session and that section of code was repealed since it had not been used since it was put into law in 1967.

Some of the questions we have about this section of code:

- With all the “same power and authority” as the State Auditor, would the Special State Auditor have access to employees, office equipment, software and confidential information within that State Auditor’s Office?
- Who pays for this special state auditor?
- Could the Special State Auditor issue audit reports to steer an outcome whether positive or negative?
- There is no clear requirement to hire a private firm. Could this person be a current state employee?
- Results of Audits are reported to the Governor instead of the Legislature or LAFRC
- How long would this person have the “same power and authority”? During one audit? For a certain length of time? Ongoing?
- The person or firm may not have received a peer-review as required by Government Auditing Standards
- Would the work of this Special State Auditor become part of our peer review and potential impact our rating from NASACT?
- Do they have the same Continuing Professional Education credits as required to be a government auditor?

Those conclude my comments on the amendment, and I’ll stand for any questions before I turn it over to Josh.

## Opposition to House Bill Number 1508

I m writing today to express my concern and opposition to House Bill Number 1508. Even before the amendments were presented through the testimony of Representative O'Brein, 1508 was a horrible bill. It would be like a bill coming forward saying that the legislative assembly would not be able to pas any bill without a vote by the people of North Dakota first.

Can you imagine being so limited in the capacity to do your job you literally had to ask permission to leave your desk? This is what the proposed amendments would do to the state auditor's office. If you can honestly and in good faith, say that you support this bill, it will speak volumes to the people of North Dakota.

This bill should have failed in the house and only moved forward after being gutted down to the point where it didn't make sense, and yet here it is in all of its original and horribly written glory once again before a committee to be heard in the senate.

Please Vote Do Not Pass / Recommened Do Not Pass, before it gets to the point where your position has no meaning either.

Thank you  
Sincerely  
Marvin Lepp  
Bismarck



Jan Wangler <janwangler@gmail.com>

**Fwd: Independent Auditor Initiative**

Charles Tuttle <petitionsrights@gmail.com>  
Bcc: <janwangler@gmail.com>

Mon, Mar 13 at 11:48 AM

----- Forwarded message -----

From: **Charles Tuttle** <petitionsrights@gmail.com>  
Date: Wed, Feb 22, 2023 at 4:30 PM  
Subject: Independent Auditor Initiative  
To:

**Independent Auditor Initiative**

The intent of this initiative is to amend the North Dakota Constitution to create a wholly independent office of Auditor to independently conduct audits, investigations, inspections and other reviews in accordance with those professional standards that relate to the fields of auditing and investigation in state government environments.

Full Text of Amendment:

IF MATERIAL IS UNDERSCORED, IT IS NEW MATERIAL WHICH IS BEING ADDED. IF MATERIAL IS OVERSTRUCK BY DASHES, THE MATERIAL IS BEING DELETED. IF MATERIAL IS NOT UNDERSCORED OR OVERSTRUCK, THE MATERIAL IS EXISTING LAW THAT IS NOT BEING CHANGED.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF NORTH DAKOTA:

North Dakota Constitution Article V, Section 13, Entitled Executive Branch is amended and reenacted as follows:

Section 13. State Auditor

1. Creation of the Office of Auditor. There is hereby created for the State of North Dakota an Office of Auditor.

2. Purpose and Intent. The purpose of this section is to establish a full-time program of audit, investigation and performance review to provide increased accountability and oversight of the state and to assist in improving the state's operations and deterring and identifying fraud, abuse and illegal acts.

The intent of this Section is to create a wholly independent office of Auditor to conduct audits, investigations, inspections and other reviews in accordance with those professional standards that relate to the fields of investigation and auditing in state government environments.

3. Resources.

a. The Office of Auditor will be funded from the General Fund of the state and will receive no less than 0.25 percent of total state spending each year. The Auditor shall establish the organization structure appropriate to carrying out the responsibilities and functions of the office.

b. The Auditor shall have the power to appoint, employ, promote, and remove such assistants, employees, and personnel as deemed necessary for the efficient, and effective administration of the office. Within budget limitations, the Auditor may obtain the services of Certified Public Accountants, qualified management consultants, or other professional experts necessary to independently perform the functions of the office.

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4. Organizational Placement. The Auditor is operationally independent from the executive branch and the legislative branch. The Governor or legislature shall not prevent, impair, impede, or prohibit the Auditor from initiating, carrying out, or completing any audit, investigation or review. The Auditor is prohibited from serving on boards, commissions, committees of the state or political subdivisions. The Auditor will not hold other

additional government positions.

5. Records Disclosure. Audit and investigation reports shall be public records to the extent that they do not include information that has been made confidential and exempt from release to the public. During the course of audit and investigation activities, all records will be considered deliberative in process and not available for outside review unless determined otherwise by the Auditor. Names and identities of individuals making complaints and information protected by whistleblower or other section will not be disclosed without the written consent of the individual unless required by law or judicial processes. Similarly, the Auditor shall maintain the confidentiality of any public records that are made confidential by law and shall be subject to the same penalties as the custodian of those public records for violating confidentiality statutes. Overall, efforts will be made to protect the privacy of individuals or employees whenever possible without interfering in the judicial or administrative processes initiated to protect the public

6. Reporting Office Activities. The Auditor will report the findings of the Office's work to the head of the investigated/audited entity, to appropriate elected and appointed leadership and to the public. The Auditor shall also report criminal investigative matters to the appropriate law enforcement agencies.

The Auditor shall immediately report to the Governor whenever he/she becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of the state or interference with Auditor operations. The Governor shall transmit any such report to appropriate representatives of the Executive and Legislative branches within seven calendar days, together with a report by the Governor containing any comments deemed appropriate.

Within 60 days of the end of each fiscal year, the Auditor shall issue an annual report that separately lists audit and review reports and other investigative or assistance efforts completed during the fiscal year. The report shall describe the results of the fiscal year's activities of the Office of Auditor. Copies of the report shall be provided to the Governor and the Legislature. Upon issuance, members of the media and the public shall be promptly advised of the issuance of the report. Such reports will be provided to their representatives upon request.

7. Authority. The Office of Auditor is authorized to engage in the following specific functions:

- a. Audit, inspect, evaluate, investigate and inspect the activities, records and individuals with contracts, procurements, grants, agreements, and other financial arrangements undertaken by the state agencies, political subdivision, and any other function, activity, process or operation conducted by the State of North Dakota or in conjunction with the State of North Dakota.
- b. Conduct criminal, civil and administrative investigations.
- c. Audit the economy, efficiency, ethics, and effectiveness of the state's operations and functions and conduct reviews of the state's performance measurement system.
- d. Audit all aspects of state-wide elections and elections of political subdivision making the results of such audits available to the public.

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- e. Review of the reliability and validity of the information provided by the state's performance measures and standards.
- f. Provide information and evidence that relates to criminal acts to appropriate law enforcement officials.
- g. Initiate such reviews and audits of operations and services of the state as deemed appropriate.
- h. Receive and investigate complaints from any source or upon its own initiative concerning alleged abuses, frauds and service deficiencies including deficiencies in the operation and maintenance of facilities.
- i. Engage in prevention activities, including but not limited to: review of articles and sections of the North Dakota Constitution; review of chapters and sections of the North Dakota Century Code; review of rules, regulations, policies, procedures, and transactions; training and education.
- j. Refer matters for further civil, criminal, and administrative action to appropriate administrative and prosecutorial agencies.
- k. Conduct joint investigations and projects with other oversight or law enforcement agencies as deemed necessary by the Auditor.
- l. Recommend remedial actions to be taken by the state to overcome or correct operating or maintenance deficiencies and inefficiencies that were identified by the Office.
- m. Issue public reports as set forth in section 6.
- n. Monitor implementation of recommendations made by the Office and other audit agencies.
- o. Establish policies and procedures to guide functions and processes conducted by the Office.
- p. Maintain information regarding the cost of investigations and cooperated with appropriate administrative and prosecutorial agencies in recouping such costs from nongovernmental entities involved in willful misconduct.
- q. Do all things necessary to carry out the functions set forth in this section.

8. Powers. The Office of Auditor is provided the following powers to accomplish the intent of this section:

- a) The right to obtain full and unrestricted access to all records, information data, reports, plans, projections, matters, contracts, memoranda, correspondence and any other materials, including electronic data of the state, political subdivision, or any other organization that may be involved with the state. This power supersedes any claim of privilege.
- b) The authority to subpoena witnesses, administer oaths or affirmations, take testimony and compel the production of such books, papers, records and documents, including electronic data as is deemed to be relevant to any inquiry or investigation undertaken pursuant to this writing. This power may be delegated to a duly authorized deputy Auditor by the Auditor.

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- c) Have access to the head of any public entity as well as all employees, when necessary for purposes related to the work of the Office.
- d) Require public employees to report to the Office of Auditor information regarding fraud, waste, corruption, illegal acts, and abuse.

9. Quality Review. Audits, investigations, inspections and reviews shall be subject to quality assurance reviews by an appropriate professional non-partisan objective group every three to five years. A copy of the written report resulting from this review shall be furnished to the appointing authority and oversight board. This report shall also be made available to the public.

10. Elections Transparency. The Office of the Auditor shall adopt rules providing for the preservation and scanning of all ballots cast in an election. The rules must require, by January 1, 2024:

1. Each ballot cast in an election to be scanned electronically including rejected and corrected ballots;
2. Each ballot cast in an election to be preserved at least until the ballot is scanned;
3. Electronic versions of the scanned ballots from any election to be made available on the Office of the Auditor's website for 6 years; and
4. A paper copy of a scanned ballot from any election to be made available to any individual upon request and payment of a nominal fee to be set by the Office of the Auditor.

11. Petition for a Grand Jury. In addition to the Auditor's various reports, findings, and investigations, the people reserve the power to empanel a grand jury through a petition at any time. Prior to circulating a petition for a grand jury, the Auditor will approve the petition as to form only. The time period allowed for the circulation of such petitions will not be limited.

No grand jury may be drawn, summoned, or convened in any county within this state unless the district judge thereof shall so direct by a written order filed with the clerk of the court in the county wherein the said grand jury is required to attend. Any judge of the district court for any county must direct, in the manner herein provided, that a grand jury be drawn and summoned to attend whenever:

1. The judge deems the attendance of a grand jury necessary for the due enforcement of the laws of the state;
2. The board of county commissioners of the county where in the court is to be held, in writing, requests the judge to do so or
3. A petition in writing requesting the same is presented to the judge, signed by qualified electors of the county equal in number to at least ten percent of the total vote cast in the county for the office of governor of the state at the last general election, but the number of signatures required may not exceed five thousand. Such a petition may designate any attorney or any citizen to take charge of such prosecution or proceeding. The district judge will fix the attorney fee therefore by an order entered upon the minutes of the court, and the attorney or citizen so designated by the petition shall be vested with the powers of the state attorney for the purposes of that action, but for no other purpose, and shall be the only person authorized to proceed in such action.

Upon presentment of the request of petition, the judge shall promptly summon and convene the grand jury. The judge shall not deem the petition for a grand jury insufficient unless it is proven with clear and convincing evidence that the minimum number of signatories have not all resided in the county for 30 days or more. Any judge who fails to empanel a grand jury upon presentment of such petition without clear and convincing evidence that the minimum number of signatories have not all resided in the county for 30 days or more shall be permanently removed from office.

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The petition for a grand jury prescribed by this Article must be verified on information and belief by at least three of the petitioners. The formation of a grand jury under this chapter may not be invalidated should it appear or be proven after the grand jury has been summoned that any of the petitioners were not qualified electors or that the petition was not signed by the required number of qualified electors. If any judge of the district court for which a petition for a grand jury meeting the requirements of this section has been submitted fails to promptly summon and convene the grand jury, the judge will be permanently removed from office. The state may not challenge the panel of a grand jury or an individual grand juror at any time before the grand jury is impaneled and sworn.

The grand jury shall inquire into the cause of detention of every person imprisoned in the jail of the county against whom neither a criminal complaint nor information has been filed, or who has not had or waived a preliminary examination, and into all public offenses committed or triable in the county, and if the evidence so warrants, shall present them to the court by written indictment.

As to any offense committed while the grand jury is in session, the state's attorney or prosecutor may proceed with a preliminary examination or the filing of information, as provided for by law, and prosecute the charge, and, under such conditions, the grand jury is not required to inquire into such offense. The presentment of an indictment against a person does not preclude the prosecution of such person for the same offense upon a criminal complaint or information previously filed with the court.

Whenever directed by the district court, the grand jury shall inquire into:

1. The condition and management of the public prisons in the county; and
2. Willful and corrupt misconduct in the office of public officials of every description in the county.

This section is self-executing and all of its provisions are mandatory. Laws may be enacted to facilitate and safeguard, but not to hamper, restrict, or impair these powers.

[Quoted text hidden]

Greetings Chairman and Committee Members,

Please oppose HB1508, keep our Auditor working for the People and not an appointment by the Governor. The Auditor is the People's voice to hold government accountable. Every day our voice is getting smaller. Please oppose this bill and stand for the people.

Sincerely,

Kathy Monti

1201 282<sup>nd</sup> St. SW

Berthold, ND 58718

glassykathy@yahoo.com

23.0679.03002

**FIRST ENGROSSMENT**

Sixty-eighth  
Legislative Assembly  
of North Dakota

**ENGROSSED HOUSE BILL NO. 1508**

Introduced by

Representatives O'Brien, Lefor, Nathe, Sanford, Schreiber-Beck  
Senators Kreun, Meyer

1 A BILL for an Act to amend and reenact section 54-10-01 of the North Dakota Century Code,  
2 relating to duties of the state auditor and to provide for a legislative management study.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 54-10-01 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **54-10-01. Powers and duties of state auditor.**

- 7 1. The state auditor shall:
  - 8 a. Be vested with the duties, powers, and responsibilities involved in performing the
  - 9 postaudit of all financial transactions of state government, detecting and reporting
  - 10 any defaults, and determining that expenditures have been made in accordance
  - 11 with law and appropriation acts.
  - 12 b. Perform or provide for the audit of the general purpose financial statements and a
  - 13 review of the material included in the comprehensive annual financial report of
  - 14 the state in accordance with government auditing standards.
  - 15 c. Perform or provide for audits of state agencies in accordance with government
  - 16 auditing standards and legislative audit and fiscal review committee guidelines
  - 17 developed under section 54-35-02.10. Except for the annual audit of the North
  - 18 Dakota lottery required by section 53-12.1-03, the state auditor shall audit each
  - 19 state agency once every two years. Audits may be conducted at more frequent
  - 20 intervals if requested by the governor or the legislative audit and fiscal review
  - 21 committee. The state auditor shall charge an amount equal to the cost of the
  - 22 audit and other services rendered by the state auditor to all agencies that receive
  - 23 and expend moneys from other than the general fund. This charge may be
  - 24 reduced for an agency that receives and expends both general fund and

1 nongeneral fund moneys. State agencies shall use nongeneral fund moneys to  
2 pay for the cost of the audit. If nongeneral fund moneys are not available, the  
3 agency may, upon approval of the legislative assembly, or the budget section if  
4 the legislative assembly is not in session, use general fund moneys to pay for the  
5 audit. Any budget section action under this subdivision must comply with section  
6 54-35-02.9.

7 d. Perform or provide for performance audits of state agencies, or the agencies'  
8 blended component units or discreetly presented component units, as  
9 determined necessary by the legislative assembly, or the legislative audit and  
10 fiscal review committee if the legislative assembly is not in session. When  
11 determining the necessity of a performance audit, the legislative audit and fiscal  
12 review committee shall consider:

- 13 (1) The potential cost-savings or efficiencies that may be gained as a result of  
14 the performance audit;
- 15 (2) The staff resources of the state auditor's office and of the state agency  
16 being audited which will be required to conduct the audit;
- 17 (3) The potential for discovery of noncompliance with state law or legislative  
18 intent regarding the program or agency; and
- 19 (4) The potential for the performance audit to identify opportunities for program  
20 improvements.

21 e. Report quarterly to the legislative audit and fiscal review committee regarding:

22 (1) Communication processes with audited entities and any changes to the  
23 processes;

24 (2) Billing practices and procedures, including the use of cost estimates for  
25 audits and itemized invoices;

26 (3) Information on audits completed, including:

27 (a) Name of the audited organization;

28 (b) Organization type;

29 (c) Audit type;

30 (d) Audit period;

31 (e) Estimated and actual hours and costs; and

1 (f) Total audit cost and the total cost as a percentage of the audited

2 organization's operating budget; and

3 (4) Audit schedule, including audits performed by private firms and audits

4 performed by the auditor's office.

5 ~~e.f.~~ Report on the functions of the state auditor's office to the governor and the  
6 secretary of state in accordance with section 54-06-04 or more often as  
7 circumstances may require.

8 ~~f.g.~~ Perform work on mineral royalties for the federal government in accordance with  
9 section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].

10 ~~g.h.~~ Perform all other duties as prescribed by law.

11 2. The state auditor may:

12 a. Conduct any work required by the federal government.

13 b. Within the resources available to the state auditor, perform or provide for  
14 performance audits of state agencies as determined necessary by the state  
15 auditor.

16 c. Audit the International Peace Garden at the request of the board of directors of  
17 the International Peace Garden.

18 d. Contract with a private certified public accountant or other qualified professional  
19 to conduct or assist with an audit, review, or other work the state auditor is  
20 authorized to perform or provide for under this section. Before entering any  
21 contract, the state auditor shall present information to the legislative audit and  
22 fiscal review committee on the need for the contract and its estimated cost and  
23 duration. Except for performance audits conducted under subdivision d of  
24 subsection 1 or subdivision b of this subsection and except for audits of  
25 occupational or professional boards, the state auditor shall execute the contract  
26 and any executive branch agency, including higher education institutions, shall  
27 pay the fees of the contractor. For performance audits conducted under  
28 subdivision d of subsection 1 or subdivision b of this subsection, the state auditor  
29 may charge a state agency for the cost of a contract relating to an audit, subject  
30 to approval by the legislative assembly or the legislative audit and fiscal review  
31 committee if the legislative assembly is not in session. When considering a

1 request, the legislative audit and fiscal review committee shall consider the effect  
2 of the audit cost on the agency being audited, the necessity of the contract, and  
3 the potential benefit to the state resulting from the contract. The state auditor  
4 shall notify the affected agency of the potential cost before requesting approval  
5 from the legislative assembly or the legislative audit and fiscal review committee.

6 ~~3. All audits performed by the state auditor must be reviewed and approved by a certified~~  
7 ~~public accountant.~~

8 **SECTION 2. LEGISLATIVE MANAGEMENT STUDY - VALIDATION OF PETITION**

9 **SIGNATURES.** During the 2023-24 interim, the legislative management shall consider studying  
10 the process used to validate signatures submitted on local and statewide petitions and options  
11 to improve the validation process. The legislative management shall report its findings and  
12 recommendations, together with any legislation required to implement the recommendations, to  
13 the sixty-ninth legislative assembly.

23.0679.03003  
Title.04000

Adopted by the Senate State and Local  
Government Committee  
April 6, 2023

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1508

Page 1, line 2, after "auditor" insert "; and to provide for a legislative management study"

Page 2, after line 20, insert:

- "e. Report quarterly to the legislative audit and fiscal review committee regarding:
- (1) Communication processes with audited entities and any changes to the processes;
  - (2) Billing practices and procedures, including the use of cost estimates for audits and itemized invoices;
  - (3) Information on audits completed, including:
    - (a) Name of the audited organization;
    - (b) Organization type;
    - (c) Audit type;
    - (d) Audit period;
    - (e) Estimated and actual hours and costs; and
    - (f) Total audit cost and the total cost as a percentage of the audited organization's operating budget; and
  - (4) Audit schedule, including audits performed by private firms and audits performed by the auditor's office."

Page 2, line 21, overstrike "e." and insert immediately thereafter "f."

Page 2, line 24, overstrike "f." and insert immediately thereafter "g."

Page 2, line 26, overstrike "g." and insert immediately thereafter "h."

Page 3, replace lines 22 and 23 with:

**"SECTION 2. LEGISLATIVE MANAGEMENT STUDY - VALIDATION OF PETITION SIGNATURES.** During the 2023-24 interim, the legislative management shall consider studying the process used to validate signatures submitted on local and statewide petitions and options to improve the validation process, including voter registration. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-ninth legislative assembly."

ReNUMBER accordingly

23.0679.03004  
Title.

Prepared by the Legislative Council staff for  
Representative Warrey  
April 18, 2023

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1508

That the Senate recede from its amendments as printed on pages 1796 and 1797 of the House Journal and page 1478 of the Senate Journal and that Engrossed House Bill No. 1508 be amended as follows:

Page 2, after line 20, insert:

- "e. Report quarterly to the legislative audit and fiscal review committee regarding:
- (1) Communication processes with audited entities and any changes to the processes;
  - (2) Billing practices and procedures, including the use of cost estimates for audits, an itemized invoicing methodology, and a defined change order process for audits that exceed the original estimate;
  - (3) Information on audits completed, including:
    - (a) Name of the audited organization;
    - (b) Organization type;
    - (c) Audit type;
    - (d) Audit period;
    - (e) Estimated and actual hours and costs; and
    - (f) Total audit cost and the total cost as a percentage of the audited organization's operating budget; and
  - (4) Audit schedules, including audits performed by private firms and audits performed by the auditor's office."

Page 2, line 21, overstrike "e." and insert immediately thereafter "f."

Page 2, line 24, overstrike "f." and insert immediately thereafter "g."

Page 2, line 26, overstrike "g." and insert immediately thereafter "h."

Page 3, remove lines 22 and 23

Renumber accordingly

Introduced by

Representatives O'Brien, Lefor, Nathe, Sanford, Schreiber-Beck

Senators Kreun, Meyer

1 A BILL for an Act to amend and reenact section 54-10-01 of the North Dakota Century Code,  
2 relating to duties of the state auditor.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 54-10-01 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **54-10-01. Powers and duties of state auditor.**

7 1. The state auditor shall:

8 a. Be vested with the duties, powers, and responsibilities involved in performing the  
9 postaudit of all financial transactions of state government, detecting and reporting  
10 any defaults, and determining that expenditures have been made in accordance  
11 with law and appropriation acts.

12 b. Perform or provide for the audit of the general purpose financial statements and a  
13 review of the material included in the comprehensive annual financial report of  
14 the state in accordance with government auditing standards.

15 c. Perform or provide for audits of state agencies in accordance with government  
16 auditing standards and legislative audit and fiscal review committee guidelines  
17 developed under section 54-35-02.10. Except for the annual audit of the North  
18 Dakota lottery required by section 53-12.1-03, the state auditor shall audit each  
19 state agency once every two years. Audits may be conducted at more frequent  
20 intervals if requested by the governor or the legislative audit and fiscal review  
21 committee. The state auditor shall charge an amount equal to the cost of the  
22 audit and other services rendered by the state auditor to all agencies that receive  
23 and expend moneys from other than the general fund. This charge may be  
24 reduced for an agency that receives and expends both general fund and

1 nongeneral fund moneys. State agencies shall use nongeneral fund moneys to  
2 pay for the cost of the audit. If nongeneral fund moneys are not available, the  
3 agency may, upon approval of the legislative assembly, or the budget section if  
4 the legislative assembly is not in session, use general fund moneys to pay for the  
5 audit. Any budget section action under this subdivision must comply with section  
6 54-35-02.9.

7 d. Perform or provide for performance audits of state agencies, or the agencies'  
8 blended component units or discreetly presented component units, as  
9 determined necessary by the legislative assembly, or the legislative audit and  
10 fiscal review committee if the legislative assembly is not in session. When  
11 determining the necessity of a performance audit, the legislative audit and fiscal  
12 review committee shall consider:

- 13 (1) The potential cost-savings or efficiencies that may be gained as a result of  
14 the performance audit;
- 15 (2) The staff resources of the state auditor's office and of the state agency  
16 being audited which will be required to conduct the audit;
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18 intent regarding the program or agency; and
- 19 (4) The potential for the performance audit to identify opportunities for program  
20 improvements.

21 e. Report quarterly to the legislative audit and fiscal review committee regarding:

22 (1) Communication processes with audited entities and any changes to the  
23 processes;

24 (2) Billing practices and procedures, including the use of cost estimates for  
25 audits, an itemized invoicing methodology, and a defined change order  
26 process for audits that exceed the original estimate;

27 (3) Information on audits completed, including:

28 (a) Name of the audited organization;

29 (b) Organization type;

30 (c) Audit type;

31 (d) Audit period;

- 1 (e) Estimated and actual hours and costs; and  
2 (f) Total audit cost and the total cost as a percentage of the audited  
3 organization's operating budget; and  
4 (4) Audit schedules, including audits performed by private firms and audits  
5 performed by the auditor's office.

- 6 ~~e-f.~~ Report on the functions of the state auditor's office to the governor and the  
7 secretary of state in accordance with section 54-06-04 or more often as  
8 circumstances may require.
- 9 ~~f-g.~~ Perform work on mineral royalties for the federal government in accordance with  
10 section 1735(a) of the Mineral Lands and Mining Act [30 U.S.C. 1735 et seq.].
- 11 ~~g-h.~~ Perform all other duties as prescribed by law.
- 12 2. The state auditor may:
- 13 a. Conduct any work required by the federal government.
- 14 b. Within the resources available to the state auditor, perform or provide for  
15 performance audits of state agencies as determined necessary by the state  
16 auditor.
- 17 c. Audit the International Peace Garden at the request of the board of directors of  
18 the International Peace Garden.
- 19 d. Contract with a private certified public accountant or other qualified professional  
20 to conduct or assist with an audit, review, or other work the state auditor is  
21 authorized to perform or provide for under this section. Before entering any  
22 contract, the state auditor shall present information to the legislative audit and  
23 fiscal review committee on the need for the contract and its estimated cost and  
24 duration. Except for performance audits conducted under subdivision d of  
25 subsection 1 or subdivision b of this subsection and except for audits of  
26 occupational or professional boards, the state auditor shall execute the contract  
27 and any executive branch agency, including higher education institutions, shall  
28 pay the fees of the contractor. For performance audits conducted under  
29 subdivision d of subsection 1 or subdivision b of this subsection, the state auditor  
30 may charge a state agency for the cost of a contract relating to an audit, subject  
31 to approval by the legislative assembly or the legislative audit and fiscal review

Sixty-eighth  
Legislative Assembly

1                   committee if the legislative assembly is not in session. When considering a  
2                   request, the legislative audit and fiscal review committee shall consider the effect  
3                   of the audit cost on the agency being audited, the necessity of the contract, and  
4                   the potential benefit to the state resulting from the contract. The state auditor  
5                   shall notify the affected agency of the potential cost before requesting approval  
6                   from the legislative assembly or the legislative audit and fiscal review committee.

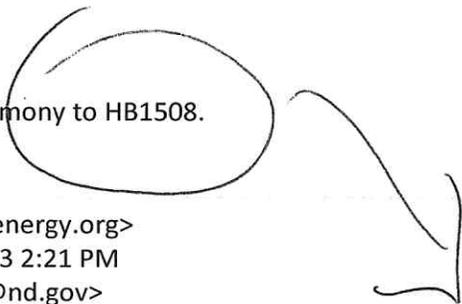
7                   ~~3. All audits performed by the state auditor must be reviewed and approved by a certified~~  
8                   ~~public accountant.~~

**Shimek, DeLores**

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**From:** Longmuir, Donald  
**Sent:** Wednesday, April 19, 2023 3:24 PM  
**To:** Shimek, DeLores; Conley, Richard  
**Subject:** FW: Testimony HB 1129  
**Attachments:** Testimony HB 1129 Final.docx

DeLores/Richard  
Would you please add this testimony to HB1508.  
Thanks!  
don



**From:** Geoff Simon <geoff@ndenergy.org>  
**Sent:** Wednesday, April 19, 2023 2:21 PM  
**To:** Don Longmuir <dlongmuir@nd.gov>  
**Subject:** Fwd: Testimony HB 1129

Sent from my iPhone, a petroleum product powered by coal.

Begin forwarded message:

**From:** Daryl Dukart <daryldukart@ndsupernet.com>  
**Date:** January 11, 2023 at 6:27:47 PM CST  
**Subject:** FW: Testimony HB 1129

This is the managers of KAAS with her written copy of what she is going to testified tomorrow on. I called her and got permission to share with you. Daryl

**From:** [killdeerems@ndsupernet.com](mailto:killdeerems@ndsupernet.com) <[killdeerems@ndsupernet.com](mailto:killdeerems@ndsupernet.com)>  
**Sent:** Wednesday, January 11, 2023 11:16 AM  
**To:** [daryldukart@ndsupernet.com](mailto:daryldukart@ndsupernet.com)  
**Subject:** Testimony HB 1129

Written testimony is attached. I hope it is written clearly to be understandable.

--  
Ann Hafner  
Paramedic/Manager  
Killdeer Area Ambulance  
(701)764-6300  
(701)870-5669

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