

2025 HOUSE APPROPRIATIONS

HB 1004

DEPARTMENT 117 - STATE AUDITOR 2025-27 BASE-LEVEL BUDGET

Base Budget - Summary

	<u>Base Level</u>
Salaries and wages	\$14,627,899
Operating expenses	1,719,771
Information technology (IT) consultants	<u>450,000</u>
Total all funds	\$16,797,670
Less other funds	<u>6,486,821</u>
Total general fund	\$10,310,849
Full-time equivalent (FTE) positions	65.00

Selected Base Budget Information

	General Fund	Other Funds	Total
1. Includes salary and benefits funding for 65 FTE positions, including the State Auditor's annual salary of \$130,000 effective July 1, 2023, and \$135,200 effective July 1, 2024, and \$300,000 for temporary salaries and internships, of which \$100,000 is from the general fund	\$9,186,264	\$5,441,635	\$14,627,899
2. Includes funding for operating expenses primarily related to IT data processing, office space rent, professional development, and travel	\$974,585	\$745,186	\$1,719,771
3. Includes funding for IT consultants to perform security testing	\$150,000	\$300,000	\$450,000
4. The State Auditor's budget includes four divisions--Administrative Services, Division of Local Governments, Division of State Audits and University System Performance Audits, and Division of Mineral Royalty Audits			

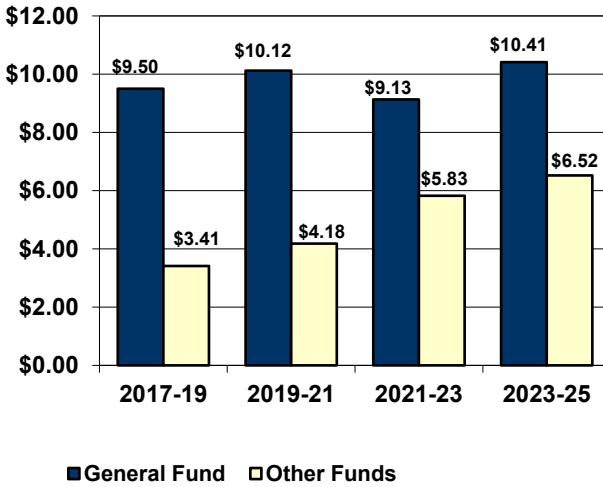
Continuing Appropriations

There are no continuing appropriations for this agency.

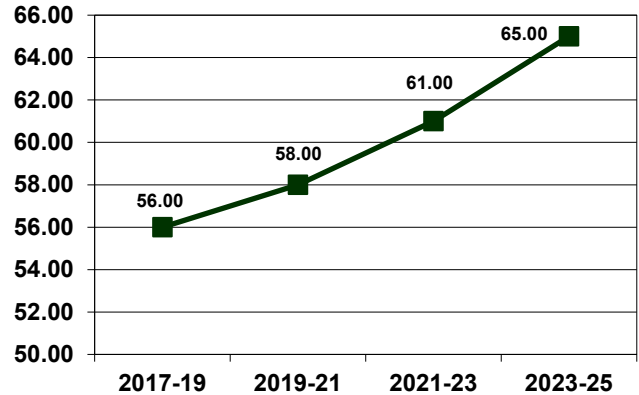
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
Ongoing general fund appropriations	\$9,776,582	\$9,498,608	\$10,106,860	\$9,119,110	\$10,310,849
Increase (decrease) from previous biennium	N/A	(\$277,974)	\$608,252	(\$987,750)	\$1,191,739
Percentage increase (decrease) from previous biennium	N/A	(2.8%)	6.4%	(9.8%)	13.1%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.8%)	3.4%	(6.7%)	5.5%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2017-19 Biennium

1. Restored funding for 4 FTE North Dakota University System audit positions removed by the State Auditor as part of the 2015-17 biennium budget reductions, including salaries and wages of \$611,300 and operating expenses of \$41,392 \$652,692
2. Removed 2 FTE University System audit positions, including salaries and wages of \$297,135 and operating expenses of \$12,500 (\$309,635)
3. Removed 1 FTE performance audit manager position (\$277,191)
4. Removed 0.80 FTE administrative officer II position due to salaries and wages funding reductions \$0
5. Reduced funding for operating expenses (\$101,615)
6. Removed funding for IT consultants (\$250,000)

2019-21 Biennium

1. Added funding for IT reviews of the Information Technology Department and the University System to provide a total of \$450,000 for technology reviews, of which \$300,000 is from special funds from the University System \$150,000

2021-23 Biennium

1. Removed 4 FTE Higher Education Division audit positions (\$854,231)
2. Removed 1 vacant FTE auditor IV position, including salaries and wages and operating expenses (\$175,525)

2023-25 Biennium

1. Added funding for 1 FTE education coordinator position \$218,672
2. Increased funding for temporary salaries for internships \$100,000
3. Added funding for operating expenses related to a new Capitol space rent model \$178,228

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25
One-time general fund appropriations	\$0	\$0	\$16,000	\$11,000	\$101,550

Major One-Time General Fund Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

1. Added one-time funding to replace a copier \$16,000

2021-23 Biennium

1. Added a deficiency appropriation of \$11,000 to provide a refund to a political subdivision which, pursuant to the retroactive application of Senate Bill No. 2180 (2023), would not have had to contract for an audit \$11,000

2023-25 Biennium

- 1. Added one-time funding for office furniture related to local government auditor positions \$9,000
- 2. Added one-time funding for travel and professional development inflationary increases \$22,000
- 3. Added one-time funding for costs related to audit software upgrade \$45,550
- 4. Added one-time funding for replacement of equipment over \$5,000 \$25,000



EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Executive budget recommendation	66.00	\$12,204,447	\$7,866,343	\$20,070,790
Base level	65.00	10,310,849	6,486,821	16,797,670
Increase (decrease)	1.00	\$1,893,598	\$1,379,522	\$3,273,120
Percentage increase (decrease)	1.5%	18.4%	21.3%	19.5%

NOTE:

More detailed information on the executive budget recommendation is attached as Appendix A.

A copy of the draft appropriations bill reflecting the executive budget recommendation is attached as Appendix B.

Selected Highlights

- Salary increases of up to 4 percent effective July 1, 2025, and 3 percent effective July 1, 2026
- Health insurance increase of \$250 per month (15.23 percent), from \$1,643 to \$1,893, per employee
- Adds funding to replace 2023-25 biennium new and vacant FTE pool amounts
- Adjusts the funding for 2 FTE positions (\$412,845) from special funds to the general fund
- Adds \$107,202 from federal funds for 1 FTE mineral royalty auditor and related operating expenses and one-time costs
- Increases funding from the general fund (\$45,000) and from special funds (\$90,000) for information technology (IT) consultants for security assessments to provide a total of \$585,000, of which \$195,000 is from the general fund and \$390,000 is from special funds

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency has 5 fees. The agency did not recommend any changes to the fees.

Major Related Legislation

As of the date of this report, there is no major related legislation for this agency.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Executive Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670
2025-27 Ongoing Funding Changes				
Base payroll changes		\$41,001	(\$40,050)	\$951
Salary increase		460,214	290,202	750,416
Health insurance increase		228,200	159,140	387,340
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986
Increases funding for cost to continue salaries		152,187	67,801	219,988
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)
Increases funding for IT consultants for security assessments		45,000	90,000	135,000
Total ongoing funding changes	1.00	\$1,843,398	\$1,365,722	\$3,209,120
One-Time Funding Items				
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000
Total Changes to Base Level Funding	1.00	\$1,893,598	\$1,379,522	\$3,273,120
2025-27 Total Funding	66.00	\$12,204,447	\$7,866,343	\$20,070,790

Federal funds included in other funds

\$1,797,802

Total ongoing changes - Percentage of base level

1.5%

17.9%

21.1%

19.1%

Total changes - Percentage of base level

1.5%

18.4%

21.3%

19.5%

Other Sections in State Auditor - Budget No. 117

Section Description	Executive Budget
Salary of the State Auditor	Section 3 would provide the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$135,200 to \$140,608, effective July 1, 2025, and to \$144,826, effective July 1, 2026, to reflect recommended salary increases of 4 percent in the 1st year of the biennium and 3 percent in the 2nd year of the biennium.
FTE position adjustments	Section 4 would authorize the department to increase or decrease authorized FTE positions subject to the availability of funds.

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1004
(Governor's Recommendation)

Introduced by

Appropriations Committee

(At the request of the Governor)

A bill for an Act to provide an appropriation for defraying the expenses of the state auditor; to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor, and to provide an exemption.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the state auditor for the purpose of defraying the expenses of the state auditor, for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

	Legislative Base level	Adjustments or Enhancements	Appropriation
Salaries and wages	\$14,627,899	\$3,068,799	\$17,696,698
Operating expenses	1,719,771	69,321	1,789,092
Capital assets	0	0	0
Information technology consultants	<u>450,000</u>	<u>135,000</u>	<u>585,000</u>
Total all funds	\$16,797,670	\$3,273,120	\$20,070,790
Less estimated income	<u>6,486,821</u>	<u>1,379,522</u>	<u>7,866,343</u>
Total general fund	\$10,310,849	\$1,893,598	\$12,204,447
Full-time equivalent positions	65.00	1.00	66.00

SECTION 2. ONE-TIME FUNDING. The following amounts reflect the one-time funding items approved by the sixty-eighth legislative assembly for the 2023-25 biennium and the 2025-27 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2023-25</u>	<u>2025-27</u>
Office Furniture	\$9,000	\$3,000
Inflationary increases for travel and professional development	59,000	0
Cost to continue services	0	61,000
Audit software setup and migration	45,550	0
Capital equipment replacement	<u>25,000</u>	<u>0</u>
Total all funds	\$138,550	\$64,000
Less estimated income	<u>37,000</u>	<u>13,800</u>
Total general fund	\$101,550	\$50,200

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

54-10-10. Salary of state auditor. The annual salary of the state auditor is one hundred ~~thirty-four~~ thirty-four thousand ~~six~~ eight hundred ~~eight~~ six dollars through June 30, ~~2024~~ 2026, and one hundred ~~thirty-five~~ thirty-five thousand ~~two~~ eight hundred ~~twenty-six~~ six dollars thereafter.

SECTION 4. EXEMPTION - FULL-TIME EQUIVALENT POSITION ADJUSTMENTS. Notwithstanding any other provisions of law, the state auditor may increase or decrease authorized full-time equivalent positions as needed, subject to availability of funds, during the biennium beginning July 1, 2025, and ending June 30, 2027. The state auditor shall report to the office of management and budget and legislative council any adjustments made pursuant to this section.



**State Auditor
Department No. 117
2025 House Bill No. 1004**

**REVISED EXECUTIVE BUDGET RECOMMENDATION
2025-27 BIENNIUM**

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Burgum budget recommendation	66.00	\$12,204,447	\$7,866,343	\$20,070,790
Revisions - Increase (decrease)	0.00	(84,000)	(52,754)	(136,754)
Armstrong budget recommendation	66.00	\$12,120,447	\$7,813,589	\$19,934,036
Base level	65.00	10,310,849	6,486,821	16,797,670
Increase (decrease)	1.00	\$1,809,598	\$1,326,768	\$3,136,366
Percentage increase (decrease)	1.5%	17.6%	20.5%	18.7%

NOTE:

More detailed information on the revised executive budget recommendation is attached as an appendix.

Selected Highlights

- **Salary increases of up to 3 percent effective July 1, 2025, and 3 percent effective July 1, 2026**
- Health insurance increase of \$250 per month (15.23 percent), from \$1,643 to \$1,893, per employee
- Adds funding to replace 2023-25 biennium new and vacant FTE pool amounts
- Adjusts the funding for 2 FTE positions (\$412,845) from special funds to the general fund
- Adds \$107,202 from federal funds for 1 FTE mineral royalty auditor and related operating expenses and one-time costs
- Increases funding from the general fund (\$45,000) and from special funds (\$90,000) for information technology (IT) consultants for security assessments to provide a total of \$585,000, of which \$195,000 is from the general fund and \$390,000 is from special funds

Deficiency Appropriations

There are no deficiency appropriations for this agency.

Significant Audit Findings

There are no significant audit findings for this agency.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency has 5 fees. The agency did not recommend any changes to the fees.

Major Related Legislation

As of the date of this report, there is no major related legislation for this agency.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Armstrong Executive Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670
2025-27 Ongoing Funding Changes				
Base payroll changes		\$41,001	(\$40,050)	\$951
Salary increase		376,213	237,448	613,661
Health insurance increase		228,201	159,140	387,341
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986
Increases funding for cost to continue salaries		152,187	67,801	219,988
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)
Increases funding for IT consultants for security assessments		45,000	90,000	135,000
Total ongoing funding changes	1.00	\$1,759,398	\$1,312,968	\$3,072,366
One-Time Funding Items				
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000
Total Changes to Base Level Funding	1.00	\$1,809,598	\$1,326,768	\$3,136,366
2025-27 Total Funding	66.00	\$12,120,447	\$7,813,589	\$19,934,036

Federal funds included in other funds

\$1,785,995

Total ongoing changes - Percentage of base level

1.5%

17.1%

20.2%

18.3%

Total changes - Percentage of base level

1.5%

17.6%

20.5%

18.7%

Other Sections in State Auditor - Budget No. 117

Section Description	Armstrong Executive Budget
No other sections	

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1004
1/14/2025

To provide an appropriation for defraying the expenses of the state auditor.

11:09 a.m. Chairman Monson called the hearing to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representative Bosch, Representative Fischer, Representative Kempenich, Representative Meier, Representative Pyle

Discussion Topics:

- State Auditor division breakdown
- State Auditor's audit results
- State Auditor's Office accomplishments
- State Auditor Office retention
- Delinquent local governments
- State Auditor's Office goals
- Training requirements for State Auditor
- Biennium requests for 25-27
- Single Audit
- Cybersecurity budget
- State Auditor's internship program
- Federally Funded FTE

11:09 a.m. Joshua Gallion, ND State Auditor, testified in favor and submitted testimony #28689 and #29024.

11:31 a.m. Dan Cox, Director of Audit Services, ND State Auditor Office, testified in favor.

11:35 a.m. Joshua Gallion, ND State Auditor, testified in favor.

11:46 a.m. James Carroll, Chief Financial Officer, State Auditor Office, testified in favor and continued with testimony #28689 and #29024.

12:04 p.m. Chairman Monson adjourned the meeting.

Madaline Cooper, Committee Clerk



Office of the
State Auditor

HB1004 - Budget Bill Testimony

2025-2027 Legislative Session – House Government Operations Division

January 14, 2025

Good morning, Chairman Monson, 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 discuss how the State Auditor's Office can better serve our state and provide information regarding our efforts to fulfill our statutory obligations while improving accountability and promoting transparency of state and local governments, and institutions of higher education.

We're going to go through the outline as requested by the committee. Feel free to stop me along the way and ask questions.

[slide 2] N.D.C.C. Major Responsibilities

The State Auditor's Office touches nearly every government in our state, whether that be small local governments or large state agencies, or even federal dollars being passed through our state agencies. Our team is dedicated to providing independent information to the citizens of North Dakota to inspire action.

[slide 3] Purpose of the Five Divisions

The Agency Division is the largest division and is responsible for auditing state government and conducts financial, compliance, performance and information systems audits.

The Local Government Division performs audits of counties, cities, school districts and other political subdivisions. This division also conducts petition audits and provides non-auditing services such as review of annual financial statements, and audit reports completed by independent accounting firms.

The North Dakota University System Performance Division conducts performance and financial audits of the North Dakota University System's 11 different colleges and universities.

The Mineral Royalty Division conducts compliance reviews and audits of federal royalty payments from oil, gas and coal leases located within the State of North Dakota. This division is fully funded by the federal government.

The Operations Division works to ensure the efficient performance of all the divisions within the agency. The division consists of information technology, accounting, administrative assistants, communications, quality assurance, the Office of Good Government and others.

[slide 4] Organization Chart

I believe the most important aspect of what we do is serving the State of North Dakota, which is why they are listed first, at the top. The staff that support our mission on the front lines, who interact with our clients on a daily basis are directly below the citizens, followed by our Senior Staff, and then me at the very bottom. I view my role in leading the organization is making sure that every member of our team has the resources and ability to best serve the state. The teal represents interns, the dark blue represents a Bismarck team member and the red is a Fargo team member.

[slide 5] **Audit Results**

Everyone wants to know who audits the auditor. We get two audits done. The first is done by the National State Auditor's Association, known as the Peer Review. The peer review is completed by a group of experienced auditors from across the country. Each member of the team must be recommended by their home state and is assigned to the team based on expertise by the National State Auditor's Association. The purpose of the peer review is to conclude on our system of quality control. It ensures our team maintains Independence, meets Continuing Professional Education requirements, and adheres to both our own internal policies and auditing requirements published by the GAO and AICPA.

This review includes the following:

- An evaluation of our level of expertise to ensure reasonableness.
- Evaluation of our independence assessment procedures.
- Sampling of independence assessments for engagements to ensure independence is maintained.
- Evaluation of the Office Policy and Procedures Manual to ensure all required policies & procedures have been developed.
- Review of Continuing Professional Education completed by staff to ensure GAO CPE requirements have been met.
- Sample of completed engagements to ensure each engagement met auditing standards established by the GAO and AICPA.
- The Peer Review looks at all our audits including performance, financial and the Single Audit.

The second audit we receive is a financial audit. The most recent audit was procured by Legislative Council and conducted by Eide Bailly LLP for fiscal years 2022 and 2023.

There were no findings in either of these audits.

[slide 6] **Biennium Accomplishments**

We held our third annual virtual audit summit for local governments. Our staff spoke on topics like the budgeting process, law changes that impact local governments, the Single Audit, upcoming standards changes that will impact them, and more. We continue year after year of having over 300 virtual attendees. Our recorded sessions continue to reach attendees and have had a total of nearly 140 hours in re-watched breakout sessions.

Our team is committed to continuous improvement. The audit of the state's Annual Comprehensive Financial Report took our team about 4500 hours to complete. This is attributed to our project management strategy and staff working over the past two years to evaluate new standards and streamline some of our processes. This has allowed us to maintain our continued workload.

Thanks to our project management strategy, we were able to find internal efficiencies and time savings, allowing us to reorganized our office to better serve local governments with the expansion of our Quality Assurance team. It has allowed us to stop charging for the review of our local government financial audits completed by private firms and submitting them to our office for review.

We've implemented a cost proposal process for our local government clients in January 2024 that gives greater transparency to our clients on upfront audit costs. It has been very well received by both our clients and staff.

Beyond the day-to-day work in our office, our staff enjoy supporting the communities we live in. Our Bismarck staff have organized an annual food drive competition across state agencies, with a traveling plaque, that collected over 18,000 items.

[slide 7] **Biennium Challenges**

In past biennia, petition audits create a lot of unknowns. We are grateful for the changes last session to our section of code changing “shall” to “may” which gives the Auditor’s Office greater discretion over conducting these audits to ensure that when the Auditor’s Office steps in that it is beneficial to the entity and the citizens. We’re working through two petition audits in 2025.

We invest a lot in training and developing our staff, with our own professional development requirements as government auditors and because of the specific nuances that come with our profession, we believe it takes 3 years to completely train a new person. Retaining these employees with some experience continues to prove difficult as they are the most sought-after candidates by other agencies and the private sector.

Training and education to these local governments continues to be a challenge. We have hired our training and education coordinator, thanks to the legislature last session for providing us that position. She has spent her first 9 months training on the reporting that these local government needs to complete. She has begun working on developing communication out to these local government, newsletter distribution lists, writing for CityScan and Assoc. of Counties, reaching out to these associations and offering training services, she has providing live training and education at seven different conferences and events, is recording video series around different government accounting topics with her first series covering all the different types of revenues these local government can have, her next series is on expenses. She is also working on creating downloadable resources for these small governments with her first one being about internal control environments in small governments. We’ve just scratched the surface with this position and we’re grateful for the resources from the legislature.

[slide 8] **Next Biennium Goals**

Our goal is to continue expanding and developing education for local governments across the state. We see a gap in professional and technical resources for these small governments and the Office of the Good Government is capable of fulfilling that need with appropriate investments.

Retaining our staff with competitive pay while understanding the future needs of our office. We are a young office that will need to actively develop our staff into leading roles very soon, as we have retirements quickly approaching.

Training opportunities for our staff to stay current on the government auditing and government accounting standards changes.

Automation and providing more transparency on local government finances. Currently, you can find cash and investments in our Power BI database on our website, our upcoming goals are to add long term debt, total expenses and total revenues.

[slide 9] **25-27 Requests Compared to Current Biennium**

- Improve transparency
- Reduce financial burden to local governments
- Enhance access to financial data of local governments

[slide 10] **Convert 3 special funded positions to general funded positions.**

Our special funded team consists of two audit teams and one review team. The review team conducts basic or extended reviews of annual financial reports for local governments that have less than \$2,000,000 in annual receipts. We have an opportunity to reinvent state government by keeping down cost for those smaller local governments, while continuing to help them with their financial transparency.

We've found internal efficiencies within our office that have allowed us to convert a special funded employee to a general funded position. The person in that position reviews local government audits from private firms. By converting this position, we are eliminating the extra expense to local governments who are already paying for high dollar audits. We feel like more can be done to save local governments money in this area. If we were allowed to convert two positions to general fund dollars, it would eliminate the billing process for the review of these annual financial reports.

By doing this, our team could focus on helping the most critical local governments to become current in their financial transparency efforts, without the local government worrying about how they will pay our office. Some of these local governments are behind on their submissions by 10+ years. A review fee of \$300 for each year could cost some small local governments their entire annual operating budget. This would be a total cost of \$380,344 for the two positions that are currently serving this function. Additionally, if these positions are converted it would allow our staff more time to answer questions that local governments have regarding the review, which helps in the education process.

U.S. Government Accountability Office government auditing standards, also known as the YellowBook, has released a new update for 2024. The previous version was released in 2018. As you can expect, there are significant changes. Due to the changes, we want to convert one additional position to general funded. The 2024 YellowBook has put an emphasis on quality management which has increased workload needs for the Quality Assurance team. This position would specialize in Single Audits and provide support to both our agency and local government divisions by focusing on compliance with standards, supporting our audit teams, and conducting internal training to staff. The surge in federal spending has increased the number of Single Audits needed for local governments and the Statewide Single Audit.

Federal funding has risen by 56% in North Dakota thanks to ARPA, SLFRF, and CARES funding. Our team is currently finishing up one of the largest Single Audit's our office has ever completed.

- Pre-Covid, the 2019-20 Single Audit had \$4,418,666,234 in federal expenditures.
- The 2021-22 Single Audit had \$6,683,485,219 in federal expenditures...a 51% increase.
- The 2023-24 Single Audit has \$6,871,854,565 in federal expenditures...a 56% increase.

Back in 2019-2020, our local government audit team completed Single Audits for five of our local government clients. In 2022-2023, that number increased by 300% to 16. Each of these Single Audits take a minimum of 40 additional hours and costs the clients around \$5,000.

This position would ensure consistency across our agency and would create efficiencies in our audit, while maintaining the audit capacity of single audit requirements and the increased number of new federal programs. This position would also ensure North Dakota is complying with the ever-changing federal audit requirements for federal programs.

[slide 11] **Cost to Continue Services**

This is based on former Governor Burgum's budget request.

The State Auditor's Office budget is 90% salaries and benefits of total appropriations. 7% of the total appropriations is for telecommunications, data processing, and rent expenses. The remaining 3% of total appropriations covers all other operating costs of the agency. This leaves very little flexibility when we need to find 3% savings. We're asking for these additional funds to continue operating considering the required 26% increase of fees established by NDIT as well as the increase in capitol rent. This also includes an increase in professional development and travel costs to keep pace with inflation, as well as state fleet increased costs to our agency for a total of \$135,775.

The next item again relates to the requirements of YellowBook. YellowBook requires the NDSAO to have a peer review done once every three years. A peer review is like a performance audit, where top-tier state auditor staff from across the country come to Bismarck and conduct a deep dive into our office processes and procedures to give assurance that the NDSAO is following proper government auditing standards. Our next peer review is scheduled for June 2026. Our most recent peer review was June 2023 and cost approximately \$20,000. The cost was covered in operating, but it can no longer be covered with the general fund cuts. We do not pay these individuals a salary to be here, however we do pay their travel expenses and these auditors travel here from various locations across the country.

The final cost we're requesting is related to our auditing software known as TeamMate. We're migrating to TeamMate+, as TeamMate AM is being discontinued. We began migrating to TM+ in September 2024. We have found some cost savings internally, such as reducing the number of employees who need TeamMate licenses and cleaning up data to save on storage costs. However, we will need to keep the current Teammate AM on the ITD servers through the summer of 2026 in order to migrate all data over that will need to be kept for records retention purposes. NDIT increased rates for servers from \$125 a month to \$2,000 a month, so the cost cannot be covered by previous appropriations. TeamMate AM will need to stay live and accessible to us until the transition from the old server to the new server can be finalized.

[slide 12] **Cost to Continue Salaries**

The State Auditor's Office is grateful for the increase in salary dollars we were given last session that allowed us to retain our top talent. The equity increases and legislative increases were one aspect of the total rewards program that played a vital role in keeping our turnover rate to a minimum. We're asking for the legislative increase provided on July 1, 2024, of 4% to continue paying our staff at their current salaries so we can retain top talent.

[slide 13] **Security Assessment**

Every biennium the NDSAO contracts out a security assessment of the state of North Dakota, including Higher Education. This is a critical resource for the state because it checks if security protocols are effective against today's cybersecurity threats. Our office has been allocated \$150,000 in general funds and \$300,000 in special funds in past biennia to procure this assessment. Because of our limited flexibility in operating funds, this was removed from our budget to meet budget guidelines. We're asking that this critical assessment be added back to our budget, but the funding mechanism be \$585,000 in general funds. As inflation has increased, the scope of the security assessment has decreased over the past few years. This is why the request is at the \$585,000. The reason why we're asking for it all in general funds is again due to the scope. It gives the contractor greater flexibility in identifying high risk areas and designing the audit procedures.

[slide 14] **Temporary Salary Line**

We spoke about converting the two positions that support small governments earlier. Our robust internship program has relied on the small government review process to train, evaluate, and provide an entry into the auditing process. If we stop charging these local governments, it cuts off the funding of our internship program.

In an employee's market, our team has created a low-risk, high reward internship program that serves as a talent pipeline for government auditors. This is critical for several reasons, considering accounting graduation rates are dropping dramatically, and private firms are offering six figure salaries. Since 2021, we've had 31 interns that resulted in 12 full-time employees. We have fully expended our \$100,000 in general fund temporary dollars with nearly 10 months left of the biennium. We're requesting an additional \$100,000, totaling \$200,000, in general fund temporary salaries to continue with this successful program.

[slide 15] **One federal funded FTE**

The Mineral Royalty division of our office is fully funded by the federal government and is a function of the Office of Natural Resources Revenue (ONRR) within the Department of the Interior. They use compliance reviews to verify that the State of North Dakota and the federal government receive the correct lease royalty money from energy companies that extract minerals on federal land within our state. This team of five people conducts over 22% of ONRR's yearly goal of compliance reviews alongside 13 other states and tribes. We're requesting appropriation authority for an additional person to expand the natural gas compliance review function of this office. These salary funds would come from the federal government, we're looking for appropriation authority for those salary and operating funds tied to one full-time person.

We have requested this position to be approved for the second half of the biennium as federal approval will be in FFY 26.

[slide 16] New Positions Approved

Last legislative session, four additional FTE were approved for our office.

1 position from the general fund, a Training and Education Coordinator, to help local governments. The appropriated dollars for this position were \$218,672. The amount requested from the New and Vacant FTE Pool was \$159,412 as hiring occurred on 11/1/23.

3 auditor positions were added in the special fund. These positions remain unfilled. Appropriation Authority was reduced by \$739,760 for these three positions into the New and Vacant FTE Pool.

[slide 17] Vacant Positions

At the beginning of the biennium, we had three general fund positions open and the newly created position, totaling four. The three carryover positions had signed offer letters tied to them from interns. Once they graduated with their degree, the staff started full-time. The Training and Education Coordinator was then filled November 1st, 2023.

Our voluntary turnover rate for the biennium is 12%. That equates to 8 people.

As of December 1st, 2024, as seen on the Vacant FTE report requested, we have 13 open positions. Of those 13, only one is general funded and we have plans to fill it this spring. We have a couple interns on staff that would be considered for the position.

The remaining open positions are special funded positions. The dollars tied to these positions are solely appropriation authority, as again, they are self-funded. Having these positions unfilled, doesn't incur any costs to the state but allows us to be reactive to the market. If one of these audit firms makes changes, they could potentially drop 60 clients into the market.

New and Vacant FTE Pool:

Below is breakdown of appropriations removed from SB 2004 last session by category.

	General Fund	Other Funds	Total
New FTE positions	(\$218,672)	(\$739,760)	(\$958,432)
Vacant FTE positions	<u>(375,577)</u>	<u>(276,409)</u>	<u>(651,986)</u>
Total	(\$594,249)	(\$1,016,169)	(\$1,610,418)

As stated previously, we did request \$159,412 (\$196,805 available, which is 90% of the deducted amount) from the general fund New FTE allocation.

We have made no other requests from the New and Vacant FTE Pool.

According to our last vacancy savings report submitted to OMB (through October 2024) we have used \$107,759, broken down as such:

Use of vacant position savings:		
Accrued Leave Payouts		35,635
Extra Salary Increases		33,271
Bonuses		24,027
Incentive/location Pay		-
Reclassifications		-
Extra Temporary salary Funding		-
Extra Overtime Funding		14,825
Other (identify)		-

\$60,338 is general funded.

[slide 18] **Funding for Each Program/Line Item**

Class	General Fund	Special Fund	Federal Fund	Total	% of Funding
	Agency Audits and	Local Government	Mineral Royalties		
	Operations	Audits and Reviews			
11710 - Salaries	9,258,856	4,155,436	1,373,022	14,787,314	87%
11730 - Operating	1,092,408	552,805	142,558	1,787,771	10%
11750 - Capital Assets	70,550	-	-	70,550	0%
11770 - IT Systems Security Review	150,000	300,000	-	450,000	3%
	<u>10,571,814</u>	<u>5,008,241</u>	<u>1,515,580</u>	<u>17,095,635</u>	
FTE	39	21	5	65	

Significant Operating Expenditures	Percentage of Operating
NDIT Costs	38%
Rent	27%
Travel and Professional Development	18%
	<u>83%</u>

[slide 19] **Current Biennium One-Time Finding**

23-25 One-time funding: \$138,550 Total

- \$9,000 appropriated in general funds for special fund FTE office equipment– have not spent this money. Positions have not been filled.
- Travel and professional development inflationary costs - \$59,000:
- \$22,000 general funds – on track to spend this money before end of the biennium.
- \$37,000 other funds – will not spend this money as vacant positions have not been filled and federal budget is being tightened up from federal agencies. Federal employees are not traveling for audits or training.

- Audit software migration capital asset appropriations - \$45,550 general funds.
- Have expended \$24,000 and expect to expend the rest before end of biennium.
- Equipment replacement capital asset appropriations - \$25,000 general funds.
- Have expended \$15,668 by replacing two copiers. No additional equipment is planned to be replaced.

<u>Description</u>	<u>Expenditure Type</u>	23-25 One-Time Funding			<u>Total</u>	<u>Expected Expenditures</u>	<u>Estimated Turnback</u>
		<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>			
1. New FTE Office Equipment	Operating	9,000	-	-	9,000	-	9,000
2. Travel and Professional	Operating	22,000	37,000	-	59,000	22,000	37,000
3. Audit Software Migration	Capital Asset	45,550	-	-	45,550	45,550	-
4. Office Equipment Replacement	Capital Asset	25,000	-	-	25,000	15,668	9,332
Total		<u>101,550</u>	<u>37,000</u>	<u>-</u>	<u>138,550</u>	<u>83,218</u>	<u>55,332</u>

[slide 20] One-time funding being requested

25-27 One-time funding:

- \$3,000 – Federal fund office equipment purchase
- \$25,000 – peer review – happens once every three years. General Fund
- \$25,200 – teammate server transition – general fund portion
- \$10,800 – teammate server transition – special fund portion

Total - \$64,000

- GF = \$50,200
- SF = \$10,800
- FF = \$3,000

25-27 Requested One-Time Funding

<u>Description</u>	<u>Expenditure Type</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
1. Federal Fund FTE Office Equipment	Operating	-	-	3,000	3,000
2. Peer Review	Operating	25,000	-	-	25,000
3. TeamMate Server Migration	Operating	25,200	10,800	-	36,000
Total		<u>50,200</u>	<u>10,800</u>	<u>3,000</u>	<u>64,000</u>

[slide 21] Deposits into General Fund

CHAPTER 54-10 STATE AUDITOR

54-10-01. Powers and duties of state auditor - Report. (Retroactive application - [See note](#))

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two to four years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. The charge for an audit

- General Fund revenue through 12/31/2024: \$304,062
- Projected fiscal impact of agency audits for 25-27 biennium: \$343,353.
- General Fund revenue w/o SA for 21-23 biennium: \$747,726

[slide 22] Deposits into Special Fund

- Local government division is a self-funded special fund
- 21 FTE
- The group bills local governments “an amount equal to the fair value of an audit” and the money is deposited into their operating account.
- Small government reviews, the authority is in section 54-10-14 and rates are set in code.

SF revenue through 12/31/24:

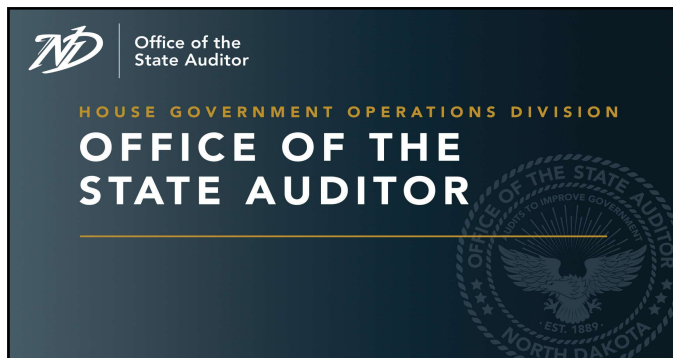
- Audits - \$2,020,729
- Reviews – \$492,784

[slide 23] Executive Budget

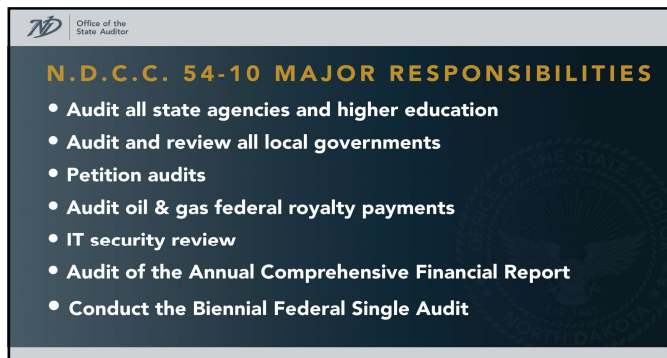
I did include a snapshot of Former Governor Burgum’s recommendation compared to our request. We understand that Governor Armstrong will release his recommendation tomorrow, but we wanted to address the previous recommendation during this initial hearing.

[slide 24] **Questions**

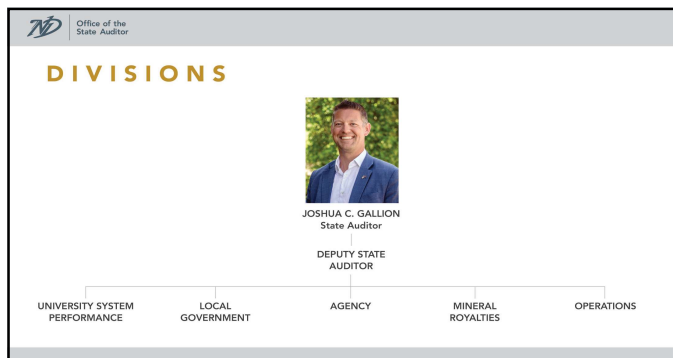
This concludes my testimony and I'm happy to answer any questions you may have. Thank you.



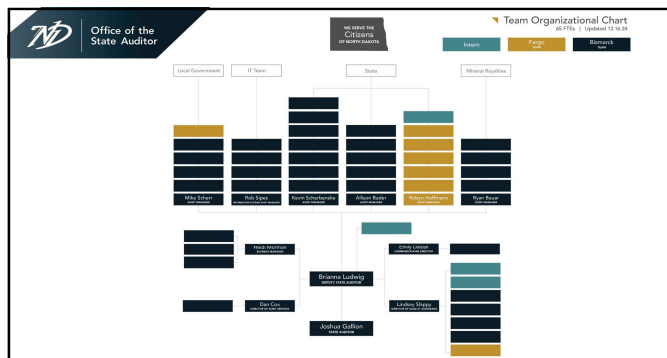
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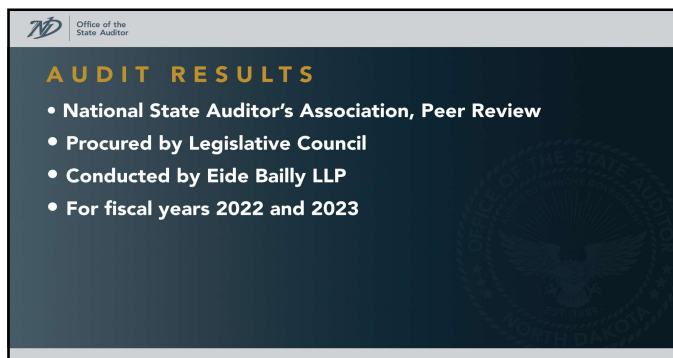
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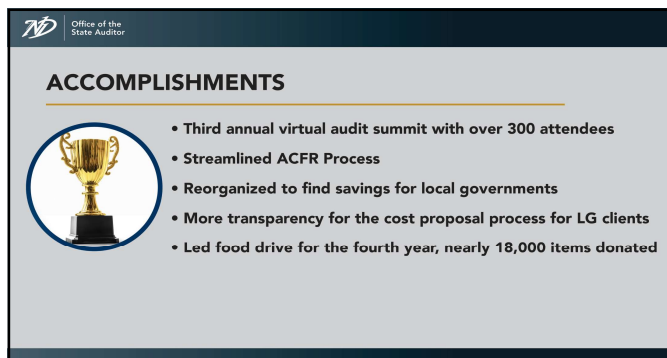
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6

CHALLENGES

- Planning for unknown petition audits
- Retention of qualified staff in a competitive workforce
- Training and education for local governments


7

NEXT BIENNIUM GOALS

- Education and awareness to local governments about accounting requirements
- Retain experienced staff with competitive pay
- Training opportunities to stay up-to-date on changing professional standards
- Automation and providing more transparency on local government finances



8

 Office of the State Auditor

25-27 REQUESTS COMPARED TO CURRENT BIENNIUM

- Convert 3 special funded to general funded positions
- Cost to continue services
- Cost to continue salaries
- Security assessment
- Temporary salary line
- One federal funded FTE


9

 Office of the State Auditor

CONVERT 3 SPECIAL FUNDED POSITIONS TO GENERAL FUNDED POSITIONS

- 867 Local governments impacted
- Cost savings of \$380,344
- Increase in federal spending


10

 Office of the State Auditor

COST TO CONTINUE SERVICES

- 26% increase by NDIT
- Increase in Capitol rent
- Professional development and travel
- Peer review
- TeamMate+ migration costs

11

 Office of the State Auditor


COST TO CONTINUE SALARIES

- 4% increase to staff salaries for 2025

12

CYBER SECURITY ASSESSMENT

- \$585,000 Change funding to all general fund
- Previously cost \$450,000
- As inflation increases, the scope of the security assessment has decreased



13

TEMPORARY SALARY LINE/INTERNSHIP PROGRAM

“The energy, culture, and people at the SAO all contributed to the amazing internship experience I have had.”

“It brings me hope that some places are truly welcoming to fresh graduates, or, like here, even prefer them!”

“It has been an amazing experience working here for the past 2 years and would hope to join the team full-time someday.”

- 34 interns since 2021
- Average 7 months in length
- Hired 13 into FT positions

14

ONE FEDERALLY FUNDED FULL-TIME EMPLOYEE

- Requesting appropriation authority
- 22% of ONRRs yearly goal is accomplished by North Dakota's team of five



15

NEW POSITIONS APPROVED

- Last legislative session, four additional FTE were approved for our office.

16

VACANT POSITIONS

	General Fund	Other Funds	Total
New FTE positions	(\$218,672)	(\$739,760)	(\$958,432)
Vacant FTE positions	(\$376,577)	(\$276,409)	(\$651,986)
Total	(\$594,249)	(\$1,016,169)	(\$1,610,418)

Use of vacant position savings:	
Accrued Leave Payouts	35,635
Extra Salary Increases	33,271
Bonuses	24,027
Incentive/location Pay	-
Reclassifications	-
Extra Temporary salary Funding	-
Extra Overtime Funding	14,825
Other (Identify)	-

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FUNDING FOR EACH PROGRAM/LINE ITEM

Class	General Fund		Special Fund	Federal Fund	Total	% of Funding
	Agency Audits and Operations	Local Government Audits and Reviews	Mineral Royalties			
11710 - Salaries	9,258,856	4,155,436	1,373,022		14,787,314	87%
11730 - Operating	1,092,408	552,805	142,558		1,787,771	10%
11750 - Capital Assets	70,550	-	-		70,550	0%
11770 - IT Systems Security Review	150,000	300,000	-		450,000	3%
	10,571,814	5,008,241	1,515,580		17,095,635	
FTE	39	21	5		65	

Significant Operating Expenditures	Percentage of Operating
NDIT Costs	38%
Rent	27%
Travel and Professional Development	18%
	83%

18

CURRENT BIENNIUM ONE TIME FUNDING

Description	Expenditure Type	23-25 One-Time Funding			Expected Expenditures	Estimated Turnback
		General Fund	Special Fund	Federal Fund		
1. New FTE Office Equipment	Operating	9,000	-	-	9,000	9,000
2. Travel and Professional Development inflationary increase	Operating	22,000	37,000	-	59,000	37,000
3. Audit Software Migration	Capital Asset	45,550	-	-	45,550	-
4. Office Equipment Replacement	Capital Asset	25,000	-	-	25,000	9,332
Total		101,550	37,000	-	138,550	55,332

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ONE TIME FUNDING BEING REQUESTED

Description	Expenditure Type	25-27 Requested One-Time Funding			Total
		General Fund	Special Fund	Federal Fund	
1. Federal Fund FTE Office Equipment	Operating	-	-	3,000	3,000
2. Peer Review	Operating	25,000	-	-	25,000
3. TeamMate Server Migration	Operating	25,200	10,800	-	36,000
Total		50,200	10,800	3,000	64,000

20

DEPOSITS INTO THE GENERAL FUND

CHAPTER 54-10 STATE AUDITOR

54-10-01. Powers and duties of state auditor - Report. (Retroactive application - See note)

1. The state auditor shall:

- Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
- Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
- Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two to four years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. The charge for an audit

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DEPOSITS INTO THE SPECIAL FUND

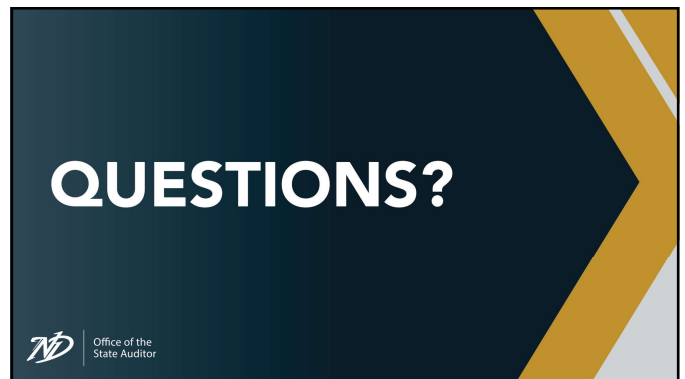
- Local government division is a self-funded special fund
- 21 FTE
- The group bills local governments "an amount equal to the fair value of an audit" and the money is deposited into their operating account.

22

GOVERNOR BURGUM'S EXECUTIVE BUDGET

Priority	Form Name	2025-27 Agency Request					2025-27 Executive Recommendation				
		General Fund	Federal	Special	Total	FTE	General Fund	Federal	Special	Total	FTE
	11760 - Office of the State Auditor	1,609,574	136,141	(543,685)	1,187,030	1.00	890,087	138,825	52,738	1,081,650	1.00
01	Cost to Continue Salary Increase 6.972	152,187	20,240	47,561	219,988	-	152,187	20,240	47,561	219,988	-
02	Cost to Continue Services 4.904	130,055	2,698	28,022	160,775	-	130,055	2,698	28,022	160,775	-
03	Security Assessment 6.914	585,000	-	-	585,000	-	195,000	-	390,000	585,000	-
04	Conversion of Three Special Fund Positions to General Fund 6.910	619,268	-	(619,268)	-	-	412,845	-	(412,845)	-	-
05	General Fund Temporary Salaries 6.909	114,064	-	-	114,064	-	-	-	-	-	-
06	Federal Fund FTE 6.804	-	107,202	-	107,202	1.00	-	115,886	-	115,886	1.00

23



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2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1004
1/20/25

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor.
--

10:00 a.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fischer, Kempenich, Meier, Pyle.

Discussion Topics:

- State Auditor's Temporary Positions
- State Auditor's One time funding requests
- State Auditor's Vacant position savings
- Biennium one time funding costs for State Auditor's Office
- Special Funded agencies audit costs

10:00 a.m. Joshua Gallion, State Auditor, North Dakota State Auditor's Office, testified in favor.

10:03 a.m. James Carroll, Chief Financial Officer, State Auditor Office, testified in favor continued with previous testimony #28689 and #29024 from Jan. 14, 2025.

10:27 a.m. Lindsey Slappy, Quality Assurance Director, State Auditor's Office, testified in favor.

11:07 a.m. Kory J. Peterson, NDLC Advocate, League of Cities, testified in favor and submitted testimony in favor #30011.

Additional written testimony:

Adam Mathiak, Fiscal Analyst, Legislative Counsel, submitted testimony in neutral # 30138.

11:21 a.m. Chairman Monson closed the meeting.

Madaline Cooper, Committee Clerk



January 20, 2024

House Appropriations - Government Operations Division

HB 1004

Senator David Monson, Chair

For the record, my name is Kory Peterson. I am appearing before you today on behalf of the North Dakota League of Cities, in support of HB 1004. Prior to working with the North Dakota League of Cities, I was the Mayor of Horace for 8 years, from June 2016 to July 2024. We appreciate working with the State Auditors office on efforts to help educate cities on audits and accounting methods.

Horace was considered a small town in 2016. The city Auditor at the time used small business accounting practices to keep track of city finances because he did not have training in municipal accounting practices. Being the new Mayor, I did not realize there was a different method the city needed until I was made aware of it later after an audit finding. It took some time, money, calls the State Auditor's office, and outside resources to convert our accounting practices to make them compliant with current city accounting procedures. Since Horace's accounting switchover, the audits have come back with a clean bill of health.

The League supports the moving of 3 FTE positions from special funding to the general fund. This would have a positive effect on smaller cities, relieving them of another expense. We will continue to work internally and with the State Auditor's office to build capacity with small cities. We have appreciated the partnership with the Auditor's Office in bringing our cities into compliance and we will continue to work with their office.

We want to see all our cities thrive and with sound accounting methods that promote transparency, they will be in a better position to make city government run efficiently.

Thank you.

Kory Peterson



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Burgum Budget				Armstrong Budget				Armstrong Budget Compared to Burgum Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670	65.00	\$10,310,849	\$6,486,821	\$16,797,670	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes		\$41,001	(\$40,050)	\$951		\$41,001	(\$40,050)	\$951				\$0
Salary increase		460,214	290,202	750,416		376,213	237,448	613,661		(\$84,001)	(\$52,754)	(136,755)
Health insurance increase		228,200	159,140	387,340		228,201	159,140	387,341		1		1
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432		218,672	739,760	958,432				0
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986		375,577	276,409	651,986				0
Increases funding for cost to continue salaries		152,187	67,801	219,988		152,187	67,801	219,988				0
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0		412,845	(412,845)	0				0
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202	1.00		104,202	104,202				0
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618		49,485	31,133	80,618				0
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)		(139,783)	59,970	(79,813)				0
Increases funding for IT consultants for security assessments		45,000	90,000	135,000		45,000	90,000	135,000				0
Total ongoing funding changes	1.00	\$1,843,398	\$1,365,722	\$3,209,120	1.00	\$1,759,398	\$1,312,968	\$3,072,366	0.00	(\$84,000)	(\$52,754)	(\$136,754)
One-Time Funding Items												
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000			\$3,000	\$3,000				\$0
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000		\$25,000		25,000				0
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000		25,200	10,800	36,000				0
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000	0.00	\$50,200	\$13,800	\$64,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	1.00	\$1,893,598	\$1,379,522	\$3,273,120	1.00	\$1,809,598	\$1,326,768	\$3,136,366	0.00	(\$84,000)	(\$52,754)	(\$136,754)
2025-27 Total Funding	66.00	\$12,204,447	\$7,866,343	\$20,070,790	66.00	\$12,120,447	\$7,813,589	\$19,934,036	0.00	(\$84,000)	(\$52,754)	(\$136,754)
<i>Federal funds included in other funds</i>			\$1,797,802				\$1,785,995				(\$11,807)	
<i>Total ongoing changes - Percentage of base level</i>	1.5%	17.9%	21.1%	19.1%	1.5%	17.1%	20.2%	18.3%	N/A	N/A	N/A	N/A
<i>Total changes - Percentage of base level</i>	1.5%	18.4%	21.3%	19.5%	1.5%	17.6%	20.5%	18.7%	N/A	N/A	N/A	N/A

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1004
1/27/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor.
--

10:00 a.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fischer, Kempenich, Meier, Pyle.

Discussion Topics:

- FTEs for the State Auditor
- State Auditor Budget Overview
- State Auditor rent increase
- One-time funding requests from State Auditor
- Rent, IT, and travel expenses across agencies
- Temporary internship funding

10:07 a.m. James Carroll, Chief Financial Officer, State Auditor's Office, testified in favor.

Additional written testimony:

Adam Mathiak, Fiscal Analyst, submitted neutral testimony #31748.

11:03 a.m. Chairman Monson closed the meeting.

Madaline Cooper, Committee Clerk



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Armstrong Executive Budget				House Version				House Compared to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670	65.00	\$10,310,849	\$6,486,821	\$16,797,670	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes		\$41,001	(\$40,050)	\$951		\$41,001	(\$40,050)	\$951				\$0
Salary increase		376,213	237,448	613,661		376,213	194,245	570,458			(\$43,203)	(43,203)
Health insurance increase		228,201	159,140	387,341		228,201	129,115	357,316			(30,025)	(30,025)
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432		218,672	739,760	958,432				0
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986		375,577	276,409	651,986				0
Transfers funding for 2025-27 vacant FTE pool				0		(140,303)	(89,736)	(230,039)		(\$140,303)	(89,736)	(230,039)
Increases funding for cost to continue salaries		152,187	67,801	219,988				0		(152,187)	(67,801)	(219,988)
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0		412,845	(412,845)	0				0
Removes FTE fiscal services local government audit positions				0	(5.00)		(1,149,205)	(1,149,205)	(5.00)		(1,149,205)	(1,149,205)
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202				0	(1.00)		(104,202)	(104,202)
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618				0		(49,485)	(31,133)	(80,618)
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)				0		139,783	(59,970)	79,813
Increases funding for IT consultants for security assessments		45,000	90,000	135,000				0		(45,000)	(90,000)	(135,000)
Total ongoing funding changes	1.00	\$1,759,398	\$1,312,968	\$3,072,366	(5.00)	\$1,512,206	(\$352,307)	\$1,159,899	(6.00)	(\$247,192)	(\$1,665,275)	(\$1,912,467)
One-Time Funding Items												
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000				\$0			(\$3,000)	(\$3,000)
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000				0		(\$25,000)		(25,000)
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000				0		(25,200)	(10,800)	(36,000)
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000	0.00	\$0	\$0	\$0	0.00	(\$50,200)	(\$13,800)	(\$64,000)
Total Changes to Base Level Funding	1.00	\$1,809,598	\$1,326,768	\$3,136,366	(5.00)	\$1,512,206	(\$352,307)	\$1,159,899	(6.00)	(\$297,392)	(\$1,679,075)	(\$1,976,467)
2025-27 Total Funding	66.00	\$12,120,447	\$7,813,589	\$19,934,036	60.00	\$11,823,055	\$6,134,514	\$17,957,569	(6.00)	(\$297,392)	(\$1,679,075)	(\$1,976,467)
<i>Federal funds included in other funds</i>			\$1,785,995				\$1,639,779				(\$146,216)	

Total ongoing changes - Percentage of base level
 Total changes - Percentage of base level

1.5%	17.1%	20.2%	18.3%	(7.7%)	14.7%	(5.4%)	6.9%	N/A	N/A	N/A	N/A
1.5%	17.6%	20.5%	18.7%	(7.7%)	14.7%	(5.4%)	6.9%	N/A	N/A	N/A	N/A

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1004
2/3/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor.
--

11:09 a.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Vice Chairman Brandenburg, Representatives: Bosch, Fischer, Kempenich, Meier, Pyle.

Members Absent: Vice Chairman Brandenburg and Representative Meier

Discussion Topics:

- Funding of Base Payroll changes
- Breakdown of Special and Federal funds
- Vacant FTE pool
- Overview of Proposed Amendment

11:11 a.m. Representative Pyle referred to amendment LC# 25.0148.01001 testimony #33835.

Additional written testimony:

Sheila Sandness, Fiscal Analyst, Legislative Council, provided neutral testimony #33832.

Levi Kinnischtzke, Fiscal Analyst, Legislative Council, provided neutral testimony #33835.

11:25 a.m. Chairman Monson adjourned the meeting.

Madaline Cooper, Committee Clerk



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Armstrong Executive Budget				House Version				House Compared to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670	65.00	\$10,310,849	\$6,486,821	\$16,797,670	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes		\$41,001	(\$40,050)	\$951		\$41,001	(\$40,050)	\$951				\$0
Salary increase		376,213	237,448	613,661		376,213	194,245	570,458			(\$43,203)	(43,203)
Health insurance increase		228,201	159,140	387,341		228,201	129,115	357,316			(30,025)	(30,025)
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432		218,672	739,760	958,432				0
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986		375,577	276,409	651,986				0
Transfers funding for 2025-27 vacant FTE pool				0		(140,303)	(89,736)	(230,039)		(\$140,303)	(89,736)	(230,039)
Transfers funding for 2025-27 new FTE pool				0			(9,969)	(9,969)			(9,969)	(9,969)
Increases funding for cost to continue salaries		152,187	67,801	219,988		152,187	67,801	219,988				0
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0		412,845	(412,845)	0				0
Removes FTE fiscal services local government audit positions				0	(5.00)		(1,149,205)	(1,149,205)	(5.00)		(1,149,205)	(1,149,205)
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202	1.00		104,202	104,202				0
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618		49,485	31,133	80,618				0
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)		(139,783)	59,970	(79,813)				0
Increases funding for IT consultants for security assessments		45,000	90,000	135,000		45,000	90,000	135,000				0
Total ongoing funding changes	1.00	\$1,759,398	\$1,312,968	\$3,072,366	(4.00)	\$1,619,095	(\$9,170)	\$1,609,925	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
One-Time Funding Items												
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000			\$3,000	\$3,000				\$0
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000		\$25,000		25,000				0
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000		25,200	10,800	36,000				0
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000	0.00	\$50,200	\$13,800	\$64,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	1.00	\$1,809,598	\$1,326,768	\$3,136,366	(4.00)	\$1,669,295	\$4,630	\$1,673,925	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
2025-27 Total Funding	66.00	\$12,120,447	\$7,813,589	\$19,934,036	61.00	\$11,980,144	\$6,491,451	\$18,471,595	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
<i>Federal funds included in other funds</i>			\$1,785,995				\$1,756,208				(\$29,787)	

Total ongoing changes - Percentage of base level

1.5% 17.1% 20.2% 18.3% (6.2%) 15.7% (0.1%) 9.6% N/A N/A N/A N/A

Total changes - Percentage of base level

1.5% 17.6% 20.5% 18.7% (6.2%) 16.2% 0.1% 10.0% N/A N/A N/A N/A

Other Sections in State Auditor - Budget No. 117

Section Description	Armstrong Executive Budget	House Version	
New and vacant FTE pool line item		Section 3 provides for the use of funding in the new and vacant FTE pool line item.	
Salary of the State Auditor		Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary 3 percent each year of the biennium to \$139,256 effective July 1, 2025, and to \$143,434 effective July 1, 2026.	

25.0148.01001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for House Appropriations -
Government Operations Division
Committee

January 30, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and
2 to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary
3 of the state auditor.

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

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated out of any moneys in the general fund in the state
7 treasury, not otherwise appropriated, and from other funds derived from special funds and
8 federal funds, to the state auditor for the purpose of defraying the expenses of the state auditor,
9 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
12 Salaries and wages	\$14,627,899	\$0	\$14,627,899
13 Operating expenses	1,719,771	0	1,719,771
14 Information technology consultants	450,000	0	450,000
15 Total all funds	\$16,797,670	\$0	\$16,797,670
16 Less other funds	6,486,821	0	6,486,821
17 Total general fund	\$10,310,849	\$0	\$10,310,849
18 Full-time equivalent positions	65.00	0.00	65.00
19 <u>Salaries and wages</u>	<u>\$14,627,899</u>	<u>\$843,128</u>	<u>\$15,471,027</u>

Sixty-ninth
Legislative Assembly

1	<u>New and vacant FTE pool</u>	0	626,476	626,476
2	<u>Operating expenses</u>	1,719,771	69,321	1,789,092
3	<u>Information technology consultants</u>	450,000	135,000	585,000
4	<u>Total all funds</u>	\$16,797,670	\$1,673,925	\$18,471,595
5	<u>Less other funds</u>	6,486,821	4,630	6,491,451
6	<u>Total general fund</u>	\$10,310,849	\$1,669,295	\$11,980,144
7	<u>Full-time equivalent positions</u>	65.00	(4.00)	61.00

8 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**
9 **SEVENTIETH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
10 items included in the appropriation in section 1 of this Act which are not included in the entity's
11 base budget for the 2027-29 biennium and which the entity shall report to the appropriations
12 committees of the seventieth legislative assembly regarding the use of this funding:

13	<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
14	Cost related to new FTE	\$0	\$3,000	\$3,000
15	Peer review	25,000	0	25,000
16	Audit software migration	<u>25,200</u>	<u>10,800</u>	<u>36,000</u>
17	Grand total	\$50,200	\$13,800	\$64,000

18 **SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The
19 state auditor may not spend funds appropriated in the new and vacant FTE pool line item in
20 section 1 of this Act, but may request the office of management and budget to transfer funds
21 from the new and vacant FTE pool line item to the salaries and wages line item in accordance
22 with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the
23 sixty-ninth legislative assembly.

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

26 **54-10-10. Salary of state auditor.**

27 The annual salary of the state auditor is ~~one hundred thirty thousand~~ one hundred thirty-nine
28 thousand two hundred fifty-six dollars through June 30, ~~2024~~ 2026, and ~~one hundred thirty five~~
29 ~~thousand two hundred~~ one hundred forty-three thousand four hundred thirty-four dollars
30 thereafter.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$14,627,899	\$843,128	\$15,471,027
New and vacant FTE pool		626,476	626,476
Operating expenses	1,719,771	69,321	1,789,092
Information technology consultants	450,000	135,000	585,000
Total all funds	\$16,797,670	\$1,673,925	\$18,471,595
Less estimated income	6,486,821	4,630	6,491,451
General fund	\$10,310,849	\$1,669,295	\$11,980,144
FTE	65.00	(4.00)	61.00

Department 117 - State Auditor - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Cost to Continue Salaries and Wages ²	Adds Funding for Salary and Benefit Increases ³	Adds Funding to Replace 2023-25 New and Vacant FTE Pool ⁴	Transfers Funding for 2025-27 New and Vacant FTE Pool ⁵	Removes 5 FTE Local Government Audit Positions ⁶
Salaries and wages	\$951	\$219,988	\$927,774	\$1,610,418	(\$866,484)	(\$1,149,205)
New and vacant FTE pool					626,476	
Operating expenses						
Information technology consultants						
Total all funds	\$951	\$219,988	\$927,774	\$1,610,418	(\$240,008)	(\$1,149,205)
Less estimated income	(40,050)	67,801	323,360	1,016,169	(99,705)	(1,149,205)
General fund	\$41,001	\$152,187	\$604,414	\$594,249	(\$140,303)	\$0
FTE	0.00	0.00	0.00	0.00	0.00	(5.00)

	Adjusts the Funding Source of 2 FTE Positions ⁷	Adds 1 FTE Mineral Royalty Auditor Position ⁸	Adjusts Funding for Operating Expenses ⁹	Increases Funding for Security Assessments ¹⁰	Adds One-time Funding for a Peer Review ¹¹	Adds One-time Funding for Audit Software Migration ¹²
Salaries and wages		\$99,686				
New and vacant FTE pool						
Operating expenses		7,516	\$805		\$25,000	\$36,000
Information technology consultants				\$135,000		
Total all funds	\$0	\$107,202	\$805	\$135,000	\$25,000	\$36,000
Less estimated income	(412,845)	107,202	91,103	90,000	0	10,800
General fund	\$412,845	\$0	(\$90,298)	\$45,000	\$25,000	\$25,200
FTE	0.00	1.00	0.00	0.00	0.00	0.00

	Total House Changes
Salaries and wages	\$843,128
New and vacant FTE pool	626,476
Operating expenses	69,321
Information technology consultants	135,000
Total all funds	\$1,673,925
Less estimated income	4,630
General fund	\$1,669,295
FTE	(4.00)

¹ Funding is adjusted for base payroll changes.

² Adds funding for cost to continue 2023-25 biennium salary increases.

³ The following funding is added for 2025-27 biennium salary adjustments of 3 percent on July 1, 2025, and 3 percent on July 1, 2026, and increases in health insurance premiums from \$1,643 to \$1,893 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$376,213	\$194,245	\$570,458
Health insurance increase	228,201	129,115	357,316
Total	\$604,414	\$323,360	\$927,774

⁴ Funding is added to replace 2023-25 biennium new and vacant FTE pool funding as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Vacant FTE positions	\$375,577	\$276,409	\$651,986
New FTE positions	218,672	739,760	958,432
Total	\$594,249	\$1,016,169	\$1,610,418

⁵ Funding of \$99,686 for a new FTE position and \$766,798 for estimated savings from vacant FTE positions is removed and funding of \$626,476 is added for a 2025-27 new and vacant FTE pool line item as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
New FTE positions	(\$0)	(\$99,686)	(\$99,686)
Vacant FTE positions	(467,678)	(299,120)	(766,798)
Total	(\$467,678)	(\$398,806)	(\$866,484)
Funding pool line item	327,375	299,101	626,476
Net savings	(\$140,303)	(\$99,705)	(\$240,008)

⁶ Removes 5 FTE vacant local government audit positions.

⁷ Adjusts the funding source for 2 FTE local government audit positions from special funds from local government audit fees to the general fund.

⁸ Adds 1 FTE mineral royalty auditor position and related funding from federal funds for salaries and wages and ongoing and one-time operating expenses, including \$3,000 of one-time funding for operating expenses.

⁹ Adjusts funding for operating expenses, including funding for IT rate increases.

¹⁰ Increases funding for IT consultants for security assessments, including funding from special funds for assessments of the North Dakota University System.

¹¹ Adds one-time funding for costs related to a peer review required every 3 years.

¹² Adds one-time funding for IT costs related to new audit software migration.

_____ This amendment also:

- Adds a section regarding the use of funding in the new and vacant FTE pool line item; and
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary 3 percent each year of the biennium to \$139,256 effective July 1, 2025, and to \$143,434 effective July 1, 2026.

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Brynhild Haugland Room, State Capitol

HB 1004
2/3/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor.
--

2:40 p.m. Chairman Monson called the meeting to order.

Members Present: Chairman Monson, Representatives: Bosch, Fischer, Meier, Pyle.

Members Absent: Vice Chairman Brandenburg and Representative Kempenich

Discussion Topics:

- Overview of Budget of State Auditor

2:42 p.m. Pyle moved a Do Pass on Amendment 25.0148.01001, previous testimony #33835.

2:42 p.m. Representative Bosch seconded the motion.

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	AB
Representative Glenn Bosch	Y
Representative Jay Fisher	Y
Representative Keith Kempenich	AB
Representative Lisa Meier	Y
Representative Brandy L. Pyle	Y

Motion passed 5-0-2 on Amendment 25.0148.01001.

2:43 p.m. Representative Pyle moved Do Pass as Amended

2:43 p.m. Representative Bosch seconded the motion.

Representatives	Vote
Representative David Monson	Y
Representative Mike Brandenburg	AB
Representative Glenn Bosch	Y
Representative Jay Fisher	Y
Representative Keith Kempenich	AB
Representative Lisa Meier	Y
Representative Brandy L. Pyle	Y

Motion passed 5-0-2.

House Appropriations - Government Operations Division

HB 1004

02/03/2025

Page 2

2:47 p.m. Chairman Monson closed the meeting.

Madaline Cooper, Committee Clerk

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1004
2/10/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor.

9:06 a.m. Chairman Vigesaa called the meeting to order.

Members Present: Chairman Vigesaa, Vice Chairman Kempenich, Representatives Berg, Bosch, Brandenburg, Fisher, Hanson, Martinson, Meier, Monson, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Sanford, Stemen, Swiontek, Wagner

Members Absent: Representatives Anderson, Louser, Mitskog

Discussion Topics:

- Committee Voting
- North Dakota State Auditing

9:07 a.m. Representative Pyle introduced Amendment LC #25.0148.01001 (#36600).

9:15 a.m. Representative Pyle moved to adopt the amendment.

9:15 a.m. Representative seconded the motion.

9:16 a.m. Roll Call Vote.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	A
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	A
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	A
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y

Representative David Richter	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

9:16 a.m. Motion Passed 20-0-3.

9:16 a.m. Representative Pyle motioned for Do Pass as Amended.

9:17 a.m. Representative Stemen seconds.

9:17 a.m. Roll Call Vote.

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	A
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	A
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	A
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	Y
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

9:17 a.m. Motion passed 20-0-3.

Representative Pyle will carry the bill.

9:18 a.m. Chairman Vigesaa closed the meeting.

Sierra Schartz, Committee Clerk

BS 2/10/25
1 of 2

January 30, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and
2 to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary
3 of the state auditor.

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

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated out of any moneys in the general fund in the state
7 treasury, not otherwise appropriated, and from other funds derived from special funds and
8 federal funds, to the state auditor for the purpose of defraying the expenses of the state auditor,
9 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
12 Salaries and wages	\$14,627,899	\$0	\$14,627,899
13 Operating expenses	1,719,771	0	1,719,771
14 Information technology consultants	450,000	0	450,000
15 Total all funds	\$16,797,670	\$0	\$16,797,670
16 Less other funds	6,486,821	0	6,486,821
17 Total general fund	\$10,310,849	\$0	\$10,310,849
18 Full-time equivalent positions	65.00	0.00	65.00
19 <u>Salaries and wages</u>	<u>\$14,627,899</u>	<u>\$843,128</u>	<u>\$15,471,027</u>

1	<u>New and vacant FTE pool</u>	0	626,476	626,476
2	<u>Operating expenses</u>	1,719,771	69,321	1,789,092
3	<u>Information technology consultants</u>	450,000	135,000	585,000
4	<u>Total all funds</u>	\$16,797,670	\$1,673,925	\$18,471,595
5	<u>Less other funds</u>	6,486,821	4,630	6,491,451
6	<u>Total general fund</u>	\$10,310,849	\$1,669,295	\$11,980,144
7	<u>Full-time equivalent positions</u>	65.00	(4.00)	61.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items included in the appropriation in section 1 of this Act which are not included in the entity's base budget for the 2027-29 biennium and which the entity shall report to the appropriations committees of the seventieth legislative assembly regarding the use of this funding:

<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
14 Cost related to new FTE	\$0	\$3,000	\$3,000
15 Peer review	25,000	0	25,000
16 Audit software migration	<u>25,200</u>	<u>10,800</u>	<u>36,000</u>
17 Grand total	\$50,200	\$13,800	\$64,000

SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST. The

state auditor may not spend funds appropriated in the new and vacant FTE pool line item in section 1 of this Act, but may request the office of management and budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages line item in accordance with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the sixty-ninth legislative assembly.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is

amended and reenacted as follows:

54-10-10. Salary of state auditor.

The annual salary of the state auditor is ~~one hundred thirty thousand~~ one hundred thirty-nine thousand two hundred fifty-six dollars through June 30, ~~2024~~2026, and ~~one hundred thirty-five thousand two hundred~~ one hundred forty-three thousand four hundred thirty-four dollars thereafter.

**REPORT OF STANDING COMMITTEE
HB 1004**

Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS** ([25.0148.01001](#)) and when so amended, recommends **DO PASS** (20 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HB 1004 was placed on the Sixth order on the calendar.

25.0148.01001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for House Appropriations -
Government Operations Division
Committee

January 30, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

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Sixty-ninth
Legislative Assembly

1	New and vacant FTE pool	0	626,476	626,476
2	Operating expenses	1,719,771	69,321	1,789,092
3	Information technology consultants	450,000	135,000	585,000
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6	Total general fund	\$10,310,849	\$1,669,295	\$11,980,144
7	Full-time equivalent positions	65.00	(4.00)	61.00

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SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items included in the appropriation in section 1 of this Act which are not included in the entity's base budget for the 2027-29 biennium and which the entity shall report to the appropriations committees of the seventieth legislative assembly regarding the use of this funding:

13	<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
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15	Peer review	25,000	0	25,000
16	Audit software migration	<u>25,200</u>	<u>10,800</u>	<u>36,000</u>
17	Grand total	\$50,200	\$13,800	\$64,000

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STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - House Action

	Base Budget	House Changes	House Version
Salaries and wages	\$14,627,899	\$843,128	\$15,471,027
New and vacant FTE pool		626,476	626,476
Operating expenses	1,719,771	69,321	1,789,092
Information technology consultants	450,000	135,000	585,000
Total all funds	\$16,797,670	\$1,673,925	\$18,471,595
Less estimated income	6,486,821	4,630	6,491,451
General fund	\$10,310,849	\$1,669,295	\$11,980,144
FTE	65.00	(4.00)	61.00

Department 117 - State Auditor - Detail of House Changes

	Adjusts Funding for Base Payroll Changes ¹	Adds Funding for Cost to Continue Salaries and Wages ²	Adds Funding for Salary and Benefit Increases ³	Adds Funding to Replace 2023-25 New and Vacant FTE Pool ⁴	Transfers Funding for 2025-27 New and Vacant FTE Pool ⁵	Removes 5 FTE Local Government Audit Positions ⁶
Salaries and wages	\$951	\$219,988	\$927,774	\$1,610,418	(\$866,484)	(\$1,149,205)
New and vacant FTE pool					626,476	
Operating expenses						
Information technology consultants						
Total all funds	\$951	\$219,988	\$927,774	\$1,610,418	(\$240,008)	(\$1,149,205)
Less estimated income	(40,050)	67,801	323,360	1,016,169	(99,705)	(1,149,205)
General fund	\$41,001	\$152,187	\$604,414	\$594,249	(\$140,303)	\$0
FTE	0.00	0.00	0.00	0.00	0.00	(5.00)

	Adjusts the Funding Source of 2 FTE Positions ⁷	Adds 1 FTE Mineral Royalty Auditor Position ⁸	Adjusts Funding for Operating Expenses ⁹	Increases Funding for Security Assessments ¹⁰	Adds One-time Funding for a Peer Review ¹¹	Adds One-time Funding for Audit Software Migration ¹²
Salaries and wages		\$99,686				
New and vacant FTE pool						
Operating expenses		7,516	\$805		\$25,000	\$36,000
Information technology consultants				\$135,000		
Total all funds	\$0	\$107,202	\$805	\$135,000	\$25,000	\$36,000
Less estimated income	(412,845)	107,202	91,103	90,000	0	10,800
General fund	\$412,845	\$0	(\$90,298)	\$45,000	\$25,000	\$25,200
FTE	0.00	1.00	0.00	0.00	0.00	0.00

	Total House Changes
Salaries and wages	\$843,128
New and vacant FTE pool	626,476
Operating expenses	69,321
Information technology consultants	135,000
Total all funds	\$1,673,925
Less estimated income	4,630
General fund	\$1,669,295
FTE	(4.00)

¹ Funding is adjusted for base payroll changes.

² Adds funding for cost to continue 2023-25 biennium salary increases.

³ The following funding is added for 2025-27 biennium salary adjustments of 3 percent on July 1, 2025, and 3 percent on July 1, 2026, and increases in health insurance premiums from \$1,643 to \$1,893 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$376,213	\$194,245	\$570,458
Health insurance increase	228,201	129,115	357,316
Total	\$604,414	\$323,360	\$927,774

⁴ Funding is added to replace 2023-25 biennium new and vacant FTE pool funding as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Vacant FTE positions	\$375,577	\$276,409	\$651,986
New FTE positions	<u>218,672</u>	<u>739,760</u>	<u>958,432</u>
Total	\$594,249	\$1,016,169	\$1,610,418

⁵ Funding of \$99,686 for a new FTE position and \$766,798 for estimated savings from vacant FTE positions is removed and funding of \$626,476 is added for a 2025-27 new and vacant FTE pool line item as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
New FTE positions	(\$0)	(\$99,686)	(\$99,686)
Vacant FTE positions	<u>(467,678)</u>	<u>(299,120)</u>	<u>(766,798)</u>
Total	<u>(\$467,678)</u>	<u>(\$398,806)</u>	<u>(\$866,484)</u>
Funding pool line item	<u>327,375</u>	<u>299,101</u>	<u>626,476</u>
Net savings	(\$140,303)	(\$99,705)	(\$240,008)

⁶ Removes 5 FTE vacant local government audit positions.

⁷ Adjusts the funding source for 2 FTE local government audit positions from special funds from local government audit fees to the general fund.

⁸ Adds 1 FTE mineral royalty auditor position and related funding from federal funds for salaries and wages and ongoing and one-time operating expenses, including \$3,000 of one-time funding for operating expenses.

⁹ Adjusts funding for operating expenses, including funding for IT rate increases.

¹⁰ Increases funding for IT consultants for security assessments, including funding from special funds for assessments of the North Dakota University System.

¹¹ Adds one-time funding for costs related to a peer review required every 3 years.

¹² Adds one-time funding for IT costs related to new audit software migration.

This amendment also:

- Adds a section regarding the use of funding in the new and vacant FTE pool line item; and
- Adds a section to provide the statutory changes necessary to increase the State Auditor's annual salary 3 percent each year of the biennium to \$139,256 effective July 1, 2025, and to \$143,434 effective July 1, 2026.

2025 SENATE APPROPRIATIONS

HB 1004

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1004
3/11/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor.

8:33 a.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Major responsibilities of the department
- Five department divisions, with organizational chart
- Audits of financial records and performance
- Virtual audit summit for local governments
- Petition audits and extended review options
- Staff retention and education
- IT security assessments
- Intern program
- Source of pay for special-funded positions
- Vacant positions
- Cost savings
- ND information technology costs
- Scope of cyber security assessment
- Federally funded mineral royalty specialist
- Software and other one-time costs
- Deposits to general funds and to special funds
- New and Vacant FTE (full-time employee) Pool

8:34 a.m. Sheila Sandness, LC Senior Fiscal Analyst, submitted budget information, testimony #40459 and #40460.

8:35 a.m. Josh Gallion, ND State Auditor, testified in favor and submitted testimony #40178, #40458, and #40525.

9:07 a.m. James Carroll, Fiscal Accountant, ND Auditor's Office, testified in favor and referenced testimony #40178 and #40525.

9:13 a.m. Becky Ulberg, OMB Analyst, provided budget information.

9:14 a.m. James Carroll resumed testimony in favor.

9:25 a.m. Sheila Sandness, LC Senior Fiscal Analyst, supplied budget information and referenced testimony #40459.

9:28 a.m. James Carroll continued testimony in favor.

9:52 a.m. Josh Gallion, ND State Auditor, continued testimony in favor.

10:09 a.m. Korey Peterson, ND League of Cities and former mayor of Horace, ND, testified in favor and submitted testimony #40221.

10:12 a.m. Chairman Wanzek closed the hearing.

Carol Thompson, Committee Clerk



Office of the
State Auditor

HB1004 - Budget Bill Testimony

2025-2027 Legislative Session – Senate Government Operations Division

March 11, 2025

Good morning, Chairman Wanzek, 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 discuss how the State Auditor's Office can better serve our state and provide information regarding our efforts to fulfill our statutory obligations while improving accountability and promoting transparency of state and local governments, and institutions of higher education.

We're going to go through the outline as requested by the committee. Feel free to stop me along the way and ask questions.

[slide 2] N.D.C.C. Major Responsibilities

The State Auditor's Office touches nearly every government in our state, whether that be small local governments or large state agencies, or even federal dollars being passed through our state agencies. Our team is dedicated to providing independent information to the citizens of North Dakota to inspire action.

[slide 3] Purpose of the Five Divisions

The Agency Division is the largest division and is responsible for auditing state government and conducts financial, compliance, performance and information systems audits.

The Local Government Division performs audits of counties, cities, school districts and other political subdivisions. This division also conducts petition audits and provides non-auditing services such as review of annual financial statements, and audit reports completed by independent accounting firms.

The North Dakota University System Performance Division conducts performance and financial audits of the North Dakota University System's 11 different colleges and universities.

The Mineral Royalty Division conducts compliance reviews of federal royalty payments from oil, gas and coal leases located within the State of North Dakota. This division is fully funded by the federal government.

The Operations Division works to ensure the efficient performance of all the divisions within the agency. The division consists of information technology, accounting, administrative assistants, communications, quality assurance, the Office of Good Government and others.

[slide 4] Organization Chart

I believe the most important aspect of what we do is serving the State of North Dakota, which is why they are listed first, at the top. The staff that support our mission on the front lines, who interact with our clients on a daily basis are directly below the citizens, followed by our Senior Staff, and then me at the very bottom. I view my role in leading the organization is making sure that every member of our team has the resources and ability to best serve the state. The teal represents interns, the dark blue represents a Bismarck team member and the red is a Fargo team member.

[slide 5] **Audit Results**

Everyone wants to know who audits the auditor. We get two audits done. The first is done by the National State Auditor's Association, known as the Peer Review. The peer review is completed by a group of experienced auditors from across the country. Each member of the team must be recommended by their home state and is assigned to the team based on expertise by the National State Auditor's Association. The purpose of the peer review is to conclude on our system of quality control. It ensures our team maintains Independence, meets Continuing Professional Education requirements, and adheres to both our own internal policies and auditing requirements published by the GAO and AICPA.

This review includes the following:

- An evaluation of our level of expertise to ensure reasonableness.
- Evaluation of our independence assessment procedures.
- Sampling of independence assessments for engagements to ensure independence is maintained.
- Evaluation of the Office Policy and Procedures Manual to ensure all required policies & procedures have been developed.
- Review of Continuing Professional Education completed by staff to ensure GAO CPE requirements have been met.
- Sample of completed engagements to ensure each engagement met auditing standards established by the GAO and AICPA.
- The Peer Review looks at all our audits including performance, financial and the Single Audit.

The second audit we receive is a financial audit. The most recent audit was procured by Legislative Council and conducted by Eide Bailly LLP for fiscal years 2022 and 2023.

There were no findings in either of these audits.

[slide 6] **Biennium Accomplishments**

We held our third annual virtual audit summit for local governments. Our staff spoke on topics like the budgeting process, law changes that impact local governments, the Single Audit, upcoming standards changes that will impact them, and more. We continue year after year of having over 300 virtual attendees. Our recorded sessions continue to reach attendees and have had a total of nearly 140 hours in re-watched breakout sessions.

Our team is committed to continuous improvement. The audit of the state's Annual Comprehensive Financial Report took our team about 4500 hours to complete. This is attributed to our project management strategy and staff working over the past two years to evaluate new standards and streamline some of our processes. This has allowed us to maintain our continued workload.

Thanks to our project management strategy, we were able to find internal efficiencies and time savings, allowing us to reorganize our office to better serve local governments with the expansion of our Quality Assurance team. It has allowed us to stop charging for the review of our local government financial audits completed by private firms and submitted to our office for review.

We've implemented a cost proposal process for our local government clients in January 2024 that gives greater transparency to our clients on upfront audit costs. It has been very well received by both our clients and staff.

Beyond the day-to-day work in our office, our staff enjoy supporting the communities we live in. Our Bismarck staff have organized an annual food drive competition across state agencies, with a traveling plaque, that collected over 18,000 items.

[slide 7] **Biennium Challenges**

In past biennia, petition audits create a lot of unknowns. We are grateful for the changes last session to our section of code changing “shall” to “may” which gives the Auditor’s Office greater discretion over conducting these audits to ensure that when the Auditor’s Office steps in that it is beneficial to the entity and the citizens. We’re working through three petition audits in 2025.

We invest a lot in training and developing our staff, with our own professional development requirements as government auditors and because of the specific nuances that come with our profession, we believe it takes 3 years to completely train a new person. Retaining these employees with some experience continues to prove difficult as they are the most sought-after candidates by other agencies and the private sector.

Training and education to these local governments continues to be a challenge. We have hired our training and education coordinator, thanks to the legislature last session for providing us that position. She has spent the time since hire training on the reporting that these local governments need to complete. She has begun working on developing communication out to these local government, newsletter distribution lists, writing for CityScan and Assoc. of Counties, reaching out to these associations and offering training services, she has providing live training and education at seven different conferences and events, is recording video series around different government accounting topics with her first series covering all the different types of revenues these local government can have, her next series is on expenses. She is also working on creating downloadable resources for these small governments with her first one being about internal control environments in small governments. We’ve just scratched the surface with this position and we’re grateful for the resources from the legislature.

[slide 8] **Next Biennium Goals**

Our goal is to continue expanding and developing education for local governments across the state. We see a gap in professional and technical resources for these small governments and the Office of the Good Government is capable of fulfilling that need with appropriate investments.

Retaining our staff with competitive pay while understanding the future needs of our office. We are a young office that will need to actively develop our staff into leading roles very soon, as we have retirements quickly approaching.

Training opportunities for our staff to stay current on the government auditing and government accounting standards changes.

Automation and providing more transparency on local government finances. Currently, you can find cash and investments in our Power BI database on our website, our upcoming goals are to add long term debt, total expenses and total revenues.

[slide 9] **25-27 Requests Compared to Current Biennium**

- Improve transparency
- Reduce financial burden to local governments
- Enhance access to financial data of local governments

[slide 10] **Convert 2 special funded positions to general funded positions.**

Our special funded team consists of two audit teams and one review team. The review team conducts basic or extended reviews of annual financial reports for local governments that have less than \$2,000,000 in annual receipts. We have an opportunity to reinvent state government by keeping down cost for those smaller local governments, while continuing to help them with their financial transparency.

We've found internal efficiencies within our office that have allowed us to convert a special funded employee to a general funded position. The person in that position reviews local government audits from private firms. By converting this position, we are eliminating the extra expense to local governments who are already paying for high dollar audits. We feel like more can be done to save local governments money in this area. If we were allowed to convert two positions to general fund dollars, it would eliminate the billing process for the review of these annual financial reports.

By doing this, our team could focus on helping the most critical local governments to become current in their financial transparency efforts, without the local government worrying about how they will pay our office. Some of these local governments are behind on their submissions by 10+ years. A review fee of \$300 for each year could cost some small local governments their entire annual operating budget. This would be a total cost of \$380,344 for the two positions that are currently serving this function. Additionally, if these positions are converted it would allow our staff more time to answer questions that local governments have regarding the review, which helps in the education process.

[slide 11] **Cost to Continue Services**

The State Auditor's Office budget is 90% salaries and benefits of total appropriations. 7% of the total appropriations is for telecommunications, data processing, and rent expenses. The remaining 3% of total appropriations covers all other operating costs of the agency. This leaves very little flexibility when we need to find 3% savings. We're asking for the restoration of the operating removed from our budget to meet the 3% reduction requested by the Executive Budget and brought into the House Version. We will need to account for a 26% increase in fees to NDIT as well as an increase in rent paid to OMB for space in the Capitol. We will find internal efficiencies to account for inflationary costs in other spending categories.

U.S. Government Accountability Office government auditing standards, also known as the YellowBook, requires the NDSAO to have a peer review done once every three years. A peer review is like a performance audit, where top-tier state auditor staff from across the country come to Bismarck and conduct a deep dive into our office processes and procedures to give assurance that the NDSAO is following proper government auditing standards. Our next peer review is scheduled for June 2026. Our most recent peer review was June 2023 and cost approximately \$20,000. We do not pay these individuals a salary to be here, however we do pay their travel expenses and these auditors travel here from various locations across the country.

The final cost we're requesting is related to our auditing software known as TeamMate. We're migrating to TeamMate+, as TeamMate AM is being discontinued. We began migrating to TM+ in September 2024. We have found some cost savings internally, such as reducing the number of employees who need TeamMate licenses and cleaning up data to save on storage costs. However, we will need to keep the current Teammate AM on the ITD servers through the summer of 2026 in order to migrate all data over that will need to be kept for records retention purposes. NDIT increased rates for servers from \$125 a month to \$2,000 a month, so the cost cannot be covered by previous appropriations. TeamMate AM will need to stay live and accessible to us until the transition from the old server to the new server can be finalized.

[slide 12] **Cost to Continue Salaries**

The State Auditor's Office is grateful for the increase in salary dollars we were given last session that allowed us to retain our top talent. The equity increases and legislative increases were one aspect of the total rewards program that played a vital role in keeping our turnover rate to a minimum. We're asking for the legislative increase provided on July 1, 2024, of 4%, to continue paying our staff at their current salaries so we can retain top talent. The House approved this request.

[slide 13] **Security Assessment**

Every biennium the NDSAO contracts out a security assessment of the state of North Dakota, including Higher Education. This is a critical resource for the state because it checks if security protocols are effective against today's cybersecurity threats. Our office has been allocated \$150,000 in general funds and \$300,000 in special funds in past biennia to procure this assessment (special fund portion billed to NDUS Core Technology Services, deposited into the general fund). Because of our limited flexibility in operating funds, this was removed from our budget to meet budget guidelines. We're asking that this critical assessment be added back to our budget, but the funding mechanism be \$585,000 in general funds. As inflation has increased, the scope of the security assessment has decreased over the past few years. This is why the request is at the \$585,000. The reason why we're asking for it all in general funds is again due to the scope. It gives the contractor greater flexibility in identifying high risk areas and designing the audit procedures. The House approved the request to increase funding level, but not the funding mechanism.

[slide 14] **Temporary Salary Line**

We spoke about converting the two positions that support small governments earlier. Our robust internship program has relied on the small government review process to train, evaluate, and provide an entry into the auditing process. If we stop charging these local governments, it cuts off the funding of our internship program.

In an employee's market, our team has created a low-risk, high reward internship program that serves as a talent pipeline for government auditors. This is critical for several reasons, considering accounting graduation rates are dropping dramatically, and private firms are offering six figure salaries. Since 2021, we've had 34 interns that resulted in 13 full-time employees. We fully expended our \$100,000 in general fund temporary dollars with nearly 10 months left of the biennium. We're requesting an additional \$100,000, totaling \$200,000, in general fund temporary salaries to continue with this successful program.

[slide 15] **One federal funded FTE**

The Mineral Royalty division of our office is fully funded by the federal government and is a function of the Office of Natural Resources Revenue (ONRR) within the Department of the Interior. They use compliance reviews to verify that the State of North Dakota and the federal government receive the correct lease royalty money from energy companies that extract minerals on federal land within our state. This team of five people conducts over 22% of ONRR's yearly goal of compliance reviews alongside 13 other states and tribes. We're requesting appropriation authority for an additional person to expand the natural gas compliance review function of this office. These salary funds would come from the federal government, we're looking for appropriation authority for those salary and operating funds tied to one full-time person.

We have requested this position to be approved for the second half of the biennium as federal approval will be in FFY 26. The House approved this request.

[slide 16] New Positions Approved

Last legislative session, four additional FTE were approved for our office.

1 position from the general fund, a Training and Education Coordinator, to help local governments. The appropriated dollars for this position were \$218,672. The amount requested from the New and Vacant FTE Pool was \$159,412 as hiring occurred on 11/1/23.

3 auditor positions were added in the special fund. These positions remain unfilled and in the House Version, we agreed with the House to remove them. Two additional positions were removed, totaling 5.

[slide 17] Vacant Positions

At the beginning of the biennium, we had three general fund positions open and the newly created position, totaling four. The three carryover positions had signed offer letters tied to them from interns. Once they graduated with their degree, the staff started full-time. The Training and Education Coordinator was filled November 1st, 2023.

Our voluntary turnover rate for the biennium is 12%. That equates to 8 people.

We currently have 13 open positions. Of those 13, two are general funded. Those positions are currently advertised and the expectation is to have them filled this spring.

The remaining open positions are special funded positions. The dollars tied to these positions are solely appropriation authority as they are self-funded. Having these positions unfilled, doesn't incur any costs to the state but allows us to be reactive to the market. If one of these audit firms makes changes, they could potentially drop 60 clients into the market.

New and Vacant FTE Pool:

Below is breakdown of appropriations removed from SB 2004 last session by category.

	General Fund	Other Funds	Total
New FTE positions	(\$218,672)	(\$739,760)	(\$958,432)
Vacant FTE positions	(375,577)	(276,409)	(651,986)
Total	(\$594,249)	(\$1,016,169)	(\$1,610,418)

As stated previously, we did request \$159,412 (\$196,805 available, which is 90% of the deducted amount) from the general fund New FTE allocation.

We have made no other requests from the New and Vacant FTE Pool.

According to our last vacancy savings report submitted to OMB (through January 2025) we have used \$167,501. \$88,106 is general funded.

Use of vacant position savings:		
Accrued Leave Payouts		39,420
Extra Salary Increases		49,774
Bonuses		57,887
Incentive/location Pay		-
Reclassifications		-
Extra Temporary salary Funding		-
Extra Overtime Funding		20,419
Other (identify)		-

[slide 18] **Funding for Each Program/Line Item**

Class	General Fund	Special Fund	Federal Fund	Total	% of Funding
	Agency Audits and Operations	Local Government Audits and Reviews	Mineral Royalties		
11710 - Salaries	9,258,856	4,155,436	1,373,022	14,787,314	87%
11730 - Operating	1,092,408	552,805	142,558	1,787,771	10%
11750 - Capital Assets	70,550	-	-	70,550	0%
11770 - IT Systems Security Review	150,000	300,000	-	450,000	3%
	<u>10,571,814</u>	<u>5,008,241</u>	<u>1,515,580</u>	<u>17,095,635</u>	
FTE	39	21	5	65	

Significant Operating Expenditures	Percentage of Operating
NDIT Costs	38%
Rent	27%
Travel and Professional Development	18%
	<u>83%</u>

[slide 19] **Current Biennium One-Time Finding**

23-25 One-time funding: \$138,550 Total

- \$9,000 appropriated in general funds for special fund FTE office equipment– have not spent this money. Positions have not been filled.
- Travel and professional development inflationary costs - \$59,000:
 - \$22,000 general funds – on track to spend this money before end of the biennium.
 - \$37,000 other funds – will not spend this money as vacant positions have not been filled, and federal budget is being tightened up from federal agencies. Federal employees are not traveling for audits or training.
- Audit software migration capital asset appropriations - \$45,550 general funds.
 - Have expended \$24,000 and expect to expend the rest before end of biennium.
- Equipment replacement capital asset appropriations - \$25,000 general funds.
 - Have expended \$15,668 by replacing two copiers. No additional equipment is planned to be replaced.

<u>Description</u>	<u>Expenditure Type</u>	23-25 One-Time Funding			<u>Total</u>	<u>Expected Expenditures</u>	<u>Estimated Turnback</u>
		<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>			
1. New FTE Office Equipment	Operating	9,000	-	-	9,000	-	9,000
2. Travel and Professional Development Inflationary Increase	Operating	22,000	37,000	-	59,000	22,000	37,000
3. Audit Software Migration	Capital Asset	45,550	-	-	45,550	45,550	-
4. Office Equipment Replacement	Capital Asset	25,000	-	-	25,000	15,668	9,332
Total		<u>101,550</u>	<u>37,000</u>	<u>-</u>	<u>138,550</u>	<u>83,218</u>	<u>55,332</u>

[slide 20] **One-time funding being requested**

25-27 One-time funding:

- \$3,000 – Federal fund office equipment purchase
- \$25,000 – peer review – happens once every three years. General Fund
- \$25,200 – teammate server transition – general fund portion
- \$10,800 – teammate server transition – special fund portion

Total - \$64,000

- GF = \$50,200
- SF = \$10,800
- FF = \$3,000

25-27 Requested One-Time Funding

<u>Description</u>	<u>Expenditure Type</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
1. Federal Fund FTE Office Equipment	Operating	-	-	3,000	3,000
2. Peer Review	Operating	25,000	-	-	25,000
3. TeamMate Server Migration	Operating	25,200	10,800	-	36,000
Total		<u>50,200</u>	<u>10,800</u>	<u>3,000</u>	<u>64,000</u>

**CHAPTER 54-10
STATE AUDITOR**

54-10-01. Powers and duties of state auditor - Report. (Retroactive application - [See note](#))

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two to four years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. The charge for an audit

- General Fund revenue through 12/31/2024: \$304,062
- Projected fiscal impact of agency audits for 25-27 biennium: \$343,353.
- General Fund revenue w/o SA for 21-23 biennium: \$747,726

- Local government division is a self-funded special fund
- 21 FTE
- The group bills local governments “an amount equal to the fair value of an audit” and the money is deposited into their operating account.
- Small government reviews, the authority is in section 54-10-14 and rates are set in code.

SF revenue through 12/31/24:

- Audits - \$2,020,729
- Reviews – \$492,784

[slide 23] **Agency Requested Changes to House Version**

This last slide recaps the two changes we are asking for in comparison to the House Version.

[slide 24] **Questions**

This concludes my testimony and I'm happy to answer any questions you may have. Thank you.



March 11, 2025

Senate Appropriations - Government Operations Division

HB 1004

Senator Terry Wanzek, Chair

For the record, my name is Kory Peterson. I am appearing before you today on behalf of the North Dakota League of Cities, in support of HB 1004. Prior to working with the North Dakota League of Cities, I was the Mayor of Horace for 8 years, from June 2016 to July 2024. We appreciate working with the State Auditors office on efforts to help educate cities on audits and accounting methods.

Horace was considered a small town in 2016. The city Auditor at the time used small business accounting practices to keep track of city finances because he did not have training in municipal accounting practices. Being the new Mayor, I did not realize there was a different method the city needed until I was made aware of it later after an audit finding. It took some time, money, calls the State Auditor's office, and outside resources to convert our accounting practices to make them compliant with current city accounting procedures. Since Horace's accounting switchover, the audits have come back with a clean bill of health.

The League supports the moving of 3 FTE positions from special funding to the general fund. This would have a positive effect on smaller cities, relieving them of another expense. We will continue to work internally and with the State Auditor's office to build capacity with small cities. We have appreciated the partnership with the Auditor's Office in bringing our cities into compliance and we will continue to work with their office.

We want to see all our cities thrive and with sound accounting methods that promote transparency, they will be in a better position to make city government run efficiently.

The League would appreciate a Do Pass recommendation on HB 1004.

Thank you.

Kory Peterson

410 E Front Avenue | Bismarck, ND 58504-5641 | 701-223-3518 | www.ndlc.org

HB 1004 State Auditor 3-11-25



Office of the State Auditor

How is the Auditor's Office money allocated?

90%
Salaries and Benefits
\$14,787,314

3%

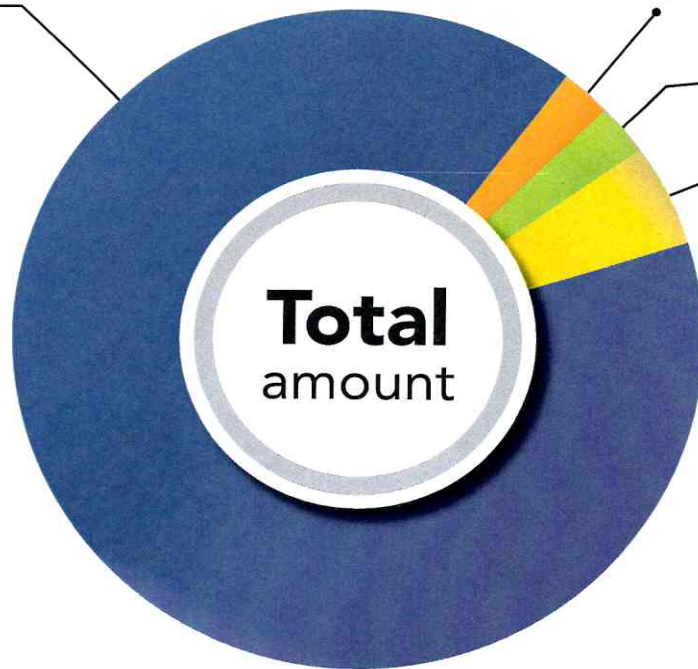
Rent
\$476,930

3%

Operating Expenses
\$622,885

4%

NDIT
\$687,956



Total amount

Who audits the auditor?

Our State and Local Government Team undergoes two different reviews. They are:

The National State Auditors Association (NSAA) – Peer Review

Every three years, we receive a "peer review" from the National State Auditors Association (NSAA). NSAA is an affiliate of NASACT - the National Association of State Auditor's, Comptrollers and Treasurers. A group of expert auditors from various states across the country gather as a team onsite in our State Capitol to assure our stakeholders that we are following current Yellow Book auditing standards.

The North Dakota Legislative Council - Financial Audit

Every two years, our office's finances are audited by an independent public accountant under contract with North Dakota Legislative Council.

The most recent reviews of our office can be found on our website at nd.gov/auditor.



Where does the money come from?

\$5,008,241

Paid for by local governments for 82 audits and 1,209 annual financial report reviews. This also helps pay for:

- Citizen initiated petition audits.
- Special investigations.

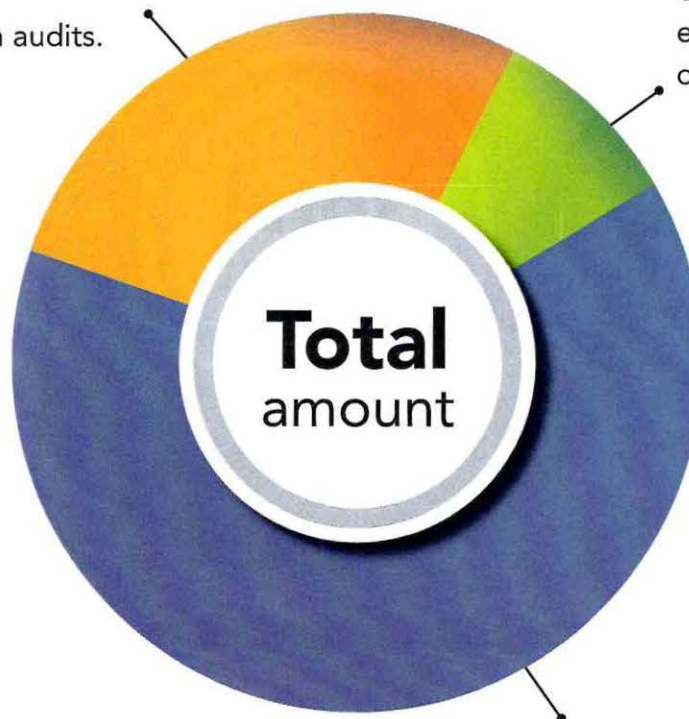
Local governments (also called political subdivisions) are required by state law to receive an audit every two years if they have more than \$2,000,000 in revenue.

\$1,515,580

From the federal government to fund the mineral royalty division. This money pays for:

- Compliance and audits of energy companies operating on federal land.

The Mineral Royalty division uses compliance reviews to verify that the federal government received the correct lease royalty money from energy companies that extract minerals from federal leases within our state



Total amount

\$10,571,814

From the Legislature for 75 state agency audits. This also pays for:

- The biennial audit of the financial statements of the State of North Dakota (the ACFR).
- The quality assurance function.
- Training and Education Coordinator for local governments.
- The biennial audit of federal money used or managed by the State (the Single Audit).

State government consists of organizations like colleges and universities, commissions, councils, and agencies like the Governor's office, and the Highway Patrol. State law requires an audit of all state government entities every two to four years.

3-11-25 Sheila Sandness-LC



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Armstrong Executive Budget				House Version				House Compared to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670	65.00	\$10,310,849	\$6,486,821	\$16,797,670	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes		\$41,001	(\$40,050)	\$951		\$41,001	(\$40,050)	\$951				\$0
Salary increase		376,213	237,448	613,661		376,213	194,245	570,458			(\$43,203)	(43,203)
Health insurance increase		228,201	159,140	387,341		228,201	129,115	357,316			(30,025)	(30,025)
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432		218,672	739,760	958,432				0
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986		375,577	276,409	651,986				0
Transfers funding for 2025-27 vacant FTE pool				0		(140,303)	(89,736)	(230,039)		(\$140,303)	(89,736)	(230,039)
Transfers funding for 2025-27 new FTE pool				0			(9,969)	(9,969)			(9,969)	(9,969)
Increases funding for cost to continue salaries		152,187	67,801	219,988		152,187	67,801	219,988				0
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0		412,845	(412,845)	0				0
Removes FTE fiscal services local government audit positions				0	(5.00)		(1,149,205)	(1,149,205)	(5.00)		(1,149,205)	(1,149,205)
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202	1.00		104,202	104,202				0
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618		49,485	31,133	80,618				0
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)		(139,783)	59,970	(79,813)				0
Increases funding for IT consultants for security assessments		45,000	90,000	135,000		45,000	90,000	135,000				0
Total ongoing funding changes	1.00	\$1,759,398	\$1,312,968	\$3,072,366	(4.00)	\$1,619,095	(\$9,170)	\$1,609,925	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
One-Time Funding Items												
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000			\$3,000	\$3,000				\$0
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000		\$25,000		25,000				0
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000		25,200	10,800	36,000				0
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000	0.00	\$50,200	\$13,800	\$64,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	1.00	\$1,809,598	\$1,326,768	\$3,136,366	(4.00)	\$1,669,295	\$4,630	\$1,673,925	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
2025-27 Total Funding	66.00	\$12,120,447	\$7,813,589	\$19,934,036	61.00	\$11,980,144	\$6,491,451	\$18,471,595	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
<i>Federal funds included in other funds</i>			\$1,785,995				\$1,756,208				(\$29,787)	
<i>Total ongoing changes - Percentage of base level</i>	1.5%	17.1%	20.2%	18.3%	(6.2%)	15.7%	(0.1%)	9.6%	N/A	N/A	N/A	N/A
<i>Total changes - Percentage of base level</i>	1.5%	17.6%	20.5%	18.7%	(6.2%)	16.2%	0.1%	10.0%	N/A	N/A	N/A	N/A

Other Sections in State Auditor - Budget No. 117

Section Description	Armstrong Executive Budget	House Version
New and vacant FTE pool line item		Section 3 provides for the use of funding in the new and vacant FTE pool line item.
Salary of the State Auditor		Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary 3 percent each year of the biennium to \$139,256 effective July 1, 2025, and to \$143,434 effective July 1, 2026.

3-11-25 Sheila Sandness-LC



North Dakota Legislative Council

Prepared for the Senate Appropriations Committee

March 11, 2025

MAJOR RELATED LEGISLATION AFFECTING THE STATE AUDITOR AS OF CROSSOVER

This memorandum provides information on major related legislation affecting the State Auditor as of Crossover:

House Bill No. 1026 - State bonding fund - This bill moves the administration of the state bonding fund from the Insurance Commissioner to the Office of Management and Budget and provides the State Auditor may, upon notification from the Office of Management and Budget of jeopardized fund interests, investigate the relevant state agency or political subdivision and provide a report. The State Auditor may evaluate blanket bond coverage when conducting an audit of a state agency or political subdivision and recommend changes in the amount of coverage in the audit report. Costs incurred by the State Auditor must be paid from the fund.

Senate Bill No. 2251 - State agency billing - This bill:

- Removes the requirement of the State Auditor to bill for agency audits;
- Eliminates billing limits on the financial statement audits of agricultural commodity groups;
- Clarifies the ability of the State Auditor to bill for the federal single audit;
- Reduces the fee retained by a political subdivision awaiting audit report approval by the State Auditor from 20 percent to 5 percent; and
- Increases the annual receipts threshold for audits of occupational or professional boards from \$200,000 to \$2,000,000.

A fiscal note prepared by the State Auditor indicates revenue and other funds expenditure reductions of \$343,353 during the 2025-27 biennium.

Senate Bill No. 2299 - Water resource districts - This bill provides the State Auditor may audit or review the financial records of certain water resource districts upon the petition of at least 10 percent or 300 participating members, whichever is fewer.



Office of the
State Auditor

SENATE APPROPRIATIONS
GOVERNMENT OPERATIONS DIVISION

OFFICE OF THE STATE AUDITOR





N.D.C.C. 54-10 MAJOR RESPONSIBILITIES

- **Audit all state agencies and higher education**
- **Audit and review all local governments**
- **Petition audits**
- **Audit oil & gas federal royalty payments**
- **IT security review**
- **Audit of the Annual Comprehensive Financial Report**
- **Conduct the Biennial Federal Single Audit**



DIVISIONS



JOSHUA C. GALLION
State Auditor

DEPUTY STATE
AUDITOR

UNIVERSITY SYSTEM
PERFORMANCE

LOCAL
GOVERNMENT

AGENCY

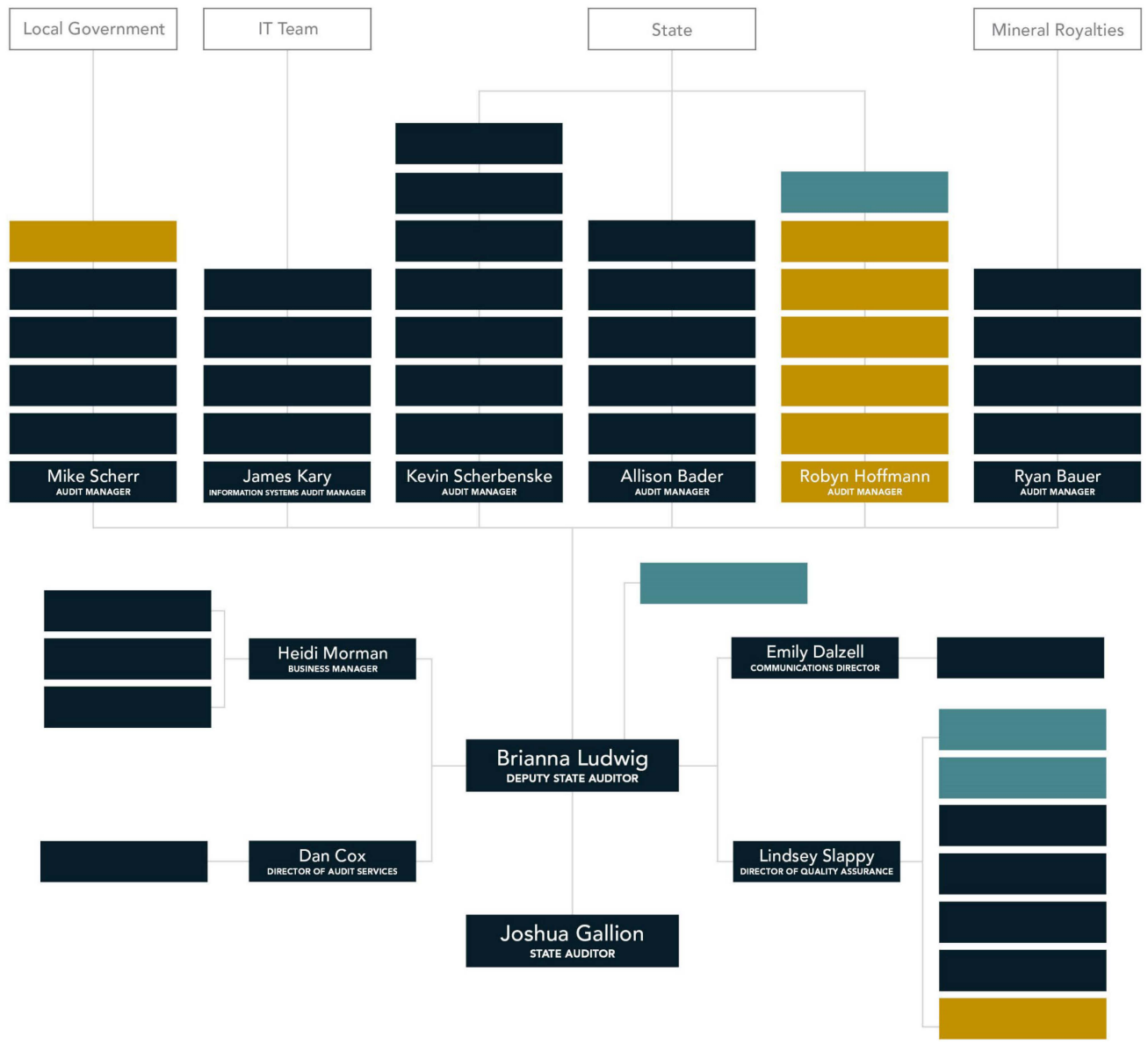
MINERAL
ROYALTIES

OPERATIONS



Legend for team colors:

- Intern (Teal)
- Fargo TEAM (Yellow)
- Bismarck TEAM (Dark Blue)





AUDIT RESULTS

- **National State Auditor's Association, Peer Review**
- **Procured by Legislative Council**
- **Conducted by Eide Bailly LLP**
- **For fiscal years 2022 and 2023**





ACCOMPLISHMENTS



- **Third annual virtual audit summit with over 300 attendees**
- **Streamlined ACFR Process**
- **Reorganized to find savings for local governments**
- **More transparency for the cost proposal process for LG clients**
- **Led food drive for the fourth year, nearly 18,000 items donated**

CHALLENGES

The background of the slide features a dramatic sunset or sunrise over a mountain range. In the foreground, the dark silhouette of a rocky mountain peak is visible. Two climbers are shown in silhouette: one is standing on the peak, and the other is in the process of climbing up, using a rope and gear. The sky transitions from a deep blue at the top to a bright orange and yellow near the horizon, with some light clouds scattered across it.

- Planning for unknown petition audits
- Retention of qualified staff in a competitive workforce
- Training and education for local governments

NEXT BIENNIUM GOALS

- **Education and awareness to local governments about accounting requirements**
- **Retain experienced staff with competitive pay**
- **Training opportunities to stay up-to-date on changing professional standards**
- **Automation and providing more transparency on local government finances**





25-27 REQUESTS COMPARED TO CURRENT BIENNIUM

- **Cost to continue services**
- **Convert 2 special funded to general funded positions**
- **Continue legislative approved 4% salary increase for fiscal year 2025**
- **Security assessment**
- **Temporary salary line**
- **One federal funded FTE**





CONVERT 2 SPECIAL FUNDED POSITIONS TO GENERAL FUNDED POSITIONS

- **850+ Local governments impacted**
- **Cost savings of \$380,344**



COST TO CONTINUE SERVICES

- **26% increase by NDIT**
- **Increase in Capitol rent**
- **Peer review**
- **TeamMate+ migration costs**



COST TO CONTINUE SALARIES

- **Continue legislative approved 4% salary increase for fiscal year 2025**



CYBER SECURITY ASSESSMENT

- Previously cost \$450,000
- \$585,000 Change funding to all general fund
- As inflation increases, the scope of the security assessment has decreased





TEMPORARY SALARY LINE/INTERNSHIP PROGRAM

“
The energy, culture, and people at the SAO all contributed to the amazing internship experience I have had.

“
It brings me hope that some places are truly welcoming to fresh graduates, or, like here, even prefer them!

“
It has been an amazing experience working here for the past 2 years and would hope to join the team full-time someday.

- **34 interns since 2021**
- **Hired 13 into FT positions**
- **Internships average 7 months in length**

ONE FEDERALLY FUNDED FULL-TIME EMPLOYEE

- Requesting appropriation authority
- 22% of ONRRs yearly goal is accomplished by North Dakota's team of five

YEAR	CLOSED CASES	COLLECTIONS
2022	62	\$1.9 Million
2023	41	\$2.1 Million
2024	47	\$1.9 Million





NEW POSITIONS APPROVED

- **Last legislative session, four additional FTE were approved for our office.**



VACANT POSITIONS

	General Fund	Other Funds	Total
New FTE positions	(\$218,672)	(\$739,760)	(\$958,432)
Vacant FTE positions	(375,577)	(276,409)	(651,986)
Total	(\$594,249)	(\$1,016,169)	(\$1,610,418)

Use of vacant position savings:		
Accrued Leave Payouts		39,420
Extra Salary Increases		49,774
Bonuses		57,887
Incentive/location Pay		-
Reclassifications		-
Extra Temporary salary Funding		-
Extra Overtime Funding		20,419
Other (identify)		-



FUNDING FOR EACH PROGRAM/LINE ITEM

Class	General Fund	Special Fund	Federal Fund	Total	% of Funding
	<u>Agency Audits and Operations</u>	<u>Local Government Audits and Reviews</u>	<u>Mineral Royalties</u>		
11710 - Salaries	9,258,856	4,155,436	1,373,022	14,787,314	87%
11730 - Operating	1,092,408	552,805	142,558	1,787,771	10%
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11770 - IT Systems Security Review	150,000	300,000	-	450,000	3%
	<u>10,571,814</u>	<u>5,008,241</u>	<u>1,515,580</u>	<u>17,095,635</u>	
FTE	39	21	5	65	

Significant Operating Expenditures	Percentage of Operating
NDIT Costs	38%
Rent	27%
Travel and Professional Development	<u>18%</u>
	<u>83%</u>



CURRENT BIENNIUM ONE TIME FUNDING

<u>Description</u>	<u>Expenditure Type</u>	23-25 One-Time Funding			<u>Total</u>	<u>Expected Expenditures</u>	<u>Estimated Turnback</u>
		<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>			
1. New FTE Office Equipment	Operating	9,000	-	-	9,000	-	9,000
2. Travel and Professional Development Inflationary Increase	Operating	22,000	37,000	-	59,000	22,000	37,000
3. Audit Software Migration	Capital Asset	45,550	-	-	45,550	45,550	-
4. Office Equipment Replacement	Capital Asset	25,000	-	-	25,000	15,668	9,332
Total		<u>101,550</u>	<u>37,000</u>	<u>-</u>	<u>138,550</u>	<u>83,218</u>	<u>55,332</u>



ONE TIME FUNDING BEING REQUESTED

25-27 Requested One-Time Funding

<u>Description</u>	<u>Expenditure Type</u>	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
1. Federal Fund FTE Office Equipment	Operating	-	-	3,000	3,000
2. Peer Review	Operating	25,000	-	-	25,000
3. TeamMate Server Migration	Operating	<u>25,200</u>	<u>10,800</u>	<u>-</u>	<u>36,000</u>
Total		<u><u>50,200</u></u>	<u><u>10,800</u></u>	<u><u>3,000</u></u>	<u><u>64,000</u></u>



DEPOSITS INTO THE GENERAL FUND

CHAPTER 54-10 STATE AUDITOR

54-10-01. Powers and duties of state auditor - Report. (Retroactive application - [See note](#))

1. The state auditor shall:
 - a. Be vested with the duties, powers, and responsibilities involved in performing the postaudit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
 - b. Perform or provide for the audit of the general purpose financial statements and a review of the material included in the comprehensive annual financial report of the state in accordance with government auditing standards.
 - c. Except for the audit of the department of financial institutions as outlined in section 54-10-31, perform or provide for audits of state agencies in accordance with government auditing standards and legislative audit and fiscal review committee guidelines developed under section 54-35-02.10. Except for the annual audit of the North Dakota lottery required by section 53-12.1-03, the state auditor shall audit each state agency once every two to four years. Audits may be conducted at more frequent intervals if requested by the governor or the legislative audit and fiscal review committee. The state auditor shall charge an amount equal to the cost of the audit and other services rendered by the state auditor to all agencies that receive and expend moneys from other than the general fund. This charge may be reduced for an agency that receives and expends both general fund and nongeneral fund moneys. The charge for an audit



DEPOSITS INTO THE SPECIAL FUND

- **Local government division is a self-funded special fund**
- **21 FTE**
- **The group bills local governments “an amount equal to the fair value of an audit” and the money is deposited into their operating account.**



AGENCY REQUESTED CHANGES TO HOUSE VERSION

REQUEST NAME	GENERAL FUNDS	SPECIAL FUNDS	TOTAL REQUEST
Temporary Salaries	\$114,064	\$0	\$114,064
Restoration of Operating costs	\$139,783	(\$59,970)	\$79,813

QUESTIONS?



Office of the
State Auditor

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1004
3/19/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor.

4:00 p.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Operating budget
- Temporary salaries
- Interns as hiring pool
- New and vacant FTE pool
- Decrease in staffing level

4:01 p.m. Josh Gallion, ND State Auditor, testified in favor, answered committee questions, submitted testimony #43115, and referenced previous testimony #40458, and #40178 from (3/11/25 at 8:30 a.m.).

4:13 p.m. James Carroll, CFO, ND Auditor's Office, responded to a question.

4:15 p.m. Chairman Wanzek closed the meeting.

Carol Thompson, Committee Clerk

2-11 20
Sheila



State Auditor - Budget No. 117
Agency Worksheet - House Bill No. 1004

	Armstrong Executive Budget				House Version				House Compared to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	Increase (Decrease)			
									FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	65.00	\$10,310,849	\$6,486,821	\$16,797,670	65.00	\$10,310,849	\$6,486,821	\$16,797,670	0.00	\$0	\$0	\$0
2025-27 Ongoing Funding Changes												
Base payroll changes		\$41,001	(\$40,050)	\$951		\$41,001	(\$40,050)	\$951				\$0
Salary increase		376,213	237,448	613,661		376,213	194,245	570,458			(\$43,203)	(43,203)
Health insurance increase		228,201	159,140	387,341		228,201	129,115	357,316			(30,025)	(30,025)
Adds funding to replace the 2023-25 biennium new FTE pool		218,672	739,760	958,432		218,672	739,760	958,432				0
Adds funding to replace the 2023-25 biennium vacant FTE pool		375,577	276,409	651,986		375,577	276,409	651,986				0
Transfers funding for 2025-27 vacant FTE pool				0		(140,303)	(89,736)	(230,039)		(\$140,303)	(89,736)	(230,039)
Transfers funding for 2025-27 new FTE pool				0			(9,969)	(9,969)			(9,969)	(9,969)
Increases funding for cost to continue salaries		152,187	67,801	219,988		152,187	67,801	219,988				0
Adjusts the funding source for 2 FTE positions from special funds to the general fund		412,845	(412,845)	0		412,845	(412,845)	0				0
Removes FTE fiscal services local government audit positions				0	(5.00)		(1,149,205)	(1,149,205)	(5.00)		(1,149,205)	(1,149,205)
Adds funding for 1 FTE mineral royalty auditor and related operating expenses	1.00		104,202	104,202	1.00		104,202	104,202				0
Increases funding for operating expenses related to IT rate increases		49,485	31,133	80,618		49,485	31,133	80,618				0
Adjusts funding for cost to continue operating expenses, including rent, IT, travel, and professional development		(139,783)	59,970	(79,813)		(139,783)	59,970	(79,813)				0
Increases funding for IT consultants for security assessments		45,000	90,000	135,000		45,000	90,000	135,000				0
Total ongoing funding changes	1.00	\$1,759,398	\$1,312,968	\$3,072,366	(4.00)	\$1,619,095	(\$9,170)	\$1,609,925	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
One-Time Funding Items												
Adds one-time funding for operating expenses related to 1 FTE mineral royalty auditor			\$3,000	\$3,000			\$3,000	\$3,000				\$0
Adds one-time funding for operating expenses related to a peer review required every 3 years		\$25,000		25,000		\$25,000		25,000				0
Adds one-time funding for operating expenses related to migrating to new audit software		25,200	10,800	36,000		25,200	10,800	36,000				0
Total one-time funding changes	0.00	\$50,200	\$13,800	\$64,000	0.00	\$50,200	\$13,800	\$64,000	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	1.00	\$1,809,598	\$1,326,768	\$3,136,366	(4.00)	\$1,669,295	\$4,630	\$1,673,925	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
2025-27 Total Funding	66.00	\$12,120,447	\$7,813,589	\$19,934,036	61.00	\$11,980,144	\$6,491,451	\$18,471,595	(5.00)	(\$140,303)	(\$1,322,138)	(\$1,462,441)
<i>Federal funds included in other funds</i>			\$1,785,995				\$1,756,208				(\$29,787)	
<i>Total ongoing changes - Percentage of base level</i>	1.5%	17.1%	20.2%	18.3%	(6.2%)	15.7%	(0.1%)	9.6%	N/A	N/A	N/A	N/A
<i>Total changes - Percentage of base level</i>	1.5%	17.6%	20.5%	18.7%	(6.2%)	16.2%	0.1%	10.0%	N/A	N/A	N/A	N/A

Other Sections in State Auditor - Budget No. 117

Section Description	Armstrong Executive Budget	House Version
New and vacant FTE pool line item		Section 3 provides for the use of funding in the new and vacant FTE pool line item.
Salary of the State Auditor		Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary 3 percent each year of the biennium to \$139,256 effective July 1, 2025, and to \$143,434 effective July 1, 2026.

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations - Government Operations Division Red River Room, State Capitol

HB 1004
3/24/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor.

10:32 a.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

Discussion Topics:

- Small government audits
- Participation of private accounting firms in local government audits
- Reduction of employee positions and related costs
- Mineral royalty auditor - Federally funded
- ND IT cost increases
- Fixed operating costs
- Governors' requested 3% budget reduction
- University system cyber security audit and other audits
- Software costs
- Temporary salaries / intern program

10:33 a.m. Josh Gallion, ND State Auditor, testified in favor, responded to many questions from the committee, and referenced testimony #40459, submitted on 3/11/2025, at 8:35 a.m. as well as Governor Armstrong and Former Governor Burgum's budgets.

10:51 a.m. Sheila Sandness, LC Senior Fiscal Analyst, provided budget information and submitted testimony #44182 (the proposed amendments).

11:27 a.m. James Carroll, CFO, ND Auditor's Office, responded to questions about the intern program.

11:50 a.m. Senator Sickler moved to Amend HB 1004 by removing costs for two employees and adding back the funds for the intern program.

11:50 a.m. Senator Dwyer seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0

11:56 a.m. Senator Erbele moved to Further Amend HB 1004 by adding back just 50% of the 114,064 for interns.

11:57 a.m. Senator Burckhard seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0.

11:58 a.m. Senator Dwyer moved a Do Pass as Amended for HB 1004

11:59 a.m. Senator Sickler seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0.

Senator Erbele will carry this bill.

12:00 p.m. Chairman Wanzek closed the hearing.

Carol Thompson, Committee Clerk

Brady 3-24

25.0148.02001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for Senate Appropriations -
Government Operations Division
Committee

March 24, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

**PROPOSED AMENDMENTS TO
FIRST ENGROSSMENT**

ENGROSSED HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and
2 to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary
3 of the state auditor.

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

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated out of any moneys in the general fund in the state
7 treasury, not otherwise appropriated, and from other funds derived from special funds and
8 federal funds, to the state auditor for the purpose of defraying the expenses of the state auditor,
9 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
12 Salaries and wages	\$14,627,899	\$843,128	\$15,471,027
13 New and vacant FTE pool	0	626,476	626,476
14 Operating expenses	1,719,771	69,321	1,789,092
15 Information technology consultants	450,000	135,000	585,000
16 Total all funds	\$16,797,670	\$1,673,925	\$18,471,595
17 Less other funds	6,486,821	4,630	6,491,451
18 Total general fund	\$10,310,849	\$1,669,295	\$11,980,144
19 Full-time equivalent positions	65.00	(4.00)	61.00

Sixty-ninth
Legislative Assembly

1	Salaries and wages	\$14,627,899	\$469,987	\$15,097,886
2	New and vacant FTE pool	0	626,476	626,476
3	Operating expenses	1,719,771	156,166	1,875,937
4	Information technology consultants	450,000	135,000	585,000
5	Total all funds	\$16,797,670	\$1,387,629	\$18,185,299
6	Less other funds	6,486,821	(478,481)	6,008,340
7	Total general fund	\$10,310,849	\$1,866,110	\$12,176,959
8	Full-time equivalent positions	65.00	(6.00)	59.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items included in the appropriation in section 1 of this Act which are not included in the entity's base budget for the 2027-29 biennium and which the entity shall report to the appropriations committees of the seventieth legislative assembly regarding the use of this funding:

<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
15 Cost related to new FTE	\$0	\$3,000	\$3,000
16 Peer review	25,000	0	25,000
17 Audit software migration	<u>25,200</u>	<u>10,800</u>	<u>36,000</u>
18 Grand total	\$50,200	\$13,800	\$64,000

SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST. The state auditor may not spend funds appropriated in the new and vacant FTE pool line item in section 1 of this Act, but may request the office of management and budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages line item in accordance with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the sixty-ninth legislative assembly.

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

54-10-10. Salary of state auditor.

The annual salary of the state auditor is ~~one hundred thirty thousand~~ one hundred thirty-nine thousand two hundred fifty-six dollars through June 30, ~~2024~~2026, and ~~one hundred thirty-five thousand two hundred~~ one hundred forty-three thousand four hundred thirty-four dollars thereafter.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$14,627,899	\$15,471,027	(\$373,141)	\$15,097,886
New and vacant FTE pool		626,476		626,476
Operating expenses	1,719,771	1,789,092	86,845	1,875,937
Information technology consultants	450,000	585,000		585,000
Total all funds	\$16,797,670	\$18,471,595	(\$286,296)	\$18,185,299
Less estimated income	6,486,821	6,491,451	(483,111)	6,008,340
General fund	\$10,310,849	\$11,980,144	\$196,815	\$12,176,959
FTE	65.00	61.00	(2.00)	59.00

Department 117 - State Auditor - Detail of Senate Changes

	Removes 2 FTE Local Government Audit Positions ¹	Increases Funding for Temporary Salaries ²	Restores Funding for Operating Expenses ³	Total Senate Changes
Salaries and wages	(\$423,141)	\$50,000		(\$373,141)
New and vacant FTE pool				
Operating expenses		7,032	\$79,813	86,845
Information technology consultants				
Total all funds	(\$423,141)	\$57,032	\$79,813	(\$286,296)
Less estimated income	(423,141)	0	(59,970)	(483,111)
General fund	\$0	\$57,032	\$139,783	\$196,815
FTE	(2.00)	0.00	0.00	(2.00)

¹ Funding for 2 FTE vacant local government audit positions, including funding related the salary increases (\$14,420) and health insurance increases (\$12,010), is removed.

² Funding is added to increase temporary salaries for internships by \$50,000, to provide a total of \$350,000, of which \$150,000 is from the general fund and \$200,000 is from other funds. In addition, funding is added for operating expenses related to 1 temporary intern position.

³ Funding for operating expenses, reduced in the base budget by the House, is restored.

2025 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Harvest Room, State Capitol

HB 1004
3/28/2025

A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary of the state auditor.

8:29 a.m. Chairman Bekkedahl called the meeting to order.

Members Present: Chairman Bekkedahl, Vice-Chairman Erbele, and Senators Burckhard, Cleary, Conley, Davison, Dever, Dwyer, Magrum, Mathern, Meyer, Schaible, Sickler, Sorvaag, Thomas, Wanzek.

Discussion Topics:

- \$2 Million Cap
- Billing Process Revenue
- Operating Funds
- Audit Fees

8:33 a.m. Senator Erbele introduced the bill and submitted testimony #44361.

8:39 a.m. Senator Mathern moved amendment LC 25.0148.02001.

8:40 a.m. Senator Wanzek seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	A
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	Y
Senator Cole Conley	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	Y

Motion Passed 15-0-1.

8:38 a.m. James Carroll, State Auditor CFO, testified as neutral.

8:40 a.m. Senator Wanzek moved a Do Pass as Amended.

8:40 a.m. Senator Dwyer seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	A
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	Y
Senator Cole Conley	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	Y

Motion Passed 15-0-1.

Senator Erbele will carry the bill.

8:42 a.m. Vice-Chairman Erbele closed the hearing.

Elizabeth Reiten, Committee Clerk

March 24, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

**PROPOSED AMENDMENTS TO
FIRST ENGROSSMENT**

VG 3/28/25
1 of 2

ENGROSSED HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and
2 to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary
3 of the state auditor.

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

5 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
6 as may be necessary, are appropriated out of any moneys in the general fund in the state
7 treasury, not otherwise appropriated, and from other funds derived from special funds and
8 federal funds, to the state auditor for the purpose of defraying the expenses of the state auditor,
9 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
12 Salaries and wages	\$14,627,899	\$843,128	\$15,471,027
13 New and vacant FTE pool	0	626,476	626,476
14 Operating expenses	1,719,771	69,321	1,789,092
15 Information technology consultants	450,000	135,000	585,000
16 Total all funds	\$16,797,670	\$1,673,925	\$18,471,595
17 Less other funds	6,486,821	4,630	6,491,451
18 Total general fund	\$10,310,849	\$1,669,295	\$11,980,144
19 Full-time equivalent positions	65.00	(4.00)	61.00

1	Salaries and wages	\$14,627,899	\$469,987	\$15,097,886
2	New and vacant FTE pool	0	626,476	626,476
3	Operating expenses	1,719,771	156,166	1,875,937
4	Information technology consultants	450,000	135,000	585,000
5	Total all funds	\$16,797,670	\$1,387,629	\$18,185,299
6	Less other funds	6,486,821	(478,481)	6,008,340
7	Total general fund	\$10,310,849	\$1,866,110	\$12,176,959
8	Full-time equivalent positions	65.00	(6.00)	59.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items included in the appropriation in section 1 of this Act which are not included in the entity's base budget for the 2027-29 biennium and which the entity shall report to the appropriations committees of the seventieth legislative assembly regarding the use of this funding:

<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
Cost related to new FTE	\$0	\$3,000	\$3,000
Peer review	25,000	0	25,000
Audit software migration	<u>25,200</u>	<u>10,800</u>	<u>36,000</u>
Grand total	\$50,200	\$13,800	\$64,000

SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST. The

state auditor may not spend funds appropriated in the new and vacant FTE pool line item in section 1 of this Act, but may request the office of management and budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages line item in accordance with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the sixty-ninth legislative assembly.

SECTION 4. AMENDMENT. Section 54-10-10 of the North Dakota Century Code is

amended and reenacted as follows:

54-10-10. Salary of state auditor.

The annual salary of the state auditor is ~~one hundred thirty thousand~~ one hundred thirty-nine thousand two hundred fifty-six dollars through June 30, ~~2024~~ 2026, and ~~one hundred thirty-five thousand two hundred~~ one hundred forty-three thousand four hundred thirty-four dollars thereafter.

**REPORT OF STANDING COMMITTEE
ENGROSSED HB 1004**

Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **AMENDMENTS** ([25.0148.02001](#)) and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 1 ABSENT OR EXCUSED AND NOT VOTING). HB 1004 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

25.0148.02001
Title.
Fiscal No. 1

Prepared by the Legislative Council
staff for Senate Appropriations -
Government Operations Division
Committee

March 24, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

**PROPOSED AMENDMENTS TO
FIRST ENGROSSMENT**

ENGROSSED HOUSE BILL NO. 1004

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; and
2 to amend and reenact section 54-10-10 of the North Dakota Century Code, relating to the salary
3 of the state auditor.

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6 as may be necessary, are appropriated out of any moneys in the general fund in the state
7 treasury, not otherwise appropriated, and from other funds derived from special funds and
8 federal funds, to the state auditor for the purpose of defraying the expenses of the state auditor,
9 for the biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

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18 Total general fund	\$10,310,849	\$1,669,295	\$11,980,144
19 Full-time equivalent positions	65.00	(4.00)	61.00

Sixty-ninth
Legislative Assembly

1	Salaries and wages	\$14,627,899	\$469,987	\$15,097,886
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7	Total general fund	\$10,310,849	\$1,866,110	\$12,176,959
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SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SEVENTIETH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items included in the appropriation in section 1 of this Act which are not included in the entity's base budget for the 2027-29 biennium and which the entity shall report to the appropriations committees of the seventieth legislative assembly regarding the use of this funding:

<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total Funds</u>
Cost related to new FTE	\$0	\$3,000	\$3,000
Peer review	25,000	0	25,000
Audit software migration	<u>25,200</u>	<u>10,800</u>	<u>36,000</u>
Grand total	\$50,200	\$13,800	\$64,000

SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST. The

state auditor may not spend funds appropriated in the new and vacant FTE pool line item in section 1 of this Act, but may request the office of management and budget to transfer funds from the new and vacant FTE pool line item to the salaries and wages line item in accordance with the guidelines and reporting provisions included in House Bill No. 1015, as approved by the sixty-ninth legislative assembly.

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

54-10-10. Salary of state auditor.

The annual salary of the state auditor is ~~one hundred thirty thousand~~ one hundred thirty-nine thousand two hundred fifty-six dollars through June 30, ~~2024~~2026, and ~~one hundred thirty-five thousand two hundred~~ one hundred forty-three thousand four hundred thirty-four dollars thereafter.

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1004 - State Auditor - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$14,627,899	\$15,471,027	(\$373,141)	\$15,097,886
New and vacant FTE pool		626,476		626,476
Operating expenses	1,719,771	1,789,092	86,845	1,875,937
Information technology consultants	450,000	585,000		585,000
Total all funds	\$16,797,670	\$18,471,595	(\$286,296)	\$18,185,299
Less estimated income	6,486,821	6,491,451	(483,111)	6,008,340
General fund	\$10,310,849	\$11,980,144	\$196,815	\$12,176,959
FTE	65.00	61.00	(2.00)	59.00

Department 117 - State Auditor - Detail of Senate Changes

	Removes 2 FTE Local Government Audit Positions¹	Increases Funding for Temporary Salaries²	Restores Funding for Operating Expenses³	Total Senate Changes
Salaries and wages	(\$423,141)	\$50,000		(\$373,141)
New and vacant FTE pool				
Operating expenses		7,032	\$79,813	86,845
Information technology consultants				
Total all funds	(\$423,141)	\$57,032	\$79,813	(\$286,296)
Less estimated income	(423,141)	0	(59,970)	(483,111)
General fund	\$0	\$57,032	\$139,783	\$196,815
FTE	(2.00)	0.00	0.00	(2.00)

¹ Funding for 2 FTE vacant local government audit positions, including funding related the salary increases (\$14,420) and health insurance increases (\$12,010), is removed.

² Funding is added to increase temporary salaries for internships by \$50,000, to provide a total of \$350,000, of which \$150,000 is from the general fund and \$200,000 is from other funds. In addition, funding is added for operating expenses related to 1 temporary intern position.

³ Funding for operating expenses, reduced in the base budget by the House, is restored.