

**FIRST ENGROSSMENT
with Senate Amendments
ENGROSSED HOUSE BILL NO. 1191**

Introduced by

Representatives Kempenich, Nathe

Senator Klein

1 A BILL for an Act to create and enact a new section to chapter 54-10 and a new section to
2 chapter 54-44.1 of the North Dakota Century Code, relating to the duty of the state auditor to
3 report consecutive audit findings and the reduction of agency appropriations by the office of
4 management and budget; to amend and reenact section 54-35-02.2 of the North Dakota
5 Century Code, relating to the powers and duties of the legislative audit and fiscal review
6 committee; and to provide for a report.

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

8 **SECTION 1.** A new section to chapter 54-10 of the North Dakota Century Code is created
9 and enacted as follows:

10 **Consecutive audit findings - Report.**

11 The state auditor shall notify the legislative audit and fiscal review committee of any
12 significant audit findings that have been reported in two or more consecutive audits.

13 **SECTION 2. AMENDMENT.** Section 54-35-02.2 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **54-35-02.2. Powers and duties of the legislative audit and fiscal review committee.**

16 1. The legislative audit and fiscal review committee shall study and review audit reports
17 as selected by the committee from those submitted by the state auditor, confer with
18 the auditor and deputy auditors in regard to such reports, and when necessary, confer
19 with representatives of the department, agency, or institution audited in order to obtain
20 full and complete information in regard to any and all fiscal transactions and
21 governmental operations of any department, agency, or institution of the state. Each
22 department, agency, or institution shall furnish to the committee such aid, information,
23 and assistance in regard to fiscal transactions and governmental operations as it may
24 from time to time request. ~~Whenever~~

- 1 2. ~~If the committee may determine~~determines or ~~have~~has reason to believe that there
2 may have been a violation of law relating to the receipt, custody, or expenditure of
3 public funds by any state officer or employee, the committee shall present ~~such~~the
4 evidence or information ~~as may be in its possession~~ to the attorney general. The
5 attorney general shall receive and accept ~~such~~the evidence or information and shall
6 immediately commence ~~such an~~an additional investigation as the attorney general
7 determines necessary. Upon completion of the investigation, if the evidence supplied
8 by the committee and through the investigation indicates the probability of a violation
9 of law by any state official or employee, the attorney general immediately shall
10 prosecute ~~such~~the official or employee as provided by law. ~~Whenever~~
11 3. ~~If the committee may determine~~determines that a state agency, department, or
12 institution has failed to correct an audit finding within two bienniums which the
13 committee determines critically important, ~~the:~~
14 a. The committee may recommend the legislative assembly reduce the state
15 agency, department, or institution's appropriation as compared with the amount
16 appropriated to the agency, department, or institution for the previous biennium;
17 b. The committee may recommend the office of management and budget reduce
18 the state agency, department, or institution's current biennial appropriation,
19 excluding federal funds, for salaries and wages and operating expenses as
20 determined by the office of management and budget proportionally as follows:
21 (1) By one percent if the same finding is identified in three audit reports; or
22 (2) By two percent if the same finding is identified in four or more audit reports.
23 c. If the state agency, department, or institution takes action to address the audit
24 findings, the committee may recommend the office of management and budget
25 reinstate the agency, department, or institution's appropriation previously reduced
26 under subdivision b of this subsection.
27 d. Reductions to appropriations under subdivision b of this subsection do not affect
28 the agency, department, or institution's base budget used for budget preparation
29 purposes.
30 4. The legislative management, through its committee on legislative audit and fiscal
31 review, or ~~such~~ persons as may be directed or employed by the legislative council, is

1 authorized, within the limits of legislative appropriations, to make such audits,
2 examinations, or studies of the fiscal transactions or governmental operations of
3 departments, agencies, or institutions of the state as the legislative management may
4 determine necessary.

5 **SECTION 3.** A new section to chapter 54-44.1 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Office of management and budget to reduce appropriations - Audit findings - Report**
8 **to legislative audit and fiscal review committee.**

9 The office of management and budget may reduce or reinstate a state agency, department,
10 or institution's current biennial appropriation for salaries and wages and operating expenses, as
11 determined by the office of management and budget, proportionally within thirty days of
12 notification from the legislative audit and fiscal review committee, in accordance with the
13 provisions of section 54-35-02.2. The office of management and budget shall report to the
14 legislative audit and fiscal review committee if an agency, department, or institution's budget is
15 not adjusted as recommended by the committee.