

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

20004

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Yherosa J. Lee  
Operator's Signature

10-14-03  
Date

2003 SENATE APPROPRIATIONS

SB 2004

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10-14-03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004

Senate Appropriations Committee

Conference Committee

Hearing Date 1-09-03

Tape Number	Side A	Side B	Meter #
1	x		3633-5556
Committee Clerk Signature <i>Sandra Dawson</i>			

Minutes: Chairman Holmberg opened the hearing to SB 2004, State Auditor's Budget. (Meter #3757) Bob (Robert) Peterson, State Auditor: See written testimony Exhibit 1. Covered a few highlights of his testimony. (Meter #4140) Mr. Peterson offered assistance from his office with Ron Tolstad, technical person to come down and talk to the committee. (Meter #4162) Chairman Holmberg: We have a subcommittee to be named today on the Attorney General's budget that is going to be chaired by Senator Kringstad, Senator Mathern and my self (Senator Holmberg), to look at the AG's budget in more detail. I know that you have some requests in this particular budget that are different than the governor's executive budget, so we will also be looking at that bill in this committee. Other questions regarding funds were referred to subcommittee hearings. No action was taken referred to subcommittee. (Meter #5556) Chairman Holmberg closed the hearing on 2004.

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*10-14-03*  
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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004 Votes

Senate Appropriations Committee

Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
#1	x		368-820

Committee Clerk Signature *Jan Sundrucks*

Minutes:

Senator Holmberg, chair, explained the amendments (attached). It takes out the salary increases and the salary increase for the State Auditor. Senator Holmberg met with Mr. Peterson and went over the budget and together they identified 3 areas that could be cut or reduced. In this amendment, salaries and wages, \$50,000 was taken out for performance audits, and it was decided that a new copier could wait. A total of \$193,000 general fund savings. Senator Thane, seconded by Senator Christmann to accept amendments as presented. Discussion: Senator Krauter wanted to clarification on the salary decreases ( \$71,200), positions or what? Senator Holmberg explained that at first they looked at eliminating a position, but there was a person there, so instead of getting rid of a person who is already working, the agency will just have to find the money to make sure that person is paid. So we took out the money, but left the position. Senator Krauter wanted to know how that would work? Senator Holmberg explained that it

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*10-14-03*  
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Page 2

Senate Appropriations Committee  
Bill/Resolution Number SB 2004 Votes  
Hearing Date February 11, 2003

would be rollups and other things in the budget, there are times when a committee or the legislature does not want to identify specific things and just leave it up to management. Senator Krauter clarified that that was moving money only within the wages & salaries line item, not others? and Senator Holmberg stated that was correct. Sandi from OMB stated that the State Auditor's office has a history of vacancies and originally when their budget was submitted, they did remove 4 FTEs through the executive recommendation and she added one back in and she felt this move was not a bad one.

Voice vote was taken to accept the amendment as presented. Motion carried.

Motion by Senator Grindberg, seconded by Senator Tallackson for a do pass as amendments Roll call vote taken for a do pass as amended. Roll call vote attached. Motion passed with 13 yes, 0 noes and 1 absent. Senator Kilzer will be the carrier to the floor

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10-14-03  
Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/13/2003

Amendment to: SB 2004

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The information in this fiscal note is limited to the statutory change in salary for the State Auditor only (Section 3). The amendment to SB 2004 will remove the Governor's recommendation for the State Auditor's salary increases in the 2003-2005 biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

<b>Name:</b>	Ed Nagel	<b>Agency:</b>	State Auditor's Office
<b>Phone Number:</b>	328-4782	<b>Date Prepared:</b>	02/13/2003

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10-14-03  
 Date

**FISCAL NOTE**  
 Requested by Legislative Council  
 12/24/2002

Bill/Resolution No.: SB 2004

1A. **State fiscal effect:** Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$4,009			
Appropriations			\$4,009			

1B. **County, city, and school district fiscal effect:** Identify the fiscal effect on the appropriate political subdivision.

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

The information in this fiscal note is limited to the statutory change in salary for the State Auditor only (Section 3).

This bill will increase the salary of the State Auditor in the 2003-2005 biennium by \$4,009 over the salary of the 2001-2003 biennium.

3. **State fiscal effect detail:** For information shown under state fiscal effect in 1A, please:

A. **Revenues:** Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Ed Nagel	Agency:	State Auditor's Office
Phone Number:	328-4782	Date Prepared:	12/26/2002

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10-14-03  
 Date

38027.0102  
 Title.0200  
 Fiscal No. 2

Prepared by the Legislative Council staff for  
 Senator Holmberg  
 February 7, 2003

*903*  
*2-11-03*  
*1 of 2*

PROPOSED AMENDMENTS TO SENATE BILL NO. 2004

- Page 1, line 1, remove the semicolon
- Page 1, remove line 2
- Page 1, line 3, remove "salary of the state auditor"
- Page 1, line 10, replace "5,754,797" with "5,620,686"
- Page 1, line 11, replace "761,380" with "732,580"
- Page 1, line 12, replace "100,000" with "50,000"
- Page 1, line 13, replace "6,616,177" with "6,403,266"
- Page 1, line 14, replace "2,140,958" with "2,121,195"
- Page 1, line 15, replace "4,475,219" with "4,282,071"
- Page 1, remove lines 21 through 24

Page 2, remove lines 1 through 3  
 Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$5,754,797	(\$134,111)	\$5,620,686
Operating expenses	761,380	(28,800)	732,580
Performance audits	<u>100,000</u>	<u>(50,000)</u>	<u>50,000</u>
Total all funds	\$6,616,177	(\$212,911)	\$6,403,266
Less estimated income	<u>2,140,958</u>	<u>(19,763)</u>	<u>2,121,195</u>
General fund	\$4,475,219	(\$193,148)	\$4,282,071
FTE	52.00	0.00	52.00

Dept. 117 - State Auditor - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	DECREASES FUNDING FOR SALARIES AND WAGES	DECREASES FUNDING FOR PERFORMANCE AUDITS LINE ITEM 2	REMOVES FUNDING FOR NEW COPIER	TOTAL SENATE CHANGES
Salaries and wages	(\$62,911)	(\$71,200)			(\$134,111)
Operating expenses			(\$50,000)	(\$28,800)	(28,800)
Performance audits					(50,000)
Total all funds	(\$62,911)	(\$71,200)	(\$50,000)	(\$28,800)	(\$212,911)
Less estimated income	<u>(19,763)</u>				<u>(19,763)</u>
General fund	(\$43,148)	(\$71,200)	(\$50,000)	(\$28,800)	(\$193,148)
FTE	0.00	0.00	0.00	0.00	0.00

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*10-14-03*  
 Date

- 2012
- 1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.
  - 2 This amendment decreases funding from the general fund for the performance audits line item from \$100,000 to \$50,000.

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Date: 2/11/03  
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2004

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken do pass as amended

Motion Made By Grundberg Seconded By Tallackson

Senators	Yes	No	Senators	Yes	No
Senator Holmberg, Chairman	✓				
Senator Bowman, Vice Chair	✓				
Senator Grundberg, Vice Chair	✓				
Senator Andrist	✓				
Senator Christmann	✓				
Senator Kilzer	✓				
Senator Krauter	✓				
Senator Kringstad	✓				
Senator Lindaas	✓				
Senator Mathern	✓				
Senator Robinson					
Senator Schobinger	✓				
Senator Tallackson	✓				
Senator Thane	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Kilzer

If the vote is on an amendment, briefly indicate intent:

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Operating expenses	7,831,087	194,782	8,025,869
Capital assets	1,784,260	48,000	1,830,260
Grants	6,841,580	50,000	6,891,580
Litigation fees	50,000		50,000
Arrest and return of fugitives	10,000		10,000
Gaming Commission	5,109		5,109
<b>Total all funds</b>	<b>\$33,816,642</b>	<b>\$242,181</b>	<b>\$34,058,823</b>
Less estimated income	17,349,237	98,340	17,444,577
<b>General fund</b>	<b>\$16,467,405</b>	<b>\$146,841</b>	<b>\$16,614,246</b>
FTE	171.00	0.00	171.00

Dept. 125 - Attorney General - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	ADDS BUREAU OF CRIMINAL INVESTIGATION AGENT	RESTORES FUNDING FOR BUREAU OF CRIMINAL INVESTIGATION OVERTIME	ADDS FUNDING FOR EQUITY INCREASES 2	RESTORES TRAINING POSITION 3	ADDS FEDERAL GRANT 4
Salaries and wages	(\$182,778)	\$91,401	\$21,980	\$41,024	\$118,572	\$38,325
Operating expenses		44,682			25,000	125,200
Capital assets		20,000				26,000
Grants						
Litigation fees						
Arrest and return of fugitives						
Gaming Commission						
<b>Total all funds</b>	<b>(\$182,778)</b>	<b>\$155,983</b>	<b>\$21,980</b>	<b>\$41,024</b>	<b>\$141,572</b>	<b>\$169,525</b>
Less estimated income	(20,084)			41,024		189,825
<b>General fund</b>	<b>(\$172,694)</b>	<b>\$155,983</b>	<b>\$21,980</b>	<b>\$0</b>	<b>\$141,572</b>	<b>\$0</b>
FTE	0.00	1.00	0.00	0.00	1.00	0.00

	ADDS FUNDING FOR RURAL RESPONSE TEAMS 5	REMOVES VACANT POSITIONS 6	TOTAL SENATE CHANGES
Salaries and wages		(\$165,125)	(\$48,801)
Operating expenses			194,782
Capital assets			48,000
Grants	\$50,000		50,000
Litigation fees			
Arrest and return of fugitives			
Gaming Commission			
<b>Total all funds</b>	<b>\$50,000</b>	<b>(\$165,125)</b>	<b>\$242,181</b>
Less estimated income	50,000	(165,125)	95,340
<b>General fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$146,841</b>
FTE	0.00	(2.00)	0.00

- 1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums. Section 7 of the bill is removed, which included the statutory changes relating to the Attorney General's salary increase. The Attorney General's salary will remain at the current level of \$74,868 for the 2003-05 biennium.
- 2 Funding is increased for salary equity adjustments for assistant attorneys general to provide a total of \$241,024 of other funds for the 2003-05 biennium.
- 3 This amendment restores one of the two law enforcement training positions eliminated in the executive budget.
- 4 Federal funding is added to improve crime laboratory operations in cases with no suspects.
- 5 The grants line item is increased by \$50,000 of funding provided by counties to reimburse rural response teams for tactical assistance provided to local law enforcement.
- 6 This amendment eliminates a vacant Bureau of Criminal Investigation research analyst II (\$75,402) and a vacant Bureau of Criminal Investigation research analyst III (\$69,723).

REPORT OF STANDING COMMITTEE

SB 2004: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2004 was placed on the Sixth order on the calendar.

Page 1, line 1, remove the semicolon

Page 1, remove line 2

Page 1, line 3, remove "salary of the state auditor"

Page 1, line 10, replace "5,754,797" with "5,620,686"

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Page 1, line 11, replace "761,380" with "732,580"

Page 1, line 12, replace "100,000" with "50,000"

Page 1, line 13, replace "6,616,177" with "6,403,266"

Page 1, line 14, replace "2,140,958" with "2,121,195"

Page 1, line 15, replace "4,475,219" with "4,282,071"

Page 1, remove lines 21 through 24

Page 2, remove lines 1 through 3

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$6,764,797	(\$134,111)	\$6,630,686
Operating expenses	761,380	(28,800)	732,580
Performance audits	100,000	(50,000)	50,000
Total all funds	\$6,616,177	(\$212,911)	\$6,403,266
Less estimated income	2,140,958	(19,763)	2,121,195
General fund	\$4,475,219	(\$193,148)	\$4,282,071
FTE	62.00	0.00	62.00

Dept. 117 - State Auditor - Detail of Senate Changes

	REMOVES RECOMMENDED SALARY INCREASE 1	DECREASES FUNDING FOR SALARIES AND WAGES	DECREASES FUNDING FOR PERFORMANCE AUDITS LINE ITEM 2	REMOVES FUNDING FOR NEW COPIER	TOTAL SENATE CHANGES
Salaries and wages	(\$62,911)	(\$71,200)			(\$134,111)
Operating expenses				(\$28,800)	(28,800)
Performance audits			(\$50,000)		(50,000)
Total all funds	(\$62,911)	(\$71,200)	(\$50,000)	(\$28,800)	(\$212,911)
Less estimated income	(19,763)				(19,763)
General fund	(\$43,148)	(\$71,200)	(\$50,000)	(\$28,800)	(\$193,148)
FTE	0.00	0.00	0.00	0.00	0.00

1 This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

2 This amendment decreases funding from the general fund for the performance audits line item from \$100,000 to \$50,000.

REPORT OF STANDING COMMITTEE

SB 2006: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2006 was placed on the Sixth order on the calendar.

Page 1, line 3, replace "amend and reenact section 57-01-04 of the North Dakota Century Code, relating" with "provide for an exemption from the provisions of section 54-44.1-11 of the North Dakota Century Code"

Page 1, line 4, remove "to the salary of the state tax commissioner"

Page 1, line 12, replace "13,073,578" with "12,820,250"

Page 1, line 13, replace "4,595,113" with "4,465,113"

Page 1, line 14, replace "75,000" with "25,000"

Page 1, line 16, replace "21,743,601" with "21,310,363"

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10-14-03

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2003 HOUSE APPROPRIATIONS

SB 2004

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SBA 2004

House Appropriations Committee  
Government Operations Division

Conference Committee

Hearing Date March 5, 2003

Tape Number	Side A	Side B	Meter #
1		xx	
Committee Clerk Signature			

Minutes:

**Robert Peterson, State Auditor** shared written testimony in support of SB 2004, he advised the committee in order to met the Governor's 95% budget he had to reduce his department by 4 FTE's. The majority of operating budget is salaries, thus the decrease in FTE's.

In response to a question from **Rep. Warner** Mr. Peterson shared his department cannot project expenses on performance audits. The audit have an estimate going in, however it is difficult to determine the final cost until the audit is complete.

**Gordy Smith, auditors office** the quick answer to the question,, 4 FTE's, 40-50% of his time and the price of the consultants.

**Mr. Peterson** informed the committee he cannot predict the turn back amount to the general fund from his agency. However, they will turn back as much as possible. In reference to the salary increase requests, retention is the goal of the agency, and merit/performance rewards work

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Page 2  
Government Operations Division  
Bill/Resolution Number SBA 2004  
Hearing Date March 05, 2003

toward that goal. Technology has been a benefit to our agency, it has given us a boost. We are not looking at areas in as much detail. With our increased retention rate and technology we are getting better.

**Ed Nagel, Director, State Auditors office** shared the absorbion in the reduction of positions in Due to the increase in technology, our department is doing less, and financial statement audits With university was once done, but we are now doing compliance audits.

**Don LaFleur, ITD director** General tech support and financial audits to check compliance to Laws. ITD audit parallel that.

**Gordy Smith** 20 audits per biennium are contracted out. We looked at 10 yrs of audits, we found no noncompliance issues. The contractors focus may be different than ours. That's the Way these audits are structured.

Hearing no further testimony the Chairman closed the hearing.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004

House Appropriations Committee  
Government Operations Division

Conference Committee

Hearing Date March 17, 2003

Tape Number	Side A	Side B	Meter #
1	xx		
Committee Clerk Signature			

Minutes: Committee Work

**Rep. Skarphol** gave the committee a brief overview of the amendments being introduced. One would add 3 FTE's and fund an auditor position. These are state agency auditors, private sector bids are much higher than the auditor's office. The second will allow the Auditors Office to charge the agency for a performance audit.

**Ed Nagel, Auditor's Office** to meet the 95% budget request we unfunded 3.5 FTE's. These positions are filled positions.

**Rep. Warner** if we increase these FTE's do you plan to look at the IT auditors.

**Rep. Skarphol** These are not NEW positions, the duties have increased, they have 40 doing the work of 50, IT would increase their duties.

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Page 2  
Government Operations Division  
Bill/Resolution Number SB 2004  
Hearing Date March 17, 2003

**Ed Nagel, Auditor's Office** Fee's are charged for local government audits. We charge agencies if the agency is funded with special fund dollars. We are required to charge all agencies and a reduced fee if it's a general fund agency, all collections are deposited into the general fund.

**Gordy Smith, Auditors Office** all 4 will be state agency auditors, the average rate is \$40/hr. If we dump 12,000 hours of audit on the private sector, which only 2 companies are currently doing state audits. I'm not sure they would have the manpower to get the job done.

**Rep. Glassheim** Would it be possible to do 10% less audits.

**Ed Nagel, Auditor's Office** That would be an option, however, state law requires an audit be done once every 2 years.

**Rep. Carlson** Are there any other options? Does an audit save the state money, I think it does, show us!

**Ed Nagel, Auditor's Office** 90% of our budget is operating expenses. It is difficult to put a dollar amount on that because our audits prevent the fraud from happening.

**Rep. Carlson** Why did the Senate take the 4th auditor?

**Ed Nagel, Auditor's Office** They needed to find more money from our budget.

**OMB** When the budget was submitted they submitted the reduction of 4 FTE's, the Governor put one back.

**Rep. Carlson** How were the raises funded?

**Ed Nagel, Auditor's Office** From turnover and unfilled positions. We have had a retention problem in the past. We are trying to get a handle on that.

**Gordy Smith** Some of the funds use for the raises was funded by the last 3 legislative session to address some of our retention issues. We are at a 30-40% turnover. We are competing with

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*Cherise A. Lee*  
Operator's Signature

10-14-03  
Date

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Government Operations Division  
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Hearing Date March 17, 2003

private industry. We compete with State Government more than anything. So, we've come in and request money, you have done some reclassifications in some cases, the base salary still increases for the last 3 biennium's we have increased.

**Rep. Kroeber** What % of audits are not required?

**Ed Nagel, Auditor's Office** Small %, 86 state agencies are required to have a performance. IT audits are not required by statute.

**adjourned**

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Yherosa J. Lee  
Operator's Signature

10-14-03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004

House Appropriations Committee  
Government Operations Division

Conference Committee

Hearing Date March 21, 2003

Tape Number	Side A	Side B	Meter #
1	xx	xx	
Committee Clerk Signature			

Minutes: Committee Report

**Rep. Skarphol** introduced amendment .0203. He noted an extension time cannot be done on the Audit timeline due to federal guidelines. It will take \$371,000 to put 4 auditors back into the budget or add 1M to agency contract lines to pay for contracted audits, all of which would be general fund money.

**Rep. Kroeber** noted the department had some open positions and they gave some sizable adjustments.

**OMB** \$30,000 was in the current biennium for increases.

**Rep. Warner** commented he opposes this amendment and will vote against it. The Hwy. Patrol and Human Services are making sacrifices. There is a lot of pain in this building, due to the budgets cuts. This agency needs to work with what they have.

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Government Operations Division  
Bill/Resolution Number SB 2004  
Hearing Date March 21, 2003

**Rep. Skarphol** These audits have to be done, we would have to spend more to contract the services, the costs would have to be absorbed in the operating line of the agency budget.

**Rep. Skarphol** moved a DO PASS on amendment 38024.0203, second by **Rep. Carlson**.

**ROLL CALL VOTE 5 YES 2 NO 2 Absent ..... Motion carries**

**Rep. Skarphol** introduced amendment .0204 he noted if the performance bill is passed 5 agencies would be required to have a performance audit, this is pending in the Senate.

**Rep. Skarphol** made a DO PASS motion on amendment 38024.0204, second by **Rep. Thoreson**.

**Rep. Warner** are any performance audits required by federal mandate, or legislative initiative.

**Rep. Skarphol** yes. Legislative intent, I am not aware of any federal mandates.

**OMB** if funds are approved, the agencies selected for the audits would be done during the interim.

**Rep. Carlson** in other words, "we drive the train"

**OMB** yes.

**Roll Call Vote was taken 3 YES 4 NO 2 Absent.....Motion Fails.**

**Rep. Skarphol** made a DO PASS motion on amendment 38024.0201, second by **Rep. Thoreson**.

**Rep. Warner** I would like to have a consensus to concentrate on Federally funded agencies for these audits.

**OMB** in response to a question regarding a ITD audit. ITD general funds are dedicated, it's agency money, it wouldn't be more general fund money.

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**Rep. Kroeber** They have \$50,000 to get some performance audits done, we have limited resources, the performance review commission will have to be aware of the limited funds.

**OMB** The auditors office has a performance audit staff, this money would be needed in the event of specialty assistance.

**Roll Call Vote.** 1 YEA 6 NO 2 Absent .....Motion Fails.

**Rep. Thoreson** moved a DO PASS ON SB 2004 as amended, second by Rep. Carlson

**A Roll Call Vote** was taken, 6 yes 1 no 2 absent.....Motion Carries.

Discussion ceased.

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Wheresa J. Fee  
Operator's Signature

10-14-03  
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004

House Appropriations Committee

Conference Committee

Hearing Date 04-02-03

Tape Number	Side A	Side B	Meter #
1	X		6.5 - 27.0

Committee Clerk Signature *Chris Svedjan*

Minutes:

**Chairman Svedjan** Opened SB 2004 for discussion. A quorum was present.

**Rep. Skarphol** I move amendment .0206 to SB 2004. 2nd by Rep. Carlisle.

**Rep. Skarphol** State agencies are charged audit fees at \$40 per hour if they aren't a General Fund agency. If they are all General Funds, then they are charged no audit fees.

**Rep. Warner** We should resist this, especially restoring their FTE's. There are cuts across the board, they should be no different.

**Rep. Skarphol** I beg to differ. They'd have a 20% reduction if we removed the 4 FTE's, they only have 20 auditors.

**Rep. Warner** Due to technology, we can cut these.

**Rep. Skarphol** Our expectations have risen, but we need these FTE's.

**Motion Carries**

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10-14-03  
Date

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Hearing Date 04-02-03

**Rep. Glassheim** I'd like to amend further by deleting 2 FTE positions. 2nd by Rep. Aarsvold.

**Rep. Glassheim** They had an average of 2 positions open over the last biennium, yet they did their job and did it well. They don't need these FTE's.

**Rep. Wald** Did they farm out audits?

**Rep. Skarphol** It costs \$180 per hour to do that.

**Rep. Wald** Are they losing auditors to the private sector?

**Rep. Skarphol** They have consistent turnover.

**Rep. Gulleason** Will they have turnback dollars?

**Joe Morrisette, LC** I'm not sure, I'll get back to you on that.

**Rep. Aarsvold** Of the 20 auditors, how many are in the field?

**Rep. Skarphol** There are 5 audit managers, one who is in performance auditing, one in IT auditing, one in the college and university auditing and two that work on the CAFRs. There are 4 performance auditors, 4 IT auditors, 2 secretarial and office manager positions, and 20 state agency auditors, and the division head.

**Rep. Carlisle** There was \$25,000 truck.

**Rep. Skarphol** We should resist this amendment.

**Rep. Warner** The \$50,000 reduction in performance grants is not relevant to this discussion because its a different division. It has nothing to do with government operation, it deals with performance audits.

**Rep. Gulleason** They can operate on the amount of FTE's they had last time.

**Motion Fails on a roll call vote 9-12-2.**

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10-14-03  
Date

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House Appropriations Committee  
Bill/Resolution Number SB 2004  
Hearing Date 04-02-03

**Rep. Skarphol I move a Do Pass As Amended. 2nd by Rep. Carlson. Motion Carries**

**14-7-2. Rep. Skarphol will carry this on the floor.**

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10-14-03  
Date

38027.0203  
Title.  
Fiscal No. 1

Prepared by the Legislative Council staff for  
Representative Skarphol  
March 17, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

Page 1, line 8, replace "5,620,686" with "5,986,803"

Page 1, line 11, replace "6,403,266" with "6,769,383"

Page 1, line 13, replace "4,282,071" with "4,648,188"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,754,797	\$5,620,686	\$366,117	\$5,986,803
Operating expenses	781,380	732,580		732,580
Performance audits	100,000	50,000		50,000
Total all funds	\$6,616,177	\$6,403,266	\$366,117	\$6,769,383
Less estimated income	2,140,958	2,121,195		2,121,195
General fund	\$4,475,219	\$4,282,071	\$366,117	\$4,648,188
FTE	52.00	52.00	3.00	55.00

**Dept. 117 - State Auditor - Detail of House Changes**

	ADDS 3 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET <sup>1</sup>	RESTORES FUNDING FOR SALARIES AND WAGES <sup>2</sup>	TOTAL HOUSE CHANGES
Salaries and wages	\$294,917	\$71,200	\$366,117
Operating expenses			
Performance audits			
Total all funds	\$294,917	\$71,200	\$366,117
Less estimated income			
General fund	\$294,917	\$71,200	\$366,117
FTE	3.00	0.00	3.00

<sup>1</sup> This amendment restores the three FTE positions and funding that were removed in the executive budget recommendation.

<sup>2</sup> This amendment restores funding of \$71,200 for an FTE position that the Senate removed.

Date:03-21-03  
Roll Call Vote Number # 1

**2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2004**

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38024.0203

Action Taken Do Pass on Amendment

Motion Made By Rep. Skarphol Seconded By Rep. Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim					
Rep. Kroeber		x			
Rep. Warner		x			

*Pass*

Total (Yes) 5 No 2

Absent 2  
Glassheim/Koppelman

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
See attached amendment

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Yvonnea W. Bee 10-14-03  
Operator's Signature Date

38027.0204  
Title.  
Fiscal No. 2

Prepared by the Legislative Council staff for  
Representative Skarphol  
March 17, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

Page 1, line 10, replace "50,000" with "100,000"

Page 1, line 11, replace "6,403,266" with "6,453,266"

Page 1, line 13, replace "4,282,071" with "4,332,071"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,764,797	\$5,820,886		\$5,820,886
Operating expenses	781,380	732,580		732,580
Performance audits	<u>100,000</u>	<u>50,000</u>	\$50,000	<u>100,000</u>
Total all funds	\$6,616,177	\$6,403,266	\$50,000	\$6,453,266
Less estimated income	<u>2,140,958</u>	<u>2,121,195</u>		<u>2,121,195</u>
General fund	\$4,475,219	\$4,282,071	\$50,000	\$4,332,071
FTE	62.00	62.00	0.00	62.00

**Dept. 117 - State Auditor - Detail of House Changes**

	RESTORES FUNDING FOR PERFORMANCE AUDITS LINE ITEM 1	TOTAL HOUSE CHANGES
Salaries and wages		
Operating expenses		
Performance audits	<u>\$50,000</u>	<u>\$50,000</u>
Total all funds	\$50,000	\$50,000
Less estimated income		
General fund	\$50,000	\$50,000
FTE	0.00	0.00

1 This amendment restores funding of \$50,000 to the performance audit line item which was reduced by the Senate.

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Cherissa J. Lee  
Operator's Signature

10-14-03  
Date

Date: 03-21-03  
 Roll Call Vote Number # 2

**2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2004**

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38024.0204

Action Taken Do Pass on Amendment

Motion Made By Rep. Skarphol Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		x			
Vice Chairman Carlson		x			
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm		x			
Rep. Glassheim					
Rep. Kroeber		x			
Rep. Warner	x				
			<b>FAILS</b>		

Total (Yes) 3 No 4

Absent 2  
Glassheim/Koppelman

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
 See attached amendment

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Cheresea J. Lee  
 Operator's Signature

10-14-03  
 Date

38027.0201  
Title.

Prepared by the Legislative Council staff for  
Representative Skarphol  
March 17, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

Page 1, line 1, after "auditor" insert "; and to amend and reenact subsection 4 of section 54-10-01 of the North Dakota Century Code, relating to performance audits conducted by the state auditor"

Page 1, after line 18, insert:

**"SECTION 3. AMENDMENT.** Subsection 4 of section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

4. Perform or provide for performance audits of state agencies as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor shall charge an amount equal to the cost of the performance audit and other services rendered by the state auditor to any agency for which a performance audit is conducted."

Renumber accordingly

Date:03-21-03  
Roll Call Vote Number # 3

**2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2004**

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38024.0201

Action Taken Do Pass on Amendment

Motion Made By Rep. Skarphol Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle		x			
Vice Chairman Carlson		x			
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson		x			
Rep. Timm		x			
Rep. Glassheim					
Rep. Kroeber		x			
Rep. Warner		x			

*Fails*

Total (Yes) 1 No 6

Absent 2  
Glassheim/Koppelman

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:  
See attached amendment

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Yvonnea J. Bee 10-14-03  
Operator's Signature Date

Date:03-21-03  
Roll Call Vote Number # 4

**2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2004**

House Appropriations: Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number 38024.0203

Action Taken Do Pass on SB 2004 as Amended

Motion Made By Rep. Thorson Seconded By Rep. Carlson

Representatives	Yes	No	Representatives	Yes	No
Chairman Carlisle	x				
Vice Chairman Carlson	x				
Rep. Koppelman					
Rep. Skarphol	x				
Rep. Thoreson	x				
Rep. Timm	x				
Rep. Glassheim					
Rep. Kroeber	x				
Rep. Warner		x			

Total (Yes) 6 No 1

Absent 2  
Glassheim/Koppelman

Floor Assignment Rep. Skarphol

If the vote is on an amendment, briefly indicate intent:  
See attached amendment

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Cheresea J. Bee  
Operator's Signature

10-14-03  
Date

REPORT OF STANDING COMMITTEE (410)  
 April 3, 2003 12:38 p.m.

Module No: HR-60-6629  
 Carrier: Skarphol  
 Insert LC: 38027.0206 Title: .0300

**REPORT OF STANDING COMMITTEE**

**SB 2004, as reengrossed: Appropriations Committee (Rep. Svedjan, Chairman)**  
 recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (14 YEAS, 7 NAYS, 2 ABSENT AND NOT VOTING). Reengrossed  
 SB 2004 was placed on the Sixth order on the calendar.

Page 1, line 8, replace "5,620,686" with "5,981,437"

Page 1, line 9, replace "732,580" with "675,204"

Page 1, line 11, replace "6,403,266" with "6,706,641"

Page 1, line 12, replace "2,121,195" with "2,119,441"

Page 1, line 13, replace "4,282,071" with "4,587,200"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$5,764,797	\$5,620,686	\$360,751	\$5,981,437
Operating expenses	761,380	732,580	(57,378)	675,204
Performance audits	100,000	50,000		50,000
Total all funds	\$6,616,177	\$6,403,266	\$303,376	\$6,706,641
Less estimated income	2,140,958	2,121,195	(1,764)	2,119,441
General fund	\$4,476,219	\$4,282,071	\$305,129	\$4,587,200
FTE	52.00	52.00	3.00	55.00

**Dept. 117 - State Auditor - Detail of House Changes**

	REDUCES THE RECOMMENDED FUNDING FOR HEALTH INSURANCE <sup>1</sup>	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS <sup>2</sup>	ADDS 3 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET <sup>3</sup>	RESTORES FUNDING FOR SALARIES AND WAGES <sup>4</sup>	TOTAL HOUSE CHANGES
Salaries and wages	(\$5,366)		\$294,917	\$71,200	\$360,751
Operating expenses		(\$57,378)			(57,378)
Performance audits					
Total all funds	(\$5,366)	(\$57,378)	\$294,917	\$71,200	\$303,376
Less estimated income	(1,764)				(1,764)
General fund	(\$3,612)	(\$57,378)	\$294,917	\$71,200	\$305,129
FTE	0.00	0.00	3.00	0.00	3.00

<sup>1</sup> This amendment reduces the funding for state employee health insurance premiums from \$493 per month to \$488.70 per month.

<sup>2</sup> This amendment reduces funding for information technology by \$57,378 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 20 percent.

<sup>3</sup> This amendment restores the three FTE positions and funding for the positions that were deleted in the executive budget recommendation.

<sup>4</sup> This amendment restores funding of \$71,200 for a position that the Senate removed.

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*Yherosa J. Bee*  
 Operator's Signature

10-14-03  
 Date

2003 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2004

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Cherise A. Price  
Operator's Signature

10-14-03  
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004 Conference Committee

Senate Appropriations Committee

Conference Committee

Hearing Date 4-10-03

Tape Number	Side A	Side B	Meter #
1		x	1458 - 5479

Committee Clerk Signature *Sandra Davis*

Minutes:

SENATOR CHRISTMANN opened the conference committee meeting. Present were

SENATOR CHRISTMANN, SENATOR ANDRIST, SENATOR LINDAAS,

REPRESENTATIVE SKARPHOL, REPRESENTATIVE GLASSHEIM, REPRESENTATIVE  
TIMM.

SENATOR CHRISTMANN asked a House member to explain their amendments.

REPRESENTATIVE SKARPHOL explained the House changed the health insurance premiums, information technology (this will be addressed later), added 3 FTE's removed in the governor's executive budget recommendation (those were filled positions but were removed to make the 95% budget), restored \$71,000 (to restore the 4 employees). The logic is that an auditor bills about 3000 hours per biennium, or 12,000 hours for 4 auditors. The work has to get done and if you have to hire outside auditors, the cost would be considerable, from \$80 - \$110 per hour.

The cost to agencies would be \$960,00 to \$1.3 million.

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*Yherosa J. Lee*  
Operator's Signature

*10-11-03*  
Date

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Senate Appropriations Committee  
Bill/Resolution Number SB 2004  
Hearing Date 04/10/03

SENATOR CHRISTMANN asked if all 4 were filled positions?

REPRESENTATIVE SKARPHOL said yes. The auditors office has 3 positions open, they are all local political subdivision positions and the work'oud does not warrant filling them at this time. They are special funded by local political subdivisions. The four we are discussing are filled.

SENATOR CHRISTMANN said the three cost \$100,000 each and one costs \$71,200, why is that?

REPRESENTATIVE SKARPHOL said if you look at the Senate amendments, there was an effort to accomplish a certain dollar figure reduction, it did not represent a full position, it was a figure used to arrive at a budget goal. The Senate also removed \$50,000 from the operating budget. That presents some problem, the House was unwilling to put that back in. The House was also unwilling to assess the cost of hiring a consultant to aid in the performance audit to the agency budgets. He feels the House compromised with the Senate and the needs of the auditor's office.

SENATOR ANDRIST said when he saw the addition of 3 - 4 auditors to this budget plus 2 in the ITD budget he wondered how many positions we need in that office. He also wondered why OMB took those 3 out. They gave him an analysis that shows there is a history of leaving the positions unfilled. He passed out the analysis from OMB (exhibit 1). They were vacant most of 2002 and were filled only after the Senate took action on the budget. He is concerned about agencies leaving vacancies leaving vacancies so they can sweeten the salaries of the ones who are there. If we are going to add more auditors, he would like them specialized in technology.

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10-14-03  
Date

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Senate Appropriations Committee  
Bill/Resolution Number SB 2004  
Hearing Date 04/10/03

REPRESENTATIVE SKARPHOL said in response to the vacant positions, in his discussions with the auditors office and OMB, he was told there were actually 3 special positions open, rather than 2. If you look at the time frame the positions were open, one was open for 4 months, one for 2 months, one for 7 months. It takes a while to hire an auditor. He views the IT auditors as a separate issue. The four auditors they added were state agency auditors. They have 20 auditors that work in the field, reducing 4 would be a 25% reduction and they still have to audit every agency every two years. If they don't have the manpower to do it, they have to contract outside auditors. (meter 2495)

REPRESENTATIVE TIMM asked if the Senate has removed the 2 auditors in the ITD budget? Is SENATOR ANDRIST proposing to substitute two of these positions for those 2 positions?

SENATOR ANDRIST said he suggested this as a possibility. He is having trouble with adding 3 to 6 auditors to the office in this biennium. If the spreadsheet is accurate, they have had, on average, more than 2 vacancies. The Senate had some difficulty in taking the 2 auditors out of the IT budget. Rather than add 6 new auditors, he would rather make a couple of those come out of this budget.

SENATOR CHRISTMANN said he is hopeful they will add the IT auditors but the issues need to be kept separate.

REPRESENTATIVE TIMM wanted clarification of vacancies, the auditors office said they have a high turnover.

SANDY PAULSEN said she used an average of 2 auditors. This is not 6 new positions, it is simply replacing what they already have. The two in IT would be new.

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Bill/Resolution Number SB 2004  
Hearing Date 04/10/03

REPRESENTATIVE GLASSHEIM said the auditor's office in the subcommittee made a good case that they needed X hours to do jobs required by statute. He was reluctant to make the cuts even though he preferred to go with the governor's recommendation. When he looks at this, an average of 2 vacancies over 2 years and they got their work done, maybe they could do without the four positions. He tended to agree with the Senate position.

REPRESENTATIVE SKARPHOL said he agreed the work was completed with 2 less positions. There is nothing to say, if you remove the positions, there won't still be 2 positions open because of the turnover issue previously discussed. It takes time to advertise, look at applications, interview. Their budget is salaries so to come up with a 95% budget, you get rid of people. These positions are not vacant. They have 36 employees, if you remove 4, you have 32. There are 20 people who do audits and if you remove 4, you are left with 16.

SENATOR ANDRIST said he would like to ask Sandy exactly what this means?

SANDY PAULSEN said she went to the State Status Report and it shows 3.2 vacant positions. There is a net vacancy of 1.2 general funded positions.

SENATOR ANDRIST asked if the governor put funding in for 1 of the 4.

SANDY PAULSEN said because of the 95% budget, they had a reduction of 4 staff people. Because their budgeted salary increases were higher than they should have been, OMB was able to put back one employee by reducing the budgeted salary increases. The governor's recommended budget is a reduction of 3 FTE's.

SENATOR CHRISTMANN confirmed the Senate reduced enough money to almost account for another FTE.

Discussion of unfunded FTE's and vacant positions (meter 3605 - 3910)

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GORDY SMITH, state auditor's office, handed out a review of turnover and unfilled positions (exhibit 2). They have had turnover problems. The legislature has given them additional funds to reduce the turnover. Three years ago turnover was 40%. For the current biennium, it was 13% in 2001 and 13% in 2002. 40 - 50% of the turnover goes to other agencies. Positions are left open for 6 weeks to allow for applications to be submitted. They have not had 2 vacant general funded FTE's for two years, they average less than 2 months for general funded positions.

In response to a question from SENATOR CHRISTMANN, GORDY SMITH said in the past three sessions, they targeted positions, i.e. beginning auditors. Their office is way behind at all levels in salary comparisons with the private sector. If they have an open position for 2 1/2 months, they have that salary in their budget. If someone works hard to take up the slack, they try to reward those high producers with salary increases to keep their people. (meter 4312)  
SENATOR CHRISTMANN asked how you decide which agencies you audit and which are contracted?

GORDY SMITH said 21 agencies are contracted out. Some are required by law, the Bank of North Dakota, and those associated agencies, Ag Pace and Pace. Economic Development Group and Technology Transfer are specified for outside audits. Typically, if they can absorb the work, they take back the agencies they have contracted.

REPRESENTATIVE SKARPHOL reviewed the vacancies, asked if they have an ongoing ad for auditors?

GORDY SMITH said if they have hired recently, they go back to the applicant pool.

REPRESENTATIVE SKARPHOL asked how long do you have to advertise.

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GORDY SMITH said they typically advertise for 6 weeks. They sometimes hire a candidate who is almost ready to graduate and they wait for them to graduate.

REPRESENTATIVE SKARPHOL confirmed the positions that are being cut are currently filled with warm bodies.

GORDY SMITH said that is correct.

REPRESENTATIVE GLASSHEIM said the state audits are required. Are performance auditors more discretionary?

GORDY SMITH said yes, there is a state law that requires each agency to be audited every two years. There is also a requirement to audit the state financial report to help the state get its bond rating. Its about a 6000 hour job. They have 4 performance auditors and 4 IT auditors.

SENATOR LINDAAS asked about IT auditors are they 4 specialized?

GORDY SMITH said there are some IT audits required in the accounting standards, and described the audits. (meter 5370)

SENATOR ANDRIST asked about the report showing 1.2 vacancies in February and March, 3.2 in January, 2.2 for the previous 5 months.

GORDY SMITH said he hasn't seen the report and can only guess they are special or federally funded positions. He knows they currently have no general funded positions open.

SENATOR CHRISTMANN adjourned the meeting.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004 (Conference Committee)

~~Senate Appropriations Committee~~

Conference Committee

Hearing Date April 14, 2003

Tape Number	Side A	Side B	Meter #
1	A		344 - 2990
Committee Clerk Signature <i>Jan Henderson</i>			

Minutes:

**Senator Christmann** called the conference committee on SB 2004 to order. All members present.

**Senator Skarphol** explained the position in the auditors office (see attached exhibit 1), unfunded column (see attached exhibit 2), general funded (see attached exhibit 3).

**Gordy Smith**, Auditors Office, explained what they tried to do was show when we had our vacancies and how many of them were general fund. The three positions that were removed by the governors recommendation are state agency general funded positions.

**Senator Andrist**, spoke in clarification, it is your contention that if we accepted the executive recommendation you would have to dismiss three auditors.

**Gordy Smith** that is right, if we accept the settlement of the committee, we accept the recommendation we would have to lay off three people and if it affected what the senate did we would have to lay off four. They are general fund positions and we have nobody vacant right

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Senate Appropriations Committee

Bill/Resolution Number SB 2004 Conference Committee

Hearing Date April 14, 2003

now. He does not know why Office of Budget and Management is under the believe that there are too many auditors. We keep ourselves pretty busy. Some audits are bid out such as Job Service. We would like to do the financial audit of Job Service if we had the time and the people because frankly we would have a lot more knowledge of the organization if we are out there doing the audit.

**Senator Christmann** asked why it is that we have to do the audit of each agency every two years as opposed to stretching that out to a four year audit on some of the less complicated ones.

**Gordy Smith** right now our law says that you have a financial audit of agencies at least once every two years. We also do an audit of all the money that comes in from the federal government and that is about a billion dollars a year right now. We are able to do that audit every two years. It is about and eight thousand dollar project. The majority of states do this audit annually. If we mess with that at all we would probably have to do an federal audit every year and we would not be ahead doing this. Some of the smaller agencies are bid out.

**Representative Skarphol** there was some other changes to your budget, there was \$50,000 removed from the \$100,000 that you asked for in regard to performance audit. How do you anticipate dealing with that.

**Gordy Smith** if we had a \$100,000 for consultants for about the last two or three biennium's we typical spent that money. We expanded the scope of the audits. What will end up happening with the \$100,000 being dropped to \$50,000 we will be able to use considerably less.

**Senator Skarphol** asked if they had any mandated performance audits right now.

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Bill/Resolution Number SB 2004 Conference Committee

Hearing Date April 14, 2003

**Gordy Smith** answered that the way the law reads right now RFIC can tell us what to do. There is a required performance audit of the Veterans Affairs, Department of Transportation, leased space and Department of Correction.

**Senator Christmann** asked how you would handle the IT cuts. He shows that you have about \$287,000 budgeted for the biennium. \$57,000 has been cut.

**Gordy Smith** answered that we would have to let FTE go. The majority of our auditors are connected with the internet and this would have to be significantly eliminated. We do not have an IT coordinator in our office. Now the auditors do the work and have to be called in.

No further questions.

**Senator Christmann** adjourned the Conference Committee on SB 2004.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004

Senate Appropriations Committee

Conference Committee

Hearing Date April 15, 2003

Tape Number	Side A	Side B	Meter #
2	X		5676 - end
		X	0 - 2885
Committee Clerk Signature <i>Sandra Dawson</i>			

Minutes:

**SENATOR CHRISTMANN** called the Conference Committee on **SB 2004** to order.

Roll call was read. **SENATOR LINDAAS** was absent. Members present: **SENATOR CHRISTMANN, SENATOR ANDRIST, REPRESENTATIVE SKARPHOL, REPRESENTATIVE GLASSHEIM, and REPRESENTATIVE TIMM.**

**SENATOR CHRISTMANN** stated that at the end of the last committee meeting they were looking at the differences in the health insurance and differences in technology costs. The governor had taken \$295,000 for salaries - amounting to three positions. The Senate took out other one. That adds to four that the House added back in. The House's tech costs were \$57,000. And, by contrast what the Senate has been doing to agency bills in second half .... would amount to \$11,500. We have no difference on the consulting line item - we both left it at \$50,000 as opposed to \$100,000 that was in the executive budget. There was a question where the Corrections budget has money for their audit and it does not. So, that would be one more

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Bill/Resolution Number SB 2004  
Hearing Date April 15, 2003

thing to continue ..... The last questions we haven't discussed has to do with the separate IT auditors that were in the IT bill. We can do what we choose as a committee. .... Personal preference is that IT issue wasn't in the House version and it wasn't in the Senate version. Committee needs to address those.

**REPRESENTATIVE SKARPHOL:** I agree with you with regard to the IT auditors. With regard to the consulting dollars that are in the auditors' budget, I had some discussion with the leadership on our side of the hall. It is my intention to propose that we remove the \$50,000 that is currently in the budget and amend the budget to reflect that any agency required to handle the performance of it must be the cost of any consultant fees required to accommodate the performance audit. Reason for that being since there are inadequate dollars, we feel, to cover the cost of the consultants, whatever agency selected should receive some benefit. .... should be recommendations in the audit to approve benefit to that agency, thereby a reward for the costs. .... Department of Transportation costs ..... similar costs of other agencies - reflective of the total moneys involved in the agencies. .... (Tape 2, Side A, Meter # 5676 - end)

**SENATOR CHRISTMANN:** .... We're not ready to move forward because of the IT issues. .... Was it discussed or was it in a bill someplace?

**REPRESENTATIVE SKARPHOL:** It was not in a bill. .... Never got brought up in full committee .... brought it up in leadership and they thought it was an appropriate thing to address ..... thought it inappropriate for the Auditor's office to have eat the difference when the actual beneficiary of that audit would be Corrections. ....  
Audit department should pay - each agency subjected to performance audit - paid by the agency.

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**SENATOR CHRISTMANN:** How do we prevent auditor from making busy work at the expense of the agency?

**REPRESENTATIVE SKARPHOL:** Doesn't believe agencies irresponsible.

**SENATOR ANDRIST:** Would the language be that you would suggest any audit ordered by the legislature be paid for by the agency being audited?

**REPRESENTATIVE SKARPHOL:** ..... Confine to legislative audit.

**SENATOR ANDRIST:** Nobody but the legislature requests audits?

**GORDY SMITH, from the Auditor's office:** State law reads would be that the state auditor can select the performance audit or the RFRC can select it - two entities. .... Full legislature would have authority. .... Gave examples of certain audits. (Meter # 264 - 400)

**REPRESENTATIVE SKARPHOL:** Would your office have any difficulty in getting approval to hire consultant?

**GORDY SMITH:** No problem. ....

**REPRESENTATIVE SKARPHOL:** We could require notification of the agency .... addressed why it shouldn't be done ... put safeguards in.

**SENATOR CHRISTMANN:** If an agency has fixed costs and then told need money for audit - how? .....

**REPRESENTATIVE SKARPHOL:** Need to go to Emergency Commission. ....

**REPRESENTATIVE TIMM:** Asked Gordy about a previous audit and where did they get the money for that?

**GORDY SMITH:** Don't recall - there has been several. ... Once or twice a biennium, go to the Legislature with a list .... if no consultant involved, performance audit free to the agency .... have

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to plan ahead ..... no money allowed for performance audit .... if no consultants, general fund out of the money.

**REPRESENTATIVE TIMM:** Why Corrections?

**GORDY SMITH:** If no consultants they could do, but don't feel qualified to tell the way to correct it. .... Consultant can give you so much more useful information.

**SENATOR ANDRIST:** Representative Skarphol is requesting authority to bill agency with consulting fees - not for the audit.

**REPRESENTATIVE SKARPHOL:** For the cost of the consultant hired to do the performance audit - correct. If you leave the \$50,000 in, who uses it? ... If agencies have audits, they pay. Money only available to agencies who can't pay.

**SENATOR CHRISTMANN:** Does want to rule out consultant services.

**SENATOR ANDRIST:** There might be some agencies where the fees could be partially covered - federally funded .....

**SENATOR CHRISTMANN:** Concern how agencies respond to surprise audit fees. ....

Worthy of consideration. .... Any one of us has an objection to dealing with the potential IT auditors .....

**REPRESENTATIVE SKARPHOL:** Think it appropriate to leave in discussion for IT ..... needed for overall plan .....

**REPRESENTATIVE GLASSHEIM:** The four IT auditors in their budget - are these to be different kinds of IT auditors or what do the current four do?

**SENATOR CHRISTMANN:** .... Was advocating them .... didn't understand exactly the role .... Maybe REPRESENTATIVE SKARPHOL could best explain .....

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**REPRESENTATIVE SKARPHOL:** In the IT plan ... agencies are directed to budget ... auditors not going to determine business aspect - determine whether it is going interface with technology .... assessment of technological aspects .... Partly business plan ..... ITD decides on if it is in compliance - feel appropriate ..... As policy makers - never defined as saved money for uses of the money ..... IT audit would be able to identify savings and report where the savings was spent. .... (Meter # 1211 - 1469)

**SENATOR CHRISTMANN:** Senate talked about the same thing.

**SENATOR ANDRIST:** Trouble with vision of two positions. How do you know you need four to do the job? .... Some flexibility .... regular auditors for IT could be utilized everywhere .... trouble with concept of two different kinds of things .... (Meter # 1514 - 16 30)

**REPRESENTATIVE GLASSHEIM:** Sees difference between IT auditors and regular IT.

What do the four positions now do?

**GORDY SMITH:** IT Auditors requirements .... Old days: System of option auditing input into system - look at output ..... New Auditing: Look into computer to be sure there is no manipulation as a result of computer fraud .... two types of audits they do now ..... 379 systems in North Dakota ..... the machine is programmed right ..... application audit goes into specific system. Gave example MMIS. .... Four auditors full time do 6-8 risk reviews. .... Two additional auditors on IT allows the savings ..... Check everyone every two years with hopes of catching and saving .... Two policy structure ..... (Meter # 1680 - 2214)

**SENATOR CHRISTMANN:** Four auditors auditing half a dozen a year - 25 out of 60 some agencies .... never get caught up?

**GORDY SMITH:** Those guys will never catch up ..... MMIS evaluations .....

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**SENATOR CHRISTMANN:** Any questions?

**REPRESENTATIVE SKARPHOL:** Request of a draft of an amendment .... whatever it takes to remove \$50,000 .....

**DON WOLF:** Clarify what is wanted on amendment.

**REPRESENTATIVE SKARPHOL:** What included .... (Meter #2420 )

**SENATOR CHRISTMANN:** Issue well understood .... four regular audit positions ... two new IT auditors ... cuts not understood .... Give two days for clarification and will be able to vote on Thursday ..... discuss more .... (Meter # 2540 - 2573)

**SENATOR ANDRIST:** Prefer all auditors dealt with in this budget ...

**SENATOR CHRISTMANN:** Leave two issues separated .... issue of 4 auditors .... issue of regular auditors and issue of IT auditors .....

**REPRESENTATIVE GLASSHEIM:** Only reason to combine them is a question of money appropriations and budget. .... Having a lot of same agency with different appropriations in 2 or 3 different budgets ..... hard to track .....

**SENATOR CHRISTMANN:** Can see potential of two auditor positions ..... (Meter # 2788 - 2835)

**REPRESENTATIVE SKARPHOL:** Comment on IT auditors - reason put in budget was because the money to pay for them was taken out of ITD ..... (Meter #2855)

**SENATOR CHRISTMANN:** To look at bill again on Thursday. Meeting adjourned.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004

Senate Appropriations Committee

Conference Committee

Hearing Date April 21, 2003

Tape Number	Side A	Side B	Meter #
3	X		0-1940

Committee Clerk Signature *Sandra Davis*

Minutes:

Senator Christmann called the conference to order. All committee members are present.

Representative Glassheim (mtr #55) - Reviewed proposed amendment 38027.0209 and explained its impact on the bill. Explained all issues in the amendment and how it compared with what the House and Senate had proposed separately.

Representative Skarphol (mtr #308) - Based on workload, feels it is imperative to give the auditor's office back the positions that were removed. Feels Auditors Office has an increased workload. Also gave in depth explanation of what the House is doing with IT auditors because it effects this bill. Clarified language for IT issues. Talked about performance audits.

Representative Glassheim (mtr #780) - Question on the cost of performance audits.

Representative Skarphol (mtr #800) - Had asked that question of Auditors Office and did not get a good answer. So that is part if the reason why the language is designed as it is.

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Representative Glassheim (mtr #861) - Would feel more comfortable if the general funds picked it up.

Senator Christmann (mtr #900) - Reviewed for perspective the number of positions and dollar amount proposed earlier. Moved forward to look at the three auditor positions that had been removed in the Executive budget.

Representative Skarphol (mtr #934) - Had asked for an amendment earlier that included language removing funds for consultants. Has that amendment. Reviewed what the amendment contains. Moved to amend the bill with .0208 but with one further amend regarding IT. Reviewed dollar amount that should be reflected in the change.

Motion was seconded.

Senator Christmann (mtr #1050) - For clarification reviewed the amendment that has been moved and seconded.

Representative Timm (mtr #1265) - Recognized that the House had proposed higher spending and proposal decreases the general fund spending.

Representative Glassheim (mtr #1352) - Talked about the difference in funding between amendment .0208 and .0209.

Senator Andrist (mtr #1400) - If three auditors are restored, feels budget is still rich.

Senator Christmann (mtr #1445) - Own thoughts, if all positions are filled and no one quits, will have to lay off one person at the start of next biennium, then in a few months will be able to hire back with money saved. Gave further information on funding for one person.

Representative Skarphol (mtr #1635) - Feels the \$71,200 was a number that was rounded out to \$150,000.00. Talked about other things covered with those funds.

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Bill/Resolution Number SB2004

Hearing Date April 21, 2003

Mr. Smith, Auditors Office (mtr #1740) - Pointed out that, original budget turned in had cut four FTE's. The \$71,000 would pay for one auditor.

Senator Christmann (mtr #1895) - Amendments will be drafted with technology changes.

Representative Skarphol withdrew his motion.

Senator Christmann (mtr #1940) - Adjourned the meeting.

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2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2004 Vote

Senate Appropriations Committee

XXXX Conference Committee

Hearing Date April 22, 2003

Tape Number	Side A	Side B	Meter #
3	x		193 - 1660
Committee Clerk Signature <i>Sandra Davison</i>			

Minutes:

SENATOR CHRISTMANN called the meeting of the conference committee to order. All members were present.

SENATOR CHRISTMANN said amendment 38027.0210 has been passed out and reflects restoration of the 3 FTE's that the executive budget removed, restoration of the \$71,200 for the 4th position that Senate changes had underfunded, removes the final \$50,000 for performance audit, makes the health insurance change and removes \$15,809 for IT. Still in question is whether there should be a full 5% reduction in IT cost in light of the Senate cuts for copier replacement.

REPRESENTATIVE SKARPHOL mentioned the language in section 3 on the front with regards to the performance audit, we took the \$50,000 remaining in the performance audit consultants fund and added the language that any agency subject to a performance audit will pay for the performance audit themselves. (meter 468)

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Bill/Resolution Number SB 2004  
Hearing Date 04/22/03

REPRESENTATIVE SKARPHOL said the committee can do what they think is appropriate in regards to the copier. The Senate took that action. In some ways its regarded as IT, there is room for discussion.

SENATOR ANDRIST said copiers have been funded in the technology budget.

REPRESENTATIVE TIMM asked about the issue.

SENATOR CHRISTMANN said it was included in the executive budget. They wanted a new copier and the Senate thought they could do without it. We don't want to put it back in. Do we want to add some funds for repairs?

SENATOR LINDAAS asked for an estimate for the repair? Has an evaluation been made?

SENATOR CHRISTMANN said no, he just brought it up because the reduction in IT is 15%.

**REPRESENTATIVE GLASSHEIM moved \$2839 be added for copier repair. Motion was seconded by SENATOR ANDRIST.**

REPRESENTATIVE SKARPHOL asked if this is the only copier in the office and the age of the copier?

Gordy Smith said it is the only copier and it is 15 years old.

There was some discussion about copiers, prices, features, service contracts, repairs (meter 819).

REPRESENTATIVE SKARPHOL said in the IT process, they have reserved some dollars for "add backs" for agencies affected more than they should be, this is for informational purposes.

**REPRESENTATIVE GLASSHEIM withdrew the motion to add \$2389 for copier repair.**

SENATOR LINDAAS said it could be hard to get parts for a 15 year old copier.

REPRESENTATIVE SKARPHOL asked why the Senate took out the copier.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Cheresea J. Bee  
Operator's Signature

10-14-03  
Date

Page 3

Senate Appropriations Committee  
Bill/Resolution Number SB 2004  
Hearing Date 04/22/03

SENATOR CHRISTMANN said it was part of the overall goal for general fund cuts.

SENATOR ANDRIST moved that \$5000 be added to operating budget for the copier or repairs. Motion was seconded by SENATOR LINDAAS.

REPRESENTATIVE SKARPHOL offered a substitute motion that \$1000 be added to the operating budget for copier repairs in addition to the amendments in .0210, motion seconded by REPRESENTATIVE TIMM.

The substitute motion was passed on a voice vote.

There was discussion with Stephanie on how to include the \$1000 in the amendment.

It was moved by REPRESENTATIVE SKARPHOL and seconded by REPRESENTATIVE TIMM that the House recede and adopt amendment 38027.0210 with the approved \$1000 addition to the operating line. Motion passed on a roll call vote 5 - 1 - 0.

The meeting of the conference committee was adjourned.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

Cherisea J. Bee  
Operator's Signature

10-14-03  
Date

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

That the House recede from its amendments as printed on pages 1116 and 1117 of the Senate Journal and pages 1235 and 1236 of the House Journal and that Engrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 8, replace "5,620,686" with "5,785,330"

Page 1, line 9, replace "732,580" with "675,204"

Page 1, line 11, replace "6,403,266" with "6,510,534"

Page 1, line 12, replace "2,121,195" with "2,119,441"

Page 1, line 13, replace "4,282,071" with "4,391,093"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$5,754,797	\$5,620,686	\$184,644	\$5,785,330	\$5,981,437	(\$196,107)
Operating expenses	781,380	732,580	(57,376)	675,204	675,204	
Performance audits	<u>100,000</u>	<u>50,000</u>		<u>50,000</u>	<u>50,000</u>	
Total all funds	\$6,816,177	\$6,403,266	\$107,268	\$6,510,534	\$6,706,641	(\$196,107)
Less estimated income	<u>2,140,958</u>	<u>2,121,195</u>	<u>(1,754)</u>	<u>2,119,441</u>	<u>2,119,441</u>	
General fund	\$4,475,219	\$4,282,071	\$100,022	\$4,391,093	\$4,587,200	(\$196,107)
FTE	52.00	52.00	2.00	54.00	55.00	(1.00)

Dept. 117 - State Auditor - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 2	ADDS 2 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET 3	REMOVES FUNDING FOR 1 PERFORMANCE AUDITOR 4	RESTORES FUNDING FOR SALARIES AND WAGES 5	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$5,366)		\$184,588	(\$85,778)	\$71,200	\$184,644
Operating expenses		(\$57,376)				(57,376)
Performance audits						
Total all funds	(\$5,366)	(\$57,376)	\$184,588	(\$85,778)	\$71,200	\$107,268
Less estimated income	<u>(1,754)</u>					<u>(1,754)</u>
General fund	(\$3,612)	(\$57,376)	\$184,588	(\$85,778)	\$71,200	\$109,022
FTE	0.00	0.00	2.00	0.00	0.00	2.00

- 1 This amendment reduces the funding for state employee health insurance premiums from \$493 to \$488.70 per month.
- 2 This amendment reduces funding for information technology by \$57,376 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 20 percent.
- 3 This amendment restores the two FTE positions and funding for the positions that were deleted in the executive budget recommendation.
- 4 This amendment removes the funding for one performance auditor but retains the FTE position.
- 5 This amendment restores funding of \$71,200 for a position that the Senate removed.

38027.0208  
Title.  
Fiscal No. 2

Prepared by the Legislative Council staff for  
Representative Skarphol  
April 16, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

That the House recede from its amendments as printed on pages 1116 and 1117 of the Senate Journal and pages 1235 and 1236 of the House Journal and that Engrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 1, after "auditor" insert "; and to amend and reenact subsection 4 of section 54-10-01 of the North Dakota Century Code, relating to the powers and duties of the state auditor"

Page 1, line 8, replace "5,620,686" with "5,981,437"

Page 1, line 9, replace "732,580" with "675,204"

Page 1, remove line 10

Page 1, line 11, replace "6,403,266" with "6,656,641"

Page 1, line 12, replace "2,121,195" with "2,119,441"

Page 1, line 13, replace "4,282,071" with "4,537,200"

Page 1, after line 18, insert:

**"SECTION 3. AMENDMENT.** Subsection 4 of section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

4. Perform or provide for performance audits of state agencies as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor may not hire a consultant to assist with conducting a performance audit of a state agency without the prior approval of the legislative audit and fiscal review committee. The state auditor shall notify an agency of the need for a consultant before requesting approval by the legislative audit and fiscal review committee. The agency that is audited shall pay for the cost of any consultant approved.

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2004 - State Auditor - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$5,754,797	\$5,620,686	\$380,751	\$5,981,437	\$5,981,437	
Operating expenses	781,380	732,500	(57,376)	675,204	675,204	
Performance audits	<u>100,000</u>	<u>50,000</u>	<u>(50,000)</u>		<u>50,000</u>	(\$50,000)
Total all funds	\$6,616,177	\$6,403,286	\$253,375	\$6,656,641	\$6,706,641	(\$50,000)
Less estimated income	<u>2,140,958</u>	<u>2,121,195</u>	<u>(1,754)</u>	<u>2,119,441</u>	<u>2,119,441</u>	
General fund	\$4,475,219	\$4,282,071	\$255,129	\$4,537,200	\$4,587,200	(\$50,000)
FTE	52.00	52.00	3.00	55.00	55.00	0.00

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Operator's Signature

*Yherosa G. Bee*

10-14-03

Date

Dept. 117 - State Auditor - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 2	ADDS 3 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET 3	RESTORES FUNDING FOR SALARIES AND WAGES 4	REMOVES FUNDING FOR PERFORMANCE AUDITS 5	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$5,366)		\$294,917	\$71,200		\$360,761
Operating expenses		(\$57,376)				(57,376)
Performance audits					(\$50,000)	(50,000)
Total all funds	(\$5,366)	(\$57,376)	\$294,917	\$71,200	(\$50,000)	\$253,376
Less estimated income	(1,754)					(1,754)
General fund	(\$3,612)	(\$57,376)	\$294,917	\$71,200	(\$50,000)	\$255,129
FTE	0.00	0.00	3.00	0.00	0.00	3.00

1 This amendment reduces the funding for state employee health insurance premiums from \$493 to \$488.70 per month.

2 This amendment reduces funding for information technology by \$57,376 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 20 percent.

3 This amendment restores the three FTE positions and funding for the positions that were deleted in the executive budget recommendation.

4 This amendment restores funding of \$71,200 for a position that the Senate removed.

5 This amendment removes funding for performance audits.

This amendment also amends subsection 4 of Section 54-10-01 of the North Dakota Century Code, relating to the powers and duties of the State Auditor, to require Legislative Audit and Fiscal Review Committee approval before the State Auditor may hire a consultant to assist in state agency performance audits, and that the State Auditor shall notify the agency of the need to hire a consultant.

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*Cherisea J. Bee*  
Operator's Signature

10-14-03  
Date



38027.0210  
Title.  
Fiscal No. 2

Prepared by the Legislative Council staff for  
Conference Committee  
April 22, 2003

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

That the House recede from its amendments as printed on pages 1116 and 1117 of the Senate Journal and pages 1235 and 1236 of the House Journal and that Engrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 1, after "auditor" insert "; and to amend and reenact subsection 4 of section 54-10-01 of the North Dakota Century Code, relating to the powers and duties of the state auditor"

Page 1, line 8, replace "5,620,686" with "5,981,437"

Page 1, line 9, replace "732,580" with "716,771"

Page 1, remove line 10

Page 1, line 11, replace "6,403,266" with "6,698,208"

Page 1, line 12, replace "2,121,195" with "2,117,976"

Page 1, line 13, replace "4,282,071" with "4,580,232"

Page 1, after line 18, insert:

**"SECTION 3. AMENDMENT.** Subsection 4 of section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

4. Perform or provide for performance audits of state agencies as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor may not hire a consultant to assist with conducting a performance audit of a state agency without the prior approval of the legislative audit and fiscal review committee. The state auditor shall notify an agency of the need for a consultant before requesting approval by the legislative audit and fiscal review committee. The agency that is audited shall pay for the cost of any consultant approved.

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$5,754,797	\$5,620,686	\$360,761	\$5,981,437	\$5,981,437	
Operating expenses	761,380	732,580	(15,809)	716,771	675,204	\$41,567
Performance audits	<u>100,000</u>	<u>50,000</u>	<u>(50,000)</u>		<u>50,000</u>	<u>(50,000)</u>
Total all funds	\$6,616,177	\$6,403,266	\$284,942	\$6,698,208	\$6,706,641	(\$6,433)
Less estimated income	<u>2,140,958</u>	<u>2,121,195</u>	<u>(3,219)</u>	<u>2,117,976</u>	<u>2,119,441</u>	<u>(1,465)</u>
General fund	\$4,475,219	\$4,282,071	\$298,161	\$4,580,232	\$4,587,200	(\$6,968)
FTE	52.00	52.00	3.00	55.00	55.00	0.00

Page No. 1

38027.0210

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Cheresea J. Bee  
Operator's Signature

10-14-03  
Date

Dept. 117 - State Auditor - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE <sup>1</sup>	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS <sup>2</sup>	ADDS 3 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET <sup>3</sup>	RESTORES FUNDING FOR SALARIES AND WAGES <sup>4</sup>	REMOVES FUNDING FOR PERFORMANCE AUDITS <sup>5</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages	(\$5,368)		\$294,917	\$71,200		\$360,751
Operating expenses		(\$15,809)				(15,809)
Performance audits					(\$50,000)	(50,000)
<b>Total all funds</b>	<b>(\$5,368)</b>	<b>(\$15,809)</b>	<b>\$294,917</b>	<b>\$71,200</b>	<b>(\$50,000)</b>	<b>\$294,842</b>
Less estimated income	<u>(1,754)</u>	<u>(1,465)</u>				<u>(3,219)</u>
<b>General fund</b>	<b>(\$3,612)</b>	<b>(\$14,344)</b>	<b>\$294,917</b>	<b>\$71,200</b>	<b>(\$50,000)</b>	<b>\$298,161</b>
FTE	0.00	0.00	3.00	0.00	0.00	3.00

- 1 This amendment reduces the funding for state employee health insurance premiums from \$493 to \$488.70 per month.
- 2 This amendment reduces funding for information technology by \$15,809, which is \$14,344 from the general fund and \$1,465 from other funds, which represents a reduction in total information technology funding of approximately 5 percent.
- 3 This amendment restores the three FTE positions and funding for the positions that were deleted in the executive budget recommendation.
- 4 This amendment restores funding of \$71,200 for a position that the Senate removed.
- 5 This amendment removes funding for performance audits.

This amendment also amends subsection 4 of North Dakota Century Code Section 54-10-01, relating to the powers and duties of the State Auditor, to require Legislative Audit and Fiscal Review Committee approval before the State Auditor may hire a consultant to assist in state agency performance audits, and that the State Auditor shall notify the agency of the need to hire a consultant.

The micrographic images on this film are accurate reproductions of records delivered to Modern Information Systems for microfilming and were filmed in the regular course of business. The photographic process meets standards of the American National Standards Institute (ANSI) for archival microfilm. NOTICE: If the filmed image above is less legible than this Notice, it is due to the quality of the document being filmed.

*Yherosa W. Lee*  
Operator's Signature

10-14-03  
Date



*JB*  
4-23-03  
1042

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004

That the House recede from its amendments as printed on pages 1116 and 1117 of the Senate Journal and pages 1235 and 1236 of the House Journal and that Engrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 1, after "auditor" insert "; and to amend and reenact subsection 4 of section 54-10-01 of the North Dakota Century Code, relating to the powers and duties of the state auditor"

Page 1, line 8, replace "5,620,686" with "5,981,437"

Page 1, line 9, replace "732,580" with "717,771"

Page 1, remove line 10

Page 1, line 11, replace "6,403,266" with "6,699,208"

Page 1, line 12, replace "2,121,195" with "2,117,976"

Page 1, line 13, replace "4,282,071" with "4,581,232"

Page 1, after line 18, insert:

**"SECTION 3. AMENDMENT.** Subsection 4 of section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

4. Perform or provide for performance audits of state agencies as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor may not hire a consultant to assist with conducting a performance audit of a state agency without the prior approval of the legislative audit and fiscal review committee. The state auditor shall notify an agency of the need for a consultant before requesting approval by the legislative audit and fiscal review committee. The agency that is audited shall pay for the cost of any consultant approved.

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$5,754,797	\$5,820,686	\$30,751	\$5,981,437	\$5,981,437	
Operating expenses	781,380	732,580	(14,809)	717,771	875,204	\$42,667
Performance audits	100,000	50,000	(50,000)		50,000	(50,000)
Total all funds	\$6,618,177	\$6,403,266	\$295,942	\$6,699,208	\$6,706,641	(\$7,433)
Less estimated income	<u>2,140,956</u>	<u>2,121,195</u>	<u>(3,219)</u>	<u>2,117,976</u>	<u>2,119,441</u>	<u>(1,465)</u>
General fund	\$4,475,219	\$4,282,071	\$299,161	\$4,581,232	\$4,587,200	(\$5,968)
FTE	52.00	52.00	3.00	55.00	55.00	0.00

Yherosa J. Lee  
Operator's Signature

10-14-03  
Date

2 of 2

Dept. 117 - State Auditor - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE <sup>1</sup>	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS <sup>2</sup>	ADDS 3 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET <sup>3</sup>	RESTORES FUNDING FOR SALARIES AND WAGES <sup>4</sup>	REMOVES FUNDING FOR PERFORMANCE AUDITS <sup>5</sup>	ADDS FUNDING FOR COPIER REPAIRS <sup>6</sup>
Salaries and wages	(\$5,366)		\$294,917	\$71,200		
Operating expenses		(\$15,809)				\$1,000
Performance audits					(\$50,000)	
Total all funds	(\$5,366)	(\$15,809)	\$294,917	\$71,200	(\$50,000)	\$1,000
Less estimated income	(1,764)	(1,465)				
General fund	(\$3,812)	(\$14,344)	\$294,917	\$71,200	(\$50,000)	\$1,000
FTE	0.00	0.00	3.00	0.00	0.00	0.00
TOTAL CONFERENCE COMMITTEE CHANGES						
Salaries and wages	\$360,751					
Operating expenses	(14,809)					
Performance audits	(50,000)					
Total all funds	\$295,942					
Less estimated income	(3,219)					
General fund	\$299,161					
FTE	3.00					

- 1 This amendment reduces the funding for state employee health insurance premiums from \$493 to \$488.70 per month.
- 2 This amendment reduces funding for information technology by \$15,809, which is \$14,344 from the general fund and \$1,465 from other funds, which represents a reduction in total information technology funding of approximately 5 percent.
- 3 This amendment restores the three FTE positions and funding for the positions that were deleted in the executive budget recommendation.
- 4 This amendment restores funding of \$71,200 for a position that the Senate removed.
- 5 This amendment removes funding for performance audits.
- 6 This amendment adds \$1,000 from the general fund to the operating expenses line item for copier repairs. The Senate had removed \$28,800 from the operating expenses line item, which was to be used for the purchase of a new copy machine. These adjustments were done in addition to the 5 percent information technology reduction in footnote No. 2.

This amendment also amends and reenacts subsection 4 of North Dakota Century Code Section 54-10-01 relating to the powers and duties of the State Auditor, to require Legislative Audit and Fiscal Review Committee approval before the State Auditor may hire a consultant to assist in state agency performance audits, and that the State Auditor shall notify the agency of the need to hire a consultant.

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Cheresea J. Bee  
Operator's Signature

10-14-03  
Date

**REPORT OF CONFERENCE COMMITTEE**

**SB 2004, as engrossed:** Your conference committee (Sens. Christmann, Andrist, Lindaas and Reps. Skarphol, Timm, Glasshelm) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1116-1117, adopt amendments as follows, and place SB 2004 on the Seventh order:

That the House recede from its amendments as printed on pages 1116 and 1117 of the Senate Journal and pages 1235 and 1236 of the House Journal and that Engrossed Senate Bill No. 2004 be amended as follows:

Page 1, line 1, after "auditor" Insert "; and to amend and reenact subsection 4 of section 54-10-01 of the North Dakota Century Code, relating to the powers and duties of the state auditor"

Page 1, line 8, replace "5,620,686" with "5,981,437"

Page 1, line 9, replace "732,580" with "717,771"

Page 1, remove line 10

Page 1, line 11, replace "6,403,266" with "6,699,208"

Page 1, line 12, replace "2,121,195" with "2,117,976"

Page 1, line 13, replace "4,282,071" with "4,581,232"

Page 1, after line 18, insert:

**"SECTION 3. AMENDMENT.** Subsection 4 of section 54-10-01 of the North Dakota Century Code is amended and reenacted as follows:

4. Perform or provide for performance audits of state agencies as determined necessary by the state auditor or the legislative audit and fiscal review committee. A performance audit must be done in accordance with generally accepted auditing standards applicable to performance audits. The state auditor may not hire a consultant to assist with conducting a performance audit of a state agency without the prior approval of the legislative audit and fiscal review committee. The state auditor shall notify an agency of the need for a consultant before requesting approval by the legislative audit and fiscal review committee. The agency that is audited shall pay for the cost of any consultant approved.

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - State Auditor - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$5,754,797	\$5,620,686	\$360,751	\$5,981,437	\$5,981,437	
Operating expenses	761,380	732,580	(14,809)	717,771	675,204	\$42,567
Performance audits	100,000	50,000	(50,000)		50,000	(50,000)
Total all funds	\$6,616,177	\$6,403,266	\$295,942	\$6,699,208	\$6,706,641	(\$7,433)
Less estimated income	2,140,958	2,121,195	(3,219)	2,117,976	2,119,441	(1,465)

(2) DESK, (2) COMM

Page No. 1

HR-74-8189

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Operator's Signature

*Cheresea J. Bee*

Date

10-14-03

**REPORT OF CONFERENCE COMMITTEE (420)**  
**April 23, 2003 11:01 a.m.**

**Module No: HR-74-8189**

**Insert LC: 38027.0211**

General fund	\$4,475,210	\$4,282,071	\$299,161	\$4,581,232	\$4,587,200	(\$5,968)
FTE	52.00	52.00	3.00	55.00	55.00	0.00

**Dept. 117 - State Auditor - Detail of Conference Committee Changes**

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE 1	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS 2	ADDS 3 FTE AND FUNDING FOR POSITIONS DELETED IN THE EXECUTIVE BUDGET 3	RESTORES FUNDING FOR SALARIES AND WAGES 4	REMOVES FUNDING FOR PERFORMANCE AUDITS 5	ADDS FUNDING FOR COPIER REPAIRS 6
Salaries and wages	(\$5,366)		\$294,917	\$71,200		
Operating expenses		(\$15,809)				\$1,000
Performance audits					(\$50,000)	
<b>Total all funds</b>	<b>(\$5,366)</b>	<b>(\$15,809)</b>	<b>\$294,917</b>	<b>\$71,200</b>	<b>(\$50,000)</b>	<b>\$1,000</b>
Less estimated income	(1,754)	(1,465)				
<b>General fund</b>	<b>(\$3,612)</b>	<b>(\$14,344)</b>	<b>\$294,917</b>	<b>\$71,200</b>	<b>(\$50,000)</b>	<b>\$1,000</b>
FTE	0.00	0.00	3.00	0.00	0.00	0.00
<b>TOTAL CONFERENCE COMMITTEE CHANGES</b>						
Salaries and wages	\$360,751					
Operating expenses	(14,809)					
Performance audits	(50,000)					
<b>Total all funds</b>	<b>\$295,942</b>					
Less estimated income	(3,219)					
<b>General fund</b>	<b>\$299,161</b>					
FTE	3.00					

- 1 This amendment reduces the funding for state employee health insurance premiums from \$493 to \$488.70 per month.
- 2 This amendment reduces funding for information technology by \$15,809, which is \$14,344 from the general fund and \$1,465 from other funds, which represents a reduction in total information technology funding of approximately 5 percent.
- 3 This amendment restores the three FTE positions and funding for the positions that were deleted in the executive budget recommendation.
- 4 This amendment restores funding of \$71,200 for a position that the Senate removed.
- 5 This amendment removes funding for performance audits.
- 6 This amendment adds \$1,000 from the general fund to the operating expenses line item for copier repairs. The Senate had removed \$28,800 from the operating expenses line item, which was to be used for the purchase of a new copy machine. These adjustments were done in addition to the 5 percent information technology reduction in footnote No. 2.

This amendment also amends and reenacts subsection 4 of North Dakota Century Code Section 54-10-01 relating to the powers and duties of the State Auditor, to require Legislative Audit and Fiscal Review Committee approval before the State Auditor may hire a consultant to assist in state agency performance audits, and that the State Auditor shall notify the agency of the need to hire a consultant.

Engrossed SB 2004 was placed on the Seventh order of business on the calendar.

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10-14-03  
 Date

2003 TESTIMONY

SB 2004

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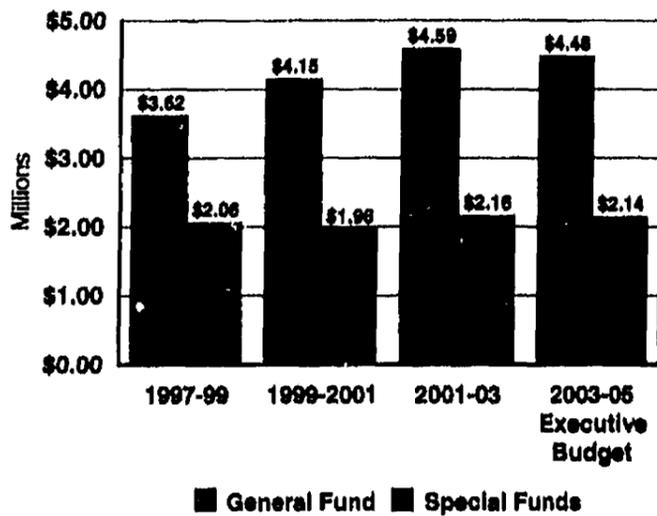
**Department 117 - State Auditor  
 Senate Bill No. 2004**

	FTE Positions	General Fund	Other Funds	Total
2003-05 Executive Budget	52.00	\$4,475,219	\$2,140,958	\$6,616,177
2001-03 Legislative Appropriations	55.00	4,591,143 <sup>1</sup>	2,167,640	6,748,783 <sup>2</sup>
Increase (Decrease)	(3.00)	(\$115,924)	(\$16,682)	(\$132,606)

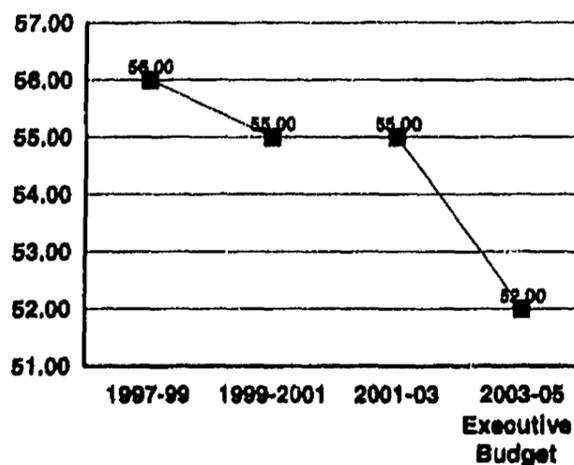
<sup>1</sup> The 2001-03 general fund appropriation is the amount appropriated by the 2001 Legislative Assembly and does not include a reduction of \$48,207 relating to the 1.05 percent budget allotment ordered by Governor Hoeven in July 2002.

<sup>2</sup> The 2001-03 appropriation amounts include \$36,848, \$25,075 of which is from the general fund, for the agency's share of the \$5 million funding pool appropriated to the Office of Management and Budget for special market equity adjustments for classified employees.

**Agency Funding**



**FTE Positions**



**First House Action**

Attached is a summary of the first house changes.

**Executive Budget Highlights  
 (With First House Changes Noted)**

	General Fund	Other Funds	Total
1. Deletes the following FTE positions: 1 FTE auditor IV 1 FTE auditor III 1 FTE auditor II Total 3 FTE positions deleted	(\$111,350) (\$101,419) (\$85,386) (\$298,155)		(\$111,350) (\$101,419) (\$85,386) (\$298,155)
2. Transfers \$100,000 general fund dollars from the operating line item to a special line item for the cost of contracting performance audit work. The Senate reduced this amount by \$50,000.			\$0

**Major Related Legislation**

**House Bill No. 1022** - This bill provides 2 FTE Information technology auditors related to information technology compliance reviews.

**House Bill No. 1497** - This bill provides that the State Auditor shall review and validate agency and department performance audits as requested by the Government Performance and Accountability Committee.

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**STATEMENT OF PURPOSE OF AMENDMENT:****Senate Bill No. 2004 - Funding Summary**

	Executive Budget	Senate Changes	Senate Version
<b>State Auditor</b>			
Salaries and wages	\$5,754,797	(\$134,111)	\$5,620,686
Operating expenses	761,380	(28,800)	732,580
Performance audits	100,000	(50,000)	50,000
<b>Total all funds</b>	<b>\$6,616,177</b>	<b>(\$212,911)</b>	<b>\$6,403,266</b>
Less estimated income	2,140,958	(19,763)	2,121,195
<b>General fund</b>	<b>\$4,475,219</b>	<b>(\$193,148)</b>	<b>\$4,282,071</b>
FTE	52.00	0.00	52.00
<b>Bill Total</b>			
<b>Total all funds</b>	<b>\$6,616,177</b>	<b>(\$212,911)</b>	<b>\$6,403,266</b>
Less estimated income	2,140,958	(19,763)	2,121,195
<b>General fund</b>	<b>\$4,475,219</b>	<b>(\$193,148)</b>	<b>\$4,282,071</b>
FTE	52.00	0.00	52.00

**Senate Bill No. 2004 - State Auditor - Senate Action**

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$5,754,797	(\$134,111)	\$5,620,686
Operating expenses	761,380	(28,800)	732,580
Performance audits	100,000	(50,000)	50,000
<b>Total all funds</b>	<b>\$6,616,177</b>	<b>(\$212,911)</b>	<b>\$6,403,266</b>
Less estimated income	2,140,958	(19,763)	2,121,195
<b>General fund</b>	<b>\$4,475,219</b>	<b>(\$193,148)</b>	<b>\$4,282,071</b>
FTE	52.00	0.00	52.00

**Department No. 117 - State Auditor - Detail of Senate Changes**

	Removes Recommended Salary Increase <sup>1</sup>	Decreases Funding for Salaries and Wages	Decreases Funding for Performance Audits Line Item <sup>2</sup>	Removes Funding for New Copier	Total Senate Changes
Salaries and wages	(\$62,911)	(\$71,200)			(\$134,111)
Operating expenses				(28,800)	(28,800)
Performance audits			(50,000)		(50,000)
<b>Total all funds</b>	<b>(\$62,911)</b>	<b>(\$71,200)</b>	<b>(\$50,000)</b>	<b>(\$28,800)</b>	<b>(\$212,911)</b>
Less estimated income	(19,763)	0	0	0	(19,763)
<b>General fund</b>	<b>(\$43,148)</b>	<b>(\$71,200)</b>	<b>(\$50,000)</b>	<b>(\$28,800)</b>	<b>(\$193,148)</b>
FTE	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

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*Cheresea J. Bee*  
Operator's Signature

10-14-03  
Date

02/24/03

This amendment decreases funding from the general fund for the performance audits line item from \$100,000 to \$50,000.

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Yvonne A. Lee  
Operator's Signature

10-14-03  
Date

LC

04/09/03

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2004 - Funding Summary**

	Executive Budget	Senate Version	House Changes	House Version
<b>State Auditor</b>				
Salaries and wages	\$5,754,797	\$5,620,686	\$360,751	\$5,981,437
Operating expenses	761,380	732,580	(\$7,376)	675,204
Performance audits	100,000	50,000		50,000
<b>Total all funds</b>	<b>\$6,616,177</b>	<b>\$6,403,266</b>	<b>\$303,375</b>	<b>\$6,706,641</b>
Less estimated income	2,140,958	2,121,195	(1,754)	2,119,441
<b>General fund</b>	<b>\$4,475,219</b>	<b>\$4,282,071</b>	<b>\$305,129</b>	<b>\$4,587,200</b>
FTE	52.00	52.00	3.00	55.00
<b>Bill Total</b>				
Total all funds	\$6,616,177	\$6,403,266	\$303,375	\$6,706,641
Less estimated income	2,140,958	2,121,195	(1,754)	2,119,441
<b>General fund</b>	<b>\$4,475,219</b>	<b>\$4,282,071</b>	<b>\$305,129</b>	<b>\$4,587,200</b>
FTE	52.00	52.00	3.00	55.00

**Senate Bill No. 2004 - State Auditor - Senate Action**

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$5,754,797	(\$134,111)	\$5,620,686
Operating expenses	761,380	(28,800)	732,580
Performance audits	100,000	(50,000)	50,000
<b>Total all funds</b>	<b>\$6,616,177</b>	<b>(\$212,911)</b>	<b>\$6,403,266</b>
Less estimated income	2,140,958	(19,763)	2,121,195
<b>General fund</b>	<b>\$4,475,219</b>	<b>(\$193,148)</b>	<b>\$4,282,071</b>
FTE	52.00	0.00	52.00

**Department No. 117 - State Auditor - Detail of Senate Changes**

	Removes Recommended Salary Increase <sup>1</sup>	Decreases Funding for Salaries and Wages	Decreases Funding for Performance Audits Line Item <sup>2</sup>	Removes Funding for New Copier	Total Senate Changes
Salaries and wages	(\$62,911)	(\$71,200)			(\$134,111)
Operating expenses				(28,800)	(28,800)
Performance audits			(50,000)		(50,000)
<b>Total all funds</b>	<b>(\$62,911)</b>	<b>(\$71,200)</b>	<b>(\$50,000)</b>	<b>(\$28,800)</b>	<b>(\$212,911)</b>
Less estimated income	(19,763)	0	0	0	(19,763)
<b>General fund</b>	<b>(\$43,148)</b>	<b>(\$71,200)</b>	<b>(\$50,000)</b>	<b>(\$28,800)</b>	<b>(\$193,148)</b>
FTE	0.00	0.00	0.00	0.00	0.00

<sup>1</sup>This amendment removes the Governor's recommendation for state employee salary increases and retains the recommended state payment for health insurance premiums.

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<sup>2</sup> This amendment decreases funding from the general fund for the performance audits line item from \$100,000 to \$50,000.

**Senate Bill No. 2004 - State Auditor - House Action**

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$5,754,797	\$5,620,686	\$360,751	\$5,981,437
Operating expenses	761,380	732,580	(57,376)	675,204
Performance audits	100,000	50,000		50,000
<b>Total all funds</b>	<b>\$6,616,177</b>	<b>\$6,403,266</b>	<b>\$303,375</b>	<b>\$6,706,641</b>
Less estimated income	2,140,958	2,121,195	(1,754)	2,119,441
<b>General fund</b>	<b>\$4,475,219</b>	<b>\$4,282,071</b>	<b>\$305,129</b>	<b>\$4,587,200</b>
FTE	52.00	52.00	3.00	55.00

**Department No. 117 - State Auditor - Detail of House Changes**

	Reduces the Recommended Funding for Health Insurance <sup>1</sup>	Reduces Funding for Information Technology Costs <sup>2</sup>	Adds 3 FTE and Funding for Positions Deleted in the Executive Budget <sup>3</sup>	Restores Funding for Salaries and Wages <sup>4</sup>	Total House Changes
Salaries and wages	(\$5,366)		\$294,917	\$71,200	\$360,751
Operating expenses		(57,376)			(57,376)
Performance audits					
<b>Total all funds</b>	<b>(\$5,366)</b>	<b>(\$57,376)</b>	<b>\$294,917</b>	<b>\$71,200</b>	<b>\$303,375</b>
Less estimated income	(1,754)	0	0	0	(1,754)
<b>General fund</b>	<b>(\$3,612)</b>	<b>(\$57,376)</b>	<b>\$294,917</b>	<b>\$71,200</b>	<b>\$305,129</b>
FTE	0.00	0.00	3.00	0.00	3.00

<sup>1</sup> This amendment reduces the funding for state employee health insurance premiums from \$493 per month to \$488.70 per month.

<sup>2</sup> This amendment reduces funding for information technology by \$57,376 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 20 percent.

<sup>3</sup> This amendment restores the three FTE positions and funding for the positions that were deleted in the executive budget recommendation.

<sup>4</sup> This amendment restores funding of \$71,200 for a position that the Senate removed.

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*Cheresea A. Bee*  
Operator's Signature

10-14-03  
Date

STATE AUDITOR  
ROBERT R. PETERSON



STATE OF NORTH DAKOTA  
OFFICE OF THE STATE AUDITOR  
STATE CAPITOL  
600 E. BOULEVARD AVE. DEPT. 337  
BISMARCK, ND 58505

PHONE  
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**TESTIMONY BEFORE THE  
SENATE APPROPRIATIONS COMMITTEE**

January 9, 2003

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Senate Bill No. 2004

Testimony - Presented by:  
Robert R. Peterson, State Auditor

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**Agency Mission** - The mission of our agency is to provide efficient, quality audit services, with limited interruption to our client's operations, and to use the information gained from our audits to help state and local governmental units operate more efficiently and effectively for the benefit of the citizens of North Dakota.

**Programs and Objectives** - The activities of the Office of the State Auditor are carried out through four programs, each of which has its own goals, objectives, and strategies. The following pages provide an overview of each of these programs.

1

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**PROGRAM 1 - ADMINISTRATION**

Included as costs in this program are all expenses associated with the State Auditor and the office manager, which consist primarily of salaries, travel expenses, professional development expenses, and professional services costs which benefit all programs of the office.

Senate Bill No. 2004 provides the necessary funding to successfully carry out the objective of this program.

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## **PROGRAM 2 - STATE AUDITS**

### **Performance Audits -**

Performance auditing is an important part of state government which not only determines if programs are operating efficiently and effectively, but also determines if the programs are accomplishing what the Legislature intended them to accomplish. The majority of states have a performance audit function.

During the current biennium, the performance audit team completed performance audits of the North Dakota Veteran's Home, Service Payments for the Elderly and Disabled (SPED) and Expanded SPED programs administered by the North Dakota Department of Human Services. The performance audit team is currently conducting an audit of the Department of Transportation's Driver's License and Motor Vehicle Division's.

Despite the fact that our performance audit resources are very limited compared to other states, we have been able to make a significant difference in state government. An example is the performance audit of the North Dakota Veteran's Home (Home).

The performance audit report of the Home contained 46 recommendations including one which has the potential to result in savings of at least \$550,000 per biennium of state general fund monies. Other recommendations addressed issues of noncompliance with state and federal laws such as using state general funds in accordance with state law and improving the accounting of resident monies in accordance with federal laws. In addition, the performance audit report recommended the Administrative Committee exercise more control and direction over the Home, as well as ensuring the Commandant fulfilled the responsibilities and duties of the position.

This legislative session will see legislation designed to improve the operations of the North Dakota Veteran's Home that are the direct result of our performance audit. This will result in better service to the residents, as well as improved accountability to the taxpayers of the state.

The performance audit report on the SPED and Expanded SPED programs contained 13 recommendations for improvement. These included implementing controls relating to ensuring authorized payments aren't exceeding what has been authorized, monitoring duplicate payments, and ensuring providers adhere to maximum amount of hours of care to be provided in a month. In addition, the report contained a recommendation to make changes to the rate setting process for case management.

The performance audit team also conducted audit follow-up work and issued audit follow-up reports for the following performance audits conducted in prior years:

- a) State Procurement Practices (two reports issued)
- b) State of North Dakota Personnel Systems
- c) Contracts for Services

The State Auditor's Office was able to hire consultants to assist on the SPED and Expanded SPED audits, as well as the performance audit of the North Dakota Veterans' Home. In addition, we anticipate hiring a consultant to assist us in the audit of the Department of Transportation's Drivers License and Motor Vehicle Divisions. The use of consultants has proved to be a valuable tool in conducting performance audits. Their use allows us to expand the scope of our work into specialized areas. In addition, we leverage expensive consultant hours with our own work and our staff is able to learn from these consultants. All of these aspects enable us to continue to improve as a performance audit team and to provide the decision-makers with valuable information on the operations of state

government. Appendix A summarizes the results of our performance audit activities during the current biennium.

### **Operational Audits -**

Since implementing our new strategic planning audit approach, we have included measures of accountability (financial, compliance, efficiency, and performance measures) in our audit scope to provide results that will help agencies make their operations more effective and efficient. This change in audit scope has helped many state agencies improve the efficiency and effectiveness of their operations.

Operational improvements come from working with the state agencies, by using our expertise and research to offer constructive assistance and make recommendations for improvement. Our goal is to help individuals do their assigned work as efficiently and effectively as possible while giving them better control over the process.

Operational improvement recommendations that our office has made to date fall into one of five categories: 1) more efficient operations; 2) better service to the public; 3) more managerial control; 4) time savings for staff; and 5) saving state resources. Appendix B highlights a summary of selected operational improvements made by our office.

### **Information Technology Audits -**

Currently our information systems auditors audit individual computer applications (application control audits) and computer environments (service organizations).

During the current biennium we have completed these audits:

### **Risk Assessment**

This was the second time we performed this assessment for the purpose of identifying and making a risk assessment of IT Systems used by the state. This

assessment is used as an internal resource for directing audit efforts towards those systems with the highest risk.

Highlights of the risk assessment were:

- 379 IT systems identified at 50 state agencies.
- 31 systems were determined to be high risk.
- 218 systems were determined to be moderate risk.

Many different factors are considered in assessing risk. Some of these factors are the age of the system, the complexity of the system, and the volume of transactions processed by the system. A complete description of the risk factors used during this audit is presented in Appendix C.

#### ***Information Technology Department General Controls***

This audit is done once a biennium to assess controls at the Information Technology Department (ITD) over applications owned and operated by state agencies.

There were no new recommendations, however improvements made by ITD as a result of the previous audit include:

- A security training program has been set up to train all employees of the state about their security responsibilities.
- Procedures have been developed to identify callers before resetting passwords on user ID's to prevent fraud.
- Procedures were developed to ensure the security of program source code.
- Customizations made by ITD to the mainframe operating system were reviewed and documented.

The audit also disclosed the following on-going issues that had not yet been resolved.

- Access to alter the mainframe log files was given to a few ITD employees.
- ITD employees should undergo a formal and continuous security training program.
- The duties and responsibilities of state agency IT Coordinators and Security Officers should be defined and documented.
- ITD's systems development section needs to do a better job of defining procedures developers should do to develop or modify systems and ensure those procedures are followed.

**Statewide Accounting and Management Information System (SAMIS)  
Overview**

This audit is normally done once a biennium to assess controls in the statewide accounting system. Since SAMIS is in the process of being replaced, an overview of the system was done this biennium.

While this overview was not done to make recommendations, but rather to gain an understanding of SAMIS sufficient to plan and conduct financial audits, we did find and disclose to OMB that the present system for 1099 reporting to the IRS is inadequate.

Our information systems auditors are also responsible for helping with computer assisted audit techniques, local area network administration, and handling all computer problems and support for the office, at three different locations.

### Financial Statement Audits -

The Office of the State Auditor performs an annual financial statement audit of the state's Comprehensive Annual Financial Report and the ND University System's Comprehensive Annual Financial Report (CAFR). This year the audit of the state's CAFR required 6,000 hours. *With the implementation of the latest accounting pronouncement and a new financial statement format, it is now possible to see whether the financial condition of the state is improving or getting worse.*

### Federal Single Audit -

The final type of audit conducted is the statewide single audit of federal assistance received by all state agencies. This audit is required by federal law and is performed once every two years. All colleges and universities, and 34 state agencies receive and expend federal financial assistance. The last single audit required 8,700 hours and covered approximately \$1.9 billion of federal expenditures.

### Special Projects -

In addition to audits, our office provides other services to state government and to legislators. We assist the Office of Management and Budget (OMB) and other state agencies in implementing new accounting pronouncements, we help state agencies implement and adhere to policies issued by OMB and the federal government, and we answer questions from state agencies on state and federal laws and regulations. We are involved in monitoring the audits of state agencies or programs that are performed by independent CPA firms. Lately we have been offering our expertise to OMB on questions pertaining to the new Enterprise Resource Planning system.

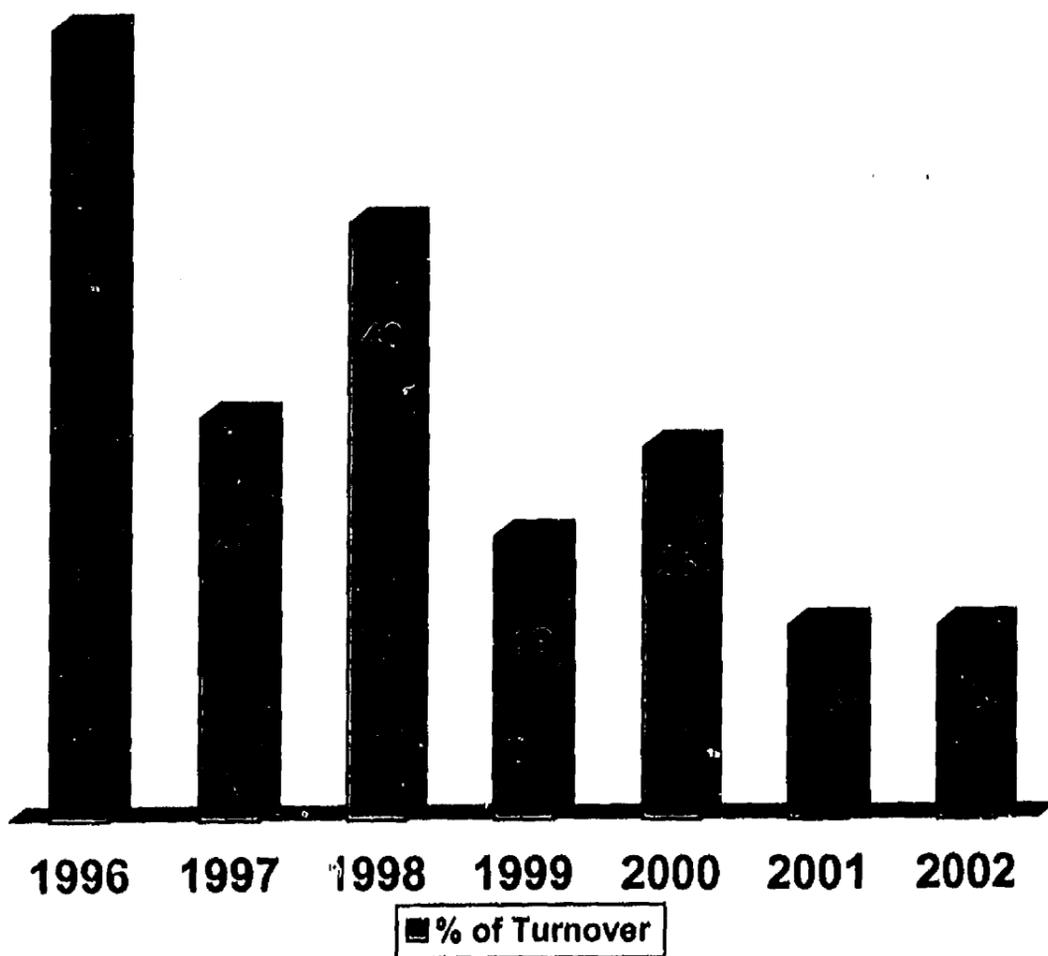
Cheresea W. Bee  
Operator's Signature

10-14-03  
Date

As the size and complexity of state government increases, we are being asked to do more with less. In the 1991-1993 biennium, the state agency division had 40 FTEs, in the current biennium there are 36 FTEs. The executive budget is recommending a further reduction of 3 FTEs.

In the past the turnover of financial auditors in the state agency division was unacceptably high. With the help of additional salary dollars appropriated by the legislature, we have made good progress in reducing the turnover rate in recent years. The chart below shows the turnover rate for calendar years 1996 through 2002 of financial auditors in the Bismarck office.

**State Agency Division Turnover Percentages-**  
**Bismarck Office**



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Operator's Signature

*10-14-03*  
Date

## **PROGRAM 3 - LOCAL GOVERNMENT AUDITS**

### **Financial and Compliance Audits -**

Section 54-10-14 of the North Dakota Century Code requires counties, cities, school districts, and other political subdivisions to be audited every two years. The governing board of these entities may select the Office of the State Auditor, or a public accounting firm to perform the audit. On an annual basis, our office performs about 100 audits, with public accounting firms performing about 275 local government audits.

### **Annual Reports of Small Entities -**

Cities with less than 300 population, school districts with less than 100 enrolled students, park districts with less than \$200,000 of annual receipts, and other political subdivisions with less than \$100,000 of annual receipts may file an annual report in lieu of an audit. These reports are reviewed and approved by our office. We review about 710 of these reports each year. Smaller local government reports reviewed include: park districts, special education districts, vocational and technical centers, and water resource districts.

### **Review of State Subrecipient Audit Reports -**

This division also reviews audit reports of local governments receiving federal financial assistance from 9 state agencies. This service saves those agencies from having to review the reports themselves. We review about 300 audit reports for these 9 state agencies.

### **Review of Alleged Fraud or Embezzlement -**

This division is also responsible for investigating any alleged instances of fraud or embezzlement of public funds. Since June, 1990 we have investigated over 40 instances of suspected fraud or embezzlement, resulting in total payments in

excess of \$1.1 million from the State Bonding Fund. Before any state or local governmental entity can recover funds from the State Bonding Fund, our office must conduct an investigation and report the results of our investigation to the State Bonding Fund.

The local government division is entirely self-funded. It operates on revenue generated by audit fees, fees charged for reviewing small government reports and private auditing firms' reports, as well as fees for fraud, embezzlement, or investigations.

Senate Bill No. 2004 provides the necessary funding to successfully carry out the operations of this program.

**PROGRAM 4 - MINERAL ROYALTY AUDITS**

This program was started in 1982, and in 1985 the federal government started funding the program 100 percent. This program is responsible for ensuring that the federal government and the state of North Dakota are receiving their share of royalty payments, for federal public domain leases located within the state. Royalty payments are made on oil, gas, and coal leases. There are currently 10 states and 6 Native American tribes participating in this program with the U.S. Department of Interior, Minerals Management Service.

Senate Bill No. 2004 provides the necessary funding to successfully carry out the operations of this program.

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Cheresea J. Bee  
Operator's Signature

10-14-03  
Date

## 2003-2005 BUDGET CONSIDERATIONS

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We request that the 3 audit positions which have been deleted from the state agency division be re-instated and funded with general fund dollars. Without these 3 positions we will need to contract out more audits of state agencies. The actual billing rates for CPA firms performing fiscal year 2002 audits varied from \$81 to \$110 per hour. Based on these rates, the cost of bidding out approximately 9,000 hours of audit work from these 3 positions would be between \$720,000 and \$990,000. Also, these dollars would go from the state to the private CPA firms, whereas audit fees collected by the Auditor's Office from special or federal funds are deposited back into the state general fund.

### WE ARE REQUESTING THE FOLLOWING AMENDMENTS BE MADE TO SENATE BILL NO. 2004:

- 1) Restore 3 deleted FTEs and funding - \$300,000.
- 2) Provide funding for additional staff raises - \$80,000.
- 3) Add 1 new Information Systems Auditor - \$85,220.
- 4) Add 1 new Performance Auditor - \$82,380.

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2004**

Page 1, line 10, replace "5,754,797" with "6,292,797"

Page 1, line 11, replace "761,380" with "770,980"

Page 1, line 13, replace "\$6,616,177" with "\$7,163,777"

Page 1, line 15, replace "\$4,475,219" with "\$5,022,819"

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# 2001-2003 Issued Performance Audits – Appendix A

Improvements in Efficiency and/or Effectiveness	Improving Management Control/Oversight	Compliance
<p>Veterans' Home pursue alternative to Medicaid to generate additional revenue</p> <ul style="list-style-type: none"> <li>Alternative could result in a net general fund savings of over \$550,000 per biennium for the state</li> </ul> <p>Veterans' Home restructure accounting areas</p> <ul style="list-style-type: none"> <li>Number of problems noted were in the financial area</li> <li>Insufficient financial systems, administration, and oversight of financial matters</li> </ul> <p>Veterans' Home improve budget process</p> <ul style="list-style-type: none"> <li>Increase general funds of 49% for the 2001-2003 biennium</li> <li>Lack of adequate monitoring of the budget</li> </ul> <p>Veterans' Home improve accounting of resident funds</p> <ul style="list-style-type: none"> <li>Residents not paid all interest earned on the money they deposited with the Veterans' Home</li> <li>Residents funds are commingled with non-resident funds</li> </ul> <p>Administrative Committee improve Basic Care rate schedule</p> <ul style="list-style-type: none"> <li>Rates can be raised to increase revenue</li> <li>Rent amounts not equitable which results in noncompliance with state law</li> </ul> <p>Veterans' Home establish formal policies for admission, discharge, and stay criteria</p> <ul style="list-style-type: none"> <li>Residents in Basic Care required more services than allowed by the licensure rules for Basic Care</li> </ul>	<p>Administrative Committee ensure Commandant fulfills responsibilities and duties; significant improvement not identified, consider appointing new Commandant</p> <ul style="list-style-type: none"> <li>Commandant was not fulfilling responsibilities, was using resources in an inefficient and ineffective manner, and was in noncompliance with laws, rules, and regulations</li> </ul> <p>Administrative Committee exercise more control and direction over the Veterans' Home</p> <ul style="list-style-type: none"> <li>Administrative Committee was not effectively monitoring or providing direction for the Veterans' Home</li> <li>Veterans' Home develop strategic plan</li> <li>Lack of organizational direction and no measurable operational performance targets</li> </ul>	<p>Veterans' Home comply with use of general funds requirement</p> <ul style="list-style-type: none"> <li>State law was not complied with as general funds were used when sufficient other funds were available</li> </ul> <p>Veterans' Home use donated funds for intended purposes</p> <ul style="list-style-type: none"> <li>State law not complied with as donated funds were used for purposes other than which they were donated</li> </ul> <p>Veterans' Home withhold appropriate payroll taxes</p> <ul style="list-style-type: none"> <li>Bonus payments to employees did not have appropriate payroll taxes withheld (payments improperly paid out of the operating line item rather than the salary line item)</li> </ul> <p>Veterans' Home use appropriated funds for public purposes</p> <ul style="list-style-type: none"> <li>Appropriated funds were used for non-public purposes which results in noncompliance with the Constitution</li> </ul> <p>Veterans' Home comply with state law priority listing for admissions</p> <ul style="list-style-type: none"> <li>Home was using their own priority listing for admissions which was in noncompliance with state law</li> </ul> <p>Veterans' Home comply with legislative intent</p> <ul style="list-style-type: none"> <li>FTE positions budgeted at less than 100% were being paid significantly more than what their FTE budgeted amount was</li> <li>Additional FTE position not used as intended</li> </ul>

Veterans' Home Performance Audit  
 (46 recommendations, selected recommendations identified in italics)

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*Cheresea J. Lee*  
 Operator's Signature

10-14-03  
 Date

# 2001-2003 Issued Performance Audits – Appendix A

<p>SPED and Expanded SPED Performance Audit (13 recommendations)</p>	<p><b>Improvements in Efficiency and/or Effectiveness</b></p> <p>Provide guidance and training for case management</p> <ul style="list-style-type: none"> <li>Inefficiencies were noted with case management billings (inconsistent billing practices, billings not supported by documentation, and activities being billed that were not reasonable)</li> </ul> <p>Make changes to the rate setting process for case management</p> <ul style="list-style-type: none"> <li>Case management rates appear high</li> <li>Case management rates not based on costs or developed using a cost study or other review</li> </ul>	<p><b>Improving Management Control/Oversight</b></p> <p>Implement controls to ensure authorized amounts are not exceeded</p> <ul style="list-style-type: none"> <li>Providers were receiving more payments than they were authorized to receive</li> </ul> <p>Implement controls to monitor duplicate payments</p> <ul style="list-style-type: none"> <li>Computer system was allowing duplicate payments to occur</li> </ul> <p>Implement procedures and controls for clients' self declarations of income and assets</p> <ul style="list-style-type: none"> <li>Clients declared their income and asset information that was used for determining eligibility and the client's fee for service and this information is not verified</li> </ul>	<p><b>Compliance</b></p> <p>Implement controls to ensure providers do not exceed 200 hours of care in a month</p> <ul style="list-style-type: none"> <li>Providers were noted as providing more than 200 hours of care per month (Administrative Code establishes a maximum of 200 hours per month)</li> </ul>
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## 2001-2003 Issued Performance Audit Follow-Ups

	Total Recommendations	Status of Recommendations			
		Fully Implemented	Partially Implemented	Not Implemented	No Longer Applicable
Performance Audits					
State Procurement Practices	16	11	4	0	1
State Agencies	20	9	6	2	3
North Dakota University System	30	11	14	5	0
State of North Dakota's Personnel Systems	12	2	5	5	0
Contracts for Services					

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Operator's Signature Yherosa J. Free

Date 10-14-03

**INCREASE EFFICIENCY OF OPERATIONS**

**Agency:** Office of Management & Budget  
**Audit Period:** FY00-01  
**Operational Area:** State Procurement Manual  
**Issue:** Ineffective procedures manual and overburdened state procurement staff.  
**Solution:** Update manual, increase agency's purchase authority and provide training.  
**Result:** Agencies will be better equipped to make purchases while state procurement staff has more time to focus on cost savings through large dollar purchases and term contracts.

**Agency:** Attorney General  
**Audit Period:** FY99-00  
**Operational Area:** Gaming Tax Return Procedures  
**Issue:** Ineffective manual procedures substituted for non-Y2K compliant system.  
**Solution:** Implement a new computer system.  
**Result:** Eliminate wasted time on manual operations that are falling to keep up with demand.

**Agency:** Department of Corrections  
**Audit Period:** FY00-01  
**Operational Area:** Recidivism  
**Issue:** Ineffective tracking of data on re-incarcerated prisoners.  
**Solution:** Export data from the Inmate Tracking System to Excel to compare to inmates released.  
**Result:** Help ensure additional programs developed are beneficial.

**Agency:** Department of Public Instruction  
**Audit Period:** FY00-01  
**Operational Area:** Calculation Process for State Aid to Public Libraries  
**Issue:** Inefficient use of time in performing manual calculations.  
**Solution:** Establish a spreadsheet using cell formulas.  
**Result:** Increased accuracy with less time required to determine grant awards.

Yherosa J. Lee  
 Operator's Signature

10-14-03  
 Date

**Agency:** Secretary of State  
**Audit Period:** FY99-00  
**Operational Area:** Integrated Database for Recepting Revenues  
**Issue:** Numerous clerical errors in inputting revenue receipts.  
**Solution:** Link the existing fee tables to the input screens so that data is automatically retrieved.  
**Result:** Amount of errors will be significantly reduced.

**Agency:** Secretary of State  
**Audit Period:** FY99-00  
**Operational Area:** Processing of Annual Reports  
**Issue:** Inadequate staff to keep up with required report filings.  
**Solution:** Implement a form of web-based or on-line report filing.  
**Result:** Significant time saved in the filing of reports with increased accuracy.

**Agency:** Secretary of State  
**Audit Period:** FY99-00  
**Operational Area:** Processing for Business Division Registrations  
**Issue:** Inadequate staff to keep up with required report filings.  
**Solution:** Implement a form of web-based or on-line report filing.  
**Result:** Significant time saved in the filing of reports with increased accuracy.

Yvonnea J. Lee  
Operator's Signature

10-14-03  
Date

**BETTER SERVICE TO THE PUBLIC**

**Agency:** Office of Management & Budget  
**Audit Period:** FY00-01  
**Operational Area:** Surplus Property Operations  
**Issue:** Ineffective use of Internet technology in their E-business venture.  
**Solution:** Use more descriptive detail, digital photos, and Internet auction services.  
**Result:** Quantity of sales will increase as will the average receipt of sale.

**Agency:** Tourism  
**Audit Period:** FY99-00  
**Operational Area:** Maah Daah Hey Trail Website's Positioning to Attract Visitors  
**Issue:** The website was failing to attract sufficient Internet traffic.  
**Solution:** Provide links to their website with other popular related websites and index their website so that search engines can locate their site.  
**Result:** Increased traffic to the website increases the possibility for tourism.

**Agency:** ITD  
**Audit Period:** FY00  
**Operational Area:** Website Analysis – ND State Homepage  
**Issue:** Aspects of the state's website can be improved to provide better access to information.  
**Solution:** Improve load-up time, use more visual icons for links, have a featured sites section.  
**Result:** Create a more user-friendly website that helps the viewer find information.

**Agency:** Secretary of State  
**Audit Period:** FY99-00  
**Operational Area:** Website Analysis – Elections Division  
**Issue:** Aspects of the website can be improved to provide better access to information.  
**Solution:** Expand the "frequently asked questions" page, real-time results, means of noting time and place to vote depending on address.  
**Result:** Less staff time used in answering questions.

Cheresea J. Bee  
 Operator's Signature

10-14-03  
 Date

Appendix B

Operational Improvements

**Agency:** Tourism  
**Audit Period:** FY99-00  
**Operational Area:** Website Analysis  
**Issue:** Aspects of the agency's website can be improved to help promote tourism.  
**Solution:** Use of more pictures, user-friendly map of ND, addition of vacation planner.  
**Result:** Increasing the viewer's time at your website increases the delivery of the message.

Cherisea J. Lee  
Operator's Signature

10-14-03  
Date

**IMPROVED MANAGERIAL CONTROL**

**Agency:** ITD  
**Audit Period:** FY00  
**Operational Area:** Monitoring Work Requests  
**Issue:** Ineffective in monitoring work requests submitted by state agencies.  
**Solution:** Archive reports outlining work request status.  
**Result:** Information will be available to team project leaders for monitoring project progress.

**Agency:** Tourism  
**Audit Period:** FY99-00  
**Operational Area:** Use of Website Statistics  
**Issue:** Not using managerial data available on website usage.  
**Solution:** Log and track other data found on the report.  
**Result:** Management will be able to profile where visitors to their website are from and what they are looking for, which will help with future website development.

**Agency:** DPI  
**Audit Period:** FY00-01  
**Operational Area:** Tracking Grant Expenditures  
**Issue:** Inefficient use of spreadsheets to track grant activity.  
**Solution:** Establish a spreadsheet conducive to tracking grants.  
**Result:** Greater efficiency in obtaining grant information and better oversight.

**Agency:** DPI  
**Audit Period:** FY00-01  
**Operational Area:** Tracking Revenues for General Equivalency Diplomas.  
**Issue:** Ineffective management of GED receipts.  
**Solution:** Use a spreadsheet for tracking receipts.  
**Result:** Increased management oversight.

Appendix B

Operational Improvements

**Agency:** Parks & Recreation  
**Audit Period:** FY00-01  
**Operational Area:** Tracking Grant Activity on SAMIS  
**Issue:** Errors in preparing financial information.  
**Solution:** Instructed the client in establishing separate grants on SAMIS.  
**Result:** Financial information submitted to OMB will be correct.

**Agency:** Tourism  
**Audit Period:** FY99-00  
**Operational Area:** Separate Project Number for Tracking Concession Purchases.  
**Issue:** Purchases of inventory for concession sales is not separately tracked.  
**Solution:** Establish a separately specific project number on SAMIS.  
**Result:** Management will have better and previously unattainable data for managing resources.

Yvonnea J. Lee  
Operator's Signature

10-14-03  
Date

TIME SAVINGS FOR STAFF

**Agency:** Office of Management & Budget  
**Audit Period:** FY00-01  
**Operational Area:** Surplus Property Operations  
**Issue:** Waste of state resources remitting sales proceeds to donor agencies.  
**Solution:** Change law so proceeds do not have to be remitted or increase administrative fees.  
**Result:** Administrative fees increased will save some state resources.

**Agency:** Historical Society  
**Audit Period:** FY99-00  
**Operational Area:** Receipting Process  
**Issue:** Inefficient manual operations in receipting and transferring receipts.  
**Solution:** Establish spreadsheet or database system for processing receipts.  
**Result:** Eliminate time wasted and increase control over cash.

**Agency:** Office of Management & Budget  
**Audit Period:** FY00-01  
**Operational Area:** Central Supply Store Inventory Observation Procedures  
**Issue:** Inventory observation procedures inefficient.  
**Solution:** Prescribed change in procedures.  
**Result:** Amount of time to conduct annual inventory cut by 50 percent.

**Agency:** Department of Corrections  
**Audit Period:** FY00-01  
**Operational Area:** Computerization of Inmate Payroll  
**Issue:** Inefficient use of manual calculations to determine payroll.  
**Solution:** Establish a spreadsheet or database to perform these calculations.  
**Result:** Time saved in performing calculations and accuracy increased.

Appendix B

Operational Improvements

**Agency:** Parks & Recreation  
**Audit Period:** FY00-01  
**Operational Area:** Receipting Process for Pass-Thru Funds  
**Issue:** Inefficient use of time in transferring and receipting pass-thru funds.  
**Solution:** Instruct client in proper coding and use of the Interdepartmental Billing system.  
**Result:** Financial transactions are recorded more accurately and require less time to prepare.

**Agency:** Parks & Recreation  
**Audit Period:** FY00-01  
**Operational Area:** Electronic Clearance of State Park Accounts  
**Issue:** Inefficient use of time in state park receipts to the State Treasurer.  
**Solution:** Electronic clearance of accounts  
**Result:** Increased control over funds with less time required to make transfers.

**Agency:** Insurance  
**Audit Period:** FY00-01  
**Operational Area:** Deposit of Revenue  
**Issue:** Inefficient use of time in tracking revenues.  
**Solution:** Limit the number of deposit codes.  
**Result:** Eliminate excess time used in reviewing deposits for accuracy.

SAVING STATE RESOURCES

**Agency:** Labor  
**Audit Period:** FY00-01  
**Operational Area:** Purchase Card  
**Issue:** Inefficient use of state resources for small dollar purchases.  
**Solution:** Use state purchase card (P-card).  
**Result:** Cost savings to the state in the processing/ mailing of checks.

**Agency:** Information Technology Department  
**Audit Period:** FY00  
**Operational Area:** Wiring Leased Spaces for Telecommunication Services  
**Issue:** Waste of state resources in continually installing and reinstalling telecommunication lines in leased spaces.  
**Solution:** Construction of another state-owned facility or minimum lease terms established.  
**Result:** Significant cost savings.

Yvonne A. Lee  
Operator's Signature

10-14-03  
Date

Appendix C

**DESCRIPTION OF RISK CATEGORIES  
USED IN ASSESSING INFORMATION SYSTEMS**

Overall Auditor Assessment -- the auditor's general assessment of the application after taking into account the entire system. Used to rate the overall risk of the system when looking at everything known about the system.

Regulatory/Legal Requirements -- the amount and importance of regulatory or legal requirements the system is subject to. Used to rate the risk associated with non-compliance with the regulatory or legal requirements.

Sensitive/Confidential Information -- the amount and importance of sensitive or confidential information contained in or processed by the system. Used to rate the risk associated with disclosure of such information.

Control Environment -- the knowledge of information technology within the agency and the attitude of management towards internal control. Used to rate the risk associated with internal controls at the agency that uses the system.

Importance of the System to Management -- management's rating of the importance of the system to the agency and its mission.

Federal Transactions -- whether the system processes federal transactions or not. Used to rate the risk associated with federal scrutiny of systems processing federal dollars.

Dollars Supported -- the total dollars supported by the system in one year. The number was estimated if not known. The greater the dollars, the greater the potential dollar impact of errors.

Appendix C

Outside Reliance – the degree to which people outside the agency rely on information received from the application. Used to rate the risk associated with others outside the agency relying on the system.

Number of Transactions – the number of transactions processed by the system in one year. The number was estimated if not known. Used to rate the risk associated with the volume of transactions, the more transactions the greater the complexity of the system.

Processing Platform – the platform the system is processed on. Used to rate the risk associated with the environment the system is processed in, the greater the risk in the processing environment the greater the risk of the system regardless of the system controls present.

Age of the System – the age in years of the system. Used to rate the risk associated with the age of the system, very new systems are riskier due to initial errors that are present in most new systems. Older systems are riskier due to the amount of changes that are made to them over time.

Decentralization – the degree to which data input is decentralized. Decentralization refers to the number, location, and type of personnel doing input into the system.

User Training – the amount of user training required to properly use the system.

Developed By – the developer of the system. Used to rate the risk associated with the development process the system was subject to. Systems that are subject to good systems development process are less likely to contain errors and are more likely to be properly tested.

STATE AUDITOR  
ROBERT R. PETERSON



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

**TESTIMONY BEFORE THE  
HOUSE APPROPRIATIONS COMMITTEE  
Government Operations Division**

March 5, 2003

*With the  
exception of  
these pages  
same testimony  
given to  
House as  
to  
Senate*

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Engrossed Senate Bill No. 2004

Testimony - Presented by:  
Robert R. Peterson, State Auditor

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**Agency Mission** - The mission of our agency is to provide efficient, quality audit services, with limited interruption to our client's operations, and to use the information gained from our audits to help state and local governmental units operate more efficiently and effectively for the benefit of the citizens of North Dakota.

**Programs and Objectives** - The activities of the Office of the State Auditor are carried out through four programs, each of which has its own goals, objectives, and strategies. The following pages provide an overview of each of these programs.

1

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*Y. Peterson*  
Operator's Signature

*10-14-03*  
Date

## 2003 - 2005 BUDGET CONSIDERATIONS

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Engrossed SB 2004 in its current form would cost the state an additional \$588,800 to \$948,800, instead of its intended goal of saving the state \$371,200. We would lose 4 full time auditors, all currently filled. Since 90% of our budget is in the salaries line item, reductions generally result in a loss of FTE. The result of these reductions would be significant increases in audit fees for state entities, which increases the cost of state government. We would have to bid out approximately 12,000 audit hours if we lose 4 FTE's. The State Auditor's Office charges an average hourly rate of \$40 per hour, only on non-general funds, for the audit of a state entity. Therefore if an audited entity receives 50% state general funds and 50% other funds, their average hourly charge for an audit would be \$20 per hour.

If we bid out the 12,000 hours of audits, CPA firms from North Dakota will charge somewhere from \$80 to \$110 per hour to conduct these audits, based on bids we received for fiscal year 2002 audits. The cost to bid out 12,000 hours would range from \$960,000 to \$1,320,000. State entities audited by the State Auditor's Office would only have a small fraction of this total in their budgets for audits. When compared to the cost of these 4 FTE's, it would be counter-productive to reduce our state general funds.

The actual difference in cost between the two options is even greater when you consider that audit fees collected by the State Auditor's Office are deposited back into the State General Fund, thereby reducing the net cost of our 4 FTE's to less than \$371,200.

In addition to increasing the cost of state government, the usefulness of audits would significantly decrease. Past experience has shown that audits of state entities conducted by the State Auditor's Office are more thorough, result in

more audit findings and recommendations, and include more suggestions for improvements to operations than private audits. In addition if we conduct the audits of state entities, we are able to respond to legislators' questions on the operations of those state entities. The bottom line in contracting out state audits to CPA firms means significantly increasing the cost of state government, while decreasing the usefulness of audits.

The State Agency Division of our office had 40 FTEs in the 1991-1993 biennium. In the current biennium we have 36 FTE, meaning we have had a reduction of 10% over the past ten years. This is despite a substantial increase in our workload. Reasons for our workload increase include:

- conducting more performance audits;
- conducting information technology audits;
- auditing all colleges and universities once every two years;
- conducting the audit of the North Dakota University System CAFR;
- conducting the federal statewide Single Audit in 4 months less time; and
- dedicating two people as subject matter experts for the ConnectND project.

In addition to the above, we are facing additional workload increases from two bills currently working their way through the legislature. HB 1497 would require our office to be involved in performance accountability, and HB 1243 would require an annual audit of the North Dakota lottery. Both of these bills will probably become law and both will require additional time and resources from our office.

The State Auditor's Office is not part of the problem of the growing size of state government, instead we have demonstrated that we have been willing to do "more with less". We have been able to accomplish this because of increased use of technology, reinventing how we conduct audits and increasing staff efficiencies.

The Governor's executive budget removed 3 FTE positions and the related funding. The Senate took the funding for an additional FTE, however they left the actual position. Therefore we respectfully request that the 3 audit positions and funding for 4 audit positions which have been deleted, be re-instated .

**WE ARE REQUESTING THE FOLLOWING AMENDMENTS BE MADE TO  
ENGROSSED SENATE BILL NO. 2004:**

- 1) Restore 3 deleted FTEs and funding for 4 FTEs - \$371,200.
- 2) Restore operating funds removed by the Senate - \$28,800.
- 3) Provide funding for additional staff raises - \$80,000 ✓

Yherosa J. Lee  
Operator's Signature

10-14-03  
Date

**PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2004**

Page 1, line 8, replace "\$5,620,686" with "\$6,071,886"

Page 1, line 9, replace "732,580" with "761,380"

Page 1, line 11, replace "\$6,403,266" with "6,883,266"

Page 1, line 13, replace "\$4,282,071" with "\$4,762,071"

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Yvonnea J. Lee  
Operator's Signature

10-14-03  
Date

SB 2004

**STATE AUDITOR'S OFFICE 2003-05 BUDGET**

Concerns with the proposal to change state law so that the Auditor's could audit state entities once every 27 months.

1. The federal government when it passed the law requiring a federal audit of moneys received by the states preferred an annual audit. However they allowed—in law—that if a state had a statute in place "requiring" an audit of state agencies once every two years.....they would allow the federal audit to be conducted once every two years. North Dakota put such a law in place by the deadline and thus we conduct our statewide Single Audit of federal funds once every two years. This audit required 8,000 audit hours and covers over \$2 billion.

Per discussion with our federal audit contact, a change in this law would result in North Dakota being required to conduct this audit annually. This would mean we would have to contract out this audit as we do not currently have the resources to conduct it annually. If we lose 4 more FTE we certainly wouldn't have the resources to audit it annually.

This recently happened to the state of Illinois according to my federal contact.

2. The reduction of 4 FTE's isn't really a 10% reduction in audit staff. Our office currently has 36 FTE in the State Agency Division (we had 40 in the 91-93 biennium). These 36 are comprised of:

- 1 division director (Ed Nagel)
- 5 audit managers who specialize (1 in performance auditing/federal auditing.....1 in IT auditing.....1 in college/university auditing.....and 2 in CAFR/state agency audits)
- 4 performance auditors
- 4 IT auditors
- 2 secretarial/office manager positions
- 20 auditors

Since there are 20 field auditors who conduct this work, a loss of 4 would represent a 20% reduction in staff. The proposed extension would then be 5 months (24 months times 20%).

This would result in extremely "old" audits being presented to legislators and the public. The first audit cycle would take 29 months theoretically.....the second would already be 5 months behind.....then would take another 29 months.

Therefore, if we conduct an audit on fiscal years 2002 and 2003.....we would not issue some of them until November, 2005. But when we then started conducting audits of fiscal years 2004 and 2005.....we wouldn't start until December, 2005 and we wouldn't issues some of them until May 2008. How useful is a 2004 and 2005 audit in May of 2008? Each future audit cycle would result in the audits being farther behind.

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Yherosa W. Bee  
Operator's Signature

10-14-03  
Date

3. Some of the current large audit projects would not be delayed by modifying the current law. For example, the audit of the Comprehensive Annual Financial Report has a deadline early in December each year. This allows the state to receive a certificate of achievement and a "clean" audit opinion.....which have an effect on the state's bond rating. This audit requires 6,000 audit hours. Another example would be the University System CAFR which in state law has a deadline of December 1 so that legislators can receive prior to the session. This project requires 3,500 hours.

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10-14-03  
Date

HOUSE APPROPRIATION COMMITTEE—GOVERNMENT OPERATIONS DIVISION

Prepared 3/6/03 by Gordy Smith of the State Auditor's Office

Chairman Ron Carlisle and members of the committee, we were asked to provide information relating to the cost of performance audits. In order to meet this request we decided to use information relating to the current biennium, even though we still have almost four months left in it.

Four FTE currently conducting performance audits---cost for the entire biennium for these four plus 33% of my salary is approximately \$390,000.

In addition, we will most likely spend the majority of our \$100,000 consultant appropriation.

Therefore we anticipate the total cost of providing performance audits during the current biennium is approximately \$490,000. This was the cost of the following performance audits and performance audit follow-up work (required by the Legislative Audit and Fiscal Review Committee):

- Performance audit of the Service Payments to Elderly and Disabled (SPED) and Expanded SPED
- Performance audit of the North Dakota Veterans' Home
- Performance audit of the Department of Transportation--Motor Vehicle and Driver's License Divisions
- Performance audit follow-up of our performance audit of the State's Personnel Systems
- Performance audit follow-up of our performance audit of Contracts for Services

In addition, the performance audit team spent a considerable amount of time consulting with clients and others relating to issued performance audit reports. For example, for the performance audit of the Veterans' Home we have spent a considerable amount of time with employees of the Home, members of the Administrative Committee, and legislators regarding this audit.

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Cheresea A. Bee  
Operator's Signature

10-14-03  
Date

SB 2004

**Estimated Unspent Operating and Equipment Line Items  
For the State Auditor's Office (budget #117)**

Prepared 3/6/2003 for the House Government Operations Appropriation Subcommittee  
Prepared by Ed Nagel, State Auditor's Office

Description	1/31/2003		ESTIMATED UNSPENT 7/31/2003
	B-T-D Actual Expend.	Appropriation Budget Amount	
<b>ADMINISTRATION (100% general funds)</b>			
Operating Line	24,498	36,293	6,300
<b>State Agency Division (100% general funds)</b>			
Operating Line	207,257	417,060 *	15,600
Equipment Line	49,901	53,970	
<b>Total General Funded Operating &amp; Equipment Lines</b>	<b>281,656</b>	<b>507,323 *</b>	<b>21,900</b>

\* Included in this amount is \$100,000 for consultants, which will be spent before July 1, 2003.

<b>Local Government Division (100% Special Funds)</b>			
Operating Line	87,819	147,900	32,850
Equipment Line		17,500	9,500
<b>Royalty Audit Division (100% federal funds)</b>			
Operating Line	70,628	130,860	26,700
Equipment Line		7,500	7,500
<b>Total Special and Federal Funded Operating &amp; Equipment</b>	<b>158,447</b>	<b>303,760</b>	<b>76,550</b>

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*Cheresea J. Bee*  
Operator's Signature

10-14-03  
Date

Prepared for Senator Andrist  
 10-Apr-03  
 S. Paulson, OMB

*Sandy Paulson*  
 OMB  
 Exhibit 1  
 Conference Committee  
 4-10-03

**State Auditor's Office**

Month	Fiscal Year	SAMIS Reported Vacancies	Less: Special or Unfunded FTE	Net Vacancies
Jan. 2000	2000	4.00	2.00	2.00
Feb	2000	4.00	2.00	2.00
March	2000	4.00	2.00	2.00
April	2000	5.00	2.00	3.00
May	2000	6.00	2.00	4.00
June	2000	5.00	2.00	1.00
Jul-00	2000	3.00	2.00	1.00
Aug	2000	3.00	2.00	1.00
Sept	2000	3.00	2.00	1.00
Oct.	2000	3.00	2.00	1.00
Nov.	2000	3.00	2.00	1.00
Dec	2000	4.00	2.00	2.00
Jan-01	2001	5.10	2.00	3.10
Feb	2001	5.10	2.00	3.10
March	2001	3.10	2.00	1.10
April	2001	5.10	2.00	3.10
May	2001	5.10	2.00	3.10
June	2001	5.10	2.00	3.10
Jul-01	2001	2.10	2.00	0.10
Aug	2001	2.10	2.00	0.10
Sept	2001	2.10	2.00	0.10
Oct.	2001	2.10	2.00	0.10
Nov.	2001	2.10	2.00	0.10
Dec	2001	2.10	2.00	0.10
Jan-02	2002	2.10	2.00	0.10
Feb	2002	2.10	2.00	0.10
March	2002	4.10	2.00	2.10
April	2002	4.10	2.00	2.10
May	2002	5.10	2.00	3.10
June	2002	5.20	2.00	3.20
Jul-02	2002	3.20	2.00	1.20
Aug	2002	4.20	2.00	2.20
Sept	2002	4.20	2.00	2.20
Oct.	2002	4.20	2.00	2.20
Nov.	2002	4.20	2.00	2.20
Dec	2002	4.20	2.00	2.20
Jan. 2003	2003	5.20	2.00	3.20
Feb	2003	3.20	2.00	1.20
March	2003	3.20	2.00	1.20

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*Cheresea J. Bee*  
 Operator's Signature

*10-14-03*  
 Date

State Agency Auditor Vacancies  
July 2001 through April 2003

Gordy Smith 4-10-03  
Auditors Office  
Conference Committee  
4-10-03

Agency Auditor	Vacancy Date	Fill Date	New Agency Auditor	Months Position Vacant
Susan	1/31/02	6/01/02	Jeff	4
Dave M.	5/01/02	6/09/02	John H.	1
Taunia	6/07/02	1/06/03	Andrea	7
Johtona	11/8/02	1/02/03	Heather	2
Heather	1/02/03	1/06/03	Lynn	0

4/10/2003

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*Yherosa J. Lee*  
Operator's Signature

*10-14-03*  
Date

44-03

**TOTAL POSITION FUNDING**  
**117 OFFICE OF THE STATE AUDITOR**  
 Version: 2003-0117-B-01

Page: 1 of 2  
 Date: 3/20/2003  
 Time: 7:37:34

Position Number	Name	Job Class	FTE	Proposed Salary	Proposed Fringes	Total Salary + Fringes	Funding Breakdown		
							General	Federal	Special
00001-1	LAFLEUR, DONALD K	AUDITOR V	1.00	120,000.00	30,426.52	150,426.52	150,426.52	0.00	0.00
00002-1	COX, DAN D	AUDITOR IV	1.00	6,000.00	10,979.88	16,979.88	16,979.88	0.00	0.00
00003-1	SMITH, GORDON L	AUDITOR V	1.00	131,040.00	32,277.93	163,317.93	163,317.93	0.00	0.00
00004-1	FEYEREISEN, NORINE C.	AUDITOR I	1.00	55,200.00	19,559.56	74,759.56	0.00	0.00	74,759.56
00005-1	WAHL, JASON M	AUDITOR IV	1.00	88,800.00	25,194.28	113,994.28	113,994.28	0.00	0.00
00006-1	WELCH, TAUNIA J	AUDITOR I	1.00	58,800.00	20,163.28	78,963.28	78,963.28	0.00	0.00
00007-1	PEDERSEN, CYNTHIA JEANNE	AUDITOR IV	1.00	110,880.00	28,897.10	139,777.10	139,777.10	0.00	0.00
00008-1	TOLSTAD, RONALD I	AUDITOR V	1.00	132,240.00	32,479.17	164,719.17	164,719.17	0.00	0.00
00009-1	JACOBSON, DUSTAN J	AUDITOR IV	1.00	103,560.00	27,669.53	131,229.53	0.00	131,229.53	0.00
00010-1	EHRLHARDT, FREDERICK W	AUDITOR IV	1.00	24.00	9,885.77	9,885.77	9,885.77	0.00	0.00
00011-1	MIX, DAVID R.	AUDITOR IV	1.00	100,800.00	27,206.68	128,006.68	0.00	0.00	128,006.68
00012-1	BROWN, RENEE L	AUDITOR IV	1.00	103,560.00	27,669.53	131,229.53	0.00	131,229.53	0.00
00013-1	TIEFENTHALER, HEATHER J.	AUDITOR I	1.00	60,000.00	20,364.52	80,364.52	80,364.52	0.00	0.00
00014-1	TERNES, AUGUST A	AUDITOR V	1.00	128,400.00	31,835.20	160,235.20	0.00	0.00	160,235.20
00015-1	KETTERLING, DUSTIN L	INFO SYSTEMS AUDITOR I	1.00	64,800.00	21,169.48	85,969.48	85,969.48	0.00	0.00
00016-1	FELTMAN, DAVID H	AUDITOR IV	1.00	92,160.00	25,757.75	117,917.75	117,917.75	0.00	0.00
00017-1	ROLLER, DENNIS R.	AUDITOR IV	1.00	103,560.00	27,669.53	131,229.53	0.00	131,229.53	0.00
00018-1	HEDAHL, JOHN	AUDITOR I	1.00	60,000.00	20,364.52	80,364.52	80,364.52	0.00	0.00
00019-1	JOCHIM, KATHY J	ADMIN OFR II	1.00	74,400.00	22,568.34	96,968.34	96,968.34	0.00	0.00
00020-1	POSPISIL, JEFF	AUDITOR I	1.00	62,400.00	20,767.00	83,167.00	83,167.00	0.00	0.00
00021-1	PETERSON, ROBERT R.	ELECTED-NOT CLASSIFIED	1.00	136,032.00	33,115.09	169,147.09	169,147.09	0.00	0.00
00022-1	WELK, PAUL A	AUDITOR V	1.00	131,040.00	32,277.93	163,317.93	163,317.93	0.00	0.00
00023-1	NAGEL, EDWIN J JR	DIR, STATE AUDIT DIV	1.00	143,640.00	34,390.95	178,030.95	178,030.95	0.00	0.00
00024-1	HALSETH, JESSICA T	AUDITOR II	1.00	68,040.00	21,712.83	89,752.83	89,752.83	0.00	0.00
00025-1	KRUCKENBERG, BRENDA L	OFFICE ASSISTANT III	1.00	47,400.00	18,040.44	65,440.44	65,440.44	0.00	0.00
00026-1	SIPES, ROBERT R.	INFO SYSTEMS AUDITOR IV	1.00	101,400.00	27,307.30	128,707.30	128,707.30	0.00	0.00
00028-1	VACANT	AUDITOR I	1.00	55,200.00	19,559.56	74,759.56	0.00	0.00	74,759.56
00029-1	SEMMENS, THERESA Y	INFO SYSTEMS AUDITOR I	1.00	65,400.00	21,270.10	86,670.10	86,670.10	0.00	0.00
00030-1	STEUSSY, PAUL D	AUDITOR IV	1.00	110,640.00	28,856.85	139,496.85	139,496.85	0.00	0.00
00031-1	STECKLER, MARY L	AUDITOR II	1.00	69,720.00	21,994.56	91,714.56	91,714.56	0.00	0.00
00032-1	SORBY, SHERI LYNN	AUDITOR III	1.00	87,360.00	24,952.79	112,312.79	0.00	112,312.79	0.00
00033-1	VACANT	AUDITOR I	1.00	55,200.00	19,559.56	74,759.56	0.00	0.00	74,759.56
00034-1	FREEBURY, SUSAN R	ADMINISTRATIVE ASSISTANT I	1.00	39,600.00	16,732.38	56,332.38	56,332.38	0.00	0.00
00035-1	JACOBSON, DUANE L	AUDITOR II	1.00	61,680.00	20,646.26	82,326.26	82,326.26	0.00	0.00

Office of Management and Budget  
 Proposed Salary includes salary increase but does not include Lump Sum Amount  
 R103

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*Theresa Y. Semmens*  
 Operator's Signature

10-14-03  
 Date

**TOTAL POSITION FUNDING**  
**117 OFFICE OF THE STATE AUDITOR**  
 Version: 2003-0117-B-01

Page: 2 of 2  
 Date: 3/20/2003  
 Time: 7:37:34

Position Number	Name	Job Class	FTE	Proposed Salary	Proposed Fringes	Total Salary + Fringes	Funding Breakdown						
							General	Federal	Special				
00036-1	KELLER, REBECCA J.	AUDITOR II	1.00	69,600.00	21,974.44	91,574.44	91,574.44	0.00	0.00				
00037-1	TRAUGER, JOHTONA L.	INFO SYSTEMS AUDITOR II	1.00	69,840.00	22,014.69	91,854.69	91,854.69	0.00	0.00				
00038-1	RETTERRATH, CAROL S.	AUDITOR II	1.00	62,890.00	20,847.50	83,727.50	83,727.50	0.00	0.00				
00039-1	STAIGLE, GEORGE D.	AUDITOR V	1.00	137,160.00	33,304.25	170,464.25	0.00	170,464.25	0.00				
00040-1	SCHERBENSKE, KEVIN J.	AUDITOR III	1.00	75,000.00	22,880.02	97,880.02	97,880.02	0.00	0.00				
00041-1	BENSEN, ORLIN C.	AUDITOR III	1.00	24.00	9,861.77	9,885.77	9,885.77	0.00	0.00				
00042-1	GRETTUM, JOHN A.	AUDITOR V	1.00	131,040.00	32,277.93	163,317.93	163,317.93	0.00	0.00				
00043-1	KURLE, CHAD A.	AUDITOR II	1.00	66,000.00	21,370.72	87,370.72	87,370.72	0.00	0.00				
00044-1	BADER, ALLISON J.	AUDITOR II	1.00	67,200.00	21,571.96	88,771.96	88,771.96	0.00	0.00				
00045-1	SCHMITTKE, MICHAEL W.	AUDITOR II	1.00	65,520.00	21,290.22	86,810.22	86,810.22	0.00	0.00				
00046-1	STROKLUND, ALAN H.	AUDITOR III	1.00	69,840.00	22,014.69	91,854.69	91,854.69	0.00	0.00				
00047-1	HOFFMANN, ROBYN L.	AUDITOR III	1.00	67,320.00	21,592.08	88,912.08	88,912.08	0.00	0.00				
00048-1	FELTMAN, MARY C.	AUDITOR III	1.00	89,640.00	25,335.15	114,975.15	114,975.15	0.00	0.00				
00050-1	SCOTT, MARK J.	AUDITOR IV	1.00	94,680.00	26,180.36	120,860.36	120,860.36	0.00	0.00				
00051-1	ANDERSON, TERRI L.	ADMINISTRATIVE ASSISTANT I	1.00	52,320.00	18,865.52	71,185.52	0.00	71,185.52	0.00				
00052-1	ECKMAN, MARVIN A.	AUDITOR IV	1.00	87,080.00	26,582.84	123,662.84	0.00	123,662.84	0.00				
00053-1	JOHNSON, THEODORE J.	AUDITOR IV	1.00	102,000.00	27,407.92	129,407.92	0.00	129,407.92	0.00				
00054-1	FEIGTSCHE, JENNIFER L.	AUDITOR II	1.00	24.00	9,861.77	9,885.77	9,885.77	0.00	0.00				
00063-1	HELLMAN, DELAN D.	AUDITOR I	1.00	61,200.00	20,565.76	81,765.76	81,765.76	0.00	0.00				
00065-1	VOLLMER, JASON L.	AUDITOR I	1.00	60,000.00	20,364.52	80,364.52	0.00	80,364.52	0.00				
Temp-1	TEMPORARY	TEMPORARY-NOT CLASSIFIED	0.00	16,200.00	1,239.30	17,439.30	17,439.30	0.00	0.00				
Temp-2	TEMPORARY	TEMPORARY-NOT CLASSIFIED	0.00	20,400.00	1,560.60	21,960.60	0.00	21,960.60	0.00				
<b>Totals</b>							<b>55.00</b>	<b>4,359,144.00</b>	<b>1,291,921.74</b>	<b>5,650,965.74</b>	<b>3,812,871.89</b>	<b>747,651.15</b>	<b>1,090,442.70</b>

Office of Management and Budget R103  
 Proposed Salary includes salary increase but does not include Lump Sum Amount

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*Cheresea J. Bee*  
 Operator's Signature

10-14-03  
 Date

4-14-03

State Auditor's Office Positions

<u>Authorized Positions</u>	<u>State Agency General Funded Positions</u>	<u>Local Government Other Funded Positions</u>	<u>Royalty Audits Federal Funded Positions</u>	<u>Unfunded &amp; Not Counted Deputy</u>
1	State Auditor			
2	Director			
3	Admin. Officer			
4	Admin. Asst.			
5	Audit Mgr. - Perform. & S. A.			
6	Audit Mgr. - State Agency/Bis.			
7	Audit Mgr. - NDUS/Fargo			
8	Audit Mgr. - Tech. Specialist/ QC			
9	Audit Mgr. - Info. Systems audits			
10	Info. Systems Auditor			
11	Info. Systems Auditor			
12	Info. Systems Auditor			
13	Info. Systems Auditor			
14	Perf. Auditor			
15	Perf. Auditor			
16	Perf. Auditor			
17	Perf. Auditor			
18	Bis. Finan. Auditor			
19	Bis. Finan. Auditor			
20	Bis. Finan. Auditor			
21	Bis. Finan. Auditor			
22	Bis. Finan. Auditor			
23	Bis. Finan. Auditor			
24	Bis. Finan. Auditor			
25	Bis. Finan. Auditor			
26	Bis. Finan. Auditor			
27	Bis. Finan. Auditor			
28	Bis. Finan. Auditor			
29	Bis. Finan. Auditor			
30	Bis. Finan. Auditor			
31	Bis. Finan. Auditor			
32	Bis. Finan. Auditor			
33	Fargo Finan. Auditor			
34	Fargo Finan. Auditor			
35	Fargo Finan. Auditor			
36	Fargo Finan. Auditor			
37	Fargo Finan. Auditor			
38	Fargo Finan. Auditor			
39		Manager		
40		Admin. Asst.		
41		Bis. Auditor		
42		Bis. Auditor		
43		Bis. Auditor		
44		Bis. Auditor		
45		Fargo Auditor		
46		Fargo Auditor		
47		Auditor (vacant)		
48		Auditor (vacant)		
49		Auditor (vacant)		
50			Manager	
51			Admin. Asst.	
52			Royalty Auditor	
53			Royalty Auditor	
54			Royalty Auditor	
55			Royalty Auditor	

4/11/2003

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Wheresa J. Fee  
Operator's Signature

10-14-03  
Date

SAO - VACANCIES 7/2001 through 3/2003

8-14-03

	GF Auditors	Admin. Assist.	SF Auditors	Part-Time GF Auditor
7/01	0		2	Carol - 36 hr. work week
8/01	0		2	Carol - 36 hr. work week
9/01	0		2	Carol - 36 hr. work week
10/01	0		2	Carol - 36 hr. work week
11/01	0		2	Carol - 36 hr. work week
12/01	0		2	Carol - 36 hr. work week
1/02	0		2	Carol - 36 hr. work week
2/02	0		2	Carol - 36 hr. work week
3/02	1		3	Carol - 36 hr. work week Susan
4/02	1		3	Carol - 36 hr. work week Susan
5/02	1	1	3	Carol - 36 hr. work week Susan
6/02	2	1	3	Carol - 36 hr. work week Susan & Dave
7/02	1		3	Carol - 32 hr. work week Taunia
8/02	1		3	Carol - 32 hr. work week Taunia
9/02	1		3	Carol - 32 hr. work week Taunia
10/02	1		3	Carol - 32 hr. work week Taunia
11/02	1		3	Carol - 32 hr. work week Taunia
12/02	2		3	Carol - 32 hr. work week Taunia & Johtona
1/03	2		3	Carol - 32 hr. work week Taunia & Johtona
2/03	0		3	Carol - 32 hr. work week
3/03	0		3	Carol - 32 hr. work week

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Operator's Signature

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