

**FIRST ENGROSSMENT  
with Conference Committee Amendments**

Fifty-fifth  
Legislative Assembly  
of North Dakota

**ENGROSSED SENATE BILL NO. 2047**

Introduced by

Legislative Council

(Legislative Audit and Fiscal Review Committee)

(Senators Solberg, Mutch)

(Representatives Byerly, Maragos, Nichols, Timm)

1 A BILL for an Act to amend and reenact sections 54-10-13, 54-10-14, 54-10-15, and 54-40.1-05  
2 of the North Dakota Century Code, relating to audits of political subdivisions, regional planning  
3 councils, and soil conservation districts.

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

5 **SECTION 1. AMENDMENT.** Section 54-10-13 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **54-10-13. Political subdivisions - Audits - State auditor powers.** The state auditor  
8 shall perform audits of political subdivisions pursuant to section 54-10-14 unless otherwise  
9 requested by the governing board, ordered by the governor or the legislative audit and fiscal  
10 review committee, or on petition pursuant to section 54-10-15, or at the discretion of the state  
11 auditor for alleged improprieties.

12 **SECTION 2. AMENDMENT.** Section 54-10-14 of the 1995 Supplement to the North  
13 Dakota Century Code is amended and reenacted as follows:

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

15 The state auditor shall audit the following political subdivisions once every two years, except as  
16 provided in this section or otherwise by law:

- 17 1. Counties.
- 18 2. Cities.
- 19 3. Park districts.
- 20 4. School districts.
- 21 5. ~~Firemen's~~ Firefighters relief associations.
- 22 6. Airport authorities.
- 23 7. Public libraries.
- 24 8. Water resource districts.

Fifty-fifth  
Legislative Assembly

- 1           9.    Garrison Diversion Conservancy District.
- 2           10.   Rural fire protection districts.
- 3           11.   Special education districts.
- 4           12.   Area vocational and technology centers.
- 5           13.   Correction centers.
- 6           14.   Recreation service districts.
- 7           15.   Weed boards.
- 8           16.   Irrigation districts.
- 9           17.   Rural ambulance service districts.
- 10          18.   ~~West river water supply district.~~
- 11          19.   Southwest water authority.
- 12          20.   Regional planning councils.
- 13          21.   Soil conservation districts.

14           The state auditor shall charge the political subdivision an amount equal to the fair value  
15 of the audit and any other services rendered. ~~Fees~~ The political subdivision audited shall pay  
16 to the state treasurer the fees for the audit performed by the state auditor ~~must be paid to the~~  
17 ~~state treasurer by the political subdivision audited.~~ The state treasurer shall deposit the fees  
18 ~~must be deposited~~ in the state auditor operating account. Expenses relating to political  
19 subdivision audits must be paid from the state auditor operating account, within the limits of  
20 legislative appropriation.

21           ~~The state auditor may in~~ In lieu of conducting an audit every two years, the state auditor  
22 may require annual reports from school districts with less than one hundred enrolled students,  
23 cities with less than three hundred population, and other political subdivisions subject to this  
24 section, or otherwise provided by law, with less than one hundred thousand dollars of annual  
25 receipts. The reports must contain the financial information required by the state auditor. The  
26 state auditor ~~may~~ may also may make ~~such~~ any additional examination or audit ~~as deemed~~  
27 determined necessary in addition to the annual report. When a report is not filed, the state  
28 auditor may charge the political subdivision an amount equal to the fair value of the additional  
29 examination or audit and any other services rendered. The state auditor may charge a political  
30 subdivision a fee not to exceed fifty dollars an hour for the costs of reviewing the annual report.

1           A political subdivision ~~may~~, at the option of its governing body, may be audited by a  
2 certified public accountant or licensed public accountant rather than by the state auditor. The  
3 public accountant shall comply with generally accepted government auditing standards for  
4 audits of political subdivisions. The report must be in the form and content required by the  
5 state auditor. The number of copies of the audit report requested by the state auditor must be  
6 filed with the state auditor when the public accountant delivers the audit report to the political  
7 subdivision. The state auditor shall review the audit ~~reports~~ report to determine if the ~~reports~~  
8 ~~are~~ report is in the required form and ~~have~~ has the required content, and if the audit meets  
9 generally accepted government auditing standards. The state auditor ~~may~~ also may  
10 periodically review the public accountant's workpapers to determine if the audit meets generally  
11 accepted government auditing standards. If the ~~reports are~~ report is in the required form and  
12 ~~have~~ has the required content, and the ~~reports~~ report and workpapers comply with generally  
13 accepted government auditing standards, the state auditor shall accept the audit report. The  
14 state auditor may charge the political subdivision a fee of up to fifty dollars an hour, but not to  
15 exceed five hundred dollars per review, for the related costs of reviewing the audit report and  
16 workpapers.

17           A political subdivision may not pay a public accountant for an audit until the state  
18 auditor has accepted the audit. However, a political subdivision may make progress payments  
19 to the public accountant. A political subdivision shall retain twenty percent of any progress  
20 payment until the audit report is accepted by the state auditor.

21           The state auditor may require the correction of any irregularities, objectionable  
22 accounting procedures, or illegal actions on the part of the governing board, officers, or  
23 employees of the political subdivision disclosed by the audit report or workpapers, and failure to  
24 make the corrections shall result in audits being resumed by the state auditor until the  
25 irregularities, objectionable accounting procedures, or illegal actions are corrected.

26           **SECTION 3. AMENDMENT.** Section 54-10-15 of the North Dakota Century Code is  
27 amended and reenacted as follows:

28           **54-10-15. Audits of political subdivisions by order of governor or the legislative**  
29 **audit and fiscal review committee, or upon petition.** The state auditor, by duly appointed  
30 deputy auditors or other authorized agents, shall audit or review the books, records, and  
31 financial accounts of any political subdivision when ordered by the governor or the legislative

1 audit and fiscal review committee, requested by the governing board, or upon petition of at  
2 least thirty-five percent of the qualified electors of any political subdivision enumerated in  
3 section 54-10-14 voting for the office of governor at the preceding general election or, in the  
4 case of school districts, upon petition of at least thirty-five percent of the qualified electors  
5 voting at the preceding school board election. Fees for the audits must be paid in accordance  
6 with the provisions of section 54-10-14.

7 **SECTION 4. AMENDMENT.** Section 54-40.1-05 of the 1995 Supplement to the North  
8 Dakota Century Code is amended and reenacted as follows:

9 **54-40.1-05. Reports.** Each regional council shall prepare an annual report within ~~sixty~~  
10 one hundred twenty days after the end of each fiscal year. ~~Copies~~ The regional council shall  
11 submit copies of the report ~~must be submitted~~ to the participating units of general local  
12 government, to the governor or the governor's designee, and to members of the legislative  
13 assembly in each region. To the extent practicable, the report must include projects completed  
14 or in progress and sources of funding.