

**FIRST ENGROSSMENT  
with Senate Amendments  
ENGROSSED HOUSE BILL NO. 1004**

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor and  
2 to amend and reenact sections 54-10-10, 54-10-14, and 54-10-27 of the North Dakota Century  
3 Code, relating to the salary of the state auditor, political subdivision audits, and occupational  
4 and professional board audits.

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

6 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds  
7 as may be necessary, are appropriated out of any moneys in the general fund in the state  
8 treasury, not otherwise appropriated, and from special funds derived from federal funds and  
9 other income, to the state auditor for the purpose of defraying the expenses of the state auditor,  
10 for the biennium beginning July 1, 2021, and ending June 30, 2023, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
11			
12			
13	Salaries and wages	\$12,668,218	\$620,866
14	Operating expenses	1,161,820	219,883
15	Information technology consultants	<u>450,000</u>	<u>0</u>
16	Total all funds	\$14,280,038	\$840,749
17	Less estimated income	<u>4,173,178</u>	<u>1,652,974</u>
18	Total general fund	\$10,106,860	(\$812,225)
19	Full-time equivalent positions	58.00	4.00
			62.00

20 **SECTION 2. ONE-TIME FUNDING.** The following amounts reflect the one-time funding  
21 items approved by the sixty-sixth legislative assembly for the 2019-21 biennium:

	<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
22			
23	Copier replacement	<u>\$16,000</u>	<u>\$0</u>
24	Total general fund	\$16,000	\$0

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

3       **54-10-10. Salary of state auditor.**

4       The annual salary of the state auditor is one hundred ~~seventwelve~~ thousand ~~eighttwo~~  
5 hundred ~~eighty-five~~forty-one dollars through June 30, ~~2020~~2022, and one hundred ~~ten~~fourteen  
6 thousand ~~five~~four hundred ~~eighty-two~~eighty-six dollars thereafter.

7       **SECTION 4. AMENDMENT.** Section 54-10-14 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9       **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

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

1 t. Soil conservation districts.

2 u. Western area water supply authority industrial water sales on an annual basis.

3 2. The state auditor shall charge the political subdivision an amount equal to the fair  
4 value of the audit and any other services rendered. The fees must be deposited in the  
5 state auditor operating account. The state treasurer shall credit the state auditor  
6 operating account with the amount of interest earnings attributable to the deposits in  
7 that account. Expenses relating to political subdivision audits must be paid from the  
8 state auditor operating account, within the limits of legislative appropriation.

9 3. In lieu of conducting an audit every two years, the state auditor may require annual  
10 reports from school districts with less than one hundred enrolled students; cities with  
11 less than five hundred population; and other political subdivisions subject to this  
12 section, or otherwise provided by law, with less than ~~three hundred~~seven hundred fifty  
13 thousand dollars of annual receipts, excluding any federal funds passed through the  
14 political subdivision to another entity. If any federal agency performs or requires an  
15 audit of a political subdivision that receives federal funds to pass through to another  
16 entity, the political subdivision shall provide a copy to the state auditor upon request by  
17 the state auditor. The reports must contain the financial information required by the  
18 state auditor. The state auditor also may make any additional examination or audit  
19 determined necessary in addition to the annual report. When a report is not filed, the  
20 state auditor may charge the political subdivision an amount equal to the fair value of  
21 the additional examination or audit and any other services rendered. The state auditor  
22 may charge a political subdivision a fee not to exceed ~~eighty~~eighty-six dollars an hour  
23 for the costs of reviewing the annual report.

24 4. A political subdivision, at the option of its governing body, may be audited by a certified  
25 public accountant or licensed public accountant rather than by the state auditor. The  
26 public accountant shall comply with generally accepted government auditing standards  
27 for audits of political subdivisions. The report must be in the form and content required  
28 by the state auditor. The number of copies of the audit report requested by the state  
29 auditor must be filed with the state auditor when the public accountant delivers the  
30 audit report to the political subdivision. The state auditor shall review the audit report  
31 to determine if the report is in the required form and has the required content, and if

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

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

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

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

21 **54-10-27. Occupational and professional boards - Audits and reports.**

22 The governing board of any occupational or professional board shall provide for an audit  
23 once every two years by a certified public accountant or licensed public accountant. The  
24 accountant conducting the audit shall submit the audit report to the state auditor's office. If the  
25 report is in the form and style prescribed by the state auditor, the state auditor may not audit  
26 that board. An occupational or professional board may request the state auditor to conduct its  
27 audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees  
28 charged to the occupational or professional board into the state auditor operating account.  
29 Instead of providing for an audit every two years, an occupational or professional board that has  
30 less than two hundred thousand dollars of annual receipts may submit an annual report to the  
31 state auditor. The report must contain the information required by the state auditor. The state

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1 auditor also may make any additional examination or audit determined necessary in addition to  
2 the annual report. When a report is not filed, the state auditor may charge the occupational or  
3 professional board an amount equal to the fair value of the additional examination or audit and  
4 any other services rendered. The state auditor may charge an occupational or professional  
5 board a fee not to exceed ~~five~~eighty-six dollars an hour for the costs of reviewing the annual  
6 report.