

**FIRST ENGROSSMENT
with Conference Committee 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; to
2 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; to provide for a prescription drug coverage performance audit;
5 and to provide for legislative management reports.

6 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

| | <u>Base Level</u> | Adjustments or <u>Enhancements</u> | <u>Appropriation</u> |
|---------------------------------------|-------------------|---------------------------------------|----------------------|
| 14 Salaries and wages | \$12,668,218 | \$455,341 | \$13,123,559 |
| 15 Operating expenses | 1,161,820 | 209,883 | 1,371,703 |
| 16 Information technology consultants | <u>450,000</u> | <u>0</u> | <u>450,000</u> |
| 17 Total all funds | \$14,280,038 | \$665,224 | \$14,945,262 |
| 18 Less estimated income | <u>4,173,178</u> | <u>1,652,974</u> | <u>5,826,152</u> |
| 19 Total general fund | \$10,106,860 | (\$987,750) | \$9,119,110 |
| 20 Full-time equivalent positions | 58.00 | 3.00 | 61.00 |

21 **SECTION 2. ONE-TIME FUNDING.** The following amounts reflect the one-time funding
22 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> |
|---|-------------------------------------|----------------|----------------|
| 1 | | | |
| 2 | Copier replacement | \$16,000 | \$0 |
| 3 | Total general fund | \$16,000 | \$0 |

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

6 **54-10-10. Salary of state auditor.**

7 The annual salary of the state auditor is one hundred ~~seventwelve~~ thousand ~~eighttwo~~
8 hundred ~~eighty-fiveforty-one~~ dollars through June 30, ~~2020~~2022, and one hundred ~~tenfourteen~~
9 thousand ~~fivefour~~ hundred ~~eighty-two~~~~eighty-six~~ dollars thereafter.

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

12 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

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

- 15 a. Counties.
- 16 b. Cities, and when a city is audited, to include any political subdivision that was
17 created by the city and has bonding authority.
- 18 c. Park districts.
- 19 d. School districts.
- 20 e. Firefighters relief associations.
- 21 f. Airport authorities.
- 22 g. Public libraries.
- 23 h. Water resource districts.
- 24 i. Garrison Diversion Conservancy District.
- 25 j. Rural fire protection districts.
- 26 k. Special education districts.
- 27 l. Area career and technology centers.
- 28 m. Correction centers.
- 29 n. Recreation service districts.
- 30 o. Weed boards.
- 31 p. Irrigation districts.

- 1 q. Rural ambulance service districts.
- 2 r. Southwest water authority.
- 3 s. Regional planning councils.
- 4 t. Soil conservation districts.
- 5 u. Western area water supply authority industrial water sales on an annual basis.
- 6 2. The state auditor shall charge the political subdivision an amount equal to the fair
7 value of the audit and any other services rendered. The fees must be deposited in the
8 state auditor operating account. The state treasurer shall credit the state auditor
9 operating account with the amount of interest earnings attributable to the deposits in
10 that account. Expenses relating to political subdivision audits must be paid from the
11 state auditor operating account, within the limits of legislative appropriation.
- 12 3. In lieu of conducting an audit every two years, the state auditor may require annual
13 reports from ~~school districts with less than one hundred enrolled students; cities with~~
14 ~~less than five hundred population; and other~~ political subdivisions subject to this
15 section, or otherwise provided by law, with less than ~~three hundred~~seven hundred fifty
16 thousand dollars of annual receipts, excluding any federal funds passed through the
17 political subdivision to another entity. If any federal agency performs or requires an
18 audit of a political subdivision that receives federal funds to pass through to another
19 entity, the political subdivision shall provide a copy to the state auditor upon request by
20 the state auditor. The reports must contain the financial information required by the
21 state auditor. The state auditor also may make any additional examination or audit
22 determined necessary in addition to the annual report. When a report is not filed, the
23 state auditor may charge the political subdivision an amount equal to the fair value of
24 the additional examination or audit and any other services rendered. The state auditor
25 may charge a political subdivision a fee not to exceed ~~eighty~~eighty-six dollars an hour
26 for the costs of reviewing the annual report.
- 27 4. A political subdivision, at the option of its governing body, may be audited by a certified
28 public accountant or licensed public accountant rather than by the state auditor. The
29 public accountant shall comply with generally accepted government auditing standards
30 for audits of political subdivisions. The report must be in the form and content required
31 by the state auditor. The number of copies of the audit report requested by the state

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

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

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

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

24 **54-10-27. Occupational and professional boards - Audits and reports.**

25 The governing board of any occupational or professional board shall provide for an audit
26 once every two years by a certified public accountant or licensed public accountant. The
27 accountant conducting the audit shall submit the audit report to the state auditor's office. If the
28 report is in the form and style prescribed by the state auditor, the state auditor may not audit
29 that board. An occupational or professional board may request the state auditor to conduct its
30 audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees
31 charged to the occupational or professional board into the state auditor operating account.

1 Instead of providing for an audit every two years, an occupational or professional board that has
2 less than two hundred thousand dollars of annual receipts may submit an annual report to the
3 state auditor. The report must contain the information required by the state auditor. The state
4 auditor also may make any additional examination or audit determined necessary in addition to
5 the annual report. When a report is not filed, the state auditor may charge the occupational or
6 professional board an amount equal to the fair value of the additional examination or audit and
7 any other services rendered. The state auditor may charge an occupational or professional
8 board a fee not to exceed ~~fifty-eighty-six~~ fifty-eight dollars an hour for the costs of reviewing the annual
9 report.

10 **SECTION 6. PUBLIC EMPLOYEES RETIREMENT SYSTEM - STATE AUDITOR -**
11 **PRESCRIPTION DRUG COVERAGE PERFORMANCE AUDIT - REPORTS TO LEGISLATIVE**
12 **MANAGEMENT.** In lieu of the requirement under section 54-52.1-04.16 that the public
13 employees retirement system contract to conduct a prescription drug coverage performance
14 audit of the main public employees retirement system health benefit plan for calendar year
15 2021, the state auditor shall contract in accordance with chapter 54-10 to conduct a prescription
16 drug coverage performance audit of the main public employees retirement system health
17 benefit plan during the 2021-22 interim, in the same manner as provided for under section
18 54-52.1-04.16, for calendar years 2019, 2020, and 2021. Audit fees, not to exceed \$375,000,
19 for audits performed under this section must be on a flat fee or hourly basis and be paid by the
20 public employees retirement system board. The state auditor shall provide reports to the
21 legislative management regarding contracts to conduct prescription drug coverage performance
22 audits, performance audit results, and audit reports issued.