

**State Auditor
Budget 117
Senate Bill Nos. 2004, 2015**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation (original)	59.80	\$10,461,832	\$3,505,870	\$13,967,702
2013-15 legislative appropriation	<u>53.80</u>	<u>8,473,489</u>	<u>3,036,918</u>	<u>11,510,407</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	6.00	\$1,988,343	\$468,952	\$2,457,295
2015-17 general fund allotment (4.05 percent)	<u>0.00</u>	<u>(\$423,704)</u>	<u>\$0</u>	<u>(\$423,704)</u>
Adjusted 2015-17 appropriation after allotment	59.80	\$10,038,128	\$3,505,870	\$13,543,998

Item Description

General fund budget allotment - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

Desktop support services - Section 7 of 2015 House Bill No. 1021 requires certain agencies, including the State Auditor, to obtain desktop support services from the Information Technology Department. Senate Bill No. 2004 (2015) appropriated \$69,200 from the general fund and \$30,400 from other funds for desktop support services for the State Auditor. In addition, the State Auditor received \$305,450, of which \$248,950 is from the general fund and \$56,500 is from other funds for information technology-related expenditures

State Board of Higher Education audit services - The Legislative Assembly established a Higher Education Audit Division in the State Auditor's office and added 6 auditor FTE positions. The Legislative Assembly provided \$1,221,914 from the general fund for salaries and wages and related operating expenses to provide audit services to the State Board of Higher Education and its institutions.

Status/Result

The budget allotment reduced general fund appropriations for the State Auditor by \$423,704. The State Auditor reduced salaries and wages by \$405,000 and operating expenses by \$18,704. The State Auditor anticipates most of the operating expenses reduction will be to travel and professional development.

The Information Technology Department implemented desktop support services for the State Auditor in March 2016. Expenditures related to the implementation total \$204,500, including \$103,380 of one-time costs, of which \$84,385 is from the general fund, and \$101,120 of ongoing monthly charges, of which \$81,680 is from the general fund, during the biennium. The agency anticipates information technology spending will total \$420,625 and has reprioritized spending to provide for the shortfall.

The State Auditor has hired an audit manager and one auditor in the Higher Education Audit Division. A second auditor will begin in April and the State Auditor anticipates adding a third auditor during the biennium, filling 4 of the 6 authorized FTE positions. The two remaining positions will not be filled and the related salaries are part of the reduction made to salaries and wages due to the allotment. The Higher Education Audit Division has begun work on an audit of the use of purchasing cards by the University System. The State Auditor plans to adjust the 2017-19 biennium budget request to include 4 FTE positions in the Higher Education Audit Division and submit an optional request for the additional 2 FTE positions.

Performance audit of the State Board of Higher Education space utilization study - Section 8 of 2015 Senate Bill No. 2015 provides a contingent appropriation of \$46 million from the general fund to the State Board of Higher Education for the North Dakota State University Dunbar Hall project. The \$46 million is available only if actual general fund revenues for the period beginning July 1, 2015, and ending December 31, 2016, exceed the legislative estimates for the same period by at least \$250 million. The State Board of Higher Education is required to certify to the Budget Section that the project conforms to the master plan and space utilization study and receive Budget Section approval to proceed with the project. The State Board of Higher Education may not seek Budget Section approval to proceed with the project until the State Auditor's office completes a performance audit of the University System's space utilization study.

University System information technology security audits - In Senate Bill No. 2015, the Legislative Assembly provided \$200,000 of special funds authority from fees charged to the University System to conduct information technology security audits of the 11 institutions in the University System to provide a total of \$300,000 for the information technology audits, of which \$100,000 is from the general fund.

State Auditor's office remodel project - In June 2015 the Emergency Commission and the Budget Section approved a State Auditor request to transfer \$80,000 from the operating expenses line item to the capital assets line item to remodel the third floor of the Capitol tower to create a conference room, improve the reception area, and maximize staff space. The State Auditor later received approval from the Capital Projects Carryover Committee to continue the \$80,000 for the project into the 2015-17 biennium.

In addition to the audit of the University System's space utilization study required in Senate Bill No. 2015, the Legislative Audit and Fiscal Review Committee, in April 2015 requested a performance audit of the space utilization study completed for the State Board of Higher Education. Although it is unlikely the general fund revenue contingency in Section 8 of the bill will be met, the State Auditor plans to complete a performance audit of the space utilization study upon the completion of a performance audit of certain university foundations as requested by the Legislative Audit and Fiscal Review Committee.

The State Auditor has contracted for a 2-year information technology security audit of the University System for \$298,173. The contractor anticipates reporting to the State Board of Higher Education in the spring of 2016 regarding the work done during the first year of the audit. A final report will be presented to the 2017 Legislative Assembly.

Bids for the third floor remodel totaled approximately \$120,000 and exceeded the funding available for the project. The State Auditor anticipates using an estimated \$50,000 of the \$80,000 carryover funding for small projects and carpet replacement.