

**FISCAL NOTE**  
**Requested by Legislative Council**  
**12/21/2018**

Bill/Resolution No.: SB 2084

- 1 A. **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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$20,000	\$0	\$20,000	\$0
<b>Appropriations</b>	\$0	\$0	\$20,000	\$0	\$20,000	\$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>	\$0	\$0	\$0
<b>Cities</b>	\$0	\$0	\$0
<b>School Districts</b>	\$0	\$0	\$0
<b>Townships</b>	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Removes the requirement for the State Auditor to host electronic working papers (TeamMate) with ITD.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Fiscal Impact is funding needed to host electronic working papers (TeamMate) with another independent vendor.

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.*

None

- 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.*

Fiscal Impact is funding needed to host electronic working papers (TeamMate) with another independent vendor.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Fiscal Impact is funding needed to host electronic working papers (TeamMate) with another independent vendor.

**Name:** Donald LaFleur

**Agency:** State Auditor

**Telephone:** 328-4744

**Date Prepared:** 12/27/2018

**2019 SENATE GOVERNMENT AND VETERANS AFFAIRS**

**SB 2084**

# 2019 SENATE STANDING COMMITTEE MINUTES

## Government and Veterans Affairs Committee Sheyenne River Room, State Capitol

SB2084  
1/4/2019  
#30408

- Subcommittee  
 Conference Committee

Committee Clerk: Pam Dever

### Explanation or reason for introduction of bill/resolution:

A bill relating to use of centralized desktop support services.

### Minutes:

Att.#1-Joshua Gallion;#2-Dan Sipes

**Chairman Davison:** Open the hearing on SB2084. Clerk read the bill.

**Joshua Gallion,** North Dakota State Auditor: I am here in support of SB2084. (see attached #1) (7.29) My testimony is for SB2086 also.

**Chairman Davison:** Can you provide some examples of conflicts and need for greater independence?

**Josh:** (8.19) We had an issue in our mineral royalties and we needed Microsoft access support. Our staff submitted a help desk ticket. ITD's response was that we do not support access and closed the ticket. We train our staff to go directly to ITD. That is what we pay for desk top support. ITD could not do it. Our staff solved the problem in five minutes. Our staff know our products and know what we are trying to achieve and know the work. ITD does not have the in-depth knowledge of who we are.

**Chairman Davison:** I see that as a cost savings thing. I wanted to know where you see the conflict.

**Josh:** If we need to submit a help desk ticket, it is someone else who chooses the priority. I can't go down the hall because I have 5-6 auditors stuck on a project.

**Chairman Davison:** (10.16) I am still stuck on the conflict piece of it. If you are auditing the governor's office and it oversees ITD; is that the conflict?

**Josh:** There is potential conflict. Now, we audit the governors for the travel costs. We conduct interviews from staff and we record these and they are stored on hard drives in our office. It is not up loaded on our audit software, which is maintained by ITD and report right to the governor. We want to maintain confidentiality; we will not upload those interview into the software. We can't insure that someone outside of our office can assess those. Give us the

option to look outside of ITD. (11.25) The laws mandate that we use ITD. We just want to try to see if others exist.

**Sen. Erin Oban:** I am curious if you think that every head of every agency is going to ask for the same thing? Is this the opposite of the IT Unification efforts that are happening now?

**Josh:** Maybe.

**Chairman Davison:** We outsource in my company. The cost is \$125/hr. I did not see the costs getting out of hand with regards to the industry norm for desk top support. Did you?

**Josh:** My concerns are more than financial. (13.8) I cannot get anyone to get me a true cost estimate.

**Chairman Davison:** From cybersecurity area, how can we know that it is handled at correct level? Where does ITD play a role? We need to protect the whole system.

**Josh:** For the Unification, we are putting all of our eggs in one basket. A distributed network and firewall against the outside and within itself, would improve security. Currently we only use off sight networks.

**Sen. Erin Oban:** (14.54) In reading the language from Century Code, right now we exclude the legislative and judicial branches, universities and colleges, and Attorney General's office. Have you gone to OMB to ask for an exemption?

**Josh:** No we have not.

**Sen. Erin Oban:** Why?

**Josh:** We wanted to come and put it into law.(15.43)

**Chairman Davison:** More questions? Thanks, Josh. Any more testimony in support of bill? Any against SB2084?

**Dan Sipes,** Chief Operating Officer ITD: (see attached #2) (17.44-19.31) Josh testified on both SB2084 and SB2086 but my comments are only for SB2084.

**Sen. Erin Oban:** Would under any scenario, no matter who the governor is, give anybody who should not have access to file upload to your system, access to those files.

**Dan:** No. If we did that we would cease to exist.

**Vice Chair Meyer:** How often are exemptions requested?

**Dan:** We see a lot of them. Over the past ten years, maybe 80 waivers. We do waivers by application by application basis, not agency by agency. Josh wants a higher level exemption.

**Chairman Davison:** Did the former auditor bring the auditor's office in in 2015 when we started to consolidate those organizations under ITD. We gave them so much money to join and about 14 organizations chose to join. Was the Auditor's Office one that joined in 2015?

**Dan:** Are you meaning desk top services?

**Chairman Davison:** Yes.

**Dan:** Mr. Peterson had trepidation with that but went alone and try. They were included in the parcel of agencies that came on board.

**Sen. Erin Oban:** The example that Josh provided and said that ITD returned the ticket and said they could not do it. ITD closed the ticket. Can you explain?

**Dan:** That is more of a SB2086 thing. That is one of the gap areas.

**Chairman Davison:** Do you know how much money you receive by Auditor's Office. Could this impact number of staff? I am looking at how passing this bill effects different types of things.

**Dan:** I would be guessing. We could get the numbers.

**Chairman Davison:** I would appreciate that number. In the interim there was discussion about what the costs would be. I do not have any issue with the costs. (30.0) Do you have any comments on cybersecurity?

**Dan:** I do not believe that this is fundamentally about cybersecurity. Josh described an approach to cybersecurity that I think is not prevalent when you talk about enterprise IT is doing. Most states are not going to distributing security. They are going to centralizing. Most are not adapting the model that Josh described.

**Chairman Davison:** Any more questions? Any more testimony against? We will close the hearing on SB2084. We will wait and get more information.

# 2019 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee  
Sheyenne River Room, State Capitol

SB2084  
1/10/2019  
#30648

- Subcommittee  
 Conference Committee

Committee Clerk: Pam Dever

## Explanation or reason for introduction of bill/resolution:

A bill relating to use of centralized desktop support services.

## Minutes:

**Chairman Davison:** Let's look at SB2084. I serve on interim technology and we oversee ITD. I appreciated Josh coming forward. There is a process to go through OMB for Josh to go and seek satisfaction. I did not feel when we are talking unification, this is a very good plan. I cannot support this right now.

**Vice Chair Meyer:** I see Shaun and the unification is stepping up. The steps are there and have not been used.

**Vice Chair Meyer:** I move a DO NOT PASS on SB2084

**Sen. Erin Oban:** I second

**Chairman Davison:** Further discussion.

**Sen. Erin Oban:** I did not see a strong case. You can go before OMB and get an exemption.

**Chairman Davison:** Other discussion. Clerk take the roll. (3.5)

**YES 7 NO 0 -0- absent** Chairman Davison will carry the bill  
**SB2084 passed as DO NOT PASS**

Date: 1/10/19  
 Roll Call Vote #: 1

**2019 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. SB 2084**

Senate Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Sen. Meyer Seconded By Sen. Oban

Senators	Yes	No	Senators	Yes	No
Chairman Davison	/		Senator Marcellais	/	
Vice Chairman Meyer	/		Senator Oban	/	
Senator Elkin	/				
Senator Roers	/				
Senator Vedaa	/				

Total (Yes) 1 No 0

Absent -0-

Floor Assignment Chair Davison

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

**REPORT OF STANDING COMMITTEE**

**SB 2084: Government and Veterans Affairs Committee (Sen. Davison, Chairman)**  
recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
SB 2084 was placed on the Eleventh order on the calendar.

**2019 TESTIMONY**

**SB 2084**



Office of the  
State Auditor

SB 2084  
Alt # 1  
1/4/19  
pg 1

TESTIMONY TO SENATE GOVERNMENT AND VETERANS AFFAIRS  
SB2084 and SB 2086 – STATE AUDITOR’S OFFICE  
1/4/2019

Good morning, Chairman Davison and members of the committee, my name is Joshua Gallion and I serve as North Dakota’s State Auditor. I’m here today to discuss the resource needs of the State Auditor’s Office, providing information regarding our efforts to fulfill our statutory obligations while improving accountability and promoting transparency of our state’s government.

As you are aware, the State Auditor is a constitutional state official elected by the citizens of North Dakota. My job is to lead the way in providing truthful, objective and independent information to you and the citizens of North Dakota. Our mission is to produce informative audits to improve government through our vision of a diverse team committed to generating greater value for our taxpayers.

**Why is this important?**

There are concerns that are more than just financial. North Dakota’s founding fathers established a Constitution with more elected officials than nearly any other state because they knew distributing power and authority was the best way to maintain government’s accountability to the citizens it serves. This distribution also aligned authority and responsibility at the lowest level which maximizes effectiveness. We too often begin discussions to solve problems in the name of efficiency all while losing sight of effectiveness.

**What these changes do for us.**

It cannot be said enough; independence and objectivity are essential to the auditor’s office and our work product. In fact, objectivity is a guiding principle of government auditing standards. Being mandated to use products and services from an agency that we also audit on a biennial basis can create an independence conflict with the standards that we follow.

In addition, we can produce better audit results if state employees know that their confidential information is not accessible to anyone outside of the State Auditor’s Office. Allowing the auditor’s office to be exempt from ITD’s centralized desktop support and hosting services provides options that may help to achieve a greater level independence and better audits.

1/4/19  
AH #2  
SB 2084  
pg 1

**SB 2084 TESTIMONY**  
**SENATE POLITICAL SUBDIVISIONS COMMITTEE**  
**BY: DAN SIPES, CHIEF OPERATING OFFICER**  
**INFORMATION TECHNOLOGY DEPARTMENT (ITD)**  
**JANUARY 4, 2019**

Mr. Chairman and members of the committee, my name is Dan Sipes. I am the Chief Operating Officer with the Information Technology Department (ITD). I am here to indicate ITD is opposed to Senate Bill 2084.

The bill states that the proposed language change is related to the required use of centralized desktop services. However, this language would exempt the State Auditor's Office from the use of the centralized e-mail system, file and print services, database administration, application server and hosting services. The actual language surrounding desktop services is found in NDCC 54-59-22.1 and the requested exemption to the use of centralized desktop services is addressed in Senate Bill 2086.

The State of North Dakota has benefited from the use of consolidated services resulting from legislation initiated by the 58<sup>th</sup> Legislative Assembly in 2003. Use of centralized services in these areas allows the state to minimize the investment in staff required to support these systems and avoids duplicate investments by the state in systems that perform the same or similar functions. Centralized services also allow the state to focus our cybersecurity strategies on fewer technology platforms and on a comprehensive cyber defense which permits all agencies to benefit from the strategies that are adopted.

If there are specific business needs that a state agency feels are not being met via these shared services, NDCC 54-59-22 provides a provision where agencies may request an exemption which is reviewed by ITD and then eventually approved or declined by the Office of Management and Budget.

This concludes my remarks. I would be happy to answer any questions.

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