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## STATUTORY DUTIES AND RESPONSIBILITIES OF THE LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE - RECOMMENDATIONS AND REQUESTS MADE BY THE COMMITTEE

The Legislative Council by law appoints a Legislative Audit and Fiscal Review Committee as a division of its Budget Section. The committee was created "[f]or the purposes of studying and reviewing the financial transactions of this state; to assure the collection and expenditure of its revenues and moneys in compliance with law and legislative intent and sound financial practices; and to provide the legislative assembly with formal, objective information on revenue collections and expenditures for a basis of legislative action to improve the fiscal structure and transactions of this state . . . ." (North Dakota Century Code (NDCC) Section 54-35-02.1)

In setting forth the committee's specific duties and functions, the Legislative Assembly said "[i]t is the duty of the legislative audit and fiscal review committee to study and review audit reports as selected by the committee from those submitted by the state auditor, confer with the auditor and deputy auditors in regard to such reports, and when necessary, to confer with representatives of the department, agency, or institution audited in order to obtain full and complete information in regard to any and all fiscal transactions and governmental operations of any department, agency, or institution of the state." (NDCC Section 54-35-02.2)

The committee also has the following duties and responsibilities:

1. Receive the State Fair Association's audit reports. (NDCC Section 4-02.1-18)
2. Receive the annual audit report from any corporation that produces agricultural ethanol or methanol in this state and which receives a production subsidy from the state. (NDCC Section 10-19.1-152)
3. Receive the annual audit report from any limited liability company that produces agricultural ethanol or methanol in this state and which receives a production subsidy from the state. (NDCC Section 10-32-156)
4. Receive the annual audited financial statement and report from the North Dakota low-risk incentive fund. (NDCC Section 26.1-50-05 provides for the audit report to be submitted to the Legislative Council. The Legislative Council assigned this responsibility to the Legislative Audit and Fiscal Review Committee.)
5. Receive the North Dakota Stockmen's Association audit reports. (NDCC Section

36-22-09 provides for the audit reports to be submitted to the Legislative Council. The Legislative Council assigned this responsibility to the Legislative Audit and Fiscal Review Committee.)

6. Receive and review annual reports on the status of accounts receivable from the Department of Human Services and Developmental Center at Westwood Park, Grafton. (NDCC Section 25-04-17, Developmental Center at Westwood Park, Grafton, and Section 50-06.3-08, Department of Human Services, including the State Hospital)
7. Receive the biennial performance audit on the divisions of Job Service North Dakota. (NDCC Section 52-02-18)
8. The State Auditor is to perform or provide for performance audits of state agencies as the State Auditor or the Legislative Audit and Fiscal Review Committee determines necessary. (NDCC Section 54-10-01)
9. Determine the frequency of audits or reviews. (NDCC Section 54-10-01)
10. Determine when the State Auditor is to perform audits of political subdivisions. (NDCC Section 54-10-13)
11. Direct the State Auditor to audit or review the accounts of any political subdivision. (NDCC Section 54-10-15)
12. Study and review audit reports submitted by the State Auditor. (NDCC Section 54-35-02.2)
13. Receive annual report from the director of the Workers Compensation Bureau and the chairman of the Workers Compensation Bureau Board of Directors. (NDCC Section 65-02-03.3)
14. Receive report from the director of the Workers Compensation Bureau, the chairman of the Workers Compensation Bureau Board of Directors, and the auditor regarding the biennial performance audit of the Workers Compensation Bureau. (NDCC Section 65-02-30)

In addition to the statutory duties and responsibilities of the Legislative Audit and Fiscal Review Committee, the committee has made various recommendations and requests during past interims, including those listed below:

1. The committee encouraged the State Auditor to discuss audit reports with the State Board of Higher Education, as well as with other applicable boards and commissions, prior to presentation of the reports to the committee.
2. Action taken by boards and commissions regarding audit reports should be presented by the audited agency to the committee at the time its report is presented.
3. All state agencies and institutions should comply with and implement, within the limits of the law, recommendations contained in the State Auditor's audit report pertaining to each agency or institution. Such compliance and implementation is to be with a view toward improvement of governmental operations, including fiscal operations, and to full execution of the law.
4. The committee has requested the State Auditor's office to determine whether agencies have complied with the auditor's recommendations within six months after a report has been accepted by the committee, and that the State Auditor report recommendations not implemented to the committee or another appropriate committee of either the Legislative Assembly or the Legislative Council.
5. The committee has encouraged the State Auditor to include in every audit report a summary of audit recommendations, along with the audited agency's written response to those recommendations. The summary is to be in recommendation-response format.
6. The committee has encouraged the State Auditor to provide copies of the management letters to committee members.
7. The committee expressed an interest in having the State Auditor include in future audit reports information on how much salaries and wages funding is spent on actual filled FTE positions and how much salaries and wages funding relating to vacant FTE positions is spent for other purposes.
8. The committee encouraged the State Auditor to provide a report to the Appropriations Committees and each member of the Legislative Audit and Fiscal Review Committee, at the beginning of each legislative session, of significant audit findings and recommendations contained in the audit reports and performance audits presented to the Legislative Audit and Fiscal Review Committee during the previous interim.
9. The committee has developed guidelines for audits performed by the State Auditor's office and independent certified public accountants. The guidelines require that audit reports include specific statements and recommendations regarding:
  - a. Whether expenditures were made in accordance with legislative appropriations and other state fiscal requirements and restrictions.
  - b. Whether revenues were accounted for properly.
  - c. Whether financial controls and procedures are adequate.
  - d. Whether the system of internal control was adequate and functioning effectively.
  - e. Whether financial records and reports reconciled with those of state fiscal offices.
  - f. Whether there was compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning.
  - g. Whether there was evidence of fraud or dishonesty.
  - h. Whether there were indications of lack of efficiency in financial operations and management of the agency.
  - i. Whether actions have been taken by agency officials with respect to findings and recommendations set forth in the audit reports for preceding periods.
  - j. Whether all activities of the agency were encompassed within appropriations of specific amounts.
  - k. Whether the agency has implemented the statewide accounting and management information system, including the cost allocation system.
  - l. Whether the agency has developed budgets of actual anticipated expenditures and revenues on at least a quarterly basis and compares on at least a quarterly basis actual expenditures and revenues on the accrued basis to budgeted expenditures and revenues.