

**Department 117 - State Auditor
House Bill No. 1004**

Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2021-23 Executive Budget	58.00	\$9,521,824	\$5,076,295	\$14,598,119
2019-21 Legislative Appropriations ¹	58.00	10,122,860	4,173,178	14,296,038
Increase (Decrease)	0.00	(\$601,036)	\$903,117	\$302,081

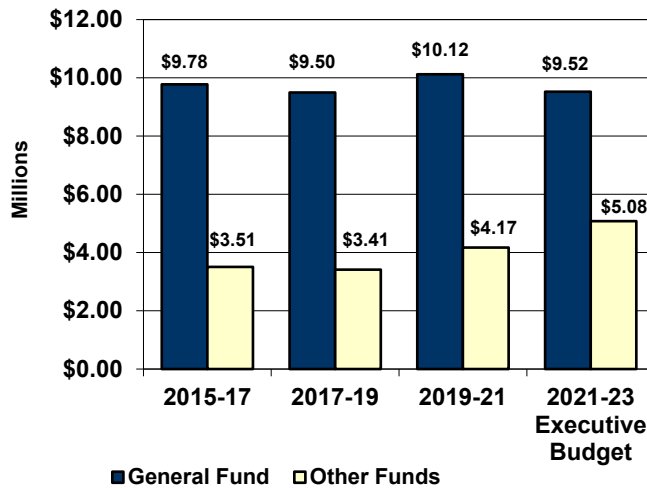
¹The 2019-21 biennium agency appropriation amounts have not been adjusted for the following:

- A 2019-21 biennium general fund appropriation for a copier (\$16,000) spent during the 2017-19 biennium pursuant to an emergency clause.
- Additional general fund authority of \$5,672 transferred to the department for the student internship program.
- Additional federal Coronavirus (COVID-19) funds authority of \$10,866 resulting from Emergency Commission action during the 2019-21 biennium.

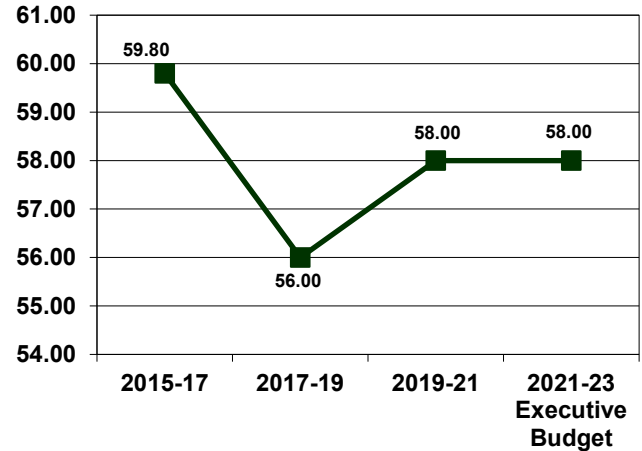
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2021-23 Executive Budget	\$9,521,824	\$0	\$9,521,824
2019-21 Legislative Appropriations	10,106,860	16,000	10,122,860
Increase (Decrease)	(\$585,036)	(\$16,000)	(\$601,036)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2021-23 Executive Budget	\$9,521,824	\$5,076,295	\$14,598,119
2021-23 Base Level	10,106,860	4,173,178	14,280,038
Increase (Decrease)	(\$585,036)	\$903,117	\$318,081

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Adds funding for state employee salary and benefit increases, of which \$312,642 is for salary increases, \$2,822 is for health insurance increases, and \$64,355 is for retirement contribution increases. The House added funding for salary adjustments of 1.5 percent per year with a \$100 minimum and \$250	\$254,437	\$125,382	\$379,819

maximum monthly increase and increases in health insurance premiums from \$1,427 to \$1,429 per month. The House did not add funding for retirement contribution increases.

2. Adjusts base payroll	(\$126,478)	(\$90,826)	(\$217,304)
3. Removes 4 FTE higher education audit positions. In addition to removing the 4 FTE higher education audit positions, the House removed 2 vacant FTE auditor IV positions.	(\$854,231)	\$0	(\$854,231)
4. Adds 4 FTE Local Government Division audit positions, including salaries and wages (\$702,770) and operating expenses (\$41,688). The House added 2 FTE Local Government Division audit positions.	\$0	\$744,458	\$744,458
5. Adjusts base budget operating expenses, including general fund savings of \$79,368 related to the elimination of the higher education audit division	(\$29,977)	\$122,700	\$92,723
6. Adds funding for proposed Capitol complex rent model. The House did not add funding for the Capitol complex rent proposal.	\$165,456	\$0	\$165,456
7. Adds funding for Microsoft Office 365 licensing expenses	\$5,757	\$1,403	\$7,160

Other Sections in House Bill No. 1004

Salary of the State Auditor - Section 2 provides the statutory changes to increase the State Auditor's salary. The State Auditor's annual salary would increase from the current level of \$110,582 to \$112,241, effective July 1, 2021, and to \$113,925, effective July 1, 2022, to reflect a 1.5 percent recommended salary increase each year of the biennium.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriation

There are no deficiency appropriations for this agency.

Significant Audit Findings

The financial audit for the State Auditor's office conducted by Eide Bailly LLP, Certified Public Accountants, for the biennium ended June 30, 2019, revealed one audit finding and related material weakness resulting from an error in the State Auditor's work in process worksheet. Eide Bailly LLP, recommended the work in process and accounts receivable worksheets be appropriately reviewed to ensure correct formulas and to prevent job balances from being improperly included. This was also a prior audit finding during the financial audit for the biennium ended June 30, 2017. In addition, certain errors resulting in misstatements of amounts previously reported for capital assets as of June 30, 2017, were discovered during the current year. Accordingly, adjustments were made to beginning net position as of July 1, 2017, to correct the errors. The audit opinions were not modified with respect to these matters.

Major Related Legislation

House Bill No. 1093 - Removes a requirement that the State Auditor evaluate blanket bond coverage.

House Bill No. 1094 - Removes a requirement that the State Auditor obtain centralized desktop support services from the Information Technology Department. A fiscal note submitted by the State Auditor indicates a total savings of \$44,000, of which \$34,000 is from the general fund, for the 2021-23 biennium.

House Bill No. 1127 - Provides the State Auditor may not divulge any information relating to a matter forwarded to the Attorney General or a state's attorney for further investigation until the Attorney General or state's attorney has made a determination as to whether there is probable cause to believe a violation of law has occurred.

House Bill No. 1395 - Provides an appropriation of \$10,866 for federal Coronavirus Relief Fund spending authority approved for the State Auditor for the 2019-21 biennium by the Emergency Commission and Budget Section.

House Bill No. 1453 - Amends the powers and duties of the State Auditor and provides protections for individuals who report potential violations of law.

**State Auditor - Budget No. 117
House Bill No. 1004
Base Level Funding Changes**

	Executive Budget Recommendation				House Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	58.00	\$10,106,860	\$4,173,178	\$14,280,038	58.00	\$10,106,860	\$4,173,178	\$14,280,038
2021-23 Ongoing Funding Changes								
Base payroll changes		(\$126,478)	(\$90,826)	(\$217,304)		(\$126,478)	(\$90,826)	(\$217,304)
Salary increase		209,436	103,206	312,642		181,401	88,169	269,570
Retirement contribution increase		43,111	21,244	64,355				0
Health insurance increase		1,890	932	2,822		1,890	932	2,822
Removes 4 FTE Higher Education Division audit positions	(4.00)	(854,231)		(854,231)	(4.00)	(854,231)		(854,231)
Adds 4 FTE Local Government Division audit positions, including salaries and wages and operating expenses. (The House added 2 FTE audit positions.)	4.00		744,458	744,458	2.00		372,229	372,229
Removes 2 vacant FTE auditor IV positions, including salaries and wages and operating expenses				0	(2.00)	(359,972)		(359,972)
Adjusts base budget operating expenses, including general fund savings of \$79,368 related to the elimination of the Higher Education Division		(29,977)	122,700	92,723		(29,977)	122,700	92,723
Adds funding for proposed Capitol grounds rent proposal		165,456		165,456				0
Adds funding for Microsoft Office 365 licensing expenses		5,757	1,403	7,160		5,757	1,403	7,160
Total ongoing funding changes	0.00	(\$585,036)	\$903,117	\$318,081	(4.00)	(\$1,181,610)	\$494,607	(\$687,003)
One-time funding items								
No one-time funding items				\$0				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	(\$585,036)	\$903,117	\$318,081	(4.00)	(\$1,181,610)	\$494,607	(\$687,003)
2021-23 Total Funding	58.00	\$9,521,824	\$5,076,295	\$14,598,119	54.00	\$8,925,250	\$4,667,785	\$13,593,035

<i>Total ongoing changes as a percentage of base level</i>	0.0%	(5.8%)	21.6%	2.2%	(6.9%)	(11.7%)	11.9%	(4.8%)
<i>Total changes as a percentage of base level</i>	0.0%	(5.8%)	21.6%	2.2%	(6.9%)	(11.7%)	11.9%	(4.8%)

Other Sections in State Auditor - Budget No. 117

Executive Budget Recommendation

House Version

Salary of the State Auditor

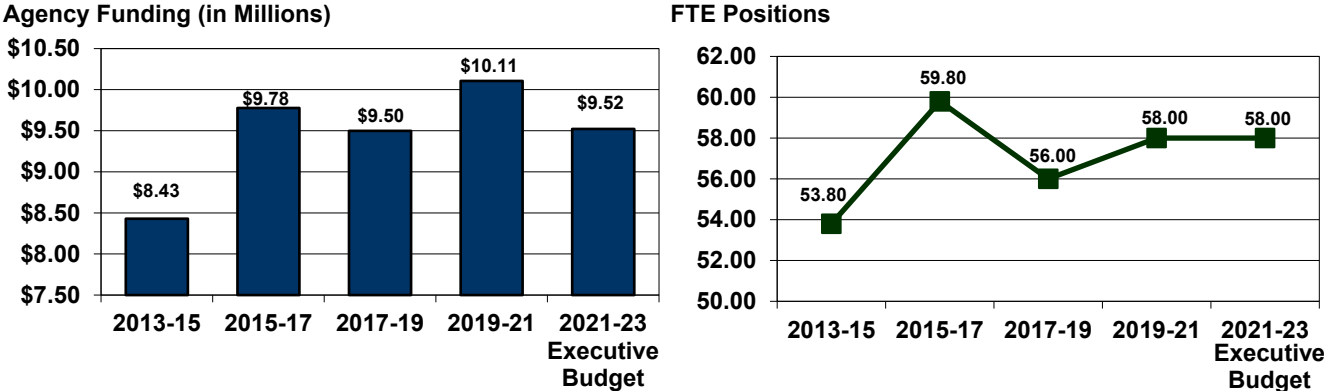
Section 2 provides the statutory changes necessary to increase the State Auditor's salary from the current salary of \$110,582 to \$112,794 (2 percent) in fiscal year 2022 and to \$115,050 (2 percent) in fiscal year 2023.

Section 2 provides the statutory changes necessary to increase the State Auditor's salary from the current salary of \$110,582 to \$112,241 (1.5 percent) in fiscal year 2022 and to \$113,925 (1.5 percent) in fiscal year 2023.

Department 117 - State Auditor

Historical Appropriations Information

Ongoing General Fund Appropriations Since 2013-15



Ongoing General Fund Appropriations					
	2013-15	2015-17	2017-19	2019-21	2021-23 Executive Budget
Ongoing general fund appropriations	\$8,428,489	\$9,776,582	\$9,498,608	\$10,106,860	\$9,521,824
Increase (decrease) from previous biennium	N/A	\$1,348,093	(\$277,974)	\$608,252	(\$585,036)
Percentage increase (decrease) from previous biennium	N/A	16.0%	(2.8%)	6.4%	(5.8%)
Cumulative percentage increase (decrease) from 2013-15 biennium	N/A	16.0%	12.7%	19.9%	13.0%

Major Increases (Decreases) in Ongoing General Fund Appropriations

2015-17 Biennium

- 1. Added funding for 6 FTE auditor positions and related operating expenses to provide audit services to the State Board of Higher Education and its institutions (This item was affected by the August 2016 budget reductions.) \$1,221,914

2017-19 Biennium

- 1. Restored funding for 4 FTE North Dakota University System audit positions removed by the State Auditor as part of the 2015-17 biennium budget reductions, including salaries and wages of \$611,300 and operating expenses of \$41,392 \$652,692
- 2. Removed 2 FTE University System audit positions, including salaries and wages of \$297,135 and operating expenses of \$12,500 (\$309,635)
- 3. Removed 1 FTE performance audit manager position (\$277,191)
- 4. Removed a 0.80 FTE administrative officer II position due to salaries and wages funding reductions \$0
- 5. Reduced funding for operating expenses (\$101,615)
- 6. Removed funding for information technology consultants (\$250,000)

2019-21 Biennium

- 1. Added funding for information technology reviews of the Information Technology Department and the University System to provide a total of \$450,000 for technology reviews, of which \$300,000 is from special funds from the University System \$150,000

2021-23 Biennium (Executive Budget Recommendation)

- 1. Removes 4 FTE higher education audit division positions. **In addition to removing the 4 FTE higher education audit positions, the House removed 2 vacant FTE auditor IV positions.** (\$854,231)
- 2. Adjusts base budget operating expenses, including general fund savings of \$79,368 related to the elimination of the higher education audit division (\$29,977)
- 3. Adds funding for a proposed Capitol grounds rent proposal. **The House did not add funding for the Capitol complex rent proposal.** \$165,456

**GOVERNOR'S RECOMMENDATION FOR THE
STATE AUDITOR AS SUBMITTED
BY THE OFFICE OF MANAGEMENT AND BUDGET**

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

	<u>Legislative Base level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$12,668,218	\$ 11,054	\$12,679,272
Operating Expenses	1,161,820	307,027	1,468,847
Information Technology Consultants	<u>450,000</u>	<u>0</u>	<u>450,000</u>
Total All Funds	\$14,280,038	\$ 318,081	\$14,598,119
Less Estimated Income	<u>4,173,178</u>	<u>903,117</u>	<u>5,076,295</u>
Total General Fund	\$10,106,860	(\$585,036)	\$ 9,521,824
Full-time Equivalent Positions	58.00	0.00	58.00

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

54-10-10. Salary of state auditor. The annual salary of the state auditor is ~~one hundred seven thousand eight hundred eighty-five dollars through June 30, 2020, and one hundred ten thousand five hundred eighty-two dollars~~ one hundred twelve thousand seven hundred ninety-four dollars through June 30, 2022, and one hundred fifteen thousand fifty dollars thereafter.