

**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

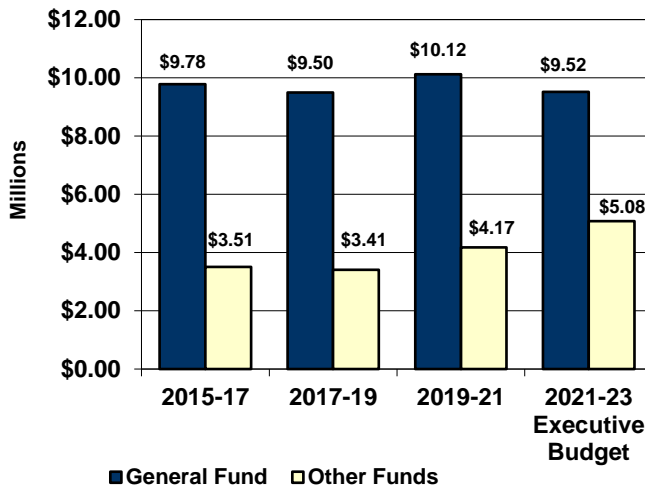
¹The 2019-21 biennium agency appropriation amounts have not been adjusted for the following:

- 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.

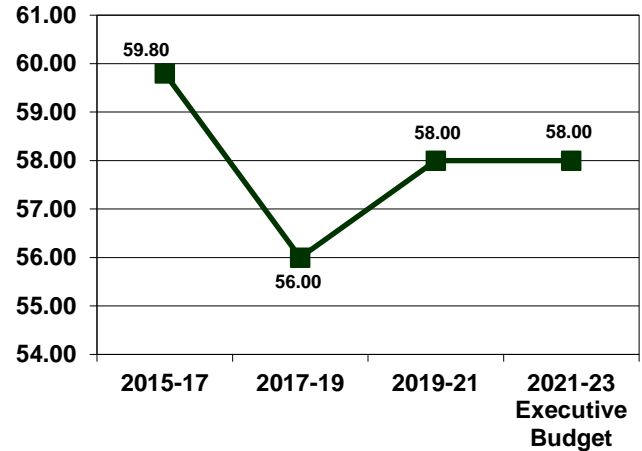
Ongoing and One-Time General Fund Appropriations

	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

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	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	\$254,437	\$125,382	\$379,819
2. Adjusts base payroll	(\$126,478)	(\$90,826)	(\$217,304)
3. Removes 4 FTE higher education audit 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)	\$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	\$165,456	\$0	\$165,456
7. Adds funding for Microsoft Office 365 licensing expenses	\$5,757	\$1,403	\$7,160

**Other Sections Recommended to be Added in the Executive Budget
(As Detailed in the Attached Appendix)**

Salary of the State Auditor - Section 2 would provide 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 \$112,794, effective July 1, 2021, and to \$115,050, effective July 1, 2022, to reflect a 2 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.

Senate Bill No. 2090 - Defines state agency for purposes of the duties of the State Auditor; increases the threshold under which the State Auditor may require an annual report for various political subdivisions; and increases the hourly fee and maximum fee for the review of political subdivision annual reports. A fiscal note submitted by the State Auditor indicates increased fee revenue of \$30,000 for the 2021-23 biennium.

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

	Executive Budget Recommendation			
	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	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)
Salary increase		209,436	103,206	312,642
Retirement contribution increase		43,111	21,244	64,355
Health insurance increase		1,890	932	2,822
Removes 4 FTE Higher Education Division audit positions	(4.00)	(854,231)		(854,231)
Adds 4 FTE Local Government Division audit positions, including salaries and wages (\$702,770) and operating expenses (\$41,688)	4.00		744,458	744,458
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
Adds funding for proposed Capitol grounds rent proposal		165,456		165,456
Adds funding for Microsoft Office 365 licensing expenses		5,757	1,403	7,160
Total ongoing funding changes	0.00	(\$585,036)	\$903,117	\$318,081
One-time funding items				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	(\$585,036)	\$903,117	\$318,081
2021-23 Total Funding	58.00	\$9,521,824	\$5,076,295	\$14,598,119
<i>Total ongoing changes as a percentage of base level</i>	<i>0.0%</i>	<i>(5.8%)</i>	<i>21.6%</i>	<i>2.2%</i>
<i>Total changes as a percentage of base level</i>	<i>0.0%</i>	<i>(5.8%)</i>	<i>21.6%</i>	<i>2.2%</i>

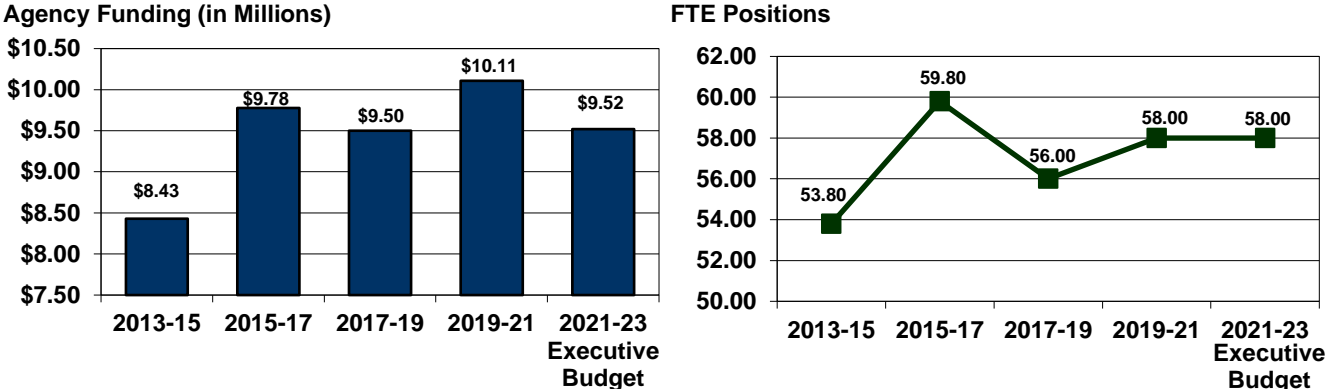
Other Sections in State Auditor - Budget No. 117

	Executive Budget Recommendation			
Salary of the State Auditor				
		Section 2 would provide the statutory changes to increase the State Auditor's salary by 2 percent on July 1, 2021, and by 2 percent on July 1, 2022.		

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 (\$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 \$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.