

Department 117 - State Auditor
Senate Bill No. 2004

First Chamber Comparison to Base Level

	General Fund	Other Funds	Total
2023-25 First Chamber Version	\$10,670,795	\$8,161,731	\$18,832,526
2023-25 Base Level	9,119,110	5,826,152	14,945,262
Increase (Decrease)	\$1,551,685	\$2,335,579	\$3,887,264

First Chamber Changes

A summary of the first chamber's changes to the agency's base level appropriations and the executive budget is attached as an appendix.

Selected Bill Sections Included in the First Chamber Version

Deficiency appropriation - Refund of audit fees - Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the 2021-23 biennium.

Salary of the State Auditor - Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.

Emergency - Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure.

Continuing Appropriations

There are no continuing appropriations for this agency.

Deficiency Appropriations

Section 3 of Senate Bill No. 2004 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the 2021-23 biennium.

Significant Audit Findings

The financial audit for the State Auditor's office, conducted by Eide Bailly LLP, Certified Public Accountants (Eide Bailly), for the biennium ended June 30, 2021, revealed two audit findings and related material weaknesses caused by human error, resulting in a misstatement of accounts receivable submitted to Eide Bailly and by a delay in review of payroll expenditures charged to the general and operating funds, resulting in a misstatement of prior period cash funds. Eide Bailly recommended financial statement account reconciliations be checked and reviewed prior to the audit and the State Auditor continue to use the payroll control procedures implemented in January 2020 to ensure that future financial statements are accurate.

Major Related Legislation

Senate Bill No. 2180 - Changes the requirement of state agencies to be audited from every 2 years to once every 2 to 4 years; changes the threshold of funding for political subdivisions that require an audit from \$750,000 to \$2,000,000; and increases the rate the State Auditor may charge political subdivisions for the review of audit reports submitted by independent firms from \$86 per hour to \$90 per hour.

Senate Bill No. 2259 - Limits charges for audits of agricultural commodity groups to \$6,000 for an annual financial statement audit or \$4,000 for a 2-year single-page financial statement audit performed during the biennium ending June 30, 2025, and limits increases to 5 percent on July 1st of each odd-numbered year thereafter.

House Bill No. 1235 - Provides for certain elected officials, including the State Auditor, to begin their term of office on December 1st succeeding their election.

House Bill No. 1245 - Requires each county provide a financial report to the State Auditor by February 1st of each year showing the ending balances of the county general fund and county road and bridge fund for the preceding calendar year.

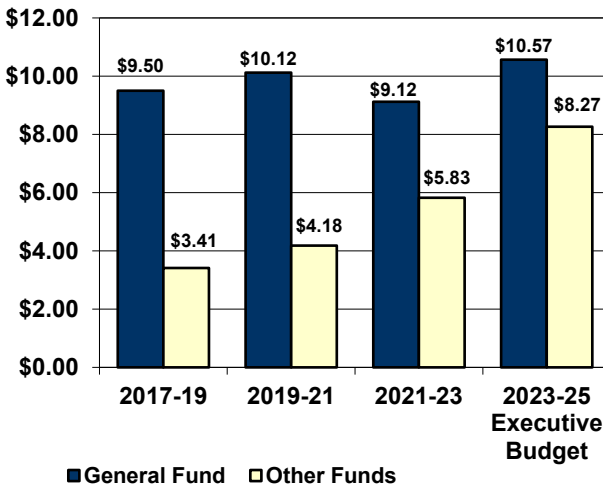
House Bill No. 1501 - Exempts commodity groups from state audit if the commodity group is subject to a federal audit due to a federally mandated checkoff associated with the group's national association.

House Bill No. 1508 - Requires all audits performed by the State Auditor to be reviewed and approved by a certified public accountant.

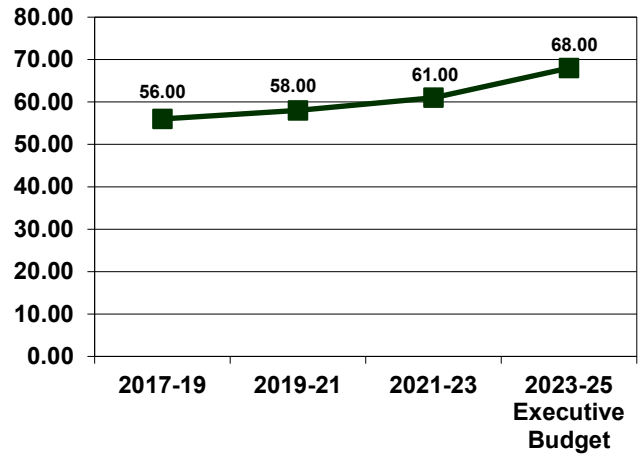
Historical Appropriations Information

Agency Appropriations and FTE Positions

Agency Funding (Millions)



FTE Positions



Ongoing General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
Ongoing general fund appropriations	\$9,776,582	\$9,498,608	\$10,106,860	\$9,119,110	\$10,430,951
Increase (decrease) from previous biennium	N/A	(\$277,974)	\$608,252	(\$987,750)	\$1,311,841
Percentage increase (decrease) from previous biennium	N/A	(2.8%)	6.4%	(9.8%)	14.4%
Cumulative percentage increase (decrease) from 2015-17 biennium	N/A	(2.8%)	3.4%	(6.7%)	6.7%

Major Increases (Decreases) in Ongoing General Fund Appropriations

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 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 IT consultants (\$250,000)

2019-21 Biennium

- Added funding for IT reviews of the Information Technology Department (ITD) 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

1. Removed 4 FTE Higher Education Division audit positions (\$854,231)
2. Removed 1 vacant FTE auditor IV position, including salaries and wages and operating expenses (\$175,525)

2023-25 Biennium (Executive Budget Recommendation)

1. Adds \$500,000, of which \$250,000 is from special funds in the agency's operating fund, for temporary salaries for internships \$250,000

- 2. Increases funding for added operating costs related to audit software upgrade \$54,298
- 3. Adds funding for a new Capitol space rent model \$178,228

One-Time General Fund Appropriations

	2015-17	2017-19	2019-21	2021-23	2023-25 Executive Budget
One-time general fund appropriations	\$0	\$0	\$16,000	\$0	\$135,550

Major One-Time General Fund Appropriations

2017-19 Biennium

None \$0

2019-21 Biennium

Added one-time funding to replace a copier. \$16,000

2021-23 Biennium

None \$0

2023-25 Biennium (Executive Budget Recommendation)

- 1. Adds one-time funding for office furniture related to local government auditor positions \$21,000
- 2. Adds one-time funding for travel and professional development inflationary increases \$44,000
- 3. Adds funding for one-time costs related to audit software upgrade \$45,550
- 4. Adds one-time funding for replacement of equipment over \$5,000 \$25,000

State Auditor - Budget No. 117
Senate Bill No. 2004
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2023-25 Biennium Base Level	61.00	\$9,119,110	\$5,826,152	\$14,945,262	61.00	\$9,119,110	\$5,826,152	\$14,945,262
2023-25 Ongoing Funding Changes								
Cost to continue salary increase		\$63,033	\$23,627	\$86,660		\$63,033	\$23,627	\$86,660
Base budget transfer of \$17,593 from operating expenses to salaries and wages				0				0
Salary increase		578,161	425,488	1,003,649		432,963	318,639	751,602
Health insurance increase		177,018	82,304	259,322		181,090	84,197	265,287
Adds salary equity funding for elected officials				0		26,748		26,748
Adds funding from special funds in the agency's operating fund for 1 FTE local government audit manager position	1.00		308,364	308,364	1.00		308,364	308,364
Adds funding from special funds in the agency's operating fund for 2 FTE local government auditor II positions	2.00		415,480	415,480	2.00		415,480	415,480
Adds funding from special funds in the agency's operating fund for 4 FTE local government auditor I positions	4.00		703,940	703,940	4.00		703,940	703,940
Adds funding for 1 FTE education coordinator position				0	1.00	218,672		218,672
Adds funding, including funding from special funds in the agency's operating fund, for temporary salaries for internships		250,000	250,000	500,000		250,000	250,000	500,000
Adds funding from special funds in the agency's operating fund, for operating costs related to additional local government auditors			126,500	126,500			126,500	126,500
Increases funding, including funding from federal and special funds, for operating costs related to audit software upgrades		54,298	61,266	115,564		54,298	61,266	115,564
Adds funding for operating expenses related to ITD rate increases		11,103	6,566	17,669		11,103	6,566	17,669
Adds funding for operating expenses related to a new Capitol space rent model		178,228		178,228		178,228		178,228
Total ongoing funding changes	7.00	\$1,311,841	\$2,403,535	\$3,715,376	8.00	\$1,416,135	\$2,298,579	\$3,714,714

One-Time Funding Items

Adds one-time funding for operating expenses related to local government auditor positions		\$21,000		\$21,000		\$21,000		\$21,000
Adds one-time funding, including funding from federal and special funds, for operating expenses related to travel and professional development inflationary increases		44,000	\$37,000	81,000		44,000	\$37,000	81,000
Adds one-time funding for costs related to audit software upgrades		45,550		45,550		45,550		45,550
Adds one-time funding for capital costs related to the replacement of equipment over \$5,000		25,000		25,000		25,000		25,000
Total one-time funding changes	0.00	\$135,550	\$37,000	\$172,550	0.00	\$135,550	\$37,000	\$172,550
Total Changes to Base Level Funding	7.00	\$1,447,391	\$2,440,535	\$3,887,926	8.00	\$1,551,685	\$2,335,579	\$3,887,264
2023-25 Total Funding	68.00	\$10,566,501	\$8,266,687	\$18,833,188	69.00	\$10,670,795	\$8,161,731	\$18,832,526
<i>Federal funds included in other funds</i>			<i>\$1,482,390</i>				<i>\$1,463,177</i>	
<i>Total ongoing changes as a percentage of base level</i>	<i>11.5%</i>	<i>14.4%</i>	<i>41.3%</i>	<i>24.9%</i>	<i>13.1%</i>	<i>15.5%</i>	<i>39.5%</i>	<i>24.9%</i>
<i>Total changes as a percentage of base level</i>	<i>11.5%</i>	<i>15.9%</i>	<i>41.9%</i>	<i>26.0%</i>	<i>13.1%</i>	<i>17.0%</i>	<i>40.1%</i>	<i>26.0%</i>

Other Sections in State Auditor - Budget No. 117

	Executive Budget Recommendation	Senate Version
Deficiency appropriation - Refund of audit fees		Section 3 provides a deficiency appropriation of \$24,358 to the State Auditor to provide refunds to local governments whose audit fees exceeded 1 percent of their revenues during the biennium ended June 30, 2023.
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 \$114,486 to \$121,355, effective July 1, 2023, and to \$126,209, effective July 1, 2024, to reflect state employee salary increases of up to 6 percent effective July 1, 2023, and 4 percent effective July 1, 2024.	Section 4 provides the statutory changes necessary to increase the State Auditor's annual salary to \$130,000 (13.6 percent) effective July 1, 2023, and to \$135,200 (4 percent) effective July 1, 2024.
Emergency		Section 5 declares the deficiency appropriation in Section 3 to be an emergency measure.