

Introduced by

Political Subdivisions Committee

(At the request of the State Auditor)

1 A BILL for an Act to amend and reenact section 54-10-14 of the North Dakota Century Code,  
2 relating to payment of audit fees by political subdivisions.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 54-10-14 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

7 The state auditor shall audit the following political subdivisions once every two years, except as  
8 provided in this section or otherwise by law:

- 9 1. Counties.
- 10 2. Cities.
- 11 3. Park districts.
- 12 4. School districts.
- 13 5. Firefighters relief associations.
- 14 6. Airport authorities.
- 15 7. Public libraries.
- 16 8. Water resource districts.
- 17 9. Garrison Diversion Conservancy District.
- 18 10. Rural fire protection districts.
- 19 11. Special education districts.
- 20 12. Area career and technology centers.
- 21 13. Correction centers.
- 22 14. Recreation service districts.
- 23 15. Weed boards.
- 24 16. Irrigation districts.

Fifty-ninth  
Legislative Assembly

- 1           17.   Rural ambulance service districts.
- 2           18.   Southwest water authority.
- 3           19.   Regional planning councils.
- 4           20.   Soil conservation districts.

5           The state auditor shall charge the political subdivision an amount equal to the fair value  
6 of the audit and any other services rendered. ~~The political subdivision audited shall pay to the~~  
7 ~~state treasurer the fees for the audit performed by the state auditor. The state treasurer shall~~  
8 ~~deposit the fees~~ must be deposited in the state auditor operating account. The state treasurer  
9 shall credit the state auditor operating account with the amount of interest earnings attributable  
10 to the deposits in that account. Expenses relating to political subdivision audits must be paid  
11 from the state auditor operating account, within the limits of legislative appropriation.

12           In lieu of conducting an audit every two years, the state auditor may require annual  
13 reports from school districts with less than one hundred enrolled students, cities with less than  
14 three hundred population, park districts with less than two hundred thousand dollars of annual  
15 receipts, and other political subdivisions subject to this section, or otherwise provided by law,  
16 with less than one hundred thousand dollars of annual receipts. The reports must contain the  
17 financial information required by the state auditor. The state auditor also may make any  
18 additional examination or audit determined necessary in addition to the annual report. When a  
19 report is not filed, the state auditor may charge the political subdivision an amount equal to the  
20 fair value of the additional examination or audit and any other services rendered. The state  
21 auditor may charge a political subdivision a fee not to exceed fifty dollars an hour for the costs  
22 of reviewing the annual report.

23           A political subdivision, at the option of its governing body, may be audited by a certified  
24 public accountant or licensed public accountant rather than by the state auditor. The public  
25 accountant shall comply with generally accepted government auditing standards for audits of  
26 political subdivisions. The report must be in the form and content required by the state auditor.  
27 The number of copies of the audit report requested by the state auditor must be filed with the  
28 state auditor when the public accountant delivers the audit report to the political subdivision.  
29 The state auditor shall review the audit report to determine if the report is in the required form  
30 and has the required content, and if the audit meets generally accepted government auditing  
31 standards. The state auditor also may periodically review the public accountant's workpapers

1 to determine if the audit meets generally accepted government auditing standards. If the report  
2 is in the required form and has the required content, and the report and workpapers comply with  
3 generally accepted government auditing standards, the state auditor shall accept the audit  
4 report. The state auditor may charge the political subdivision a fee of up to fifty dollars an hour,  
5 but not to exceed five hundred dollars per review, for the related costs of reviewing the audit  
6 report and workpapers.

7 A political subdivision may not pay a public accountant for an audit until the state auditor  
8 has accepted the audit. However, a political subdivision may make progress payments to the  
9 public accountant. A political subdivision shall retain twenty percent of any progress payment  
10 until the audit report is accepted by the state auditor.

11 The state auditor may require the correction of any irregularities, objectionable  
12 accounting procedures, or illegal actions on the part of the governing board, officers, or  
13 employees of the political subdivision disclosed by the audit report or workpapers, and failure to  
14 make the corrections shall result in audits being resumed by the state auditor until the  
15 irregularities, objectionable accounting procedures, or illegal actions are corrected.