

**FIRST ENGROSSMENT  
with Conference Committee Amendments  
ENGROSSED HOUSE BILL NO. 1004**

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the state auditor; to  
2 amend and reenact sections 54-10-10, 54-10-14, and 54-10-27 of the North Dakota Century  
3 Code, relating to the salary of the state auditor, political subdivision audits, and occupational  
4 and professional board audits; to provide for a prescription drug coverage performance audit;  
5 and to provide for legislative management reports.

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

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

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
14 Salaries and wages	\$12,668,218	\$455,341	\$13,123,559
15 Operating expenses	1,161,820	209,883	1,371,703
16 Information technology consultants	<u>450,000</u>	<u>0</u>	<u>450,000</u>
17 Total all funds	\$14,280,038	\$665,224	\$14,945,262
18 Less estimated income	<u>4,173,178</u>	<u>1,652,974</u>	<u>5,826,152</u>
19 Total general fund	\$10,106,860	(\$987,750)	\$9,119,110
20 Full-time equivalent positions	58.00	3.00	61.00

21 **SECTION 2. ONE-TIME FUNDING.** The following amounts reflect the one-time funding  
22 items approved by the sixty-sixth legislative assembly for the 2019-21 biennium:

	<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
1			
2	Copier replacement	<u>\$16,000</u>	<u>\$0</u>
3	Total general fund	\$16,000	\$0

4       **SECTION 3. AMENDMENT.** Section 54-10-10 of the North Dakota Century Code is  
5 amended and reenacted as follows:

6       **54-10-10. Salary of state auditor.**

7       The annual salary of the state auditor is one hundred ~~seventwelve~~ thousand ~~eighttwo~~  
8 hundred ~~eighty-fiveforty-one~~ dollars through June 30, ~~2020~~2022, and one hundred ~~tenfourteen~~  
9 thousand ~~fivefour~~ hundred ~~eighty-two~~~~eighty-six~~ dollars thereafter.

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

12       **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

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

- 15       a. Counties.
- 16       b. Cities, and when a city is audited, to include any political subdivision that was  
17       created by the city and has bonding authority.
- 18       c. Park districts.
- 19       d. School districts.
- 20       e. Firefighters relief associations.
- 21       f. Airport authorities.
- 22       g. Public libraries.
- 23       h. Water resource districts.
- 24       i. Garrison Diversion Conservancy District.
- 25       j. Rural fire protection districts.
- 26       k. Special education districts.
- 27       l. Area career and technology centers.
- 28       m. Correction centers.
- 29       n. Recreation service districts.
- 30       o. Weed boards.
- 31       p. Irrigation districts.

- 1           q. Rural ambulance service districts.
- 2           r. Southwest water authority.
- 3           s. Regional planning councils.
- 4           t. Soil conservation districts.
- 5           u. Western area water supply authority industrial water sales on an annual basis.
- 6        2. The state auditor shall charge the political subdivision an amount equal to the fair  
7        value of the audit and any other services rendered. The fees must be deposited in the  
8        state auditor operating account. The state treasurer shall credit the state auditor  
9        operating account with the amount of interest earnings attributable to the deposits in  
10       that account. Expenses relating to political subdivision audits must be paid from the  
11       state auditor operating account, within the limits of legislative appropriation.
- 12       3. 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~~  
14       ~~less than five hundred population; and other~~ political subdivisions subject to this  
15       section, or otherwise provided by law, with less than ~~three hundred~~seven hundred fifty  
16       thousand dollars of annual receipts, excluding any federal funds passed through the  
17       political subdivision to another entity. If any federal agency performs or requires an  
18       audit of a political subdivision that receives federal funds to pass through to another  
19       entity, the political subdivision shall provide a copy to the state auditor upon request by  
20       the state auditor. The reports must contain the financial information required by the  
21       state auditor. The state auditor also may make any additional examination or audit  
22       determined necessary in addition to the annual report. When a report is not filed, the  
23       state auditor may charge the political subdivision an amount equal to the fair value of  
24       the additional examination or audit and any other services rendered. The state auditor  
25       may charge a political subdivision a fee not to exceed ~~eighty~~eighty-six dollars an hour  
26       for the costs of reviewing the annual report.
- 27       4. A political subdivision, at the option of its governing body, may be audited by a certified  
28       public accountant or licensed public accountant rather than by the state auditor. The  
29       public accountant shall comply with generally accepted government auditing standards  
30       for audits of political subdivisions. The report must be in the form and content required  
31       by the state auditor. The number of copies of the audit report requested by the state

1 auditor must be filed with the state auditor when the public accountant delivers the  
2 audit report to the political subdivision. The state auditor shall review the audit report  
3 to determine if the report is in the required form and has the required content, and if  
4 the audit meets generally accepted government auditing standards. The state auditor  
5 also may periodically review the public accountant's workpapers to determine if the  
6 audit meets generally accepted government auditing standards. If the report is in the  
7 required form and has the required content, and the report and workpapers comply  
8 with generally accepted government auditing standards, the state auditor shall accept  
9 the audit report. The state auditor may charge the political subdivision a fee of up to  
10 ~~eighty~~eighty-six dollars an hour, but not to exceed ~~five~~seven hundred fifty dollars per  
11 review, for the related costs of reviewing the audit report and workpapers.

12 5. A political subdivision may not pay a public accountant for an audit until the state  
13 auditor has accepted the audit. However, a political subdivision may make progress  
14 payments to the public accountant. A political subdivision shall retain twenty percent of  
15 any progress payment until the audit report is accepted by the state auditor.

16 6. The state auditor may require the correction of any irregularities, objectionable  
17 accounting procedures, or illegal actions on the part of the governing board, officers,  
18 or employees of the political subdivision disclosed by the audit report or workpapers,  
19 and failure to make the corrections must result in audits being resumed by the state  
20 auditor until the irregularities, objectionable accounting procedures, or illegal actions  
21 are corrected.

22 **SECTION 5. AMENDMENT.** Section 54-10-27 of the North Dakota Century Code is  
23 amended and reenacted as follows:

24 **54-10-27. Occupational and professional boards - Audits and reports.**

25 The governing board of any occupational or professional board shall provide for an audit  
26 once every two years by a certified public accountant or licensed public accountant. The  
27 accountant conducting the audit shall submit the audit report to the state auditor's office. If the  
28 report is in the form and style prescribed by the state auditor, the state auditor may not audit  
29 that board. An occupational or professional board may request the state auditor to conduct its  
30 audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees  
31 charged to the occupational or professional board into the state auditor operating account.

1 Instead of providing for an audit every two years, an occupational or professional board that has  
2 less than two hundred thousand dollars of annual receipts may submit an annual report to the  
3 state auditor. The report must contain the information required by the state auditor. The state  
4 auditor also may make any additional examination or audit determined necessary in addition to  
5 the annual report. When a report is not filed, the state auditor may charge the occupational or  
6 professional board an amount equal to the fair value of the additional examination or audit and  
7 any other services rendered. The state auditor may charge an occupational or professional  
8 board a fee not to exceed ~~fifty-eighty-six~~ fifty-eighty-six dollars an hour for the costs of reviewing the annual  
9 report.

10 **SECTION 6. PUBLIC EMPLOYEES RETIREMENT SYSTEM - STATE AUDITOR -**  
11 **PRESCRIPTION DRUG COVERAGE PERFORMANCE AUDIT - REPORTS TO LEGISLATIVE**  
12 **MANAGEMENT.** In lieu of the requirement under section 54-52.1-04.16 that the public  
13 employees retirement system contract to conduct a prescription drug coverage performance  
14 audit of the main public employees retirement system health benefit plan for calendar year  
15 2021, the state auditor shall contract in accordance with chapter 54-10 to conduct a prescription  
16 drug coverage performance audit of the main public employees retirement system health  
17 benefit plan during the 2021-22 interim, in the same manner as provided for under section  
18 54-52.1-04.16, for calendar years 2019, 2020, and 2021. Audit fees, not to exceed \$375,000,  
19 for audits performed under this section must be on a flat fee or hourly basis and be paid by the  
20 public employees retirement system board. The state auditor shall provide reports to the  
21 legislative management regarding contracts to conduct prescription drug coverage performance  
22 audits, performance audit results, and audit reports issued.