

FIRST ENGROSSMENT

Sixty-seventh
Legislative Assembly
of North Dakota

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 ~~and;~~
 2 to amend and reenact ~~section~~sections 54-10-10, 54-10-14, and 54-10-27 of the North Dakota
 3 Century Code, relating to the salary of the state auditor, political subdivision audits, and
 4 occupational and professional board audits; to provide for a prescription drug coverage
 5 performance audit; 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	(\$787,730)	\$11,880,488
15 Operating expenses	1,161,820	100,727	1,262,547
16 Information technology consultants	450,000	0	450,000
17 Total all funds	\$14,280,038	(\$687,003)	\$13,593,035
18 Less estimated income	4,173,178	494,607	4,667,785
19 Total general fund	\$10,106,860	(\$1,181,610)	\$8,925,250
20 Full-time equivalent positions	58.00	(4.00)	54.00
21 <u>Salaries and wages</u>	<u>\$12,668,218</u>	<u>\$455,341</u>	<u>\$13,123,559</u>
22 <u>Operating expenses</u>	<u>1,161,820</u>	<u>209,883</u>	<u>1,371,703</u>
23 <u>Information technology consultants</u>	<u>450,000</u>	<u>0</u>	<u>450,000</u>
24 <u>Total all funds</u>	<u>\$14,280,038</u>	<u>\$665,224</u>	<u>\$14,945,262</u>

1	<u>Less estimated income</u>	<u>4,173,178</u>	<u>1,652,974</u>	<u>5,826,152</u>
2	<u>Total general fund</u>	<u>\$10,106,860</u>	<u>(\$987,750)</u>	<u>\$9,119,110</u>
3	<u>Full-time equivalent positions</u>	<u>58.00</u>	<u>3.00</u>	<u>61.00</u>

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

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

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

11 **54-10-10. Salary of state auditor.**

12 The annual salary of the state auditor is one hundred ~~seventwelve~~ thousand ~~eighttwo~~
13 hundred ~~eighty-fiveforty-one~~ dollars through June 30, ~~2020~~2022, and one hundred
14 ~~tenthirteenfourteen~~ thousand ~~five~~~~ninefour~~ hundred ~~eighty-two~~~~twenty-five~~~~eighty-six~~ dollars
15 thereafter.

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

18 **54-10-14. Political subdivisions - Audits - Fees - Alternative audits and reports.**

- 19 1. The state auditor shall audit the following political subdivisions once every two years,
20 except as provided in this section or otherwise by law:
- 21 a. Counties.
 - 22 b. Cities, and when a city is audited, to include any political subdivision that was
23 created by the city and has bonding authority.
 - 24 c. Park districts.
 - 25 d. School districts.
 - 26 e. Firefighters relief associations.
 - 27 f. Airport authorities.
 - 28 g. Public libraries.
 - 29 h. Water resource districts.
 - 30 i. Garrison Diversion Conservancy District.
 - 31 j. Rural fire protection districts.

- 1 k. Special education districts.
- 2 l. Area career and technology centers.
- 3 m. Correction centers.
- 4 n. Recreation service districts.
- 5 o. Weed boards.
- 6 p. Irrigation districts.
- 7 q. Rural ambulance service districts.
- 8 r. Southwest water authority.
- 9 s. Regional planning councils.
- 10 t. Soil conservation districts.
- 11 u. Western area water supply authority industrial water sales on an annual basis.
- 12 2. The state auditor shall charge the political subdivision an amount equal to the fair
13 value of the audit and any other services rendered. The fees must be deposited in the
14 state auditor operating account. The state treasurer shall credit the state auditor
15 operating account with the amount of interest earnings attributable to the deposits in
16 that account. Expenses relating to political subdivision audits must be paid from the
17 state auditor operating account, within the limits of legislative appropriation.
- 18 3. In lieu of conducting an audit every two years, the state auditor may require annual
19 reports from ~~school districts with less than one hundred enrolled students; cities with~~
20 ~~less than five hundred population; and other~~ political subdivisions subject to this
21 section, or otherwise provided by law, with less than ~~three hundred~~seven hundred fifty
22 thousand dollars of annual receipts, excluding any federal funds passed through the
23 political subdivision to another entity. If any federal agency performs or requires an
24 audit of a political subdivision that receives federal funds to pass through to another
25 entity, the political subdivision shall provide a copy to the state auditor upon request by
26 the state auditor. The reports must contain the financial information required by the
27 state auditor. The state auditor also may make any additional examination or audit
28 determined necessary in addition to the annual report. When a report is not filed, the
29 state auditor may charge the political subdivision an amount equal to the fair value of
30 the additional examination or audit and any other services rendered. The state auditor

1 | may charge a political subdivision a fee not to exceed ~~eighty~~~~eighty-six~~ dollars an hour
2 | for the costs of reviewing the annual report.

- 3 | 4. A political subdivision, at the option of its governing body, may be audited by a certified
4 | public accountant or licensed public accountant rather than by the state auditor. The
5 | public accountant shall comply with generally accepted government auditing standards
6 | for audits of political subdivisions. The report must be in the form and content required
7 | by the state auditor. The number of copies of the audit report requested by the state
8 | auditor must be filed with the state auditor when the public accountant delivers the
9 | audit report to the political subdivision. The state auditor shall review the audit report
10 | to determine if the report is in the required form and has the required content, and if
11 | the audit meets generally accepted government auditing standards. The state auditor
12 | also may periodically review the public accountant's workpapers to determine if the
13 | audit meets generally accepted government auditing standards. If the report is in the
14 | required form and has the required content, and the report and workpapers comply
15 | with generally accepted government auditing standards, the state auditor shall accept
16 | the audit report. The state auditor may charge the political subdivision a fee of up to
17 | ~~eighty~~~~eighty-six~~ dollars an hour, but not to exceed ~~five~~~~seven~~ hundred ~~fifty~~ dollars per
18 | review, for the related costs of reviewing the audit report and workpapers.
- 19 | 5. A political subdivision may not pay a public accountant for an audit until the state
20 | auditor has accepted the audit. However, a political subdivision may make progress
21 | payments to the public accountant. A political subdivision shall retain twenty percent of
22 | any progress payment until the audit report is accepted by the state auditor.
- 23 | 6. The state auditor may require the correction of any irregularities, objectionable
24 | accounting procedures, or illegal actions on the part of the governing board, officers,
25 | or employees of the political subdivision disclosed by the audit report or workpapers,
26 | and failure to make the corrections must result in audits being resumed by the state
27 | auditor until the irregularities, objectionable accounting procedures, or illegal actions
28 | are corrected.

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

1 **54-10-27. Occupational and professional boards - Audits and reports.**

2 The governing board of any occupational or professional board shall provide for an audit
3 once every two years by a certified public accountant or licensed public accountant. The
4 accountant conducting the audit shall submit the audit report to the state auditor's office. If the
5 report is in the form and style prescribed by the state auditor, the state auditor may not audit
6 that board. An occupational or professional board may request the state auditor to conduct its
7 audit, and if the state auditor agrees to conduct the audit, the state auditor shall deposit the fees
8 charged to the occupational or professional board into the state auditor operating account.
9 Instead of providing for an audit every two years, an occupational or professional board that has
10 less than two hundred thousand dollars of annual receipts may submit an annual report to the
11 state auditor. The report must contain the information required by the state auditor. The state
12 auditor also may make any additional examination or audit determined necessary in addition to
13 the annual report. When a report is not filed, the state auditor may charge the occupational or
14 professional board an amount equal to the fair value of the additional examination or audit and
15 any other services rendered. The state auditor may charge an occupational or professional
16 board a fee not to exceed ~~fifty~~eighty-six dollars an hour for the costs of reviewing the annual
17 report.

18 **SECTION 6. PUBLIC EMPLOYEES RETIREMENT SYSTEM - STATE AUDITOR -**
19 **PRESCRIPTION DRUG COVERAGE PERFORMANCE AUDIT - REPORTS TO LEGISLATIVE**
20 **MANAGEMENT.** In lieu of the requirement under section 54-52.1-04.16 that the public
21 employees retirement system contract to conduct a prescription drug coverage performance
22 audit of the main public employees retirement system health benefit plan for calendar year
23 2021, the state auditor shall contract in accordance with chapter 54-10 to conduct a prescription
24 drug coverage performance audit of the main public employees retirement system health
25 benefit plan during the 2021-22 interim, in the same manner as provided for under section
26 54-52.1-04.16, for calendar years 2019, 2020, and 2021. Audit fees, not to exceed \$375,000,
27 for audits performed under this section must be on a flat fee or hourly basis and be paid by the
28 public employees retirement system board. The state auditor shall provide reports to the
29 legislative management regarding contracts to conduct prescription drug coverage performance
30 audits, performance audit results, and audit reports issued.