



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Biennial Report

July 1, 2023 – June 30, 2025



Office of the
State Auditor

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HAVE QUESTIONS? ASK US.

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Introduction

Biennial Report *July 1, 2023 – June 30, 2025*

We are pleased to submit the biennial report for the Office of the State Auditor for the biennium ended June 30, 2025. This biennial report was prepared in accordance with North Dakota Century Code sections 54-06-03 and 54-06-04(7).

As applicable, the guidelines offered by the Biennial Report Committee were followed for the preparation of this report.

I would be happy to respond to any questions related to the operations of our team.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

HISTORY

- 1889** | North Dakota's first State Auditor took office. Much as county and city auditor's function to this day, for the first 72 years of the state's existence, the State Auditor functioned as a bookkeeper or accountant rather than a true "auditor."
- 1961** | The State Auditor's responsibilities were changed to performing the post-audit of all financial transactions of state government. At the time this meant auditing 100 separate departments.
- 1969** | The State Auditor began performing audits of political subdivisions.
- 1971** | The Legislature gave counties the option to contract for their own audits and soon after that, other political subdivisions were given the same power.
- 1973** | The State Auditor modernized operations by adopting generally accepted auditing standards.
- 1975** | The State Auditor started to conduct performance audits to help improve the effectiveness and efficiency of state government.
- 1982** | The State Auditor was given the responsibility of performing royalty audits to ensure royalties are properly paid on federal oil, gas and coal leases.
- 1984** | The Single Audit Act was passed. This act combined the responsibilities for auditing government financial statements with auditing compliance with requirements relating to federal financial assistance. The State Auditor was given this responsibility, significantly increasing the auditors' workload.
- 1986** | Because of the demands of the Single Audit Act, performance audits were discontinued.
- 1991** | The Legislature funded positions for the State Auditor to establish a performance audit function.
- 1991** | The Legislature required the State Auditor to audit the statewide financial statements also known as the annual comprehensive financial review (ACFR). At this time, biennial agency audit reports went from including financial statements prepared in accordance with generally accepted accounting principles to only including reports on internal control and compliance with laws and regulations.
- 1991** | The State Auditor's Division of Local Government Audits became self-sufficient by the establishment of an operating fund for its revenues and expenditures.
- 1997** | Biennial agency audits started to include a statement of revenues and expenditures and an appropriations statement.
- 2000** | Biennial agency audits switched to following the performance audit standards rather than the financial statement audit standards. This change was done in consultation with the Legislative Audit and Fiscal Review Committee.
- 2005** | The State Auditor received funding and authority to conduct the first information technology security audit of the state.
- 2013** | The first information technology security audit of the North Dakota University System was completed.
- 2015** | The Higher Education Audit Division established by N.D.C.C. section 54-10-30. Desktop support of computers was taken over by the Information Technology Department, which provided more time to perform information technology systems.
- 2021** | House Bill 1453 modernized the duties, powers, and responsibilities of the State Auditor under North Dakota Century Code section 54-10-01.
- 2023** | Senate Bill 2180 increased the audit threshold to \$2 million for North Dakota's local governments, saving money for local governments with less than \$2 million in annual receipts.
- 2025** | House Bill 1004 provided general funds for small government reviewers, removing the need for SAO to bill for these services. In addition, state agencies are no longer billed for agency audits.

ORGANIZATIONAL CHART



JOSHUA C. GALLION
State Auditor

BRIANNA LUDWIG
Deputy State Auditor



MISSION, VISION, VALUES



RESPECT

- We treat everyone with honor, dignity, and courtesy.
- We listen to understand.
 - We act in a professional manner.
- We learn from diversity in the workplace.



EXCELLENCE

- We enthusiastically strive to exceed expectations.
- We deliver quality work products that are accurate and on time or ahead of schedule.
 - We develop practical and innovative solutions to improve our processes, products, and services.
- We seek and embrace feedback.



LEADERSHIP

- We create vision and inspire others.
- We support open discussion and have the courage to raise questions.
- We focus on the things that are important.
- We take responsibility for our actions.



INTEGRITY

- We earn and demonstrate trust through transparent and ethical actions.
 - We demonstrate personal commitment to organizational transparency.
- We role model initiative, responsiveness, and skill in crucial conversations.
- We actively maintain appropriate boundaries and professional relationships.



TEAMWORK

- We work together through effective communication and collaboration.
- We value the input of those we work with.
- We hold ourselves and others accountable for behavior, actions, and results.
- We own mistakes and work to carefully and rapidly repair and learn from them.

MISSION

We provide independent information to the citizens of North Dakota to inspire action.

VISION

To empower North Dakota citizens through outreach and education.

RESPONSIBILITIES

Article V, Section 2 of the North Dakota Constitution established an independently elected State Auditor. That section states that the powers and duties of the State Auditor shall be prescribed by law. Chapter 54-10 of North Dakota Century Code outlines the powers, duties, and responsibilities of the State Auditor. These include:

- Perform the post-audit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.
- Perform or provide the audit of the state's financial statements and a review of the material included in the annual comprehensive financial report of the state.
- Determine the scope and report contents of agency audits.
- Perform or provide the audits and reviews of state agencies once every two to four years.
- Conduct audit work required by the federal government.
- Perform or provide performance audits of state agencies as determined necessary by the Legislative Assembly or the Legislative Audit and Fiscal Review Committee (LAFRC).
- Perform audit-related functions of the state board of higher education.
- Perform or review audits of local governments.
- Being a member of the State Board of Equalization (N.D.C.C. 57-13-01).
- Perform audits ordered by LAFRC, the governor, the state court administrator, or a citizen-led petition.
- Review annual financial reports of local governments.

PHILOSOPHY ON GOVERNMENT AUDITING

Our mission is to provide independent information to the citizens of North Dakota to inspire action. We are a team that strives to empower our state's citizens through outreach and education. By opening the window into our government, citizens are more aware of everything done using their tax dollars. We leverage technology to provide better transparency and accountability in our work. As an office, we provide information to the public and provide that material in a way that is easy for people to understand.

In the audit process, everything we do is looked at objectively and independently. Our team works closely with our clients, and if there are any recommendations, they are substantiated with evidence. We provide accessible, objective, and honest reports to serve the citizens of North Dakota.



MAJOR PROGRAMS AND ACTIVITIES

The Office of the State Auditor is organized into five different teams to meet its statutory responsibilities.

The teams include:



STATE GOVERNMENT

This team is the largest and is responsible for auditing state government. They conduct financial, compliance, performance, and information system audits.



LOCAL GOVERNMENT

This team performs audits of local governments, conducts petition audits, and provides non-auditing services such as preparation of financial statements. They are fully funded by the audit fees they collect.



NORTH DAKOTA UNIVERSITY SYSTEM DIVISION

This team conducts performance audits of the 11 different public colleges and universities in North Dakota and the University System Office.



MINERAL ROYALTY DIVISION

This team conducts compliance reviews and audits of federal royalty payments from oil, gas, and coal leases located within our state. They are fully funded by the federal government.



OPERATIONS DIVISION

This team works to support all of the divisions. The group includes specialists in information technology, accounting, administration, quality assurance, communications, and other specialists.

2023-25 RESULTS

1,564

reviews



REVIEWS

Any local government that prepares an annual financial report because they are below the audit threshold set by North Dakota Century Code receives a financial review to verify their records.

34

audits



AGENCY BIENNIAL PERFORMANCE AUDITS

These happen once every two to four years for most state agencies. They check that public funds are accounted for and that government agencies are effective, economical, and ethical.

12

audits



HIGHER EDUCATION BIENNIAL PERFORMANCE AUDITS

Each of the 11 public colleges and universities – along with the North Dakota University System office – are subject to an audit once every two to four years.

1

audit



FEDERAL SINGLE AUDIT

The Federal Single Audit looks into programs spending federal money in the state. Our auditors ensure federal money is spent according to the rules and laws governing each federal program.

4

audits

209

compliance reviews



MINERAL ROYALTY AUDITS

Mineral Royalty compliance reviews verify that the federal government and the State of North Dakota are receiving money from energy companies for federal royalty payments from oil, gas, and coal leases

21

audits



AGENCY FINANCIAL AUDITS

Financial audits examine the financial reporting of specific government groups for inconsistencies and errors. Financial audits help ensure state government agencies report their finances properly.

6

investigations



SPECIAL INVESTIGATIONS

Special investigations on behalf of the State Bonding Fund are only reported if there are findings of misuse or theft of public money.

72

audits



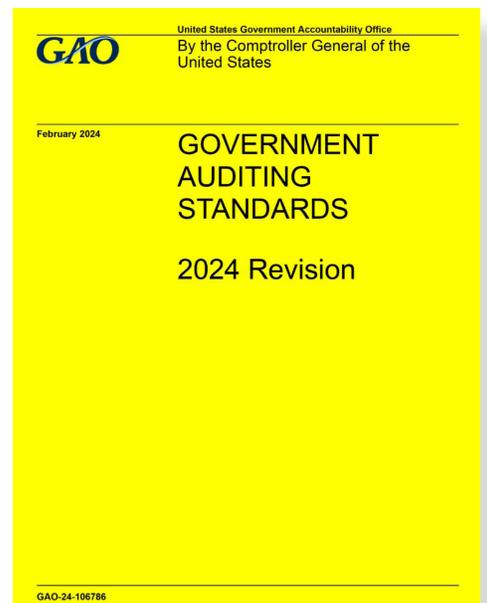
LOCAL GOVERNMENT AUDITS

These audits examine the financial reporting of local governments across the state. This helps ensure local governments report their finances correctly.

TRENDS IN GOVERNMENT ACCOUNTING

CHANGES IN THE INDUSTRY

In 2024, a new version of the Generally Accepted Government Auditing Standards (also known as the Yellow Book) was released, introducing several updates to the 2018 edition. This revision increases what's expected of auditors by adding a more comprehensive system of quality management. Under the new standards, audit organizations need to establish, document, and maintain a risk-based quality management system that continually identifies and addresses threats that could affect the quality of their audits.



STRATEGIC PLAN

OBJECTIVE

01

AUDITS

- Improve performance objective development.
- Streamline planning process to help reduce audit hours.
- Streamline end of audit process.
- Modernize database to be more fluid in our analyses and explore variance testing.

OBJECTIVE

02

OPERATIONS

- Revise communication with clients to clarify audit expectations.
- Enhance talent acquisition process.
- Increase staff satisfaction that results in less turnover.
- Refine quality assurance process.

OBJECTIVE

03

TRAINING AND DEVELOPMENT

- Hire a trainer and develop a training program for local government clients.
- Increase internal staff training in specific processes and procedures.
- Training for state agency clients.
- Improve our training video library.

OBJECTIVE

04

COMMUNICATIONS

- Foster partnerships and collaboration to provide support.
- Unique outreach initiatives to help capture audience attention.
- Building relationships for stakeholder knowledge.
- Website improvements that clearly define and represent our work.

BIENNIUM BY THE NUMBERS

REVENUES

Intergovernmental	\$ 1,488,895
Charges for Services	4,732,835
Interest Income	6,839
Miscellaneous	950
Total Revenues	\$ 6,229,519

EXPENDITURES

Administration	\$ 3,611,948
State Agency Audits	6,605,499
Mineral Royalty Audits	1,488,895
Local Government Audits	3,261,232
Total Expenditures	\$ 14,967,574



WHAT WE'RE PROUD OF



The Learning Series

Our free, virtual training sessions covering a variety of subjects all curated for local governments.



International Award

Our team received an international award from the National Association of Government Communicators for a report conducted in 2024.



Petition Audits

Our office may be requested to audit political subdivisions in the state. We conducted four citizen-led petition audits in the last biennium.



Outreach and Engagement

In an effort to educate and share what our team does, we presented at multiple conferences, meetings, local universities, high schools, and events around the state.

CONNECT WITH THE NDSAO



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