

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Thursday, October 13, 2016
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Jerry Klein, Chairman, called the meeting to order at 8:00 a.m.

Members present: Senators Jerry Klein, Judy Lee, David O'Connell; Representatives Jerry Kelsh, Keith Kempenich, Lawrence R. Klemin, Gary Kreidt, Andrew G. Maragos, Bob Martinson, Mike Nathe, Marvin E. Nelson, Chet Pollert

Members absent: Representatives Patrick R. Hatlestad, Corey Mock, Robert J. Skarphol

Others present: Representative Kathy Hogan, Fargo
See [Appendix A](#) for additional persons present.

It was moved by Senator O'Connell, seconded by Senator Lee, and carried on a voice vote that the minutes of the April 21, 2016, meeting be approved as distributed.

DEPARTMENT OF TRUST LANDS STATUS UPDATE

Chairman Klein called on Mr. Lance Gaebe, Director, Department of Trust Lands, who presented information ([Appendix B](#)) regarding the status of implementation of recommendations from the performance audit of the Department of Trust Lands relating to the Energy Infrastructure and Impact Office; trust assets and department resources; and the Unclaimed Property Division. He said the performance audit identified numerous mineral acre properties incorrectly assigned to the Youth Correctional Center trust. He said the department has identified 450 tracts assigned to the Youth Correctional Center trust. He said the tracts will be reviewed as part of a county-by-county assessment of mineral tracts. He said of the 450 tracts, 121 tracts have already been reviewed, and 37 tracts have been identified as being incorrectly assigned. He said the 37 tracts should have been assigned to the Ellendale Normal and Industrial School trust. He said collective bonus, rent, royalty, and interest revenue for the 37 tracts total \$7.2 million. He said records have been documented with the corrections, and accounting adjustments have been made to transfer \$7.2 million from the Youth Correctional Center trust to the Ellendale Normal and Industrial School trust. He said the 37 tracts resulted in the Youth Correctional Center receiving additional distributions totaling \$610,000 over the past 20 years. He said the distributions should have been distributed to seven beneficiaries of the Ellendale Normal and Industrial School trust. He said a one-time adjustment will be requested during the 2017 legislative session.

Mr. Gaebe said the performance audit identified various software weaknesses. He said the department recognizes a need to update processes and systems to ensure data accuracy, enhanced security and internal controls, and improved online functionality. He said the department has manual and paper processes, and various customized computer systems for asset management, leasing processes, royalty and rent compliance, unclaimed property management, and grant and loan management. He said the department has hired a consultant to analyze processes and systems for improvements to enhance controls, increase efficiencies, and productivity. He anticipates the project will be complete by the end of October 2016.

Mr. Gaebe said the department has implemented an improvement monitoring system to record and gauge the progress of addressing audit findings. He said the database includes details of the findings, department responses, time stamped improvement log, policy summaries, and location of related documents. He said the department has already implemented many of the recommendations.

In response to a question from Senator Lee, Mr. Jason Wahl, Audit Manager, Performance Audit Section, State Auditor's office, said the seven beneficiaries of the Ellendale Normal and Industrial School trust include Dickinson State University (DSU), Minot State University, Dakota College at Bottineau, Veterans' Home, North Dakota Vision Services - School for the Blind, State Hospital, and the North Dakota State College of Science.

In response to a question from Representative Pollert, Mr. Wahl later provided a list of agencies that have received a performance audit ([Appendix C](#)).

NORTH DAKOTA STATE UNIVERSITY - STUDENT ENROLLMENT REPORT

Chairman Klein called on Dr. Dean L. Bresciani, President, North Dakota State University, who presented information ([Appendix D](#)) regarding the university's goal of increasing student enrollment by 4,000 students and the potential effect on student tuition and fee rates due to the enrollment increase. He said the reputed campus goal of increasing student enrollment to 18,000 would more appropriately be characterized as planning for the future. He said that based on current trends, demographics, and projections, North Dakota State University (NDSU) needs to be prepared for an anticipated student enrollment increase. He said student enrollment has increased steadily since 2001 because of increased national visibility, growth in the Fargo-Moorhead area, and growth in full-time and full-time equivalent student enrollments. He said 18,000 students would still maintain a small campus experience for students. He said the small campus experience is what attracts many students to NDSU. He said an enrollment of 18,000 students is similar to other small research universities in the country.

In response to a question from Representative Kempenich, Dr. Bresciani said 18,000 students is not a number NDSU is seeking, but the number NDSU is anticipating.

In response to a question from Representative Nathe, Dr. Lisa Feldner, Chief of Staff and Vice Chancellor for Information Technology and Research, North Dakota University System, said she will provide data regarding the number of students receiving waivers that remain in the state after graduation.

In response to a question from Representative Nathe, Dr. Bresciani said he will provide data regarding the percentage of out-of-state students from NDSU that remain in the state after graduating. He said data is based on surveys conducted by the Career Center at NDSU.

UPDATE ON PERFORMANCE AUDIT OF UNIVERSITY FOUNDATIONS

Chairman Klein called on Mr. John Glover, President and Chief Executive Officer, North Dakota State University Development Foundation and Alumni Association, to provide an update regarding the performance audit of university foundations. Mr. Glover said the foundation's mission is to maximize advocacy and philanthropy to support NDSU. He said that although the NDSU and University of North Dakota (UND) foundations welcome a performance audit the foundations are concerned about maintaining the confidentiality of donor information that the State Auditor has requested. He said donor information may include copies of wills, trusts, brokerage accounts, or other information or notes that have been provided by donors with the expectations that the information is viewed only by foundation employees. He said donors entrust the foundation with confidential information to ensure funds are used as intended.

In response to a question from Representative Klemin, Mr. Glover said the foundations are concerned that auditors will have access to confidential donor information if unredacted information is provided to the State Auditor's office, as requested.

Senator Lee provided comments regarding confidentiality of donor information. She suggested information be provided to the State Auditor's office without listing donors names.

Representative Martinson expressed concern regarding the appropriateness of performance audits. He said the auditors should focus their efforts on verifying financial records. He said it is not appropriate for the auditors to be making recommendations affecting agency programmatic decisions.

In response to a question from Chairman Klein, Mr. Glover said foundations are subject to open records laws. He said North Dakota Century Code Title 44 does provide open records exemptions relating to donor information.

In response to a question from Representative Kreidt, Mr. Wahl said the State Auditor's office has signed a confidentiality statement providing that all donor information obtained and reviewed will remain confidential. He said the State Auditor's office can not provide assurance that restricted funds at foundations are being used for the intended purposes without being able to review selected documents that may be considered confidential.

Representative Nathe expressed concern regarding the scope of performance audit. He said the performance audit may be getting more detailed than what the committee had originally anticipated.

It was moved by Representative Nathe, seconded by Representative Martinson, and failed on a roll call vote that the State Auditor's office discontinue the performance audit of the foundations at the UND and NDSU requested by the committee at its April 21, 2015, meeting and that the need for a performance audit

be reviewed by the 65th Legislative Assembly. Senators Klein and Lee and Representatives Maragos, Martinson, and Nathe voted "aye." Senator O'Connell and Representatives Kelsh, Kempenich, Klemin, Kreidt, Nelson, and Pollert voted "nay."

Representative Pollert suggested the performance audit be delayed.

Senator O'Connell said the performance audit will help identify strengths and weaknesses. He said he would support delaying the performance audit.

Representative Nelson expressed support to continue the performance audit.

It was moved by Representative Klemin, seconded by Representative Maragos, and carried on a roll call vote that the State Auditor's office defer any further action on the performance audit of the foundations at the UND and NDSU requested by the committee at its April 21, 2015, meeting until further direction is provided by the Legislative Audit and Fiscal Review Committee. Senators Klein, Lee, O'Connell and Representatives Kelsh, Kempenich, Klemin, Kreidt, Maragos, Martinson, Nathe, and Pollert voted "aye." Representative Nelson voted "nay."

AUDIT OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman Klein called on Mr. Thomas Rey, CliftonLarsonAllen LLP, Certified Public Accountants, who presented a report entitled [North Dakota Public Employees Retirement System - Schedule of Employer Allocations and Pension Amounts by Employer - June 30, 2015](#). He reviewed the auditor's responses to the committee guidelines and said the report identified one finding relating to census data reconciliation.

Mr. Rey presented a report entitled [North Dakota Retirement and Investment Office - North Dakota Teachers' Fund for Retirement - Schedules of Employer Allocations and Pension Amounts by Employer - June 30, 2015](#). He said the report includes one significant accounting policy change related to Governmental Accounting Standards Board (GASB) Statement No. 72.

Chairman Klein called on Ms. Katie Williams, Partner, Eide Bailly LLP, Certified Public Accountants, who presented a report entitled [Financial Statements December 31, 2015 and 2014 - North Dakota Public Finance Authority](#). She reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to GASB Statement No. 72.

Ms. Williams presented the audit report for the North Dakota Building Authority for fiscal years ended June 30, 2016 and 2015. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Chairman Klein called on Mr. Darrell Lingle, Partner, Eide Bailly LLP, Certified Public Accountants, who presented a report entitled [Bank of North Dakota - Financial Statements December 31, 2015 and 2014 and Statement of Appropriated Expenditures for the Biennium Ended June 30, 2015](#). He reviewed the auditor's responses to the committee guidelines and said the report includes one significant accounting policy change related to GASB Statement No. 72.

Chairman Klein called on Mr. Tim Porter, Chief Financial Officer, Bank of North Dakota, to present information ([Appendix E](#)) regarding a report entitled [College SAVE Picture the Future - Financial Statements December 31, 2015 and 2014 and Supplementary Information December 31, 2015](#). He said the Bank of North Dakota acts as trustee for the College SAVE plan; Ascensus Broker Dealer Services, Inc. is the plan manager and the Vanguard Group, Inc. is the investment manager. He said the College SAVE audit was conducted by Thomas & Thomas LLP, Certified Public Accountants. He said the report contains an unqualified opinion and does not include any findings or recommendations.

Chairman Klein called on Ms. Rhonda Mahlum, Mahlum Goodhart, PC, Certified Public Accountants, who presented the audit report for the [Education Standards and Practices Board for the fiscal year ended June 30, 2014](#). She reviewed the auditor's responses to the committee guidelines and said the report identified five audit findings relating to segregation of duties, preparation of financial statements and audit notes, general ledger entries, noncompliance of payroll taxes, and noncompliance of investment funds.

Ms. Mahlum presented the audit report for the [Education Standards and Practices Board for the fiscal year ended June 30, 2015](#). She reviewed the auditor's responses to the committee guidelines and said the report identified five audit findings relating to segregation of duties, preparation of financial statements and audit notes, general ledger entries, noncompliance of investment funds, and noncompliance of insurance coverage for bank deposits.

Ms. Yvonne M. Kubis, Certified Public Accountant, presented the audit report for the [Board of Addiction Counseling Examiners for the fiscal years ended June 30, 2015 and 2014](#). She reviewed the auditor's responses to the committee guidelines and said the report identified one finding relating to segregation of duties.

NORTH DAKOTA TECHNOLOGY SECURITY AUDIT AND VULNERABILITY ASSESSMENT

Chairman Klein called on Mr. John Stiffler, Security Consultant, ManTech Mission, Cyber, and Intelligence Solutions Group, who presented information ([Appendix F](#)) regarding a report entitled [2016 North Dakota Information Technology Security Audit Vulnerability Assessment and Penetration Testing Executive Report](#) from July 27, 2016. He said the audit assessment was conducted during the period from January through March 2016; and included a review of six major project tasks, including external vulnerability assessment, internal vulnerability assessment, application vulnerability assessment, security infrastructure review, incident response review, and penetration testing. He said the audit report identifies five recommendations relating to enforcing a structured enterprise patch management program; providing additional training to staff; updating, finalizing, and enforcing policies and procedures; reviewing and updating all encryption; and creating, following, and enforcing an effective continuous monitoring policy and procedures.

COMMENTS BY INFORMATION TECHNOLOGY DEPARTMENT

At the request of Chairman Klein, Mr. Dan Sipes, Director of Operations and Deputy Chief Information Officer, Information Technology Department, presented information regarding the states' technology security audit and vulnerability assessment. He said the department agrees with all recommendations. He said the department is focusing on providing additional education to users. He said the Governor has created a cybersecurity task force, that is also providing recommendations relating to security.

DEPARTMENT OF HUMAN SERVICES ACCOUNTS RECEIVABLES

Chairman Klein called on Ms. Jennifer Scheet, Budget Director, Department of Human Services, who presented information ([Appendix G](#)) on the status of accounts receivables pursuant to Section 25-04-07 and 50-06.3-08. She said the total amount of accounts receivable written off by the Department of Human Services (DHS) for fiscal year 2016 was \$6,509,227, of which \$872,338 relates to the human service centers, \$5,624,255 relates to the State Hospital, and \$12,634 relates to the Life Skills and Transition Center.

In response to a question from Representative Pollert, Ms. Scheet said DHS would need further review to determine if an amnesty program similar to the child support amnesty program could potentially reduce the amount of accounts receivable writeoffs at the human service centers, State Hospital, and Life Skills and Transition Center.

STATE DEPARTMENT OF HEALTH - STATE-SUPPLIED VACCINES PERFORMANCE AUDIT FOLLOWUP

Chairman Klein called on Mr. Wahl to present a report entitled [Performance Audit Follow-up Report - Status of Recommendations - Use of State Supplied Vaccines by a Provider](#). He said the followup report provides information on the status of the recommendations provided in the performance audit report dated September 29, 2011. He said the objective of the performance audit was to determine if state-supplied vaccines were used in compliance with agreed upon terms and conditions by a provider. He said the report indicates all five recommendations have been fully implemented.

STATE WATER COMMISSION - REGULATION OF INDUSTRIAL WATER USE IN THE STATE PERFORMANCE AUDIT FOLLOWUP

Mr. Wahl presented a report entitled [Performance Audit Follow-up Report - Status of Recommendations - Water Appropriations Division Industrial Use Permits](#). He said the followup report provides information on the status of the recommendations provided in the performance audit reports dated January 22, 2013, and April 23, 2013. He said the objectives of the performance audit were to provide recommendations to the Water Appropriations Division to help address performance gaps related to:

- Industrial water use monitoring and reporting policies and procedures for calendar years 2010, 2011, and January through June 2012; and
- Permitting policies and procedures.

Mr. Wahl said 23 of the 26 recommendations have been fully implemented, and 3 recommendations have been partially implemented.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman Klein called on Ms. Allison Bader, State Auditor's Office, who presented the audit report for the [Department of Human Services for the fiscal years ended June 30, 2015 and 2014](#). She reviewed the auditor's responses to the committee guidelines and said the report identified 20 audit findings relating to lack of internal control fraud risk assessment, insufficient information to verify income and expenses, inadequate controls surrounding revenue collection, inadequate controls surrounding inventory of State Hospital commissary, insufficient suspended claims process, lack of audit procedures, inadequate complaint resolution procedures, improvements to restrict payments to deceased or incarcerated, failure to suspend providers and notify parents, inconsistent licensing procedures, inconsistent procedures to verify required records, incomplete methods to verify health and safety requirements, license effective before background checks performed, improperly backdating license effective date, inadequate records management, lack of unannounced inspections, child care providers not properly licensed, lack of monitoring of corrective orders and imposition of sanctions, ineffective monitoring procedures, and lack of online child care provider records.

Ms. Bader said there were three prior audit findings not implemented relating to lack of internal control fraud risk assessment, online child care provider records, and inadequate controls surrounding revenue collection.

Senator Lee commented on the child care licensing process and the increasing workloads of DHS staff. She said the Legislative Assembly did not approve the addition of 4.5 full-time equivalent positions that were requested by DHS last session for child care licensing duties.

Ms. Maggie D. Anderson, Executive Director, Department of Human Services, presented information regarding the audit report for DHS for the fiscal years ended June 30, 2015 and 2014. She said DHS will address recommendations based on its responses provided in the audit report, including a review of policies, procedures, changes in operations, and other enhancements.

Ms. Anderson submitted information ([Appendix H](#)) regarding roles and responsibilities of early childhood services, and information regarding 2011 House Bill No. 1085. She said the Governor established an advisory committee on child care licensing to review issues, including background checks, fire inspections, licenser training, license renewals, and liability insurance. She said the advisory committee also has recommended changes to North Dakota Administrative Code.

Ms. Rebecca Eberhardt, Children and Family Services Division, Department of Human Services, presented information ([Appendix I](#)) regarding child care scenarios of early childhood services. She discussed the process of investigating concerns when they are received by a county licenser or the department and various actions available. She said county licensers consult with regional supervisors to investigate concerns. She said the investigation may include involvement from child protective services or law enforcement. She said results of an investigation may include entering into a memorandum of understanding, issuing a child care correction order, issuing a restricted license, suspending or prohibiting a license, or revoking a license.

In response to a question from Chairman Klein, Ms. Eberhardt said correction orders are more common than suspensions and revocations.

In response to a question from Representative Nelson, Ms. Eberhardt said the department only suspends a child care provider license if there is involvement from law enforcement and child protective services and a child is in danger.

In response to a question from Representative Nelson, Mr. Jonathan Alm, Legal Advisory Unit, Department of Human Services, said there must be a violation of state law or North Dakota Administrative Rule to revoke a child care provider license.

Representative Kathy Hogan presented information regarding child care licensing issues. She said the Governor's advisory committee is meeting in November 2016 to review issues relating to child care and to determine if any laws need to be changed. She expressed concern regarding the lack of a child care database and DHS limitations because of limited staff resources.

Chairman Klein called on Mr. Edwin J. Nagel, Director, State Auditor's office, who presented the audit report for the [Department of Commerce for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified eight internal control findings relating to noncompliance of North Dakota Administrative Code relating to the manufactured home installation program, noncompliance of fee collections for the manufactured home installation program, inadequate licensing process for manufactured home installers and inspectors, inadequate inspection process for manufactured homes, inadequate

complaint handling process for manufactured homes, inadequate enforcement process for manufactured homes, inadequate management oversight for manufactured homes, and improper monitoring of the workforce development grant for tribally controlled community colleges.

Mr. Nagel presented the audit report for the [North Dakota Aeronautics Commission for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified two internal control findings relating to lack of segregation of duties surrounding revenue collection and inadequate controls surrounding disposal of fixed assets.

Mr. Nagel presented the audit report for the [Department of Career and Technical Education for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Department of Corrections and Rehabilitation for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to a lack of controls for pharmacy inventory.

Mr. Nagel presented the audit report for the [State Department of Health for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to improving the construction storm water inspection process.

Mr. Nagel presented the audit report for the [Department of Transportation for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to improper reconciliation of the motor vehicle clearing account.

Mr. Nagel presented the audit report for the [Industrial Commission for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified two internal control findings relating to untimely approval of meeting minutes, and a lack of support for in-kind matching funds.

Mr. Nagel presented the audit report for the [Insurance Department for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to insufficient verification of boiler violation resolution.

Mr. Nagel presented the audit report for the [judicial branch for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to a lack of complete revenue reconciliation procedures.

In response to a question from Representative Kempenich, Ms. Sally Holewa, State Court Administrator, Supreme Court, said 14 counties have state employees in the clerk's office. She said the state reconciles these accounts monthly. She said the clerks in the other 39 counties are employed by the county and the judicial branch contracts with county boards for services.

Mr. Nagel presented the audit report for the [North Dakota Racing Commission for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Commission on Legal Counsel for Indigents for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Department of Agriculture for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

In response to a question from Representative Pollert, Mr. Dave Phillips, Feed Specialist, Department of Agriculture, said the department received funding from a federal grant for outreach and education efforts to inform individuals and organizations regarding changes to medically important antimicrobial products currently trading over-the-counter. He said the change will require supervision from a veterinarian beginning January 1, 2017. He said the department has developed outreach materials and started giving presentations regarding the change.

Mr. Nagel presented the audit report for the [Department of Labor and Human Rights for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [North Dakota Council on the Arts for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Veterans' Home for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Office of Administrative Hearings for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Tax Department for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Parks and Recreation Department for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Public Service Commission for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [State Water Commission for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Mr. Nagel presented the audit report for the [Tobacco Prevention and Control Executive Committee for the fiscal years ended June 30, 2015 and 2014](#). He reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Chairman Klein called on Ms. Robyn Hoffmann, Audit Manager, College and University Audit Section, State Auditor's office, who presented the audit report for [Dakota College at Bottineau for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to a lack of controls surrounding expenditures.

Ms. Hoffmann presented the audit report for [NDSU for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report identified one internal control finding relating to noncompliance of public improvement bidding.

Ms. Hoffmann presented the audit report for [Valley City State University for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report identified two internal control findings relating to a lack of control surrounding purchase cards and inadequate controls for capital improvements.

Ms. Hoffmann presented the audit report for [Williston State College for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report identified two internal control findings relating to a lack of supporting documentation, inadequate oversight of capital improvements; and five prior period internal control findings not implemented relating to a lack of controls surrounding cash and revenues, lack of controls surrounding payroll, lack of controls surrounding expenditures, lack of controls surrounding purchase card expenditures, and inadequate controls for noncash adjustments.

Ms. Hoffmann presented the audit report for [Bismarck State College for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffmann presented the audit report for [DSU for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffmann presented the audit report for [Lake Region State College for the fiscal years ended June 30, 2015 and 2014](#). She said the report identified one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffmann presented the audit report for [Mayville State University for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffmann presented the audit report for [Minot State University for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffmann presented the audit report for [North Dakota State College of Science for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

Ms. Hoffmann presented the audit report for [UND for the fiscal years ended June 30, 2015 and 2014](#). She said the report includes one significant accounting policy change related to GASB Statement No. 68. She reviewed the auditor's responses to the committee guidelines and said the report does not include any findings or recommendations.

In response to a question from Representative Pollert, Ms. Tammy Dolan, Chief Financial Officer, North Dakota University System, said the University System works with new staff to provide training relating to systems and board policies. In addition, she said, the University System hired consultants last year to assist Williston State College with internal controls relating to cash reconciliations.

In response to a question from Senator Lee, Ms. Dolan said the University System has explored the possibility of shared resources among universities. She said there are already examples of share resources that have been effective between Minot State University and Dakota College at Bottineau. In addition, she said, the University System created a task force to develop consistent definitions among the colleges for tuition waivers and discounts.

DICKINSON STATE UNIVERSITY REPORT

Chairman Klein called on Dr. Thomas Mitzel, President, Dickinson State University, to present information regarding the operations of DSU, including detail of the financial condition of the institution, and board directives and plans to improve the financial stability of the institution pursuant to Section 40 of 2015 House Bill No. 1003. He said changes at DSU will be guided by the following three principles:

1. Communication and outreach;
2. Students are paramount; and
3. Faculty and staff are the core of the institution.

Dr. Mitzel said DSU's goals include developing endowments for faculty and staff to continue professional development; strengthening DSU lines of communication, connections, and partnerships; and becoming more involved in the community.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Representative Maragos, seconded by Representative Kreidt, and carried on a roll call vote that, pursuant to Section 54-35-02.2, the committee accept the following reports presented to the committee:

1. States' technology security audit and vulnerability assessment.
2. State Department of Health state-supplied vaccines performance audit followup report (September 29, 2011).

3. State Water Commission Water Appropriations Division performance audit followup report (January 22, 2013 and April 23, 2013).
4. Public Employees Retirement System - Schedule of Employee Allocation and Pension Amounts by Employer (June 30, 2015).
5. Retirement and Investment Office - Teachers' Fund for Retirement - Schedules of Employer Allocations and Pension Amounts by Employer (June 30, 2015).
6. Public Finance Authority (December 31, 2015 and 2014).
7. State Building Authority (June 30, 2016 and 2015).
8. Bank of North Dakota (December 31, 2015 and 2014).
9. College SAVE (December 31, 2015 and 2014).
10. College SAVE supplementary information (December 31, 2015).
11. Education Standards and Practices Board (June 30, 2015).
12. Education Standards and Practices Board (June 30, 2014).
13. Board of Addiction Counseling Examiners (June 30, 2015 and 2014).
14. Department of Human Services (June 30, 2015 and 2014).
15. Department of Commerce (June 30, 2015 and 2014).
16. Aeronautics Commission (June 30, 2015 and 2014).
17. Department of Career and Technical Education (June 30, 2015 and 2014).
18. Department of Corrections and Rehabilitation (June 30, 2015 and 2014).
19. State Department of Health (June 30, 2015 and 2014).
20. Department of Transportation (June 30, 2015 and 2014).
21. Industrial Commission (June 30, 2015 and 2014).
22. Insurance Department (June 30, 2015 and 2014).
23. Judicial branch (June 30, 2015 and 2014).
24. North Dakota Racing Commission (June 30, 2015 and 2014).
25. Commission on Legal Counsel for Indigents (June 30, 2015 and 2014).
26. Department of Agriculture (June 30, 2015 and 2014).
27. Department of Labor and Human Rights (June 30, 2015 and 2014).
28. North Dakota Council on the Arts (June 30, 2015 and 2014).
29. Veterans' Home (June 30, 2015 and 2014).
30. Office of Administrative Hearings (June 30, 2015 and 2014).
31. Tax Department (June 30, 2015 and 2014).
32. Parks and Recreation Department (June 30, 2015 and 2014).
33. Public Service Commission (June 30, 2015 and 2014).
34. State Water Commission (June 30, 2015 and 2014).
35. Tobacco Prevention and Control Executive Committee (June 30, 2015 and 2014).
36. Dakota College at Bottineau (June 30, 2015 and 2014).
37. North Dakota State University (June 30, 2015 and 2014).
38. Valley City State University (June 30, 2015 and 2014).
39. Williston State College (June 30, 2015 and 2014).
40. Bismarck State College (June 30, 2015 and 2014).
41. Dickinson State University (June 30, 2015 and 2014).

42. Lake Region State College (June 30, 2015 and 2014).
43. Mayville State University (June 30, 2015 and 2014).
44. Minot State University (June 30, 2015 and 2014).
45. North Dakota State College of Science (June 30, 2015 and 2014).
46. University of North Dakota (June 30, 2015 and 2014).

Senators Klein, Lee, and O'Connell, and Representative Klemin, Kreidt, Maragos, Martinson, Nathe, Nelson, and Pollert voted "aye." No negative votes were cast.

The Legislative Council staff distributed a memorandum entitled [Summary of Audit Reports Not Selected for Presentation](#).

It was moved by Senator O'Connell, seconded by Representative Martinson, and carried on a voice vote that, pursuant to Section 54-35-02.2, the committee accept the following reports available but not selected for presentation:

1. State Board of Law Examiners (June 30, 2015 and 2014).
2. Board of Examiners on Audiology and Speech-Language Pathology (June 30, 2014 and 2013).
3. North Dakota Firefighter's Association (December 31, 2015 and 2014).
4. State Board of Plumbing (June 30, 2015).
5. State Board of Plumbing (June 30, 2014).
6. State Board of Nursing (June 30, 2015).
7. State Board of Nursing (June 30, 2014).
8. State Board of Nursing (June 30, 2013).
9. State Board of Nursing (June 30, 2012).
10. Board of Dietetic Practice (September 30, 2015 and 2014).
11. State Board of Pharmacy (June 30, 2015 and 2014).
12. State Board of Pharmacy (June 30, 2014 and 2013).
13. State Board of Pharmacy (June 30, 2013 and 2012).
14. State Board of Pharmacy (June 30, 2012 and 2011).
15. North Dakota Board of Social Work Examiners (June 30, 2015 and 2014).
16. State Board of Respiratory Care (January 31, 2015 and 2014).
17. North Dakota Board For Hearing Instrument Dispensers (June 30, 2015, 2014, 2013, 2012, and 2011).

It was moved by Representative Pollert, seconded by Representative Kreidt, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and to present the report to the Legislative Management.

Chairman Klein said the committee will be notified of the next meeting date.

No further business appearing, Chairman Klein adjourned the meeting at 3:30 p.m.

Michael C. Johnson
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:9