



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Tuesday, December 3, 2024
Pioneer Room, State Capitol
Bismarck, North Dakota

Representative Emily O'Brien, Chairman, called the meeting to order at 12:31 p.m.

Members present: Representatives Emily O'Brien, Bert Anderson, Dick Anderson, Scott Louser, Mike Nathe, Dan Ruby, Austen Schauer, Scott Wagner; Senators Josh Boschee, David A. Clemens, Jerry Klein, Judy Lee, Jeffery J. Magrum, Scott Meyer

Members absent: None

Others present: John Arnold, Insurance Department; James Barnhardt, Bank of North Dakota; Bruce Bollinger, North Dakota State University; Dan Cox, Joshua C. Gallion, and Lindsey Slappy, State Auditor's office; Deborah Halvorson*, Williston State College; Jared Mack, Eide Bailly LLP; Marc Montplaisir, Mandan; Mindy Piatz, Brady Martz & Associates; and Keith Pic, North Dakota Insurance Reserve Fund

**Attended remotely*

It was moved by Representative Schauer, seconded by Senator Boschee, and carried on a voice vote that the minutes of the June 20, 2024, meeting be approved as distributed.

At the request of Chairman O'Brien, Mr. Grant Gader, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Summary of Major Items in Audit Reports for the December 3, 2024, Meeting](#).

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman O'Brien called on Ms. Mindy Piatz, Brady Martz & Associates, Certified Public Accountants, who presented the following audit reports:

- [Housing Finance Agency Audit Report for the Years Ended June 30, 2023 and 2024](#);
- [Housing Finance Agency Audit Report for the Years Ended June 30, 2022 and 2023](#);
- [Housing Incentive Fund Audit Report for the Years Ended June 30, 2023 and 2024](#);
- [Housing Incentive Fund Audit Report for the Years Ended June 30, 2022 and 2023](#); and
- [North Dakota Building Authority Audit Report for the Years Ended June 30, 2023 and 2024](#).

Chairman O'Brien called on Mr. Jared Mack, Eide Bailly LLP, Certified Public Accountants, who presented the following audit reports:

- [Workforce Safety and Insurance for the Years Ended June 30, 2023 and 2024](#);
- [Bank of North Dakota for the Years Ended December 31, 2022 and 2023](#); and
- [North Dakota State Fair Association for the Years Ended September 30, 2022 and 2023](#).

Chairman O'Brien called on Mr. James Barnhardt, College SAVE Plan Director, Bank of North Dakota, who presented a summary ([Appendix A](#)) of the College SAVE audit report for the Years Ended December 31, 2022, and 2023.

Chairman O'Brien called on Mr. Dan Cox, Audit Services Director, State Auditor's office, who presented the following audit reports:

- [Valley City State University for the Years Ended June 30, 2022 and 2023;](#)
- [North Dakota State University for the Years Ended June 30, 2022 and 2023;](#)
- [Lake Region State College for the Years Ended June 30, 2022 and 2023;](#)
- [Williston State College for the Years Ended June 30, 2022 and 2023;](#)
- [Tax Commissioner for the Years Ended June 30, 2022 and 2023;](#)
- [Insurance Commissioner for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Water Resources for the Years Ended June 30, 2022 and 2023;](#)
- [State Treasurer for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Labor and Human Rights for the Years Ended June 30, 2022 and 2023;](#)
- [Office of Management and Budget for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Commerce for the Years Ended June 30, 2022 and 2023;](#)
- [Judicial Branch for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Corrections and Rehabilitation for the Years Ended June 30, 2022 and 2023;](#)
- [Parks and Recreation Department for the Years Ended June 30, 2022 and 2023;](#)
- [Public Service Commission for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Health and Human Services for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Transportation for the Years Ended June 30, 2022 and 2023;](#)
- [Department of Career and Technical Education for the Years Ended June 30, 2022 and 2023;](#)
- [North Dakota Beef Commission for the Years Ended June 30, 2023 and 2024;](#) and
- [North Dakota Potato Council for the Years Ended June 30, 2023 and 2024.](#)

In response to questions from committee members, Ms. Deborah Halvorson, Vice President of Business Services, Williston State College, noted financial staff turnover has been an ongoing issue and the college anticipates fully implementing all audit findings by the end of 2024.

In response to a question from a committee member, Mr. Bruce Bollinger, Vice President for Finance and Administration, North Dakota State University, noted the \$16 million in unexpended general fund appropriations as of June 30, 2023, related to a capital construction project, has been fully expended.

In response to questions from committee members, Ms. Lindsey Slappy, Audit Manager, State Auditor's office, noted the scope of the Department of Commerce audit was expanded to include the motion picture grant program due to inconsistent grant award procedures.

Committee members expressed concern regarding:

- The workforce retention grants monitoring finding in the Department of Health and Human Service's (DHHS) audit report.
- The failure to timely contact suspected victims of child abuse and neglect finding has been an ongoing finding in DHHS audit reports for the last 8 years.

Senator Lee noted the committee has discussed the child abuse and neglect finding in a prior DHHS' audit report and certain child abuse cases are transferred to the judicial system where DHHS no longer has involvement. She suggested the committee obtain additional information on the finding from DHHS.

Chairman O'Brien called on Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, for comments on the committee's options for actions when previous audit findings have not been implemented. Mr. Knudson noted North Dakota Century Code Section 54-35-02.2 provides when a state agency has failed to correct an audit finding within 2 bienniums which the committee determines critically important, the committee may recommend the legislative assembly reduce the state agency's appropriation.

It was moved by Senator Clemens, seconded by Senator Magrum, that the committee recommend the 69th Legislative Assembly consider reducing DHHS appropriation due to uncorrected audit findings and inform DHHS of the recommendation. The motion failed on a roll call vote. Representatives D. Anderson and Schauer and Senators Clemens, Klein, and Magrum voted "aye." Representatives O'Brien, B. Anderson, Nathe, Ruby, and Wagner and Senators Boschee, Lee, and Meyer voted "nay."

Chairman O'Brien requested a representative of DHHS present the department's plan to address the findings in its audit report at the next committee meeting.

OTHER INFORMATION

Mr. Gader distributed a letter ([Appendix B](#)) from the Department of Financial Institutions, pursuant to Section 6-09-29, indicating it has examined the Bank of North Dakota as of December 31, 2023, and had no findings.

Mr. Gader distributed DHHS writeoff reports for the fiscal years 2023 and 2024 ([Appendix C](#)).

NORTH DAKOTA INSURANCE RESERVE FUND MARKET CONDUCT EXAMINATION

Mr. John Arnold, Deputy Commissioner, Insurance Department, presented information ([Appendix D](#)) regarding the market conduct examination of the North Dakota Insurance Reserve Fund. The examination identified the following deficiencies:

- Claim files lacked documentation, including adjusters' reports, repair estimates, police reports, photographs, and legal analyses.
- Justifications provided to injured parties for claim denials and comparative negligence were inadequate. Standardized templates were used for denial letters without offering a reasonable basis for the denial.
- Claim resolution processes and outcomes were inconsistent between first-party and third-party claimants.
- Settlement offers made to third-party claimants were consistently lower than those made to first-party claimants.

Mr. Arnold noted the following recommendations included in the examination:

- Develop procedures to ensure proper complaint handling.
- Develop checklists to ensure more complete claim files.
- Engage an attorney when complex legal principles are cited.
- Implement a review process prior to closing files.

In response to questions from committee members, Mr. Keith Pic, Chief Executive Officer, North Dakota Insurance Reserve Fund, provided information on the operations of the North Dakota Insurance Reserve Fund. He noted it is the responsibility of the claimant to prove the entity covered by the North Dakota Insurance Reserve Fund is at fault. He noted documentation such as estimates, police reports, and photographs are sometimes omitted from claim files for organizational efficiency.

Mr. Marc Montplaisir, Mandan, provided comments regarding his experience with the North Dakota Insurance Reserve Fund claims process. He expressed concerns with the process and noted his claim was denied.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Representative Wagner, seconded by Senator Meyer, and carried on a roll call vote that, pursuant to Section 54-35-02.2, the committee accept the following reports reviewed by the committee at its December 3, 2024, meeting:

1. Housing Finance Agency (June 30, 2023 and 2024)
2. Housing Finance Agency (June 30, 2022 and 2023)
3. Housing incentive fund (June 30, 2023 and 2024)
4. Housing incentive fund (June 30, 2022 and 2023)
5. North Dakota Building Authority (June 30, 2023 and 2024)
6. Workforce Safety and Insurance (June 30, 2023 and 2024)

7. Bank of North Dakota (December 31, 2022 and 2023)
8. North Dakota State Fair Association (September 30, 2022 and 2023)
9. Valley City State University (June 30, 2022 and 2023)
10. North Dakota State University (June 30, 2022 and 2023)
11. Lake Region College (June 30, 2022 and 2023)
12. Williston State College (June 30, 2022 and 2023)
13. Tax Commissioner (June 30, 2022 and 2023)
14. Insurance Commissioner (June 30, 2022 and 2023)
15. Department of Water Resources (June 30, 2022 and 2023)
16. State Treasurer (June 30, 2022 and 2023)
17. Department of Labor and Human Rights (June 30, 2022 and 2023)
18. Office of Management and Budget (June 30, 2022 and 2023)
19. Department of Commerce (June 30, 2022 and 2023)
20. Judicial Branch (June 30, 2022 and 2023)
21. Department of Corrections and Rehabilitation (June 30, 2022 and 2023)
22. Parks and Recreation Department (June 30, 2022 and 2023)
23. Public Service Commission (June 30, 2022 and 2023)
24. Department of Health and Human Services (June 30, 2022 and 2023)
25. Department of Transportation (June 30, 2022 and 2023)
26. Department of Career and Technical Education (June 30, 2022 and 2023)
27. North Dakota Beef Commission (June 30, 2023 and 2024)
28. North Dakota Potato Council (June 30, 2023 and 2024)
29. North Dakota Dry Bean Council (June 30, 2023 and 2024)
30. State Historical Society of North Dakota Foundation (June 30, 2022)
31. State Historical Society of North Dakota Foundation (June 30, 2023)
32. North Dakota Corn Utilization Council (June 30, 2023 and 2024)
33. North Dakota Dairy Promotion Commission (June 30, 2023 and 2024)
34. North Dakota Milk Marketing Board (June 30, 2023 and 2024)
35. North Dakota Stockmen's Association (December 31, 2022 and 2023)

Representatives O'Brien, B. Anderson, D. Anderson, Ruby, Schauer, and Wagner and Senators Boschee, Clemens, Magrum, and Meyer voted "aye." No negative votes were cast.

No further business appearing, Chairman O'Brien adjourned the meeting at 6:02 p.m.

Grant Gader
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH: 4