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## LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Tuesday, December 9, 2025  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Jeffery J. Magrum, Chairman, called the meeting to order at 10:00 a.m.

**Members present:** Senators Jeffery J. Magrum, David A. Clemens, Richard Marcellais, Bob Paulson\*, Chuck Walen, Kent Weston; Representatives Bert Anderson, Jared C. Hagert, Jorin Johnson\*, Roger A. Maki, Mike Motschenbacher, Mike Nathe, Austen Schauer\*, Kelby Timmons\*, Scott Wagner

**Members absent:** Representatives Patrick R. Hatlestad, Desiree Morton

**Others present:** Senator Kathy Hogan, Fargo, member of the Legislative Management Shayden Akason, Sara Otte Coleman, and Chris Schilken, Department of Commerce; Donna Aukland and Michele Gee, Department of Health and Human Services; Laura Balliet, Mary Kae Kelsch, Rachel Kmetz, and Claire Ness, Attorney General's office; Dan Cox and Joshua C. Gallion, State Auditor's office; Cathy Dub\*, Mill and Elevator Association; Matt Fern, Bismarck; David Krebsbach, North Dakota University System; Jared Mack, Eide Bailly LLP; Neal Messer, Stark County; Scott Molander, Dickinson State University; Rob Pfennig, Bank of North Dakota; Mindy Piatz\*, Brady Martz & Associates, PC; Monte L. Rogneby, Vogel Law Firm; Steven Shirley, Dakota College at Bottineau; Charles Tuttle, Bismarck

Beth Dittus, Legislative Council, Bismarck

*\*Attended remotely*

**It was moved by Representative Wagner, seconded by Senator Walen, and carried on a voice vote that the 11:30 a.m. and 11:45 a.m. agenda items relating to the December 31, 2023, Stark County audit report be reordered.**

Mr. Grant Gader, Fiscal Analyst, Legislative Council, distributed a memorandum entitled [Summary of Major Items in Audit Reports for the December 9, 2025 Meeting](#), and the State Auditor's office executive summaries ([Appendix A](#)).

**It was moved by Representative Hagert, seconded by Representative Nathe, and carried on a voice vote that the minutes of the August 14, 2025, meeting be approved as distributed.**

### AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Ms. Mindy Piatz, Brady Martz & Associates, PC, Certified Public Accountants, presented the following audit reports:

- [Job Service North Dakota \(June 30, 2024 and 2023\)](#);
- [Public Finance Authority \(December 31, 2024 and 2023\)](#); and
- [North Dakota Building Authority \(June 30, 2025 and 2024\)](#).

Mr. Rob Pfennig, Chief Financial Officer, Bank of North Dakota, presented information ([Appendix B](#)) on the [Bank of North Dakota College SAVE audit report \(December 31, 2024 and 2023\)](#).

Mr. Jared Mack, Eide Bailly LLP, Certified Public Accountants, presented the following audit reports:

- [Department of Trust Lands \(June 30, 2025 and 2024\)](#);
- [Comprehensive Health Association of North Dakota \(December 31, 2024 and 2023\)](#);
- [Bank of North Dakota \(December 31, 2024 and 2023\)](#); and
- [Guaranteed Student Loan Program \(December 31, 2024 and 2023\)](#).

In response to a question from a committee member regarding the Bank of North Dakota audit, Mr. Pfennig noted the Bank of North Dakota experienced a book loss of approximately \$16 million in 2025 due to investment portfolio repositioning. He noted low-yielding securities were sold to reinvest at higher yields, with an expected payback period of 10 months.

Mr. Joshua C. Gallion, State Auditor, presented the following audit reports:

- [Mill and Elevator Association \(June 30, 2025 and 2024\)](#);
- [North Dakota Lottery \(June 30, 2025 and 2024\)](#);
- [North Dakota University System office \(June 30, 2024 and 2023\)](#);
- [Dakota College at Bottineau \(June 30, 2024 and 2023\)](#);
- [Minot State University \(June 30, 2024 and 2023\)](#); and
- [Dickinson State University \(June 30, 2024 and 2023\)](#).

In response to questions from committee members regarding the Mill and Elevator Association audit, Ms. Cathy Dub, Chief Financial Officer, North Dakota Mill and Elevator Association, noted the decrease in operating revenue for the Mill and Elevator Association was attributable to low commodity prices. She noted approximately 70 percent of product processed at the mill is sourced from North Dakota farmers.

Mr. Gallion noted the North Dakota University System office made approximately \$5.6 million in payments as the result of fraudulent activity within the supplier administration center database. He noted the University System was able to recover all funds.

In response to questions from committee members, Mr. David Krebsbach, Deputy Commissioner and Chief Financial Officer, North Dakota University System office, noted the fraud involved unauthorized changes to payment routing information. He noted internal control processes have been updated to ensure future changes are verified and approved and local and federal law enforcement agencies were notified immediately of the fraudulent activity.

In response to questions from committee members regarding the Dakota College at Bottineau audit, Dr. Steven Shirley, President, Minot State University and Dakota College at Bottineau, noted Minot State University is assisting Dakota College at Bottineau with business office functions to ensure monthly bank reconciliations are being performed properly.

In response to questions from committee members regarding the Dickinson State University audit, Mr. Scott Molander, President, Dickinson State University, commented regarding the university's audit findings. He noted Dickinson State University is utilizing shared services with the University of North Dakota to improve financial processes.

Mr. Dan Cox, Audit Services Director, State Auditor's office, presented the following audit reports:

- [Attorney General \(June 30, 2024 and 2023\)](#);
- [Highway Patrol \(June 30, 2024 and 2023\)](#);

- [Historical Society \(June 30, 2024 and 2023\)](#); and
- [Game and Fish Department \(June 30, 2024 and 2023\)](#).

### **OTHER AUDIT RELATED TOPICS** **Stark County Audit Findings**

Mr. Gallion presented information regarding the audit findings and recommendations included in the [Stark County audit report \(December 31, 2023\)](#). He noted:

- For tax year 2022, the county elected to levy 25.88 mills, generating \$5.4 million in revenue.
- North Dakota Century Code Sections 57-15-31 and 11-23-02 required the county to levy zero mills due to General Fund reserves exceeding the statutory limit of 75 percent of annual appropriations.
- The county used a General Fund cash reserve balance of \$9.2 million during the budgeting process, while the actual General Fund cash reserve balance totaled \$21.6 million.

In response to a question from a committee member, Mr. Gallion noted counties may transfer excess reserve balances to separate capital improvements funds. He noted, once obligated and restricted to specific projects, these funds are excluded from the General Fund reserve balance.

Mr. Neal Messer, Chairman, Stark County Commission, commented on the audit findings included in the Stark County audit report. He noted:

- The commission reduced the General Fund mill levy from 35.00 to 25.88 mills during the audit period and further reduced the levy in subsequent years. The county is reducing the mill levy gradually to maintain consistent tax liabilities for constituents.
- Oil and gas gross production tax revenues are volatile, with recent payments decreasing by 30 percent compared to the prior year. Property taxes are a more consistent revenue source for the county.
- The commission maintains excess reserve balances in the General Fund in lieu of transferring available balances to restricted capital improvements funds to ensure availability of funding for unforeseen needs or emergencies.

### **Department of Health and Human Services**

Ms. Donna Aukland, Chief Financial Officer, Department of Health and Human Services, presented information ([Appendix C](#)) regarding the department's accounts receivable write-off report for fiscal year 2025. She noted write-offs totaled \$562,000 for human service centers and \$3.2 million for the State Hospital.

Ms. Aukland presented information ([Appendix D](#)) regarding child care program budget deficits and programmatic adjustments. She noted:

- Child care programs are experiencing a projected budget shortfall of approximately \$35.5 million for the 2025-27 biennium due to the total caseload increasing to 7,500 children, exceeding the budgeted caseload of 6,400 children.
- The department is adjusting part-time care reimbursement rates to 50 percent of the full-time rate, adjusting state maximum rates, and utilizing approximately \$22.3 million in federal Temporary Assistance for Needy Families funding to cover the budget deficit.

In response to a question from a committee member, Ms. Michele Gee, Director, Economic Assistance Section, Department of Health and Human Services, noted the budget deficit is due largely to the new child care workforce benefit program. She noted the program, which serves parents working in licensed child care facilities regardless of income, currently serves 1,440 children, surpassing the budgeted caseload of 660 children.

### Department of Commerce

Mr. Chris Schilken, Commissioner, Department of Commerce, presented information ([Appendix E](#)) regarding the North Dakota Development Fund and grant programs ([Appendix F](#)). He noted:

- Conflict of interest forms for the Development Fund have been updated to distinguish between perceived conflicts of interest and direct financial ownership.
- The board of the Development Fund will consider formal prohibition of related party transactions in January 2026.
- In regard to the status of litigation filed against the North Dakota Wonder Fund, the department is not able to comment on active or pending litigation.

In response to questions from a committee member, Mr. Schilken noted rural grocery store sustainability grants were awarded through a competitive scoring process that did not factor in the location of the applicant.

In response to questions from committee members, Ms. Sara Otte Coleman, Director of Tourism and Marketing, Department of Commerce, provided information on the Tourism Destination Development Grant Program. She noted 23 projects were selected from 106 applications, based on a competitive point scoring system.

### Burlington Drive Property Lease and Renovation Reconciliation

Ms. Claire Ness, Chief Deputy Attorney General, Attorney General's office, presented information ([Appendix G](#)) regarding the reconciliation of the Burlington Drive property lease and renovation. She noted the Attorney General's office considers the matter fully reconciled and Stealth Properties, LLC agreed to refund \$14,465 to resolve a 2021 discrepancy regarding prorated rent payments.

Mr. Monte L. Rogneby, Attorney, Vogel Law Firm, provided a response for Stealth Properties, LLC confirming the reconciliation and refund amount. He noted Stealth Properties, LLC has cooperated with investigations and provided documentation when requested.

### OTHER INFORMATION

Mr. Matt Fern, Bismarck, provided comments ([Appendix H](#)) regarding the Department of Commerce Motion Picture Grant Program. He expressed concern regarding the department's request for proposal process used to award these grants.

Mr. Charles Tuttle, Bismarck, provided comments regarding economic development grant programs and political subdivision reserve balances.

Ms. Beth Dittus, Assistant Legal Division Director, Legislative Council, provided information regarding legislative subpoena powers. She noted Section 54-35-02 allows the Legislative Management to designate a committee as an investigating committee, which would authorize the committee to issue subpoenas.

### COMMITTEE DISCUSSION AND STAFF DIRECTIVES

**It was moved by Representative Anderson, seconded by Senator Walen, and carried on a voice vote that, pursuant to Section 54-35-02.2, the committee accept the following reports reviewed by the committee at its December 9, 2025, meeting:**

- 1. Job Service North Dakota (June 30, 2024 and 2023)**
- 2. Public Finance Authority (December 31, 2024 and 2023)**
- 3. North Dakota Building Authority (June 30, 2025 and 2024)**
- 4. Department of Trust Lands (June 30, 2025 and 2024)**
- 5. Comprehensive Health Association of North Dakota (December 31, 2024 and 2023)**
- 6. Bank of North Dakota (December 31, 2024 and 2023)**

7. **Guaranteed Student Loan Program (December 31, 2024 and 2023)**
8. **Bank of North Dakota of the College SAVE (December 31, 2024 and 2023)**
9. **Mill and Elevator Association (June 30, 2025 and 2024)**
10. **North Dakota Lottery (June 30, 2025 and 2024)**
11. **Attorney General (June 30, 2024 and 2023)**
12. **University System office (June 30, 2024 and 2023)**
13. **Dakota College at Bottineau (June 30, 2024 and 2023)**
14. **Minot State University (June 30, 2024 and 2023)**
15. **Dickinson State University (June 30, 2024 and 2023)**
16. **Highway Patrol (June 30, 2024 and 2023)**
17. **Historical Society (June 30, 2024 and 2023)**
18. **Game and Fish Department (June 30, 2024 and 2023)**
19. **North Dakota Beef Commission (June 30, 2025 and 2024)**

No further business appearing, Chairman Magrum adjourned the meeting at 4:00 p.m.

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Grant Gader  
Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH:8