



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Tuesday, December 19, 2023
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Emily O'Brien, Chairman, called the meeting to order at 9:00 a.m.

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

Members absent: Representative Cole Christensen, Senator Shawn Veda

Others present: Senator Brad Bekkedahl, Williston, member of the Legislative Management
See [Appendix A](#) for additional persons present.

It was moved by Representative Nathe seconded by Representative Schauer, and carried on a voice vote that the minutes of the July 26, 2023, meeting be approved as distributed.

At the request of Chairman O'Brien, Mr. Toby S. Mertz, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Summary of Major Items in Audit Reports for the December 19, 2023, Meeting](#) and State Auditor's office [executive summaries](#).

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

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

- [Financial Statements June 30, 2023 and 2022 Addiction Counselor Internship Loan Program;](#)
- [Financial Statements June 30, 2023 and 2022 PACE Fund;](#)
- [Financial Statements June 30, 2023 and 2022 Ag PACE Fund;](#)
- [Financial Statements June 30, 2023 and 2022 Infrastructure Revolving Loan Fund;](#)
- [Financial Statements June 30, 2023 and 2022 Medical Facility Infrastructure Loan Fund;](#)
- [Financial Statements June 30, 2023 and 2022 Innovation Technology Loan Fund \(LIFT\);](#)
- [Financial Statements June 30, 2023 and 2022 Water Infrastructure Revolving Loan Fund;](#)
- [Financial Statements June 30, 2023 and 2022 School Construction Assistance Revolving Loan Fund;](#)
- [Financial Statements June 30, 2023 and 2022 COVID-19 PACE Loan Program;](#)
- [Financial Statements September 30, 2022 North Dakota State Fair Association;](#)
- [Financial Statements December 31, 2022 and 2021 Comprehensive Health Association of North Dakota;](#)
- [Financial Statements June 30, 2023 and 2022 Rebuilders Loan Program;](#)
- [Financial Statements June 30, 2023 and 2022 Clean Sustainable Energy Authority;](#)
- [Financial Statements June 30, 2023 and 2022 North Dakota Student Loan Trust;](#)
- [Financial Statements June 30, 2023 and 2022 North Dakota Department of Trust Lands;](#) and
- [Financial Statements June 30, 2023 and 2022 Workforce Safety and Insurance.](#)

In response to questions from committee members, Mr. Mack provided information ([Appendix B](#)) relating to the North Dakota State Fair Foundation's prior audit findings and corrective action plan.

Chairman O'Brien called on Mr. Joshua C. Gallion, State Auditor, who presented the following audit reports:

- [*Office of Secretary of State Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Game and Fish Department Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Single Audit Report for the Two-Year Period Ended June 30, 2020;*](#)
- [*Single Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*North Dakota State Library Audit Report for the Two-Year Period Ended June 30, 2021;*](#)
- [*State Historical Society Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Office of Adjutant General Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Highway Patrol Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Minot State University Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Bismarck State College Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*North Dakota University System office Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Dakota College at Bottineau Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*University of North Dakota Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Dickinson State University Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Information Technology Department Audit Report for the Two-Year Period Ended June 30, 2022;*](#)
- [*Mill and Elevator Audit Report for the Two-Year Period Ended June 30, 2023;*](#) and
- [*North Dakota Lottery Audit Report for the Years Ended June 30, 2023 and 2022.*](#)

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

- [*North Dakota Public Finance Authority Audited Financial Statements for the Years Ended December 31, 2022 and 2021;*](#)
- [*North Dakota Building Authority Audited Financial Statements for the Years Ended June 30, 2023 and 2022;*](#) and
- [*Job Service North Dakota Financial Report for the Year Ended June 30, 2023.*](#)

It was moved by Senator Lee, seconded by Representative Nathe, and carried on a roll call vote that, pursuant to North Dakota Century Code Section 54-35-02.2, the committee accept the following reports reviewed by the committee at its December 19, 2023, meeting:

1. Addiction Counselor Internship Loan Program (June 30, 2023 and 2022);
2. Partnership in Community Expansion (PACE) Fund (June 30, 2023 and 2022);
3. Ag PACE Fund (June 30, 2023 and 2022);
4. Infrastructure Revolving Loan Fund (June 30, 2023 and 2022);
5. Medical Facility Infrastructure Loan Program (June 30, 2023 and 2022);
6. Innovation Technology Loan Fund (June 30, 2023 and 2022);
7. Water Infrastructure Revolving Loan Fund (June 30, 2023 and 2022);
8. School Construction Assistance Revolving Loan Fund (June 30, 2023 and 2022);
9. COVID-19 PACE Loan Program (June 30, 2023 and 2022);
10. North Dakota State Fair Association (September 30, 2022);
11. Comprehensive Health Association of North Dakota (December 31, 2022 and 2021);
12. Rebuilders Loan Program (June 30, 2023 and 2022);

13. Clean Sustainable Energy Authority (June 30, 2023 and 2022);
14. Student Loan Trust Fund (June 30, 2023 and 2022);
15. Department of Trust Lands (June 30, 2023 and 2022);
16. Workforce Safety and Insurance (June 30, 2023 and 2022);
17. Secretary of State (June 30, 2022 and 2021);
18. Game and Fish Department (June 30, 2022 and 2021);
19. North Dakota Single Audit (June 30, 2020 and 2019);
20. North Dakota Single Audit (June 30, 2022 and 2021);
21. State Library (June 30, 2021 and 2020);
22. State Historical Society (June 30, 2022 and 2021);
23. Office of Adjutant General (June 30, 2022 and 2021);
24. Highway Patrol (June 30, 2022 and 2021);
25. Minot State University (June 30, 2022 and 2021);
26. Bismarck State College (June 30, 2022 and 2021);
27. North Dakota University System office (June 30, 2022 and 2021);
28. Dakota College at Bottineau (June 30, 2022 and 2021);
29. University of North Dakota (June 30, 2022 and 2021);
30. Dickinson State University (June 30, 2022 and 2021);
31. Information Technology Department (June 30, 2022 and 2021);
32. Mill and Elevator (June 30, 2023 and 2022);
33. Lottery (June 30, 2023 and 2022);
34. North Dakota Public Finance Authority (December 31, 2022 and 2021);
35. North Dakota Building Authority (June 30, 2023 and 2022); and
36. Job Service North Dakota (June 30, 2023).

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

OTHER INFORMATION

Chairman O'Brien called on Ms. Lindsey Slappy, Audit Manager, State Auditor's office, who presented a report entitled [State of North Dakota Office of the State Auditor External Peer Review for the Period April 1, 2022 Through March 31, 2023](#). Ms. Slappy noted the peer review was conducted by the National State Auditors Association and the State Auditor's office received the highest rating possible which is "pass."

In response from a question from a committee member, Ms. Slappy provided information relating to the State Auditor's office external peer review. She noted the local government audits involved in the peer review were Grand Forks County, LaMoure County, Morton County, and Williston Public Schools.

Chairman O'Brien called on Mr. Dan Cox, Quality Control Manager, State Auditor's office, who provided information ([Appendix C](#)) on the State Auditor's office plan for meeting the requirements of House Bill No. 1508 (2023) regarding communications with clients, billings, audits performed, and audit schedule.

In response to questions from committee members, Ms. Slappy provided information relating to the average bill rates per staff member for contracted audits. She noted an average rate per hour of \$153 and \$156 from two prior audit proposals.

ATTORNEY GENERAL LEASED FACILITY INVESTIGATIVE REPORT

Chairman O'Brien called on Mr. Drew H. Wrigley, Attorney General, who provided information on the status of the investigation relating to the Attorney General facility lease agreement and cost overruns. He offered background information and timeline of lease agreement matters and noted further investigation is awaiting referral to a State's

Attorney office. He noted the email accounts of the prior Attorney General and Deputy Attorney General were deleted by the Information Technology Department at the request of the prior executive assistant and, subsequently, the prior executive assistant's email account was removed based on records retention protocols.

Chairman O'Brien called on Mr. Don Guiberson, Agent, Montana Department of Justice, who commented on the [Montana Department of Justice's investigative report](#). He noted the report was a fact finding investigation.

Chairman O'Brien called on Mr. Monte L. Rogneby, Attorney, Vogel Law Firm, who provided a response for Stealth Properties LLC and D&S LLC ([Appendix D](#)) to the investigative report conducted by the Montana Department of Justice.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

At the request of Chairman O'Brien, Mr. Mertz distributed the Department of Health and Human Services writeoff report for fiscal year [2023](#).

Representative Schauer suggested the committee invite Mr. Troy Seibel, former North Dakota Deputy Attorney General, and Ms. Elizabeth Brocker, former Attorney General Executive Assistant, to appear before the committee regarding the Attorney General facility lease agreement and cost overruns and associated emails.

Committee members suggested the committee receive the following items at future meetings:

- A presentation from the North Dakota State Fair Association relating to corrective action plan for audit findings in the September 30, 2022, financial statements.
- A report from the Legislative Council on emails relating to the Attorney General lease agreement, including the lease arrangements, lease invoice information, and payment reconciliation efforts from the North Dakota Attorney General's office, Montana Department of Justice, and Stealth Properties LLC.
- A presentation of the Barley Council (June 30, 2021 and 2022), Soybean Council (June 30, 2023), and Beef Commission (June 30, 2022 and 2023) audit reports.

No further business appearing, Chairman O'Brien adjourned the meeting at 4:41 p.m.

Toby S. Mertz
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:4