



North Dakota Legislative Council

Prepared for the Legislative Audit and
Fiscal Review Committee
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SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE DECEMBER 19, 2023, MEETING

This memorandum summarizes major items in audit reports included on the agenda for the December 19, 2023, meeting of the Legislative Audit and Fiscal Review Committee.

ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM (JUNE 30, 2022 AND 2023)

Audit purpose: The purpose of this audit was to determine if the financial statements for the program are free from material misstatement.

Findings:

- No findings were identified.

Prior audit findings:

- None.

Audit cost as reported by the State Auditor's office:

The State Auditor contracted with Eide Bailly, LLP for the audit. The cost of the audit was \$6,365.

Observations/potential questions relating to the audit report:

- None.

**PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION FUND
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - The fund was supporting interest buydowns on 1,219 outstanding loans as of June 30, 2023. Of the 1,219 outstanding loans, 197 loans were made during fiscal year 2023. The fund had a cash balance of \$82.6 million as of June 30, 2023.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the partnership in assisting community expansion (PACE) fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit and \$6,180 June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- As shown on page 15, PACE fund cash deposits at the Bank of North Dakota as of June 30, 2023, were \$82.6 million. As referenced on page 13, in lieu of an administrative fee, the Bank does not pay interest to the PACE fund on cash accounts at the Bank that have not been disbursed to the funding agency.

AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - The fund supported interest buydowns on 431 outstanding loans as of June 30, 2023, with outstanding principal totaling \$69 million. Of the 431 outstanding loans, 104 loans were made during fiscal year 2023 totaling \$18 million.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the agriculture partnership in assisting community expansion (Ag PACE) fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit compared to \$6,180 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- The second paragraph under financial highlights on page 4 provides information on the yield rate and the borrowing rate. What is the average interest rate buydown on loans under this program?
- As shown on page 8, Ag PACE cash on deposit with the Bank of North Dakota for cash on hand and for buydowns committed totaled \$4.8 million on June 30, 2023. As noted on page 12, in lieu of an administrative fee, the Bank does not pay interest to the Ag PACE fund on its cash deposits with the Bank.

INFRASTRUCTURE REVOLVING LOAN FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - As of June 30, 2023, the fund had approximately \$137 million of loans outstanding, and 18 loans totaling \$37.6 million were originated in fiscal year 2023. The fund also had commitments for 15 loans totaling approximately \$124.8 million as of June 30, 2023.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the infrastructure revolving loan fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit and \$6,180 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- House Bill No. 1443 (2015) authorized the transfer of \$50 million from the strategic investment and improvements fund (SIIF) and up to \$100 million from Bank of North Dakota profits. As of June 30, 2023, the \$50 million has been transferred from SIIF, but only \$48 million of the \$100 million has been transferred from the Bank.
- House Bill No. 1431 (2021) authorized the Public Finance Authority to issue up to \$680 million of bonds, including \$50 million to support the infrastructure revolving loan fund. Of the \$50 million, \$26.7 million has been transferred to the fund through June 30, 2023.

**MEDICAL FACILITY INFRASTRUCTURE LOAN FUND
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - As of June 30, 2023, the fund had approximately \$42.6 million of loans outstanding. No new loans were originated in fiscal year 2023, but there were two pending loan commitments for \$8.2 million as of June 30, 2023. The fund had approximately \$9.3 million available for new loans as of June 30, 2023.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the medical facility infrastructure loan fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit and \$6,180 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

INNOVATION TECHNOLOGY LOAN FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - The Bank of North Dakota originated 10 loans from the funding totaling \$7.1 million in fiscal year 2023 compared to 15 loans from the fund totaling \$9.0 million in fiscal year 2022. Loans outstanding, as of June 30, 2023, totaled \$22.6 million. In addition, the fund had pending commitments for 2 loans totaling \$2.5 million, and \$7.0 million was available for new loans as of June 30, 2023.
- **Additional funding** - House Bill No. 1141 (2021) provided for a transfer of \$15 million from the strategic investment and improvements fund to the innovation technology loan fund, and all of the funding was transferred in fiscal year 2022. House Bill No. 1018 (2023) provides for a transfer of \$10 million from the strategic investment and improvements fund during the 2023-25 biennium.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the innovation technology loan fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit compared to \$6,180 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- As shown on page 8, the allowance for loan losses increased from \$885,000 in 2022 to \$3,390,000 in 2023. How does the allowance for loan losses compare to other funds administered by the Bank of North Dakota relative to the risk of these innovation technology loans?

WATER INFRASTRUCTURE REVOLVING LOAN FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans issued** - In fiscal year 2023, the Bank of North Dakota issued 1 loan for \$1.1 million compared to 2 loans for \$18.6 million in fiscal year 2022.
- **Loans outstanding** - As of June 30, 2023, the fund had approximately \$40 million of loans outstanding with commitments for 1 loan totaling approximately \$60 million. Funding available for new loans totaled \$24.9 million on June 30, 2023.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the water infrastructure revolving loan fund. The cost of the contracted audit was \$11,550 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - The Bank of North Dakota originated 5 school construction loans totaling \$40.9 million in fiscal year 2023. No loans were originated in fiscal year 2022. In addition, the Bank purchased \$17 million of other school construction loans related to another program administered by the Bank during fiscal year 2023. Loans outstanding, as of June 30, 2023, totaled \$274 million. The fund had \$38.1 million of cash available for new loans as of June 30, 2023.
- **Interest rate buydowns** - The Bank used \$1.05 million in fiscal year 2022 and \$0.04 million in fiscal year 2023 for interest rate buydowns of other school construction loans related to another program administered by the Bank pursuant to Senate Bill No. 2014 (2021).

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the school construction assistance revolving loan fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit compared to \$6,180 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

**COVID-19 PARTNERSHIP IN ASSISTING COMMUNITY
EXPANSION RECOVERY PROGRAM
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loan program** - The Bank of North Dakota established the COVID-19 PACE recovery program to support North Dakota businesses in their recovery from the negative impacts caused by the COVID-19 pandemic. The recovery program included an interest rate buydown loan program and a recovery grant program.
- **Loans outstanding** - The fund supports interest buydowns on 240 outstanding loans as of June 30, 2023, with outstanding principal totaling \$229.7 million. The outstanding loans will require \$11.9 million for the interest rate buydowns for the remainder of the loan repayments.
- **Recovery grants** - To qualify for a grant, a business needed a minimum of a 20 percent loss in gross revenue between April 1, 2020, and September 30, 2020, compared to the same period the year prior. The Bank distributed \$35.6 million in fiscal year 2021. No grants were distributed in fiscal years 2022 and 2023.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the small employer loan fund. The cost of the contracted audit was \$6,365 for the June 30, 2023, audit and \$6,180 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

STATE FAIR (SEPTEMBER 30, 2022)

Audit purpose: The purpose of the audit was to obtain reasonable assurance about whether the financial statements of North Dakota State Fair Association (association), and of its discretely presented component unit, North Dakota State Fair Foundation (foundation), are free from material misstatement.

As part of obtaining reasonable assurance about whether the association's financial statements are free from material misstatement, the transactions of the association were tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

Findings:

- The Independent Auditor's Report includes an unmodified opinion regarding the association.
- The Independent Auditor's Report includes a modified or qualified opinion regarding the foundation. The foundation did not maintain adequate accounting records for its charitable gaming expenses, revenue, and cash in the financial statements as of September 30, 2022. As such, the auditor was unable to obtain sufficient appropriate audit evidence regarding the charitable gaming activity.
- The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* identified two deficiencies in internal control considered to be a material weaknesses:

Audit finding 2022-001 - Material Journal Entries.

Finding - The Independent Auditor's Schedule of Findings and Responses identified a deficiency in internal control considered to be a material weakness in the foundation, a discretely presented component unit of the association. A material audit adjustment was proposed to reclassify revenues and expenditures, which would not have been identified as a result of the foundation's existing internal controls, and therefore could have resulted in a material misstatement of the foundation's financial statements. The foundation does not have an internal control system designed to identify all necessary adjustments. This control deficiency could result in a material misstatement to the foundation financial statements that would not be prevented or detected.

Recommendation - The Independent Auditor recommends a thorough review and reconciliation of accounts in each account should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels. Management of the foundation agreed with the finding.

Audit finding 2022-002 - Lack of Supporting Documentation for Foundation Charitable Gaming Activity.

Finding - The Independent Auditor's Schedule of Findings and Responses identified a deficiency in internal control considered to be a material weakness in the foundation, a discretely presented component unit of the association. During the course of the engagement, the auditor noted inadequate documentation to support the foundation's charitable gaming revenue and expenditures. The foundation does not have an internal control system designed to properly retain all required documentation. This deficiency could result in improper or unauthorized spending of foundation funds.

Recommendation - The Independent Auditor recommends management put a procedure in place to ensure all charitable gaming activity is accompanied by proper documentation. Management of the foundation agreed with the finding.

- There were no instances of noncompliance or other matters of the association that are required to be reported under *Government Auditing Standards* identified in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Other information:

- Prior audit finding 2021-001 - In fiscal year 2021, the Independent Auditor's Consolidated Schedule of Findings and Questioned Costs identified one deficiency in internal control considered to be a material weakness in the foundation, a discretely presented component unit of the association. A material audit

adjustment was proposed to reclassify revenues and expenditures, which would not have been identified as a result of the foundation's existing internal controls, and therefore could have resulted in a material misstatement of the foundation's financial statements. The foundation does not have an internal control system designed to identify all necessary adjustments. This control deficiency could result in a material misstatement to the foundation financial statements that would not be prevented or detected. The Independent Auditor recommended a thorough review and reconciliation of accounts in each account should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels. Management of the foundation agreed with the finding.

- The association receives premium appropriations from the State of North Dakota. These premium appropriations are restricted for the purpose of providing premiums to fair exhibition winners. Premium appropriations expended for the year ended September 30, 2022, totaled \$271,417.
- During fiscal year 2022, the association received Shuttered Venue Operators Grant funding totaling \$661,000 related to the global COVID-19 pandemic and the related cancellation of the 2020 State Fair. The grant was used to cover ongoing association expenses.

Audit cost:

The association paid Eide Bailly, LLP \$24,500 for the September 30, 2022, audit, including procedures related to the foundation and the implementation of GASB 87.

Potential questions relating to the audit report:

- None.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (DECEMBER 31, 2022 AND 2021)

The Comprehensive Health Association of North Dakota (CHAND) is regulated by the Insurance Commissioner. The association is a nonprofit corporation with a mission to make health care coverage available to residents of North Dakota who have been denied health insurance or been given restricted coverage because they had health problems or were considered to be in a high-risk category.

Audit purpose: The purpose of the audit was to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement.

As part of obtaining reasonable assurance about whether the association's financial statements are free from material misstatement, the transactions of the association were tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Findings:

- The Independent Auditor's Report includes an unmodified opinion regarding CHAND.
- There were no deficiencies considered to be material weaknesses in internal control identified in the report.
- There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Observations/potential questions relating to the audit report:

- None.

REBUILDERS PERMANENT LOAN FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - As of June 30, 2023, the fund had 1,732 outstanding loans totaling approximately \$34.9 million.
- **Past due loans** - As of June 30, 2023, there were 38 loans that were 90 days or more past due compared to 56 that were 90 days or more past due on June 30, 2022.
- **Repayments** - Repayments are used first to replenish Bank of North Dakota profits and then the general fund. As of June 30, 2023, payments owed to the Bank totaled \$0, and payments owed to the general fund total \$13.7 million as noted on page 8.
- **New loans** - During fiscal years 2022 and 2023, the Bank did not issue any new loans from the fund.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the rebuilders loan program. The cost of the contracted audit was \$11,550 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- House Bill No. 1187 (2021) created a rebuilders permanent loan fund to provide loans to those impacted by disasters in the state and consolidates the rebuilders loan program and the rebuilders home loan program in the newly created fund. The bill also transferred the loans and any remaining funds from the small employer loan fund, which was established by the Industrial Commission to support small businesses during the COVID-19 pandemic, to the rebuilders permanent loan fund.

**CLEAN SUSTAINABLE ENERGY AUTHORITY
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - During fiscal year 2023, the Clean Sustainable Energy Authority approved 2 loans totaling \$55 million with an interest rate of 2 percent compared to 1 loan for \$15 million with an interest rate of 2 percent in fiscal year 2022. As of June 30, 2023, the loan funds distributed from the clean sustainable energy fund totaled \$35 million.
- **Line of credit** - As of June 30, 2023, the authority used \$35 million of the \$390 million line of credit from the Bank of North Dakota to support the loan amount disbursed from the fund. During the 2023 legislative session, the line of credit was increased from \$250 to \$390 million.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the Clean Sustainable Energy Authority. The cost of the contracted audit was \$8,400 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

STUDENT LOAN TRUST FUND (JUNE 30, 2023 AND 2022)

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Loans outstanding** - The fund had approximately \$1.77 million of cash, investments, and current receivables as of June 30, 2023, which is almost entirely restricted as collateral and for future obligations, compared to \$1.82 million on June 30, 2022.
- **DEAL student loans** - The Bank of North Dakota offers DEAL student loans at either a fixed rate or a variable rate. As of July 1, 2023, the fixed rate was 6.53 percent and the variable rate was 6.72 percent. As of July 1, 2022, the fixed rate was 6.15 percent and the variable rate was 3.50 percent.
- **Deferment status** - Loans with an authorized deferment period decreased from \$58,000 as of June 30, 2022, to \$0 on June 30, 2023. Borrowers were authorized to defer payments for up to 18 months in response to the COVID-19 pandemic.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the student loan trust fund. The cost of the contracted audit was \$9,550 for the June 30, 2023, audit and \$9,270 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

**DEPARTMENT OF TRUST LANDS
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the agency's financial statements.

Other information:

- **Royalty revenues** - The Department of Trust Lands collected \$508 million of royalty revenues in fiscal year 2023, an increase of \$25 million compared to the prior year. The increase was primarily related to an increase in oil prices.
- **Investments** - The department's investments increased by \$1.14 billion, or 18.5 percent, from \$6.17 billion on June 30, 2022, to \$7.31 billion on June 30, 2023.
- **Loan programs** - The outstanding loans for various programs on June 30, 2023, were as follows:
 - Farm loan pool and farm real estate loans - \$2.5 million;
 - Coal impact loans - \$8.2 million; and
 - School construction loans - \$25.0 million.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the Department of Trust Lands. The cost of the contracted audit was \$44,484 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- As shown on page 56, the Board of University and School Lands identified \$50.8 million of the strategic investment and improvements fund as an assigned fund balance for June 30, 2023, relating to mineral ownership disputes, compared to an assigned fund balance of \$68.3 million on June 30, 2022.

WORKFORCE SAFETY AND INSURANCE (JUNE 30, 2022 AND 2023)

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- No audit findings were identified. There were no audit findings in the prior year audit report.

Audit cost as reported by the State Auditor's office:

Workforce Safety and Insurance contracted with Eide Bailly, LLP to complete the June 2023 and June 2022 audit at a cost of \$64,800. Workforce Safety and Insurance contracted with Eide Bailly, LLP at a cost of \$63,000 to complete the June 2021 and June 2022 audit.

Observations/potential questions relating to the audit report:

- On the Statements of Revenues, Expenses, and Changes in Net Position on page 15, why was there a \$1,093,573 negative amount for other administrative expenses during fiscal year 2022?
- On the Statements of Cashflows on page 16, who are the "payments to others" and why did the amount increase \$926,875, (117 percent), from \$792,035 in fiscal year 2022 to \$1,718,910 in fiscal year 2023?
- On page 30, what is the reason for future minimum operating lease payments decreasing from \$228,189 in fiscal year 2023 to \$72,955 in fiscal year 2024?
- Tenant leases are described on page 43. What is the cost per square foot for each tenant? Total annual rent decreased \$55,414 (13.3 percent) from \$415,580 in fiscal year 2022 to \$360,166 in fiscal year 2022. The Retirement and Investment Office and State Auditor's office reduced the amount of space being rented from Workforce Safety and Insurance. What was the square footage available on June 30, 2023, for lease with no tenant?

**SECRETARY OF STATE
(JUNE 30, 2022)**

Audit purpose: The purpose of the audit was to identify any errors, internal control weaknesses, or potential violation of law in significant or high-risk functions of the agency.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- **Lack of revenue reconciliation** - The State Auditor's office reported revenue generated through various citizen fees was not recorded correctly. During the prior audit, a difference of \$75,211 was identified from revenue generated through various citizen fees through the Secretary of State's office information technology systems, when compared to ConnectND, the state's accounting system. The State Auditor's office reported a reconciliation was not completed during the previous or the current audit period to resolve this difference.

Audit cost as reported by the State Auditor's office:

Secretary of State		
	2021 Audit	2023 Audit
State Auditor's office ¹	\$23,970.00	Not available
State Auditor's office hours ²	313.50	Not available
Hourly rate	\$76.46	Not available
Agency costs ³	Not available	\$2,397

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**GAME AND FISH DEPARTMENT
(JUNE 30, 2022 AND 2021)**

Audit purpose: The purpose of this audit was to determine whether the Game and Fish Department had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.

Audit cost as reported by the State Auditor's office:

Game and Fish Department		
	2020 Audit	2022 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	Not Available	Not Available
Hourly rate	Not Available	Not Available
Agency costs ³	\$25,800	\$17,199

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.
²Staff hours incurred to complete the audit.
³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

SINGLE AUDIT REPORT (JUNE 30, 2022)

Audit purpose: The purpose of this audit was to test internal controls and compliance for each major federal program in order to express an opinion on the financial statements of North Dakota, but not to express an opinion on internal controls.

Findings:

- **Qualified opinion** - The auditor identified deficiencies with internal controls related to compliance with reporting and subrecipient monitoring, and as a result, the auditor issued a qualified opinion on the coronavirus relief fund, involving the Office of Management and Budget, State Treasurer, and the Department of Health and Human Services; and the supporting effective instruction state grant program and child nutrition cluster program administered by the Department of Public Instruction.
- **Unmodified opinion** - The auditor identified other instances of noncompliance with certain federal programs; however, the findings were not considered material so the opinion on each of the other major federal programs was not modified.

Other information:

- **Annual Comprehensive Financial Report** - The single audit includes the state's annual comprehensive financial reports for fiscal years 2021 and 2022.

Audit cost as reported by the State Auditor's office:

Comprehensive Annual Financial Report		
	2020 Audit	2022 Audit
State Auditor's office ¹		
State Auditor's office hours ²		
Hourly rate		
Agency costs ³	N/A	\$1,253,960

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**STATE LIBRARY
(JUNE 30, 2021 AND 2020)**

Audit purpose: The purpose of this audit was to determine financial transactions, including expenditures of the State Library, were made in accordance with law and appropriation requirements.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.
- The State Library has implemented all recommendations included in the prior audit report.

Audit cost as reported by the State Auditor's office:

- The State Auditor did not charge the State Library for audit costs.

Observations/potential questions relating to the audit report:

- The statement of appropriations on page 10 indicates none of the COVID-19 funding appropriated for salaries and wages (\$86,669), operating expenses (\$1,580,057), or grants (\$500,000) was expended during the biennium. What is the status of this funding?
- Expenditures reported on the statement of revenues and expenditures on page 9 total \$7,693,463 for fiscal years 2020 and 2021; however, expenditures reported on the statement of appropriations on page 10 total \$7,693,102, or \$361 less than the statement of revenues and expenditures. Why are the expenditures different on the two reports?

**STATE HISTORICAL SOCIETY
(JUNE 30, 2022 AND 2021)**

Audit purpose: The purpose of this audit was to determine whether the State Historical Society had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.

Audit cost as reported by the State Auditor's office:

State Historical Society		
	2020 Audit	2022 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	313.50	Not Available
Hourly rate	\$76.46	Not Available
Agency costs ³	Not Available	\$0
¹ This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit. ² Staff hours incurred to complete the audit. ³ This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.		

Observations/potential questions relating to the audit report:

- None.

**OFFICE OF THE ADJUTANT GENERAL
(JUNE 30, 2022 AND 2021)**

Audit purpose: The purpose of this audit was to determine whether the Adjutant General had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.

Audit cost as reported by the State Auditor's office:

Office of the Adjutant General		
	2021 Audit	2022 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	Not Available	Not Available
Hourly rate	Not Available	Not Available
Agency costs ³	\$6,000	\$2,490

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- Why was the Transfers Out amount within the Revenues and Expenditures statement on page 12 for fiscal year 2021 of \$102,756,670 significantly higher than the fiscal year 2022 amount of \$25,134,740?

**HIGHWAY PATROL
(JUNE 30, 2021 AND 2022)**

Audit purpose: The purpose of this audit was to determine if there are any errors, internal control weaknesses, or potential violations of law for significant or high-risk functions of the agency.

Findings:

- No findings were identified.

Prior audit findings:

- The previous audit included findings for issues involving terminated employees and former contractors not having Capitol building access revoked by Capitol security. The previous audit recommendations have been implemented.

Audit cost:

- The cost of the audit charged to the agency was \$6,241.

Observations/potential questions relating to the audit report:

- None.

**MINOT STATE UNIVERSITY
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine whether Minot State University had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The institution's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.

Audit cost as reported by the State Auditor's office:

Minot State University		
	2021 Audit	2023 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	Not Available	Not Available
Hourly rate	Not Available	Not Available
Agency costs ³	Not Available	\$0

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- None.

**BISMARCK STATE COLLEGE
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine whether Bismarck State College (BSC) had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The institution's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Improper account coding** - The State Auditor's office reported state grants and contracts revenue, as well as scholarship and fellowship expenses, were misstated and other expenses were improperly capitalized. The State Auditor's office reported:

In fiscal years 2021 and 2022 state grants and contracts revenues totaling \$2.13 million and scholarship expenses totaling \$2.16 million were double recorded in the fiscal year 2022 and fiscal year 2021 North Dakota University System combined financial statements.

\$216,000 of expenses for the recarpeting project, which included new flooring in the entries and hallways of Jack Science Center, Schafer Hall, and Leach Music Center, was improperly capitalized.

- **Procurement** - The State Auditor's office reported Bismarck State College did not properly procure 5 out of 24 purchases that were tested, including:

Advertising services were invoiced for \$45,882 before an actual contract was entered into;

There was inadequate procurement documentation for the purchase of equipment for \$25,868;

There was inadequate procurement documentation for the purchase of furniture for \$44,475;

There was not adequate procurement documentation for two vehicles that were purchased for \$32,974; and

Proper documentation was not maintained for individual scoring sheets for the \$132,000 enrollment marketing, research, and advertising services contract.

Audit cost as reported by the State Auditor's office:

Bismarck State College		
	2021 Audit	2023 Audit
State Auditor's office ¹	Not available	Not available
State Auditor's office hours ²	Not available	Not available
Hourly rate	Not available	Not available
Agency costs ³	Not available	\$0

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA UNIVERSITY SYSTEM OFFICE
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine whether the North Dakota University System office had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The agency's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.

Prior audit findings:

- **Appropriation carryover** - In a prior audit, the State Auditor's office found the North Dakota University System office did not report to the Appropriations Committees of the 67th Legislative Assembly on its use of \$5.5 million in appropriations that were carried over from the 2017-19 biennium to the 2019-21 biennium. The State Auditor's office reported the North Dakota University System office implemented its recommendation and properly reported all appropriation carryover funds from the 2019-21 to the 2021-23 biennium to the subsequent appropriations committees of the Legislative Assembly.

Audit cost as reported by the State Auditor's office:

North Dakota University System Office		
	2021 Audit	2023 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	Not Available	Not Available
Hourly rate	Not Available	Not Available
Agency costs ³	Not Available	Not Available

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**DAKOTA COLLEGE AT BOTTINEAU
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine whether Dakota College at Bottineau (DCB) had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The institution's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Veteran dependent tuition waivers** - The State Auditor's office reported DCB did not verify student eligibility for the veteran dependent tuition waiver. This has been an identified issue since the 2018 audit.
- **Procurement** - The State Auditor's office reported DCB did not competitively seek bids for various services and athletic clothing, including 4 of the 13 purchases tested.
- **Inadequate journal entry approval** - The State Auditor's office reported 3 of 32 journal entries tested were not approved by 2 separate people to verify the information is correct.

Prior audit findings:

- **Tuition waivers** - The State Auditor's office previously reported DCB did not properly verify eligibility for the veteran dependent tuition waiver. The recommendation related to this finding was not fully implemented.
- **Procurement documentation** - The State Auditor's office previously reported DCB did not maintain records to verify adequate bids were received for the purchase of a \$211,100 fuel oil boiler. The recommendation related to this finding was fully implemented.

Audit cost as reported by the State Auditor's office:

Dakota College at Bottineau		
	2021 Audit	2023 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	Not Available	Not Available
Hourly rate	Not Available	Not Available
Agency costs ³	Not Available	\$0

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- Why has the veteran dependent tuition waiver eligibility issue not been addressed?

**UNIVERSITY OF NORTH DAKOTA
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine whether the University of North Dakota (UND) had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency. The State Auditor's office also reviewed the process used by the UND School of Medicine and Health Sciences to admit students into the medical doctor program, based on their admission policies.

The institution's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- No areas of concern were reported by the State Auditor's office.

Prior audit findings:

- **Fixed asset inventory** - The State Auditor's office previously reported UND did not conduct annual department inventories for fixed assets in 3 out of 8 departments in fiscal years 2019 and 2020. The recommendation related to this finding was fully implemented.
- **Faculty personnel file** - The State Auditor's office previously reported UND did not have the required information in a centrally located personnel file for 5 out of 31 faculty tested during the audit. The recommendation related to this finding was fully implemented.
- **Construction management at-risk** - The State Auditor's office previously reported UND did not properly follow the construction management at-risk selection process for the Chester Fritz Library, the College of Business, and the Memorial Union projects. The recommendation related to this finding was fully implemented.

Audit cost as reported by the State Auditor's office:

University of North Dakota		
	2021 Audit	2023 Audit
State Auditor's office ¹	Not Available	Not Available
State Auditor's office hours ²	Not Available	Not Available
Hourly rate	Not Available	Not Available
Agency costs ³	Not Available	\$0

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**DICKINSON STATE UNIVERSITY
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine whether Dickinson State University (DSU) had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

The institution's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Procurement** - The State Auditor's office reported procurement for multiple transactions was not documented in compliance with state law. The State Auditor's office reported improper procurement documentation has been an audit finding since 2017. Issues identified by the State Auditor's office include:
 - DSU spent \$35,605 on a camera and audio system for the nursing program and did not maintain adequate procurement documentation; and
 - DSU used incomparable informal quotes to order \$28,129 of personal protective equipment and supplies.
- **Auxiliary services** - The State Auditor's office reported that of 32 auxiliary services transactions tested, 6 room and board transactions totaling \$12,312 did not have adequate documentation to verify the charge or credit posted to the students' accounts.
- **Bank reconciliations** - The State Auditor's office reported DSU did not prepare and approve monthly bank reconciliations in a timely manner.
- **Account coding** - The State Auditor's office reported DSU improperly coded one journal entry, causing nongovernmental grants and contract revenue to be understated by \$3.76 million and federal grants and contracts to be overstated by \$3.76 million.

Prior audit findings:

- **Procurement** - The State Auditor's office reported the prior recommendation relating to procurement documentation has not been implemented.

Audit cost as reported by the State Auditor's office:

Dickinson State University		
	2021 Audit	2023 Audit
State Auditor's office ¹	\$54,172.50	Not available
State Auditor's office hours ²	772.50	Not available
Hourly rate	\$70.13	Not available
Agency costs ³	Not available	\$0

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- What are some steps DSU can take to ensure findings are fully implemented even during times of turnover and staff shortage?

**INFORMATION TECHNOLOGY DEPARTMENT
(JUNE 30, 2021 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- No audit findings were identified. There were no audit findings in the prior year audit report.

Audit cost as reported by the State Auditor's office:

Information Technology Department		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$54,248	N/A
State Auditor's office hours ²	699.50	N/A
Hourly rate	\$77.55	N/A
Agency costs ³	N/A	\$27,708

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- On page 7, what was the digital credentialing grant and what was the funding source for the \$400,000?
- On page 8, why did building rent expenditures increase \$316,260, (17 percent), from \$1,861,617 during fiscal year 2021 to \$2,177,877 during fiscal year 2022? Is this related to the primary Information Technology Department building, and if so, was the lease adjusted for this change in rent?

**MILL AND ELEVATOR ASSOCIATION
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the agency's financial statements.

Other information:

- **Line of credit** - As shown on pages 18-19, the Mill and Elevator Association has a \$125 million line of credit with the Bank of North Dakota (an increase of \$25 million from 2022 to 2023) of which the Mill has accessed \$57.7 million. The interest rate was 6.21 percent as of June 30, 2023, compared to a rate of 1.89 percent as of June 30, 2022.
- **Loan notes** - As shown on page 19, the Mill and Elevator Association borrowed \$40 million from the Bank of North Dakota in fiscal year 2021 for 10 years at an interest rate of 2.5 percent. The Mill and Elevator Association also borrowed \$40 million from the Bank of North Dakota in fiscal year 2023, for 5 years at an interest rate of 3.0 percent.
- **Transfers to the general fund** - For fiscal year 2023, the Mill and Elevator Association transferred \$8,188,176 to the general fund compared to \$6,971,950 in fiscal year 2022.

Audit cost as reported by the State Auditor's office:

Mill and Elevator Association		
	2022 Audit	2023 Audit
State Auditor's office ¹		
State Auditor's office hours ²		
Hourly rate		
Agency costs ³	\$34,000	\$34,000

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA LOTTERY
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- No audit findings were identified. No audit findings were identified in the prior audit report.

Audit cost as reported by the State Auditor's office:

North Dakota Lottery			
	2022 Audit ⁴	2023 Audit ⁴	
State Auditor's office ¹	N/A	N/A	N/A
State Auditor's office hours ²	N/A	N/A	N/A
Hourly rate	N/A	N/A	N/A
Agency costs ³	\$0	\$0	\$0

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

⁴The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

Observations/potential questions relating to the audit report:

- Page 22, the Comparative Statement of Revenues, Expenses, and Changes in Net Position Summary, shows ticket sale revenue and lottery related expenses during fiscal years 2022 and 2023.
- Page 22, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, shows funding transferred from the lottery fund to the general fund was \$7.4 million during fiscal year 2023 and \$5.6 million during fiscal year 2022. The transfer was \$6.3 million during fiscal year 2021 and \$4.1 million during fiscal year 2020.
- On pages 45 and 46, lease commitments are presented in note 12. The Attorney General entered a new lease for North Dakota Lottery employees and other Attorney General staff effective July 1, 2021. The North Dakota Lottery occupies 3,986 square feet, or 12.08 percent of the rented space.
- The lease was for 10 years until 2031 when there is an option to renew the lease for another 10 years; however, effective June 30, 2022, an amendment to the lease provides the term of the lease will be 5 years and includes three 5-year renewal options. It is noted in the audit report that the assumption is the Attorney General's office will not exercise any of the renewal options.
- Section 54-10-01(2) requires the State Auditor to charge for the cost of an audit to all agencies that receive and expend money from other than the general fund. Lottery expenditures are paid from the lottery operating fund. Why was the North Dakota Lottery not charged for the cost of the audit?

**PUBLIC FINANCE AUTHORITY
(DECEMBER 31, 2022 AND 2021)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the agency's financial statements.

Other information:

- **Legacy infrastructure bonds** - During the 2021-23 biennium, the Public Finance Authority issued \$710.1 million of bonds to support state infrastructure projects and programs and to pay issuance and capitalized interest. The legacy infrastructure bonds are reported separately as a special revenue fund since the bonds are not considered a debt of the state pursuant to the provisions of House Bill No. 1431 (2021) and Senate Bill No. 2014 (2021). The repayment of the bonds begins in the 2023-25 biennium.
- **Loans outstanding** - As shown on page 9, the Public Finance Authority had municipal securities (loans outstanding to political subdivisions) totaling \$949 million as of December 31, 2022, an increase of 2 percent compared to \$929 million as of December 31, 2021.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Brady, Martz & Associates, P.C., for the audit of the Public Finance Authority. The cost of the contracted audit was \$23,425 for the June 30, 2022, audit.

Potential questions relating to the audit report:

- How will the recent changes in interest rates affect the demand for municipal securities (loans outstanding to political subdivisions)?

**NORTH DAKOTA BUILDING AUTHORITY
(JUNE 30, 2023 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial statements are free from material misstatement.

Findings:

- No findings were discovered, and an unmodified opinion was issued on the fund's financial statements.

Other information:

- **Projects** - The Legislative Assembly did not authorize any construction projects to be financed with bonds issued through the Building Authority for the 2021-23 and 2023-25 bienniums.
- **Bonds outstanding** - The Building Authority had \$103.0 million of long-term bonds outstanding as of June 30, 2023, and \$110.4 million of long-term bonds outstanding as of June 30, 2022.

Audit cost as reported by the State Auditor's office:

The State Auditor's office contracted with Brady, Martz & Associates, P.C., for the audit of the State Building Authority. The cost of the contracted audit was \$13,750 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

JOB SERVICE NORTH DAKOTA (JUNE 30, 2023)

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- **Prior period adjustment** - Job Service North Dakota recorded a prior period adjustment to their financial statements to properly reflect revenue related to unemployment claims during the COVID-19 pandemic where the waiting period for benefits was waived for the claimant, resulting in the current financial statements becoming properly stated but the prior year financial statements were not properly stated. The agency's software was not designed to calculate and quantify this amount until fiscal year 2023, but Job Service North Dakota should have estimated the receivable and related revenue in prior years to properly match incurred expenditures and so the prior year financial statements were in compliance with generally accepted accounting principles.

The audit report includes a recommendation for agency management to monitor grant awards and related expenditures and recognize federal revenue when expenditures are incurred and substantially all barriers of the grant are met. The agency noted a lack of available information prevented proper recording of unemployment revenue related to waived waiting periods in the prior reporting period, but agreed an estimate should have been made and that the unemployment program system has been upgraded to calculate these amounts in the future.

Prior audit findings:

- There were no audit findings for the prior reporting period.

Audit cost as reported by the State Auditor's office:

Job Service North Dakota contracted with Brady, Martz & Associates, P.C., at a cost of \$87,050 to complete the June 2023 audit, an increase of \$2,500 (3 percent) from the June 2022 audit cost of \$84,550.

Observations/questions related to the audit:

- Information on the balance of the unemployment insurance trust fund can be found on the bottom of page 7 and on page 8. The June 30, 2023, balance of the fund was \$301.5 million, an increase of \$56.4 million (23 percent), from the June 30, 2022, balance of \$245.1 million.
- On page 18, federal funds "appropriation adjustments" totaled \$4,022,302. Was this related to Section 3 of Senate Bill No. 2016 (2021) that provides all federal funds received by Job Service North Dakota in excess of the funds appropriated in Section 1 of the bill are appropriated for the 2021-23 biennium, or was this related to the continuation of federal spending authority from the 2019-21 biennium? If additional federal funds were received, what was the purpose of the new federal funds?
- A summary of the prior period adjustment noted in the auditor's findings can be found on page 25. The prior period adjustment totaled \$28,808,094.

SINGLE AUDIT REPORT (JUNE 30, 2020)

Audit purpose: The purpose of this audit was to test internal controls and compliance for each major federal program in order to express an opinion on the financial statements of North Dakota, but not to express an opinion on internal controls.

Findings:

- **Qualified opinion** - The auditor identified deficiencies with internal controls related to compliance with special tests and provisions, and as a result, the auditor issued a qualified opinion on the child care development fund cluster.
- **Unmodified opinion** - The auditor identified other instances of noncompliance with certain federal programs; however, the findings were not considered material so the opinion on each of the other major federal programs was not modified.

Other information:

- **Annual comprehensive financial report** - The single audit includes the state's annual comprehensive financial reports for fiscal years 2019 and 2020.

Audit cost as reported by the State Auditor's office:

Comprehensive Annual Financial Report	
	2020 Audit
State Auditor's office ¹	N/A
State Auditor's office hours ²	
Hourly rate	
Agency costs ³	
¹ This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.	
² Staff hours incurred to complete the audit.	
³ This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.	

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA BARLEY COUNCIL
(JUNE 30, 2021 AND 2022)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- **Segregation of duties** (prior audit finding) - Due to limited staff, the Barley Council has one employee responsible for accounting functions, resulting in inadequate segregation of accounting duties. It is recommended the duties be segregated if it becomes feasible for the Barley Council to hire additional staff, that alternative control activities are implemented when possible, and the Barley Council Board of Directors remain involved in the financial affairs.

Audit cost as reported by the State Auditor's office:

North Dakota Barley Council		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$8,560	N/A
State Auditor's office hours ²	127.50	N/A
Hourly rate	\$67.14	N/A
Agency costs ³	\$5,600	N/A

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- Why did barley assessment revenue decrease \$164,019 (28.5 percent) from \$574,549 during fiscal year 2021 to \$410,530 during fiscal year 2022?

**NORTH DAKOTA SOYBEAN COUNCIL
(JUNE 30, 2023)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- **Unallowable grant agreement expenditures for lobbying** - The North Dakota Soybean Council reimbursed the North Dakota Soybean Growers Association for expenses related to legislative education and a soybean producer education program, but the reimbursed funding included expenses related to lobbying, which is in violation of federal regulations and the grant agreement between the Soybean Council and Soybean Growers Association. The State Auditor's office recommends the Soybean Council properly monitor contract expenditures to ensure compliance with federal regulations and other agreements. The Soybean Council agrees with the recommendation and will start requesting additional documentation to ensure proper compliance and reimbursement of expenditures.

Prior audit findings:

- **Not following the promotional expense request** - The Soybean Council did not utilize a sign-in sheet for multiple meetings where a luncheon meal was provided to employees, resulting in the State Auditor's office being unable to determine if the cost of the meals were under the North Dakota per diem rate for each person. The State Auditor's office recommended the Soybean Council follow the Office of Management and Budget promotional expense request guidelines for in-meeting luncheons. The Soybean Council agreed with the finding.

This finding was not identified for the June 30, 2023, audit.

Audit cost as reported by the State Auditor's office:

North Dakota Soybean Council		
	2022 Audit	2023 Audit
State Auditor's office ¹	N/A	N/A
State Auditor's office hours ²	N/A	N/A
Hourly rate	N/A	N/A
Agency costs ³	\$16,800	\$6,000

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA BEEF COMMISSION
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

- There were no audit findings for the current reporting period.

Prior audit findings:

- **Preparation of financial statements** - The Beef Commission does not have adequate segregation of duties regarding revenue collections. During the months of July through September 2021, there was no independent reconciliation of receipts to deposits to ensure all collections were deposited as one individual was responsible for opening the mail, creating the remittance list, making the deposit, and updating the accounts receivable information.

The Beef Commission hired an additional staff person in October 2021 to address segregation of duties concerns.

Audit cost as reported by the State Auditor's office:

North Dakota Beef Commission		
	2022 Audit	2023 Audit
State Auditor's office ¹	N/A	N/A
State Auditor's office hours ²	N/A	N/A
Hourly rate	N/A	N/A
Agency costs ³	\$16,800	\$6,000

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

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Observations/potential questions relating to the audit report:

- What types of expenditures are included in the \$112,100 of international promotion in fiscal year 2023 and why did it decrease \$134,865 (54.6 percent) from fiscal year 2022? Where are the dollars targeted?