



North Dakota Legislative Council

Prepared for the Legislative Audit and
Fiscal Review Committee
LC# 25.9285.01000
June 2024

SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE JUNE 20, 2024, MEETING

This memorandum summarizes major items in audit reports included on the agenda for the June 20, 2024, meeting of the Legislative Audit and Fiscal Review Committee.

PUBLIC FINANCE AUTHORITY (DECEMBER 31, 2022 AND 2023)

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 began in 2023, and the Legislative Assembly appropriated \$102.62 million for the repayments 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 \$974 million as of December 31, 2023, an increase of 2.7 percent compared to \$949 million as of December 31, 2022. The Public Finance Authority approved \$100 million of new loans in 2023 compared to \$80 million in 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 Public Finance Authority. The cost of the contracted audit was \$24,245 for the June 30, 2023, audit compared to \$23,425 for the June 30, 2022, audit.

Observations/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)?

**AERONAUTICS COMMISSION
(JUNE 30, 2022 AND 2023)**

Audit purpose: To determine financial transactions including expenditures of the Aeronautics Commission were made in accordance with law and appropriation requirements.

Findings:

- No exceptions or defaults were identified.

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

Attorney General		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$16,422.50
State Auditor's office hours ²	N/A	216.00
Hourly rate	N/A	\$76.03
Agency costs ³	\$8,813.31	\$7,469.72

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.

**AGRICULTURE COMMISSIONER
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. An opinion was not issued on this audit report. No errors, internal control weakness, or potential violations of law for significant and high-risk functions were identified.

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

Findings:

- None.

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

Agriculture Commissioner		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$29,462.50
State Auditor's office hours ²	N/A	321.00
Hourly rate	N/A	\$91.78
Agency costs ^{3,4}	\$5,296.00	\$6,035.00

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 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:

- On page 11, why were transfers out \$11 million during fiscal year 2022 but only \$27,147 during fiscal year 2023? Was this due to timing or other reasons?

**GOVERNOR'S OFFICE
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine if there are any errors, internal control weaknesses, or other potential violations of law for 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.

Audit costs:

- There were no reported costs to the agency for the audit.

Findings:

- The audit did not identify any areas of concern.

Potential questions relating to the audit report:

- None.

**SCHOOL FOR THE DEAF
(JUNE 30, 2022 AND 2023)**

Audit purpose: To determine financial transactions including expenditures of the School for the Deaf were made in accordance with law and appropriation requirements.

Findings:

- No errors, internal control weaknesses, or potential violations of law were identified.

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

School for the Deaf	
State Auditor's office ¹	\$18,697.50
State Auditor's office hours ²	244.50
Hourly rate	\$76.47
Agency costs ³	\$2,310.90
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 directly, pursuant to Section 54-10-01(2), to the agency for completion of the audit and which is 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 did revenue from the rental of rooms and buildings decrease from \$141,721 in fiscal year 2022 to \$52,721 in fiscal year 2023?
- Why was there \$717,491 of unexpended appropriations in the capital assets line item during the biennium?

**NORTH DAKOTA STATE COLLEGE OF SCIENCE
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine that financial transactions and expenses were correct.

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:

- The audit did not identify any areas of concern.

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

North Dakota State College of Science		
	2021 Audit	2023 Audit
State Auditor's office ¹	Not Available	\$32,895.00
State Auditor's office hours ²	Not Available	425.00
Hourly rate	Not Available	\$77.40
Agency costs ³	Not Available	\$0.00

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 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.

Potential questions relating to the audit report:

- None.