



North Dakota Legislative Council

Prepared for the Legislative Audit and
Fiscal Review Committee
LC# 25.9365.01000
December 2024

SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE DECEMBER 3, 2024, MEETING

This memorandum provides a summary of major items in audit reports to be presented at the December 3, 2024, Legislative Audit and Fiscal Review Committee meeting.

HOUSING FINANCE AGENCY (JUNE 30, 2023 AND 2024)

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:

- **Outstanding bonds** - The Housing Finance Agency had outstanding bonds totaling \$1.94 billion on June 30, 2024, an increase of \$340 million compared to the prior year. The bond proceeds are used to purchase home mortgages from local banks allowing the banks to offer more favorable financing terms to qualifying homebuyers.

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 Housing Finance Agency. The cost of the contracted audit was \$55,375 for the June 30, 2024, audit compared to \$53,710 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

HOUSING FINANCE AGENCY (JUNE 30, 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:

- **Outstanding bonds** - The Housing Finance Agency had outstanding bonds totaling \$1.60 billion on June 30, 2023, an increase of \$120 million compared to the prior year. The bond proceeds are used to purchase home mortgages from local banks allowing the banks to offer more favorable financing terms to qualifying homebuyers.

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 Housing Finance Agency. The cost of the contracted audit was \$53,710 for the June 30, 2023, audit compared to \$52,045 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

HOUSING INCENTIVE FUND (JUNE 30, 2023 AND 2024)

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:

- **Fund balance** - The balance of the housing incentive fund increased from \$7.3 million on June 30, 2023, to \$15.3 million on June 30, 2024, primarily because the Legislative Assembly transferred \$13.75 million from the general fund to the housing incentive fund for the 2023-25 biennium.
- **Grant commitments** - Grant commitments that were awarded but not yet paid totaled \$7.0 million on June 30, 2024, compared to \$4.7 million on June 30, 2023.

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 housing incentive fund. The cost of the contracted audit was \$5,320 for the June 30, 2024, audit compared to \$5,155 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

HOUSING INCENTIVE FUND (JUNE 30, 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 fund's financial statements.

Other information:

- **Fund balance** - The balance of the housing incentive fund decreased from \$15.1 million on June 30, 2022, to \$7.3 million on June 30, 2023, primarily because of grant award payments.
- **Grant commitments** - Grant commitments that were awarded but not yet paid totaled \$4.7 million on June 30, 2023, compared to \$8.6 million on 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 housing incentive fund. The cost of the contracted audit was \$5,155 for the June 30, 2023, audit compared to \$4,990 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA BUILDING AUTHORITY
(JUNE 30, 2023 AND 2024)**

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 authority's financial statements.

Other information:

- **Projects** - The Legislative Assembly did not authorize any construction projects to be financed with bonds issued through the State Building Authority for the 2021-23 and 2023-25 bienniums.
- **Bonds outstanding** - The State Building Authority had \$98 million of long-term bonds outstanding as of June 30, 2024, and \$103 million of long-term bonds outstanding as of June 30, 2023.

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 \$14,225 for the June 30, 2024, audit compared to \$13,750 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

WORKFORCE SAFETY AND INSURANCE (JUNE 30, 2023 AND 2024)

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 in the audit report.

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 2024 audit at a cost of \$67,250. Workforce Safety and Insurance contracted with Eide Bailly, LLP to complete the June 2022 and June 2023 audit at a cost of \$64,800.

Observations/potential questions relating to the audit report:

- Under the management's discussion and analysis on page 7, what is the reason for incurred loss and loss adjustment expenses rising \$14.8 million (20 percent) in fiscal year 2024, while the total number of claims decreased by 1,087 (6 percent)?

**BANK OF NORTH DAKOTA
(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 Bank's financial statements.

Other information:

- **Loans outstanding** - As shown on page 5, the Bank had net outstanding loans totaling \$5,644 million as of December 31, 2022, an increase of \$407 million, or 8 percent, compared to the prior year. The increase in loans is primarily related to an increase in commercial loans, including loans in the Bank's CD match program and the partnership in assisting community expansion (PACE) program.
- **Profits** - As shown on page 9, the Bank's profits before transfers totaled (\$50.4) million in calendar year 2022 and \$304.8 million in calendar year 2023. The loss in calendar year 2022 was primarily related to a decrease in the value of securities and investments held by the Bank resulting from rising interest rates.
- **Capital position** - As shown on page 11, the Bank's tier one capital leverage ratio was 11.10 percent on December 31, 2023. Based on federal regulations, a "well capitalized" bank must have a tier one capital leverage ratio of at least 5 percent.

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 Bank of North Dakota. The cost of the contracted audits was \$109,000 for the June 30, 2022, audit and \$120,000 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

STATE FAIR ASSOCIATION (SEPTEMBER 30, 2022 AND 2023)

Audit purpose: The purpose of the audit was to obtain reasonable assurance about whether the financial statements of the 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 audit report includes an unmodified opinion regarding the association.
- The audit report includes an adverse opinion regarding the discretely presented component unit, the foundation, as the financial statements for the foundation were not included in the financial statements of the association.
- 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 one deficiency in internal control considered to be a material weakness:

Audit finding 2023-001 - Financial Statement Presentation.

Finding - The Independent Auditor's Schedule of Findings and Responses identified a deficiency in internal control considered to be a material weakness. For financial reporting purposes, the association excluded the foundation, a component unit of the association. Exclusion of the component unit's financial statements causes the primary entity's financial statements to be misleading or incomplete.

Recommendation - The auditor recommends that management report the foundation as a discretely presented component unit in the association's financial statements. Management 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 findings (2022-001 and 2021-001) identified a material weakness in the foundation's internal control. The auditor proposed material audit adjustments to reclassify revenues and expenditures, which were not identified by the foundation's existing controls. These deficiencies would have resulted in material misstatement of the financial statements. The auditor recommended a thorough review and reconciliation of accounts by both accounting staff at the beginning of audits. Management agreed with the finding.
- A prior audit finding (2022-002) identified a material weakness in the foundation's internal control. The auditor noted a lack of internal controls and inadequate documentation to support the foundation's charitable gaming revenue and expenditures. This deficiency could result in improper or unauthorized spending of foundation funds. The auditor recommended management to establish procedures to ensure charitable gaming activity is supported by proper internal controls and documentation. Management 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, 2023, totaled \$312,361.

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

- The association contracted with Eide Bailly, LLP at a cost of \$27,750 for the September 30, 2023, audit.

Observations/potential questions relating to the audit report:

- None.

**COLLEGE SAVE
(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 fund's financial statements.

Other information:

- **Total balance** - Total balance of the fund increased from \$541.3 million as of December 31, 2022, to \$602.3 million on December 31, 2023.
- **Average account balance** - The average account balance increased from \$10,200 on December 31, 2022, to \$10,800 on December 31, 2023, primarily related to an increase in the fair value of the investments.

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

The audit was not contracted by the State Auditor's office.

Observations/potential questions relating to the audit report:

- None.

**VALLEY CITY STATE UNIVERSITY
(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:

- **Account coding** - Operating expenses at Valley City State University were understated by \$1,934,954 during fiscal year 2022 due to an accounting error.

Status of Prior Audit Recommendations:

The following recommendation was included in the June 30, 2021, audit of Valley City State University:

- Properly procure commodities and services in compliance with law and University System procurement procedures.

The June 30, 2023, audit of Valley City State University indicates the institution has implemented changes and controls to address the prior audit recommendation.

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

Valley City State University		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$31,065.00
State Auditor's office hours ²	N/A	382.50
Hourly rate	N/A	\$81.22
Agency costs ^{3,4}	\$17,379.89	\$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 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:

- None.

**NORTH DAKOTA STATE UNIVERSITY
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine:

- The School of Pharmacy was admitting students to the pharmacy program based on their admission policies; and
- 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 University		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$74,552.50
State Auditor's office hours ²	N/A	829.00
Hourly rate	N/A	\$89.93
Agency costs ^{3,4}	\$0.00	\$0.00

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²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- Is North Dakota State University taking steps to improve enrollment at the School of Pharmacy?
- As shown on page 15, why was nearly \$16 million of general fund appropriation authority not expended by North Dakota State University during the 2021-23 biennium and has it been allocated during the current biennium?

**LAKE REGION STATE COLLEGE
(JUNE 30, 2022 AND 2023)**

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

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.

Status of Prior Audit Recommendations:

The following recommendation was included in the June 30, 2021, audit of Lake Region State College:

- Properly procure commodities and services in compliance with law and North Dakota University System procurement procedures.

The June 30, 2023, audit of Lake Region State College indicates the institution has implemented changes and controls to address the prior audit recommendation.

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

Lake Region State College		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$39,725.00
State Auditor's office hours ²	N/A	493.50
Hourly rate	N/A	\$80.50
Agency costs ³	\$15,538.78	\$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 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.

**WILLISTON STATE COLLEGE
(JUNE 30, 2022 AND 2023)**

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

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:

- **Bank reconciliation** - Williston State College (WSC) did not properly reconcile between the general ledger and bank statements. The State Auditor reported unreconciled balances in 4 months in 2023 ranging from approximately \$190,000 to \$199,000 and interest received from two bank accounts had not been recorded in the general ledger since August 2021.
- **Payroll** - WSC did not maintain faculty contracts and support for special payments. The State Auditor reported 10 of 32 payroll transactions tested did not have support to substantiate the employees' pay, totaling \$288,000.
- **Procurement** - WSC did not maintain the proper documentation to determine if North Dakota Century Code and state procurement rules were followed. Procurement support was not maintained for two of five transactions tested. The State Auditor was unable to determine that \$18,887 for bus services for athletics and \$12,250 for hockey supplies were properly procured.

Prior audit findings:

The findings related to bank reconciliation and procurement were also prior audit findings. A prior audit finding related to student scholarship awarding and approval was considered fully implemented.

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

Williston State College		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$28,842.50
State Auditor's office hours ²	N/A	339.50
Hourly rate	N/A	\$84.96
Agency costs ^{3,4}	\$0.00	\$0.00

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²Staff hours incurred to complete the audit.

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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:

- Has employee turnover significantly contributed to issues in the report?

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

Audit purpose: The purpose of this audit was to review financial transactions, expenditures, internal controls, and potential violations of law.

Findings:

- **Review of eligibility for property tax credits** - The audit identified an opportunity for the Tax Commissioner to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals. This finding was also identified in the June 30, 2021, audit.

Other information:

- **Revenue collections** - As shown on page 8, the Tax Commissioner collected tax and fee revenues totaling \$11.06 billion in the 2021-23 biennium. As included in the prior audit report, the Tax Commissioner collected tax and fee revenues totaling \$7.89 billion during the 2019-21 biennium.
- **Appropriation** - As shown on page 10, the Tax Commissioner's final appropriation authority for the 2021-23 biennium totaled \$64.39 million, of which \$5.33 million was unexpended. Based on the prior audit report, the Tax Commissioner's final appropriation authority for the 2019-21 biennium totaled \$58.28 million, of which \$3.97 million was unexpended.

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

- The State Auditor did not charge the Tax Commissioner for performing the audit.

Potential questions relating to the audit report:

- None.

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

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

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

Findings:

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

Prior audit findings:

- **Incorrect distributions to fire districts and departments** - Recommendations were implemented and the department properly allocated and distributed payments to fire districts in fiscal year 2022 and fiscal year 2023. This distribution was properly administered by the department in accordance with North Dakota Century Code 18-04-05(4).

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

Insurance Commissioner		
	2021 Audit ⁴	2023 Audit
State Auditor's office ¹	N/A	\$32,722.50
State Auditor's office hours ²	N/A	414.00
Hourly Rate	N/A	\$79.04
Agency costs ^{3,4}	\$21,250.00	\$11,574.00

¹The 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:

- None.

**DEPARTMENT OF WATER RESOURCES
(JUNE 30, 2022 AND 2023)**

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

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

Findings:

- The audit did not identify any areas of concern.

Status of Prior Audit Recommendations:

The following recommendation was included in the June 30, 2021, audit of the Department of Water Resources:

- Record land sales in accordance with accounting standards and state policy.

The June 30, 2023, audit of the Department of Water Resources indicates the department has implemented changes and controls to address the prior audit recommendation.

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

Department of Water Resources		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$34,322.50
State Auditor's office hours ²	N/A	389.50
Hourly rate	N/A	\$88.12
Agency costs ^{3,4}	\$20,600.00	\$16,944.54

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:

- None.

**STATE TREASURER
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to review financial transactions, expenditures, internal controls, and potential violations of law.

Findings:

- No findings were discovered and no deficiencies were identified related to a review of financial transactions and internal controls.

Other information:

- **Revenue and transfers** - As shown on page 7, the State Treasurer processed revenue collections and transfers totaling \$5.17 billion during the 2021-23 biennium.
- **Expenditures and tax distributions** - As shown on page 8, the State Treasurer processed expenditures and tax distributions totaling \$9.48 billion during the 2021-23 biennium.
- **Appropriation** - As shown on page 9, the State Treasurer's final appropriation authority for the 2021-23 biennium totaled \$167,284,135, including \$1,721,847 from the general fund, \$20,000,000 from special funds, and \$145,562,288 from federal funds.

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

- The State Auditor did not charge the State Treasurer for performing the audit.

Observations/potential questions relating to the audit report:

- None.

**DEPARTMENT OF LABOR AND HUMAN RIGHTS
(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 department. 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.

Findings:

- None.

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

Department of Labor and Human Rights		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$8,473.00
State Auditor's office hours ²	N/A	109.50
Hourly rate	N/A	\$77.37
Agency costs ^{3,4}	\$0.00	\$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 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:

- None.

**OFFICE OF MANAGEMENT AND BUDGET
(JUNE 30, 2022 AND 2023)**

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

Findings:

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

Prior audit findings:

- There were no prior audit findings related to the financial statements for the Office of Management and Budget.

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

Office of Management and Budget		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$35,920.00
State Auditor's office hours ²	N/A	380.50
Hourly rate	N/A	\$94.40
Agency costs ^{3,4}	\$29,865.60	\$6,138.61

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²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- None.

**DEPARTMENT OF COMMERCE
(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 department. 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 of the agency were identified.

Findings:

- **Motion picture grant procedures** - The State Auditor reviewed the Department of Commerce's grant award procedures and determined a \$600,000 motion picture production and recruitment grant was awarded through a competitive process but only allowed 10 days for interested parties to apply, which does align with the time frames used by the department for other grants programs. The State Auditor recommended the Department of Commerce evaluate allowable time frames for announcing and awarding competitive grants to ensure enough time is allocated to attract the best candidates.

The Department of Commerce disagreed with the audit finding. The department stated the auditing methodology used was flawed and failed to consider the inherent differences between grant programs. The department stated a one-time, highly time-sensitive grant with strict seasonal requirements cannot be fairly compared to ongoing programs with application periods spread throughout the biennium.

- **Improper purchase card transactions** - The State Auditor reviewed 34 state-issued purchase cards "p-cards" expenditures and determined two transactions did not have itemized receipts to support the purchase, two transactions involved alcohol purchases for staff and board members, five transactions were for meals that exceeded state per diem rates, and six transactions were not reconciled to the individual purchase card statements. The transactions related to the North Dakota Development Fund. The State Auditor recommended the Department of Commerce ensure itemized receipts are submitted for all purchase card transactions, cardholders only use state-issued purchase cards on allowable transactions, per diem meal rates be followed, supervisors and reviewers do not approve improper purchases, and receipts are reconciled to individual purchase card statements.

The Department of Commerce agreed with the audit finding, indicated the department has been reimbursed by the North Dakota Development Fund for all purchase card transactions included in the finding, and stated the department will be implementing additional staff training requirements for purchase cards.

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

Department of Commerce		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$62,040.00
State Auditor's office hours ²	N/A	748.00
Hourly rate	N/A	\$82.94
Agency costs ^{3,4}	\$2,058.00	\$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 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:

- The Legislative Assembly appropriated \$100,000 to the Department of Commerce for the motion picture production and recruitment grant program for the 2021-23 biennium in Senate Bill No. 2018 (2021) and appropriated \$600,000 to the department for the program for the 2023-25 biennium in House Bill No. 1018 (2023).

**JUDICIAL BRANCH
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine if there were any errors, internal control weaknesses, or 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.

Findings:

- The State Auditor reported no areas of concern.

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

Judicial branch		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$22,547.50
State Auditor's office hours ²	N/A	286.00
Hourly rate	N/A	\$78.84
Agency costs ^{3,4}	\$403.96	\$308.74

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:

- None.

**DEPARTMENT OF CORRECTIONS AND REHABILITATION
(JUNE 30, 2022 AND 2023)**

Audit purpose: The purpose of this audit was to determine:

- Financial transactions and expenses were correct; and
- Whether the Department of Corrections and Rehabilitation determined custody levels in accordance with its policy and ensured correct placement within correctional facilities for women.

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

Findings:

- The State Auditor reported no areas of concern.

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

Department of Corrections and Rehabilitation		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$57,357.50
State Auditor's office hours ²	N/A	716.00
Hourly rate	N/A	\$80.11
Agency costs ^{3,4}	\$1,356.60	\$931.60

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:

- None.

**PARKS AND RECREATION DEPARTMENT
(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 department. 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 of the department were identified.

Findings:

- None.

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

Parks and Recreation Department		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$47,083.00
State Auditor's office hours ²	N/A	599.50
Hourly rate	N/A	\$78.54
Agency costs ^{3,4}	\$9,150.00	\$8,111.00

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²Staff hours incurred to complete the audit.

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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:

- The 2019-21 biennium audit performed by the State Auditor's office included findings related to:
 - The need for a fraud risk assessment of each departmental function and division each biennium.
 - Establishing an inventory policy that specifies dollar levels to ensure accountability of inventory value and to complete an annual physical inventory of assets.
 - Maintaining a complete and current inventory record of all property of sufficient value and capitalizing fixed assets in accordance with state laws and the Office of Management and Budget policies.
 - Seeking clarification from the Legislative Assembly regarding the legislative intent on allowable uses of funds for equipment purchases.
- The 2021-23 biennium audit revealed the Parks and Recreation Department had implemented changes to address all audit findings reported in the 2019-21 biennium audit.

**PUBLIC SERVICE COMMISSION
(JUNE 30, 2022 AND 2023)**

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

Findings:

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

Prior audit findings:

- There were no prior audit findings for the Public Service Commission.

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

Public Service Commission		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$22,492.00
State Auditor's office hours ²	N/A	288.00
Hourly rate	N/A	\$78.10
Agency costs ^{3,4}	\$0.00	\$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 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:

- None.

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
(JUNE 30, 2022 AND 2023)**

Audit purpose: The State Auditor reviewed the Department of Health and Human Services financial transactions to identify any errors, internal control weaknesses or any violations of law. The audit also specifically reviewed the workforce retention grant program for home- and community-based services (HCBS), safeguards on controlled substances at the State Hospital, and reviewed prior findings for corrective action.

Findings:

- **Workforce retention grants not passed through agencies to caregivers** - The grants are required to be passed through agencies to employees that spend at least 25 percent of their paid time providing direct care and no less than 51 percent of their paid time in a noninstitutional setting. A total of \$7,130 in the sample was given to administrative or other employees with a potential of \$20,434 in potential ineligible payments made to employees that did not qualify for the grant. All nonagency HCBS caregiver grants were paid in accordance with the policies of the department.
- **Ineligible agency employees received workforce retention grants** - Employees that did not qualify for the grant based on not working more than 51 percent of their time in a noninstitutional setting still received a grant. A total of \$26,342 in grants were given to ineligible employees in the sample which projects to potential ineligible payments of \$409,783.
- **No measurement of program goals for workforce retention grants** - The workforce retention incentive program purpose was to stabilize and strengthen the network of direct caregivers who provide HCBS care. The department did not identify any metrics to measure the effectiveness of the program in achieving the intended goal.
- **Weak controls over controlled substances at the State Hospital** - No diversion of controlled substances was identified; however, significant weaknesses increase the risk for future diversion of controlled substances. Issues included unlocked drawers containing controlled substances, controlled substance audits not reconciled to the record book, and medication cart keys not being secured.
- **Controlled substances disposal** - Policy requires all unused or refused medication to be properly disposed of in a locked, tamper-proof container with dual signature control. Dual signatures were not attained in 20 out of 180 tested instances. In another 13 of these instances, a half tablet was administered, and the remaining half was kept to be administered later rather than being disposed of.
- **Automated medication dispensing system access** - The audit found that of the 124 active users in the automated medication dispensing system, 11 former employees were still listed as active users. None of the login credentials for former employees had been used to access the system after the employee's termination.
- **Failure to timely contact suspected victims of child abuse and neglect (prior audit finding)** - The department requires face-to-face contact to be made with suspected victims of child abuse or neglect within 24 hours or up to 14 days depending on the severity of the child abuse report. The department is unable to effectively monitor the face-to-face contact due to incorrect dates being entered into the tracking system. Of 30 assessments tested, 12 had incorrect dates and 25 of the 30 assessments did not have face-to-face contact within the required time. This finding was first discovered and reported in the 2014-2015 audit. Human Service Zone employees are responsible for making the contact and entering the information.

Prior audit findings not fully implemented:

- **Unsupported drug rebate and analysis system receivable balances** - Receivable balances need to be supported by a detailed listing of drug manufacturer accounts. The department is working with the system developer to resolve the issue with historical records and there are several outstanding work orders with the developer. The department continues to work toward getting more accurate data.
- **Inaccurate inventory and storage location of COVID-19 vaccine vials** - The State Auditor recommended the department to follow Centers for Disease Control and Prevention guidance to reconcile vaccines in storage monthly, including verifying the location. The department inventoried the vaccine count on a regular basis during the audit period, but did not consistently reconcile the storage location of the vaccine.

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

Department of Health and Human Services		
	2021 Audit⁴	2023 Audit
State Auditor's office ¹	N/A	\$376,053.75
State Auditor's office hours ²	N/A	4,465.50
Hourly Rate	N/A	\$84.21
Agency costs ^{3,4}	\$16,826.60	\$16,782.19

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²Staff hours incurred to complete the audit.

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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:

- None.

**DEPARTMENT OF TRANSPORTATION
(JUNE 30, 2022 AND 2023)**

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

Secondary objective: A secondary objective of the audit was to determine if the department suspended, canceled, and revoked licenses according to state law.

Findings:

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

Prior audit findings:

- Prior audit findings relating to access and monitoring certain computer systems have been implemented.

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

Department of Transportation		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$96,946.00
State Auditor's office hours ²	N/A	1,228.50
Hourly rate	N/A	\$78.91
Agency costs ^{3,4}	\$39,784.00	\$34,414.00

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.

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Observations/potential questions relating to the audit report:

- None.

**DEPARTMENT OF CAREER AND TECHNICAL EDUCATION
(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 department. 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 of the department were identified.

Findings:

- None.

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

Department of Career and Technical Education		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$49,070.00
State Auditor's office hours ²	N/A	670.75
Hourly rate	N/A	\$73.16
Agency costs ³	\$604.00	\$373.00

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.

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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 2 of the audit report, it is noted that during the 2021-22 school year, there were 609 secondary career and technical education programs serving more than 27,000 students in grades 9 through 12.
- The 2019-21 biennium audit performed by the State Auditor's office included a finding that the department ensure compliance with appropriation limits set by state law. The 2021-23 biennium audit revealed the department has implemented changes to address this audit finding.

**NORTH DAKOTA BEEF COMMISSION
(JUNE 30, 2023 AND 2024)**

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:

- **Material audit adjustments** - There were material audit adjustments necessary to ensure the financial statements are presented in accordance with generally accepted accounting principles. It is recommended the North Dakota Beef Commission review its procedures and requirements for the preparation of the financial statements to ensure the financial statements are complete and accurate in accordance with generally accepted accounting principles. The commission indicated it is reviewing and updating internal control processes.

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

North Dakota Beef Commission		
	2023 Audit	2024 Audit
State Auditor's office ¹	N/A	\$24,060.00
State Auditor's office hours ²	N/A	303.50
Hourly rate	N/A	\$79.25
Agency costs ^{3,4}	\$16,800.00	\$6,000.00

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²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA POTATO COUNCIL
(JUNE 30, 2023 AND 2024)**

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

Findings:

- **Segregation of duties** - Due to limited staff, the North Dakota Potato 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 Potato Council to hire additional staff, that alternative control activities are implemented when possible, and the Potato Council Board of Directors remain involved in the financial affairs.

Audit findings identified in prior audit reports relate to segregation of duties.

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

North Dakota Potato Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$8,600.00
State Auditor's office hours ²	N/A	104.50
Hourly rate	N/A	\$82.30
Agency costs ^{3,4}	\$6,375.00	\$4,000.00

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 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:

- None.

**NORTH DAKOTA DRY BEAN COUNCIL
(JUNE 30, 2023 AND 2024)**

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:

- None.

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

North Dakota Dry Bean Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$8,610.00
State Auditor's office hours ²	N/A	105.00
Hourly rate	N/A	\$82.00
Agency costs ^{3,4}	\$5,355.00	\$4,000.00

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 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:

- None.

**STATE HISTORICAL SOCIETY FOUNDATION
(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 foundation.

Revenues, expenditures, and appropriation information was not prepared by the State Historical Society in accordance with generally accepted accounting principles, so an opinion is not applicable. The foundation's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

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

Observations/potential questions relating to the audit report:

- None.

**STATE HISTORICAL SOCIETY FOUNDATION
(JUNE 30, 2023)**

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 foundation.

Revenues, expenditures, and appropriation information was not prepared by the State Historical Society in accordance with generally accepted accounting principles, so an opinion is not applicable. The foundation's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

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

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA CORN UTILIZATION COUNCIL
(JUNE 30, 2023 AND 2024)**

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:

North Dakota Corn Utilization Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$7,752.00
State Auditor's office hours ²	N/A	80.50
Hourly rate	N/A	\$96.30
Agency costs ^{3,4}	\$7,650.00	\$4,000.00

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 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:

- None.

**NORTH DAKOTA DAIRY PROMOTION COMMISSION
(JUNE 30, 2023 AND 2024)**

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 Dairy Promotion Commission		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$5,170.00
State Auditor's office hours ²	N/A	66.00
Hourly rate	N/A	\$78.33
Agency costs ^{3,4}	\$6,800.00	\$4,000.00

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 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:

- None.

**NORTH DAKOTA MILK MARKETING BOARD
(JUNE 30, 2023 AND 2024)**

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 Milk Marketing Board		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$5,180.00
State Auditor's office hours ²	N/A	66.00
Hourly rate	N/A	\$78.48
Agency costs ^{3,4}	\$6,800.00	\$4,000.00

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 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.

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Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA STOCKMEN'S ASSOCIATION
(DECEMBER 31, 2022 AND 2023)**

Audit purpose: The purpose of the audit was to obtain reasonable assurance of whether the financial statements of the North Dakota Stockmen's Association are free from material misstatement and to express an opinion on the financial statements.

Findings:

- **Segregation of duties** - The Stockmen's Association does not have adequate staff to provide for appropriate internal controls related to segregation of accounting duties. This is common of small entities, as it is not economically feasible to further segregate duties without additional staff. It is recommended that the Stockmen's Association Board of Directors periodically review documentation supporting individual transactions. The Stockmen's Association has indicated internal controls will be added where feasible.

Audit findings identified in prior audit reports relate to segregation of duties.

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

The December 31, 2023, audit of the North Dakota Stockmen's Association was contracted with Haga Kommer, Ltd. at a cost of \$16,500. The December 31, 2022, was audit was completed at a cost of \$15,000.

Observations/potential questions relating to the audit report:

- None.