



North Dakota Legislative Council

Prepared for the Legislative Audit and
Fiscal Review Committee
LC# 27.9064.01000
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SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE AUGUST 14, 2025, MEETING

This memorandum provides a summary of major items in audit reports to be presented at the August 14, 2025, Legislative Audit and Fiscal Review Committee meeting.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (JUNE 30, 2024)

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

Findings:

- No audit findings were identified, and an unmodified opinion was given.

Posted Audit Adjustments:

- **Tax Department** - The Tax Department had an incorrect amount reported on their tax refunds payable closing package.
- **Department of Transportation** - The Department of Transportation did not report all the receivables that should have been included on their miscellaneous receivables closing package.
- **Department of Public Instruction** - The Department of Public Instruction did not include a payment of \$2,468,945 for fiscal year 2024 activity on their accounts payable closing package.
- **Department of Career and Technical Education** - The Department of Career and Technical Education did not include a federal wire transfer that was being held at the State Treasurer's office as cash on hand on their cash closing package.

Passed Audit Adjustments:

- **Department of Health and Human Services** - The Department of Health and Human Services (DHHS) paid \$7,155 on seven Medicaid claims that were made in error.
- **Department of Public Instruction** - The Department of Public Instruction did not include a payment of \$2,468,945 for fiscal year 2024 activity on their accounts payable closing package.

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

Comprehensive Annual Financial Report		
	2023 Audit	2024 Audit
State Auditor's office ¹	N/A	\$377,731.00
State Auditor's office hours ²	N/A	4,466.75
Hourly rate	N/A	\$84.57
Agency costs	N/A	\$0.00
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.		

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA UNIVERSITY SYSTEM ANNUAL FINANCIAL REPORT (JUNE 30, 2024)

Audit purpose: The purpose of this audit was to determine that adequate internal control exists over financial reporting and on compliance and other matters based on an audit of the financial statements.

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

Findings:

- **Service organization monitoring** - The State Auditor reported the University of North Dakota did not sufficiently monitor a service organization used by the institution to process student refunds in fiscal year 2024.
- **Bank reconciliations** - The State Auditor reported Dickinson State University, the University of North Dakota, and Williston State College did not properly perform bank reconciliations in fiscal year 2024.

Prior audit findings:

- The audit did not identify any prior audit findings still requiring corrective action.

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

North Dakota University System		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$199,355.00
State Auditor's office hours ²	N/A	2,270.00
Hourly rate	N/A	\$87.82
Agency costs ³	N/A	\$0.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA STOCKMEN'S ASSOCIATION (DECEMBER 31, 2023 AND 2024)

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 for 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.
- **Preparation of financial statements** - The Stockmen's Association auditors prepared the financial statements and related notes because the association had limited time and resources to do so in the required format. This practice increases the risk of material misstatement. It was recommended that the board review the audited financial statements for accuracy and accept responsibility for them. The association has indicated it is aware that the audit report needs to be reviewed annually to ensure the financial statements are a fair presentation.
- **Preparation of schedule of expenditures of federal awards** - The Stockmen's Association did not prepare the required schedule of expenditures of federal awards (SEFA) for audit, as they were unaware a single audit was required. This led to the auditors compiling the schedule, which required multiple requests and clarification from the awarding agency to finalize. It is recommended that management implement procedures to ensure the SEFA is accurately prepared and available at the beginning of the audit. The organization acknowledged this oversight and will implement procedures to ensure the SEFA is completed for future audits.
- 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, 2024, audit of the North Dakota Stockmen's Association was conducted by Haga Kommer, Ltd., at a cost of \$34,400. The December 31, 2023, audit was completed at a cost of \$16,500.

Observations/potential questions relating to the audit report:

- None.

RETIREMENT AND INVESTMENT OFFICE (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:

- **Fund growth** - The net position of the funds administered by the Retirement and Investment Office was \$22.4 billion on June 30, 2024, and \$19.6 billion on June 30, 2023. The value of the funds increased by \$2.8 billion, or 14.3 percent, from June 30, 2023, to June 30, 2024, which was primarily related to changes in the legacy fund including deposits of \$840 million, net investment income of \$1.8 billion, and a transfer to the general fund of \$487 million during fiscal year 2024.
- **Net pension liability** - The net pension liability of the Teachers' Fund for Retirement was \$1.41 billion on June 30, 2024, and \$1.40 billion on June 30, 2023. As noted on page 15, net investment losses in fiscal years 2019, 2020, and 2022 are being phased into the actuarial value of the assets over the next 4 years, and these losses will put adverse pressure on the actuarial results in future years based on the July 2024 actuarial analysis.

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

The State Auditor's office contracted with UHY LLP, for the June 30, 2024, audit of the Retirement and Investment Office at a cost of \$123,600. Previously, the State Auditor contracted with CliftonLarsonAllen LLP, for a cost of \$118,636 for the June 30, 2023, and the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

PUBLIC EMPLOYEES RETIREMENT SYSTEM (JUNE 30, 2023 AND 2024)

Audit purpose: The purpose of this audit was to determine that financial transactions, including expenditures, on the Public Employees Retirement System (PERS) financial statements 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:

The Public Employees Retirement System contracted with UHY LLP to complete the June 2024 audit at cost of \$123,600. The Public Employees Retirement system contracted with CliftonLarsonAllen LLP at a cost of \$118,848 to complete the June 2023 audit, a \$3,457, (3 percent), increase from the price of \$115,391 contracted to complete the June 2022 audit. These amounts include costs to audit schedules of employer allocations, other postemployment benefits, and pension schedules.

Observations/potential questions relating to the audit report:

- On the bottom of page 7, net position for all trust funds administered by PERS increased \$478,619 from fiscal year 2023 to fiscal year 2024, primarily due to investment returns and transfers to the main system defined benefit plan (\$135 million) and the Highway Patrolmen's defined benefit plan (\$3 million), as approved by the Legislative Assembly.
- On page 11, investment income for the uniform group insurance program increased \$2.1 million, or 90.9 percent, from \$2.4 million in fiscal year 2023 to \$4.5 million in fiscal year 2024.
- On page 18, the statement of changes in fiduciary net position includes detailed changes for each major retirement plan administered by PERS.
- On page 28, the investment rate of return for each retirement plan is listed for fiscal years 2023 and 2024. Historical investment returns are included on page 66.
- On pages 38 through 44, note 8 provides a description of each retirement plan administered by PERS.
- On page 45, note 9 provides the net pension liability and funded ratio for the PERS defined benefit, Highway Patrolmen's defined benefit, and Job Service North Dakota defined benefit plans as of June 30, 2023, and June 30, 2024.
- On pages 71 and 72, a schedule of PERS consulting expenses is provided for fiscal years 2023 and 2024. Total consulting expenses decreased \$7,045, (0.6 percent), from \$1,093,441 during fiscal year 2023 to \$1,086,396 during fiscal year 2024.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (DECEMBER 31, 2022 AND 2023)

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:

Please note that Senate Bill No. 2032 (2025) repeals North Dakota Century Code Chapters 26.1-08 and 26.1-08.1. Enrollments for CHAND ceased on May 1, 2025, and all existing benefit plans will be terminated by December 31, 2025. It provides at least a 90-day notice to current policyholders of the termination.

**STUDENT LOAN TRUST 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 assets** - The fund had approximately \$1.80 million of cash, investments, and current receivables as of June 30, 2024, which is almost entirely restricted as collateral and for future obligations, compared to \$1.77 million on June 30, 2023.
- **DEAL student loans** - The Bank of North Dakota offers DEAL student loans at either a fixed rate or a variable rate. As of June 30, 2024, the fixed rate was 6.66 percent, and the variable rate was 6.83 percent. As of June 30, 2023, the fixed rate was 6.29 percent, and the variable rate was 6.44 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 student loan trust fund. The cost of the contracted audit was \$10,200 for the June 30, 2024, audit and \$9,550 for the June 30, 2023.

Observations/potential questions relating to the audit report:

- None.

GUARANTEED STUDENT LOAN PROGRAM (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:

- **Outstanding loan guarantees** - Loan guarantees outstanding totaled \$1.05 billion as of December 31, 2023, a decrease of \$37 million compared to the prior year. Due to a policy change in April 2024 limiting student loans to North Dakota residents and out-of-state residents attending North Dakota institutions of higher education, student loan guarantees are anticipated to decline.
- **Reserve balance** - The Bank of North Dakota maintains the required reserves for the guaranteed loans based on historical default rates. As of December 31, 2023, the reserve balance totaled \$49.7 million, a decrease of \$0.5 million compared to the prior year.

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 guaranteed student loan program. The cost of the contracted audits was \$27,200 for the June 30, 2023, audit and \$24,780 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA DEVELOPMENT 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:

- An unmodified opinion was issued on the entity's financial statements.
- **Preparation of financial statements** (prior period finding) - The North Dakota Development Fund does not have adequate staff to provide for the preparation of the organization's financial statements. While this is not uncommon for similar sized organizations, it is recommended that management and the North Dakota Development Fund Board of Directors be aware of the financial reporting of the organization.
- **Material audit adjustments** (prior period finding) - The audit procedures identified misstatements in the North Dakota Development Fund's accounting records, resulting in the auditor proposing material audit adjustments to correct the misstatements. In addition, journal entries proposed by the auditors in previous years were not posted by the North Dakota Development Fund, resulting in issues with the corporation's beginning balance.

The auditor recommends the North Dakota Development Fund develop a document that details various transactions made by the corporation and include supporting documentation to enable staff the ability to easily understand how to properly account for those transactions. The North Dakota Development Fund agreed with the recommendation and plans to transition to a new reporting system that will remedy this audit finding in the future.

- **Segregation of duties** (prior period finding) - Due to limited staff, the North Dakota Development Fund has a lack of segregation of duties in certain areas, including not having a formal approval process for writing off loans, as there is no review or approval process over manual journal entries. The auditor recommends all accounting functions be reviewed to determine if additional segregation is feasible to improve efficiency and effectiveness of the corporation and that management implement a level of oversight and approval over all accounting functions. The North Dakota Development Fund management response is that duties of the corporation are segregated as efficiently as possible with the current staff and involves the North Dakota Development Fund board in the financial management of the corporation.
- **Loan interest income accounting and reconciliation** (prior period finding) - Loans greater than 90 days past due should not have interest income calculated on the past due balance. Loan interest receivable and interest income should be reconciled monthly from the loan system to the accounting system and reviewed and approved. The North Dakota Development Fund is not utilizing their accounting system or performing a reconciliation of interest income and interest receivable, which resulted in a material audit adjustment.

The auditor recommends the North Dakota Development Fund obtain training and develop a document that details the accounting for nonaccrual loans within the accounting system and reconcile loan interest income and interest receivable to enable staff the ability to easily understand how to properly account for those transactions. The North Dakota Development Fund agreed with the recommendation and plans to transition to a new reporting system that will remedy this audit finding in the future.

- **Loan and equity investment risk rating controls** - When a borrower or investee has multiple lending or investment relationships with the corporation, they should all be risk rated the same and the reserve adjusted accordingly. The reserve calculation should align with the risk rating the North Dakota Development Fund assigns to a lending or investment relationship during its credit reviews.

The auditor recommends the North Dakota Development Fund implement a control function to ensure that the risk rating reserve calculation is reviewed at least monthly to ensure that borrowers and investee with multiple relationships are risk rated the same. The North Dakota Development

Fund should implement a control function to ensure that the risk rating reserve calculation is automatically updated upon completion of a credit review for a borrower or investee. The North Dakota Development Fund agreed with the finding and plans to implement control processes to remedy the deficiency.

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

The June 30, 2024 audit was performed by the Eide Bailly LLP at a cost of \$49,000, the same as the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- This report is through June 30, 2024. During the 2023 regular legislative session, the Legislative Assembly authorized the transfer of \$95 million from the strategic investment and improvements fund to the North Dakota Development Fund, effective July 1, 2023, through June 30, 2025.
- On page 8, the condensed statement of revenues, expenses, and changes in net position, nonoperating revenue increased \$87,448,526, or 1,043.4 percent, from \$8,381,374 in fiscal year 2023 to \$95,829,900 in fiscal year 2024.
- On page 8, the condensed statement of revenues, expenses, and changes in net position, bad debt expense increased \$8,489,489, or 2,083.5 percent, from \$407,467 to \$8,896,956.
- On page 9, the statement of net position, funding restricted for child care as of June 30, 2024, was \$4.2 million.
- On pages 14 and 15, note 1 provides a description of each activity in which funding is used by the North Dakota Development Fund.
- On page 23, note 7 includes information on related party transactions, including contracted salaries and benefits with the Department of Commerce and an equity investment in wonder fund North Dakota.
- On pages 25 through 28, detailed lists of assets, liabilities, revenues, expenses, and cash flow are provided for each activity under the North Dakota Development Fund.

**DEPARTMENT OF TRUST LANDS
(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. Three immaterial misstatements were identified and corrected related to oil and gas royalty payments which had been earned but not received on June 30, 2024.

Other information:

- **Royalty revenues** - The Department of Trust Lands collected \$509 million of royalty revenues in fiscal year 2024, an increase of \$1 million compared to the prior year.
- **Investments** - The department's investments increased by \$670 million, or 9.2 percent, from \$7.31 billion on June 30, 2023, to \$7.98 billion on June 30, 2024.
- **Loan programs** - The outstanding loans for various programs on June 30, 2024, were as follows:
 - Farm loan pool and farm real estate loans - \$2.2 million (\$0.3 million decrease compared to the prior year);
 - Coal impact loans - \$7.4 million (\$0.8 million decrease compared to the prior year); and
 - School construction loans - \$31.3 million (\$6.3 million increase compared to the prior year).

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 \$50,775 for the June 30, 2024, audit, the same as the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- As shown on page 54, the Board of University and School Lands identified \$43.1 million of the strategic investment and improvements fund as an assigned fund balance for June 30, 2024, relating to mineral ownership disputes, compared to an assigned fund balance of \$50.8 million on June 30, 2023.

SINGLE AUDIT REPORT (JUNE 30, 2023 AND 2024)

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 use and reporting of coronavirus state and local fiscal recovery funds, federal coronavirus capital projects funds, public assistance disaster grants, and research and development program funds.
- **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 2023 and 2024.

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

North Dakota Single Audit of Federal Funds	
	2024 Audit
State Auditor's office ¹	\$1,251,725.00
State Auditor's office hours ²	14,975.75
Hourly rate	\$83.58
Agency costs ³	\$1,153,634.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.	

Observations/potential questions relating to the audit report:

- None.

MILL AND ELEVATOR ASSOCIATION
(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:

- **Line of credit** - As shown on pages 20 and 21, the Mill and Elevator Association has a \$125 million line of credit with the Bank of North Dakota, of which the Mill accessed \$43.2 million as of June 30, 2024, a decrease of \$14.5 million compared to \$57.7 million accessed as of June 30, 2023. The interest rate was 6.49 percent as of June 30, 2024, compared to a rate of 6.21 percent as of June 30, 2023.
- **Loan notes** - As shown on pages 21 and 22, 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 to finance milling operations. 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 to finance a mids storage and handling facility project.
- **Transfers to the general fund** - For fiscal year 2024, the Mill and Elevator Association transferred \$9,877,705 to the general fund compared to \$8,188,176 in fiscal year 2023.

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

Mill and Elevator Association		
	2023 Audit	2024 Audit
Agency costs ¹	\$34,000	\$34,000
¹ This is the billable amount, based on the agency's special funds, which the State Auditor's office was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA LOTTERY (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 Lottery		
	2023 Audit ⁴	2024 Audit ⁴
State Auditor's office ¹	N/A	\$38,661.00
State Auditor's office hours ²	N/A	443.75
Hourly rate	N/A	\$87.12
Agency costs ³	\$0.00	\$0.00
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 was required to bill, pursuant to North Dakota Century Code of Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- Page 10, the Comparative Statement of Revenues, Expenses, and Changes in Net Position Summary, shows ticket sale revenue and lottery related expenses during fiscal years 2023 and 2024.
- Page 10, 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 \$8.6 million during fiscal year 2024. The transfer was \$5.6 million during fiscal year 2022 and \$6.3 million during fiscal year 2021.
- On pages 34 and 35, 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. As of June 30, 2022, an amendment to the lease was considered to provide the term of the lease will be 5 years and includes three 5-year renewal options. As of June 30, 2023, the Attorney General's office decided to keep the original lease terms. It is unknown if the Attorney General will exercise any renewal options.

VETERANS' HOME (JUNE 30, 2022 AND 2023)

Audit purpose: The State Auditor reviewed the Veterans' Home financial transactions to identify any errors, internal control weaknesses, or any violations of law. The audit also specifically reviewed the controls and compliance pertaining to distribution of controlled substances as well as controls and compliance related to billing for services at the Veterans' Home.

Findings:

- **Proper handling of resident concerns** - Resident concerns and resident council recommendations are not sufficiently documented, identified, investigated, resolved, or discussed with residents involved. Despite complaints being noted in meetings, no formal grievances were filed during the audit period with 9 of 15 resident council recommendations lacking documented responses. The facility had not designated a grievance official to oversee the process or utilize resident feedback in its quality assurance and performance improvement program to analyze trends. In response, the Veterans' Home has implemented corrective actions, including designating a grievance official, creating a formal grievance log to ensure all concerns are brought to the quality committee for resolution, and presenting information on family council meetings to resident families.

Other information:

- No prior audit recommendations.

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

Veterans' Home		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$105,938.00
State Auditor's office hours ²	N/A	1,189.50
Hourly rate	N/A	\$89.06
Agency costs ³	\$16,533.00	\$9,103.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA DEPARTMENT OF VETERANS' AFFAIRS (JUNE 30, 2023 AND 2024)

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 and high-risk functions of the agency. No errors, internal control weaknesses, or potential violations of law were identified.

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 Department of Veterans' Affairs		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$20,768.00
State Auditor's office hours ²	N/A	254.00
Hourly rate	N/A	\$81.76
Agency costs ³	N/A	\$0.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Recommended questions to ask the State Auditor's office:

- None.

MAYVILLE STATE UNIVERSITY (JUNE 30, 2022 AND 2023)

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

Findings:

- **Personnel files and employee evaluations** - The State Auditor's office reported MaSU did not have consistent procedures for maintaining personnel files and completing annual evaluations, resulting in incomplete and incorrect records.
- **Year-end entries** - The State Auditor's office reported MaSU did not make the correct elimination entries for its financial statements, resulting in revenues and expenses being overstated by \$152,385 and \$916,645 for fiscal years 2022 and 2023.
- **Bank reconciliations** - The State Auditor's office reported MaSU did not properly perform reconciliations on their bank accounts or perform reconciliations of systems that processed transactions and were later recorded in PeopleSoft. This resulted in transactions totaling \$42,111 not being recorded in the general ledger as they occurred.
- **Procurement** - The State Auditor's office reported MaSU did not follow procurement requirements when purchasing approximately \$668,000 of goods and services during fiscal years 2022 and 2023.
- **Purchase card transactions and payroll registers** - The State Auditor's office reported MaSU did not properly review or approve purchase card transactions or payroll registers.
- **Capital asset inventory** - The State Auditor's office reported MaSU did not complete an annual capital asset inventory for equipment greater than \$5,000 in fiscal year 2023 and only completed a partial inventory in fiscal year 2022.

Prior Audit Findings:

- The findings related to bank reconciliations, payroll, and purchase cards were prior audit findings.

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

Mayville State University		
	2021 Audit	2023 Audit
State Auditor's office ¹	N/A	\$82,518.00
State Auditor's office hours ²	N/A	965.50
Hourly rate	N/A	\$85.47
Agency costs ³	\$28,471.43	\$0.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Potential questions relating to the audit report:

- None.

**BISMARCK STATE COLLEGE
(JUNE 30, 2023 AND 2024)**

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

Findings:

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

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

Bismarck State College		
	2023 Audit	2025 Audit
State Auditor's office ¹	N/A	\$30,373.00
State Auditor's office hours ²	N/A	350.50
Hourly rate	N/A	\$86.65
Agency costs ³	\$0.00	\$0.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

**INFORMATION TECHNOLOGY DEPARTMENT
(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:

Information Technology Department		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$37,938.00
State Auditor's office hours ²	N/A	443.00
Hourly rate	N/A	\$85.64
Agency costs ³	\$27,708.00	\$13,962.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

**SECRETARY OF STATE
(JUNE 30, 2023 AND 2024)**

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.

Findings:

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

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

Secretary of State		
	2023 Audit	2025 Audit
State Auditor's office ¹	Not available	\$19,540.00
State Auditor's office hours ²	Not available	209.00
Hourly rate	Not available	\$93.49
Agency costs ³	\$2,397.00	\$1,985.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

INDIAN AFFAIRS COMMISSION (JUNE 30, 2023 AND 2024)

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. There were no findings, errors, internal control weaknesses, or potential violations of law identified in this audit.

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:

Indian Affairs Commission		
	2023 Audit	2025 Audit
State Auditor's office ¹	N/A	\$9,428.00
State Auditor's office hours ²	N/A	121.50
Hourly rate	N/A	\$77.59
Agency costs ³	\$0.00	\$0.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Potential questions relating to the audit report:

- None.

**OFFICE OF THE ADJUTANT GENERAL
(JUNE 30, 2023 AND 2024)**

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

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		
	2022 Audit	2024 Audit
State Auditor's office ¹	Not Available	\$54,513.00
State Auditor's office hours ²	Not Available	682.00
Hourly rate	Not Available	\$79.93
Agency costs ³	\$2,490.00	\$0.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA WHEAT 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 Wheat Commission		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$6,753.00
State Auditor's office hours ²	N/A	87.50
Hourly rate	N/A	\$77.17
Agency costs ³	\$7,650.00	\$4,000.00
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, which the State Auditor's office was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), directly to the commission 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA BARLEY 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:

- **Segregation of duties** - 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, so that alternative control activities are implemented when possible, and the Barley 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 Barley Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$9,895.00
State Auditor's office hours ²	N/A	119.50
Hourly rate	N/A	\$82.80
Agency costs ³	N/A	\$4,000.00
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, which the State Auditor's office was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), directly to the council 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA DRY PEA AND LENTIL 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:

- The audit did not identify any areas of concern.

Prior Audit Findings:

- A prior audit finding (2022-001) identified incorrectly recorded revenues and expenditures in fiscal years 2021 and 2022. This resulted in a \$65,985 understatement of expenditures and a \$74,458 understatement of revenues for fiscal year 2021, with corresponding overstatements for fiscal year 2022. The council failed to use the proper closing packages to report these transactions in the correct periods. The North Dakota Dry Pea and Lentil Council agreed to prepare and submit the appropriate closing packages and record all future revenues and expenditures in the proper fiscal year based on when they are earned and incurred, rather than the dates that payments are due.
- This finding was not identified for the June 30, 2023 and 2024, audit.

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

North Dakota Dry Pea and Lentil Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$4,703.00
State Auditor's office hours ²	N/A	57.50
Hourly rate	N/A	\$81.78
Agency costs ³	\$7,225.00	\$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, which the State Auditor's office was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), directly to the commission 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA ETHANOL 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. No audit findings were identified in the prior audit report.

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

North Dakota Ethanol Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$5,461.00
State Auditor's office hours ²	N/A	65.25
Hourly rate	N/A	\$83.70
Agency costs ³	\$6,800.00	\$4,000.00
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, which the State Auditor's office was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), directly to the commission 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA OILSEED 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:

- **Material audit adjustments** - There were material audit adjustments necessary to ensure the financial statements were presented in accordance with generally accepted accounting principles. It was recommended the North Dakota Oilseed Council 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 council indicated it will record all expenditures and revenues in the proper fiscal year by considering when the revenue is earned and expenditures are incurred, rather than the dates that the payments are due.

Other information:

- A prior audit finding (2022-01) identified incorrectly recorded expenditures in fiscal years 2021 and 2022. An adjustment intended to move a \$40,000 payment from fiscal year 2022 to 2021 was incorrectly recorded as \$400,000. This resulted in a \$360,000 overstatement of expenditures in 2021, with a corresponding understatement of expenditures in 2022. The North Dakota Oilseed Council agreed to the State Auditor's recommendation to review closing packages more carefully and consult with the Office of Management and Budget to ensure future financial accuracy.

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

North Dakota Oilseed Council		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$7,248.00
State Auditor's office hours ²	N/A	94.50
Hourly rate	N/A	\$76.69
Agency costs ³	\$6,800.00	\$4,000.00
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, which the State Auditor's office was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), directly to the council 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA STATE SEED DEPARTMENT
(JUNE 30, 2023 AND 2024)**

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 and high-risk functions of the agency. No errors, internal control weaknesses, or potential violations of law were identified.

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 State Seed Department		
	2022 Audit	2024 Audit
State Auditor's office ¹	N/A	\$20,733.00
State Auditor's office hours ²	N/A	255.00
Hourly rate	N/A	\$81.30
Agency costs ³	\$9,350.00	\$9,350.00
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 was required to bill, pursuant to North Dakota Century Code Section 54-10-01(1), 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. Senate Bill No. 2251 (2025) removed the requirement of the State Auditor to bill for agency audits.		

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA SOYBEAN COUNCIL (JUNE 30, 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:

- **Reconciliations of cash** - The Soybean Council did not reconcile its own year-end cash balances because it relied on reconciliations performed by the State Treasurer during the council's transition from a state to a private entity. However, the state did not provide the necessary detail for the council to reconcile its own records, which could lead to misstated financials. It is recommended that the council implement its own processes for reconciling cash and revenue. The council acknowledged the need to perform its own reconciliations now that it is separated from the state.

Prior Audit 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.

This finding was not identified for the June 30, 2024, audit.

Observations/potential questions relating to the audit report:

- Beginning July 1, 2024, the Soybean Council became a nongovernmental entity, and the requirement for an audit of the council to be conducted by the State Auditor was removed, pursuant to House Bill No. 1501 (2023).

**STATE HISTORICAL SOCIETY FOUNDATION
(JUNE 30, 2024)**

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.

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 agency'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 unqualified opinion was issued on the fund's financial statements.

Observations/potential questions relating to the audit report:

- On page 5, what was the nature of the \$45,340 donation expense listed for fiscal year 2023?
- On page 12, note 7 provides a list of donor restricted funds held by the State Historical Society of North Dakota Foundation.