



North Dakota Legislative Council

Legislative Audit and Fiscal Review Committee

LC# 27.9149.01000

December 2025

SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE DECEMBER 9, 2025 MEETING

This memorandum summarizes major items in audit reports to be presented at the December 9, 2025, Legislative Audit and Fiscal Review Committee meeting.

JOB SERVICE NORTH DAKOTA (JUNE 30, 2024 AND 2023)

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

Findings:

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

Prior audit finding:

- **Prior period adjustment (2023-001)** - Job Service North Dakota recorded a prior period adjustment to properly reflect federal revenue related to unemployment claims during the COVID-19 pandemic. The agency's software could not calculate the amount until fiscal year 2023, but management should have estimated the receivable and related revenue in prior years to comply with generally accepted accounting principles. The auditor recommended management monitor grant awards and recognize federal revenue when expenditures are incurred and barriers of the grant are met. The agency agreed to the audit finding. This finding was not identified for the June 30, 2024, audit.

Audit costs:

Job Service North Dakota contracted with Brady, Martz & Associates, P.C. at a cost of \$90,300 to complete the June 2024 audit, an increase of \$3,250 from the June 2023 audit cost of \$87,050.

Observations/questions related to the audit:

- Information on the balance of the Unemployment Insurance Trust Fund can be found on page 8. The June 30, 2024, balance of the fund was \$320.8 million, an increase of \$19.3 million from the June 30, 2023, balance of \$301.5 million.
- The audit summary prepared by Brady, Martz & Associates, P.C. is on page 72.

**PUBLIC FINANCE AUTHORITY
(DECEMBER 31, 2024 AND 2023)**

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

Findings:

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

Other information:

- **Legacy infrastructure bonds** - During the 2021-23 biennium, the Public Finance Authority issued \$710.1 million of bonds to support state infrastructure projects and programs and to pay issuance and capitalized interest. The legacy infrastructure bonds are reported separately as a special revenue fund since the bonds are not considered a debt of the state pursuant to the provisions of House Bill No. 1431 (2021) and Senate Bill No. 2014 (2021). The repayment of the bonds began in 2023, and the Legislative Assembly appropriated \$102.62 million for the repayments in the 2025-27 biennium, the same as the 2023-25 biennium.
- **Loans outstanding** - As shown on page 9, the Public Finance Authority had municipal securities (loans outstanding to political subdivisions) totaling \$1,043 million as of December 31, 2024, an increase of 7.1 percent compared to \$974 million as of December 31, 2023. The Public Finance Authority approved \$146 million of new loans in 2024 compared to \$100 million in 2023.

Audit costs:

The State Auditor's office contracted with Brady, Martz & Associates, P.C., for the audit of the Public Finance Authority. The cost of the contracted audit was \$24,245 for the June 30, 2024, audit compared to \$23,425 for the June 30, 2023, audit.

Observations/potential questions relating to the audit report:

- The audit summary prepared by Brady, Martz & Associates, P.C. is on page 50.

**NORTH DAKOTA BUILDING AUTHORITY
(JUNE 30, 2025 AND 2024)**

Audit purpose: The purpose of this audit was to determine that financial transactions 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 during the 2023-25 or 2025-27 bienniums.
- **Bonds outstanding** - The State Building Authority had \$94 million of long-term bonds outstanding as of June 30, 2025, and \$98 million of long-term bonds outstanding as of June 30, 2024.

Audit costs:

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 \$16,989 for the June 30, 2025, audit compared to \$14,225 for the June 30, 2024, audit.

Observations/questions relating to the audit report:

- The audit summary prepared by Brady, Martz & Associates, P.C. is on page 23.

**DEPARTMENT OF TRUST LANDS
(JUNE 30, 2025 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:

- **Royalty revenues** - The Department of Trust Lands collected \$462 million of royalty revenues in fiscal year 2025, a decrease of \$47 million compared to the prior year.
- **Investments** - The department's investments increased by \$1.10 billion, or 13.8 percent, from \$7.98 billion on June 30, 2024, to \$9.08 billion on June 30, 2025.
- **Loan programs** - The outstanding loans for various programs on June 30, 2025, were as follows:
 - Farm loan pool and farm real estate loans - \$2.1 million (\$0.2 million decrease compared to the prior year);
 - Coal impact loans - \$6.5 million (\$0.8 million decrease compared to the prior year); and
 - School construction loans - \$30.6 million (\$0.7 million decrease compared to the prior year).

Audit costs:

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 \$52,745 for the June 30, 2025, audit, and \$50,775 for the June 30, 2024, audit.

Observations/potential questions relating to the audit report:

- As shown on page 59, the Board of University and School Lands identified \$43.12 million of the Strategic Investment and Improvements Fund as an assigned fund balance for June 30, 2025, relating to mineral ownership disputes, compared to an assigned fund balance of \$43.07 million on June 30, 2024.
- The audit summary prepared by Eide Bailly LLP is on page 95.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (DECEMBER 31, 2024 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. Senate Bill No. 2032 (2025) requires CHAND to cease enrollment under the plan effective May 1, 2025, and all existing benefit plans will terminate effective December 31, 2025.

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:

- Subsequent events were identified relating to Senate Bill No. 2032, which became law on March 18, 2025.

**BANK OF NORTH DAKOTA
(DECEMBER 31, 2024 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 of North Dakota's financial statements.

Other information:

- **Loans outstanding** - As shown on page 5, the Bank had net outstanding loans totaling \$6,025 million as of December 31, 2024, an increase of \$380 million, or 7 percent, compared to the prior year. The increase in loans is primarily related to an increase in commercial loans, including loans in the flexible Partnership in Assisting Community Expansion Program.
- **Profits** - As shown on page 10, the Bank's profits before transfers totaled \$304.8 million in calendar year 2023 and \$253.3 million in calendar year 2024.
- **Capital position** - As shown on page 12, the Bank's tier one capital leverage ratio was 11.84 percent on December 31, 2024. Based on federal regulations, a "well capitalized" bank must have a tier one capital leverage ratio of at least 4 percent.

Audit costs:

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 \$120,000 for the June 30, 2023, audit and \$129,600 for the June 30, 2024, audit.

Observations/potential questions relating to the audit report:

- **Subsequent event** - As shown on page 61, in January 2025, the Bank sold \$495 million of investments at a loss of \$7.5 million and reinvested the proceeds. The investment change is not anticipated to have a material impact on the 2025 financial statements.
- The audit summary prepared by Eide Bailly LLP is on page 75.

GUARANTEED STUDENT LOAN PROGRAM (DECEMBER 31, 2024 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 \$997 million as of December 31, 2024, a decrease of \$50 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, 2024, the reserve balance totaled \$49.3 million, a decrease of \$0.3 million compared to the prior year.

Audit costs:

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 \$29,000 for the June 30, 2024, audit.

Observations/potential questions relating to the audit report:

- The audit summary prepared by Eide Bailly LLP is on page 18.

**COLLEGE SAVE
(DECEMBER 31, 2024 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 \$602.3 million on December 31, 2023, to \$644.0 million on December 31, 2024.
- **Average account balance** - The average account balance increased from \$10,800 on December 31, 2023, to \$11,100 on December 31, 2024, primarily related to an increase in the fair value of the investments.

Audit costs:

The audit costs were not reported.

Observations/potential questions relating to the audit report:

- None.

**MILL AND ELEVATOR ASSOCIATION
(JUNE 30, 2024 AND 2025)**

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

Findings:

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

Other information:

- **Line of credit** - As shown on pages 18 and 19, the Mill and Elevator Association has a \$125 million line of credit with the Bank of North Dakota, of which the mill accessed \$32.9 million as of June 30, 2025, a decrease of \$10.3 million compared to \$43.2 million as of June 30, 2024. The interest rate was 5.46 percent as of June 30, 2025, compared to a rate of 6.49 percent as of June 30, 2024.
- **Loan notes** - As shown on pages 19 and 20, 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 also borrowed \$40 million from the Bank in fiscal year 2023 for 5 years at an interest rate of 3.0 percent to finance a mills storage and handling facility project.
- **Transfers to the general fund** - For fiscal year 2025, the Mill and Elevator Association transferred \$12,679,845 to the General Fund compared to \$9,877,705 in fiscal year 2024.

Observations/potential questions relating to the audit report:

- None.

NORTH DAKOTA LOTTERY (JUNE 30, 2025 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.

Observations/potential questions relating to the audit report:

- Page 11, the Comparative Statement of Revenues, Expenses, and Changes in Net Position Summary, shows ticket sale revenue and lottery related expenses during fiscal years 2024 and 2025.
- Page 11, the Comparative Statement of Revenues, Expenses, and Changes in Net Position Summary, shows operating revenues for the North Dakota Lottery decreased by \$13.6 million (33.5 percent) from \$40.5 million during fiscal year 2024 to \$26.9 million during fiscal year 2025. Operating expenses decreased by \$8.9 million (29.8 percent) during this time.
- Page 11, the Comparative Statement of Revenues, Expenses, and Changes in Net Position, shows funding transferred from the lottery fund to the general fund of \$5.0 million during fiscal year 2025 and \$8.6 million during fiscal year 2024. The transfer was \$7.4 million during fiscal year 2023 and \$5.6 million during fiscal year 2022.
- On pages 35 and 36, 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 original lease was for 10 years, until 2031, when an option allows the lease to be renewed for another 10 years. As of June 30, 2023, 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, 2025, the Attorney General's office decided to keep the original lease terms. It is unknown if the Attorney General will exercise any renewal options.

**ATTORNEY GENERAL
(JUNE 30, 2023 AND 2024)**

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

Findings:

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

Prior Audit Findings:

- **Breath Alcohol Toxicology Results** (prior period finding) - The State Auditor reviewed if toxicology results were accurate and utilized proper equipment. The audit revealed 25 of the 726 breath alcohol tests conducted by local law enforcement and tested by the State Crime Laboratory from July 1, 2021, to June 30, 2022, used expired gas canisters, resulting in potentially invalid tests. The State Auditor recommended the State Crime Laboratory ensure expired gas canisters are not used for breath alcohol tests. The Attorney General agreed with the recommendation and stated the State Crime Laboratory has seen a decline in the number of tests run on expired gas canisters since a recent change in leadership of the Breath Alcohol Program.
- During the 2020 operational audit of the Attorney General, the State Auditor concluded 34 of 8,925 breath alcohol tests utilized expired or unapproved gas canisters. As a result, in Section 4 of House Bill No. 1003 (2021), the Legislative Assembly appropriated \$100,000 from federal funds to the Attorney General for the replacement of 61 of 119 drug analyzers. The funding was to replace Intoxilyzer 8000 models with Intoxilyzer 9000 models that will prevent unapproved or expired gas canisters from being used.
- In the 2022 operational audit report, the State Auditor stated the State Crime Laboratory intended to purchase additional Intoxilyzer 9000s to replace the Intoxilyzer 8000s.
- **The State Auditor reported the Attorney General has implemented procedures to address the prior audit report finding.**

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA UNIVERSITY SYSTEM OFFICE
(JUNE 30, 2023 AND 2024)**

Audit purpose: The purpose of this audit was to determine whether the North Dakota University System office had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency. In addition, testing was performed to determine if supplier setups and changes are being done appropriately.

Findings:

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

Observations/potential questions relating to the audit report:

- None.

**DAKOTA COLLEGE AT BOTTINEAU
(JUNE 30, 2023 AND 2024)**

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

Findings:

- **Inadequate monthly bank reconciliations** - The State Auditor reported DCB did not properly complete monthly bank reconciliations. The State Auditor selected 4 months for testing and found unsupported reconciling items or unreconciled differences for each month.

Prior audit findings:

- **Veteran dependent tuition waivers** - The State Auditor previously reported DCB did not verify student eligibility for the veteran dependent tuition waiver. The State Auditor reported this issue was not considered significant to the current audit and was not tested further.
- **Procurement** - The State Auditor previously reported DCB did not competitively seek bids for various services and athletic clothing, including 4 of the 13 purchased tested. The State Auditor reported the prior recommendation relating to procurement was fully implemented.
- **Inadequate journal entry approval** - The State Auditor previously reported 3 of 32 journal entries tested were not approved by two separate people to verify the information is correct. The State Auditor reported the prior recommendation relating to inadequate journal entry approval was fully implemented.

Observations/potential questions relating to the audit report:

- Have the accounts been reconciled now to ensure no cash is missing?

**MINOT STATE UNIVERSITY
(JUNE 30, 2023 AND 2024)**

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

Findings:

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

Observations/potential questions relating to the audit report:

- None.

**DICKINSON STATE UNIVERSITY
(JUNE 30, 2023 AND 2024)**

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

Findings:

- **Support and approvals** - The State Auditor reported DSU did not have proper supporting documentation or proper approvals for journal entries, scholarships and waivers, and sales and services revenues.
- **Capital asset inventory** - The State Auditor reported DSU did not perform an annual physical inventory of capital assets greater than \$5,000 for fiscal years 2023 or 2024 as required by law. Capital asset values totaled approximately \$4.7 million in 2023 and \$5.0 million in 2024.

Prior audit findings:

- **Procurement** - The State Auditor previously reported procurement for multiple transactions was not documented in compliance with state law. The State Auditor reported the prior recommendation relating to procurement was fully implemented.
- **Auxiliary services** - The State Auditor previously reported that of 32 auxiliary services transactions tested, 6 room and board transactions totaling \$12,312 did not have adequate documentation to verify the charge or credit posted to the students' accounts. The State Auditor reported the prior recommendation relating to auxiliary services was fully implemented.
- **Bank reconciliations** - The State Auditor previously reported DSU did not prepare and approve monthly bank reconciliations in a timely manner. The State Auditor will follow up on this recommendation during the fiscal year 2025 North Dakota University System financial audit.
- **Account coding** - The State Auditor previously reported DSU improperly coded one journal entry, causing nongovernmental grants and contract revenue to be understated by \$3.76 million and federal grants and contracts to be overstated by \$3.76 million. The State Auditor reported the prior recommendation relating to account coding was fully implemented.

Observations/potential questions relating to the audit report:

- Which DSU business office functions are being performed by other institutions and what is the long-term plan for the performance of those functions?

**HIGHWAY PATROL
(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 or high-risk functions of the agency.

Findings:

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

Observations/potential questions relating to the audit report:

- None.

**STATE HISTORICAL SOCIETY
(JUNE 30, 2023 AND 2024)**

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

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

Findings:

- No areas of concern were reported by the State Auditor. No findings were reported by the State Auditor in the prior audit.

Observations/potential questions relating to the audit report:

- None.

**GAME AND FISH DEPARTMENT
(JUNE 30, 2023 AND 2024)**

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

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

Findings:

- No areas of concern were reported by the State Auditor. No findings were reported by the State Auditor in the prior audit.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA BEEF COMMISSION
(JUNE 30, 2025 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.

Findings:

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

Prior Audit Findings:

- **Material Audit Adjustments (2024-001)** - In 2024, there were material audit adjustments necessary to ensure the financial statements are presented in accordance with generally accepted accounting principles (GAAP). It is recommended the 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 GAAP. The Beef Commission indicated reviewing and updating internal control processes. This finding was not identified for the June 30, 2025, audit.

Observations/potential questions relating to the audit report:

- None.