



# North Dakota Legislative Council

Prepared for the Legislative Audit and Fiscal Review Committee  
LC# 23.9230.01000  
December 2021

## SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE DECEMBER 8, 2021, MEETING

This memorandum summarizes major items in audit reports included on the agenda for the Wednesday, December 8, 2021, meeting of the Legislative Audit and Fiscal Review Committee.

### MINOT STATE UNIVERSITY (JUNE 30, 2020 AND 2019)

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

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

**Findings:**

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

**Prior audit findings:**

- Prior audit findings have been implemented.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

Minot State University		
	2019 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$70,523	Not Available
State Auditor's office hours <sup>2</sup>	973.25	Not Available
Hourly rate	\$72.46	Not Available
Agency costs <sup>3</sup>	\$5,780	Not Available

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

<sup>2</sup>Staff hours incurred to complete the audit.

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

**Observations/potential questions relating to the audit report:**

- None.

**UNIVERSITY OF NORTH DAKOTA  
(JUNE 30, 2020 AND 2019)**

**Audit purpose:** The purpose of this audit was to determine whether the University of North Dakota (UND) had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency. The State Auditor also reviewed endowment fund management to determine whether UND was properly accumulating and disbursing endowment funds, and was spending them in accordance with the related endowment agreement.

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

**Findings:**

- **Endowment funds** - The State Auditor reported UND is adequately accumulating and disbursing endowment funds as well as spending the endowment funds in accordance with applicable laws, regulations, and related agreements.
- **Fixed asset inventory** - The State Auditor reported UND did not conduct annual department inventories for fixed assets in three out of eight departments in fiscal years 2019 and 2020.
- **Faculty personnel file** - The State Auditor reported UND did not have the required information in a centrally located personnel file for 5 out of 31 faculty tested during the audit. The response from UND indicates the file documentation was available, but it had not been scanned into the institution's digital record system.
- **Construction management at-risk** - The State Auditor reported UND did not properly follow the construction management at-risk selection process. The report noted advertising and selection committee issues for the Chester Fritz Library, the College of Business, and the Memorial Union projects.

**Prior audit findings:**

- The finding related to faculty personnel files was also a prior audit finding.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

University of North Dakota		
	2019 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$90,670	Not Available
State Auditor's office hours <sup>2</sup>	1,419.5	Not Available
Hourly rate	\$63.87	Not Available
Agency costs <sup>3</sup>	\$6,201	Not Available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- None.

**DAKOTA COLLEGE AT BOTTINEAU  
(JUNE 30, 2020 AND 2019)**

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

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

**Findings:**

- **Tuition waivers** - The State Auditor reported DCB did not keep documentation to verify a student was eligible for a veteran dependent tuition waiver. The student was awarded a total of \$4,809 over 2 semesters.
- **Procurement** - The State Auditor reported DCB did not maintain records to verify adequate bids were received for the purchase of a \$211,100 fuel oil boiler.

**Prior audit findings:**

The finding related to tuition waivers was also a prior audit finding.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

Dakota College at Bottineau		
	2019 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$57,436	Not Available
State Auditor's office hours <sup>2</sup>	889.5	Not Available
Hourly rate	\$64.57	Not Available
Agency costs <sup>3</sup>	\$4,901	Not Available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- None.

**NORTH DAKOTA UNIVERSITY SYSTEM OFFICE  
(JUNE 30, 2020 AND 2019)**

**Audit purpose:** The purpose of this audit was to determine whether the University System office had any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency. The audit also reviewed the federal Perkins Loan electronic signature process for compliance with federal standards.

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

**Findings:**

- **Appropriation carryover** - The State Auditor reported the University System office did not report to the Appropriations Committees of the 67<sup>th</sup> Legislative Assembly on its use of \$5.5 million in appropriations that were continued from the 2017-19 biennium to the 2019-21 biennium.
- **Electronic signatures** - The State Auditor reported the University System office has adequate processes in place and follows federal standards for federal Perkins Loans that are signed electronically.

**Prior audit recommendations:**

- Prior audit recommendations relating to noncompliance with procurement requirements and lack of general ledger transaction approvals have been implemented.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

North Dakota University System Office		
	2019 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$51,003	Not Available
State Auditor's office hours <sup>2</sup>	796	Not Available
Hourly rate	\$64.07	Not Available
Agency costs <sup>3</sup>	\$833	Not Available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- What was the purpose and use of the \$5.5 million continued from the 2017-19 biennium to the 2019-21 biennium?

**OFFICE OF THE ADJUTANT GENERAL  
(JUNE 30, 2020 AND 2019)**

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

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

**Findings:**

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

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

Office of the Adjutant General		
	2019 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$30,948	Not Available
State Auditor's office hours <sup>2</sup>	451.0	Not Available
Hourly rate	\$68.62	Not Available
Agency costs <sup>3</sup>	\$495	Not Available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- None.

## **HIGHWAY PATROL (JUNE 30, 2020 AND 2019)**

**Audit purpose:** The purpose of this audit was to determine if key card access, which allows users to bypass security screening at the Capitol, was properly issued and disabled according to state law.

**Findings:**

- **Terminated employees could bypass Capitol security** - Certain employees who were terminated from employment with the state still had key card access to the Capitol.
- **Contractors could bypass Capitol security** - Certain contractors who no longer required access to the Capitol still had key card access after the completion of a contract.

**Prior audit findings:**

- The previous audit included findings for noncompliance with internal policies, inaccurate database records, incomplete records, not maximizing federal funds, lack of blanket bond coverage, and improper capitalization of assets. The previous audit recommendations have been implemented.

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

Costs for the audit of the Highway Patrol were not available at the time of this report.

**Observations/potential questions relating to the audit report:**

- None.

**MILL AND ELEVATOR ASSOCIATION  
(JUNE 30, 2021 AND 2020)**

**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 page 19, the Mill and Elevator Association has a \$60 million line of credit with the Bank of North Dakota, of which the Mill has accessed \$26 million. The interest rate was 1.75 percent as of June 30, 2021, compared to a rate of 2.4365 percent as of June 30, 2020.
- **Loan note** - As shown on page 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. In addition, the Mill and Elevator Association borrowed \$20 million from the Bank of North Dakota in fiscal year 2019, for 5 years at an interest rate of 3.97 percent.
- **Transfers to the general fund** - For fiscal year 2021, the Mill and Elevator Association transferred \$6,393,652 to the general fund compared to \$5,423,841 in fiscal year 2020.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

<b>Mill and Elevator Association</b>		
	<b>2020 Audit</b>	<b>2021 Audit</b>
State Auditor's office <sup>1</sup>	\$37,567.93	Not Available
State Auditor's office hours <sup>2</sup>	536.00	Not Available
Hourly rate	\$70.09	Not Available
Agency costs <sup>3</sup>	\$29,000.00	Not Available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- None.

**PUBLIC SERVICE COMMISSION  
(JUNE 30, 2021 AND 2020)**

**Audit purpose:** To determine if there are any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

**Findings:**

- There were no findings identified in the audit report.

**Prior Audit Findings:**

- The prior audit recommendation relating to inadequate procedures for blanket bond coverage has been implemented.

**Other information:**

- The "AML Contractual Services" on page 9 is the agency's appropriation of federal funds for abandoned mined lands contractual services for the reclamation of abandoned mines in the state.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

Public Service Commission		
	2020 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$21,242.50	Not available
State Auditor's office hours <sup>2</sup>	313.00	Not available
Hourly rate	\$67.87	Not available
Agency costs <sup>3</sup>	\$942.00	Not available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- The statement of revenues and expenditures on page 8 identifies \$1 million less revenues from licenses, permits, fees, and fines in fiscal year 2020 compared to fiscal year 2019.

**NORTH DAKOTA BUILDING AUTHORITY  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Projects** - The 2019 Legislative Assembly authorized \$130 million of construction projects for the 2019-21 biennium supported by bonds issued through the State Building Authority, including \$30 million in House Bill No. 1003 (2019) and \$100 million in Senate Bill No. 2297 (2019).
- **Bond anticipation note** - The State Building Authority issued a bond anticipation note of \$60 million in May 2020 with an interest rate of 1.5 percent. The bond anticipation note provided early funding to start the construction projects prior to the issuance of the bonds. The bond anticipation note was repaid in October 2020.
- **Bonds** - The State Building Authority issued \$88.6 million of bonds in October 2020 for construction costs related to the projects authorized by the 2019 Legislative Assembly.

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

The State Auditor's office contracted with Brady, Martz & Associates PC, Certified Public Accountants, for the audit of the State Building Authority. The cost of the contracted audit was not reported as of November 30, 2021, for the June 30, 2021, audit and \$12,210 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- When will the State Building Authority issue additional bonds for the remaining costs of the construction projects authorized in the 2019-21 biennium?

## **HOUSING INCENTIVE FUND (JUNE 30, 2021 AND 2020)**

**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:**

- The balance of the housing incentive fund decreased from \$9.2 million on June 30, 2020, to \$6.9 million on June 30, 2021, primarily because the Housing Finance Agency distributed \$3.3 million of grant payments for multifamily housing projects.
- During fiscal year 2020, \$1 million was returned to the fund by project developers because the projects exceeded the grant limits.
- Grant commitments that were awarded but not yet paid totaled \$10.3 million on June 30, 2021, compared to \$5.6 million on June 30, 2020.

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

The State Auditor's office contracted with Brady, Martz & Associates PC, Certified Public Accountants, for the audit of the housing incentive fund. The cost of the contracted audit was not reported as of November 30, 2021, for the June 30, 2021, audit and \$5,065 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- None.

## **HOUSING FINANCE AGENCY (JUNE 30, 2021 AND 2020)**

**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 \$1.35 billion on June 30, 2021, an increase of \$13 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 PC, Certified Public Accountants, for the audit of the Housing Finance Agency. The cost of the contracted audit was not reported as of November 30, 2021, for the June 30, 2021, audit and \$46,575 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- Why does the agency have a liability of \$340,000 due to the Office of Management and Budget for fiscal year 2021, as shown on page 27?

**PUBLIC FINANCE AUTHORITY  
(DECEMBER 31, 2020 AND 2019)**

**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:**

- **Internal Revenue Service rebates** - As shown on pages 36 and 37, the Public Finance Authority did not have rebates due to the Internal Revenue Service as of December 31, 2020, a decrease of \$1 million compared to the prior year.
- **Loans outstanding** - As shown on page 8, the Public Finance Authority had municipal securities (loans outstanding to political subdivisions) totaling \$901 million as of December 31, 2020, an increase of 3 percent compared to the prior year.

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

The State Auditor's office contracted with Brady, Martz & Associates, PC, Certified Public Accountants, for the audit of the Public Finance Authority. The cost of the contracted audit was not reported as of November 30, 2021, for the June 30, 2020, audit and \$20,000 for the June 30, 2019, audit.

**Observations/potential questions relating to the audit report:**

- How will the recent changes in interest rates affect any rebates due to the Internal Revenue Service?

**SMALL EMPLOYER LOAN FUND  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loan program** - The Bank of North Dakota established the small employer loan fund to assist very small North Dakota businesses in their recovery from the negative impacts caused by the COVID-19 pandemic.
- **Loans outstanding** - The Bank of North Dakota originated 455 loans from the fund totaling \$15.7 million in fiscal year 2021. In addition, the Bank of North Dakota issued 432 loans from the fund totaling \$14.3 million in fiscal year 2020. Loans outstanding, as of June 30, 2021, totaled \$28 million compared to \$14.3 million on June 30, 2020.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the small employer loan fund. The cost of the contracted audit was not available as of November 30, 2021, for the June 30, 2021, audit and \$8,000 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- None.

**STUDENT LOAN TRUST FUND  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loans outstanding** - The fund had approximately \$1.7 million of cash, investments, and current receivables as of June 30, 2021, which is almost entirely restricted as collateral and for future obligations. On June 30, 2020, the fund had approximately \$1.5 million of cash, investments, and current receivables.
- **DEAL student loans** - The Bank of North Dakota offers DEAL student loans at either a fixed rate or a variable rate. As of July 1, 2021, the fixed rate was 3.90 percent and the variable rate was 1.62 percent. As of July 1, 2020, the fixed rate was 3.39 percent and the variable rate was 1.80 percent.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the student loan trust fund. The cost of the contracted audit was not available as of November 30, 2021, for the June 30, 2021, audit and \$29,800 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- None.

**COVID-19 PARTNERSHIP IN ASSISTING COMMUNITY  
EXPANSION RECOVERY PROGRAM  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loan program** - The Bank of North Dakota established the COVID-19 partnership in assisting community expansion (PACE) recovery program to support North Dakota businesses in their recovery from the negative impacts caused by the COVID-19 pandemic. The recovery program included an interest rate buydown loan program and a recovery grant program.
- **Loans outstanding** - The fund supported interest buydowns on 268 outstanding loans as of June 30, 2021, with outstanding principal totaling \$312.5 million. Of the 268 outstanding loans, 227 loans were made during fiscal year 2021 totaling \$267.7 million. The outstanding loans will require \$28.2 million for the interest rate buydowns for the remainder of the loan repayments.
- **Recovery grants** - To qualify for a grant, a business needed a minimum of a 20 percent loss in gross revenue between April 1, 2020, and September 30, 2020, compared to the same period the year prior. The Bank distributed \$35.6 million in fiscal year 2021. No grants were distributed in fiscal year 2020.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the small employer loan fund. The cost of the contracted audit was not available as of November 30, 2021, for the June 30, 2021, audit.

**Observations/potential questions relating to the audit report:**

- None.

## **AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION FUND (JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loans outstanding** - The fund supported interest buydowns on 339 outstanding loans as of June 30, 2021, with outstanding principal totaling \$46.3 million. Of the 339 outstanding loans, 64 loans were made during fiscal year 2020 totaling \$10 million.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the agriculture partnership in assisting community expansion (Ag PACE) fund. The cost of the contracted audit was not available as of November 30, 2021, for the June 30, 2021, audit and \$5,950 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- The second paragraph under financial highlights on page 3 provides information on the yield rate and the borrowing rate. What is the average interest rate buydown on loans under this program?
- As shown on page 7, Ag PACE cash on deposit with the Bank of North Dakota for cash on hand and for buydowns committed totaled \$3.3 million on June 30, 2021. As referred to on page 11, in lieu of an administrative fee, the Bank does not pay interest to the Ag PACE fund on its cash deposits with the Bank.

## **REBUILDERS LOAN PROGRAM (JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loans outstanding** - As of June 30, 2021, the fund had 1,100 outstanding loans totaling approximately \$23.9 million, a decrease of 59 loans and \$2.9 million compared to June 30, 2020. In fiscal year 2021, there were 46 loans that were 90 days or more past due. Repayments are used first to replenish Bank of North Dakota profits and then the general fund. As of June 30, 2021, payments owed to the Bank totaled \$3.6 million, and payments owed to the general fund total \$15.6 million as shown on page 7.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the rebuilders loan program. The cost of the contracted audit was not available as of November 30, 2021, for the June 30, 2021, audit and \$7,300 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- House Bill No. 1187 (2021) creates a rebuilders permanent loan fund to provide loans to those impacted by disasters in the state and consolidates the rebuilders loan program and the rebuilders home loan program in the newly created fund.

**MEDICAL FACILITY INFRASTRUCTURE LOAN FUND  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loans outstanding** - As of June 30, 2021, the fund had approximately \$46.6 million of loans outstanding. One new loan totaling \$1.3 million was originated in fiscal year 2021, with one pending loan commitment for \$3 million as of June 30, 2021. The fund had approximately \$4.8 million available for new loans as of June 30, 2021.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the medical facility infrastructure loan fund. The cost of the contracted audit was not available as of November 30, 2021, the June 30, 2021, audit and \$5,950 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- None.

## **INFRASTRUCTURE REVOLVING LOAN FUND (JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

**Other information:**

- **Loans outstanding** - As of June 30, 2021, the fund had approximately \$102.7 million of loans outstanding, including 12 loans totaling \$17.3 million, which were originated in fiscal year 2021. The fund also had commitments for 10 loans totaling approximately \$47.3 million as of June 30, 2021.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the infrastructure revolving loan fund. The cost of the contracted audit was not available for the June 30, 2021, audit and \$5,950 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

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

**ADDICTION COUNSELOR INTERNSHIP LOAN PROGRAM  
(JUNE 30, 2020 AND 2021)**

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

**Findings:**

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

**Other information:**

- **Loans provided** - There were three loans totaling \$22,500 made during fiscal year 2021, two loans totaling \$15,000 made during fiscal year 2020, and one loan totaling \$7,500 made during fiscal year 2019. As of June 30, 2021, there are nineteen loans outstanding totaling \$98,031 with an allowance for loan losses of \$6,435 for net loans of \$91,596.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the addiction counselor internship loan program. The cost of the contracted audit was not reported.

**Observations/potential questions relating to the audit report:**

- None.

**DEPARTMENT OF TRUST LANDS  
(JUNE 30, 2021 AND 2020)**

**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 \$276.2 million of royalty revenues in fiscal year 2021, an increase of \$37.7 million compared to the prior year. The increase was primarily related to an increase in oil prices.
- **Investments** - The department's investments increased by \$687 million, or 12 percent, from \$5,526 million on June 30, 2020, to \$6,213 million on June 30, 2021.
- **Loan programs** - The outstanding loans for various programs on June 30, 2021, were as follows:
  - Farm loan pool and farm real estate loans - \$5 million
  - Coal impact loans - \$9.8 million
  - School construction loans - \$29.9 million
- **Theodore Roosevelt Presidential Library and Museum Endowment** - The endowment's net position was \$38.4 million on June 30, 2021. Information on the assets and liabilities of the Theodore Roosevelt Presidential Library and Museum Endowment is shown on page 20.

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

The State Auditor's office contracted with Eide Bailly, LLP, Certified Public Accountants, for the audit of the Department of Trust Lands. The cost of the contracted audit was not available as of November 30, 2021, for the June 30, 2021, audit and \$43,860 for the June 30, 2020, audit.

**Observations/potential questions relating to the audit report:**

- As shown on page 57, the Board of University and School Lands identified \$218.8 million of the strategic investment and improvements fund as an assigned fund balance for June 30, 2021, relating to mineral ownership disputes compared to an assigned fund balance of \$229.3 million on June 30, 2020.

## **NORTH DAKOTA STATE FAIR ASSOCIATION (SEPTEMBER 30, 2020)**

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

### **Findings:**

- The Independent Auditor's Report includes an unqualified opinion.
- The Independent Auditor's Report on Internal Control identified one deficiency in internal control considered to be a material weakness. Misstatements were identified in the discretely presented component unit of the North Dakota State Fair Association's prior audited financial statements causing the auditor to propose a material restatement audit adjustment. The financial statements and accompanying notes to the financial statements were not materially correct without the audit adjustment. The North Dakota State Fair Association's internal control system did not identify errors in the reconciliation of accounts, which caused a material restatement audit adjustment. The auditor recommends the North Dakota State Fair Association enhance their system of internal controls over the reconciliation of accounts to reduce the risk of a material misstatement in the financial statements. The North Dakota State Fair Association agreed with the auditor's recommendation.

### **Other information:**

- As discussed in Note 14 to the financial statements, certain errors in the foundation, resulting in misstatements of amounts previously reported for accounts receivable and revenue as of September 30, 2019, were discovered in the current year. Accordingly, adjustments have been made to increase the beginning net position for the foundation by \$25,000 as of October 1, 2019, to correct the errors. The auditor's opinion was not modified with respect to this matter.
- The North Dakota State Fair 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. There was no fair during the year ended September 30, 2020. As such, there were no premium appropriations expended for the year ended September 30, 2020.
- Deferred revenue consists of the Department of Commerce Hospitality Economic Resiliency Grant that was received during the year ending September 30, 2020. The funds for the grant are not earned until spent by the foundation.
- Subsequent to year-end, the North Dakota State Fair Association was awarded a Shuttered Venue Operators Grant issued through the U.S. Small Business Administration in the amount of \$2,348,741 to provide relief for the negative impacts the COVID-19 pandemic had on the North Dakota State Fair Association.

### **Audit cost:**

The State Fair Association contracted with Eide Bailly, LLP, Certified Public Accountants, for \$20,500 to perform the audit.

### **Observations/potential questions relating to the audit report:**

- What was the nature of the \$25,000 understatement of foundation assets as of September 30, 2019?

## **WORKFORCE SAFETY AND INSURANCE (JUNE 30, 2020 AND 2021)**

**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:**

Workforce Safety and Insurance contracted with Eide Bailly, LLP, Certified Public Accountants, to complete the June 2021 and June 2020 audit. The cost of the audit is not available as of November 30, 2021. Workforce Safety and Insurance contracted with Eide Bailly, LLP, Certified Public Accountants, at a cost of \$58,500 to complete the June 2020 and June 2019 audit.

**Observations/potential questions relating to the audit report:**

- On the Statements of Cashflows on page 13, who are the "payments to others" and why did the amount decrease by \$6,916,421 (91 percent), from \$7,596,833 in fiscal year 2020 to \$680,412 in fiscal year 2021?
- On page 27, what is the reason for future minimum operating lease payments decreasing from \$202,361 in fiscal year 2023 to \$31,731 in fiscal years 2024 and 2025?
- Tenant leases are described on page 40. What is the cost per square foot for each tenant? Total annual rent decreased by \$69,242 (14 percent) from \$493,531 in fiscal year 2020 to \$424,289 in fiscal year 2021. Is a portion of the building not occupied or does this amount represent the space the Public Employees Retirement System and the Retirement and Investment Office will occupy starting in fiscal year 2022?

**LEGISLATIVE ASSEMBLY  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

- There were no findings identified in the audit report. There were no prior audit findings related to the financial statements of the Legislative Assembly.

**Audit cost:**

The Legislative Assembly contracted with Eide Bailly, LLP, Certified Public Accountants, for \$7,950 to perform the audit, including a single audit related to federal coronavirus relief funds.

**Observations/potential questions relating to the audit report:**

- None.

**LEGISLATIVE COUNCIL  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

- There were no findings identified in the audit report. There were no prior audit findings related to the financial statements of the Legislative Council.

**Audit cost:**

The Legislative Council contracted with Eide Bailly, LLP, Certified Public Accountants, for \$6,150 to perform the audit.

**Observations/potential questions relating to the audit report:**

- None.

**STATE HISTORICAL SOCIETY OF NORTH DAKOTA FOUNDATION  
(JUNE 30, 2021 AND 2020)**

**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 findings were discovered, and an unmodified opinion was issued on the foundation's financial statements.

**Observations/potential questions relating to the audit report:**

- None.

**NORTH DAKOTA BEEF COMMISSION  
(JUNE 30, 2021 AND 2020)**

**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** - The Beef Commission does not have adequate segregation of duties regarding revenue collections. Only one individual opens the mail, creates a remittance list, makes the deposit, and updates the accounts receivable ledger. The North Dakota Beef Commission agrees with the recommendation. A key staff member recently left the Beef Commission, resulting in only one staff member conducting these financial duties. A new staff person has been hired so proper segregation of duties can be reimplemented.

**Prior audit findings:**

A prior audit recommendation related to preparation of financial statements, note disclosures, and required supplementary information required by Generally Accepted Accounting Standards (GAAP), has been implemented.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

North Dakota Beef Commission		
	2020 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$15,112.50	Not yet available
State Auditor's office hours <sup>2</sup>	205.00	Not yet available
Hourly rate	\$73.72	Not yet available
Agency costs <sup>3</sup>	\$16,800	Not yet available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- None.

**NORTH DAKOTA SOYBEAN COUNCIL  
(JUNE 30, 2020 AND 2021)**

**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:**

- **Inadequate approval of expenditures by the Chairman of the board** - Of the 13 vouchers tested by the State Auditor that exceeded \$5,000, 4 vouchers totaling \$189,186 did not have the Chairman of the board's approval before payment was made. The State Auditor recommends the North Dakota Soybean Council obtain the Chairman's approval for all vouchers exceeding \$5,000 before payment is made. The Soybean Council agreed with the finding.

**Prior audit recommendations:**

Prior audit recommendations relating to noncompliance with procurement requirements and preparation of financial statements have been implemented.

**Audit cost as reported by the State Auditor's office:** 2021 audit cost not reported as of November 30, 2021.

North Dakota Soybean Council		
	2020 Audit	2021 Audit
State Auditor's office <sup>1</sup>	\$36,700	Not yet available
State Auditor's office hours <sup>2</sup>	523.00	Not yet available
Hourly rate	\$70.17	Not yet available
Agency costs <sup>3</sup>	\$16,800	Not yet available

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

<sup>2</sup>Staff hours incurred to complete the audit.

<sup>3</sup>This 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.

**Observations/potential questions relating to the audit report:**

- None.