



North Dakota Legislative Council

Prepared for the Legislative Audit and Fiscal Review Committee
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SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE AUGUST 19, 2021, MEETING

This memorandum summarizes major items in audit reports included on the agenda for the Thursday, August 19, 2021, meeting of the Legislative Audit and Fiscal Review Committee.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (JUNE 30, 2020 AND 2019)

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:

- **Untimely capitalization and depreciation of Department of Transportation projects** - The Department of Transportation did not capitalize and depreciate state oil impact projects that were substantially complete and in use. These projects were still included in construction in progress at June 30, 2020. Considering the department's fiscal review period for project closeout which determines accurate project costs, the audit identified projects without financial activity since June 30, 2017 and 2018, for calculating capitalizable costs and depreciation, respectively. Total costs for these projects were \$332,139,681. These projects should have been reclassified from nondepreciable to depreciable capital assets for reporting on the Government-wide Statement of Net Position and accrued depreciation expense of \$3,727,377 during the audit period.

Other information:

- **Office of Management and Budget Response/Corrective Action** - The Office of Management and Budget responded that it agrees with the recommendation and will work with the Department of Transportation to ensure they are capitalizing and depreciating infrastructure projects timely after the project is substantially complete according to current policies.

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

Comprehensive Annual Financial Report		
	2019 Audit	2020 Audit
State Auditor's office ¹	\$556,433.00	\$422,734.50
State Auditor's office hours ²	7,668.00	5,326.50
Hourly rate	\$72.57	\$79.36
Agency costs ³	\$0.00	\$0.00

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.
²Staff hours incurred to complete the audit.
³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- Does the Department of Transportation have an internal audit process?
- Why did the current audit take 2,341 fewer hours than the prior audit?

**NORTH DAKOTA UNIVERSITY SYSTEM
ANNUAL FINANCIAL REPORT
(JUNE 30, 2020)**

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

Findings:

- The State Auditor reported multiple audit adjustments to the financial statements; however, the audit team did not identify any significant findings of deficiencies in internal control or any noncompliance with laws, regulations, contracts, or grant agreements.

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		
	2019 Audit	2020 Audit
State Auditor's office ¹	\$187,397.50	\$202,469.50
State Auditor's office hours ²	2,660.50	2,644.50
Hourly rate	\$70.44	\$76.56
Agency costs ³	\$0.00	\$202,470.00

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

²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- Prior audits have included a recommendation for the University System to ensure operating agreements exist for all affiliated organizations and that the agreement requirements are adhered to. The prior audit reported this recommendation had not been implemented. Has this recommendation now been fully implemented?
- Will the State Auditor be auditing the University System's use of federal COVID-19-related funding?
- The State Auditor reported charging the University System for the 2020 audit but not the 2019 audit. Was the University System charged for the 2020 audit?

**BISMARCK STATE COLLEGE
(JUNE 30, 2020)**

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.

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

Findings:

- The audit did not identify any areas of concern.

Prior audit findings:

- The audit identified three prior recommendations relating to faculty tenure, procurement, and travel meal reimbursement were fully implemented.

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

Bismarck State College		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$88,757.50	Not available
State Auditor's office hours ²	1,251.50	Not available
Hourly rate	\$70.92	Not available
Agency costs ³	\$6,199.00	Not available

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

²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- None

**DICKINSON STATE UNIVERSITY
(JUNE 30, 2020)**

Audit purpose: The purpose of this audit was to determine whether Dickinson State University 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 state's basic financial statements on which an unmodified opinion was issued.

Findings:

- **Procurement** - The State Auditor reported the bidding process for seven purchases totaling \$334,705 was not documented in compliance with state law.

Prior audit findings:

The finding related to procurement was also a prior audit finding. In addition, the State Auditor reported a prior recommendation relating to nepotism and conflict of interest policies was partially implemented.

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

Dickinson State University		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$56,710.50	\$54,172.50
State Auditor's office hours ²	831.00	772.50
Hourly rate	\$68.24	\$70.13
Agency costs ³	\$6,601.00	Not available
¹ This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit. ² Staff hours incurred to complete the audit. ³ This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, 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:

- Was the new policy on nepotism and conflicts of interest reviewed by the audit staff?

**DEPARTMENT OF FINANCIAL INSTITUTIONS
(JUNE 30, 2020 AND 2019)**

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 Department of Financial Institutions 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:

- There were no findings identified in the audit report. There were no prior audit findings related to the financial statements of the Department of Financial Institutions.
- There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Department of Financial Institutions		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$16,990.00	\$21,342.50
State Auditor's office hours ²	243.00	304.00
Hourly rate	\$69.92	\$70.21
Agency costs ³	\$4,129.00	\$0.00

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

²Staff hours incurred to complete the audit.

³This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to 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:

- Why wasn't the agency charged for the cost of the audit as it is 100 percent special funded? The agency was charged \$4,129 for its prior audit.
- What changed that required 61 more hours to complete the audit?

**STATE HISTORICAL SOCIETY
(JUNE 30, 2020 AND 2019)**

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:

- There were no findings identified in the audit report. There were no prior audit findings related to the financial statements of the State Historical Society.
- There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

State Historical Society		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$12,605.00	Not available
State Auditor's office hours ²	176.00	Not available
Hourly rate	\$71.62	Not available
Agency costs ³	\$3,148.00	Not available

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

²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- None.

**INDIAN AFFAIRS COMMISSION
(JUNE 30, 2020 AND 2019)**

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 Indian Affairs Commission 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:

- **Operating budget exceeded** - The Indian Affairs Commission overspent its operating budget by \$2,859. Their total allocation from the general fund was \$263,704 for operating expenses during the biennium from July 1, 2017, to June 30, 2019.
- **Prior audit findings** - The Indian Affairs Commission has implemented all recommendations included in the prior audit report relating to improper use of state funds, lack of annual inventory of assets, and lack of fraud risk assessment.

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

Indian Affairs Commission		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$9,660.00	\$8,562.50
State Auditor's office hours ²	122.50	125.00
Hourly rate	\$78.86	\$68.50
Agency costs ³	\$0.00	Not available

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

²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- None.

**PROTECTION AND ADVOCACY PROJECT
(JUNE 30, 2020 AND 2019)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violation of law in significant or high-risk functions of the agency.

The State Auditor's office did not find any areas of concern.

Findings:

- No findings were discovered and no deficiencies were identified related to internal controls.

Other information:

- The State Auditor's office interviewed agency personnel, analyzed financial data, and reviewed adequacy of blanket bond coverage.

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

Protection and Advocacy Project		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$13,880.00	\$8,185.00
State Auditor's office hours ²	187.50	117.50
Hourly rate	\$74.03	\$69.66
Agency costs ³	\$0.00	\$0.00

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²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- Why did the audit take 70 fewer hours to complete and why did the hourly rate decrease?

**MILL AND ELEVATOR ASSOCIATION
(JUNE 30, 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:

- **Line of credit** - As shown on page 17, the Mill and Elevator Association has a \$70 million line of credit with the Bank of North Dakota, of which the Mill has accessed \$30 million. The interest rate was 2.4365 percent as of June 30, 2020.
- **Loan note** - As shown on page 17, 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 2020, the Mill and Elevator Association transferred \$5,423,841 to the general fund.

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

Mill and Elevator Association		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$34,763.66	\$37,567.93
State Auditor's office hours ²	488.50	536.00
Hourly rate	\$71.16	\$70.09
Agency costs ³	\$21,886.00	\$29,000.00
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, 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.

**SMALL EMPLOYER LOAN FUND
(JUNE 30, 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 Bank of North Dakota originated 432 loans from the fund totaling \$14.3 million in fiscal year 2020. Loans outstanding, as of June 30, 2020, totaled \$14.3 million. In addition, the fund had pending commitments for 72 loans totaling \$2.8 million, and \$5.6 million was available for new loans as of June 30, 2020.

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 small employer loan fund. The cost of the contracted audit was \$8,000.

Observations/potential questions relating to the audit report:

- None.

INNOVATION TECHNOLOGY LOAN FUND (JUNE 30, 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 Bank of North Dakota originated 10 loans from the fund totaling \$8.2 million in fiscal year 2020. Loans outstanding, as of June 30, 2020, totaled \$5.3 million. In addition, the fund had pending commitments for 3 loans totaling \$2.4 million, and \$4.7 million was available for new loans as of June 30, 2020.

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 innovation technology loan fund. The cost of the contracted audit was \$8,000.

Observations/potential questions relating to the audit report:

- How does the allowance for loan losses compare to other funds administered by the Bank of North Dakota?

**NORTH DAKOTA LOTTERY
(JUNE 30, 2019 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:

- 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		
	2019 Audit	2020 Audit
State Auditor's office ¹	\$33,660.00	\$25,833.00
State Auditor's office hours ²	464.00	360.25
Hourly rate	\$72.54	\$71.71
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 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:

- On page 7, what is the reason for the decline in lottery ticket sales, primarily in the Powerball and Mega Millions games?
- Section 54-10-01(2) requires the State Auditor to charge for the cost of an audit to all agencies that receive and expend money from other than the general fund. Lottery expenditures are paid from the lottery operating fund. Why was the North Dakota Lottery not charged for the cost of the audit?

**INDUSTRIAL COMMISSION
(JUNE 30, 2020 AND 2019)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violation of law in significant or high-risk functions of the agency.

The State Auditor's office did not find any areas of concern.

Findings:

- No findings were discovered, and no deficiencies were identified related to internal controls.

Other information:

- The State Auditor's office interviewed agency personnel, analyzed and tested expenditures, and reviewed compliance with appropriation laws.

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

Industrial Commission		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$24,762.50	\$44,462.50
State Auditor's office hours ²	359.00	540.75
Hourly rate	\$68.97	\$82.22
Agency costs ³	\$6,131.00	Not available
¹ This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit. ² Staff hours incurred to complete the audit. ³ This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, 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:

- Why did this audit take 180 more hours to complete compared to the prior audit and with a substantial increase in the hourly rate?

**SECRETARY OF STATE
(JUNE 30, 2020 AND 2019)**

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 Secretary of State 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:

- **Lack of revenue reconciliation** - A difference of \$75,211 from revenue generated through various citizen fees through the Secretary of State's office information technology systems, when compared to ConnectND, the state's accounting system.

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

Secretary of State		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$21,302.50	\$23,970.00
State Auditor's office hours ²	304.50	313.50
Hourly rate	\$69.96	\$76.46
Agency costs ³	\$580.00	Not available

¹This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.
²Staff hours incurred to complete the audit.
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Observations/potential questions relating to the audit report:

- None.

**SECURITIES DEPARTMENT
(JUNE 30, 2020 AND 2019)**

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 Securities Department 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:

- There were no findings identified in the audit report. There were no prior audit findings related to the financial statements of the Securities Department.
- There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Securities Department		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$9,185.00	\$23,707.50
State Auditor's office hours ²	141.00	328.00
Hourly rate	\$65.14	\$72.28
Agency costs ³	\$87.00	\$0.00

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

²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- What changed that required 187 more hours to complete the audit?
- The Securities Department is 100 percent special funded, why wasn't it charged for the audit?

**INFORMATION TECHNOLOGY DEPARTMENT
(JUNE 30, 2019 AND 2020)**

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

Findings:

- No audit findings were identified.
- The prior audit report identified a finding related to inadequate annual inventory procedures and 217 assets that could not be located during the fiscal year 2018 physical inventory audit. Of these assets, 24 contained potentially sensitive information. The Information Technology Department responded that fiscal policies were updated related to asset documentation and a new fixed asset system was implemented that reduces the amount of manual data entry as assets are moved between locations.

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

Information Technology Department		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$34,838.00	\$54,248.00
State Auditor's office hours ²	503.75	699.50
Hourly rate	\$69.16	\$77.55
Agency costs ³	\$21,332.00	Not available

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

²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- Was a physical inventory audit conducted during the current year? If so, were any assets noted as missing? If not, when will the next physical inventory audit be conducted?
- On page 8, what is the nature of the "transfers in" revenue category and why did this revenue increase \$25.2 million (965 percent) from fiscal year 2019 to fiscal year 2020?
- What is the reason for the \$19,410 increase from the fiscal year 2019 audit to the fiscal year 2021 audit?

**NORTH DAKOTA DEPARTMENT OF VETERANS' AFFAIRS
(JUNE 30, 2019 AND 2020)**

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

Findings:

- **Federal regulations not followed in grant agreement.** Administrative costs totaling \$3,051 were directly charged to the highly rural transportation grant program. As identified in the audit report, indirect costs are not allowed to be charged directly to the grant and these costs should have been charged to the grant by a journal entry. The State Auditor's staff tested 16 grant subrecipient agreements and noted all agreements were missing information required by the federal government.

The State Auditor recommends the department comply with the grant agreement from the United States Department of Veterans Affairs and Title 2 of the Code of Federal Regulations part 200, which does not allow charging administration costs directly to the grant and using the appropriate indirect cost rate and updating subrecipient agreements to include required information. The department agreed with the recommendations.

- There were no audit findings identified in the prior audit report for the 2-year period ended June 30, 2018.

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

North Dakota Department of Veterans' Affairs		
	2019 Audit	2021 Audit
State Auditor's office ¹	\$19,680.00	\$46,125.00
State Auditor's office hours ²	298.00	594.00
Hourly rate	\$66.04	\$77.65
Agency costs ³	\$4,014.00	Not available

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

Observations/potential questions relating to the audit report:

- On page 8, what was the cause of the \$234,755 fiscal year 2019 audit adjustment made related to the highly rural transportation grant program?
- What is the reason the number of hours required for the audit nearly doubled and the cost of the audit increased by \$26,445?

**RETIREMENT AND INVESTMENT OFFICE
(JUNE 30, 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:

- **Fund growth** - The value of the funds administered by the Retirement and Investment Office increased by \$1.6 billion, or 11.2 percent, from June 30, 2019, to June 30, 2020, of which 53 percent of the increase was related to the legacy fund.
- **Net pension liability** - The net pension liability of the Teachers' Fund for Retirement was \$1.53 billion on June 30, 2020, and \$1.38 billion on June 30, 2019.

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

The State Auditor's office contracted with CliftonLarsonAllen LLP for the audit of the Retirement and Investment Office. The cost of the contracted audit was \$136,410 for the June 30, 2020, and the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
(JUNE 30, 2019 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:

- 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 CliftonLarsonAllen LLP at a cost of \$128,400 to complete the June 2020 and June 2019 audit, the same as the June 2019 and June 2018 audit.

Observations/potential questions relating to the audit report:

- On page 9, an underwriting gain of \$6,992,619 was realized for the uniform group insurance program compared to a \$2,163 loss in fiscal year 2019. What are the reasons for the change between these years?
- The fiscal year 2020 single discount rate was 4.64 percent compared to a fiscal year 2019 single discount rate of 7.5 percent.
- The Public Employees Retirement System retirement plan investment return valuation was lowered from 7.5 percent in fiscal year 2019 to 7.0 percent in fiscal year 2020.
- A schedule of investment returns from 2013 to 2020 for each Public Employees Retirement System retirement plan is provided on page 66.

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

Other information:

- The balance of the housing incentive fund increased from \$3.3 million on June 30, 2019, to \$9.2 million on June 30, 2020, primarily because of a transfer of \$7.5 million from the general fund in fiscal year 2020 approved during the 2019 legislative session.

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

The State Auditor's office contracted with Brady, Martz & Associates PC for the audit of the housing incentive fund. The cost of the contracted audit was \$5,065 for the June 30, 2020, audit compared to \$4,880 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- None.

HOUSING FINANCE AGENCY (JUNE 30, 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:

- **Outstanding bonds** - The Housing Finance Agency had outstanding bonds totaling \$1.33 billion on June 30, 2020, an increase of \$70 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 for the audit of the Housing Finance Agency. The cost of the contracted audit was \$46,575 for the June 30, 2020, audit compared to \$44,975 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- Why does the agency have a liability of \$319,000 due to the Office of Management and Budget for fiscal year 2020, as shown on page 28?

JOB SERVICE NORTH DAKOTA (JUNE 30, 2019 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:

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

Other information:

- In House Bill No. 1395 (2021), the Legislative Assembly appropriated \$370,953,307 of federal coronavirus relief funds to Job Service North Dakota for the 2019-21 biennium, for state unemployment insurance claims and to minimize the impact to employer tax rates (\$355,600,000), reimbursable group premiums related to COVID-19 unemployment costs (\$10,953,307), temporary staff and overtime costs (\$2,200,000), contractual services for mainframe application management (\$500,000), and other COVID-19-related costs, primarily for information technology programming costs for new federal unemployment insurance benefits programs (\$1,700,000).
- During the 2019-21 biennium, Job Service North Dakota received and spent federal funding for various programs as a result of the COVID-19 pandemic pursuant to continuing appropriation authority in Section 4 of House Bill No. 1016 (2019). Through April 30, 2021, Job Service North Dakota received and spent approximately \$709 million for these programs, primarily for the Federal Pandemic Unemployment Compensation Program (\$510 million), Pandemic Emergency Unemployment Compensation Program (\$118 million), the Pandemic Unemployment Assistance Program (\$63 million), and the Emergency Unemployment Relief for Governmental Entities and Nonprofit Organizations Program for reimbursable group premiums (\$11.5 million). This funding was deposited in and spent from the unemployment insurance trust fund. The balance of the fund as of April 30, 2021, was \$239.3 million, compared to the pre-pandemic fund balance of \$192.8 million on March 16, 2020.

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

Job Service North Dakota contracted with Brady, Martz & Associates PC at a cost of \$80,000 to complete the June 2020 and June 2019 audit, the same as the June 2019 and June 2018 audit.

Observations/potential questions relating to the audit report:

- On page 17, operating revenues from the federal government increased significantly from fiscal year 2019 to fiscal year 2020 due to the COVID-19 pandemic, primarily from March 2020 through June 2020.

**NORTH DAKOTA DEVELOPMENT FUND
(JUNE 30, 2020 AND 2019)**

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 agency's financial statements.
- **Preparation of financial statements** - 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. **This finding was also identified in previous audit reports.**
- **Material audit adjustments** - The audit procedures identified a missing transaction to record a transfer of \$15 million from the Bank of North Dakota to the fund. Management corrected the missing transaction.

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

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

Observations/potential questions relating to the audit report:

- None.

**STUDENT LOAN TRUST FUND
(JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - The fund had approximately \$1.5 million of cash, investments, and current receivables as of June 30, 2020, which is almost entirely restricted as collateral and for future obligations.
- **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, 2020, the fixed rate was 3.39 percent and the variable rate was 1.8 percent. As of July 1, 2019, the fixed rate was 4.74 percent and the variable rate was 3.93 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 \$29,800 for the June 30, 2020, audit and \$28,950 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- None.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (DECEMBER 31, 2019 AND 2018)

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 are free from material misstatement. An unmodified opinion was issued on the association's financial statements.

As part of obtaining reasonable assurance about whether CHAND's financial statements are free from material misstatement, the transactions of CHAND 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:

- 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*.

Audit cost:

The Comprehensive Health Association of North Dakota contracted with Eide Bailly, LLP to perform the audit. The audit cost was not reported.

Observations/potential questions relating to the audit report:

- The audit report on the financial statements dated December 31, 2018 and 2017, identified one finding related to internal control over financial reporting. The Comprehensive Health Association of North Dakota receives cash from Noridian Mutual Insurance Company in the month following the month of operations for activity. This creates risk to the reporting of CHAND cash balances as Noridian Mutual Insurance Company is unable to determine in a timely manner the amount of cash received on behalf of CHAND. Was this finding addressed during the audit of the financial statements dated December 31, 2019 and 2018?

WORKFORCE SAFETY AND INSURANCE (JUNE 30, 2019 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:

- 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 at a cost of \$58,500 to complete the June 2020 and June 2019 audit, an increase of \$1,500 from the \$57,000 contracted to complete the June 2019 and June 2018 audit.

Observations/potential questions relating to the audit report:

- On page 25, what do the "due from" balances to be received from the Information Technology Department (\$16,627) and the Office of Management and Budget (\$116,576) during fiscal year 2020 relate to?
- On page 27, what is the reason for future minimum operating lease payments decreasing from \$280,124 in fiscal year 2021 to \$46,473 in fiscal year 2022 and \$17,084 in fiscal year 2023?
- Tenant leases are described on pages 40 and 41. What is the cost per square foot for the leases? Did the Department of Commerce reduce its leased space from fiscal year 2019 to fiscal year 2020?

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND (JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - The Bank of North Dakota originated seven loans from the fund totaling \$47.3 million in fiscal year 2020 compared to three loans totaling \$21.7 million in fiscal year 2019. During fiscal year 2020, the fund purchased \$17.9 million of other school construction loans from the Bank. Loans outstanding, as of June 30, 2020, totaled \$240 million. The fund had \$65.6 million of cash available for new loans as of June 30, 2020.

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 school construction assistance revolving loan fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, audit compared to \$5,800 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- None.

REBUILDERS LOAN PROGRAM (JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - As of June 30, 2020, the fund had 1,159 outstanding loans totaling approximately \$23.9 million. In fiscal year 2020, there were 35 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, 2020, payments owed to the Bank totaled \$6.4 million, and payments owed to the general fund total \$15.3 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 for the audit of the rebuilders loan program. The cost of the contracted audit was \$7,300 for the June 30, 2020, audit and \$7,150 for the June 30, 2019, 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.

**PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION FUND
(JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - The fund was supporting interest buydowns on 926 outstanding loans as of June 30, 2020. Of the 926 outstanding loans, 161 loans were made during fiscal year 2020. The fund had a cash balance of \$60.6 million as of June 30, 2020.

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 partnership in assisting community expansion (PACE) fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, audit and \$5,800 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- Although management's discussion on page 4 of the report indicates the Legislative Assembly designated specific appropriations for PACE, flex PACE, and medical PACE, the Legislative Assembly in House Bill No. 1014 (2019) only designated the appropriation for PACE.
- As shown on page 14, PACE fund cash deposits at the Bank of North Dakota as of June 30, 2020, were \$60.6 million. As referenced on page 12, in lieu of an administrative fee, the Bank does not pay interest to the PACE fund on cash accounts at the Bank that have not been disbursed to the funding agency.

**AGRICULTURE PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION FUND
(JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - The fund supported interest buydowns on 346 outstanding loans as of June 30, 2020. Of the 346 outstanding loans, 70 loans were made during fiscal year 2020.

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 agriculture partnership in assisting community expansion (Ag PACE) fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, audit compared to \$5,800 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- On page 3, second paragraph under financial highlights, information is provided 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 \$3.6 million on June 30, 2020. As referred 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.

**MEDICAL FACILITY INFRASTRUCTURE LOAN FUND
(JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - As of June 30, 2020, the fund had approximately \$46.1 million of loans outstanding. One new loan totaling \$3.5 million was originated in fiscal year 2020, with two pending loan commitments for \$4.3 million as of June 30, 2020. The fund had approximately \$3.9 million available for new loans as of June 30, 2020.

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 medical facility infrastructure loan fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, audit and \$5,800 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- None.

INFRASTRUCTURE REVOLVING LOAN FUND (JUNE 30, 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 fund's financial statements.

Other information:

- **Loans outstanding** - As of June 30, 2020, the fund had approximately \$97.1 million of loans outstanding, including 10 loans totaling \$17.2 million, which were originated in fiscal year 2020. The fund also had commitments for 11 loans totaling approximately \$44.9 million as of June 30, 2020.

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 infrastructure revolving loan fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, audit and \$5,800 for the June 30, 2019, 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 (SIIF) and up to \$100 million from Bank of North Dakota profits. As of June 30, 2020, the \$50 million has been transferred from SIIF, but only \$48 million of the \$100 million was transferred from the Bank.
- House Bill No. 1014 (2019) authorized the Office of Management and Budget to transfer up to \$40 million from SIIF to the infrastructure revolving loan fund during the 2019-21 biennium, contingent on any oil and gas tax revenues exceeding \$755 million in SIIF during the period August 1, 2017, through July 31, 2019. On August 1, 2019, the fund received transfers of \$25,137,707 from SIIF due to SIIF revenues exceeding \$755 million.
- 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, 2019 AND 2020)

Audit purpose: The purpose of the audit report is solely to describe the scope of the auditor's testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the program's internal control or on compliance.

Findings:

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

Other information:

- **Loans provided** - There were two loans totaling \$15,000 made during the year ended June 30, 2020, one loan totaling \$7,500 made during the year ended June 30, 2019, and nine loans totaling \$60,000 made during the year ended June 30, 2018. There were no pending applications as of June 30, 2020. At June 30, 2020, the gross amount of outstanding loans was \$113,192 with an allowance for loan losses of \$6,435 for net loans of \$106,757.

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 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, 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:

- **Royalty revenues** - The Department of Trust Lands collected \$238.4 million of royalty revenues in fiscal year 2020, a decrease of \$83.5 million compared to the prior year. The decrease was primarily related to a downturn in commodity markets during the COVID-19 pandemic.
- **Investments** - The department's investments decreased by \$293 million, or 5 percent, from \$5,819 million on June 30, 2019, to \$5,526 million on June 30, 2020.
- **Loan programs** - The outstanding loans for various programs on June 30, 2020, were as follows:
 - Farm loan pool and farm real estate loans - \$7.4 million
 - Energy construction loans - \$0.9 million
 - Coal impact loans - \$10.5 million
 - School construction loans - \$39.1 million

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 \$43,860 for the June 30, 2020, audit and \$44,120 for the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- As shown on page 47, why did the department's rent for office space, which is paid to the common schools trust fund, increase by \$22,836 (46 percent), from \$49,320 in fiscal year 2019 to \$72,156 in fiscal year 2020?

NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM (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 fund's financial statements.

Other information:

- **Outstanding loan guarantees** - Loan guarantees totaled \$1.16 billion as of December 31, 2020, the same as the prior year.
- **Reserve balance** - The Bank of North Dakota maintains the required reserves for the guaranteed loans based on historical default rates. As of December 31, 2020, the reserve balance totaled \$50 million, an increase of \$5.4 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 North Dakota guaranteed student loan program. The cost of the contracted audit was \$24,725 for the June 30, 2020, and the June 30, 2019, audit.

Observations/potential questions relating to the audit report:

- As noted on page 6, the increase in the allowance requirement is related to an increase in deferred payments and forbearances resulting from the COVID-19 pandemic. Will this increased level continue in the future?

**BEGINNING FARMER REVOLVING LOAN FUND
(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 fund's financial statements.

Other information:

- **New loans** - The Bank of North Dakota approved 147 loans totaling \$24.2 million in 2020 and 157 loans totaling \$28.1 million in 2019. As of December 31, 2020, \$6.2 million was available for new loans.
- **Interest rate buydowns** - Over the life of the loans approved in 2020, the interest rate buydowns totaled \$3.1 million, a decrease of \$0.2 million compared to 2019.

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 beginning farmer revolving loan fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, and June 30, 2019, audits.

Observations/potential questions relating to the audit report:

- As noted on page 6, Senate Bill No. 2197 (2019) provides an option for borrowers to access a 10-year loan with a fixed interest rate in addition to the variable rate offered under the current program. How will this change impact the amount needed for interest rate buydowns?

**COMMUNITY WATER FACILITY LOAN FUND
(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 fund's financial statements.

Other information:

- **Outstanding loans** - As of December 31, 2020, the balance of outstanding loans totaled \$14.2 million.
- **New loans** - The fund did not have any new loans in 2020 or 2019. The cash available for new loans was \$22.2 million as of December 31, 2020.

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 community water facility loan fund. The cost of the contracted audit was \$5,950 for the June 30, 2020, and June 30, 2019, audits.

Observations/potential questions relating to the audit report:

- House Bill No. 1431 (2021) repealed the community water facility loan fund and transferred any remaining loans and cash to a newly created water infrastructure revolving loan fund. Although not during the audit period, have the transfers occurred?

**BANK OF NORTH DAKOTA
(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:

- **Loans outstanding** - As shown on page 6, the Bank of North Dakota had outstanding loans totaling \$4,627 million as of December 31, 2020, an increase of \$205 million, or 4.6 percent, compared to the prior year. The increase in loans is primarily related to commercial and farm loans issued in response to COVID-19 pandemic relief and farm disaster relief.
- **Profits** - As shown on page 9, the Bank's profits before transfers totaled \$176.3 million in fiscal year 2019 and \$155.1 million in fiscal year 2020.
- **Capital position** - As shown on page 11, the Bank's tier one capital leverage ratio was 11.97 percent on December 31, 2020. Based on federal regulations, a "well capitalized" bank must have a tier one capital leverage ratio of at least 5 percent.

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

The State Auditor's office contracted with Eide Bailly, LLP for the audit of the Bank of North Dakota. The cost of the contracted audit was \$105,495 for the June 30, 2020, and June 30, 2019, audits.

Observations/potential questions relating to the audit report:

- None.

**COLLEGE SAVE
(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 fund's financial statements.

Other information:

- **Total assets** - Total assets of the fund were \$599.8 million and \$535.8 million as of December 31, 2020, and 2019, respectively.
- **Average account balance** - The average account balance decreased from \$13,600 on December 31, 2019, to \$12,900 at December 31, 2020.

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

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

Observations/potential questions relating to the audit report:

- Note 4 on the bottom of page 36 references the Bank of North Dakota's costs for administrative, marketing, and oversight services, which are not paid from the fund. What is the Bank's funding source for these costs?

**NORTH DAKOTA BEEF COMMISSION
(JUNE 30, 2019 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:

- **Preparation of financial statements** (Prior audit finding) - The Beef Commission does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, required supplementary information, and supplementary information as required by generally accepted accounting principles. The Beef Commission's management is aware of the deficiency and addresses it by recording the underlining trial balance, as well as reviewing and approving the adjusting journal entries.

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

North Dakota Beef Commission		
	2019 Audit	2020 Audit
State Auditor's office ¹	\$18,800.00	\$15,112.50
State Auditor's office hours ²	277.00	205.00
Hourly rate	\$67.87	\$73.72
Agency costs ³	\$5,186.00	\$16,800.00

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

²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- What types of expenditures are included in the \$245,930 of international promotion in fiscal year 2020 and why did it increase \$210,700 (598.1 percent) from fiscal year 2019? Where are the dollars targeted?
- Where are noninternational promotion expenditures targeted and why did those expenditures increase \$148,234 (109.7 percent) in fiscal year 2020 from fiscal year 2019?
- Why did the Beef Commission's audit costs increase from \$5,186 for the 2018-19 audit to \$16,800 for the 2019-20 audit?

**NORTH DAKOTA POTATO COUNCIL
(JUNE 30, 2019 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** (Prior audit finding) - Due to limited staff, the Potato Council has one employee responsible for accounting functions, resulting in inadequate segregation of accounting duties. It is recommended the duties be segregated if it becomes feasible for the Potato Council to hire additional staff, that alternative control activities are implemented when possible, and the Potato Council Board of Directors remain involved in the financial affairs.

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

North Dakota Potato Council	
	2020 Audit
State Auditor's office ¹	\$7,995.00
State Auditor's office hours ²	127.50
Hourly rate	\$62.71
Agency costs ³	\$5,600.00
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 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:

- Why did potato assessment revenue decrease \$195,481 (29.2 percent) from fiscal year 2019 to fiscal year 2020?

**NORTH DAKOTA SOYBEAN COUNCIL
(JUNE 30, 2019 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:

- **Not following procurement rules** (Prior audit finding) - A contract was entered into for marketing purchases and analysis without properly soliciting formal sealed bids or proposals via state procurement online (\$192,000). The State Auditor maintains the Soybean Council mistakenly entered a procurement level 4 contract when attempting to conduct a procurement level 2 contract and this led to a misunderstanding of the procurement guidelines surrounding the total assessment value of the purchase. The Soybean Council disagrees but will have staff complete level 4 procurement training and work with the Office of Management and Budget's State Procurement Division to ensure proper procurement rules are followed.
- **Preparation of financial statements** (Prior audit finding) - The Soybean Council does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying note disclosures, required supplementary information, and supplementary information as required by generally accepted accounting principles. The Soybean Council's management is aware of the deficiency and addresses it by recording the underlining trial balance, as well as reviewing and approving the adjusting journal entries.

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

North Dakota Soybean Council		
	2019 Audit	2020 Audit
State Auditor's office ¹	\$36,700.00	\$36,700.00
State Auditor's office hours ²	523.00	523.00
Hourly rate	\$70.17	\$70.17
Agency costs ³	\$5,218.00	\$16,800.00

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

²Staff hours incurred to complete the audit.

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

Observations/potential questions relating to the audit report:

- Why did the North Dakota Soybean Council's agency audit costs increase \$11,582 (222 percent) from fiscal year 2019 to fiscal year 2020?

**NORTH DAKOTA STATE SEED DEPARTMENT
(JUNE 30, 2019 AND 2020)**

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. 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:

Costs for the audit of the North Dakota State Seed Department were not available at the time of this report.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA DRY PEA AND LENTIL COUNCIL
(JUNE 30, 2019 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:

- 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 Dry Pea and Lentil Council	
	2020 Audit
State Auditor's office ¹	\$3,865.00
State Auditor's office hours ²	62.50
Hourly rate	\$61.84
Agency costs ³	\$6,400.00
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 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:

- Why did gross assessment revenue increase \$290,879, or 24.3 percent, from fiscal year 2019 to fiscal year 2020?

**NORTH DAKOTA DRY BEAN COUNCIL
(JUNE 30, 2019 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:

- No audit findings were identified. The prior year audit report identified one finding related to inadequate approval of dry bean assessment refunds. The North Dakota Dry Bean Council responded they will review and initial each submitted dry bean assessment refund application when presented.

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

North Dakota Dry Bean Council	
	2020 Audit
State Auditor's office ¹	\$11,325.00
State Auditor's office hours ²	179.50
Hourly rate	\$63.09
Agency costs ³	\$5,600.00
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 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 ETHANOL COUNCIL
(JUNE 30, 2019 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:

- 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	
	2020 Audit
State Auditor's office ¹	\$5,382.50
State Auditor's office hours ²	86.50
Hourly rate	\$62.23
Agency costs ³	\$6,000.00
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, 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 MILK MARKETING BOARD
(JUNE 30, 2019 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:

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

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

North Dakota Milk Marketing Board	
	2020 Audit
State Auditor's office ¹	\$6,140.00
State Auditor's office hours ²	98.50
Hourly rate	\$62.34
Agency costs ³	\$6,000.00
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, 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 BARLEY COUNCIL
(JUNE 30, 2019 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** (Prior audit finding) - 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, that alternative control activities are implemented when possible, and the Barley Council Board of Directors remain involved in the financial affairs.

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

North Dakota Barley Council	
	2020 Audit
State Auditor's office ¹	\$8,560.00
State Auditor's office hours ²	127.50
Hourly rate	\$67.14
Agency costs ³	\$5,600.00
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 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 WHEAT COMMISSION
(JUNE 30, 2019 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:

- 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	
	2020 Audit
State Auditor's office ¹	\$3,550.00
State Auditor's office hours ²	57.50
Hourly rate	\$61.74
Agency costs ³	\$6,700.00
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 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 DAIRY PROMOTION COMMISSION
(JUNE 30, 2019 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:

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

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

North Dakota Dairy Promotion Commission	
	2020 Audit
State Auditor's office ¹	\$3,965.00
State Auditor's office hours ²	63.00
Hourly rate	\$62.94
Agency costs ³	\$6,000.00
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, 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 OILSEED COUNCIL
(JUNE 30, 2019 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:

- 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 Oilseed Council	
	2020 Audit
State Auditor's office ¹	\$8,330.00
State Auditor's office hours ²	135.50
Hourly rate	\$61.48
Agency costs ³	\$6,000.00
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, 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.