



# North Dakota Legislative Council

Prepared for the Legislative Audit and  
 Fiscal Review Committee  
 LC# 23.9325.01000  
 June 2022

## SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE JUNE 29, 2022, MEETING

### DEPARTMENT OF COMMERCE (JUNE 30, 2020 AND 2021)

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

**Findings:**

- No audit findings were identified.

**Status of prior audit recommendations:**

The following recommendations were included in the June 30, 2018 and 2019, audit of the Department of Commerce:

- Follow Office of Management and Budget procurement requirements when making service purchases;
- Comply with all appropriation laws and Office of Management and Budget policy;
- Ensure all contact requirements are performed and supported prior to issuing contract payments; and
- Strengthen internal controls to ensure expenditures are charged to the proper biennial appropriations.

The June 30, 2020 and 2021, audit of the Department of Commerce indicates the department has implemented changes and controls to address the prior audit recommendations.

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

Department of Commerce		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$94,495.00	
State Auditor's office hours <sup>2</sup>	1,356.50	
Hourly rate	\$69.66	
Agency costs <sup>3</sup>	\$2,418.00	\$2,058.00

<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.  
<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- None.

**DEPARTMENT OF CORRECTIONS AND REHABILITATION  
(JUNE 30, 2020 AND 2021)**

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

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

**Findings:**

- The State Auditor reported no areas of concern.

**Status of prior audit recommendations:**

The following recommendations were included in the June 30, 2018 and 2019, audit of the Department of Corrections and Rehabilitation:

- Update the DOCSTARS information system to retain the historical supervision level overrides;
- Ensure supervision level overrides are approved by a program manager or a lead officer and documented by the individual approving instead of the individual seeking approval; and
- Implement procedures to ensure all pharmacy adjustments are accounted for and all adjustments are reviewed and approved by an individual who did not prepare the adjustment.

The June 30, 2020 and 2021, audit of the Department of Corrections and Rehabilitation indicates the department has implemented changes and controls to address prior audit recommendations.

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

Department of Corrections and Rehabilitation		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$94,012.50	
State Auditor's office hours <sup>2</sup>	1,233.00	
Hourly rate	\$76.25	
Agency costs <sup>3</sup>	\$0.00	\$1,356.60

<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.  
<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- None.

**FOREST SERVICE  
(JUNE 30, 2020 AND 2021)**

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

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

**Findings:**

- The State Auditor reported no areas of concern.

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

Forest Service		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$12,882.50	
State Auditor's office hours <sup>2</sup>	192.50	
Hourly rate	\$100.17	
Agency costs <sup>3</sup>	\$6,400.00	\$7,537.12
<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. <sup>4</sup> The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.		

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

- None.

**GOVERNOR'S OFFICE  
(JUNE 30, 2021 AND 2020)**

**Audit purpose:** The purpose of this audit was to determine if there are any internal control weaknesses or violations of state law.

**Findings:**

- No areas of concern were identified.

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

Governor's Office		
	2020 Audit	2022 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$18,097.50	
State Auditor's office hours <sup>2</sup>	265.50	
Hourly rate	\$68.16	
Agency costs <sup>3</sup>	\$0.00	\$0.00
<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. <sup>4</sup> The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.		

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

- None.

**INSURANCE COMMISSIONER  
(JUNE 30, 2020 AND 2021)**

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

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

**Findings:**

- Incorrect distributions to fire districts and departments - The State Auditor reported incorrect distributions caused several fire districts and departments to be underpaid by a total of \$33,783, with other fire districts and departments overpaid by the same total amount.

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

Insurance Commissioner		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$34,552.50	
State Auditor's office hours <sup>2</sup>	496.50	
Hourly rate	\$69.59	
Agency costs <sup>3</sup>	\$8,635.00	\$21,250.00

<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.

<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- Were the fire districts and departments that were underpaid reimbursed for the underpayment?  
Were the fire districts and departments that were overpaid asked to repay the overpayment?
- Why did the agency cost increase significantly from the 2019 audit to the 2021 audit?

**JUDICIAL BRANCH  
(JUNE 30, 2020 AND 2021)**

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

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

**Findings:**

- The State Auditor reported no areas of concern.

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

Judicial Branch		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$19,115.00	
State Auditor's office hours <sup>2</sup>	274.50	
Hourly rate	\$69.64	
Agency costs <sup>3</sup>	\$0.00	\$403.96
<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. <sup>4</sup> The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.		

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

- None.

**DEPARTMENT OF LABOR AND HUMAN RIGHTS  
(JUNE 30, 2020 AND 2021)**

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

**Findings:**

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

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

Department of Labor and Human Rights		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	N/A	
State Auditor's office hours <sup>2</sup>	N/A	
Hourly rate	N/A	
Agency costs <sup>3</sup>	N/A	\$0.00
<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. <sup>4</sup> The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.		

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

- None.

**OFFICE OF ADMINISTRATIVE HEARINGS  
(JUNE 30, 2021 AND 2020)**

**Audit purpose:** The purpose of this audit was to determine if there are any internal control weaknesses or violations of state law.

**Findings:**

- No areas of concern were identified.

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

Office of Administrative Hearings		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$10,332.50	
State Auditor's office hours <sup>2</sup>	166.00	
Hourly rate	\$62.24	
Agency costs <sup>3</sup>	\$6,137.00	\$7,224.00

<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.  
<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- None.



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

**Audit purpose:** To determine financial transactions including expenditures of the North Dakota Racing Commission were made in accordance with law and appropriation requirements.

**Findings:**

- No exceptions or defaults were identified.

**Other information:**

- The statement of revenues and expenditures on page 8 reports that the Racing Commission collected revenues of \$2,886,343 and had expenditures of \$2,668,519 during the 2019-21 biennium.

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

North Dakota Racing Commission		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$7,745.00	
State Auditor's office hours <sup>2</sup>	115.00	
Hourly rate	\$67.35	
Agency costs <sup>3</sup>	\$6,499.00	\$5,770.48

<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.

<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- None.

**NORTH DAKOTA LOTTERY  
(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:**

North Dakota Lottery		
	2020 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$25,833	
State Auditor's office hours <sup>2</sup>	360.25	
Hourly rate	\$71.71	
Agency costs <sup>3</sup>	\$0.00	\$0.00

<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.  
<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- On page 6, the Statement of Revenues, Expenses, and Changes in Net Position Summary shows ticket sale revenue and lottery-related expenses during fiscal year 2020 decreased significantly compared to fiscal year 2019, primarily due to the COVID-19 pandemic. Revenue and expenses for fiscal year 2021 increased from fiscal year 2020 but were less than amounts reported for fiscal year 2019. More detailed revenue and expense data can be found in the Comparative Statement of Revenues, Expenses, and Changes in Net Position on page 10.
- On page 11, the Comparative Statement of Cash Flows shows funding transferred from the lottery fund to the general fund was \$8.6 million during fiscal year 2020 and \$4.1 million during fiscal year 2021.
- On Page 33, lease commitments are presented in note 12. The Attorney General entered a new lease for North Dakota Lottery employees and other Attorney General staff. The lease is for 10 years until 2031 when there is an option to renew the lease for another 10 years.
- Section 54-10-01 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?

**NORTH DAKOTA AGRICULTURAL EXPERIMENT STATION,  
NORTH DAKOTA STATE UNIVERSITY EXTENSION SERVICES, AND  
NORTHERN CROPS INSTITUTE  
(JUNE 30, 2020 AND 2021)**

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

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

**Findings:**

- None.

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

North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$38,620.00	
State Auditor's office hours <sup>2</sup>	579.50	
Hourly rate	\$66.64	
Agency costs <sup>3</sup>	\$21,800.00	\$15,483.60

<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.  
<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- None.

**UPPER GREAT PLAINS TRANSPORTATION INSTITUTE  
(JUNE 30, 2020 AND 2021)**

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

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

**Findings:**

- None.

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

Upper Great Plains Transportation Institute		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$14,425.00	
State Auditor's office hours <sup>2</sup>	228.00	
Hourly rate	\$63.27	
Agency costs <sup>3</sup>	\$10,400.00	\$10,048.91

<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.  
<sup>4</sup>The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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

- None.

**STATE TREASURER  
(JUNE 30, 2021 AND 2020)**

**Audit purpose:** The purpose of this audit was to review financial transactions, expenditures, and blanket bond coverage.

**Findings:**

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

**Other information:**

- **Revenue and transfers** - As shown on page 9, the State Treasurer processed revenue collections and transfers totaling \$4.39 billion during the 2019-21 biennium.
- **Expenditures and tax distributions** - As shown on page 9, the State Treasurer processed expenditures and tax distributions totaling \$7.33 billion during the 2019-21 biennium.
- **Appropriation** - As shown on page 10, the State Treasurer's final appropriation authority for the 2019-21 biennium totaled \$175,241,627, including \$173,440,257 of federal COVID-19 funding.

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

State Treasurer		
	2019 Audit	2021 Audit <sup>4</sup>
State Auditor's office <sup>1</sup>	\$37,192.50	
State Auditor's office hours <sup>2</sup>	531.50	
Hourly rate	\$69.98	
Agency costs <sup>3</sup>	\$0.00	
<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. <sup>4</sup> The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.		

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

- None.

**BANK OF NORTH DAKOTA  
(DECEMBER 31, 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:**

- **Loans outstanding** - As shown on page 6, the Bank had net outstanding loans totaling \$4,559 million as of December 31, 2021, a decrease of \$68 million, or 1.5 percent, compared to the prior year. The decrease in loans is primarily related to residential loans which were transferred to the Housing Finance Agency as approved by the Legislative Assembly during the 2021 legislative session.
- **Profits** - As shown on page 10, the Bank's profits before transfers totaled \$155.1 million in calendar year 2020 and \$110.4 million in calendar year 2021.
- **Capital position** - As shown on page 12, the Bank's tier one capital leverage ratio was 10.27 percent on December 31, 2021. Based on federal regulations, a "well capitalized" bank must have a tier one capital leverage ratio of at least 5 percent.

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

The State Auditor's office contracted with Eide Bailly LLP for the audit of the Bank of North Dakota. The cost of the contracted audits was \$105,495 for the June 30, 2020, audit and \$109,000 for the June 30, 2021, audit.

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

- None.

**BEGINNING FARMER REVOLVING LOAN FUND  
(DECEMBER 31, 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.
- One internal control deficiency was identified related to a process to verify the calculation of the interest rate buydown on a loan (2021-001 - Loan Interest Buydown Error Resulting in a Passed Adjustment).

**Other information:**

- **New loans** - The Bank of North Dakota approved 144 loans totaling \$33.8 million in 2021 and 147 loans totaling \$24.2 million in 2020. As of December 31, 2021, \$2.6 million was available for new loans.
- **Interest rate buydowns** - Over the life of the loans approved in 2021, the interest rate buydowns total \$5.5 million, an increase of \$2.4 million compared to 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 Beginning Farmer Revolving Loan Fund. The cost of the contracted audits was \$5,950 for the June 30, 2020, audit and \$6,365 for the June 30, 2021, audit.

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

- As noted on page 7, 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?

## **NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM (DECEMBER 31, 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:**

- **Outstanding loan guarantees** - Loan guarantees totaled \$1.22 billion as of December 31, 2021, a decrease of \$70 million compared to 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, 2021, the reserve balance totaled \$51.9 million, an increase of \$1.9 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 audits was \$24,725 for the June 30, 2020, audit and \$24,780 for the June 30, 2021, audit.

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

- How will recent federal student loan forgiveness initiatives impact North Dakota's student loan programs, including the use of the programs?



**NORTH DAKOTA STOCKMEN'S ASSOCIATION  
(JUNE 30, 2021 AND 2020)**

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

**Findings:**

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

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

The audit of the North Dakota Stockmen's Association was conducted by Haga Kommer, Ltd. The State Auditor's office has not reported the cost of the audit.

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

- On page 4, fixed assets increased \$879,598 (158.2 percent) from \$556,067 in 2020 to \$1,435,665 in 2021. What kind of fixed assets were purchased? Was this primarily due to the purchase of land in September 2021?
- On page 5, branding inspection revenue increased \$516,974 (26.1 percent) from \$1,983,701 in 2020 to \$2,500,675 in 2021. Of this amount, \$259,951 is from federal paycheck protection program loan proceeds received. See Pages 14 and 15 for additional information.