



North Dakota Legislative Council

Prepared for the Legislative Audit and
 Fiscal Review Committee
 LC# 25.9056.01000
 July 2023

SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE JULY 26, 2023, MEETING

This memorandum summarizes major items in audit reports included on the agenda for the July 26, 2023, meeting of the Legislative Audit and Fiscal Review Committee.

ANNUAL COMPREHENSIVE FINANCIAL REPORT (JUNE 30, 2022)

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:

- **Errors in reporting leases** - The Office of Management and Budget implemented Government Accounting Standards Board (GASB) Statement No. 87 and required agencies to enter lease information into the state's accounting software. The entries and calculations were not reviewed by the Office of Management and Budget, and as a result, errors were identified in the audit. A correction was made for three of the leases, but remaining errors will continue to cause misstatements in the financial statements for the duration of the lease terms. The Office of Management and Budget agreed with the recommendation from the State Auditor to improve state agencies' understanding of GASB 87 and implement procedures to review the lease information.

Other information:

- **Postaudit adjustments** - There were 13 postaudit adjustments ranging from \$91,994 to \$40,180,567.

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

Annual Comprehensive Financial Report		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$422,734.50	
State Auditor's office hours ²	5,326.50	
Hourly rate	\$79.36	
Agency costs ³	\$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:

- On page 17, the first passed audit adjustment indicates a total of \$91,994, but the entity wide statement effect totals \$8,603,973 as a debit to expenses and a credit to accounts payable.

**NORTH DAKOTA UNIVERSITY SYSTEM
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine that adequate internal controls exist 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 Minot State University, North Dakota State University, Valley City State University, and Williston State College did not properly classify fiduciary funds and improperly recorded business-type activities and component unit activity as fiduciary fund activity.
- The State Auditor reported Core Technology Services, the University System's centralized information technology function, did not sufficiently monitor a service organization control report.

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		
	2021 Audit	2022 Audit
State Auditor's office ¹	Not available	Not available
State Auditor's office hours ²	Not available	Not available
Hourly rate	Not available	Not available
Agency costs ³	Not available	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:

- As referenced beginning on page 42 of the University System's annual financial report, are there concerns regarding the level of debt certain institutions are taking on, including public-private partnership agreements?

HOUSING INCENTIVE FUND (JUNE 30, 2022 AND 2021)

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

Findings:

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

Other information:

- **Fund balance** - The balance of the housing incentive fund increased from \$6.9 million on June 30, 2021, to \$15.1 million on June 30, 2022, primarily because the Legislative Assembly provided a transfer of \$9.5 million from the general fund to the housing incentive fund in Senate Bill No. 2014 (2021).
- **Grant commitments** - Grant commitments that were awarded but not yet paid totaled \$12.5 million on June 30, 2022, compared to \$10.3 million on June 30, 2021.

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 \$5,155 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

HOUSING FINANCE AGENCY (JUNE 30, 2022)

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 \$1.48 billion on June 30, 2022, an increase of \$130 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 \$53,710 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- Why does the agency have a liability of \$390,000 due to the Office of Management and Budget for fiscal year 2022, as shown on page 27?
- How will the increasing interest rates affect the agency's residential home loan program activity, the value of the bonds issued to support the residential home loan program, and the agency's income?

**NORTH DAKOTA BUILDING AUTHORITY
(JUNE 30, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Projects** - The 2019 Legislative Assembly authorized \$130 million of construction projects for the 2019-21 biennium supported by bonds issued through the State Building Authority, including \$30 million in House Bill No. 1003 (2019) and \$100 million in Senate Bill No. 2297 (2019).
- **Bond anticipation note** - The Building Authority issued a bond anticipation note of \$60 million in May 2020 with an interest rate of 1.5 percent. The bond anticipation note provided early funding to start the construction projects prior to the issuance of the bonds. The bond anticipation note was repaid in October 2020.
- **Bonds outstanding** - The Building Authority had \$110.4 million of long-term bonds outstanding as of June 30, 2022, including \$108.5 million related to the projects authorized by the 2019 Legislative Assembly. As of June 30, 2021, the authority had \$118.1 million of long-term bonds outstanding.

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 State Building Authority. The cost of the contracted audit was \$13,750 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

**PUBLIC FINANCE AUTHORITY
(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:

- **Legacy infrastructure bonds** - As of December 31, 2021, the Public Finance Authority issued \$389.2 million of bonds to support state infrastructure projects and programs with a rating of Aa2 by Moody's and a rating of AA by S&P. The legacy infrastructure bonds are reported separately as a special revenue fund since the bonds are not considered a debt of the state pursuant to the provisions of House Bill No. 1431 (2021) and Senate Bill No. 2014 (2021).
- **Loans outstanding** - As shown on page 9, the Public Finance Authority had municipal securities (loans outstanding to political subdivisions) totaling \$929 million as of December 31, 2021, an increase of 3 percent compared to \$901 million as of December 31, 2020.

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 Public Finance Authority. The cost of the contracted audit was \$23,425 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- How will the recent changes in interest rates affect the demand for municipal securities (loans outstanding to political subdivisions)?

RETIREMENT AND INVESTMENT OFFICE (JUNE 30, 2022 AND 2021)

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

Findings:

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

Other information:

- **Fund growth** - The net position of the funds administered by the Retirement and Investment Office was \$18.1 billion on June 30, 2022, and \$19.2 billion on June 30, 2021. The value of the funds decreased by \$1.1 billion, or 5.8 percent, from June 30, 2021, to June 30, 2022, of which 78 percent of the decrease was related to the legacy fund, including a transfer of \$872 million from the legacy fund to the general fund.
- **Net pension liability** - The net pension liability of the Teachers' Fund for Retirement was \$1.46 billion on June 30, 2022, and \$1.05 billion on June 30, 2021.

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 \$118,636 for the June 30, 2022, and the June 30, 2021, audit, compared to a cost of \$115,178 for the June 30, 2021, and the June 30, 2020, audit.

Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT
SYSTEM - FINANCIAL STATEMENTS
(JUNE 30, 2022 AND 2021)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures on the Public Employees Retirement System (PERS) financial statements were made in accordance with law and appropriation requirements. An unmodified opinion was issued.

Findings:

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

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

The Public Employees Retirement System contracted with CliftonLarsonAllen LLP at a cost of \$115,391 to complete the June 2022 audit, a \$3,457, (3 percent), increase from the price of \$111,934 contracted to complete the June 2021 audit. These amounts include costs to audit schedules of employer allocations, other postemployment benefits (OPEB), and pension schedules.

Observations/potential questions relating to the audit report:

- On the bottom of page 4, net position for all trust funds administered by PERS decreased \$382 million from fiscal year 2021 to fiscal year 2022, primarily due to financial market losses. Additional detail is provided on page 6.
- On page 10, why did premium revenues decrease by \$10,044,852 (2.7 percent) from \$366,940,896 during fiscal year 2021 to \$356,896,044 during fiscal year 2022?
- On page 10, an underwriting gain of \$26,111,259 was realized for the uniform group insurance program during fiscal year 2022 compared to a \$4,408 loss in fiscal year 2021. On page 53, note 14 provides additional information on gains and losses from the uniform group insurance program.
- On page 36, note 5 provides information regarding the PERS office space lease. The lease in the Workforce Safety and Insurance building expires on June 30, 2023. Rent expenditures for the lease were \$113,185 for fiscal year 2022 and \$171,308 for fiscal year 2021. The continuation of the lease is contingent on funding appropriated by the Legislative Assembly.
- On pages 39 through 43, note 8 provides a description of each retirement plan administered by PERS.
- On page 42, a table of the statutory contribution rates as of June 30, 2022, is provided for each retirement plan administered by PERS.
- On page 45, the expected investment rate of return for the PERS defined benefit plan for fiscal year 2022 was lowered from 7 to 6.5 percent. A schedule of actual investment returns from 2013 through 2022 for each PERS retirement plan is provided on page 66.
- On page 71, a schedule of PERS consulting expenses is provided for fiscal year 2022. A schedule for fiscal year 2021 is provided on page 72. Total consulting expenses decreased by \$14,784, (1.7 percent), from \$860,825 during fiscal year 2021 to \$846,041 during fiscal year 2022.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM -
SCHEDULE OF EMPLOYER ALLOCATIONS AND
OTHER POSTEMPLOYMENT BENEFITS AMOUNTS
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures on the PERS schedule of employer allocations and OPEB liability schedules 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 \$115,391 to complete the June 2022 audit, a \$3,457, (3 percent), increase from the price of \$111,934 contracted to complete the June 2021 audit. These amounts include costs to audit schedules of employer allocations, OPEB, and pension schedules.

Observations/potential questions relating to the audit report:

- As noted on page 28, as of June 30, 2022, the total number of retiree health insurance credit plan participants was 33,308, of which 14,290 participants were receiving benefits and 19,018 were active participants not receiving benefits. As of June 30, 2021, the total number of retiree health insurance credit plan participants was 34,764, of which 13,697 participants were receiving benefits and 21,067 were active participants not receiving benefits.
- On page 30, note 4 provides the investment return assumption for the retiree health insurance credit was decreased from 6.5 to 5.75 percent for the July 1, 2022, valuation.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM -
SCHEDULE OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS
(JUNE 30, 2022)**

Audit purpose: The purpose of this audit was to determine that financial transactions including expenditures on the PERS schedule of employer allocations and pension amounts by employer 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 \$115,391 to complete the June 2022 audit, a \$3,457, (3 percent), increase from the price of \$111,934 contracted to complete the June 2021 audit. These amounts include costs to audit schedules of employer allocations, OPEB, and pension schedules.

Observations/potential questions relating to the audit report:

- The schedule of pension amounts by employer on pages 16 through 26 provides the net pension liability assigned to each political subdivision and state agency for the main system retirement plan. Additional schedules are provided on the subsequent pages for other retirement plans administered by PERS.
- On page 34, a table of the statutory contribution rates as of June 30, 2022, is provided for each retirement plan administered by PERS.

**STUDENT LOAN TRUST FUND
(JUNE 30, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Loans outstanding** - The fund had approximately \$1.82 million of cash, investments, and current receivables as of June 30, 2022, which is almost entirely restricted as collateral and for future obligations, compared to \$1.72 million on June 30, 2021.
- **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, 2022, the fixed rate was 6.15 percent and the variable rate was 3.5 percent. As of July 1, 2021, the fixed rate was 3.90 percent and the variable rate was 1.62 percent.
- **Deferment status** - Loans with an authorized deferment period decreased from \$138,000 as of June 30, 2021, to \$58,000 on June 30, 2022. Borrowers were authorized to defer payments for up to 18 months in response to the COVID-19 pandemic.

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 \$9,550 for the June 30, 2022, audit and \$9,270 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- None.

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (DECEMBER 31, 2021 AND 2020)

The Comprehensive Health Association of North Dakota 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 the association's financial statements are free from material misstatement, the transactions of the association were tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Findings:

- There were no deficiencies considered to be material weaknesses in internal control identified in the report.
- There were no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Observations/potential questions relating to the audit report:

- None.

SCHOOL CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND (JUNE 30, 2022 AND 2021)

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

Findings:

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

Other information:

- **Loans outstanding** - The Bank of North Dakota did not originate any school construction loans in fiscal years 2021 or 2022, but purchased \$37.3 million of other school construction loans related to another program administered by the Bank. In fiscal year 2020, the Bank originated 7 loans from the fund totaling \$47.3 million. Loans outstanding, as of June 30, 2022, totaled \$261 million. The fund had \$50.2 million of cash available for new loans as of June 30, 2022.
- **Interest rate buydowns** - The Bank used \$1.3 million in fiscal year 2021 and \$1.05 million in fiscal year 2022 for interest rate buydowns of other school construction loans related to another program administered by the Bank pursuant to Senate Bill No. 2014 (2021).

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 \$6,365 for the June 30, 2022, audit compared to \$6,180 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- None.

REBUILDERS PERMANENT LOAN FUND (JUNE 30, 2022 AND 2021)

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

Findings:

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

Other information:

- **Loans outstanding** - As of June 30, 2022, the fund had 1,837 outstanding loans totaling approximately \$41.4 million.
- **Past due loans** - As of June 30, 2022, there were 41 loans that were 90 days or more past due compared to 46 loans that were 90 days or more past due on June 30, 2021.
- **Repayments** - Repayments are used first to replenish Bank of North Dakota profits and then the general fund. As of June 30, 2022, payments owed to the Bank totaled \$480,000, and payments owed to the general fund total \$15.7 million as noted on page 8.
- **New loans** - During fiscal year 2022, the Bank did not issue any new loans from the fund.

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 \$11,550 for the June 30, 2022, audit compared to \$6,180 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- House Bill No. 1187 (2021) created 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. The bill also transferred the loans and any remaining funds from the small employer loan fund, which was established by the Industrial Commission to support small businesses during the COVID-19 pandemic, to the rebuilders permanent loan fund.

**PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION FUND
(JUNE 30, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Loans outstanding** - The fund was supporting interest buydowns on 1,109 outstanding loans as of June 30, 2022. Of the 1,109 outstanding loans, 196 loans were made during fiscal year 2022. The fund had a cash balance of \$72.6 million as of June 30, 2022.

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 \$6,365 for the June 30, 2022, audit and \$6,180 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- As shown on page 15, PACE fund cash deposits at the Bank of North Dakota as of June 30, 2022, were \$72.6 million. As referenced on page 13, 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, 2022 AND 2021)

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

Findings:

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

Other information:

- **Loans outstanding** - The fund supported interest buydowns on 365 outstanding loans as of June 30, 2022, with outstanding principal totaling \$41.5 million. Of the 365 outstanding loans, 75 loans were made during fiscal year 2022 totaling \$13.8 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 agriculture partnership in assisting community expansion (Ag PACE) fund. The cost of the contracted audit was \$6,365 for the June 30, 2022, audit compared to \$6,180 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- The second paragraph under financial highlights on page 4 provides information on the yield rate and the borrowing rate. What is the average interest rate buydown on loans under this program?
- As shown on page 8, Ag PACE cash on deposit with the Bank of North Dakota for cash on hand and for buydowns committed totaled \$4.4 million on June 30, 2022. As noted on page 12, 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, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Loans outstanding** - As of June 30, 2022, the fund had approximately \$44.6 million of loans outstanding. No new loans were originated in fiscal year 2022, but there were two pending loan commitments for \$8 million as of June 30, 2022. The fund had approximately \$7 million available for new loans as of June 30, 2022.

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 \$6,365 for the June 30, 2022, audit and \$6,180 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- None.

INFRASTRUCTURE REVOLVING LOAN FUND (JUNE 30, 2022 AND 2021)

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

Findings:

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

Other information:

- **Loans outstanding** - As of June 30, 2022, the fund had approximately \$110.4 million of loans outstanding, and 12 loans totaling \$39.4 million were originated in fiscal year 2022. The fund also had commitments for 9 loans totaling approximately \$40.3 million as of June 30, 2022.

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 \$6,365 for the June 30, 2022, audit and \$6,180 for the June 30, 2021, 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, 2022, the \$50 million has been transferred from SIIF, but only \$48 million of the \$100 million has been transferred from the Bank.
- House Bill No. 1431 (2021) authorized the Public Finance Authority to issue up to \$680 million of bonds, including \$50 million to support the infrastructure revolving loan fund. Of the \$50 million of bond proceeds, approximately \$2 million has been deposited in the infrastructure revolving loan fund. How is the remaining \$48 million of bond proceeds being used?

**ADDICTION COUNSELOR INTERNSHIP LOAN FUND
(JUNE 30, 2022 AND 2021)**

Audit purpose: The purpose of the audit is to determine if the financial statements of the addiction counselor loan fund present fairly the financial positions of the addiction counselor internship loan program.

Findings:

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

Other information:

There was one loan totaling \$7,500 made during the year ended June 30, 2022, three loans totaling \$22,500 made during the year ended June 30, 2021, and two loans totaling \$15,000 made during the year ended June 30, 2020. There were no pending applications as of June 30, 2022. At June 30, 2022, the gross amount of outstanding loans was \$84,501 with an allowance for loan losses of \$6,435 for net loans of \$78,066.

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 2021 audit was \$6,180 and the 2022 audit was \$6,365.

Observations/potential questions relating to the audit report:

- None.

**DEPARTMENT OF TRUST LANDS
(JUNE 30, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Royalty revenues** - The Department of Trust Lands collected \$483 million of royalty revenues in fiscal year 2022, an increase of \$206.8 million compared to the prior year. The increase was primarily related to an increase in oil prices.
- **Investments** - The department's investments decreased by \$42 million, or 0.7 percent, from \$6,213 million on June 30, 2021, to \$6,171 million on June 30, 2022.
- **Loan programs** - The outstanding loans for various programs on June 30, 2022, were as follows:
 - Farm loan pool and farm real estate loans - \$4.6 million;
 - Coal impact loans - \$9 million; and
 - School construction loans - \$27.2 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 \$44,484 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- As shown on page 56, the Board of University and School Lands identified \$68.3 million of SIIF as an assigned fund balance for June 30, 2022, relating to mineral ownership disputes, compared to an assigned fund balance of \$218.8 million on June 30, 2021.

**NORTH DAKOTA GUARANTEED STUDENT LOAN PROGRAM
(DECEMBER 31, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Outstanding loan guarantees** - Loan guarantees outstanding totaled \$1.08 billion as of December 31, 2022, a decrease of \$39 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, 2022, the reserve balance totaled \$50.2 million, a decrease of \$1.7 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 \$27,200 for the June 30, 2022, audit and \$24,780 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- None.

**BEGINNING FARMER REVOLVING LOAN FUND
(DECEMBER 31, 2022 AND 2021)**

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

Findings:

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

Other information:

- **New loans** - The Bank of North Dakota approved 218 loans totaling \$56.5 million in 2022 and 122 loans totaling \$33.8 million in 2021. As of December 31, 2022, \$0.7 million was available for new loans.
- **Interest rate buydowns** - Over the life of the loans approved in 2022, the interest rate buydowns total \$8.9 million, an increase of \$3.4 million compared to 2021.

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 \$6,365 for the June 30, 2022, 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?

WATER INFRASTRUCTURE REVOLVING LOAN FUND (JUNE 30, 2022)

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 issued** - In fiscal year 2022, the Bank of North Dakota issued two loans for \$2.5 million.
- **Loans outstanding** - As of June 30, 2022, the fund had approximately \$35.6 million of loans outstanding with commitments for nine loans totaling approximately \$40.3 million. Funding for new loans totaled \$28.7 million on June 30, 2022.

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 water infrastructure revolving loan fund. The cost of the contracted audit was \$11,550 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

**BANK OF NORTH DAKOTA
(DECEMBER 31, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Loans outstanding** - As shown on page 6, the Bank had net outstanding loans totaling \$5,237 million as of December 31, 2022, an increase of \$678 million, or 15 percent, compared to the prior year. The increase in loans is primarily related to an increase in commercial loans, including loans in the Bank's CD match program and the PACE program.
- **Profits** - As shown on page 10, the Bank's profits before transfers totaled \$110.4 million in calendar year 2021 and (\$50.4 million) in calendar year 2022. The loss in calendar year 2022 was primarily related to a decrease in the value of securities and investments held by the Bank resulting from rising interest rates.
- **Capital position** - As shown on page 12, the Bank's tier one capital leverage ratio was 11.43 percent on December 31, 2022. 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 \$109,000 for the June 30, 2021, audit and \$145,000 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

INNOVATION TECHNOLOGY LOAN FUND (JUNE 30, 2022 AND 2021)

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

Findings:

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

Other information:

- **Loans outstanding** - The Bank of North Dakota originated 15 loans from the fund totaling \$9 million in fiscal year 2022 compared to 10 loans from the fund totaling \$6.6 million in fiscal year 2021. Loans outstanding, as of June 30, 2022, totaled \$17.7 million. In addition, the fund had pending commitments for 5 loans totaling \$4.2 million, and \$12 million was available for new loans as of June 30, 2022.
- **Additional funding** - House Bill No. 1141 (2021) provided for a transfer of \$15 million from SIIF to the innovation technology loan fund, and all of the funding was transferred in fiscal year 2022.

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 \$6,365 for the June 30, 2022, audit compared to \$6,180 for the June 30, 2021, audit.

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 relative to the risk of these innovation technology loans?

**COVID-19 PARTNERSHIP IN ASSISTING COMMUNITY
EXPANSION RECOVERY PROGRAM
(JUNE 30, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Loan program** - The Bank of North Dakota established the COVID-19 PACE recovery program to support North Dakota businesses in their recovery from the negative impacts caused by the COVID-19 pandemic. The recovery program included an interest rate buydown loan program and a recovery grant program.
- **Loans outstanding** - The fund supports interest buydowns on 252 outstanding loans as of June 30, 2022, with outstanding principal totaling \$267.7 million. The outstanding loans will require \$19.5 million for the interest rate buydowns for the remainder of the loan repayments.
- **Recovery grants** - To qualify for a grant, a business needed a minimum of a 20 percent loss in gross revenue between April 1, 2020, and September 30, 2020, compared to the same period the year prior. The Bank distributed \$35.6 million in fiscal year 2021. No grants were distributed in fiscal year 2022.

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 COVID-19 PACE recovery program. The cost of the contracted audit was \$6,365 for the June 30, 2022, audit and \$6,180 for the June 30, 2021, audit.

Observations/potential questions relating to the audit report:

- None.

**CLEAN SUSTAINABLE ENERGY AUTHORITY
(JUNE 30, 2022)**

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** - During fiscal year 2022, the Clean Sustainable Energy Authority issued one loan for \$15 million with an interest rate of 2 percent. As of June 30, 2022, the outstanding loans from the clean sustainable energy fund totaled \$15 million.
- **Line of credit** - As of June 30, 2022, the authority used \$15 million of the \$250 million line of credit from the Bank of North Dakota to support the loan issued from the fund.

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 Clean Sustainable Energy Authority. The cost of the contracted audit was \$8,400 for the June 30, 2022, audit.

Observations/potential questions relating to the audit report:

- None.

STATE FAIR (SEPTEMBER 30, 2021)

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

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, the transactions of the Association were tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

In fiscal year 2021, the Association was awarded a federal COVID-19 - Shuttered Venue Operators Grant issued through the United States Small Business Administration. Therefore, the audit was performed to obtain reasonable assurance about whether noncompliance with the compliance requirements, identified as subject to audit in the federal *OMB Compliance Supplement* and that could have a direct and material effect on the Association's major federal program, occurred. As part of obtaining reasonable assurance about whether the Association complied with compliance requirements, internal control over compliance with the types of requirements that could have a direct and material effect on the Association's major federal program was considered.

Findings:

- The auditor's report includes an unmodified opinion.
- There were no deficiencies in internal control considered to be material weaknesses identified in the auditor's report on internal control.
- There were no instances of noncompliance or other matters of the Association that are required to be reported under *Government Auditing Standards* identified in the report on internal control.
- The Association complied, in all material respects, with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program. There were no deficiencies in internal control over compliance considered to be material weaknesses identified in the report. The Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole. There were no federal award findings or questioned costs.
- Audit finding 2021-001 - Schedule of Findings and Questioned Costs.

Finding - The auditor identified one deficiency in internal control considered to be a material weakness in the Foundation, a discretely presented component unit of the Association. A material audit adjustment was proposed to reclassify revenues and expenditures, which would not have been identified as a result of the Foundation's existing internal controls, and therefore could have resulted in a material misstatement of the Foundation's financial statements. The Foundation does not have an internal control system designed to identify all necessary adjustments. This control deficiency could result in a material misstatement to the Foundation's financial statements that would not be prevented or detected.

Recommendation - The auditor recommends a thorough review and reconciliation of accounts in each account should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels. Management of the Foundation agreed with the finding.

Other information:

- Prior audit finding 2020-001 - In fiscal year 2020, the auditor's report on internal control identified one deficiency in internal control considered to be a material weakness. Misstatements were identified in the discretely presented component unit of the Association's prior audited financial statements causing the auditor to propose a material restatement audit adjustment. Certain errors in the Foundation which resulted in misstatements of amounts reported for accounts receivable and revenue as of September 30, 2019, were discovered in fiscal year 2020. Accordingly, adjustments were made to increase the beginning net position for the Foundation by \$25,000 as of October 1, 2019, to correct the errors. The auditor's opinion was not modified with respect to this matter. The financial statements and accompanying notes to the financial statements were not materially correct without the audit adjustment. The Association's internal control system did not identify errors in the reconciliation of accounts which caused a material restatement audit adjustment. The auditor recommended the Association enhance their system of internal controls over the reconciliation

of accounts to reduce the risk of a material misstatement in the financial statements. The Association agreed with the auditor's recommendation.

- The Association receives premium appropriations from the State of North Dakota. These premium appropriations are restricted for the purpose of providing premiums to fair exhibition winners. Premium appropriations expended for the year ended September 30, 2021, totaled \$271,417.
- In fiscal year 2021, the Association was awarded a federal COVID-19 - Shuttered Venue Operators Grant issued through the United States Small Business Administration in the amount of \$2,348,741 to provide relief for the negative impacts the COVID-19 pandemic had on the Association. In April 2022, the Association received a supplemental award to the 2021 federal COVID-19 - Shuttered Venue Operators Grant for a revised grant award totaling \$2,994,750.

Observations/potential questions relating to the audit report:

- None.

**PROTECTION AND ADVOCACY PROJECT
(JUNE 30, 2022 AND 2021)**

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.

Findings:

- The State Auditor's office did not find any areas of concern. 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		
	2021 Audit	2022 Audit
State Auditor's office ¹	\$8,185.00	
State Auditor's office hours ²	117.50	
Hourly rate	\$69.66	
Agency costs ³	\$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:

- None.

**MILL AND ELEVATOR ASSOCIATION
(JUNE 30, 2022)**

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

Findings:

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

Other information:

- **Line of credit** - As shown on pages 17 and 18, the Mill and Elevator Association has a \$100 million line of credit with the Bank of North Dakota (an increase of \$40 million from 2021 to 2022), of which the mill has accessed \$69 million. The interest rate was 1.89 percent as of June 30, 2022, compared to a rate of 1.75 percent as of June 30, 2021.
- **Loan notes** - As shown on page 18, the Mill and Elevator Association borrowed \$40 million from the Bank of North Dakota in fiscal year 2021 for 10 years at an interest rate of 2.5 percent. The Mill and Elevator Association also borrowed \$20 million from the Bank of North Dakota in fiscal year 2019, for 5 years at an interest rate of 3.97 percent. After the date of the financial statements, the Mill and Elevator Association borrowed \$40 million from the Bank of North Dakota for 5 years at an interest rate of 3 percent.
- **Transfers to the general fund** - For fiscal year 2022, the Mill and Elevator Association transferred \$6,971,950 to the general fund compared to \$6,393,652 in fiscal year 2021.

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

Mill and Elevator Association		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$37,567.93	
State Auditor's office hours ²	536.00	
Hourly rate	\$70.09	
Agency costs ³	\$29,000.00	\$34,000.00

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

²Staff hours incurred to complete the audit.

³This is the billable amount, 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 LOTTERY
(JUNE 30, 2022)**

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			
	2021 Audit ⁴	2022 Audit ⁴	
State Auditor's office ¹	N/A	N/A	N/A
State Auditor's office hours ²	N/A	N/A	N/A
Hourly rate	N/A	N/A	N/A
Agency costs ³	\$0.00	\$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 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.

⁴The 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 the bottom of page 7, the Statement of Revenues, Expenses, and Changes in Net Position Summary shows ticket sale revenue and lottery related expenses during fiscal years 2021 and 2022. More detailed revenue and expense data can be found in the Comparative Statement of Revenues, Expenses, and Changes in Net Position on page 11.
- On page 11, the Comparative Statement of Cash Flows shows funding transferred from the lottery fund to the general fund was \$5.6 million during fiscal year 2022. The transfer was \$4.1 million during fiscal year 2021 and \$8.6 million during fiscal year 2020.
- On Page 32, lease commitments are presented in note 12. The Attorney General entered a new lease for North Dakota Lottery employees and other Attorney General staff effective July 1, 2021. The North Dakota Lottery occupies 3,988 square feet, or 12.08 percent of the rented space.

The lease is for 10 years until 2031 when there is an option to renew the lease for another 10 years; however, effective June 30, 2022, an amendment to the lease provides the term of the lease will be 5 years and includes three 5-year renewal options.

The cost per square footage of the lease is \$11.94 for the 1st year and \$12.05 thereafter. Common area maintenance (CAM) expenses are an additional \$5.70 per square foot, which are adjusted 1 percent each year.

- 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?

**SECURITIES DEPARTMENT
(JUNE 30, 2021 AND 2022)**

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

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

Findings:

- No areas of concern were identified.

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

Securities Department		
	2021 Audit	2022 Audit ⁴
State Auditor's office ¹	\$23,708.00	N/A
State Auditor's office hours ²	328.00	N/A
Hourly rate	\$72.28	N/A
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. ⁴ 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.

**INDIAN AFFAIRS COMMISSION
(JUNE 30, 2022 AND 2021)**

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

Findings:

- No findings were identified. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Prior audit findings:

- The Indian Affairs Commission has implemented all recommendations included in the prior audit report relating to overspending appropriation authority.

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

Indian Affairs Commission			
	2021 Audit	2023 Audit	
State Auditor's office ¹	\$8,562.50		\$0.00
State Auditor's office hours ²	125.00		N/A
Hourly rate	\$68.50		N/A
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 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.

**DEPARTMENT OF FINANCIAL INSTITUTIONS
(JUNE 30, 2022 AND 2021)**

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

Findings:

- No findings were identified. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

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

Department of Financial Institutions		
	2021 Audit	2023 Audit
State Auditor's office ¹	\$21,342.50	\$11,050.00
State Auditor's office hours ²	304.00	N/A
Hourly rate	\$70.21	N/A
Agency costs ³	\$9,700.00	\$11,050.00

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:

- None.

**NORTH DAKOTA DEPARTMENT OF VETERANS' AFFAIRS
(JUNE 30, 2022 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 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:

- None.

Prior audit 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 recommended 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.

The Department of Veterans' Affairs has implemented procedures to address the prior audit finding.

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

North Dakota Department of Veterans' Affairs		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$46,125.00	N/A
State Auditor's office hours ²	594.00	N/A
Hourly rate	\$77.65	N/A
Agency costs ³	N/A	\$915.96

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.

**COLLEGE SAVE
(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:

- **Total balance** - Total balance of the fund increased from \$599.8 million as of December 31, 2020, to \$647.3 million on December 31, 2021.
- **Average account balance** - The average account balance decreased from \$12,900 on December 31, 2020, to \$12,800 on December 31, 2021, primarily related to an increase in the number of newly created accounts, which generally have lower balances.

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

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

Observations/potential questions relating to the audit report:

- Note 4 on the bottom of page 37 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?

**COLLEGE SAVE
(DECEMBER 31, 2022 AND 2021)**

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

Findings:

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

Other information:

- **Total balance** - Total balance of the fund decreased from \$647.3 million as of December 31, 2021, to \$541.3 million on December 31, 2022.
- **Average account balance** - The average account balance decreased from \$12,800 on December 31, 2021, to \$10,200 on December 31, 2022, primarily related to a decrease in the fair value of the investments.

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

The audit was not contracted 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, 2022 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:

- **Preparation of financial statements** (Prior audit finding) - The Beef Commission does not have adequate segregation of duties regarding revenue collections. During the months of July through September 2021, there was no independent reconciliation of receipts to deposits to ensure all collections were deposited as one individual was responsible for opening the mail, creating the remittance list, making the deposit, and updating the accounts receivable information.

The Beef Commission hired an additional staff person in October 2021 to address segregation of duties concerns.

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

North Dakota Beef Commission			
	2020 Audit	2022 Audit	
State Auditor's office ¹	\$15,112.50		N/A
State Auditor's office hours ²	205.00		N/A
Hourly rate	\$73.72		N/A
Agency costs ³	\$16,800.00	\$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:

- None.

**NORTH DAKOTA POTATO COUNCIL
(JUNE 30, 2022 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:

- **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.
- **Inadequate controls over reconciling deposits and assessment collection** - The council is not adequately reconciling deposits to what is entered into PeopleSoft by the State Treasurer. The auditor recommends the council adequately reconcile deposits.

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

North Dakota Potato Council			
	2020 Audit	2022 Audit	
State Auditor's office ¹	\$7,995.00		N/A
State Auditor's office hours ²	127.50		N/A
Hourly rate	\$62.71		N/A
Agency costs ³	\$5,600.00		\$6,375.00

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:

- None.

**NORTH DAKOTA SOYBEAN COUNCIL
(JUNE 30, 2022)**

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 the promotional expense request** - The Soybean Council did not utilize a sign-in sheet for multiple meetings where a luncheon meal was provided to employees, resulting in the State Auditor being unable to determine if the cost of the meals were under the North Dakota per diem rate for each person. The State Auditor recommends the Soybean Council follow the Office of Management and Budget promotional expense request guidelines for in-meeting luncheons. The Soybean Council agreed with the finding.

Prior audit findings:

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

This finding was not identified for the June 30, 2022, audit.

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

North Dakota Soybean Council		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$36,700.00	N/A
State Auditor's office hours ²	523.00	N/A
Hourly rate	\$70.17	N/A
Agency costs ³	\$16,800.00	\$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:

- None.

**NORTH DAKOTA STATE SEED DEPARTMENT
(JUNE 30, 2022 AND 2021)**

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:

North Dakota State Seed Department			
	2020 Audit		2022 Audit
State Auditor's office ¹		N/A	N/A
State Auditor's office hours ²		N/A	N/A
Hourly rate		N/A	N/A
Agency costs ³		N/A	\$9,350.00

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:

- None.

**NORTH DAKOTA DRY PEA AND LENTIL COUNCIL
(JUNE 30, 2022 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:

- **Revenues and expenditures applied to incorrect fiscal year** - The North Dakota Dry Pea and Lentil Council did not record revenues and expenditures in the proper period. There was one expenditure totaling \$65,985 recorded in fiscal year 2022 that was for expenditures that were incurred during fiscal year 2021. This was not included on an accounts payable closing package to record this expenditure activity in the correct year. In addition, there was one deposit totaling \$74,458 recorded in fiscal year 2022 that was for assessments during fiscal year 2021. This was not included on a miscellaneous receivables closing package to record revenue activity in the correct year. The result was that expenditures for fiscal year 2021 were understated by \$65,985 and overstated by \$65,985 for fiscal year 2022. In addition, revenues for fiscal year 2021 were understated by \$74,458 and overstated by \$74,458 for fiscal year 2022.

The State Auditor recommends the North Dakota Dry Pea and Lentil Council prepare and submit closing packages to record expenditures and revenues in the correct fiscal year. The North Dakota Dry Pea and Lentil Council agreed with the recommendation and stated all expenditures and revenues will be recorded in the proper fiscal year by considering when revenues are earned and expenditures are incurred, rather than the dates that payments are due.

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	2022 Audit
State Auditor's office ¹	\$3,865.00	N/A
State Auditor's office hours ²	62.50	N/A
Hourly rate	\$61.84	N/A
Agency costs ³	\$6,400.00	\$7,225.00

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²Staff hours incurred to complete the audit.
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Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA DRY BEAN COUNCIL
(JUNE 30, 2022 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. There were no audit findings in the prior year audit report.

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

North Dakota Dry Bean Council		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$11,325.00	N/A
State Auditor's office hours ²	179.50	N/A
Hourly rate	\$63.09	N/A
Agency costs ³	\$5,600.00	\$5,355.00

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Observations/potential questions relating to the audit report:

- Why did bean assessment revenue decrease \$505,453 (41.1 percent) from \$1,230,738 during fiscal year 2021 to \$725,285 during fiscal year 2022?

**NORTH DAKOTA ETHANOL COUNCIL
(JUNE 30, 2022 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 Ethanol Council		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$5,382.50	N/A
State Auditor's office hours ²	86.50	N/A
Hourly rate	\$62.23	N/A
Agency costs ³	\$6,000.00	\$6,800.00

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²Staff hours incurred to complete the audit.

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Observations/potential questions relating to the audit report:

- None.

**NORTH DAKOTA MILK MARKETING BOARD
(JUNE 30, 2022 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 Milk Marketing Board		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$6,140.00	N/A
State Auditor's office hours ²	98.50	N/A
Hourly rate	\$62.34	N/A
Agency costs ³	\$6,000.00	\$6,800.00

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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:

- None.

**NORTH DAKOTA CORN UTILIZATION COUNCIL
(JUNE 30, 2022 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. There were no audit findings in the prior year audit report.

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

North Dakota Corn Utilization Council	
	2022 Audit
State Auditor's office ¹	N/A
State Auditor's office hours ²	N/A
Hourly rate	N/A
Agency costs ³	\$7,650.00
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 corn assessment revenue increase \$1,621,461 (48.4 percent) from \$3,348,015 during fiscal year 2021 to \$4,969,476 during fiscal year 2022?

**NORTH DAKOTA WHEAT COMMISSION
(JUNE 30, 2022 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 Wheat Commission		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$3,550.00	N/A
State Auditor's office hours ²	57.50	N/A
Hourly rate	\$61.74	N/A
Agency costs ³	\$6,700.00	\$7,650.00

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 wheat assessment revenue decrease \$1,248,505 (26 percent) from \$4,803,297 during fiscal year 2021 to \$3,554,792 during fiscal year 2022?

**NORTH DAKOTA DAIRY PROMOTION COMMISSION
(JUNE 30, 2022 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 Dairy Promotion Commission		
	2020 Audit	2022 Audit
State Auditor's office ¹	\$3,965.00	N/A
State Auditor's office hours ²	63.00	N/A
Hourly rate	\$62.94	N/A
Agency costs ³	\$6,000.00	\$6,800.00

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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:

- None.

**NORTH DAKOTA OILSEED COUNCIL
(JUNE 30, 2022 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:

- **Expenditures record in incorrect year** - The North Dakota Oilseed Council incorrectly adjusted the financial statements for fiscal years 2022 and 2021. A payment totaling \$40,000 was to be moved from fiscal year 2022 to 2021. However, the adjustment incorrectly moved \$400,000 in expenditures which resulted in a \$360,000 understatement of expenditures in fiscal year 2022 and \$360,000 overstatement of expenditures in fiscal year 2021.

The State Auditor's office recommends the North Dakota Oilseed Council accurately prepare and submit closing package entries to record expenditures in the correct fiscal year. The Oilseed Council agreed with the recommendation and stated in the future, closing packages will be reviewed closer and any questions or concerns related to closing packages will be discussed with the Office of Management and Budget.

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	2022 Audit
State Auditor's office ¹	\$8,330.00	N/A
State Auditor's office hours ²	135.50	N/A
Hourly rate	\$61.48	N/A
Agency costs ³	\$6,000.00	\$6,800.00

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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 assessment revenue decrease \$509,974 (27.6 percent) from \$1,845,988 during fiscal year 2021 to \$1,336,014 during fiscal year 2022?