



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Wednesday, July 26, 2023
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Emily O'Brien, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Emily O'Brien, Bert Anderson, Dick Anderson, Josh Boschee, Cole Christensen, Mike Nathe, Dan Ruby, Austen Schauer, Scott Wagner; Senators David A. Clemens, Jerry Klein, Judy Lee, Jeffery J. Magrum, Scott Meyer, Shawn Vedaa

Member absent: Representative Scott Louser

Others present: See [Appendix A](#)

It was moved by Representative Schauer, seconded by Representative Boschee, and carried on a voice vote that the minutes of the February 16, 2023, meeting be approved as distributed.

The Legislative Council staff reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

Chairman O'Brien discussed the duties and responsibilities of the committee. She indicated the Legislative Management Chairman recently issued the request for proposal for the performance audit of the State Auditor's office.

COMMITTEE DUTIES AND RESPONSIBILITIES

At the request of Chairman O'Brien, Mr. Toby Mertz, Fiscal Analyst, Legislative Council, reviewed a memorandum entitled [Legislative Audit and Fiscal Review Committee - Statutory Duties and Responsibilities for the 2023-25 Biennium](#).

At the request of Chairman O'Brien, Mr. Mertz presented a memorandum entitled [Summary of Major Items in Audit Reports for the July 26, 2023, Meeting](#) and State Auditor's office executive summaries ([Appendix B](#)).

STATE AUDITOR'S OFFICE OVERVIEW

Mr. Dan Cox, Quality Control Manager, State Auditor's office, presented testimony ([Appendix C](#)) regarding:

- An overview of the State Auditor's office audit processes and procedures; and
- An update of government auditing standards.

ANNUAL COMPREHENSIVE FINANCIAL REPORT - INTERNAL CONTROL AND COMPLIANCE REPORT

Chairman O'Brien called on Mr. Cox, who presented a report entitled [Annual Comprehensive Financial Report State of North Dakota Governance Communication Including the Report on Internal Control, Compliance, and Other Matters for the Year Ended June 30, 2022](#).

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Ms. Crystal Hoggarth, Accounting Manager, Office of Management and Budget, presented a summary ([Appendix D](#)) of the [State of North Dakota Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022](#).

UNIVERSITY SYSTEM INTERNAL CONTROL AND COMPLIANCE REPORT

Chairman O'Brien called on Mr. Cox, who presented a report entitled [North Dakota University System Governance Communication Including the Report on Internal Control, Compliance, and Other Matters for the Year Ended June 30, 2022.](#)

UNIVERSITY SYSTEM ANNUAL FINANCIAL REPORT

Ms. Robin Putnam, Director of Financial Reporting, North Dakota University System, presented the [North Dakota University System Annual Financial Report Fiscal Year Ended June 30, 2022.](#) She noted the report for the University System includes the 11 public universities, the University System office, Core Technology Services, and 9 foundations required by government accounting standards to be included as component units of the University System.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman O'Brien called on Mindy Piatz, Brady, Martz & Associates, PC, Certified Public Accountants, who presented the following reports:

- [North Dakota Housing Incentive Fund Audited Financial Statement for the Years Ended June 30, 2022 and 2021;](#)
- [North Dakota Housing Finance Agency Audited Financial Statement for the Year Ended June 30, 2022;](#)
- [Financial Statement June 30, 2022 and 2021 North Dakota Building Authority;](#) and
- [North Dakota Public Finance Authority Audited Financial Statements for the Years Ended December 31, 2021 and 2020.](#)

Chairman O'Brien called on Brittany Smith, CliftonLarsonAllen LLP, Certified Public Accountants, who presented a summary ([Appendix E](#)) of the following reports:

- [North Dakota Retirement and Investment Office for the Years Ended June 30, 2022 and 2021;](#)
- [North Dakota Retirement and Investment Office - Schedule of Employer Allocations and Pension Amounts by Employer \(June 30, 2022\);](#)
- [North Dakota Public Employees Retirement System for the Years Ended June 30, 2022 and 2021;](#) and
- [North Dakota Public Employees Retirement System - Schedule of Employer Allocations and Pension Amounts by Employer \(June 30, 2022\).](#)

Ms. Barb Aasen and Mr. Darrell Lingle, Eide Bally LLP, Certified Public Accountants, presented the following audit reports:

- [Financial Statements June 30, 2022 and 2021 North Dakota Student Loan Trust;](#)
- [Financial Statements December 31, 2021 and 2020 Comprehensive Health Association of North Dakota;](#)
- [Financial Statements June 30, 2022 and 2021 School Construction Assistance Revolving Loan Fund;](#)
- [Financial Statements June 30, 2022 and 2021 Rebuilders Permanent Loan Fund;](#)
- [Financial Statements June 30, 2022 and 2021 PACE Fund;](#)
- [Financial Statements June 30, 2022 and 2021 Ag PACE Fund;](#)
- [Financial Statements June 30, 2022 and 2021 Medical Facility Infrastructure Loan Fund;](#)
- [Financial Statements June 30, 2022 and 2021 Infrastructure Revolving Loan Fund;](#)
- [Financial Statements June 30, 2022 and 2021 Addiction Counselor Internship Loan Program;](#)
- [Financial Statements June 30, 2022 and 2021 North Dakota Departments of Trust Lands;](#)
- [Financial Statements December 31, 2022 and 2021 North Dakota Guaranteed Student Loan Program;](#)
- [Financial Statements December 31, 2022 and 2021 Beginning Farmer Revolving Loan Fund;](#)
- [Financial Statements June 30, 2022 Water Infrastructure Revolving Loan Fund;](#)

- [Bank of North Dakota Financial Statements December 31, 2022 and 2021 and Schedule of Appropriated Expenditures Year Ended June 30, 2022;](#)
- [Financial Statements June 30, 2022 and 2021 Innovation Technology Loan Fund \(LIFT\);](#)
- [Financial Statements June 30, 2022 and 2021 COVID-19 PACE Recovery Program;](#)
- [Financial Statements June 30, 2022 Clean Sustainable Energy Authority \(CSEA\);](#) and
- [Financial Statements September 30, 2021 North Dakota State Fair Association.](#)

Chairman O'Brien called on Mr. Joshua C. Gallion, State Auditor, who presented the following audit reports:

- [North Dakota Protection and Advocacy Project Audit Report for the Two-Year Period Ended June 30, 2022;](#)
- [North Dakota Mill and Elevator Association Audit Report for the Fiscal Year Ended June 30, 2022;](#)
- [North Dakota Lottery Audit Report for the Year Ended June 30, 2022;](#)
- [Securities Department for the Two-Year Period Ended June 30, 2022;](#)
- [North Dakota Indian Affairs Commission for the Two-Year Period Ended June 30, 2022;](#)
- [Department of Financial Institutions for the Two-Year Period Ended June 30, 2022;](#) and
- [North Dakota Department of Veterans Affairs for the Two-Year Period Ended June 30, 2022.](#)

Chairman O'Brien called on Mr. Rob Pfennig, Controller, Bank of North Dakota, who presented a summary ([Appendix F](#)) of the following reports:

- [College SAVE Basic Financial Statements December 31, 2021 and 2020 and Supplementary Information December 31, 2021;](#) and
- [College SAVE Basic Financial Statements December 31, 2022 and 2021 and Supplementary Information December 31, 2022.](#)

OTHER INFORMATION

Mr. Cox provided information on the State Auditor's office plan for meeting the requirements of House Bill No. 1508 (2023) for future committee meetings regarding communications with clients, billings, audits performed, and audit schedule.

Chairman O'Brien requested the State Auditor's office provide information to the committee at future meetings regarding costs charged to the state agencies for the statewide single audit and audit costs charged to political subdivisions.

Mr. Justin Fryer, former Superintendent of Solen Public School District, expressed concerns regarding the audit findings and related news releases relating to the Solen Public School District audit for the years ended June 30, 2021 and 2020, performed by the State Auditor's office.

Committee members suggested Mr. Fryer meet with the State Auditor's office to discuss the concerns and the committee receive and update at its next meeting.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Senator Klein, seconded by Representative Schauer, and carried on a roll call vote that, pursuant to North Dakota Century Code Section 54-35-02.2, the committee accept the following reports reviewed by the committee at its July 26, 2023, meeting:

1. North Dakota Annual Comprehensive Financial Report (June 30, 2022)
2. University System Annual Financial Report (June 30, 2022)
3. Housing incentive fund (June 30, 2021 and 2022)
4. Housing Finance Agency (June 30, 2022)
5. North Dakota Building Authority (June 30, 2021 and 2022)
6. Public Finance Authority (December 31, 2020 and 2021)
7. Retirement and Investment Office (June 30, 2021 and 2022)

8. Public Employees Retirement System (June 30, 2021 and 2022)
9. Student loan fund (June 30, 2021 and 2022)
10. Comprehensive Health Association of North Dakota (December 31, 2020 and 2021)
11. School construction assistance revolving loan fund (June 30, 2021 and 2022)
12. Rebuilders loan program (June 30, 2021 and 2022)
13. Partnership in community expansion (PACE) fund (June 30, 2021, and 2022)
14. Ag PACE fund (June 30, 2021 and 2022)
15. Medical facility infrastructure loan program (June 30, 2021 and 2022)
16. Infrastructure revolving loan fund (June 30, 2021 and 2022)
17. Addiction counselor internship loan program (June 30, 2021 and 2022)
18. Department of Trust Lands (June 30, 2021 and 2022)
19. Guaranteed student loan program (December 31, 2021 and 2022)
20. Beginning farmer loan fund (December 31, 2021 and 2022)
21. Water infrastructure revolving loan fund (June 30, 2022)
22. Bank of North Dakota (December 31, 2021 and 2022)
23. Innovation technology loan fund (June 30, 2021 and 2022)
24. COVID-19 PACE loan program (June 30, 2021 and 2022)
25. Clean Sustainable Energy Authority (June 30, 2022)
26. North Dakota State Fair Association (September 30, 2021)
27. Protection and Advocacy Project (June 30, 2021 and 2022)
28. Mill and Elevator Association (June 30, 2022)
29. North Dakota Lottery (June 30, 2022)
30. Securities Department (June 30, 2021 and 2022)
31. North Dakota Indian Affairs Commission (June 30, 2021 and 2022)
32. Department of Financial Institutions (June 30, 2021 and 2022)
33. Department of Veterans' Affairs (June 30, 2021 and 2022)
34. College Save (December 31, 2020 and 2021)
35. College Save (December 31, 2021 and 2022)
36. North Dakota Beef Commission (June 30, 2021 and 2022)
37. North Dakota Potato Council (June 30, 2021 and 2022)
38. North Dakota Soybean Council (June 30, 2022)
39. State Seed Department (June 30, 2021 and 2022)
40. North Dakota Dry Pea and Lentil Council (June 30, 2021 and 2022)
41. North Dakota Dry Bean Council (June 30, 2021 and 2022)
42. North Dakota Ethanol Council (June 30, 2021 and 2022)
43. North Dakota Milk Marketing Board (June 30, 2021 and 2022)
44. North Dakota Corn Utilization Council (June 30, 2021 and 2022)
45. North Dakota Wheat Commission (June 30, 2021 and 2022)
46. North Dakota Dairy Promotion Commission (June 30, 2021, and 2022)
47. North Dakota Oilseed Council (June 30, 2021 and 2022)

Representatives O'Brien, B. Anderson, D. Anderson, Boschee, Christensen, Nathe, Ruby, Schauer, and Wagner and Senators Clemens, Klein, Lee, Magrum, Meyer, and Vedaa voted "aye." No negative votes were cast.

No further business appearing, Chairman O'Brien adjourned the meeting at 2:53 p.m.

Toby S. Mertz
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:6