



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Thursday, March 21, 2024
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, Scott Louser, Mike Nathe, Dan Ruby, Scott Wagner; Senators David A. Clemens, Jerry Klein, Judy Lee, Jeffery J. Magrum, Scott Meyer, Shawn Vedaa

Members absent: Representative Austen Schauer

Others present: Senator Brad Bekkedahl, Williston, member of the Legislative Management
Senator Greg Kessel, Belfield
See [Appendix A](#) for additional persons present.

Senator Clemens requested the minutes of the December 19, 2023, be amended to clarify the request of Representative Schauer to invite Mr. Troy Seibel, former North Dakota Deputy Attorney General, and Ms. Elizabeth Brocker, former Attorney General Executive Assistant, to appear before the committee regarding the Attorney General facility lease agreement and cost overruns. Chairman O'Brien indicated approval of the December 19, 2023, meeting minutes will be considered by the committee at its next meeting.

At the request of Chairman O'Brien, Mr. Toby S. Mertz, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Summary of Major Items in Audit Reports for the March 21, 2024, Meeting](#) and State Auditor's office [executive summaries](#).

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Chairman O'Brien called on Mr. Paul Niedermuller, CliftonLarsonAllen LLP, Certified Public Accountants, who provided a summary ([Appendix B](#)) of the following audit reports:

- [North Dakota Retirement and Investment Office for the Years Ended June 30, 2023 and 2022](#);
- [North Dakota Retirement and Investment Office - Schedule of Employer Allocations and Pension Amounts by Employer \(June 30, 2023\)](#);
- [North Dakota Public Employees Retirement System for the Years Ended June 30, 2023 and 2022](#);
- [North Dakota Public Employees Retirement System - Schedule of Employer Allocations and OPEB Amounts by Employer \(June 30, 2023\)](#); and
- [North Dakota Public Employees Retirement System - Schedule of Employer Allocations and Pension Amounts by Employer \(June 30, 2023\)](#).

In response to a question from a committee member, Ms. Janilyn Murtha, Executive Director, Retirement and Investment Office, noted the North Dakota Retirement and Investment Office manages investments on behalf of the North Dakota Public Employees Retirement System Board.

Chairman O'Brien called on Ms. Barb Aasen, Eide Bailly LLP, Certified Public Accountants, who provided the following audit reports:

- [North Dakota Development Fund, Inc. for the Years Ended June 30, 2023 and 2022](#);

- [State Auditor for the Years Ended June 30, 2023 and 2022;](#)
- [Legislative Assembly for the Years Ended June 30, 2023 and 2022;](#) and
- [Legislative Council for the Years Ended June 30, 2023 and 2022.](#)

In response to a question from a committee member, Mr. Dan Cox, Audit Services Director, State Auditor's office, provided information regarding the lack of a Management's Discussion and Analysis section within the State Auditor's office financial statements. He noted the financial statements include the information that would have been included in the Management Discussion and Analysis section.

ANNUAL COMPREHENSIVE FINANCIAL REPORT - INTERNAL CONTROL AND COMPLIANCE REPORT

Chairman O'Brien called on Ms. Lindsey Slappy, Audit Manager, State Auditor's office, who provided the 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, 2023.](#)

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Ms. Crystal Hoggarth, Accounting Manager, Office of Management and Budget, provided a summary ([Appendix C](#)) of the [State of North Dakota Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2023.](#)

UNIVERSITY SYSTEM INTERNAL CONTROL AND COMPLIANCE REPORT

Chairman O'Brien called on Ms. Slappy who provided 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, 2023.](#)

In response to a question from a committee member, Ms. Slappy noted the audit finding for Dickinson State University was an internal control issue and there were no findings on the appropriateness with the related transactions.

UNIVERSITY SYSTEM ANNUAL FINANCIAL REPORT

Ms. Robin Putnam, Director of Financial Reporting, North Dakota University System, provided the [North Dakota University System Annual Financial Report Fiscal Year Ended June 30, 2023.](#) She noted the report for the University System includes 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 Mr. Joshua C. Gallion, State Auditor, who provided the following audit reports:

- [North Dakota Barley Council for the Years Ended June 30, 2022 and 2021;](#)
- [North Dakota Soybean Council for the Year Ended June 30, 2023;](#)
- [North Dakota Beef Commission for the Years Ended June 30, 2023 and 2022;](#)
- [State Library for the Years Ended June 30, 2023 and 2022;](#)
- [Office of Attorney General for the Years Ended June 30, 2022 and 2021;](#)
- [Vision Services / School for the Blind for Years Ended June 30, 2023 and 2022;](#)
- [Department of Public Instruction for the Years Ended June 30, 2023 and 2022;](#)
- [Industrial Commission for the Years Ended June 30, 2023, 2022, and 2021;](#) and
- [Department of Environmental Quality for the Years Ended June 30, 2023 and 2022.](#)

In response to a question from a committee member, Mr. Steven Edwardson, Executive Administrator, North Dakota Barley Council, noted the decrease in revenue from fiscal year 2021 to 2022 was due to a drought during the later reporting period.

In response to questions from committee members, Ms. Stephanie Sinner, Executive Director, North Dakota Soybean Council, provided information on an audit finding related to lobbying costs. She noted the North Dakota Soybean Council is not permitted to lobby under federal guidelines, the North Dakota Soybean Grower's

Association will provide policy and advocacy for soybean farmers, and the North Dakota Soybean Council has discontinued the legislative education program for the current fiscal year.

In response to questions from committee members, Ms. Jennifer Penner, Crime Lab Director, Attorney General, provided information on an audit finding related to expired gas canisters used for breath alcohol tests. She noted no driving under the influence cases were affected by the expired gas canisters noted in the audit finding.

It was moved by Senator Lee, seconded by Senator Meyer, 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 March 21, 2024, meeting:

- 1. Retirement and Investment Office (June 30, 2022 and 2023)**
- 2. Retirement and Investment Office - Schedule of Employer Allocations and Pension Amount by Employer (June 30, 2023)**
- 3. Public Employees Retirement System (June 30, 2022 and 2023)**
- 4. Public Employees Retirement System - Schedule of Employer Allocations and OPEB Amounts by Employer (June 30, 2023)**
- 5. Public Employees Retirement System - Schedule of Employer Allocation and Pension Amounts by Employer (June 30, 2023)**
- 6. North Dakota Development Fund, Inc. (June 30, 2022 and 2023)**
- 7. State Auditor (June 30, 2022 and 2023)**
- 8. Legislative Assembly (June 30, 2022 and 2023)**
- 9. Legislative Council (June 30, 2022 and 2023)**
- 10. North Dakota Annual Comprehensive Financial Report (June 30, 2023)**
- 11. University System Annual Financial Report (June 30, 2023)**
- 12. North Dakota Barley Council (June 30, 2021 and 2022)**
- 13. North Dakota Soybean Council (June 30, 2023)**
- 14. North Dakota Beef Commission (June 30, 2022 and 2023)**
- 15. State Library (June 30, 2022 and 2023)**
- 16. Office of Attorney General (June 30, 2021 and 2022)**
- 17. Vision Services / School for the Blind (June 30, 2022 and 2023)**
- 18. Department of Public Instruction (June 30, 2022 and 2023)**
- 19. Industrial Commission (June 30, 2021, 2022, and 2023)**
- 20. Department of Environmental Quality (June 30, 2022 and 2023)**

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

OTHER INFORMATION

Mr. Todd Berning, President, North Dakota State Fair Foundation, provided information ([Appendix D](#)) related to the North Dakota State Fair Association's corrective action plan for audit findings in the September 30, 2022, financial statements.

Mr. Cox provided information ([Appendix E](#)) related to the State Auditor's office implementation of the requirements of House Bill No. 1508 (2023) regarding communications with clients, billings, audits performed, and audit schedule.

In response to a question from a committee member, Mr. Cox, provided information regarding the audit requirement for cities and counties to prepare financial statements in accordance with generally accepted accounting principles (GAAP). He noted Section 11-11-11 requires the preparation of GAAP financial statements for cities and counties and 10 of the 53 counties within the state do not prepare statements in accordance with GAAP.

Senator Kessel provided comments regarding the changing dynamics of agriculture and the structure of commodity groups.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Committee members suggested the committee discuss the following items at future meetings:

- Requesting a performance audit of the State Board of Cosmetology; and
- Presenting audit findings as part of audit report summaries.

No further business appearing, Chairman O'Brien adjourned the meeting at 11:12 a.m.

Toby S. Mertz
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:5