



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Annual Comprehensive Financial Report State of North Dakota

Governance Communication Including the Report on
Internal Control, Compliance, and Other Matters

Audit Report for the Year Ended June 30, 2021



KEY PERSONNEL

Lindsey Slappy
AUDIT MANAGER

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Transmittal Letter

December 16, 2021

The Honorable Doug Burgum, Governor of North Dakota

Members of the North Dakota Legislative Assembly

Mr. Joe Morrissette, CPA, Director of Office of Management and Budget

I am pleased to submit our report on internal control, compliance, and other matters for the state of North Dakota. This report relates to the audit of the state's basic financial statements for the year ended June 30, 2021. This report on internal control, compliance, and other matters has been completed in accordance with Generally Accepted Government Auditing Standards, as issued by the Comptroller General of the United States.

Enclosed you will find our governance communication and posted or passed audit adjustments. These communications are required by auditing standards.

The audit manager for this audit was Lindsey Slappy. Inquiries or comments relating to this audit may be directed to Ms. Slappy by calling (701) 328-2336. I would like to express my appreciation to Mr. Morrissette and his staff for the courtesy, cooperation, and assistance they provided to our office during the audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

Executive Summary

Responses to LAFRC Audit Questions

- 1. What type of opinion was issued on the financial statements?**
Unmodified (clean) opinions were given on the state of North Dakota's financial statements.
- 2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?**
Yes.
- 3. Was internal control adequate and functioning effectively?**
Yes.
- 4. Were there any indications of lack of efficiency in financial operations and management of the agency?**
No.
- 5. Has action been taken on findings and recommendations included in prior audit reports?**
Yes. Action has been taken on the prior audit finding related to "Untimely Capitalization and Depreciation of Department of Transportation Projects."
- 6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.**
No.

LAFRC Audit Communications

- 1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.**

The most significant changes in accounting policies related to the provisions of Government Accounting Standards Board (GASB) GASB 84 Fiduciary Activities, which provides guidance regarding the identification of fiduciary activities, GASB 89 Accounting for Interest Cost Incurred before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period, GASB 90 Majority Equity Interests, provides guidance for reporting when a government has a majority equity interest in a legally separate organization, and GASB 98 The Annual Comprehensive Financial Report, renamed the State's annual report to the "Annual Comprehensive Financial Report".

There were no management conflicts of interest or significant unusual transactions noted. The state's commitments and contingencies are reported in Note 18 of the Annual Comprehensive Financial Report.

- 2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.**

Significant accounting estimates are discussed in the Governance Communication as listed in the table of contents of this report.

- 3. Identify any significant audit adjustments.**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

The Posted Audit Adjustments schedule, as listed in the table of contents, lists misstatements detected as a result of audit procedures that were corrected by management.

The Passed Audit Adjustments schedule, as listed in the table of contents, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole.

- 4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to financial accounting, reporting, or auditing matters that could be significant to the financial statements.**

We did not have any disagreements with management.

- 5. Identify any serious difficulties encountered in performing the audit.**

We did not experience any serious difficulties in performing the audit.

- 6. Identify any major issues discussed with management prior to retention.**

This is not applicable for audits conducted by the Office of the State Auditor.

- 7. Identify any management consultations with other accountants about auditing and accounting matters.**

While the Office of Management and Budget does employ consultants to assist in the preparation of the ACFR, we are not aware of any applicable management consultations with other accountants (such as "opinion shopping").

- 8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.**

The PeopleSoft ConnectND Finance and Human Resource Management System (HRMS) are the most high-risk information technology systems critical to the operations of the state. There are numerous other high-risk systems which are identified in the individual agency biennial audit reports.



Report on Internal Control and Compliance

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards

The Honorable Doug Burgum, Governor of North Dakota
Members of the North Dakota Legislative Assembly

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of North Dakota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the state's basic financial statements and have issued our report thereon dated December 16, 2021.

Our report includes a reference to other auditors who audited the following entities, as described in our report on the state of North Dakota's financial statements:

Addiction Counselor Internship Loan Program	Job Service North Dakota
Bank of North Dakota	Mandan Remediation Trust
Beginning Farmer Revolving Loan Fund	Medical Facility Infrastructure Loan Program
Building Authority	PACE and AG PACE Funds
College SAVE	Public Employees Retirement System
Community Water Facility Loan Fund	Public Finance Authority
Comprehensive Health Association of North Dakota	Rebuilders Loan Program
Covid Pace Recovery Program	Retirement and Investment Office
Department of Trust Lands	School Construction Assistance Revolving Loan Fund
North Dakota Development Fund	Small Employer Loan Fund
Guaranteed Student Loan Program	State Fair Association
Housing Finance Agency	State Historical Society of North Dakota Foundation
Housing Incentive Fund	Student Loan Trust
Infrastructure Revolving Loan Fund	Workforce Safety and Insurance
Innovation Technology Fund	

This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. The financial statements of the North Dakota University System's foundations and the State Historical Society of North Dakota Foundation, that are reported as discretely presented component units, were not audited in

accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the North Dakota University's foundations and State Historical Society of North Dakota Foundation.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the state of North Dakota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of North Dakota's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of North Dakota's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the state of North Dakota's financial statements are free of material misstatement, we performed tests of its 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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of North Dakota's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the state of North Dakota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion
State Auditor
Bismarck, North Dakota

December 16, 2021

Governance Communication

December 16, 2021

Legislative Audit and Fiscal Review Committee
North Dakota Legislative Assembly

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of North Dakota for the year ended June 30, 2021 and have issued our report thereon dated December 16, 2021. Professional standards require that we provide you with the following information related to our audit.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies are described in Note 1 to the financial statements. The most significant changes in accounting policies related to the provisions of Government Accounting Standards Board (GASB) GASB 84 Fiduciary Activities, which provides guidance regarding the identification of fiduciary activities, GASB 89 Accounting for Interest Cost Incurred before the End of a Construction Period, establishes accounting requirements for interest cost incurred before the end of a construction period, GASB 90 Majority Equity Interests, provides guidance for reporting when a government has a majority equity interest in a legally separate organization, and GASB 98 The Annual Comprehensive Financial Report, renamed the State's annual report to the "Annual Comprehensive Financial Report".

Consistent with prior years, the Bank of North Dakota elected to present an unclassified statement of net position because current assets are not matched with current liabilities. Presentation of a classified statement of net position would give the false impression that there is a liquidity problem at the bank. Presentation of a classified statement of net position for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Bank related assets and liabilities are reported in the Proprietary Funds Statement of Net Position.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements follow.

Management's estimate of the Medicaid liability is based on historical trends and analysis of individual components. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Allowance for loan/credit losses and receivables are based on management's periodic review of their collectability in the light of historical experience, current and anticipated economic conditions, the nature of the receivable, adverse situations that may affect the borrower's ability to repay, and where applicable, the value of any collateral and loan guarantees. Other auditors and we evaluated the key factors and

assumptions used to develop the allowance in determining the allowances were reasonable in relation to the financial statements taken as a whole.

Tax refunds payable are based on historical trends and analysis of individual components. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

For the North Dakota Guaranteed Student Loan Program, the estimate of claims payable is based on management's evaluation of delinquent loan pools reduced by estimated loan recalls. Estimated loan recalls are calculated based on prior years actual claims paid compared to estimated claims payable taking out the maximum and minimum as outliers. Other auditors evaluated the key factors and assumption used to develop the estimate in determining that is reasonable in relation to the financial statements taken as a whole.

For the North Dakota Development Fund, among the factors considered in determining whether any other than temporary impairment of an investment has occurred are the cost of the investment, development since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Development Fund has relied on financial data of investees and, in many instances, on estimates by the management company and of the investee company as to the potential effect of future developments. Other auditors opinion on the reasonableness of these estimates was based on the testing performed during their audit procedures. Their procedures included assessing the risk assigned by the Development Fund to the loans and equity investments, evaluation of the past history of these amounts, discussion with management, and review of recent information regarding the loans and investments.

For the State Investment Board, the valuation of alternative investments, including private equity and real asset investments, is a management estimate which is primarily based upon net asset values reported by the investment managers. Real asset investments comprise 16% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2021. Other auditor's audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these funds. Furthermore, other auditors reviewed management's estimate and found it to be reasonable.

For the Department of Trust Lands the fair value of investments is based on quoted market prices, estimates of fair value from investment managers, cash flow analysis, and yields currently available on comparable securities. Other auditors evaluated the key factors and assumptions used to develop the fair value estimate in determining it is reasonable in relation to the financial statements as a whole.

Also for the Department of Trust Lands, the estimate of unclaimed property liability is based on the historical average payout percentage per subsequent year to determine the current year liability. The historical average is based on a ten-year rolling average percentage of the total unclaimed property amounts collected during a specific fiscal year paid out in subsequent fiscal years. Other auditors evaluated the key factors and assumptions and checked the clerical accuracy of the calculation used to determine the liability and determined that is reasonable in relation to the financial statements as a whole.

For the Housing Finance Agency, the fair value of investments is based on the exchange value of investments between two willing parties. Other auditors evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements as a whole.

Also for the Housing Finance Agency, the fair value of financial derivative instruments is based on the zero-coupon method and the discounted cash flow method. Other auditors evaluated the key factors and assumptions used to develop the fair value of the instruments in determining that it is reasonable in relation to the financial statements as a whole.

The Housing Finance Agency management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increase, and form of annuity payment upon retirement. Other auditors evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The Housing Finance Agency management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. Other auditors evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Job Service North Dakota estimates the amount of unemployment taxes, penalties, and interest that will be receivable and uncollectible. Management estimates the taxes, penalties, and interest at year-end by determining the amount of collections from July 1, 2021, to August 15, 2021. Other auditor's conclusion is based on the history of collections and subsequent payment of the receivables after year-end.

Job Service North Dakota management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. Other auditors evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Job Service North Dakota management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. Other auditors evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Job Service North Dakota also estimates the depreciation of fixed assets. Management determines the useful life of the assets based on planned use and depreciates the cost of the asset over the useful life. The other auditor's conclusion of the reasonableness of the useful lives is based on the past history of similar assets used by the organization.

The actuarial valuations for retirement systems include management estimates that were based on the actuarial assumptions and methods adopted by the Public Employees Retirement System (PERS) Board, including an actuarial expected investment rate of return of 7.00% for the PERS, 7.00% for the Highway Patrolmen's Retirement System (HPRS), 6.50% for the Retiree Health Insurance Credit Fund (RHIC) and 4.25% for the retirement plan for employees of Job Services North Dakota (JSD).

The discount rate used for RHIC, PERS, and HPRS was equal to their respective expected investment rate of return. The Single Discount Rate (SDR) was 3.75% for JSD. The SDR is required when assets are not projected to be sufficient to meet future benefit obligations. The SDR reflects (1) the long-term expected investment rate of return on pension plan investments during the period in which the fiduciary net position is projected to be sufficient to pay benefits and (2) a tax-exempt municipal bond rate based on an index of 20-year general

obligation bonds with an average Standard and Poor's Corp.'s AA credit rating as of the measurement date (1.92%), to the extent that the contributions for use with the long-term expected rate of return are not met.

In accordance with GASB 68, the total pension liability of the PERS, HPRS, and JSD were calculated with an actuarial valuation and measurement date of June 30, 2020. In accordance with GASB 75, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2020. Other auditors evaluated the key factors and assumptions used to develop the estimate of the total pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The Teacher's Fund for Retirement's (TFFR) actuarial valuation was based on the actuarial assumptions and methods adopted by the TFFR Board, including an actuarial expected investment rate of return of 7.75% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2020, as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Other auditor's audit procedures included reviewing the actuarial valuation and related assumptions used therein and the auditors believe the estimate to be reasonable.

Management's estimate of the net pension liability is based on an actuary's calculation in accordance with the employment contracts. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

For the Bank of North Dakota (BND), the allowance for credit losses is maintained at an amount considered by management to adequately provide for probable losses in the loan portfolio at the statement of net position date. The allowance for credit losses is based on management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. Other auditors have evaluated the key factors and assumptions used to develop the allowance for credit losses in determining that it is reasonable in relation to the financial statements taken as a whole.

The Bank of North Dakota also has a significant estimate in their determination of the net pension liability. The net pension liability is based on an actuary's calculation in accordance with the plan provisions and census data for plan participants. Other auditors evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

One of the Workforce Safety and Insurance's (WSI) most sensitive estimates is the liability for unpaid losses and loss adjustment expenses (LAE). The liability for unpaid losses and LAE is estimated by WSI's actuary, taking into consideration past experience of WSI in paying claims, and the general conditions of the environment in which WSI operates. This liability is based on the estimated ultimate costs to settle both reported and incurred but not reported (IBNR) losses and LAE, and includes the effects of inflation and other societal and economic factors. The actuarial computation also includes a 4.0% discount to report this liability at its estimated present value. Other auditors relied upon a third-party actuary review of the estimate as provided by WSI's actuary to ensure the estimate is reasonable.

WSI's dividend expense and related liability is calculated using the policyholder's prior year premium less any safety discounts awarded. This premium is an estimate based upon the previous year's actual payroll and is subject to change once the current year's actual payroll is known. As that becomes known, and the

premiums are adjusted, so too will the dividend liability and expense be adjusted. Other auditors reviewed the assumptions and calculations used in determining the estimate to ensure the estimate is reasonable.

WSI's estimate of the net pension liability and other post-employment benefit liabilities are based on an actuary's calculation in accordance with the employment contracts. Other auditors evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

WSI's estimate of premium-related receivables and liabilities, including unearned premiums and premium discounts are based on the overall payroll health of the economy. In the current year the economy continues to recover and has been relatively stable and the estimates for premium-related receivables and liabilities were determined to be reasonable by other auditors and no adjustment, recorded or unrecorded, was deemed necessary.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

UNCORRECTED AND CORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management.

The Posted Audit Adjustments schedule, as listed in the table of contents, lists misstatements detected as a result of audit procedures that were corrected by management.

The Passed Audit Adjustments schedule, as listed in the table of contents, summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated December 16, 2021.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves the application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. It should be noted that the retention of the State Auditor is a matter of state law and is not under the control of the Office of Management and Budget.

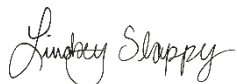
OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis, budgetary comparison schedules and related reconciliations and notes, and information about the state of North Dakota's pension plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Legislative Audit and Fiscal Review Committee, the Legislative Assembly, and management of the state of North Dakota and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,



Lindsey Slappy
Audit Manager

Audit Adjustments

POSTED AUDIT ADJUSTMENTS

- The Tax Department reported some amounts twice while other amounts were excluded on the taxes receivable closing package.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Unearned Revenue	9,142,227	
Taxes Receivable		9,142,227
Allowance for Uncollectible Taxes Receivable	3,746,279	
Unearned Revenue		3,746,279

- The Insurance Department did not report a revenue deposit on their cash closing package that was applied back to June on PeopleSoft. This was cash on hand at the Bank of North Dakota at June 30, 2021.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Cash & Equiv at BND - Current	21,472,350	
Accounts Receivable - Current		21,472,350

- The Department of Human Services did not properly report deposits on their cash closing package that were applied back to June on PeopleSoft. This was cash on hand at the Bank of North Dakota at June 30, 2021.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Cash & Equiv at BND - Current	14,728,890	
Accounts Receivable - Current		14,728,890

Opinion Unit: State Special Revenue

Account	Debit	Credit
Accounts Receivable - Current	7,504,580	
Cash & Equiv at BND - Current		7,502,931

Cash & Cash Equiv - NonBND		173
Patient Fees Mh & Hs Centers		1,476

4. The Department of Public Instruction did not report all of the necessary information on their grants receivable/unearned revenue closing package.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Accounts Receivable	65,254	
Intergov'tal Receivable		65,254
Revenue from Federal Government	38,576,691	
Intergov'tal Receivable		38,576,691
Revenue from Federal Government	519,000	
Unearned Revenue		519,000

5. The Department of Human Services did not include all the necessary amounts on their grants receivable/unearned revenue closing package.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Intergovernmental Rec - Current	111,325,015	
Accounts Receivable - Current		111,325,015
Revenue From Federal Government	23,667,789	
Intergovernmental Rec - Current		23,667,789
Revenue From Federal Government	252,132,314	
Prepaid Contributions		252,132,314

6. The Department of Human Services incorrectly applied back several expenditures to fiscal year 2021 on PeopleSoft that were for services that occurred in fiscal year 2022 and were paid in fiscal year 2022.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Accounts Payable	227,055	
Grants to Individuals		227,055

Opinion Unit: Federal

Account	Debit	Credit
Accounts Payable	1,231,094	
Grants to Individuals		1,231,094
Revenue	1,231,094	
Intergovernmental Receivable		1,231,094

7. The Department of Public Instruction did not report all Foundation Aid contract amounts on their accounts payable closing package.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Grants to School Districts	839,104	
Intergovernmental Payable		839,104

8. The Department of Human Services did not include all the proper amounts on their miscellaneous receivable closing package.

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Patient Fees	23,733,605	
Accounts Receivable		23,733,605
Accounts Receivable	134,195,722	
Unavailable Revenue		134,195,722
Unavailable Revenue	134,195,722	
Allowance for Uncollectible AR		134,195,722

9. The Office of Management and Budget reported the total disbursements to the Stockmen’s Association as expenditures rather than the total expenditures incurred by Stockmen’s Association. This resulted in expenditures being overstated.

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Cash & Cash Equivalent - Non BND	730,587	
Brand Inspection Refund		730,587

10. The Department of Human Services overstated the amount of drug rebate refund receivables that were reported on their refund receivables closing package.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Grants to Individuals	334,289	
Accounts Receivable		334,289
Grants to Individuals	74,781	
Accounts Receivable		74,781

Opinion Unit: Federal

Account	Debit	Credit
712030 - Grants to Individuals	951,439	
124001 - Accounts Receivable		951,439
712030 - Grants to Individuals	212,838	
124001 - Accounts Receivable		212,838

11. The Information Technology Department did not include all prepaid items on their prepaid closing package.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Prepaid Expenses	7,791	
Software/Licenses Under \$5,000		7,791

Opinion Unit: Federal

Account	Debit	Credit
Prepaid Expenses	6,899,532	
Software/Licenses Under \$5,000		6,774,149
IT-Other Contracting		125,383

Opinion Unit: State Special Revenue

Account	Debit	Credit
Prepaid Expenses	2,082,729	
Software/Licenses Under \$5,000		2,082,729

Opinion Unit: Remaining

Account	Debit	Credit
Prepaid Expenses	780,377	
Other Operating		780,377

12. The Department of Human Services did not record expenses in the federal fund that were originally paid with general fund dollars to offset a Coronavirus Relief Fund reimbursement from the Office of Management and Budget.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Due from Other Funds -Current	10,889,068	
Salaries Full Time		10,889,068

Opinion Unit: Federal

Account	Debit	Credit
Salaries Full Time	10,889,068	
Due to Other Funds - Current		10,889,068

13. The Department of Human Services overstated the amount of medical collections revenue that was applicable to fiscal year 2021.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Grants to Individuals	473,048	
Due from other funds - Current		473,048

Opinion Unit: Federal

Account	Debit	Credit
Grants to Individuals	2,002,625	
Intergovernmental Rec - Current	2,828,118	
Due from Other Funds - Current		2,002,625
Revenue from Fed Gov't		2,828,118

Opinion Unit: State Special Revenue

Account	Debit	Credit
Due to Other Funds - Current	2,475,672	
Med. Assist. Collections		1,794,972
Grants to Individuals		680,701

14. The Office of Management and Budget did not include all necessary transfers when completing the special revenue fund transfer elimination entry.

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Tsfr Fm Public Inst. Fund	5,131,174	
Tsfr To Public Inst. Fund		5,131,174

15. The Department of Human Services did not include medical collections revenue recorded on the PeopleSoft system in September of 2021 or after on their grants receivable/unearned revenue closing package.

Fund Statement EffectOpinion Unit: Federal

Account	Debit	Credit
Intergovernmental Rec - Current	14,222,191	
Revenue From Federal Government		5,467,198
Prepaid Contributions		8,754,993

16. Depreciation for the Department of Transportation was not carried from the state's asset management system to the government-wide financial statements.

Entity-wide Statement EffectOpinion Unit: Governmental Activities

Account	Debit	Credit
Expenses	8,508,984	
Capital Assets: Depreciable, Net		8,508,984

PASSED AUDIT ADJUSTMENTS

1. The Department of Human Services paid \$4,794 of Medicaid claims that were made in error. This projects to a likely error of \$14,580,258. As the Medicaid FMAP is 50% state and 50% federal, the adjustment is for the federal share that would be due back to the federal government.

Entity-wide Statement EffectOpinion Unit: Governmental Activities

Account	Debit	Credit
Internal Receivable	7,994,911	
Internal Payable		7,994,911

Fund Statement EffectOpinion Unit: General

Account	Debit	Credit
Grants to Individuals	7,994,911	
Due to other funds - Current		7,994,911

Opinion Unit: Federal

Account	Debit	Credit
Due from Other Funds - Current	7,994,911	

Grants to Individuals		7,994,911
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- The Department of Human Services had \$1,573,347 of errors in their drug rebate refund receivables. This projects to a likely error of \$6,010,087 with 26% of the amount allocated to the General Fund and the remaining 74% allocated to the Federal Fund.

Entity-wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Expenses	6,010,087	
Accounts Receivable - Net		6,010,087

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Grants to Individuals	1,562,623	
Accounts Receivable		1,562,623

Opinion Unit: Federal

Account	Debit	Credit
Grants to Individuals	4,447,464	
Accounts Receivable		4,447,464

- The Information Technology Department did not include \$273,978 of prepaid items on their prepaid closing package. This projects to an additional likely error of \$984,651.00 of prepaids that should have been included.

Entity-wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Prepaid Items	984,651	
Expenses		984,651

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Prepaid Expenses	984,651	
Software/Licenses Under \$5,000		984,651

- Grant payments that were made to colleges after the fiscal year ended need to be recorded as a transfer rather than a grant on the state agency side and revenue on the university system side.

Entity-wide Statement Effect

Opinion Unit: Business Activities

Account	Debit	Credit
Operating Grants and Contracts	1,240,583	
Transfers		1,240,583

Opinion Unit: Governmental Activities

Account	Debit	Credit
Transfers	1,240,583	
Expenses		1,240,583

Fund Statement Effect

Opinion Unit: Remaining

Account	Debit	Credit
Grants and Contributions	1,240,583	
Transfer from Lignite Research Fund		652,034
Transfer from Energy Research Center		588,549

Opinion Unit: State Special Revenue

Account	Debit	Credit
Transfer to UND Fund	1,240,583	
Grants to State Colleges		1,240,583

- Deferred revenue needs to be recorded for federal funds that were received but not recorded on the North Dakota University System financial statements.

Entity-wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Internal Receivable	891,463	
Accounts Payable	564,057	
Unearned Revenue		1,455,520

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Cash at Bank of North Dakota	891,463	
Accounts Payable	564,057	
Deferred Revenue		1,455,520



Office of the
State Auditor

NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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