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, 2023

This audit has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10. Client Code 100.

Office of the State Auditor

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Transmittal Letter

December 14, 2023

The Honorable Doug Burgum, Governor of North Dakota
Members of the North Dakota Legislative Assembly
Ms. Susan Sisk, 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, 2023. 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, CPA. Inquiries or comments relating to this audit may be directed to Ms. Slappy by calling (701) 328-2241. I would like to express my appreciation to Ms. Sisk and her 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
Sheila Sandness, Legislative Council Fiscal Analyst

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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, 2023, 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 14, 2023.

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
- Bank of North Dakota
- Beginning Farmer Revolving Loan Fund
- Building Authority
- Clean Sustainable Energy Authority
- College SAVE
- Comprehensive Health Association of North Dakota
- Covid-19 Pace Recovery Program
- Department of Trust Lands
- North Dakota Development Fund
- Guaranteed Student Loan Program
- Housing Finance Agency
- Housing Incentive Fund
- Infrastructure Revolving Loan Fund
- Innovation Technology Fund
- Job Service North Dakota
- Mandan Remediation Trust
- Medical Facility Infrastructure Loan Fund
- PACE and AG PACE Funds
- Public Employees Retirement System
- Public Finance Authority
- Rebuilders Loan Program
- Retirement and Investment Office
- School Construction Assistance Revolving Loan Fund
- State Fair Association
- State Historical Society of North Dakota Foundation
- Student Loan Trust
- Transmission Authority
- Water Infrastructure Revolving Loan Fund
- Workforce Safety and Insurance

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 by those auditors who audited the financial statements.

REPORT ON 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 did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

REPORT ON 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
December 14, 2023

Governance Communication

December 14, 2023

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, 2023, and have issued our report thereon dated December 14, 2023. 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 96 Subscription-Based Information Technology Arrangements, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA).

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.

The actuary for the North Dakota Public Employees Retirement System has determined that the unfunded actuarial accrued liability is approximately $1.92 billion as of July 1, 2023. The funding for the actuarial accrued liability is predicted on employer and employee funding rates mandated by the State of North Dakota statutes. The actuary has determined that the current statutory rates are insufficient compared to the actuarial accrued liability. Note 6 identifies the net pension liability as calculated using GASB 67 and 68 requirements. Our opinion is not modified with respect to this matter.

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 are based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. Other auditors 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 the Allowance for Future Credit Losses is based on management's evaluation of a number of factors including recent loan loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. Other auditors evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Also, 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. Other auditors evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

For the North Dakota Development Fund, the allowances for uncollectible loans receivable and valuation allowances for equity investments are considered the most sensitive estimates. The allowance for loan losses is evaluated on a regular basis by management and is based upon 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. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Among the factors considered in determining whether an 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 auditor's 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, are a management estimate which is primarily based upon net asset values reported by the investment managers. Real asset investments comprise 18% 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, 2023. 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.

Also, for the State Investment Board, the actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2023 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 determined the estimate was 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 it 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, 2023, to August 15, 2023. 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.

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 6.50% for the PERS, 6.50% for the Highway Patrolmen's Retirement System (HPRS), 5.75% for the Retiree Health Insurance Credit Fund (RHIC) and 3.00% for the retirement plan for employees of Job Services North Dakota (JSD).

The Single Discount Rate (SDR) was 6.50% for PERS, 5.22% for HPRS, 5.75% for RHIC, and 3.00% 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, 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, 2022. In accordance with GASB 75, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2022. 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 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2023, 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.

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. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit.

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 14, 2023.

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.

We were engaged to report on the combining and individual fund financial statements, which accompany the financial statements but are not 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.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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, CPA
Audit Manager

Audit Adjustments

POSTED AUDIT ADJUSTMENTS

1. The Department of Public Instruction had multiple errors in their calculation of the amounts that they reported on their grants receivable closing package. These errors resulted in an understatement of intergovernmental receivable and prepaid contribution amounts in the financial statements.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Accounts Receivable	1,184,099	
Intergovernmental Receivable		1,184,099
Intergovernmental Receivable	23,819,173	
Revenue From Federal Government		23,819,173
Prepaid Contributions	5,887,551	
Revenue From Federal Government		5,887,551

2. A payment for IT services rendered prior to 7/1 was recorded in the incorrect period. A payment totaling $1,508,715 should have been recorded in fiscal year 2023 but was incorrectly applied to fiscal year 2024 by the Department of Health and Human Services.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
IT Other Contracting	1,508,715	
Accounts Payable		1,508,715

3. Information for subscription-based information technology arrangements (SBITAs) was incorrectly reported. This caused the calculation of necessary accounting entries to be inaccurate.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities (General Government Function)

Account	Debit	Credit
Subscription-Based IT Arrangement	3,300,000	
Accumulated Depreciation SBITA	825,000	
Depreciation Expense		825,000
ROU SBITA Asset		3,300,000

4. The Department of Transportation included cash that was not on hand at 6/30 as part of the amount reported as cash. This overstated the amount of cash and understated the amount of accounts receivable.

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Accounts Receivable - Current	3,707,480	
Cash & Equiv at BND - Current		3,707,480

5. The Department of Transportation excluded projects with receivables from the federal government at June 30, 2023 from their calculation of total intergovernmental receivables.

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Intergovernmental Receivable	1,440,103	
Revenue from Fed Government		1,440,103

6. The Department of Health and Human Services (DHHS) overstated the amount of Medicaid medical collections revenue that was applicable to fiscal year 2023.

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Accounts Payable	1,316,413	
Grants to Individuals		1,316,413

7. The amounts recorded as Cash at BND for various fiduciary funds at Public Employees Retirement System (PERS) were not reclassed for proper reporting on the entity wide statements. The total amount was understated by $1,494,109.

Entity Wide Statement Effect

Opinion Unit: Business Activities

Account	Debit	Credit
224052 - Deposits from Other Funds	1,494,109	
224010 - Other Deposits		1,494,109

8. Two loan payments from the Department of Water Resources to the Bank of North Dakota were originally recorded as transfers instead of operating expenses.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Expenses – Natural Resources	31,873,288	
Transfers		31,873,288

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Other Operating Fees	1,873,288	
Transfer to General Fund		1,873,288

Fund Statement Effect

Opinion Unit: State Special Revenue

Account	Debit	Credit
Other Operating Fees	30,000,000	
Transfer to Bank of North Dakota		30,000,000

PASSED AUDIT ADJUSTMENTS

1. A payment for IT services rendered prior to 7/1 was recorded in the incorrect period. A payment totaling $1,508,715 should have been recorded in fiscal year 2023 but was incorrectly applied to fiscal year 2024 by the Department of Health and Human Services. This error was projected against the population which identified an additional potential error of $3,185,098.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Expenses	3,185,098	
Accounts Payable		3,185,098

Opinion Unit: General

Account	Debit	Credit
IT Other Contracting	3,185,098	
Accounts Payable		3,185,098

2. The Judicial System coded a receivable wrong in their information system (Odyssey) which caused an overstatement of $300 for miscellaneous receivables. This error was then projected to the rest of the population.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Unearned Revenue	956,008	
Accounts Receivable - Net		956,008
Accounts Receivable Allowances	947,355	
Unearned Revenue		947,355

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Unavailable Revenue	956,008	
Accounts Receivable		956,008
Accounts Receivable Allowances	947,355	
Unavailable Revenue		947,355

3. The Department of Health and Human Services (DHHS) paid $8,994 on four Medicaid claims that were made in error. This projects to a likely error of $27,821,006. The adjustment is for the federal share that would be due back to the federal government based on the % of claims charged to the Federal fund during the audit period.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Internal Receivable	15,773,337	
Internal Payable		15,773,337

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Grants to Individuals	15,773,337	
Due to Other Funds - Current		15,773,337

Opinion Unit: Federal

Account	Debit	Credit
Due from Other Funds - Current	15,773,337	
Grants to Individuals		15,773,337

4. Information for subscription-based information technology arrangements (SBITAs) was incorrectly reported. This caused the calculation of necessary accounting entries to be inaccurate. Items that were randomly sampled were projected to the population to identify the likely error.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities (20100 Education)

Account	Debit	Credit
Subscription Based IT Arrangement	501,773	
Accumulated Depreciation SBITA	348,924	
Depreciation Expense		348,924
ROU SBITA Asset		501,773

Opinion Unit: Governmental Activities (30100 Health and Human Services)

Account	Debit	Credit
SBITA Payable- Noncurrent	130,545	
Subscription Based IT Arrangement	42,654	
Accumulated Depreciation SBITA	35,930	
ROU SBITA Asset		173,199
Depreciation Expense		35,930

Opinion Unit: Governmental Activities (50100 Public Safety and Corrections)

Account	Debit	Credit
ROU SBITA Asset	6,570	
SBITA Payable- Noncurrent	2,537	
Depreciation Expense	337	
Interest Expense		9,107
Accumulated Depreciation SBITA		337

Opinion Unit: Governmental Activities (70100 Natural Resources)

Account	Debit	Credit
ROU SBITA Asset	25,366	
Accumulated Depreciation SBITA	4,275	
Subscription-Based IT Arrangement		13,000
SBITA Payable- Noncurrent		12,366
Depreciation Expense		4,275

Opinion Unit: Governmental Activities (11000 General Government)

Account	Debit	Credit
SBITA Payable- Noncurrent	4,854,081	
Subscription-Based IT Arrangement	1,244,028	
Accumulated Depreciation SBITA	1,836,958	
ROU SBITA Asset		6,098,109
Depreciation Expense		1,836,958

5. The Department of Health and Human Services (DHHS) was not able to provide a detailed list of drug rebate receivables. The auditors determined a list from the drug rebate system (DRAMS) and performed tests of individual receivable accounts. Testing identified projected likely errors of $1,959,639 with 40% of the amount allocated to the General Fund and the remaining 60% allocated to the Federal Fund based on DHHS expected refunds to each fund.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Expenses	1,959,639	
Accounts Receivable - Net		1,959,639

Fund Statement Effect

Opinion Unit: General

Account	Debit	Credit
Grants to Individuals	783,856	
Accounts Receivable		783,856

Opinion Unit: Federal

Account	Debit	Credit
Grants to Individuals	1,175,783	
Accounts Receivable		1,175,783

6. Amounts are owed from state funds rather than federal funds. Revenue and receivables are being reduced to report proper amounts owed from the federal government at June 30.

Entity Wide Statement Effect

Opinion Unit: Governmental Activities

Account	Debit	Credit
Operating Grants and Contributions	3,135,947	
Intergovernmental Receivable - Net		3,135,947

Fund Statement Effect

Opinion Unit: Federal

Account	Debit	Credit
Revenue	3,135,947	
Intergov'tal Receivable		3,135,947

NORTH DAKOTA STATE AUDITOR
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