LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

The Legislative Council by law appoints a Legislative Audit and Fiscal Review Committee as a division of its Budget Section. The committee was created "For the purposes of studying and reviewing the financial transactions of this state; to assure the collection and expenditure of its revenues and moneys in compliance with law and legislative intent and sound financial practices; and to provide the legislative assembly with formal, objective information on revenue collections and expenditures for a basis of legislative action to improve the fiscal structure and transactions of this state . . . ." (North Dakota Century Code (NDCC) Section 54-35-02.1)

In setting forth the committee's specific duties and functions, the Legislative Assembly said "It is the duty of the legislative audit and fiscal review committee to study and review audit reports as selected by the committee from those submitted by the state auditor, confer with the auditor and deputy auditors in regard to such reports, and when necessary, to confer with representatives of the department, agency, or institution audited in order to obtain full and complete information in regard to any and all fiscal transactions and governmental operations of any department, agency, or institution of the state." (NDCC Section 54-35-02.2)

Committee members were Representatives Mike Timm (Chairman), Ole Aarsvold, Rex R. Byerly, John Dorso, Gereld F. Gerntholz, Richard Kunkel, Andrew G. Maragos, Stacey L. Mickelson, Jim Poolman, Bob Skarphol, Francis J. Wald, and Gerry L. Wilkie and Senators Evan E. Lips, Duane Mutch, Ken Solberg, Harvey D. Tallackson, and Dan Wogsland. Representative Tony Clark was a member of the committee until his resignation on October 24, 1997.

The committee submitted this report to the Legislative Council at the biennial meeting of the Council in November 1998. The Council accepted the report for submission to the 56th Legislative Assembly.

During the 1997-98 interim, the State Auditor's office and independent accounting firms presented 78 audit reports. An additional 81 audit reports were filed with the committee but were not formally presented. The committee's policy is to hear only audit reports of major agencies and audit reports containing major recommendations. However, an audit report not formally presented can be presented at the request of a committee member.

The committee has the following duties and responsibilities:

1. Receive annual audit report from State Fair Association (NDCC Section 4-02.1-18).
2. Receive annual audit report from any limited liability company that produces agricultural ethanol alcohol or methanol in this state and which receives a production subsidy from the state (NDCC Section 10-32-156).
3. Receive report on the writeoff of patients' accounts at the Developmental Center at Westwood Park, Grafton (NDCC Section 25-04-17).
4. Receive annual audited financial statement and report from the North Dakota low-risk incentive fund (NDCC Section 26.1-50-05).
5. Receive annual report from the Department of Human Services on the writeoff of recipients' or patients' accounts (NDCC Section 50-06.3-08).
6. Receive biennial performance audit of the divisions of Job Service North Dakota (NDCC Section 52-02-18).
7. Determine necessary performance audits by the State Auditor (NDCC Section 54-10-01).
8. Determine frequency of audits of state agencies (NDCC Section 54-10-01).
9. Determine when the State Auditor is to perform audits of political subdivisions (NDCC Section 54-10-13).
10. Order the State Auditor to audit or review the accounts of any political subdivision (NDCC Section 54-10-15).
11. Study and review audit reports submitted by the State Auditor (NDCC Section 54-35-02.2).
12. Receive report from the Information Services Division on state entity noncompliance with statewide information technology policies and standards (NDCC Section 54-44.2-12).
13. Receive annual report from the director of the Workers Compensation Bureau and the chairman of the Workers Compensation Board of Directors (NDCC Section 65-02-03.3).
14. Receive report from the director of the Workers Compensation Bureau and the auditor regarding the biennial performance audit of the Workers Compensation Bureau (NDCC Section 65-02-29).
15. Receive report from the director of the Workers Compensation Bureau, the chairman of the Workers Compensation Board of Directors, and the auditor regarding the biennial performance audit of the Workers Compensation Bureau (NDCC Section 65-02-30).

STATE AUDITOR

Audit of the State Auditor's Office

North Dakota Century Code Section 54-10-04 requires the Legislative Assembly to provide for an audit of the State Auditor's

office. The Legislative Council contracted with Eide Helmeke PLLP, Certified Public Accountants and Consultants, for an audit of the State Auditor's office for the years ended June 30, 1997 and 1996. The firm presented its audit report at the committee's October 7, 1997, meeting. In accordance with the terms of the contract between the Legislative Council and Eide Helmeke PLLP, the firm reviewed the performance review and audit procedures and practices of the State Auditor's office. The findings and recommendations made as a result of the audit conducted by Eide Helmeke PLLP on the State Auditor's office were that:

1. Amounts be rounded to at least the nearest dollar when appropriate.
2. Local government audit planning forms and memorandums be reviewed to provide adequate planning and system documentation and eliminate duplicate procedures.
3. Permanent audit files be reviewed and only pertinent audit information be included in audit files.
4. Consideration be given to changing workpaper referencing to enable reviewers and staff to efficiently identify and reference a grouping within an audit area. In addition, it was suggested that on smaller engagements and files and in certain workpaper sections, referencing may not always be necessary or useful.
5. A past audit adjustment form or procedural step be included in all audit programs.

The report also indicated that all prior findings had been resolved.

Suggested Guidelines for Performing Audits of State Agencies

The committee reviewed information on guidelines that have been developed by prior Legislative Audit and Fiscal Review Committees for audits performed by the State Auditor's office and independent certified public accountants. The guidelines require that audit reports include specific statements and recommendations regarding:

1. Whether expenditures were made in accordance with legislative appropriations and other state fiscal requirements and restrictions.
2. Whether revenues were accounted for properly.
3. Whether financial controls and procedures are adequate.
4. Whether the system of internal control was adequate and functioning effectively.
5. Whether financial records and reports reconciled with those of state fiscal offices.
6. Whether there was compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning.
7. Whether there was evidence of fraud or dishonesty.
8. Whether there were indications of lack of efficiency in financial operations and management of the agency.
9. Whether actions have been taken by agency officials with respect to findings and recommendations set forth in the audit reports for preceding periods.
10. Whether all activities of the agency were encompassed within appropriations of specific amounts.
11. Whether the agency has implemented the Statewide Accounting and Management Information System, including the cost allocation system.
12. Whether the agency has developed budgets of actual anticipated expenditures and revenues on at least a quarterly basis and compares on at least a quarterly basis actual expenditures and revenues on the accrual basis to budgeted expenditures and revenues.

During report presentations, the State Auditor's office and independent certified public accountants reviewed findings and recommendations relating to the 12 specific guidelines developed by the committee.

Conclusions

As a result of the State Auditor's office and independent certified public accountants' presentations and the committee's interest in the above areas, the committee took the following actions:

1. Suggested that the State Auditor's office provide copies of management letters to committee members. The State Auditor's office started providing committee members with either copies of the management letters or summaries of the recommendations contained in the management letters.
2. Suggested that the State Auditor's office include FTE information in future audit reports. At a later meeting the committee further refined its suggestion to also include information on how much salaries and wages funding is spent on actual filled FTE positions and how much salaries and wages funding relating to vacant FTE positions is spent for other purposes.
3. Rejected the June 30, 1997, North Dakota University System audit report until additional information was provided to the committee on how the deficit fund balances identified in the report would be resolved. At its next meeting the committee received reports from the University of North Dakota, Minot State University, and Valley City State University on the progress made toward the elimination of the deficit fund balances, at which time the committee approved the report.
4. Recommended that the State Auditor's office present any commodity group audit report containing findings and recommendations to the Agriculture Committees and Appropriations Committees of the next legislative session.

5. Rejected the Potato Council audit report for the two years ended June 30, 1996, due to a lack of information on the status of the implementation of the recommendations contained in the audit report. A representative of the Potato Council attended the next committee meeting and provided the committee with information on the status of the recommendations contained in the audit report, at which time the committee approved the report.
6. Determined that it would be beneficial for the members of the Appropriations Committees to be informed of reportable conditions contained in agency audit reports. The committee received a staff report on the possible contents of a report to the Appropriations Committees on audit findings and recommendations. The committee recommended that the State Auditor's office prepare and present a report to the Appropriations Committees and each member of the Legislative Audit and Fiscal Review Committee, at the beginning of the legislative session, of significant audit findings and recommendations contained in the audit reports and performance audits presented to the Legislative Audit and Fiscal Review Committee during the previous interim.
7. Recommended that future financial audit reports of the Mill and Elevator Association include information on the amounts of bonuses paid to mill employees under any profit-sharing agreements.
8. The committee considered the possibility of having all state-controlled or sanctioned commodity groups have a uniform collection form with a monthly check issued to the State Treasurer and then having the State Treasurer issue separate checks to each commodity group. In addition, the committee considered the possibility of providing for the auditing of handlers and exempting the commodity groups from Central Personnel and Central Purchasing. The committee received staff reports on a comparison of commodity group assessments, late filing penalties, and auditing procedures and a report on the South Dakota commodity checkoff process. The committee considered, but did not recommend, a bill draft providing for a centralized commodity group collection process, the auditing of handlers, and the exemption of commodity groups from Central Personnel Division and Central Services Division requirements.
9. Suggested that the State Auditor's office request an Attorney General's opinion regarding the application of the nepotism statute as it applied to the finding contained in the June 30, 1997, University of North Dakota audit report. At its last meeting, the committee received the Attorney General's opinion stating that the nepotism statute applies only to the person or group of persons with ultimate control over the hiring, dismissal, and salaries of the employees of any given department or agency.

Comprehensive Annual Financial Report

North Dakota Century Code Section 54-10-01 requires the State Auditor to provide for the audit of the state general purpose financial statements and a review of the material included in the Comprehensive Annual Financial Report (CAFR). The CAFR contains the audited financial statements for state agencies, including elected officials. The committee received and reviewed the state's June 30, 1996, and the June 30, 1997, CAFRs. The committee received information on how to best use the information contained in the CAFR.

Performance Audits

North Dakota Century Code Section 54-10-01 provides that the State Auditor is to provide for performance audits of state agencies as determined necessary by the State Auditor or the Legislative Audit and Fiscal Review Committee. Section 54-10-01 provides that a performance audit is to be done in accordance with generally accepted auditing standards applicable to performance audits.

The committee received the following performance audits during the 1997-98 interim:

1. State Procurement Practices-Information Technology Projects - The audit was conducted at the request of the Legislative Audit and Fiscal Review Committee. The purpose of the audit was to provide the committee with information on information technology projects. The audit did not generate any findings or recommendations. As a result of the performance audit, the committee requested and received a staff report addressing the creative ways agencies and institutions acquire assets and services.
2. State Procurement Practices - The audit was conducted at the request of the Legislative Audit and Fiscal Review Committee. The purpose of the audit was to determine agency compliance with and the assessed adequacy of significant procurement laws, policies, and procedures. At a later meeting of the committee, a report was requested and received from the Office of Management and Budget on the status of the recommendations contained in the state procurement practices performance audit. The status report indicated that progress was being made on all of the recommendations contained in the performance audit.
3. State Procurement Practices-North Dakota University System - The audit was conducted at the request of the Legislative Audit and Fiscal Review Committee. The purpose of the audit was to determine agency compliance with and the assessed adequacy of significant procurement laws, policies, and procedures. The audit focused on the University of North Dakota, North Dakota State University, Minot State University, and North Dakota State College of Science.
4. Job Service North Dakota - The audit was conducted in accordance with NDCC Section 52-02-18, which provides for a biennial performance audit of the divisions of Job Service North Dakota. The audit consisted of a review of the efficiency and effectiveness of the unemployment insurance benefits program, the efficiency and effectiveness of the reemployment services function, analyzing staff levels and workloads, and determining the adequacy of Job Service North Dakota's

computer system.

5. Workers Compensation Bureau - The audit was conducted in accordance with NDCC Sections 65-02-29 and 65-02-30, which provide for a biennial performance audit of the Workers Compensation Bureau. The audit consisted of a review of the claims department, legal services and legal billing practices, internal performance measures, policyholder services division, loss prevention division, fraud division, and performance of the Workers Compensation Board.
6. State of North Dakota's Personnel Systems-Central Personnel Division - The audit was conducted at the request of the Legislative Audit and Fiscal Review Committee. The purpose of the audit was to determine if the structure of the Central Personnel Division meets the needs of the state. In addition, a limited review of state agencies was conducted to determine if state agencies have adequate personnel systems in place to provide for compliance with significant laws, rules, and regulations.
7. Status of recommendations contained in the child support enforcement program performance audit - One of the 14 recommendations was fully implemented, four were partially implemented, and nine were not implemented.
8. Status of recommendations contained in the North Dakota agricultural mediation program performance audit - Five of the nine recommendations were fully implemented, two were partially implemented, one was not implemented, and one was no longer applicable.
9. Status of recommendations contained in the Department of Public Instruction performance audit - Nine of the 18 recommendations were fully implemented, five were partially implemented, and four were not implemented.

A copy of each of the performance audit reports is on file in the Legislative Council office.

Other Reports

The committee also received the following reports from the State Auditor's office:

1. Report on the audit process for state agencies - The report contained information on the different types of state audits and the function of the State Auditor's office as it relates to audits presented to the Legislative Audit and Fiscal Review Committee. The report also contained a list of audits performed by independent certified public accounting firms.
2. General controls audit on the Information Services Division - The purpose of the audit was to assess the adequacy of the control environment and the control procedures of the Information Services Division. In addition, the audit determined if the Information Services Division stated control procedures provide reasonable assurance that the control objectives were achieved.
3. Single Audit Report for the years ended June 30, 1996 and 1995 - The statewide single audit is the state's audit of all federal funds received by state agencies or institutions during fiscal years 1996 and 1995. The report includes a schedule of federal assistance, a report on internal control, and findings and questioned costs.
4. University of North Dakota Computer Center general controls audit - The report provides interested persons with information sufficient to understand the general controls in place within the University of North Dakota Computer Center during the time period beginning July 1, 1996, and ending October 9, 1997.
5. Statewide Accounting and Management Information System audit - The report provides interested persons with an understanding of the application controls in place within the Statewide Accounting and Management Information System during the time period beginning July 1, 1996, and ending October 9, 1997.
6. Higher Education Uniform Accounting System audit - The report provides interested persons with an understanding of the application controls in place within the Higher Education Uniform Accounting System as of April 29, 1998.
7. State Agency Audit Followup Report - The report indicated which prior audit recommendations had not been implemented within the six-month followup time period.
8. Possible future performance audits - The report presented a list of possible future performance audits.

Recommendations

Due to the small number of child support enforcement program performance audit recommendations that were either fully or partially implemented, the committee requested that the State Auditor's office perform another review of the status of the recommendations after the new computer system for the child support enforcement program is operational. The committee also requested that a report on the status of the recommendations be provided to the Legislative Audit and Fiscal Review Committee.

As a result of the performance audit on state procurement practices-information technology projects the committee requested and received a staff report on possible changes to the North Dakota Century Code relating to the acquisition of assets and services by state agencies and institutions. After reviewing the staff report and the performance audit, the committee considered and recommends House Bill No. 1046 to prohibit state agencies and institutions from entering into contracts for services to be provided to the agency or institution in the current biennium if the contract provides for the payment for the services to extend beyond the current biennium, unless an exception is specifically provided by law.

In regard to the report on possible future performance audits, the committee prioritized the following performance audits:

1. A performance audit of contracts for services entered into by state agencies and institutions of higher education. The audit could review the agency and institution management of contracts, whether or not the contracts for services were efficiently and effectively used by state agencies and institutions, and whether or not the agency or institution has a system in place to monitor performance and compliance with the contract.
2. A performance audit of the Department of Transportation. The audit could review and determine if the agency is spending its funding in an effective and efficient manner.

BEGINNING FARMER REVOLVING LOAN FUND

The committee reviewed the need to maintain the beginning farmer revolving loan fund as a separate fund within the Bank of North Dakota. The committee learned that the beginning farmer revolving loan fund was created in 1983 through the transfer of $5 million of Bank of North Dakota profits into the beginning farmer revolving loan fund and that the revolving loan fund was to make low interest rate loans to beginning farmers. In 1991 the law was changed to provide that the biennial appropriation for the beginning farmer revolving loan fund was to be used for interest buydowns on beginning farmer loans made by the Bank of North Dakota.

The committee received a staff report indicating that based on the December 31, 1997, audit report of the beginning farmer revolving loan fund the following assets totaling $16,276,449 would be transferred from the beginning farmer revolving loan fund to the Bank of North Dakota if the revolving loan fund was transferred into the Bank:

Cash and cash equivalents	$1,902,766
Loans (net of allowance for loan losses of $308,026)	12,412,411
Prepaid interest	1,527,207
Interest receivable	434,065
Total assets	$16,276,449

The committee found that merging the beginning farmer revolving loan fund into the Bank would eliminate the need for a separate audited financial statement for the fund. In addition, the committee found that there would be a fiscal advantage to merging the beginning farmer revolving loan fund into the Bank of North Dakota due to streamlining of administrative functions and reduced audit fees of approximately $2,500 per year.

The committee learned that the revolving loan fund is currently used to make loans after all of the appropriated funds have been used. The committee also learned that merging the revolving loan fund into the Bank would eliminate the flexibility of providing below-market interest rate loans through the fund after the appropriated interest buydown funds are gone. The Bank could still make beginning farmer loans, but the interest rate would be at the market rate. The proposed change would also create a need for increased funding of $921,500 to $1,200,000 to meet the needs of the program in future bienniums.

Recommendation

The committee considered and recommends House Bill No. 1047 which provides for the transfer of the assets, liabilities, and fund equity of the beginning farmer revolving loan fund to the Bank of North Dakota on July 1, 1999. The bill also provides that the Bank is not required to provide loans of this nature if the Legislative Assembly does not provide an appropriation for beginning farmer loans.

HIGHER EDUCATION INTERNAL SERVICE FUNDS

As a result of a finding and recommendation contained in the June 30, 1996, North Dakota University System audit report the committee requested an Attorney General's opinion on the legality of the University of North Dakota's charging of indirect costs to internal service funds. The opinion stated that it is not unlawful for the University of North Dakota to allocate indirect costs to internal service funds. As a result of the Attorney General's opinion the committee requested and received, from the Attorney General, provisions that could be added to the North Dakota Century Code in order to require the complete disclosure of all internal service funds to the Legislative Assembly and to disclose how the funds within the internal service funds are spent. The committee learned that the suggested changes would require each college and university, under the control of the Board of Higher Education, to prepare an annual financial statement on all internal service funds of the institution.

The committee learned that the North Dakota University System, in cooperation with the State Auditor's office, developed a policy regarding the charging of indirect costs to internal service funds. The committee learned that if the new policy is complied with it will resolve the internal service fund problems identified by the State Auditor's office.

Recommendation

The committee considered, but did not recommend, a bill providing for the complete disclosure of all internal service funds to the Legislative Assembly and to disclose how the funds within the internal service funds are spent. The bill would have required each college and university under the control of the Board of Higher Education to prepare an annual financial statement on all internal service funds of the institution. The committee determined that the policy developed by the University System and the State Auditor's office should be given a chance to resolve any problems before statutory changes are made.

LOCAL GAMING ENFORCEMENT GRANT DISTRIBUTION

Due to a repeated audit finding and related recommendation regarding the timing of the disbursement of local gaming enforcement grants by the Attorney General's office, the committee considered the possibility of changing the timing of the disbursement of gaming enforcement grants by the Attorney General's office. The committee determined that the grant disbursements could be based on the prior quarter's adjusted gross proceeds instead of the current quarter's adjusted gross proceeds in order to allow the Attorney General's office to make the last grant distribution of the biennium on a timely basis.

Recommendation

The committee recommends Senate Bill No. 2050 to provide for local gaming enforcement grants to be distributed based on the prior quarter's adjusted gross proceeds instead of the current quarter's adjusted gross proceeds. The committee determined that this change would allow the Attorney General's office to make the last grant distribution of the biennium in a timely manner and avoid future audit findings and recommendations relating to the timing of the local gaming enforcement grant disbursements.

LAKE AGASSIZ REGIONAL COUNCIL

The committee requested that the State Auditor's office review the most current financial audit report of the Lake Agassiz Regional Council and interview the staff of the Lake Agassiz Regional Council regarding the council's formation of a nonprofit corporation. The committee learned that the Lake Agassiz Regional Council did not form a new nonprofit corporation but did rename its existing nonprofit corporation. The committee also learned that the majority of the Lake Agassiz Regional Council's programs had been contracted out to the nonprofit corporation. In addition the committee learned that written contracts did not exist for the program transfers between the Lake Agassiz Regional Council and the nonprofit corporation. Based on these findings the committee requested the Attorney General to determine:

1. If the Lake Agassiz Regional Council inappropriately formed a separate nonprofit corporation;
2. If the Lake Agassiz Regional Council inappropriately transferred powers and duties to a separate nonprofit corporation; and
3. If the Lake Agassiz Regional Council inappropriately transferred funds or moneys to a separate nonprofit corporation.

Based on the findings of the Attorney General's investigation the committee learned that the transfer and assignment of staff, assets, and bank accounts by the Lake Agassiz Regional Council to the Lake Agassiz Regional Development Corporation was inappropriate. The committee learned that the Attorney General forwarded copies of the investigation report to the city attorneys and the county state's attorneys of the cities and counties participating in the regional council.

Recommendation

Based on the finding that the Lake Agassiz Regional Council inappropriately transferred and assigned staff, assets, and bank accounts to the Lake Agassiz Regional Development Corporation, the Legislative Council chairman, based on the committee's recommendation, requested the Attorney General to ask the county state's attorneys, city attorneys, and county commissioners of political subdivisions affiliated with the Lake Agassiz Regional Council to take such action as may be necessary to dissolve the Lake Agassiz Regional Development Corporation and transfer its assets back to the Lake Agassiz Regional Council. In addition, the Legislative Council chairman urged state agencies to cease financial activity with the Lake Agassiz Regional Development Corporation and the Lake Agassiz Regional Council until the issue is resolved.

DEPARTMENT OF HUMAN SERVICES ACCOUNTS RECEIVABLE

North Dakota Century Code Sections 25-04-17 and 50-06.3-08 require that the Developmental Center at Westwood Park, Grafton, and the Department of Human Services present detailed reports to the Legislative Audit and Fiscal Review Committee of

writeoffs of accounts receivable and the status of accounts receivable for each fiscal year. The committee accepted detailed reports on the amounts of accounts receivable written off during the 1997-98 interim. The amounts are as follows:

	Fiscal Year 1997	Fiscal Year 1998
State Hospital	$4,881,407.40	$7,759,453.00
Developmental Center	180,950.99	221,066.30
Human service centers	61,750.24	85,185.02
Total	$5,124,108.63	$8,065,704.32

The committee requested and received a report on the aging of the department's accounts receivable, collection efforts utilized by the department on amounts to be written off, the department's agreement with Indian Health Service, the department's policy regarding the provision of services when the ability to pay does not exist, and the *White v. Califano* court case. In addition, the committee encouraged the Department of Human Services to pursue any legal actions necessary to recover, from the federal government, all amounts written off by the department which relate to services provided to individuals eligible for reimbursement through Indian Health Service. The committee also suggested that future requests for accounts receivable writeoffs separately show all charges relating to Indian Health Service.

OTHER COMMITTEE ACTION

The committee also requested and received:

1. An Attorney General's opinion that had been requested at the committee's last meeting of the prior interim. The opinion stated that the December 1993 issuance of $9,173,000 of nonrecourse lease revenue bonds by the University of North Dakota (UND) Aerospace Foundation and the related lease of the equipment by the University of North Dakota pursuant to the foundation's bond issue are not in violation of the constitutional debt limitation contained in Article X, Section 13 of the constitution.
2. A status report on the investments held by the North Dakota Development Fund, Inc.
3. A staff report on the payment of moving expenses for new state employees.
4. A status report on the investments held by Technology Transfer, Inc.
5. A status report on the 1997-99 biennium appropriation for foundation aid program payments.
6. A report on community development block grant loan writeoffs, the status of community development block grant loans, and an aged loan listing by region.
7. A staff report on eligibility requirements for participation in the state bonding fund, state fire and tornado fund, risk management fund, and public employees retirement system.
8. A staff report on the revenues deposited into the Governor's special fund.
9. A staff report on the Minnesota statute creating a centralized debt collection unit.

The committee also requested that the UND Aerospace Foundation provide committee members with a list of assets, a list of 1099s and W-2s issued during 1997, and information on all 1997 activities of the UND Aerospace Foundation which do not relate to aerospace. The committee learned that in the past, audit reports had not been considered public information until after the reports were presented to this committee. The committee learned that due to changes made to the open records law by the 1997 Legislative Assembly, the State Auditor's office requested the Attorney General's office to determine when audit reports were required to be released to the public. The committee learned that based on the Attorney General's office, audit reports become public information after the report is through the quality control process of the State Auditor's office and no significant changes are anticipated. Pursuant to NDCC Section 10-32-156, the committee was to receive the annual audit report from any limited liability company that produces agricultural ethanol alcohol or methanol in this state and which receives a production subsidy from the state. Pursuant to NDCC Section 26.1-50-05, the committee was to receive the annual audited financial statement and report from the North Dakota low-risk incentive fund. Any insurer or group of insurers may establish a corporation or limited liability company to own and operate the North Dakota low-risk incentive fund. The fund may be used for making loans to low-risk businesses for primary sector business projects in the state. Pursuant to NDCC Section 54-44.2-12, the committee was to receive a report from the Information Services Division on state entity noncompliance with statewide information technology policies and standards. During the interim, the committee did not receive any reports from limited liability companies that produce agricultural ethanol alcohol or methanol, the North Dakota low-risk incentive fund, or the Information Services Division on state entity noncompliance with statewide information technology policies and standards.

Recommendations

The committee determined that it would be desirable to have a centralized debt collection agency within the state instead of having each agency do its own debt collections. The committee recommends House Bill No. 1048 to create a centralized debt collection unit within the State Treasurer's office. The centralized debt collection unit would be available to state agencies and institutions for the provision of debt collection services. The committee recommends House Bill No. 1049 to provide that state agency and institution financial audit reports, financial-related audit reports, and performance audit reports prepared by the State Auditor's office or a private firm under contract with the State Auditor's office are confidential until the reports are presented to the Legislative Audit and Fiscal Review Committee.