

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Monday, November 19, 2007
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Bob Skarphol, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Bob Skarphol, Ole Aarsvold, Larry Bellew, Merle Boucher, Kari L. Conrad, Jeff Delzer, Bette Grande, Patrick R. Hatlestad, RaeAnn G. Kelsch, Kenton Onstad, Louis Pinkerton, Francis J. Wald; Senators Randel Christmann, Dwight Cook, Judy Lee

Members absent: Representative Blair Thoreson; Senators Jerry Klein, Harvey D. Tallackson

Others present: Bob Martinson, State Representative, Bismarck

See [Appendix A](#) for additional persons present.

It was moved by Representative Wald, seconded by Representative Bellew, and carried on a voice vote that the minutes of the August 14, 2007, meeting of the Legislative Audit and Fiscal Review Committee be approved as distributed.

UNIVERSITY OF NORTH DAKOTA SCHOOL OF MEDICINE AND HEALTH SCIENCES PERFORMANCE AUDIT

Mr. Gordy Smith, State Auditor's office, presented the University of North Dakota School of Medicine and Health Sciences performance audit dated August 22, 2007. Mr. G. Smith said the goal of the performance audit was to determine if the School of Medicine and Health Sciences established an adequate system for monitoring operations. Mr. G. Smith said the performance audit contains 35 recommendations. A copy of the audit recommendations is attached as [Appendix B](#). Based on the performance audit, he said, the State Auditor's office determined:

- The School of Medicine and Health Sciences has not established an adequate system for monitoring its operations. The State Auditor's office noted a number of areas of concern, including the School of Medicine and Health Sciences not complying with the legislative purpose and duties established for the school, a lack of monitoring of compliance with state laws, a lack of adequate performance measures and benchmarks, and other issues.
- A consultant hired to review certain areas as part of the performance audit--DJW Associates--identified that the School of Medicine and Health Sciences has a tradition of educating and training primary care physicians who deliver health care in the state.

The consultant noted improvements could be made relating to the residency and fellowship positions and identified a need for support in developing clinical research programs as well as providing incentives to encourage and reward faculty. DJW Associates concluded the merger of the Department of Family Medicine and the Department of Community Medicine was not unreasonable based on comparable departments in other medical schools, although it resulted in unnecessary acrimony that far offset the financial savings offered as a rationale for the merger.

- The State Auditor's office identified several areas which are brought forth to the attention of public policymakers for informational purposes as well as areas which require consideration and possible action. The consultant recommended consideration be given for a regional model for the delivery of health care in rural and underserved areas which differs from the traditional model of placing a family medicine physician in every community. The consultant also noted it was essential to establish an effective organizational and management structure for residency programs and offered a model in which the health care delivery system (i.e., a consortium of major hospitals) act as the primary sponsor of the program with the School of Medicine and Health Sciences as an affiliate.
- The State Auditor's office noted real property will be obtained without legislative approval due to a financing arrangement with the University of North Dakota Alumni Foundation. The State Auditor's office noted appropriated funds are used to supplement research but could not determine the extent to which this occurs. Due to the current accounting of general fund money, the State Auditor's office was unable to perform an analysis or identify information related to how general fund money is being specifically expended. The State Auditor's office identified a lack of accurate and reliable information being readily available to ensure the School of Medicine and Health Sciences stays within its legislatively authorized full-time equivalent (FTE) amount.

Mr. G. Smith said North Dakota Century Code (NDCC) Section 15-52-01 states the purpose of the School of Medicine and Health Sciences is to provide facilities for the coordination, improvement, expansion, and unification of health and welfare activities of the state and its agencies, political subdivisions, and private practitioners. He said the purpose established in state law has not changed since 1945. He said the State Auditor's office concluded the School of Medicine and Health Sciences may not fully coordinate, improve, expand, and unify the health and welfare activities of the state.

Mr. G. Smith said NDCC Section 15-52-15 requires the University of North Dakota to compile a list of cities, towns, and other municipalities in the state without a qualified physician or dentist or with an insufficient number of qualified physicians or dentists, and to endeavor to supply physicians or dentists to such cities, towns, and other municipalities. He said the School of Medicine and Health Sciences has compiled maps identifying shortages for certain fields, such as primary care health professionals, but such maps are compiled based on guidelines not established by the school. He said the School of Medicine and Health Sciences has not established criteria for determining what an "insufficient" number of qualified physicians is and uses guidelines established by the federal government or the State Department of Health.

Mr. G. Smith said NDCC Section 15-52-29 authorizes and directs the School of Medicine and Health Sciences to provide or encourage means for providing for the training of such psychiatrists and other psychiatric personnel as may be necessary to properly staff state institutions and agencies providing services in the field of mental health. He said the School of Medicine and Health Sciences does not identify the psychiatric need or appropriate staff required at state agencies and institutions providing mental health services. While certain laws have not been modified in a significant number of years and may be in need of review, he said, the School of Medicine and Health Sciences has not taken appropriate actions to comply with legislative intent or initiate changes to state law.

Mr. G. Smith said the mission statement of the School of Medicine and Health Sciences was last modified in 1996 and is not consistent with the statutory purpose of the school. As a result, he said, resources used in accomplishing the mission of the school may not be in accordance with legislative intent. He said the State Auditor's office noted several instances in which appropriated funds were supplementing research but could not determine how often this was occurring.

Mr. G. Smith said NDCC Chapter 15-52 establishes a medical center loan fund. He said the purpose of the fund is to make it possible for all qualified students attending the medical school to complete their education in medicine. By state law, he said, the loan amount may not exceed \$6,000 each

year with an interest rate not to exceed 6 percent. In reviewing information regarding the loan fund, the State Auditor's office noted:

- The \$6,000 maximum loan amount is too low. The loan amount covers approximately 29 percent of the in-state tuition amount. When the loan amount was last increased, the loan was then covering approximately 39 percent of tuition compared to 30 percent prior to the increase.
- Interest currently charged is 6.8 percent which exceeds the maximum amount established in state law.
- The loan fund is being operated as a revolving loan fund but there is no specific statutory authority to operate a revolving loan fund. While NDCC Section 15-52-26 provides up to \$100,000 per year of mill levy revenue for loans, it appears no such revenue has been used for a number of years and proceeds from loans are used to operate the loan fund. At the end of fiscal year 2007, the fund had cash of approximately \$650,000 and loan receivables of over \$1.8 million.

In response to a question from Representative Wald, Mr. G. Smith said the mill levy revenue of \$100,000 should be loaned out each year. He said loan repayment should be deposited in the general fund if not specified in state law. He said typically a revolving loan fund must be authorized in law.

In response to a question from Representative Delzer, Mr. G. Smith said the mill levy revenue has been used for other operating expenses within appropriation authority.

In response to a question from Representative Wald, Mr. G. Smith said the mill levy revenue is deposited in a fund with tuition revenue and general fund appropriations. He said the funds are not segregated and it is not possible to identify which funds are being expended.

Mr. G. Smith introduced Dr. Frank A. Simon and Dr. David S. Watt, DJW Associates, to present the recommendations in the audit made by the consulting firm. Dr. Simon said DJW Associates reviewed the following three areas:

- Educational training related to primary care with an emphasis on family medicine;
- Research efforts and research programs; and
- Merger of the Department of Family Medicine and Department of Community Medicine.

Dr. Simon said DJW Associates noted improvements could be made relating to residency and fellowship positions. He said management of the centers for family medicine (formerly called family practice centers) at all sites has been a continuing problem. He said several factors contribute to the ongoing problems, including financial pressures, strong personalities, and unrealistic assumptions that each of the centers deliver family practitioners only to rural North Dakota. He reviewed DJW Associates'

observations on the education curriculum. A copy of the observations is attached as [Appendix C](#).

Dr. Simon said the rationale for closing the family residency program in Fargo was based on three factors:

- Financial losses by the Community Health Clinic that housed the program and looked to the School of Medicine and Health Sciences to underwrite a deficit of \$475,000;
- Marginal quality of the training program in comparison with programs in Grand Forks, Minot, and Bismarck; and
- Failure to train a significant number of family practitioners who would take up residence and serve rural areas.

Dr. Simon said that although the Fargo program was losing money, the Grand Forks, Minot, and Bismarck programs have similar problems and are experiencing financial difficulty. He said DJW Associates found nothing to suggest the Fargo program was marginal in quality in comparison to programs in Grand Forks, Minot, and Bismarck. He said although the Fargo program provided the smallest percentage of physicians who located to small towns across the state, this particular model for health care delivery may be outdated.

In response to a question from Chairman Skarphol, Dr. Simon said family medicine programs are not financially sound. The programs provide a service, he said, and any school that runs a family medicine program is subsidizing the program to provide care. He said subsidy support through the School of Medicine and Health Sciences has been strong, similar to other states.

In response to a question from Representative Boucher, Dr. Simon said it may not be appropriate to place a physician in every small community in North Dakota. He said North Dakota is in a position to create a new model for other states to follow in the delivery of health care in rural areas.

In response to a question from Senator Christmann, Dr. Simon said there are several issues that contribute to a shortage of family medicine physicians in rural areas. He said most medical schools are in big cities and many medical school students choose to stay in the big cities after becoming used to that lifestyle. He said medical students accumulate an average student loan debt of \$150,000 and family medicine is one of the lowest paid specialties.

In response to a question from Senator Christmann, Dr. Simon said there are projections that there is a nationwide shortage of physicians. He said the Association of American Medical Colleges has called for a 30 percent increase in enrollment in medical schools in the United States to cover the projected shortage of physicians.

In response to a question from Representative Kelsch, Dr. Simon said the trend from several years ago has reversed and medical school applications from United States residents has increased.

Senator Lee said a proposal from the Dakota Medical Foundation would have provided a replacement residency program for the one closed in Fargo. She said the new program would have provided approximately \$20 million in federal funds over a 10-year period and a minimum of \$7 million over a 10-year period from the Dakota Medical Foundation. She said the School of Medicine and Health Sciences would have been given ownership of the residency program but the school refused it.

Chairman Skarphol requested the School of Medicine and Health Sciences provide a spreadsheet on the financial status of all Centers for Family Medicine, including accumulated shortfalls.

In response to a question from Representative Wald, Dr. Simon said it may be beneficial for hospitals to take over sponsorship of residency programs. He said hospitals that sponsor residency programs receive significant hidden income from federal support for direct medical education, supplemental funds for indirect medical education, and increased patient loads. He said education is the most important part of the residency program and the medical school has to be an integral part of the hospital's program to be approved as a residency program. He said legislative support for residency programs would need to be continuous because independently, residency programs are not profitable.

Dr. Watt said the School of Medicine and Health Sciences has done an admirable job of recruiting talented faculty and assembling an environment supporting faculty research interests. He said the school has increased its research grant and contract funds from \$4 million in 1999 to \$20 million in 2006. He said DJW Associates identified a need for support in developing clinical research programs as well as providing incentives to encourage and reward faculty.

In response to a question from Chairman Skarphol, Dr. Watt said it is difficult to segregate funding to identify which funds, appropriated or private, are being used for research or teaching opportunities.

In response to a question from Representative Boucher, Dr. Watt said typically 5 percent to 10 percent of funding for research is provided by the pharmaceutical industry. He said the support is low because the companies have their own research laboratories and only need the academic health centers when their product is ready for clinical research.

Dr. Simon said the merger of the Department of Family Medicine and the Department of Community Medicine was not unreasonable based on comparable departments in other medical schools. He said the only demonstrable consequence of the merger has been the resignation of the former Chair of the Department of Community Medicine.

Dr. Simon said the management style of the Dean of the School of Medicine and Health Sciences is to be vested personally in all decisions without relying on formal, faculty-driven processes and without, in some circumstances, an appreciation for the political

consequences of these decisions. He said major management decisions should begin with a formal, internal review process with key partners and an attempt to build a consensus to support the outcome.

Dr. Simon said DJW Associates had a difficult time in reviewing financial information provided by the School of Medicine and Health Sciences. He said information provided to program chairs or directors should be in an understandable format to ensure informed decisions are being properly made.

Mr. G. Smith said the School of Medicine and Health Sciences has not established an adequate system for monitoring its operations. He said the State Auditor's office noted a number of areas of concern, including a lack of adequate performance measures and benchmarks, changes needed with the organizational structure and reporting relationships, improvements with evaluating performance, and other issues.

Dr. Charles E. Kupchella, President, University of North Dakota, joined the committee meeting via telephone to respond to the School of Medicine and Health Sciences performance audit. A copy of Dr. Kupchella's [letter to the Legislative Audit and Fiscal Review Committee](#) is on file in the Legislative Council office. Dr. Kupchella thanked the State Auditor's office for the work that went into the audit. He said the auditors identified areas where improvements can, should, and will be made. He expressed concern over the audit report seeming to suggest that any expenditure of state funds on research may be inconsistent with state law and is therefore somehow problematic and the recommendation to bring in outside consultants to develop better systems of providing budget information.

Dr. H. David Wilson, Dean, School of Medicine and Health Sciences, presented the school's response to the performance audit. He said the performance audit served as an opportunity for growth and improvement in the school. He said the school agrees with 30 of the 35 recommendations. He said the school will make recommended changes and may need legislative help in certain areas.

In response to a question from Senator Lee, Dr. Wilson said the top three priorities for the School of Medicine and Health Sciences are having a Department of Family Medicine in the top 10 departments in the nation, having the top Centers for Rural Health in the nation, and having the best educational program of all medical schools in the nation.

In response to a question from Representative Aarsvold, Dr. Wilson said he will provide information on the delinquency rate for the medical center loan fund, including an analysis of causes for the delinquency.

The committee recessed for lunch at 12:05 p.m. and reconvened at 1:00 p.m.

In response to a comment from Chairman Skarphol, Dr. Wilson said the School of Medicine and

Health Sciences will work with the Medical Center Advisory Council to develop a mechanism for providing better financial information.

Chairman Skarphol requested Dr. Wilson to provide a "spreadsheet" identifying the rural versus urban distribution of doctors, filled versus unfilled position in the various urban and rural areas, and the shortfalls in the various practices within the state.

Representative Boucher requested the Legislative Council staff to provide information regarding accounts receivable writeoffs at the family practice centers, including bad debts and portions of Medicaid and insurance billings being absorbed due to contractual allowances.

Representative Conrad requested the Legislative Council staff provide information relating to statutory responsibility for health care planning.

Chairman Skarphol requested the School of Medicine and Health Sciences be placed on the agenda for a future committee meeting before the 2009 legislative session to discuss the status of the implementation of the recommendations.

Dr. Rob Beatty, Chairman, Department of Family and Community Medicine, said planning for health care in North Dakota must include more than family medicine residencies. He said demographics have changed and rural communities cannot sustain previous levels of services.

It was moved by Senator Lee, seconded by Representative Wald, and carried on a roll call vote that, pursuant to NDCC Section 54-35-02.2, the committee accept the performance audit of the School of Medicine and Health Sciences.

Representatives Skarphol, Aarsvold, Bellew, Boucher, Conrad, Delzer, Grande, Hatlestad, Kelsch, Onstad, Pinkerton, and Wald and Senators Cook and Lee voted "aye." No negative votes were cast.

NORTH DAKOTA NETWORK AND SECURITY AUDIT

Mr. Mark Shaw, ManTech Security & Mission Assurance, presented the North Dakota network and security audit report. Mr. Shaw said the audit consisted of four tasks--external vulnerability assessment, internal vulnerability assessment, penetration testing, and application security assessment.

Mr. Shaw said the external vulnerability assessment identified 313 systems at state agencies or organizations with at least one vulnerability that would provide an external attacker with a possible attack vector that could lead to compromise of the state's network from the Internet. He said there were 10 unique high-risk vulnerabilities on multiple systems, 2 unique medium-risk vulnerabilities on multiple systems, and 4 unique low-risk vulnerabilities on multiple systems. He said the vulnerabilities could generally be classified into three categories--architectural design flaws, misconfigured systems or applications, and operating systems or software

applications that were missing critical security patches. He said the assessment resulted in the following general recommendations:

- Review content available on publicly accessible servers.
- Filter inbound access to all state systems.
- Ensure segregation between kindergarten through grade 12 and other education networks and the state network.

Mr. Shaw said the internal vulnerability assessment identified 427 systems at state agencies or organizations with at least one vulnerability that would provide an attacker with a possible attack vector that could lead to compromise of the state's network and sensitive information. He said there were 29 unique high-risk vulnerabilities on multiple systems, 8 unique medium-risk vulnerabilities on multiple systems, and 4 unique low-risk vulnerabilities on multiple systems. He said the vulnerabilities could generally be classified into three categories--architectural design flaws, misconfigured systems or applications, and the majority being operating systems or software applications that were missing critical security patches. He said the assessment resulted in the following general recommendations:

- Segment public facing servers from internal network.
- Internal segregation of critical servers and development systems.
- Include applications in formal patch management program.
- Implement outbound access control.
- Require use of encrypted protocols for remote management.

Mr. Shaw said the penetration test identified nine state systems to target based on vulnerability assessment results. He said the test team was unsuccessful in exploiting eight of the systems but was successful in exploiting one system to create an account with administrator privileges. He said the penetration test resulted in the following general recommendations:

- Education of users on social engineering techniques.
- Ensure servers and desktops are kept current on all operating system and application patches.

Mr. Shaw said an application security assessment was performed on the state's PeopleSoft application. He said there were two vulnerability findings with the application and its associated components--one high-risk vulnerability relating to the operating system installed on the application host and one low-risk design flaw. He said the overall internal security mechanisms within the application are very strong. He said the assessment resulted in the following general recommendations:

- Ensure systems hosting application are kept up to date.
- Prevent simultaneous logins.

In response to a question from Chairman Skarphol, Mr. Shaw said the Legislative Council should verify that the vendor for the new legislative branch applications replacement system has considered security issues.

Mr. Dan Sipes, Director of Administrative Services, Information Technology Department, said the security audit was valuable to the Information Technology Department. He said the department has assembled a team to address the recommendations. He said the department has hired one FTE security position to increase security awareness education for state agencies and users.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Mr. John Mongeon, Brady, Martz & Associates PC, Certified Public Accountants, presented the audit report for the Retirement and Investment Office for the years ended June 30, 2006 and 2005. He reviewed the auditor's responses to the committee guidelines and said the report contains an unqualified opinion and does not include any findings or recommendations.

Mr. Mongeon presented the audit report for the partnership in assisting community expansion (PACE) fund for the years ended June 30, 2007 and 2006. He reviewed the auditor's responses to the committee guidelines and said the report contains an unqualified opinion and does not include any findings or recommendations.

Mr. Mongeon presented the audit report for the Ag PACE fund for the years ended June 30, 2007 and 2006. He reviewed the auditor's responses to the committee guidelines and said the report contains an unqualified opinion and does not include any findings or recommendations.

STATE AUDITOR'S OFFICE AUDIT REPORT

Ms. Barb Aasen, Eide Bailly LLP, Certified Public Accountants, presented the audit report for the State Auditor's office for the years ended June 30, 2007 and 2006. She reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion. She said the report contains one internal control weakness relating to recorded transactions. She said all accounts that require a manual calculation or estimation should be reviewed in a timely manner and adjustments made for any differences noted.

LEGISLATIVE COUNCIL AND LEGISLATIVE ASSEMBLY AUDIT REPORTS

Ms. Aasen presented the audit report for the Legislative Council for the years ended June 30, 2007 and 2006. She reviewed the auditor's responses to the committee guidelines and said the audit report

contains an unqualified opinion and does not include any findings or recommendations.

Ms. Aasen presented the audit report for the Legislative Assembly for the years ended June 30, 2007 and 2006. She reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion and does not include any findings or recommendations.

NORTH DAKOTA DEVELOPMENT FUND, INC., AUDIT

Ms. Aasen presented the audit report for the North Dakota Development Fund, Inc., for the year ended June 30, 2007. She reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion and does not include any findings or recommendations.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Mr. Donald LaFleur, State Auditor's office, presented the GenTax information technology audit report for the year ended June 30, 2007. He said GenTax is a new software system designed to support almost all aspects of tax collection. He said the report contains an unqualified opinion and does not include any findings or recommendations.

In response to a question from Representative Delzer, Ms. Catherine Forsch, Director of Operations, Tax Department, said the department is comparing what was collected in the legacy system to what is being collected in the GenTax system. She said there are different levels of reports available in GenTax that were not available in the legacy system. She said the new system will provide for a "revenue lift" from passthrough entities. She said the new system allows the department to look at more data to determine whether audits should be conducted.

Representative Skarphol requested a report at a future meeting on the benefits of the GenTax system.

Mr. G. Smith presented the Mill and Elevator audit report for the years ended June 30, 2007 and 2006. He reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion and does not include any findings or recommendations.

Mr. Paul Welk, State Auditor's office, presented the Department of Financial Institutions audit report for the years ended June 30, 2006 and 2005. He reviewed the auditor's responses to the committee guidelines and said the audit report contains one instance of noncompliance with legislative intent relating to the biennial cash balance of the financial institutions regulatory fund. He said the cash balance of the regulatory fund at the end of the 2003-05 biennium exceeded the amount allowed per NDCC Section 6-01-01.1(3). He said Section 6-01-01.1(3) is ambiguous regarding the cash balance limit. He said the law does not specify to which fund the excess balance should be transferred and does not specify

which biennial budget to use when computing 20 percent of the department's biennial budget.

Mr. Ron Tolstad, State Auditor's office, presented the Department of Commerce audit report for the years ended June 30, 2007 and 2006. He reviewed the auditor's responses to the committee guidelines and said the audit report contains two internal control findings relating to investments and inventory controls. He said the recommendation relating to inventory controls was also a prior audit finding. He said the audit report contains one finding of noncompliance with legislative intent relating to procurement laws. He said the audit report contains one recommendation for operational improvement relating to grant accountability and monitoring policies and procedures surrounding economic development grants.

In response to a question from Representative Delzer, Mr. Shane C. Goettle, Commissioner, Department of Commerce, said the department turned back \$200,000 to the general fund and has "carryforward" authority that includes commitments made in one biennium that need to be paid for in a future biennium.

In response to a question from Representative Delzer, Ms. Lavonne Stair, Business Manager, Department of Commerce, said the majority of unexpended appropriations for operating expenses is from federal funds. She said she would provide the committee with information on the breakdown of unexpended appropriations.

Mr. Tolstad presented the audit report of the Adjutant General for the years ended June 30, 2006 and 2005. He reviewed the auditor's responses to the committee guidelines and said the audit report contains one internal control finding relating to controls surrounding recording of expenditures. He said the recommendation relating to controls surrounding recording of expenditures was also a prior audit finding. He said the audit report contains one finding of noncompliance with legislative intent relating to fees charged by the Division of State Radio. He said the recommendation relating to fees charged by the division was also a prior audit finding.

Mr. Welk presented the Aeronautics Commission audit report for the years ended June 30, 2007 and 2006. He reviewed the auditor's responses to the committee guidelines and said the audit report contains one recommendation for operational improvement relating to providing online aircraft registration services.

Mr. Welk presented the Information Technology Department audit report for the years ended June 30, 2006 and 2005. He reviewed the auditor's responses to the committee guidelines and said the audit report contains six internal control findings relating to security roles controls, segregation of accounting duties, purchase card controls, payroll controls, inventory controls, and computer access controls. He said the audit report contains one finding of noncompliance with legislative intent relating to state procurement guidelines. He said the audit report

contains one recommendation for operational improvement relating to state portal and online services. He said the audit report contains two prior audit recommendations that have not been implemented relating to customer information system controls access and payroll access controls.

Mr. Welk presented the audit report of the Attorney General's office for the years ended June 30, 2006 and 2005. He reviewed the auditor's responses to the committee guidelines and said the audit report contains one recommendation for operational improvement relating to implementation of a Medicaid fraud control unit. He said the recommendation relating to implementation of a Medicaid fraud control unit was also a prior audit finding.

DEPARTMENT OF HUMAN SERVICES' ACCOUNTS RECEIVABLE

Chairman Skarphol called on Ms. Brenda Weisz, Department of Human Services, who presented information on the status of the department's accounts receivable pursuant to NDCC Sections 25-04-17 and 50-06.3-08. A copy of the information presented is on file in the Legislative Council office. Ms. Weisz said the total amount written off by the Department of Human Services for fiscal year 2007 was \$4,356,416, of which \$797,152 related to the human service centers, \$3,419,396 related to the State Hospital, and \$139,868 related to the Developmental Center.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Senator Lee requested the audit report for the Housing Finance Agency (June 30, 2007 and 2006) be presented at the next committee meeting.

Representative Grande requested the audit report for the student loan trust (June 30, 2007 and 2006) be presented at the next committee meeting.

It was moved by Representative Kelsch, seconded by Representative Boucher, and carried on a voice vote that, pursuant to NDCC Section 54-35-02.2, the committee accept the following reports presented to the committee:

1. **North Dakota network and security audit (June 30, 2007).**
2. **Retirement and Investment Office (June 30, 2006 and 2005).**
3. **PACE fund (June 30, 2007 and 2006).**
4. **Ag PACE fund (June 30, 2007 and 2006).**
5. **State Auditor's office (June 30, 2007 and 2006).**
6. **Legislative Council (June 30, 2007 and 2006).**
7. **Legislative Assembly (June 30, 2007 and 2006).**

8. **North Dakota Development Fund, Inc., (June 30, 2007 and 2006).**
9. **GenTax information technology audit (June 30, 2007).**
10. **Mill and Elevator (June 30, 2007 and 2006).**
11. **Department of Financial Institutions (June 30, 2006 and 2005).**
12. **Department of Commerce (June 30, 2007 and 2006).**
13. **Adjutant General (June 30, 2006 and 2005).**
14. **Aeronautics Commission (June 30, 2007 and 2006).**
15. **Information Technology Department (June 30, 2006 and 2005).**
16. **Attorney General (June 30, 2006 and 2005).**
17. **Reports available but not selected for presentation:**
 - a. **Soybean Council (June 30, 2007).**
 - b. **Securities Commission (June 30, 2006 and 2005).**
 - c. **Board of Plumbing (June 30, 2007 and 2006).**
 - d. **Board of Accountancy (June 30, 2007).**
 - e. **Board of Examiners for Nursing Home Administrators (June 30, 2006 and 2005; June 30, 2004 and 2003).**
 - f. **State Building Authority (June 30, 2007 and 2006).**
 - g. **Beef Commission (June 30, 2007 and 2006).**

In response to a question from Chairman Skarphol, Mr. G. Smith said a performance audit relating to deferred maintenance would include a review of the formula used by higher education and state agencies in determining levels of funding for deferred maintenance. He said the performance audit could be conducted beginning in June 2008. Chairman Skarphol said a decision regarding this issue will be made at the next committee meeting.

Chairman Skarphol said the next committee meeting is tentatively scheduled for mid-February 2008.

The meeting was adjourned subject to the call of the chair at 3:40 p.m.

Becky Keller
Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:3