



North Dakota Department of Trust Lands Commissioner Lance Gaebe answers questions from state lawmakers about recent audits as Audit Manager Jason Wahl listens behind him on Thursday, April 21, 2016, at the Capitol in Bismarck. (Mike Nowatzki / Forum News Service)

## Heated words exchanged over Trust Lands audits

By [Mike Nowatzki](#) on Apr 21, 2016 at 6:32 p.m.

**B**ISMARCK – Unflattering audits of North Dakota’s Department of Trust Lands sparked heated words Thursday from state Land Commissioner Lance Gaebe, the lead auditor and a member of the legislative committee that ordered the audits, who told Gaebe, “I don’t accept the excuses.”

Gaebe defended the department to the Legislative Audit and Fiscal Review Committee during a grueling five-hour discussion of three separate audits that uncovered bookkeeping errors, raised ethical concerns and identified shortcomings

in how the agency handled the state's oil impact grant and unclaimed property programs.

Gaebe acknowledged "we've made mistakes" and said he had hoped the 16-month audit process would lead to constructive suggestions for solutions.

"However, at the end of a long costly process we received generalized, subjective recommendations, and a collection of highlighted unintentional errors and oversights assembled to present a characterization that the department lacks accountability and that its staff does not recognize its responsibilities," he said in written testimony.

Gaebe said officials were "a little bit surprised" to learn that the state auditor's office edited or condensed the department's responses to its recommendations. That drew a harsh rebuke from Audit Manager Jason Wahl, who called Gaebe's comments "extremely concerning" and "inflammatory."

"We did not change a word," Wahl said.

Rep. Bob Skarphol, R-Tioga, told Gaebe he should be glad auditors discovered that the department had assigned trusts to the wrong tracts of land, which resulted in mineral royalty payments and investment income going to the wrong trust.

The error led to \$2.8 million being credited to the Youth Correctional Center trust and \$177,000 being paid to the Mandan facility that should have gone to other trust beneficiaries. Gaebe said the mistake traces back to the 1940s and will likely require the Legislature to correct it through appropriations.

Skarphol noted an internal review conducted in 2011 flagged a potential problem with trusts being incorrectly assigned to tracts, but the department did nothing to confirm or correct it, the audit found.

"I don't think you should be feeling sorry for yourself. You ought to be really glad that you had the state auditor's office come in and help point out these ... deficiencies in the agency that you head," he told Gaebe. "And I'm sorry, but I don't find it acceptable and I don't accept the excuses."

"The implication that I knew about this in 2011 is only an implication. There is no

documentation,” Gaebe said, adding the department will look into whether other trusts were wrongly assigned and fix the problem.

Skarphol also said it seemed the department was running “fast and loose” with the oil impact grant program, which awarded \$364 million in fiscal years 2011-15 but has been suspended this biennium because of slumping oil tax revenues.

Wahl said auditors found some grants were used for purposes that didn’t meet legislative intent, including locks replaced at a public school and replacement of a police vehicle lost in an electrical fire.

The department also recommended approval of grants that didn’t appear to meet eligibility requirements, the audit stated, citing one case in which a city was recommended for a \$125,000 grant even though none of the 10 applications it submitted met the requirements.

“Is there a way to recoup that money? These people shouldn’t have received that money,” said Rep. Gary Kreidt, R-New Salem.

Gaebe said he believes the department complied with the intent, noting some of the grants in question addressed safety concerns related to increased traffic and population from the oil boom.

“I don’t intend to do anything to undo any of the grants,” he said.

Some lawmakers expressed sympathy for the huge increase in workload thrust upon the small department when the oil boom ramped up, with Sen. Judy Lee of West Fargo saying the office “has been drinking from a fire hose for the last four years.”

The committee briefly discussed the audit’s findings that employees claimed reimbursement for meals that had already been paid for – Gaebe said they will pay that money back – and accepted free meals and booze from contracted investment firms, which auditors said appeared to violate the code of ethics adopted by the state Board of University and School Lands that oversees the department.

“I am less concerned about whether or not somebody buys you coffee than I am whether or not you handle billions of dollars of money in a proper fashion and get it to where it’s supposed to go,” Lee said.

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