

Office of the State Auditor

Division of State Audit

Children's Services Coordinating Committee Bismarck, North Dakota

Audit Report for the
Biennium Ended June 30, 2005
Client Code 324

Robert R. Peterson
State Auditor



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Transmittal Letter

February 16, 2006

Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Kathy Keiser, Board Chair, Children's Services Coordinating Committee

We are pleased to submit this audit of the Children's Services Coordinating Committee for the biennium ended June 30, 2005. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Fred Ehrhardt, CPA. Paul Welk, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2320. We wish to express our appreciation to Kathy Keiser and her staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota Children's Services Coordinating Committee (CSCC) plans for and coordinates delivery of services to children and adolescents who are abused, neglected, emotionally disturbed, mentally ill, medically disabled, runaways, homeless, deprived, school dropouts, school-age parents, chemical or alcohol abusers, unruly, or delinquent. They also foster prevention strategies and early intervention to strengthen families in their capacity to parent children and coordinate, sponsor, or oversee interagency or intergovernmental projects and programs for children, or projects and programs that require the participation of both governmental and private entities. The state CSCC accomplishes these duties by distributing grant funds appropriated or authorized by the legislative assembly to regional and tribal CSCC's.

RESPONSES TO LAFRC REQUESTS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. *Were expenditures made in accordance with legislative appropriations and other state fiscal requirements and restrictions?*

Yes.

2. *Were revenues accounted for properly?*

Yes.

3. *Were there adequate financial controls and procedures?*

Yes.

4. *Was internal control adequate and functioning effectively?*

Yes.

5. *Do financial records and reports reconcile with state fiscal offices?*

Yes.

6. *Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?*

Yes.

7. *Was there any indication of fraud or dishonesty?*

No.

8. *Were there any indications of lack of efficiency in financial operations and management of the agency?*

No.

9. *Has action been taken on findings and recommendations included in prior audit reports?*

There were no recommendations included in the prior audit report.

10. *Were all activities of the agency encompassed within appropriations of specific amounts?*

Yes.

11. *Has the agency or institution implemented the Statewide Accounting and Management Information System (SAMIS), including the cost allocation system?*

Children's Services Coordinating Committee uses ConnectND which was implemented by the state of ND.

12. *Has the agency developed budgets of actual anticipated expenditures and revenues on at least a quarterly basis and compared (on at least a quarterly basis) actual expenditures and revenues on the accrual basis to budgeted expenditures and revenues?*

Yes.

Background Information

The mission of the Children's Services Coordinating Committee is to strengthen families in their ability to parent children and communities in their capacity to support families by planning for and coordinating delivery of services to children and adolescents who are at risk, fostering preventive strategies, and early intervention. Kathy Keiser, Board Chairperson, heads the Children's Services Coordinating Committee.

To accomplish their mission, the Children's Services Coordinating Committee may plan for and coordinate delivery of services to children and adolescents who need the services, as well as foster primary prevention ideas and strategies and present those ideas and strategies to the regional and tribal Children's Services Coordinating Committees. Also, the Children's Services Coordinating Committee distributes grant funds to the twelve regional and tribal Children's Services Coordinating Committees. The regional and tribal Children's Services Coordinating Committees are strategically located across the state of North Dakota. These committees are composed of community volunteers. The regional and tribal Children's Services Coordinating Committees are responsible for the recruitment of local organizations to become participating entities, for ensuring that administrative funding and reimbursements are for only allowable costs, and for the distribution of funds to the participating entities.

The North Dakota Children's Services Coordinating Committee's budget for the 2003-2005 biennium was \$2.5 million. This represents a 68% decrease from the 2001-2003 budget. This decrease is due to a reduction in funds generated through the refinancing process; federal funds passed through the Department of Human Services.

Audit Objectives, Scope, And Methodology

Audit Objectives

The objectives of this audit of the Children's Services Coordinating Committee for the biennium ended June 30, 2005 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the most important areas of the Children's Services Coordinating Committee's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Children's Services Coordinating Committee and are they in compliance with these laws?

Audit Scope

This audit of the Children's Services Coordinating Committee for the biennium ended June 30, 2005 was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. To meet the objectives outlined above, we:

Audit Methodology

- Prepared financial statements from the legal balances on the state's accounting system as tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures for expenditures and receipts.
- Tested samples of expenditures.
- Reviewed prior year audit workpapers.
- Reviewed North Dakota Century Code chapter 54-56 and 2003 Session Laws.

Discussion And Analysis

The accompanying financial statements have been prepared to present the Children's Services Coordinating Committee's revenues and expenditures on the legal basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the biennium ended June 30, 2005, operations of the Children's Services Coordinating Committee were supported by funds received through the Department of Human Services and appropriated through special fund expense authority.

FINANCIAL SUMMARY

Revenues consist of funds received from the Department of Human Services and transferred to the Children's Services Coordinating Committee operating fund through a request for reimbursement process. Total revenues for the fiscal year ended June 30, 2005 were \$362,053 as compared to \$1,265,746 for the fiscal year ended June 30, 2004. The significant decrease in total revenues was due to a reduction in the amount of money that was generated through the refinancing process. These refinancing funds were eliminated by the federal government in 2005.

Total expenditures for the Children's Services Coordinating Committee were \$420,018 for the fiscal year ended June 30, 2005 as compared to \$1,261,133 for the prior year. The decrease in expenditures is due to less revenue and thus less grants paid out. The distribution of grants accounted for approximately 94% of total expenditures during the biennium audited.

ANALYSIS OF SIGNIFICANT CHANGES IN OPERATIONS

The Children's Services Coordinating Committee's funding was eliminated by the federal government during fiscal year 2005 and the 2005 Legislative Session did not allocate any funding for continuance. Consequently the agency's operations were discontinued as of June 30, 2005. Chapter 534 of the 2005 Session Laws allowed the Children's Services Coordinating Committee to continue functioning as a board with a continuing appropriation through June 30, 2007, provided they receive funding.

***ANALYSIS OF SIGNIFICANT VARIANCES BETWEEN FINAL
BUDGETED AND ACTUAL EXPENDITURES***

The Children's Services Coordinating Committee had 33% of their appropriation remaining at the end of the biennium as they did not receive the funding they estimated.

Financial Statements

STATEMENT OF REVENUES AND EXPENDITURES

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<u>Other Sources</u>		
Transfers In	\$ 362,053	\$ 1,265,746
Total Other Sources	<u>\$ 362,053</u>	<u>\$ 1,265,746</u>
<u>Expenditures</u>		
Salaries and Benefits	\$ 25,255	\$ 33,120
Grants	380,940	1,196,311
Consulting Services	12,500	25,000
Other Operating Expenses	1,323	6,702
Total Expenditures	<u>\$ 420,018</u>	<u>\$ 1,261,133</u>

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2005

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Benefits	\$ 66,302		\$ 66,302	\$ 58,240	\$ 8,062
Operating Expenses	73,398		73,398	45,661	27,737
Grants	2,374,900		2,374,900	1,577,251	797,649
Totals	<u>\$ 2,514,600</u>	<u>\$</u>	<u>\$ 2,514,600</u>	<u>\$ 1,681,152</u>	<u>\$ 833,448</u>
Expenditures by Source:					
Special Funds	\$ 2,514,600		\$ 2,514,600	\$ 1,681,152	\$ 833,448
Totals	<u>\$ 2,514,600</u>	<u>\$</u>	<u>\$ 2,514,600</u>	<u>\$ 1,681,152</u>	<u>\$ 833,448</u>

Internal Control

In our audit for the biennium ended June 30, 2005, we identified the following areas of the Children's Services Coordinating Committee's internal control as being the most important:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered significant. We concluded internal control was adequate. Our consideration of internal control would not necessarily disclose all matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements that would be material may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2005, we identified and tested the Children's Services Coordinating Committee's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

Legislative Intent Subjected
To Testing

- Spending of additional income approved by the Emergency Commission (House Bill 1014, Section 2, 2003 Session Laws).
- Allocation of Refinancing Funds. (House Bill 1014, Section 4, 2003 Session Laws).
- Fiscal year-end unobligated operating fund balance limit. (North Dakota Century Code 54-56-07).
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2003 North Dakota Session Laws chapter 14).
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.