

North Dakota Office of the State Auditor

NORTH DAKOTA COUNCIL ON THE ARTS

Audit Report for the Year Ended June 30, 2019

Client Code 709



North Dakota State Auditor
Joshua C. Gallion



Why We Conducted this Audit

The purpose of this audit was to determine financial transactions including expenditures were made in accordance with law and appropriation requirements.

What We Found

This audit did not identify any exceptions or defaults.

KEY PERSONNEL

State Auditor's Office Staff

Allison Bader, MBA, Audit Manager
Kristi Morlock, MBA, Audit Supervisor
Richard Fuher, CPA, MBA, Senior Auditor
Holly Runia, Auditor
Paige Chapman, M.Acc, Auditor

Client Staff Contacts

Kim Konikow, Executive Director
Robin Bosch, Administrative Officer

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Transmittal Letter

October 7, 2019

North Dakota Council on the Arts Board of Directors

Ms. Kim Konikow, Executive Director

We are pleased to submit this audit of the North Dakota Council on the Arts for the biennium ended June 30, 2019. 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.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Whenever possible, additional audit objectives are included to increase responsiveness and effectiveness of state government.

Allison Bader was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to Ms. Konikow and her staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

Audit Results

Statutory Audit Requirements

The objective related to our statutory audit requirements is:

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenditures have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage. Defaults are defined as failures to do something required by duty or law. Bonding coverage provides insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Conclusion

No exceptions to our statutorily required audit testing were identified.

Internal Control

As we determined, internal control was significant to this audit objective, we assessed internal control by gaining an understanding of internal control and concluded as to the adequacy of the design of internal control and whether the applicable internal controls were implemented. We also tested the operating effectiveness of those controls we considered necessary to address our audit objective. The controls assessed were generally the key controls identified during the planning phase of the engagement, which considered controls at both the entity and transaction levels. We identified key controls significant to this audit objective related to the control activities component of internal control, specifically the principles related to the design of control activities to achieve objectives and respond to risks.

Based upon the audit work performed, auditors are required to report deficiencies in internal control that are significant within the context of the audit objectives. A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel to achieve control objectives and address related risks.

Considering both qualitative and quantitative factors, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

Scope

This audit of the North Dakota Council on the Arts is for the biennium ended June 30, 2019. The North Dakota Council on the Art's sole location is its Bismarck office, which was included in the audit scope.

Methodology

To meet this objective, we:

- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the North Dakota Council on the Arts' processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations including emergency commission action and expenditures. Where necessary, internal control was tested which included selecting representative samples and testing information system processes to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected high-risk transactions, including correcting entries in the Accounts Payable and General Ledgers of the state's accounting system, ConnectND, for further testing.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Authority and Standards

This biennial performance audit of the North Dakota Council on the Arts has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The criteria used to evaluate internal control is published in the publication *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book, GAO-14-704G). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Revenues:		
Federal Revenue	\$ 724,600	\$ 717,100
Conference Registration Fees	9,843	
Sale of Publications and Ornaments	6,237	3,113
Donations	2,500	15,000
Miscellaneous Revenue	67	54
Total Revenues	<u>\$ 743,247</u>	<u>\$ 735,267</u>
Expenditures:		
Grants	\$ 977,544	\$ 829,089
Salaries and Benefits	452,169	459,201
Professional Fees and Services	44,164	7,862
Office Equipment and Furniture	35,143	1,085
Travel	30,792	32,399
IT Data Processing and Communication	21,673	20,333
Rent	21,575	21,409
Supplies	14,128	29,390
Professional Development	6,766	38,298
Operating Fees and Services	4,931	3,821
Postage	4,553	6,453
Miscellaneous Expenditures	3,236	3,151
IT Equipment	2,900	
Printing	1,606	5,663
Total Expenditures	<u>\$ 1,621,180</u>	<u>\$ 1,458,154</u>

Source: ConnectND Financials

The North Dakota Council on the Arts had investments managed by the State Investment Board during the 2017-19 biennium. These investments totaled \$474,974 at June 30, 2019 and \$448,636 at June 30, 2018. The investments are held in the North Dakota Cultural Endowment Fund as authorized by North Dakota Century Code sections 54-54-08.1 and 54-54-08.2.

Statement of Appropriations

For the Biennium Ended June 30, 2019

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$ 913,453	\$ 911,370	\$ 2,083
Operating Expenses	355,851	341,348	14,503
Grants	<u>2,082,494</u>	<u>1,803,133</u>	<u>279,361</u>
Total	<u>\$ 3,351,798</u>	<u>\$ 3,055,851</u>	<u>\$ 295,947</u>
Expenditures by Source:	Final Appropriation	Expenditures	Total
General	\$ 1,564,876	\$ 1,564,079	\$ 797
Other	<u>1,786,922</u>	<u>1,491,772</u>	<u>295,150</u>
Total	<u>\$ 3,351,798</u>	<u>\$ 3,055,851</u>	<u>\$ 295,947</u>

Source: ConnectND Financials

You may obtain audit reports on the internet at:

www.nd.gov/auditor

or by contacting the Office of the State Auditor at:

Email: ndsao@nd.gov

Phone: (701) 328-2241

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