



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Indian Affairs Commission

Audit Report for the Two-Year Period Ended June 30, 2020

Client Code 316



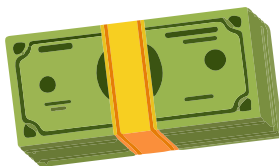


WHAT WE LOOKED AT AND WHY

North Dakota state law requires our team to identify any errors, internal control weaknesses, or potential violation of law in high-risk or significant functions of the agency.

The Indian Affairs Commission overspent its operating budget by \$2,859. Their total allocation from the General Fund was \$263,704 for operating expenses during the biennium from July 1, 2017 to June 30, 2019.

WHAT WE FOUND



Operating Budget Exceeded

The operating budget for the Indian Affairs Commission was overspent by \$2,859. State law stipulates that funds may not be spent in excess of the amount appropriated for any specific purpose.

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KEY PERSONNEL

Allison Bader
AUDIT MANAGER

Creighton Barrett
AUDITOR

HAVE QUESTIONS? ASK US.

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Introduction

Indian Affairs Commission

March 29, 2021

We are pleased to submit this audit of the North Dakota Indian Affairs Commission for the two-year period ended June 30, 2020. 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 Indian Affairs Commission staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Appropriation: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

Blanket Bond Coverage: Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Conflict of Interest: Situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

Default: Failures to do something required by duty or law.

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

Noncompliance: Failure to act in accordance with a wish or command.

North Dakota Century Code (N.D.C.C.): Collection of all the statutes passed by the North Dakota Legislative Assembly.

Operating Budget: Allocated appropriation given to the agency to fund operations for a two-year period. Typically indicated by a line item in session laws.

Performance Audit: Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Session Laws: Published after each regular and special legislative session and contain the laws enacted during that session.

Audit Results

OBJECTIVE

Are there any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency?



The Indian Affairs Commission
**overspent their operating
budget** by \$2,859.

FINDING
2020-01

Operating Budget Exceeded

CONCLUSION

The Indian Affairs Commission overspent its operating budget by \$2,859. Their total allocation from the General Fund was \$263,704 for operating expenses during the biennium from July 1, 2017, to June 30, 2019.

BACKGROUND

The Indian Affairs Commission did not account for all of the items purchased and received before June 30, 2019 when monitoring appropriation spending. Payment for items of the Indian Youth Leadership Academy was later paid in fiscal year 2020.

State law stipulates that funds may not be spent in excess of the amount appropriated for any specific purpose (N.D.C.C. 54-16-03). The GAO *Standards for Internal Control in the Federal Government* states that management should establish and operate monitoring activities (GAO-14-704G Principle 16.01).

RECOMMENDATION

We recommend the North Dakota Indian Affairs Commission ensure compliance with appropriation limits set by the North Dakota Legislature.

We also recommend the North Dakota Indian Affairs Commission track expenses incurred when monitoring appropriation spending.

INDIAN AFFAIRS COMMISSION RESPONSE

We will follow the recommendation made by the Office of the State Auditor and will ensure compliance with the appropriations limits set by the North Dakota Legislature. We will also ensure that appropriate expenses are paid in the Fiscal Year that is correct. We agree with the findings on this recommendation.

FULL STATEMENT OF APPROPRIATIONS TABLE ON PAGE 10

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Salaries and Wages	\$ 848,407	(\$ 813,571)	\$ 34,836
Operating Expenses	263,704	(266,563)	(2,859)
Total	\$ 1,112,111	(\$ 1,080,134)	\$ 31,977

The total budget allocation was not overspent, however \$2,859 was overspent from the operating budget.

Audit Procedures

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documents and electronic data records. We planned our audit work to assess the design, implementation, and effectiveness of those internal controls that were significant to our audit objective. Specifically, our work related to internal control included the following components and underlying principles based on guidance issued by the U.S. Government Accountability Office.

COMPONENT: CONTROL ACTIVITIES

Principal: Management should design control activities to achieve objectives and respond to risks.

The specific internal control testing completed for this audit objective is identified below:

- Segregated preparation and approval of expenditures is tested statewide in the State of North Dakota Annual Financial Report.

There were no deficiencies identified.

SCOPE

This audit of the North Dakota Indian Affairs Commission is for the two-year period ended June 30, 2020.

The North Dakota Indian Affairs Commission's sole location is its Bismarck office which was included in the audit scope.

METHODOLOGY

The criteria used to evaluate legislative intent are the laws as published in the North Dakota Century Code and the North Dakota Session Laws. Our team worked to identify areas of high risk of noncompliance.

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the North Dakota Indian Affairs Commission's processes and procedures.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Performed an analysis and selected a sample of high-risk transactions, including expenditures of the Strengthening Government to Government Partnerships & Relationships Conference and the Annual North Dakota Indian Youth Leadership Academy, for further testing of spending within appropriations.
- Tested compliance with appropriations laws and related transfers in accordance with limits and purpose. (2017 North Dakota Session Laws Chapter 30 (S.B. 2005), N.D.C.C. 54-16-03, N.D.C.C. 54-44.1-09).
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. Evaluated blanket bond coverage maintained in accordance with state law and state guidelines. (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10).
- Reviewed activity and closeout of the Conference Fund in accordance with OMB Policy 211.
- Determined if annual inventory requirements for assets were performed in accordance with state law (N.D.C.C. 44-04-07).

- Determined continuing appropriations of funds were properly authorized in accordance with N.D.C.C.

- o Indian Affairs Commission Fund (N.D.C.C. 54-36-03).

- o Indian Affairs Commission Printing Fund (N.D.C.C. 54-36-08).

- Determined if a fraud risk assessment was completed during the audit period in accordance with OMB Policy 216.

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota Indian Affairs Commission 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 findings and conclusions based on our audit objectives.

The standards used to evaluate internal control are 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).



Responses to LAFRC Audit Questions

1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?

Revenues, Expenditures and Appropriations information was not prepared by the North Dakota Indian Affairs Commission in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

2. WAS THERE COMPLIANCE WITH STATUTES, LAWS, RULES, AND REGULATIONS UNDER WHICH THE AGENCY WAS CREATED AND IS FUNCTIONING?

Except "Operating Budget Exceeded", the North Dakota Indian Affairs Commission was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?

Yes. We did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

4. WERE THERE ANY INDICATIONS OF LACK OF EFFICIENCY IN FINANCIAL OPERATIONS AND MANAGEMENT OF THE AGENCY?

No.

5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?

The North Dakota Indian Affairs Commission has implemented all recommendations included in the prior audit report.

6. WAS A MANAGEMENT LETTER ISSUED? IF SO, PROVIDE A SUMMARY BELOW, INCLUDING ANY RECOMMENDATIONS AND THE MANAGEMENT RESPONSES.

No, a management letter was not issued.



LAFRC Audit Communications

7. IDENTIFY ANY SIGNIFICANT CHANGES IN ACCOUNTING POLICIES, ANY MANAGEMENT CONFLICTS OF INTEREST, ANY CONTINGENT LIABILITIES, OR ANY SIGNIFICANT UNUSUAL TRANSACTIONS.

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

8. IDENTIFY ANY SIGNIFICANT ACCOUNTING ESTIMATES, THE PROCESS USED BY MANAGEMENT TO FORMULATE THE ACCOUNTING ESTIMATES, AND THE BASIS FOR THE AUDITOR'S CONCLUSIONS REGARDING THE REASONABLENESS OF THOSE ESTIMATES.

No estimates were identified.

9. IDENTIFY ANY SIGNIFICANT AUDIT ADJUSTMENTS.

Significant audit adjustments were not necessary.

10. IDENTIFY ANY DISAGREEMENTS WITH MANAGEMENT, WHETHER OR NOT RESOLVED TO THE AUDITOR'S SATISFACTION RELATING TO A FINANCIAL ACCOUNTING, REPORTING, OR AUDITING MATTER THAT COULD BE SIGNIFICANT TO THE FINANCIAL STATEMENTS.

None.

11. IDENTIFY ANY SERIOUS DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT.

None.

12. IDENTIFY ANY MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION.

This is not applicable for audits conducted by the Office of the State Auditor.

13. IDENTIFY ANY MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS ABOUT AUDITING AND ACCOUNTING MATTERS.

None.

14. IDENTIFY ANY HIGH-RISK INFORMATION TECHNOLOGY SYSTEMS CRITICAL TO OPERATIONS BASED ON THE AUDITOR'S OVERALL ASSESSMENT OF THE IMPORTANCE OF THE SYSTEM TO THE AGENCY AND ITS MISSION, OR WHETHER ANY EXCEPTIONS IDENTIFIED IN THE SIX AUDIT REPORT QUESTIONS TO BE ADDRESSED BY THE AUDITORS ARE DIRECTLY RELATED TO THE OPERATIONS OF AN INFORMATION TECHNOLOGY SYSTEM.

ConnectND Finance and Human Resource Management System (HRMS) are high-risk information technology systems that were significant to the audit objective.

Finances

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2020	JUNE 30, 2019
Grants	\$ 154,100	\$ 224,100
Youth Leadership Academy Donations	20,000	-
Conference Registration Fees	18,221	0
Donations	8,700	0
Transfers In	4,343	16,700
Total Revenues and Other Sources	\$ 205,365	\$ 240,801

Source: ConnectND Financials

EXPENDITURES AND OTHER USES	JUNE 30, 2020	JUNE 30, 2019
Salaries and Benefits	\$ 414,555	\$ 432,981
Operating Expenses	-	-
Professional Fees and Services	184,916	151,530
Professional Development	47,051	52,852
Data Processing	28,682	22,567
Travel	19,898	20,323
Supplies	7,354	20,724
Copier Lease	1,655	2,295
Postage and Printing	620	1,857
Equipment under \$5,000	1,344	913
Insurance	361	438
Miscellaneous Expenses	4,930	602
Transfers Out	3,843	16,700
Total Expenditures and Other Uses	\$ 715,210	\$ 723,782

Source: ConnectND Financials

Statement of Appropriations

As of the Year Ended June 30, 2020

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Salaries and Wages	\$ 870,079	(\$ 414,555)	\$ 455,524
Operating Expenses	228,560	(108,012)	120,548
Total	\$ 1,098,639	(\$ 522,567)	\$ 576,072
Expenditures by Source			
General	\$ 1,098,639	(\$ 522,567)	\$ 576,072
Total	\$ 1,098,639	(\$ 522,567)	\$ 576,072

Source: ConnectND Financials

For the Biennium Ended June 30, 2019

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
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Total	\$ 1,112,111	(\$ 1,080,134)	\$ 31,977

Source: ConnectND Financials



Status of Prior Recommendations

Improper Use of State Funds (Finding 18-1)

Implemented

Recommendation: We recommend the North Dakota Indian Affairs Commission ensure all expenditures are in compliance with the Constitution of the State of North Dakota.

Status: North Dakota Indian Affairs was in compliance with the Constitution of the State of North Dakota.

Lack of Annual Inventory of Assets (Finding 18-2)

Not Implemented - N/A

Recommendation: We recommend the North Dakota Indian Affairs Commission maintain a complete listing of assets, including the dates the items were purchased and their dollar value, and perform an inventory on an annual basis in accordance with N.D.C.C. 44-04-07.

Status: Assets of the Indian Affairs Commission were re-evaluated with the majority being issued and tracked by the ND Information Technology Department. A follow-up recommendation was not applicable.

Lack of Fraud Risk Assessment (Finding 18-3)

Implemented

Recommendation: We recommend the North Dakota Indian Affairs Commission establish and perform a fraud risk assessment on at least a biennial basis in accordance with OMB Policy 216.

Status: The North Dakota Indian Affairs Commission established and performed a fraud risk assessment in accordance with OMB Policy 216.



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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