



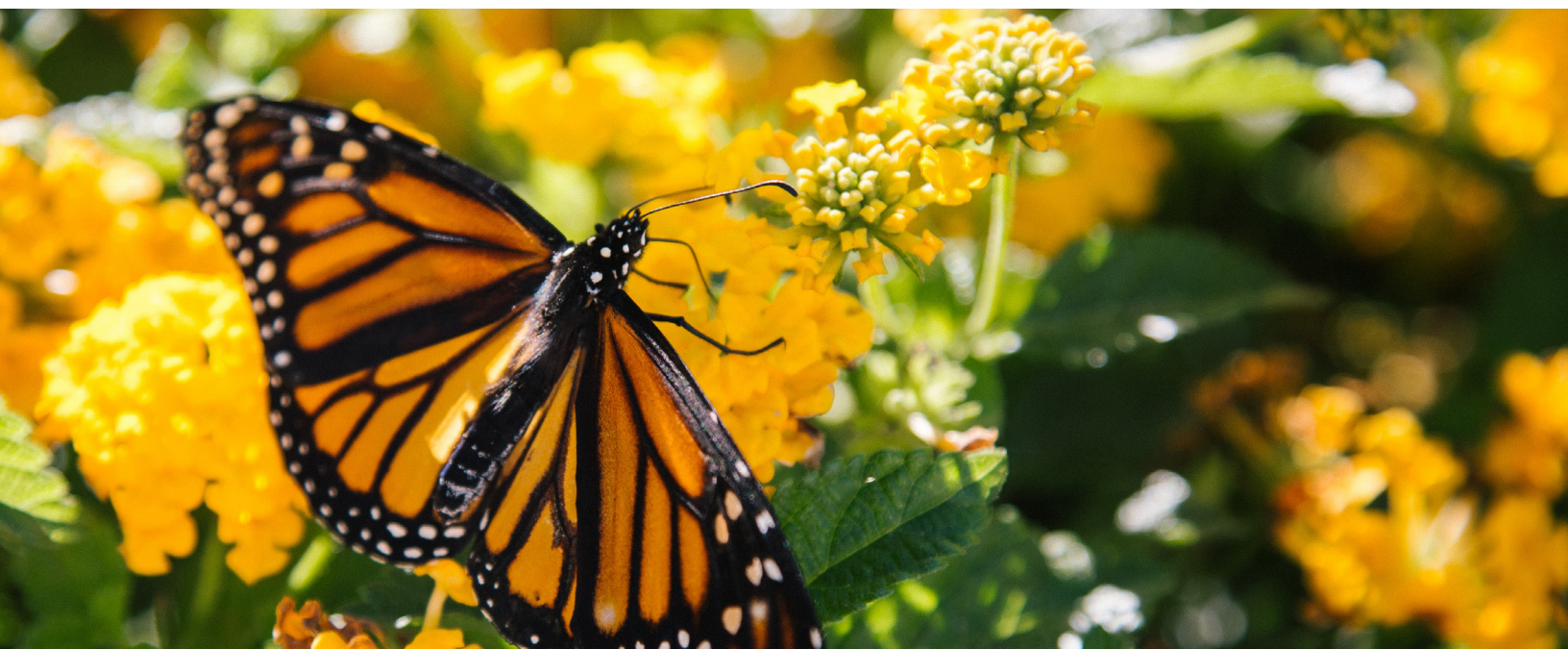
# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

*State Auditor Joshua C. Gallion*

## North Dakota School for the Deaf

For the Biennium Ended June 30, 2021

*Client Code 252*





## WHAT WE LOOKED AT

Our team audited the ND School for the Deaf which included identifying any errors, internal control weaknesses or potential violation of law in significant or high-risk functions of the agency.

## WHAT WE FOUND

This audit did not identify any exceptions or defaults.

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## KEY PERSONNEL

Lindsey Slappy  
AUDIT MANAGER

Breck Hendrickson  
CPA, LEAD AUDITOR

Josh Hulm  
AUDITOR

## HAVE QUESTIONS? ASK US.

NORTH DAKOTA STATE  
AUDITOR’S OFFICE

600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota 58505

- 701-328-2241
- NDSAO@nd.gov
- ND.gov/Auditor
- Facebook.com/NDStateAuditor
- Linkedin.com/company/NDStateAuditor

# Introduction

## North Dakota School for the Deaf

December 20, 2021

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**W**e are pleased to submit this audit of the North Dakota School for the Deaf for the biennium June 30, 2021. 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.

Lindsey Slappy was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2336. We wish to express our appreciation to the ND School for the Deaf staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

**JOSHUA C. GALLION**  
**NORTH DAKOTA STATE AUDITOR**



## TERMS USED IN REPORT

**Appropriation:** Sum of money or total of assets devoted to a special purpose.

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

**ConnectND:** The accounting system for North Dakota.

**Emergency Commission:** Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

**Internal Control:** Set of activities that are layered in normal operating procedures of an organization with the intent of safeguarding assets, minimizing errors, and making sure operations are being followed.

**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.

**Performance Audit:** Engagements that provide objective analysis, findings, and conclusion 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?

## CONCLUSION

No areas of concern were identified.

## INTERNAL CONTROL

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. 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 ENVIRONMENT

**Principal:** Management should demonstrate a commitment to recruit, develop, and retain competent individuals.

### COMPONENT: CONTROL ACTIVITIES

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

**Principal:** Management should implement control activities through policies.

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.

- The individual procuring purchases has the appropriate level of procurement training for the purchase.
- Receipts are being reconciled to purchase card statements.
- Purchase card statements are being reconciled to School for the Deaf purchase card data reports.
- Purchase card expenditures are reviewed and approved by appropriate individuals.

## SCOPE

The audit included account balances and activities attributed to the ND School for the Deaf. This audit was conducted under the authority of NDCC 54-10-01 subsection 2 which states, in part: "...the state auditor shall audit or review each state agency once every two years."

Our audit was conducted in accordance with the standards applicable to performance audits contained in the July 2018 Revision of Government Auditing Standards, issued by the Comptroller General of the United States. The audit period covered the two-year period ended June 30, 2021.

The North Dakota School for the Deaf's sole location is its central office in Devils Lake, ND which will be included in the audit scope.

## METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population where appropriate.
- Interviewed appropriate agency personnel.

- Documented the ND School for the Deaf's processes and procedures.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained.
- Analyzed expenditures to determine the ND School for the Deaf did not expend more than appropriated. (NDCC 54-16-03).
  - o 2019 Session Laws House Bill 2013, Section 1.
- Analyzed accounts charged to each appropriation class to determine that expenditures were not charged to an inappropriate class to circumvent appropriation spending authority. (NDCC 54-16-03).
- Analyzed non-appropriated fund activity for significant transactions.
- Tested compliance with the documented intent of appropriation adjustments, including specific Session Laws with related emergency measure sections authorized by the Emergency Commission. (NDCC 54-16-03).
- Selected a high-risk and random sample of expenditures to ensure goods and services were properly procured, and that individuals responsible for procurements had an adequate level of procurement training. (NDCC Chapter 54-44.4-05, NDCC 48-01.2, NDAC Article 4-12, and OMB State Procurement Manual guidelines).
- Selected a high-risk and random sample of purchase card expenditures to ensure receipts support individual purchase card charges, that the purchase was reasonable and related to the function of the agency, and that the coding was adequate for financial reporting purposes. Also determined whether individual purchase card records were reviewed and signed by the cardholder and whether the expenditures and receipts were reviewed and approved by the cardholder's supervisor. (NDCC 44-08-05.1).
- 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. (NDCC 26.1-21—08, NDCC 26.1-21-10 (1)).

## **AUTHORITY AND STANDARDS**

This biennial audit of the ND School for the Deaf 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).





# Responses to LAFRC Audit Questions

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

Revenues, expenditures and appropriation information was not prepared by the North Dakota School for the Deaf 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?**

Yes.

## **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 School for the Deaf 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.**

The North Dakota School for the Deaf's revenues, expenditures and appropriation information does not include any significant accounting estimates.

## **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 Capital Management (HCM) are high-risk information technology systems critical to the North Dakota School for the Deaf.

# Financials

## Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Transfers In	\$ 985,279	\$ 983,014
Rental of Rooms and Buildings	124,060	35,866
Sale of Meals	103,984	71,390
Miscellaneous Revenue	28,415	54,613
<b>Total Revenue and Other Sources</b>	<b>\$ 1,241,738</b>	<b>\$ 1,144,883</b>

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Benefits	\$ 3,434,804	\$ 3,692,962
Repairs and Maintenance	343,819	132,136
Supplies	114,097	121,614
Travel	104,501	88,357
Data Processing/Telecommunications	78,050	81,581
Utilities	71,697	84,663
Food and Clothing	67,124	53,833
Grants	63,833	59,499
Equipment	58,901	37,785
Professional Fees and Services	37,436	29,397
Miscellaneous Expense	24,681	21,257
Rentals and Leases	24,480	24,645
Operating Fees and Services	16,784	27,134
IT Contractual Services and Repairs	7,699	19,173
<b>Total Expenditures and Other Uses</b>	<b>\$ 4,447,905</b>	<b>\$ 4,474,036</b>

Source: ConnectND Financials

# Appropriations

For the Biennium Ended June 30, 2021

EXPENDITURES BY LINE ITEM	ORIGINAL APPROPRIATION	ADJUSTMENTS	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Salaries and Wages	\$ 8,054,944	-	\$ 8,054,944	\$ 7,431,952	\$ 622,992
Operating Expenses	1,705,586	0	1,705,586	1,261,061	444,525
Capital Assets	428,678	0	428,678	321,963	106,715
Construction Carryover	-	116,912	116,912	115,562	1,350
Grants	40,000	209,115	249,115	123,332	125,783
<b>Totals</b>	<b>\$ 10,229,208</b>	<b>\$ 326,027</b>	<b>\$ 10,555,235</b>	<b>\$ 9,253,870</b>	<b>\$ 1,301,365</b>

EXPENDITURES BY SOURCE	ORIGINAL APPROPRIATION	ADJUSTMENTS	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
General	\$ 7,528,850	\$ 209,115	\$ 7,737,965	\$ 7,612,182	\$ 125,783
Other	2,700,358	116,912	2,817,270	1,641,688	1,175,582
<b>Totals</b>	<b>\$ 10,229,208</b>	<b>\$ 326,027</b>	<b>\$ 10,555,235</b>	<b>\$ 9,253,870</b>	<b>\$ 1,301,365</b>

Source: ConnectND Financials



# Status of Prior Recommendations

## Noncompliance with Procurement (Finding 19-01)

Implemented

**Recommendation:** We recommend the North Dakota School for the Deaf properly procure commodities and services in compliance with the North Dakota State Procurement Manual.

**Status:** Implemented. Current audit testing resulted in no errors.




NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505

 [ND.gov/Auditor](https://nd.gov/Auditor)

 [NDSAO@nd.gov](mailto:NDSAO@nd.gov)

 701-328-2241

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