

**NORTH DAKOTA STATE BOARD OF ARCHITECTURE
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE TWO YEARS ENDED JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Dakota State Board of Architecture
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the North Dakota State Board of Architecture as of and for the two years ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the North Dakota State Board of Architecture's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the North Dakota State Board of Architecture as of June 30, 2019, and the respective changes in financial position for the two years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis and the budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2020, on our consideration of the North Dakota State Board of Architecture's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota State Board of Architecture's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Board of Architecture's internal control over financial reporting and compliance.



BRADY MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 29, 2020

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 504,398
Prepaid expense	<u>6,500</u>
Total assets	<u>510,898</u>

LIABILITIES

Accounts payable	<u>13,306</u>
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DEFERRED INFLOWS OF RESOURCES

Pre-payment of licenses	<u>141,475</u>
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NET POSITION

Unrestricted	<u>356,117</u>
Total net position	<u><u>\$ 356,117</u></u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
STATEMENT OF ACTIVITIES
FOR THE TWO YEARS ENDED JUNE 30, 2019

Functions/Programs Governmental Activities:	<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>
		<u>Net Revenue</u>
Licensing and oversight	<u>\$ 159,181</u>	<u>\$ 179,950</u>
		<u>\$ 20,769</u>
Unrestricted investment earnings		<u>5,011</u>
Total change in net position		25,780
Net position, July 1, 2017		<u>330,337</u>
Net position, June 30, 2019		<u>\$ 356,117</u>

See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
BALANCE SHEET
JUNE 30, 2019

ASSETS

Cash and cash equivalents	\$ 504,398
Prepaid expense	<u>6,500</u>
Total assets	<u><u>\$ 510,898</u></u>

LIABILITIES

Accounts payable	<u>\$ 13,306</u>
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DEFERRED INFLOWS OF RESOURCES

Pre-payment of licenses	<u>141,475</u>
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FUND BALANCE

Nonspendable	6,500
Unassigned	<u>349,617</u>
Total fund balance	<u><u>356,117</u></u>

Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 510,898</u></u>
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See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE TWO YEARS ENDED JUNE 30, 2019

Revenues:

Fees:

Architect license fees	\$ 164,750
Landscape architect license fees	<u>15,200</u>
Total fees	<u>179,950</u>

Interest Income	<u>5,011</u>
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Total revenues	<u>184,961</u>
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Expenditures:

Program expenditures:

Board member fees	1,275
Officer travel	4,393
Central office travel	1,255
Postage and shipping	1,528
Telephone	1,488
Board administrator fees	65,750
Legal and accounting	11,725
Dues and registration	24,740
Central office	3,481
Printing	726
Rent	9,625
Bank and credit card fees	16,837
Website	300
Enforcement:XTO	<u>16,058</u>

Total expenditures	<u>159,181</u>
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Revenues over expenditures	25,780
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Fund balance - July 1, 2017	<u>330,337</u>
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Fund balance - June 30, 2019	<u><u>\$ 356,117</u></u>
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See Notes to the Financial Statements

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

For financial reporting purposes, the North Dakota State Board of Architecture includes all funds, programs, and activities over which it is financially accountable. The North Dakota State Board of Architecture does not have any component units as defined by the Government Accounting Standards Board, and is not a component unit of another reporting entity.

The North Dakota State Board of Architecture was created by North Dakota Statute (NDCC 43-03) to carry out duties imposed upon it by such statute. The main duties of the Board are to adopt rules and regulations to govern its proceedings, for the examination of candidates for registration, and for the regulation of the practice of architecture. Effective July 1, 2004, the Board's responsibility was expanded to include landscape architects. The Board's purpose is to protect the public health, safety and welfare against incompetent and unscrupulous practice.

Government-Wide and Fund Financial Statements

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the Board. The Board reports all activities as governmental activities that are financed through fees. The Statement of Net Position presents the reporting entity's assets and liabilities, with the difference reported as net position. The net position is reported as unrestricted net position with constraints on resources which are imposed by management, but can be removed or modified.

Unrestricted net position consists of net position accumulated with no restrictions on their use. Unrestricted net position often is designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include license renewals and other fees.

Separate fund financial statements are provided for the North Dakota State Board of Architecture governmental fund.

Fund Accounting Structure

The Board uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The Board reports the North Dakota State Board of Architecture's operating fund as a major governmental fund. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Basis of Accounting

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

Major revenues that are susceptible to accrual include licensing fees and interest. All revenues are determined to be available if collected within one year of fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Cash and Cash Equivalents

The Board considers all cash, money market accounts and certificates of deposit to be cash and cash equivalents.

Pre-payment of Licenses

Pre-payment of Licenses consists of licensing fees received in advance of the period the license is effective for. License fees are required to be paid for two years at a time. The second year's fees are recorded as revenue during the second year of the license.

Fund Balance Classifications

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid expenses; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the governing board of the North Dakota State Board of Architecture - the Board's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the park board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

Assigned – This classification reflects the amounts constrained by the Board’s “intent” to be used for specific purposes, but are neither restricted nor committed. The board and executive director have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Board’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 DEPOSITS

Custodial Credit Risk - Deposits

Custodial credit risk is risk associated with the failure of a depository financial institution to recover its deposits or collateralized securities that are in the possession of outside parties. The Board does not have a formal deposit policy for custodial credit risk for deposits.

North Dakota State Board of Architecture maintains interest bearing cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to \$250,000 per financial institution. At June 30, 2019, the Board had \$122,368 of deposits that were exposed to custodial credit risk.

NOTE 3 RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees and natural disasters. The Board participates in the following fund:

The Risk Management Fund (RMF) was created in 1995 and is an internal service fund to provide a self-insurance vehicle for the liability exposure of state agencies resulting from the elimination of the state’s sovereign immunity. The RMF manages the tort liability of the state, its agencies’ employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 4 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the Board's financial statements.

NOTE 5 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Board's year end. Subsequent events have been evaluated through January 29, 2020, which is the date these financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
North Dakota State Board of Architecture
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the North Dakota State Board of Architecture, as of and for the two years ended June 30, 2019, and the related notes to the financial statements, which collectively comprise North Dakota State Board of Architecture's basic financial statements and have issued our report thereon dated January 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota State Board of Architecture's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Dakota State Board of Architecture's internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota State Board of Architecture's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-002 and 2019-003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota State Board of Architecture's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described as item 2019-004 in the accompanying schedule of findings and responses.

North Dakota State Board of Architecture's Response to Findings

North Dakota State Board of Architecture's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. North Dakota State Board of Architecture's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 29, 2020

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE TWO YEARS ENDED JUNE 30, 2019

2019-001: Journal Entries – Material Weakness

Criteria

The Board is required to maintain internal controls at a level where support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

During our audit, adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The Board's internal controls have not been designed to address the specific training needs that are required to maintain the general ledger accounts on a GAAP basis.

Effect

An appropriate system of internal controls is not present to make a determination that the general ledger accounts are properly adjusted in compliance with GAAP prior to the audit.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to audit. We recommend that the Board reviews its current training system to determine if it is cost effective for the Board to obtain this knowledge internally.

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by the Board and the management of the North Dakota State Board of Architecture that it is in the best interest of the North Dakota State Board of Architecture and all interested parties to have adjustments proposed by the auditing firm in order to for the general ledger accounts to be reflected on a GAAP basis.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE TWO YEARS ENDED JUNE 30, 2019

2019-002: Preparation of the Financial Statements – Significant Deficiency

Criteria

An appropriate system of internal control requires the Board to determine that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the Board's personnel to maintain knowledge of current accounting principles and required financial statement disclosures.

Condition

The Board's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the Board does not have internal resources to prepare full-disclosure financial statements for external reporting.

Cause

The Board's internal controls have not been designed to address the specific training needs that are required of its personnel to obtain and maintain knowledge of current accounting principles and required financial statement disclosures.

Effect

An appropriate system of internal controls is not present to make a determination that financial statements and the related disclosures are fairly stated in compliance with accounting principles generally accepted in the United States of America. However, the Board is aware of the deficiency and addresses it by reviewing and approving the completed statements prior to distribution to the end users.

Recommendation

We recommend that the Board reviews its current training system to determine if it is cost effective for the Board to obtain this knowledge internally. As a compensating control the Board should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

Due to the financial, efficiency and time constraints, it has been determined by North Dakota State Board of Architecture's management that it is in the best interest of North Dakota State Board of Architecture and all interested parties to have the footnotes to the financial statements prepared by the auditing firm at the time of the audit.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE TWO YEARS ENDED JUNE 30, 2019

2019-003: Segregation of Duties – Significant Deficiency

Criteria

Generally, a system of internal control has the proper separation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

Size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

The areas should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the board.

Views of Responsible Officials and Planned Corrective Actions

This condition is a repeat from the prior years and the board has segregated the accounting duties to the appropriate individuals to the extent possible. Because of the very limited number of staff available for the Board, all of the accounting duties cannot be totally segregated in such a way as to eliminate this significant deficiency. The only alternative available to the board would be the hiring of additional staff, and current cash flows do not justify it. To mitigate the improper segregation of duties, the Board Secretary / Treasurer reviews monthly financial information. The board has reviewed the internal controls and procedures in place and believes the procedures in place provide adequate controls under these circumstances.

NORTH DAKOTA STATE BOARD OF ARCHITECTURE
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE TWO YEARS ENDED JUNE 30, 2019

2019-004: Depository Coverage – Significant Deficiency

Criteria

In accordance with North Dakota Century Code 21-04-09, if a public corporation desires to deposit an amount greater than a depositories insurance (FDIC, FSLIC, or NCUE) and did not receive a personal or surety bond, the excess amount must be protected by a bond or by collateral, which, when computed at market value, shall be at least ten percent more than the amount of the excess deposit.

Condition

The Board had one checking account and a certificate of deposit at the same financial institution that when both accounts were combined, the balance with the financial institution was \$372,368 as of June 30, 2019. These deposits were only covered by \$250,000 of FDIC coverage, therefore leaving an uncollateralized balance of \$122,368.

Cause

Due to the timing of when the majority of the license fees are paid to the Board, the amounts on deposit with the bank exceeded the FDIC limit of \$250,000. As of June 30, 2019, the Board had received \$146,400 of dues owed for the next biennium causing the cash balance to be in excess of FDIC coverage.

Effect

The Board did not have all their deposits adequately covered by FDIC coverage and / or pledged securities as of June 30, 2019 and is not in compliance with North Dakota Century Code 21-04-09.

Recommendation

We recommend the Board review all bank accounts and pledged securities, especially at varying times throughout the year, to ensure all deposits are adequately covered by FDIC coverage and / or pledged securities.

Views of Responsible Officials and Planned Corrective Actions

This condition is a repeat from the prior years and the North Dakota State Board of Architecture's management has begun negotiations with a new financial institution. The board has decided to find an institution that can adequately cover the amounts of the deposits and keep them covered under FDIC limits, without having to transfer funds from institution to institution. The board believes moving its deposits will provide adequate compliance with North Dakota Century Code 21-04-09.