

INDUSTRIAL COMMISSION

BISMARCK, NORTH DAKOTA

Department of Mineral Resources
Lignite Research Program
Oil and Gas Research Program
Renewable Energy Program
Pipeline Authority
Transmission Authority
Outdoor Heritage Fund

Audit Report

For the Biennium Ended
June 30, 2017

Joshua C. Gallion
State Auditor

Office of the State Auditor
Division of State Audit

Office of the State Auditor

Industrial Commission Report Highlights

Internal Control: We evaluated and tested high-risk areas including: revenues, expenditures (including correcting entries and purchase card transactions), fixed assets, investments, and payroll.

- We did not note any deficiencies that are required to be brought to the attention of those charged with governance.

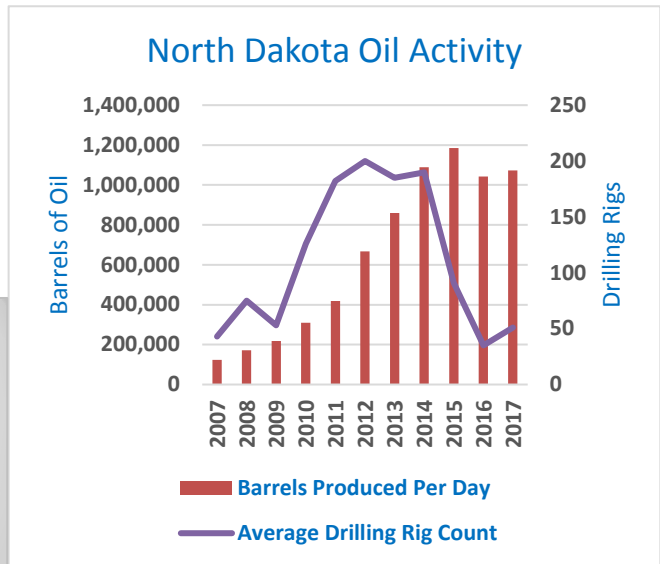
Legislative Intent: We evaluated and tested high-risk areas including: required transfers, proper use of restricted funds, procurement laws, open records, records retention, and appropriation laws.

- The meeting minutes of the Industrial Commission were not reviewed and approved in a timely manner. In addition, a records retention schedule was not completed to ensure the minutes were archived for historical purposes.

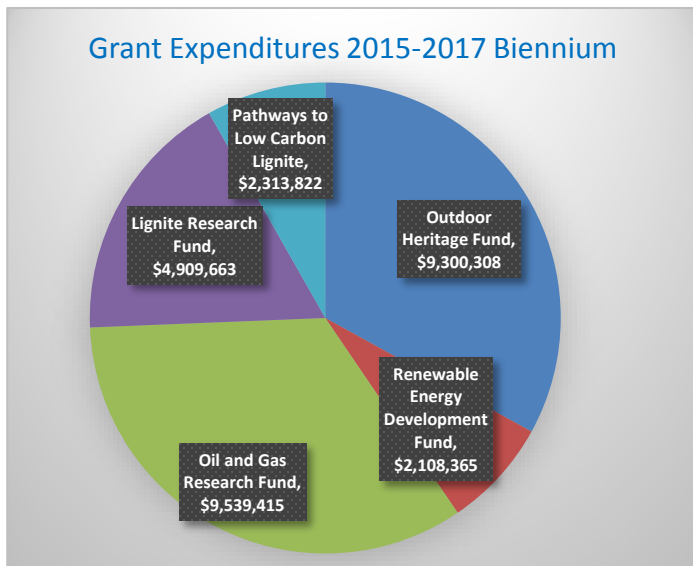
Financial:

- Transfers In were higher during fiscal year 2016 due to a transfer from the Strategic Investment and Improvements Fund for the core library expansion, as well as higher oil tax distributions that were received from the Oil and Gas Production Tax Distribution Fund, the Oil Extraction Tax Development Trust Fund, and the Oil Tax Resources Trust Fund.
- The Core Library Expansion Costs were larger in fiscal year 2016 as the majority of the core library expansion work was completed during that fiscal year.

This graph highlights oil activity in the state, which is regulated by the Oil and Gas Division of the Department of Mineral Resources.



Source: Oil and Gas Division of the Department of Mineral Resources Oil Production and Statistical Reports.



Source: ConnectND Amounts.

This graph includes grant expenditures, which made up 39% of all Industrial Commission expenditures during our audit period.

**LEGISLATIVE AUDIT AND FISCAL REVIEW
COMMITTEE MEMBERS**

**Senator Jerry Klein – Chairman
Representative Chet Pollert – Vice Chairman**

Representatives

**Bert Anderson
Patrick Hatlestad
Mary Johnson
Keith Kempenich
Gary Kreidt
Andrew G. Maragos
Mike Nathe
Marvin E. Nelson
Wayne A. Trottier**

Senators

**Dwight Cook
Judy Lee
Richard Marcellais**

AUDITOR AND AGENCY PERSONNEL

State Auditor Personnel

**Paul Welk, CPA, Audit Manager
Delan Hellman, In-Charge
Mike Schmitcke, CPA, Auditor
Andrea Wike, Auditor
Kristi Morlock, MBA, Auditor
Heidi Morman, Auditor
Elizabeth Rogers, Auditor
Alandra Williams, Auditor Intern**

Industrial Commission Contacts

**Karlene Fine, Executive Director,
Industrial Commission
Lynn D. Helms, Director, Department of
Mineral Resources
Robyn Loumer, Account Budget
Specialist**

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

April 10, 2018

The Honorable Doug Burgum, Governor
Members of the North Dakota Legislative Assembly
Ms. Karlene Fine, Executive Director, Industrial Commission

We are pleased to submit this audit of the Industrial Commission for the biennium ended June 30, 2017. 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.

Paul Welk, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to Ms. Karlene Fine, Mr. Lynn Helms, and their staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

Executive Summary

Introduction

The North Dakota Industrial Commission was created by the Legislature in 1919 to conduct and manage, on behalf of the state, certain utilities, industries, enterprises, and business projects established by state law. The members of the Industrial Commission are the Governor, Attorney General, and the Agriculture Commissioner of the state.

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies. Those items and the Office of the State Auditor's responses are noted below.

Responses to LAFRC Audit Questions

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the Industrial 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?

Other than our finding addressing "Untimely Approval and No Records Retention of Meeting Minutes" (page 11), the Industrial 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.

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?

Except "Untimely Approval of Meeting Minutes" as shown on page 14, the Industrial 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.

Yes, a management letter was issued and is included on page 15 of this report, along with management's response.

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 Industrial Commission's financial statements do 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, Human Resource Management System (HRMS) and Risk-Based Data Management System (RBDMS) are high-risk information technology systems critical to the Industrial Commission.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Industrial Commission for the biennium ended June 30, 2007 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Industrial Commission'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 Industrial Commission and are they in compliance with these laws?
3. Are there areas of the Industrial Commission's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Industrial Commission is for the biennium ended June 30, 2017. We conducted our 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Industrial Commission has operations in the following locations. Each location was included in the audit scope:

- Administrative office in the State Capitol.
- Department of Mineral Resources office, Bismarck.
- Core and Sample Library, Grand Forks.
- Regional offices in Dickinson, Minot, and Williston.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report.
- 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.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the

- sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Interviewed appropriate agency personnel.
 - Queried the ConnectND (PeopleSoft) system. Significant evidence was obtained from ConnectND.
 - Observed the Industrial Commission's processes and procedures.
 - Performed follow-up on recommendation from prior audits for the following Industrial Commission Programs:
 - Outdoor Heritage Fund grant program.
 - Oil and Gas Wells program.

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

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues and Other Sources:		
Charges for Sales and Services	\$ 369,222	\$ 391,718
Permits and Fees	335,080	327,797
Fines	242,912	108,750
Water Authority / Contract Payments	165,000	
Cash Bonds	140,642	527,187
Donations	133,050	
Federal Revenue	116,000	123,000
Refunds	85,004	119,119
Interest and Investment Earnings	30,838	26,873
Miscellaneous Revenue	9,898	28,662
Transfers In	20,422,938	45,237,773
Total Revenues and Other Sources	\$ 22,050,584	\$ 46,890,879
Expenditures and Other Uses:		
Grants	\$ 16,196,607	\$ 11,974,965
Salaries and Benefits	11,239,931	10,012,741
Core Library Expansion Costs	4,259,223	9,034,136
Professional / IT Services	2,265,890	3,550,225
Travel	768,993	878,545
Rentals/Leases – Buildings	337,688	875,486
Data Processing / Communications	182,590	202,246
Supplies	180,595	196,439
Operating Fees and Services	139,366	69,770
Professional Development	69,312	72,014
Equipment under \$5000	33,271	58,294
Miscellaneous Operating Expenses	120,070	188,130
Transfers Out	117,686	134,718
Total Expenditures and Other Uses	\$ 35,911,222	\$ 37,247,709

Statement of Appropriations

For the Biennium Ended June 30, 2017

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	\$ 22,118,070	\$ 31,721	\$ 22,149,791	\$ 20,951,075	\$ 1,198,716
Operating Expenses	7,797,437	1,659,866	9,457,303	5,653,826	3,803,477
Capital Assets	13,464,322	202,500	13,666,822	13,334,952	331,870
Grants	4,875,000	(202,500)	4,672,500	2,313,822	2,358,678
Totals	<u>\$ 48,254,829</u>	<u>\$ 1,691,587</u>	<u>\$ 49,946,416</u>	<u>\$ 42,253,675</u>	<u>\$ 7,692,741</u>
Expenditures by Source:					
General Fund	\$ 32,675,889	\$ 882,596	\$ 33,558,485	\$ 28,136,058	\$ 5,422,427
Other Funds	15,578,940	808,991	16,387,931	14,117,617	2,270,314
Totals	<u>\$ 48,254,829</u>	<u>\$ 1,691,587</u>	<u>\$ 49,946,416</u>	<u>\$ 42,253,675</u>	<u>\$ 7,692,741</u>

Expenditures without Appropriations of Specific Amounts:

Fossil Excavation and Restoration Fund has a continuing appropriation authorized by NDCC section 54-17.4-09.1 (\$107,697 of expenditures for this biennium).

Renewable Energy Development Fund has a continuing appropriation authorized by NDCC section 54-63-04 (\$2,216,680 of expenditures for this biennium).

Oil and Gas Research Fund has a continuing appropriation authorized by NDCC section 57-51.1-07.3 (\$9,906,839 of expenditures for this biennium).

Carbon Dioxide Storage Facility Administrative Fund has a continuing appropriation authorized by NDCC section 38-22-14 (\$7,904 of expenditures for this biennium).

Pipeline Authority Administrative Fund has a continuing appropriation authorized by NDCC section 54-17.7-11 (\$300,700 of expenditures for this biennium).

North Dakota Outdoor Heritage Fund has a continuing appropriation authorized by NDCC section 54-17.8-02 (\$9,447,986 of expenditures for this biennium).

Cash Bond Fund has a continuing appropriation authorized by NDCC section 38-08-04.11 (\$121,462 of expenditures for this biennium).

Cartographic Products Fund has a continuing appropriation authorized by NDCC section 54-17.4-10 (\$102 of expenditures this biennium).

Global Positioning System Community-base Station Fund has a continuing appropriation authorized by NDCC section 54-17.4-12 (\$351 of expenditures this biennium).

Lignite Research Fund has a continuing appropriation authorized by NDCC section 57-61-01.6 (\$5,251,752 of expenditures this biennium).

Oil and Gas Reservoir Data Fund has a continuing appropriation authorized by NDCC section 38-08-04.6 (\$498,943 of expenditures for this biennium).

Geological Data Preservation Fund has a continuing appropriation authorized by NDCC section 54-17.4-13 (\$9,212 of expenditures for this biennium).

Geo Mineral Coal Exploration Fund has a continuing appropriation authorized by NDCC section 38-21-03 (\$131 of expenditures for this biennium).

Abandoned Oil and Gas Well Plugging and Site Reclamation Fund has a continuing appropriation authorized by NDCC section 38-08-04.5 (\$5,498,786 of expenditures for this biennium).

Internal Control

In our audit for the biennium ended June 30, 2017, we identified the following areas of the Industrial Commission's internal control as being the highest risk:

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.

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) and, for programs receiving Federal funds, the Code of Federal Regulation as set forth by the Federal Government (2 CFR 200.303).

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 necessary based on our assessment of audit risk. We concluded internal control was adequate.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. 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: misstatements in financial or performance information, violations of laws and regulations, or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any significant deficiencies in internal control. However, we noted other matters involving internal control that we have reported to management of the Industrial Commission in a management letter dated April 10, 2018.

Compliance with Legislative Intent

In our audit for the biennium ended June 30, 2017, we identified and tested Industrial Commission's compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- Compliance with appropriations of \$150,000 to perform nonmatching studies related to the oil and gas industry (Senate Bill 2014, section 18 of the 2013 Legislative Session).
- Proper use of \$1,500,000 transferred from the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund to the Oil and Gas Research Fund (2015 North Dakota Session Laws, House Bill 1358, section 8).
- Compliance with appropriations of \$930,000 for administrative services rendered by the Commission (2015 North Dakota Session Laws, House Bill 1014, section 6).
- Compliance with appropriations of \$556,260 if the monthly average drill rig count exceeds 140 drilling rigs (2015 North Dakota Session Laws, House Bill 1014, section 15).
- Proper use of \$500,000 transferred from the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund to the Oil and Gas Research Fund (2015 North Dakota Session Laws, House Bill 1014, section 22).
- Compliance with appropriations of \$13,625,322 for the core library expansion project (2015 North Dakota Session Laws, House Bill 1014, section 25).
- Proper permitting of underground injection wells (North Dakota Administrative Code (NDAC) 43-02-05-04 and 43-02-05-14).
- Proper demonstration of mechanical integrity on underground injection wells (NDAC 43-02-05-07).
- Proper reporting and monitoring over underground injection wells (NDAC 43-02-05-12).
- Utilization of a record retention schedule for Industrial Commission meeting minutes (NDCC 54-46-05 (3)).
- Use of the State Archives for preservation of Industrial Commission meeting minutes (NDCC 54-46-08.1).
- Proper use of the following legally restricted funds:
 - Fossil Excavation and Restoration Fund (NDCC 54-17.4-09.1).
 - Renewable Energy Development Fund (NDCC 54-63-04).
 - Oil and Gas Research Fund (NDCC 57-51.1-07.3).
 - Carbon Dioxide Storage Facility Administrative Fund (NDCC 38-22-14).
 - Pipeline Authority Administrative Fund (NDCC 54-17.7-11).
 - North Dakota Outdoor Heritage Fund (NDCC 54-17.8-02).
 - Cash Bond Fund (NDCC 38-08-04.11, 54-17.4-10, and 54-17.4-12)
 - Lignite Research Fund (NDCC 57-61-01.6).
 - Oil and Gas Reservoir Fund (NDCC 38-08-04.6).
 - Geo Mineral Coal Exploration Fund (NDCC 38-21-02).
 - Abandoned Oil and Gas Well Plugging and Site Reclamation Fund (NDCC 38-08-04.5).
- Proper authorization of the Industrial Commission's funds.
- Proper use of the State Treasurer (State Constitution, article X, section 12).

- Compliance with appropriations and related transfers (2015 North Dakota Session Laws, chapter 14).
- Compliance with OMB's Purchasing Procedures Manual.
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Proper authority for investments.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Proper use of the Bank of North Dakota as a processing depository for credit card activity (NDCC section 54-06-08.2).
- Compliance with fixed asset requirements including record-keeping, annual inventory, and surplus property.
- Compliance with payroll-related laws including statutory salaries for applicable appointed positions and certification of payroll.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that has occurred or is likely to have occurred.

The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*. This finding is described below. Other than this finding, we concluded there was compliance with the legislative intent identified above. We also noted a certain inconsequential instance of noncompliance that we have reported to management of the Industrial Commission in a management letter dated April 10, 2018.

Untimely Approval and No Records Retention of Meeting Minutes (Finding 17-1)

Condition:

The meeting minutes of the Industrial Commission were not reviewed and approved by the Industrial Commission members in a timely manner. July through December of 2015 meeting minutes weren't approved until the March 28, 2016 meeting, February and March of 2017 meeting minutes weren't approved until the May 1, 2017 meeting, and May and June of 2017 meeting minutes weren't approved until the September 29, 2017 meeting.

In addition, the Industrial Commission has not set up a record retention schedule for Industrial Commission meeting minutes in order to have them archived for historical purposes.

Criteria:

Attorney General Opinion 98-O-04 states "draft minutes must usually be prepared and available before the next regular meeting of the public entity."

Attorney General Opinion 98-O-25 states "generally, draft minutes should be prepared shortly after a meeting and approved at the governing body's next meeting."

Further, Attorney General Opinion 2014-O-06 concluded "The North Dakota Industrial Commission violated open records law when it failed to provide requested records within a reasonable time."

North Dakota Century Code (NDCC) section 54-46-05 (3) states the head of each agency shall submit to the state records administrator schedules proposing the length of time each state record series warrants retention for administrative, legal, or fiscal purposes.

NDCC section 54-46-08.1 states the department head and the state archivist shall review any records subject to final disposition. Records that are found to be of permanent value for research, reference, or other use appropriate to document the organization, function, policies, and transactions of government must be transferred to the state archivist for preservation as archival resources.

Cause:

Lack of proper procedures established by the Industrial Commission.

Effect or Potential Effect:

Without proper review and approval by Industrial Commission members, the meeting minutes may contain errors and inaccuracies in the official record of the Industrial Commission's actions. In addition, the State Historical Society of North Dakota has not received any meeting minutes from the Industrial Commission for the state archives since 1924.

Recommendation:

We recommend the Industrial Commission:

- Ensure meeting minutes are prepared timely and approve the minutes at the Industrial Commission's next meeting;
- Complete a records retention schedule for Industrial Commission meeting minutes for archival purposes.

Industrial Commission Response:

Agency Response:

The Industrial Commission agrees with the finding and recommendation. The goal and preference of the Industrial Commission is to have the minutes at the subsequent meeting. During seasons of high demand (such as legislative session) and staff absences, the Executive Director/Secretary has fallen behind in getting the minutes done. The Industrial Commission has recently hired additional staff and staff out for medical reasons has now returned. With the staff shortage addressed, the Industrial Commission Executive Director and Secretary will again be able to provide draft minutes to the Commission for their consideration at their next regularly scheduled monthly meetings. Current minutes have been posted on the website.

With the additional staffing, the Executive Director/Secretary can address records retention regarding the Industrial Commission meeting minutes. Contact with ITD Records Management has been made and a records retention schedule is being prepared. Upon review of the state records administrator, records that are found appropriate to be transferred to the state archives will be submitted.

Operations

This audit did not identify areas of the Industrial Commission's operations where we determined it was practical at this time to help to improve efficiency or effectiveness. However, we did note a certain matter involving operations that we have reported to management of the Industrial Commission in a management letter dated April 10, 2018.

Prior Recommendations Not Implemented

Prior recommendations have been implemented with the exception of the following:

Untimely Approval of Meeting Minutes (Finding 15-1)

Recommendation:

We recommend the Industrial Commission ensure meeting minutes are prepared timely and approve the minutes at the Industrial Commission's next meeting.

Status:

Not Implemented. See recommendation 17-1 on page 11.

Management Letter (Informal Recommendations)

April 10, 2018

Ms. Karlene Fine
Executive Director
Industrial Commission
600 E Boulevard Avenue
Bismarck, ND 58505

Dear Ms. Fine:

We have performed an audit of the Industrial Commission for the biennium ended June 30, 2017, and have issued a report thereon. As part of our audit, we gained an understanding of the Industrial Commission's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

REVENUE

Informal Recommendation 17-1: We recommend the Industrial Commission ensure that an individual independent of processing credit card transactions reconciles the daily credit card summary to receipts and reconciles money deposited in the Bank of North Dakota account to the daily summary.

FIXED ASSETS

Informal Recommendation 17-2: We recommend the Industrial Commission ensure there is segregation of duties surrounding fixed asset deletions.

EXPENDITURES/LEGISLATIVE INTENT

Informal Recommendation 17-3: We recommend the Industrial Commission submit a request to the Office of Management and Budget to allow agency provided working lunches during advisory board meetings in accordance with OMB policy 207. In addition, we recommend the agency ensure compliance with NDCC section 44-08-04 in regard to the per diem rates for meals.

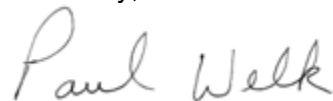
OPERATIONAL

Informal Recommendation 17-4: We recommend the Industrial Commission ensure that the in-kind match for Outdoor Heritage Fund grants is documented in the grantee files.

Management of Industrial Commission agreed with these recommendations.

I encourage you to call me at 328-2241, if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

A handwritten signature in cursive script that reads "Paul Welk".

Paul Welk, CPA
Audit Manager

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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