

NORTH DAKOTA
CORN UTILIZATION COUNCIL
FARGO, NORTH DAKOTA

Audit Report

For the Two-Year Period Ended
June 30, 2018

Joshua C. Gallion
State Auditor

Office of the State Auditor
Division of State Audit

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**Robyn Hoffmann, CPA, Audit Manager
Cory Wigdahl, CFE, In-Charge**

Primary Agency Contacts

**Dale Ihry, Executive Director
Jean Henning, Finance and Research Director
Terry Wehlander, Chairman**

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO BRANCH OFFICE
1655 43rd STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Corn Utilization Council

Dale Ihry, North Dakota Corn Utilization Council Executive Director

Report on the Financial Statement

We have audited the accompanying Comparative Statement of Revenues and Expenditures of the North Dakota Corn Utilization Council Fund of the state of North Dakota, for the two years ended June 30, 2018 and the related notes as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above present fairly, in all material respects, the revenues and expenditures of the North Dakota Corn Utilization Council Fund, for the two years ended June 30, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statement presents only the North Dakota Corn Utilization Council Fund's revenues and expenditures, and do not purport to, and do not present fairly the financial position of the state of North Dakota as of June 30, 2018 or 2017, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statement is presented and audited in accordance with North Dakota Century Code 4.1-44-04. This financial statement is not intended to be a complete presentation of the North Dakota Corn Utilization Council Fund's assets and liabilities. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of the North Dakota Corn Utilization Council'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 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 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 Corn Utilization Council's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota

September 24, 2018

Financial Statement

Comparative Statement of Revenues and Expenditures

| <u>REVENUES:</u> | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--|----------------------|----------------------|
| Corn Assessments (net of refunds of \$149,049 and \$108,350) | \$ 3,488,466 | \$ 3,169,308 |
| Interest on Investments | 14,423 | 7,995 |
| Miscellaneous General Revenue | 6,976 | 62,096 |
| Total Revenues | <u>\$ 3,509,865</u> | <u>\$ 3,239,399</u> |
| | | |
| <u>EXPENDITURES:</u> | | |
| Grants, Benefits & Claims | \$ 1,295,653 | \$ 1,853,180 |
| Operating Fees and Services | 308,572 | 239,964 |
| Professional Development | 235,268 | 142,794 |
| Salaries - Permanent | 222,316 | 220,673 |
| Fringe Benefits | 88,909 | 83,655 |
| Travel | 52,210 | 64,019 |
| Office Equip & Furniture - Under \$5,000 | 33,979 | |
| Rentals/Leases - Bldg/Land | 33,765 | 26,459 |
| Supplies - IT Software | 16,274 | 18,417 |
| Miscellaneous Supplies | 13,290 | 22,000 |
| Bldg, Grounds, Vehicle Supply | 11,842 | 2,340 |
| Printing | 8,942 | 2,790 |
| Postage | 7,848 | 3,562 |
| Professional Fees and Services | 5,961 | 4,655 |
| Utilities | 5,407 | 1,329 |
| Rentals/Leases - Equipment & Other | 5,401 | 4,880 |
| IT - Communications | 4,089 | 1,423 |
| Office Supplies | 3,720 | 2,697 |
| IT Contractual Services and Repairs | 3,178 | 7,018 |
| Supply/Material - Professional | 1,497 | 847 |
| Insurance | 1,271 | 1,223 |
| IT - Data Processing | 358 | 318 |
| Other Equipment under \$5,000 | | 2,290 |
| Total Expenditures | <u>\$ 2,359,750</u> | <u>\$ 2,706,533</u> |
| | | |
| Revenue Over Expenditures | <u>\$ 1,150,115</u> | <u>\$ 532,866</u> |

See Notes to the Financial Statement.

Notes to the Financial Statement

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The responsibility for the financial statement, the internal control structure, and compliance with laws and regulations belongs to management of the North Dakota Corn Utilization Council (Council). A summary of the significant accounting policies follows:

A. Reporting Entity

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

The Council was established with the authority to contract and cooperate with any person for market maintenance and expansion, utilization research, transportation, and education; accept donations of funds, property, services or other assistance from any source; and provide educational and informational materials. This is accomplished through the levying of an assessment on all varieties of corn grown in the state, except sweet corn and popcorn, sold to a designated handler. The amount of the levy is one-quarter of one percent of the value of a bushel.

The Council has a close working relationship with the North Dakota Corn Growers Association (Association). This relationship is further explained in Note 2 to the financial statements. The comparative statement of revenues and expenditures includes only activities of the Council, which is one department that has one division. The Council is responsible for and is funded under a continuing appropriation.

B. Reporting Structure

The financial statement includes all activities of the reporting entity as defined above. These activities are funded from fund 270, the Corn Council Fund. The comparative statement of revenues and expenditures is a combined statement to give the users an overview of the agency's activity.

C. Basis of Presentation

North Dakota Century Code 4.1-44-04 requires certain commodity promotion groups to prepare a report for the legislative assembly. As part of this report the applicable commodity groups are required to prepare a single-page uniform statement of revenues and expenditures.

Revenues and expenditures on the comparative statement of revenues and expenditures are reported on the modified accrual basis of accounting which is generally accepted accounting principles (GAAP) for governmental fund types.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount can be determined, available means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within a year after fiscal year end. Expenditures are recorded when goods or services

are received. Exceptions include: principal and interest expenditures which are recorded when due; compensated absences which are recorded when paid.

D. GAAP Reporting Differences

GAAP financial statements would include a balance sheet. GAAP financial statements would also provide additional note disclosures.

NOTE 2 – RELATED PARTIES

The Council contracts with the Association, a related organization, through similar control and management for promotional activities; the Executive Director of the Council is also the Executive Director of the Association. The Council and the Association have agreed upon a policy in which the Association's Board of Directors will be the designated advisory board of the Council. For fiscal years 2018 and 2017, the Council paid \$50,000 each year for the promotional advertising on the Association's pick-up truck. For fiscal years 2018 and 2017, the Council paid the Association for advertising in a newsletter of \$190,000 and \$117,500, respectively. In addition, the Council paid the Association for enhancing the knowledge of corn production, corn uses, and leadership abilities of the Association, Association employees, and members of the Association an amount of \$39,790 and \$46,804, respectively.

The Council staff performed work on behalf of the Association for fiscal years 2018 and 2017, incurring payroll costs of approximately \$52,333 and \$51,276, respectively.

As noted in Note 1, the Council is an agency of the state of North Dakota; as such, other agencies of the state are related parties. This includes North Dakota State University (NDSU) and Soybean Council. For fiscal years 2018 and 2017, the Council made payments to NDSU for corn research project contracts of \$428,943 and \$467,079, respectively. For fiscal years 2018 and 2017, the Council made payments to the Soybean Council for shared expenses, \$29,050 and \$2,646, respectively.

The Council also has a particularly close working relationship with the U.S. Grains Council (USGC). For fiscal years 2018 and 2017, the Council paid \$206,000 each year for promotional marketing and development contracts.

NOTE 3 – OTHER SIGNIFICANT ITEMS

The Council has cash and investment reserves of \$5,116,146 and \$4,103,157 at June 30, 2018 and June 30, 2017, respectively. Based on the average monthly expenditures for fiscal year 2018 and 2017, this amount represents approximately 26 and 18 months of expenditures, respectively.



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Exhibits

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with Government Auditing Standards

Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Corn Utilization Council

Dale Ihry, North Dakota Corn Utilization Council Executive Director

We have audited, 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, the financial statement of the North Dakota Corn Utilization Council, for the two-year period ended June 30, 2018, and the related notes to the financial statement and have issued our report thereon dated September 24, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Dakota Corn Utilization Council'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Corn Utilization Council's internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota Corn Utilization Council's internal control.

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. 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. Our consideration of internal control was for the limited

purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings, Recommendations and Management's Response* as findings 18-1 and 18-2 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Dakota Corn Utilization Council'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings, Recommendations and Management's Response* as finding 18-3.

We noted certain matters that we reported to management of the North Dakota Corn Utilization Council in a letter dated September 24, 2018.

North Dakota Corn Utilization Council's Response to Findings

North Dakota Corn Utilization Council's response to the findings identified in our audit are described in the accompanying *Schedule of Findings, Recommendations and Managements Response*. North Dakota Corn Utilization Council's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

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.

/S/

Joshua C. Gallion
State Auditor

Fargo, North Dakota

September 24, 2018

Responses to LAFRC Audit Questions

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

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

Unmodified.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Other than our finding addressing “Lack of Public Notice for Meetings” (page 12), the North Dakota Corn Utilization Council was in compliance with statutes, laws, rules, and regulations under which it was created and is functioning.

3. Was internal control adequate and functioning effectively?

Other than our findings addressing “Inadequate Signed Conflict of Interest Policy” (page 10) and “Transactions with the North Dakota Corn Growers Association” (page 11), the North Dakota Corn Utilization Council’s internal control was adequate and functioning effectively.

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?

Yes.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

Yes. The Governance Communication on page 13 of this report contains an informal recommendation related to inadequate controls over expenditures. The North Dakota Corn Utilization Council agreed with the recommendation.

LAFRC Audit Communications

1. *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, no management conflicts of interest were noted, no contingent liabilities or significant unusual transactions were identified.

2. *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 Corn Utilization Council's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

There were none.

4. *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 statement.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

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

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *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 System (HCM) are the most high-risk information technology systems critical to the Council. No exceptions related to the operations of an information technology system were noted.

Findings, Recommendations and Management's Response

INADEQUATE SIGNED CONFLICT OF INTEREST POLICY (Finding 18-1)

Condition:

The Corn Utilization Council's Conflict of Interest Policy had the following issues:

- 1 out of 7 and 2 out of 7 board members did not sign the policy, acknowledging they have read, understand, and will govern by it for fiscal years 2017 and 2018, respectively;
- None of the 3 staff have signed the policy acknowledging they have read and understand it for fiscal years 2018 and 2017; and
- There is no means for disclosing an actual or potential conflict of interest.

Criteria:

The Corn Utilization Council's policy on Conflict of Interest, states in part, it will be the practice of the Corn Utilization Council that its members and staff shall annually acknowledge by signature that they have read and understand the Conflict of Interest statement shown in the North Dakota Century Code Chapter 12.1-13.

The Standards for Internal Control in the Federal Government, state in summary, to gain assurance that the entity's standards of conduct are implemented effectively, management needs to evaluate the directives and the adherence to standards of conduct across all levels of the entity. Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system.

Cause:

It's difficult to obtain all board members signatures with the limited number of meetings and the staff have not signed it due to an oversight.

Effect:

There is non-compliance with the Corn Utilization Council's policy and with nothing for management to evaluate to determine if a conflict of interest exists, the Corn Utilization Council is potentially allowing unethical or illegal behavior to occur.

Recommendation:

We recommend the Corn Utilization Council:

- Obtain all the required board member and staff signatures, acknowledging that they have read and understand the conflict of interest policy; and
- The policy incorporates a documented means for disclosing actual or potential conflicts of interest for management to evaluate.

ND Corn Utilization Council Response:

Agree with recommendation. A revised conflict of interest form will be used in the future to disclose actual or potential conflicts. This form will be reviewed and signed by NDCUC board members and staff annually.

TRANSACTIONS WITH THE NORTH DAKOTA CORN GROWERS ASSOCIATION (Finding 18-2)

Condition:

We noted the following with the North Dakota Corn Growers Association, a related party:

- No conflict of interest disclosure has been made regarding all 3 staff of the Corn Utilization Council are also staff of the North Dakota Corn Growers Association;
- No contract exists between the Corn Utilization Council and the North Dakota Corn Growers Association, with reference to payroll, as all 3 staff of the North Dakota Corn Utilization Council spent approximately 25% of their time, or \$103,609, during the audit period, devoted to the North Dakota Corn Growers Association; and
- A contract exists between the Corn Utilization Council and the North Dakota Corn Growers Association, with reference to a magazine titled, *CornTalk*; however, the Corn Utilization Council did the complete design and layout of the magazine, when it was the North Dakota Corn Growers Association's responsibility. The Corn Utilization Council pays \$2,500 per page per issue; contracts signed were for \$120,000 and up to \$200,000 for fiscal years 2017 and 2018, respectively.

Criteria:

Corn Utilization Council utilizes NDCC as its conflict of interest policy and cites the following section: NDCC section 12.1-13-03, states in part, every public servant authorized to sell or lease any property, or to make any contract in his official capacity, alone or in conjunction with other public servants, who voluntarily becomes interested individually in the sale, lease, or contract, directly or indirectly, is guilty of a class A misdemeanor.

The Standards for Internal Control in the Federal Government, states in summary, management should use established standards of conduct as the basis for evaluating adherence to integrity and ethical values across the organization. Management should evaluate the adherence to standards of conduct across all levels of the entity to gain assurance that the entity's standards of conduct are implemented effectively.

Cause:

This was an oversight by the board and no contract was deemed necessary. The Corn Utilization Council staff are also staff of the North Dakota Corn Growers Association.

Effect:

By not properly disclosing conflict of interests, the board is unable to adequately evaluate adherence to integrity and ethical values at the Corn Utilization Council. With no contract in place, there is no defined scope of work or reimbursement to the Corn Utilization Council. The scope of work in the contract for the magazine in the contract is not being fulfilled and the Corn Utilization Council is paying for services not rendered.

Recommendation:

We recommend the Corn Utilization Council:

- Require, review, and properly evaluate conflict of interests;
- Develop a contract with the North Dakota Corn Growers Association that defines the scope of work and reimbursement to the Corn Utilization Council; and
- Uphold the terms of the contract with the North Dakota Corn Growers Association and only pay for services rendered.

ND Corn Utilization Council Response:

Agree with recommendation. NDCUC staff will sign and disclose conflict of interest as per finding 18-1. NDCUC is reviewing staff assignments and organization structure in regards to the North Dakota Corn Growers Association. The Council will work with the Attorney General's office to contract for services if deemed necessary. Terms of the contracts with the North Dakota Corn Growers Association will be upheld and work paid for by the Council will be completed by North Dakota Corn Growers Association employees.

LACK OF PUBLIC NOTICE FOR MEETINGS (Finding 18-3)

Condition:

The Corn Utilization Council conducted five meetings via email and one meeting via phone. There was not adequate public notice of these meetings and the meetings were not open to the public.

Criteria:

NDCC section 44-04-19, states in part, all meetings of a public entity must be open to the public. NDCC section 44-04-20, states in part, public notice must be given in advance of all meetings of a public entity, including executive sessions, conference call meetings, and video conferences. The notice must contain the date, time, and location of the meeting and, if practicable, the topics to be considered.

Cause:

This was an oversight by the Corn Utilization Council.

Effect:

There was noncompliance with NDCC sections 44-04-19 and 44-04-20.

Recommendation:

We recommend that the Corn Utilization Council adequately notify the public of their meetings and keep all meetings open to the public.

ND Corn Utilization Council Response:

Agree with recommendation. In the future NDCUC will post all meetings on the Secretary of State website and provide a phone number for the public to participate. NDCUC will not conduct email meetings.

Governance Communication

September 24, 2018

To: The North Dakota Corn Utilization Council

The Legislative Audit and Fiscal Review Committee

We have audited the financial statements of the governmental activities, of the North Dakota Corn Utilization Council for the two-year period ended June 30, 2018, and have issued our report thereon dated September 24, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 24, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota Corn Utilization Council are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the two-year period. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The following presents our informal recommendations.

Inadequate Controls Over Expenditures

Condition:

The following issues were noted surrounding expenditures:

- Sales tax was paid on two transactions (\$150);
- A listing of attendees for a luncheon was not provided (\$500);
- A travel voucher was missing the location traveled to and the departure and travel times (\$140); and
- Additional quotes were not obtained for a speaker (\$5,222).

Criteria:

NDCC section 57-39.2-04, states in summary, gross receipts from applicable purchases used solely and exclusively in the performance of function of a state agency are exempt from sales tax.

The Standards for Internal Control in the Federal Government, states in summary, documentation is a necessary part of an effective internal control, it’s required for the implementation and operating effectiveness of an entity’s internal control system, as it establishes and communicates the who, what, when, where, and why.

NDCC section 44-08-04, states in part, each employee may make claim for meals and lodging while engaged in the discharge of a public duty away from the claimant’s normal working and living residence for all or any part of any quarter of a day.

North Dakota State Procurement Manual Level 1 and 2 Small Purchase Procedures, Chapter 6, part 6.1, states in part, for purchases from \$2,500.01 to \$25,000, agencies should solicit no fewer than three vendors, insofar as practical, to submit oral or written informal bids or proposals. If three bids or proposals are not received, a written justification should be provided.

Cause:

Part of the sales tax payment was an oversight and the other part was due to the Corn Utilization Council being unaware that lodging is tax exempt too. The Corn Utilization didn't realize a listing of attendees is necessary for a luncheon. The travel voucher omission and obtaining additional quotes were oversights.

Effect:

There was non-compliance with NDCC, North Dakota State Procurement Manual Level 1 and 2 Small Purchases and a lack of internal controls.

Recommendation:

We recommend that the Corn Utilization Council comply with the NDCC surrounding sales tax, strengthen its internal controls surrounding expenditures, and review and adhere to the state procurement practices to properly procure commodities and services.

North Dakota Corn Utilization Council Response:

Agree with recommendation. NDCUC will ensure all staff are aware of financial and procurement procedures and follow all administrative procedures going forward.

This information is intended solely for the use of the North Dakota Corn Utilization Council, management of the North Dakota Corn Utilization Council, and the Legislative Audit and Fiscal Review Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Robyn Hoffmann, CPA
Audit Manager

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