

State Historical Society

BISMARCK, NORTH DAKOTA

Audit Report

For the Two-Year Period Ended
June 30, 2018

Joshua C. Gallion
State Auditor

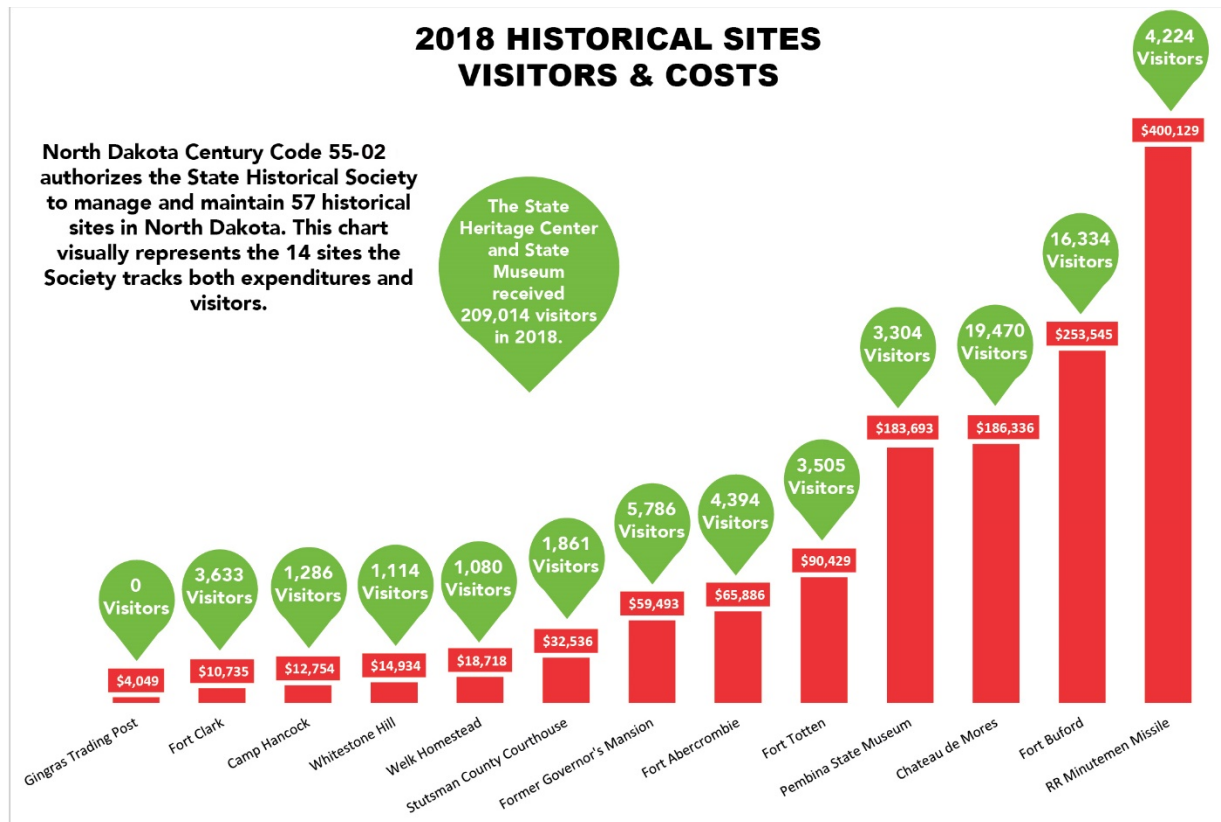


Office of the State Auditor
Division of State Audit



What Did We Find

During our audit, we reviewed the number of visitors and the cost for each of the 14 historic sites where visitation is tracked. We also verified the purchase of Dakota the Dinomummy from the Marmarth Research Foundation. It was determined that the purchase was proper and in accordance with North Dakota Session Law.



Revenue: \$154,126

DAKOTA THE DINOMUMMY

NORTH DAKOTA STATE MUSEUM

Dakota the Dinomummy first went on display in June 2008 at the North Dakota Heritage Center and State Museum. The State Historical Society received appropriation from the State Legislature and purchased Dakota for \$1.4 million in December 2016. A new exhibit, going live in 2020, will provide improved interpretation of the fossil.

Weighed
Up To
4 Tons

Mummified
Skin

26 Feet
Long

Source: State Historical Society of North Dakota and ConnectND Financials

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AUDITOR AND AGENCY PERSONNEL

State Auditor Personnel

**Allison Bader, MBA, Audit Manager
Kevin Scherbenske, CPA, Audit Supervisor
Jacqueline Ressler, Lead
Krista Lambrecht, CPA
Elizabeth Rogers
Amanda Westlake**

Primary State Agency Contacts

**Claudia Berg, Director
Andrea Wike, Asst. Director**

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

March 25, 2019

Members of the North Dakota Legislative Assembly

Members of the State Historical Board

Ms. Claudia Berg, Director

We are pleased to submit this audit of the State Historical Society for the two-year period ended June 30, 2018. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Additionally, whenever possible additional audit objectives are included to increase responsiveness and effectiveness of state government.

Allison Bader was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to Director Berg and her staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

Audit Results

Statutory Audit Requirements

The objective related to our statutory audit requirements is:

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenditures have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage. Defaults are defined as failures to do something required by duty or law. Bonding coverage provides insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

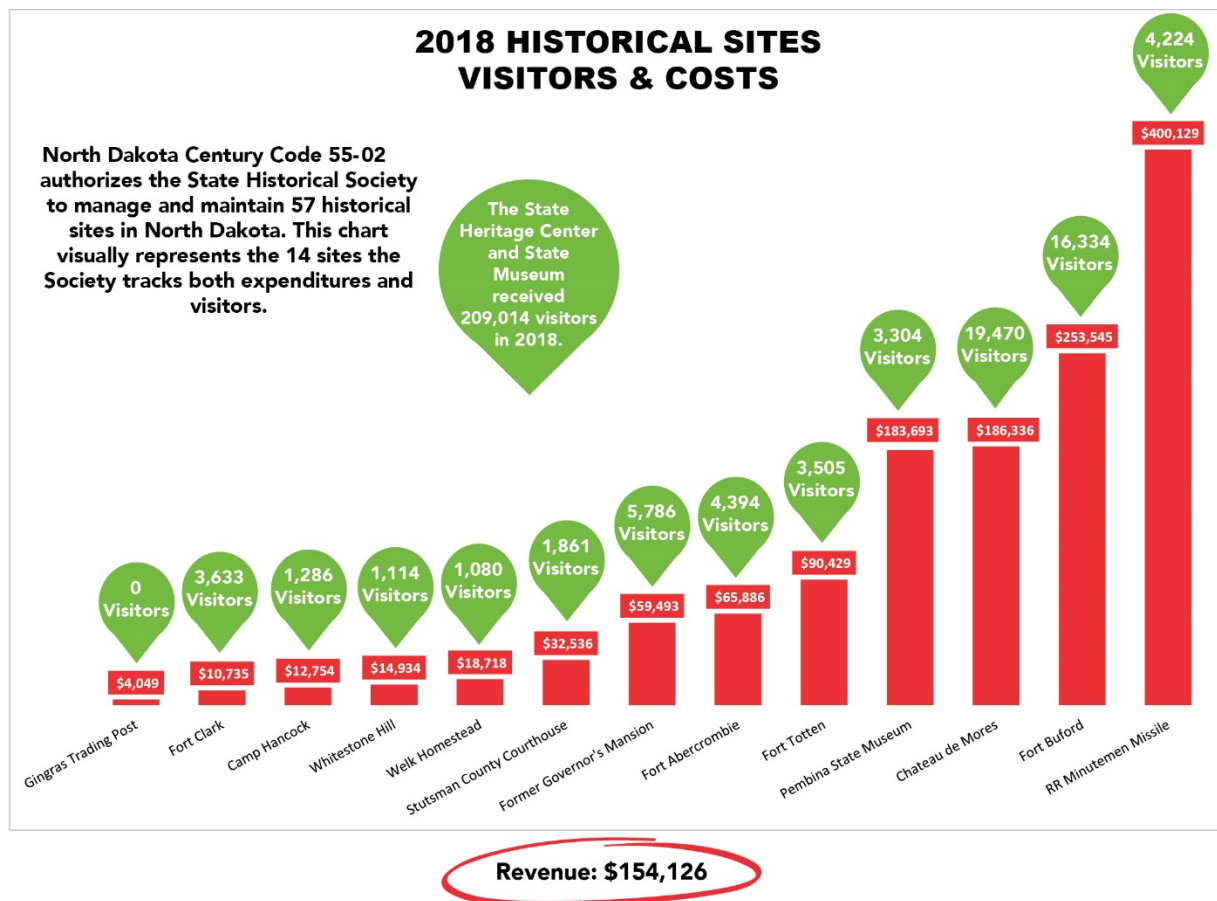
Conclusion

No exceptions to our statutorily required audit testing were identified.

Audit procedures included testing compliance with appropriation laws, evaluating the adequacy of blanket bond coverage, performing tests of expenditures, and analysis of legally restricted funds.

The State Historical Society of North Dakota is governed by the State Historical Board. The Board consists of seven members appointed by the Governor and five statutory members. The Secretary of State, Parks and Recreation Department Director, Department of Transportation Director, Tourism Division Director of the Department of Commerce, and the State Treasurer are statutory members of the Board and shall ensure that the interests of the state are protected.

The Historical Society identifies, preserves, interprets, and promotes the heritage of North Dakota and its people. The Administration Division oversees agency operations, human resources, security and information technology. The Archaeology and Historic Preservation Division protects and manages cultural resources including 57 state historic sites. The Museum and Audience Engagement Division collects and manages artifact collections representative of North Dakota history and culture and produces public and educational programs and events. The State Archives Division collects, manages, and references documentary resources relating to state history and culture.



During our audit period the State Historical Society continued work on the Double Ditch Repair Project. The historic Double Ditch Indian Village (Double Ditch) was a large earth lodge village inhabited by Mandan Indians for nearly 300 years (AD 1490 – 1785).



Source: State Historical Society of ND

After the 2011 flood, the left descending bank of the Missouri River had been severely eroding, with dramatic changes occurring at an accelerated rate. Large areas of the river bank were slumping into the river. Eighteen documented burials were exposed and required removal due to this erosion prior to securing funding. The State Historical Society reported that during the stabilization project, 198 additional burials required removal and were reburied. Beyond the exposed burials, there were tension cracks indicating an actively unstable slope and even a hiking trail closure due to the erosion migrating into the trail. The State Historical Society was appropriated over \$3 million for repairs to the Double Ditch historic site.



Before & After



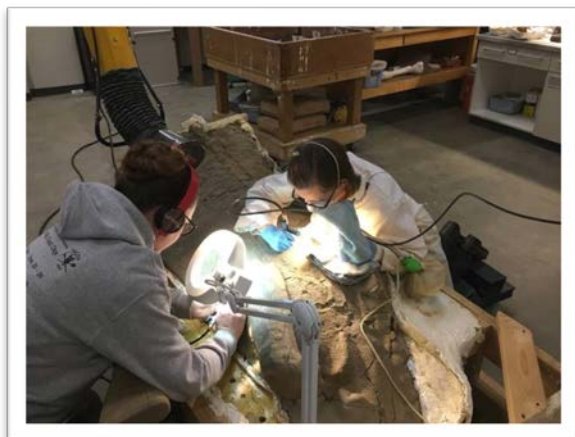
Source: State Historical Society of ND

Source: State Historical Society of ND

In addition, the Historical Society was appropriated funding for a mummified dinosaur, one of the rarest fossils ever found, Dakota the Dinomummy. The duck-billed hadrosaur was discovered in 1999 near Marmarth in southwestern North Dakota. The nearly complete hadrosaur fossil has skin, bones and tendons preserved in sandstone. It is estimated the living hadrosaur weighed about four tons and was a plant eater. Dakota was buried quickly after death about 67 million years ago, and its skin and other soft tissues were replaced by minerals. Dakota went on display on June 14, 2018 at the North Dakota Heritage Center in Bismarck.



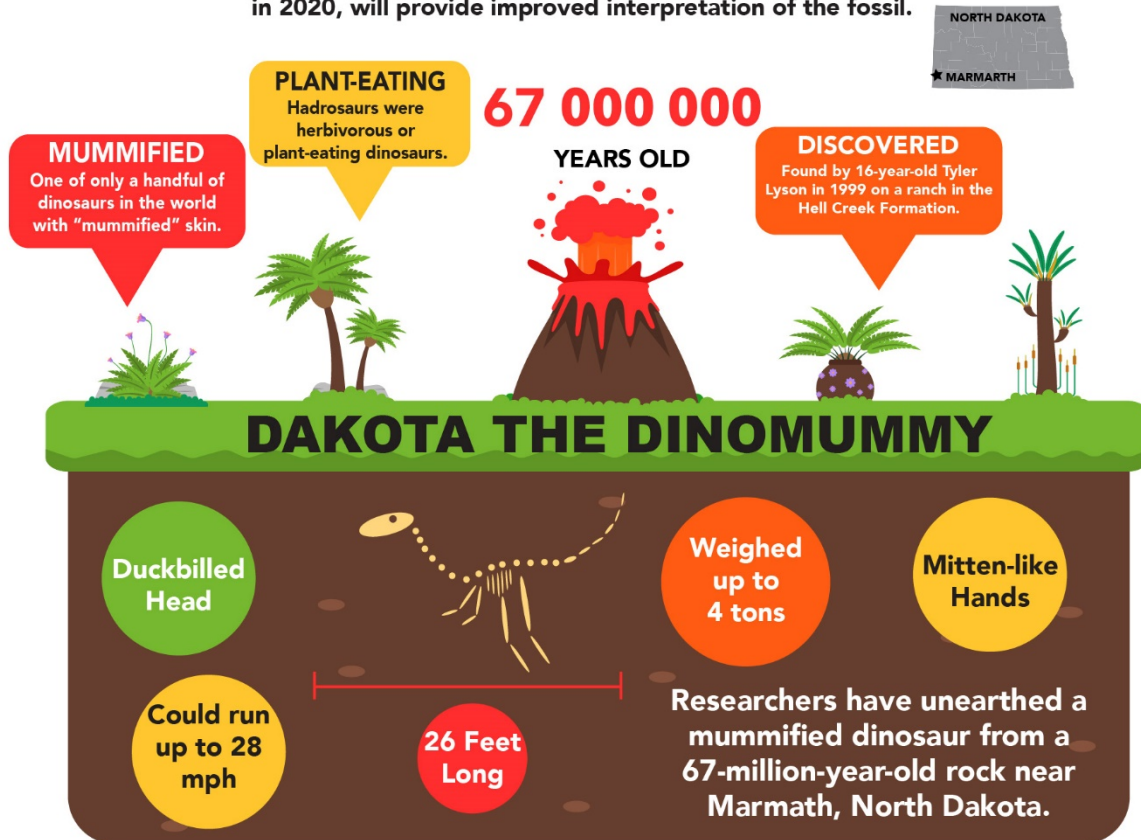
Source: ND Geological Survey Paleontology Division



Source: ND Geological Survey Paleontology Division

NORTH DAKOTA STATE MUSUEM

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Source: State Historical Society of North Dakota and ConnectND Financials

During our test of expenditures, we reviewed expenditures for the Double Ditch Repair project, the purchase of Dakota the Dinomummy as well as, general operating agency expenditures.

Internal Control

We gained an understanding of internal control 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.

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 deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed.

Scope

This audit of the State Historical Society is for the two-year period ended June 30, 2018.

The State Historical Society has its central office in Bismarck on the Capitol complex and 8 historic sites that collect revenue. The following sites were included in the scope of this audit:

- Central Office
- Chateau DeMores
- Fort Abercrombie
- Fort Buford/Missouri-Yellowstone Confluence Interpretive Center
- Fort Totten
- Gingras Trading Post
- Pembina State Museum
- Ronald Reagan Minuteman Missile Site
- Welk Homestead State Historic Site

Locations were selected based on the level of activities (Central Office has the bulk of activities) and audit rotation of regional offices.

Methodology

To meet this objective, we:

- 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.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the State Historical Society's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations including related transfers and emergency commission action. Where necessary, internal control was tested which included selecting representative samples to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected a sample of high-risk transactions, including Double Ditch repair project and Dakota the Dinomummy, for further testing.

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

Authority and Standards

This biennial performance audit of the State Historical Society has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The 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).

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<u>Revenues and Other Sources:</u>		
Admissions and Concessions	\$ 805,926	\$ 758,590
Intergovernmental Revenue	737,245	1,003,301
Donations	475,612	196,905
Oil Royalties	69,199	92,301
Permits	32,250	36,000
Charges for Services	24,702	24,816
Miscellaneous Revenue	2,064	12,356
Transfers In	1,903,632	434,497
Total Revenues and Other Sources	<u>\$ 4,050,630</u>	<u>\$ 2,558,766</u>
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$ 7,047,137	\$ 7,026,538
Repairs	2,307,597	591,252
Professional Fees and Services	566,814	656,341
Supplies	565,739	712,845
Operating Fees and Services	374,079	545,343
Land and Buildings	337,204	1,412,325
IT Services	235,799	182,455
Equipment	219,982	324,352
Travel	105,584	111,724
Grants, Benefits and Claims	67,162	152,629
Miscellaneous Expenditures	56,509	50,679
Rentals and Leases	36,686	31,036
Transfers Out	711,521	705,499
Total Expenditures and Other Uses	<u>\$ 12,631,813</u>	<u>\$ 12,503,018</u>

Source: ConnectND Financials

Statement of Appropriations

For the Year Ended June 30, 2018

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$ 13,595,892	\$ 6,546,593	\$ 7,049,299
Operating Expenses	3,885,894	1,405,801	2,480,093
Capital Assets	1,747,653	803,671	943,982
Construction Carryover	848,136	537,263	310,873
Double Ditch Historic Site	2,757,943	1,826,885	931,058
Grants	600,000	65,692	534,308
Totals	<u>\$ 23,435,518</u>	<u>\$ 11,185,905</u>	<u>\$ 12,249,613</u>
Expenditures by Source:			
General	\$ 17,521,780	\$ 8,524,681	\$ 8,997,099
Other	5,913,738	2,661,224	3,252,514
Totals	<u>\$ 23,435,518</u>	<u>\$ 11,185,905</u>	<u>\$ 12,249,613</u>

Source: ConnectND Financials

For the Biennium Ended June 30, 2017

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$ 13,664,744	\$ 13,365,825	\$ 298,919
Operating Expenses	4,189,049	3,097,592	1,091,457
Capital Assets	4,270,294	3,858,188	412,106
Construction Carryover	369,053	364,005	5,048
Double Ditch Historic Site	3,500,000	742,056	2,757,944
Grants	900,000	190,939	709,061
Cultural Heritage Grants	293,454	261,454	32,000
Exhibits	251,000	90,653	160,347
Totals	<u>\$ 27,437,594</u>	<u>\$ 21,970,712</u>	<u>\$ 5,466,882</u>
Expenditures by Source:			
General	\$ 20,612,693	\$ 19,764,557	\$ 848,136
Other	6,824,901	2,206,155	4,618,746
Totals	<u>\$ 27,437,594</u>	<u>\$ 21,970,712</u>	<u>\$ 5,466,882</u>

Source: ConnectND Financials

Status of Prior Recommendations

Noncompliance with Public Improvement Laws (Finding 16-1)

Recommendation:

We recommend the State Historical Society ensure compliance with bidding thresholds for public improvements in accordance with North Dakota Century Code, section 48-01.2-02.1.

Status: Implemented, the State Historical Society properly bid out public improvement projects.

LAFRC Responses

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?

This question is not applicable for performance audits. The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

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

Yes.

3. Was internal control adequate and functioning effectively?

Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No.

5. Has action been taken on findings and recommendations included in prior audit reports?

The State Historical Society has implemented the recommendation included in the prior audit report.

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

No, a management letter was not issued.

LAFRC Audit Communications

7. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

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

8. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The State Historical Society'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 Retail Pro 8 are high-risk information technology systems critical to the State Historical Society.

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

Office of the State Auditor

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