

North Dakota
Protection and Advocacy Project

BISMARCK, NORTH DAKOTA

Audit Report

For the Two-Year Period Ended
June 30, 2018

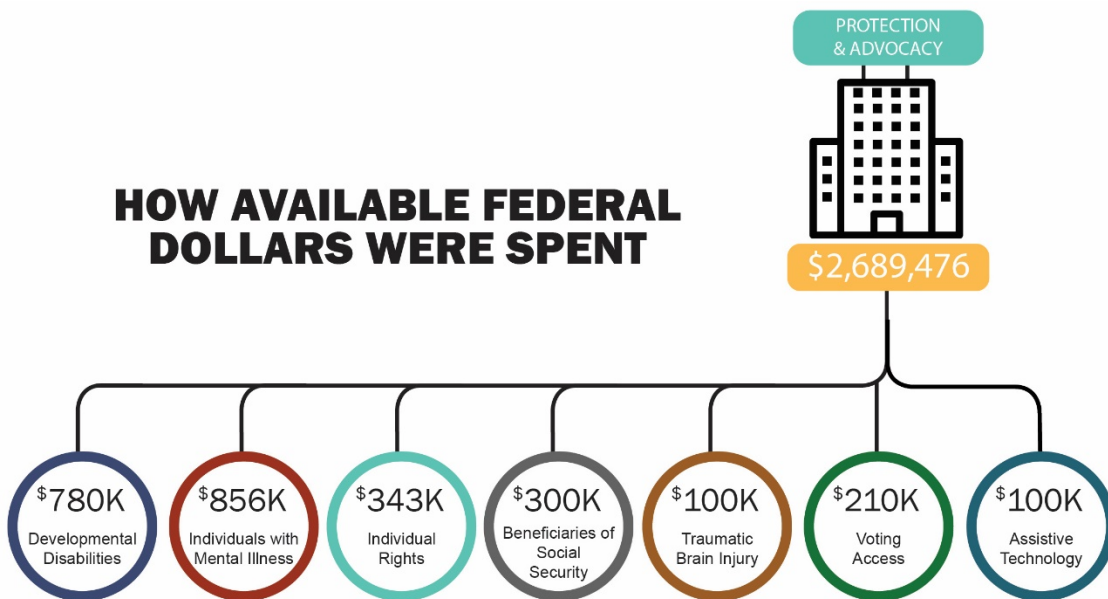
Joshua C. Gallion
State Auditor

Office of the State Auditor
Division of State Audit



What We Found

The North Dakota Protection and Advocacy Project maximized their federal funds by using all available federal funds during their applicable period of availability. The graph below lists total federal grants received by the North Dakota Protection and Advocacy Project and the corresponding amount spent by grant. The graph is limited to grants which ended during our audit period.



Source: ConnectND Financials



The North Dakota Protection and Advocacy Project is an independent state agency established to advance the human and legal rights of people with disabilities within North Dakota. People served include infants, children and adults of all ages. There are no fees charged for services.

87% of total expenditures incurred by the North Dakota Protection and Advocacy Project are related to salaries and benefits. Employees are paid on average 23.6% of their pay grade range.

**LEGISLATIVE AUDIT AND FISCAL REVIEW
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AUDITOR AND AGENCY PERSONNEL

State Auditor Personnel

**Allison Bader, MBA, Audit Manager
Kevin Scherbenske, CPA, Audit Supervisor
Nathan Wangler, CPA**

Primary State Agency Contacts

**Teresa Larsen, Executive Director
Dotty Simes, Fiscal Manager**

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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

February 21, 2019

Members of the North Dakota Legislative Assembly
Members of the Committee on Protection and Advocacy
Ms. Teresa Larsen, Executive Director

We are pleased to submit this audit of the North Dakota Protection and Advocacy Project 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 Ms. Larsen 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

Maximizing use of Federal Funds

A review of the North Dakota Protection and Advocacy Project's federal grants was conducted to meet the following objective:

Is the North Dakota Protection and Advocacy Project maximizing the use of federal funds?

Conclusion

The North Dakota Protection and Advocacy Project is maximizing their federal funds.

Background Information and Results

The North Dakota Protection and Advocacy Project receives federal grants for various programs as noted below.

Each grant award is for a specific dollar amount and has a defined period of availability when the funds may be used. This period of availability does not coincide with the state biennial budget appropriation authority received by the agency. Some of the grants noted below had period of availability which started before and extended beyond our audit period.

Carryover funds represent resources available to the agency for future periods.

Protection and Advocacy Federal Grants by Award

- Developmental Disabilities (DD) program is a federally directed system of legal advocacy necessary to ensure the humane care, treatment, habilitation and protection of persons with developmental disabilities.

Award Period	Available	Spent by 6/30/18	Carryover
10/1/15 – 9/30/17	389,875*	389,875*	
10/1/16 – 9/30/18	390,405*	390,405*	
10/1/17 – 9/30/19	404,556	224,283	180,273

- Individuals with Mental Illness (PAIMI) program is used for extend protection similar to those provided under the DD program to individuals with mental illness.

Award Period	Available	Spent by 6/30/18	Carryover
10/1/15 – 9/30/17	428,000*	427,590*	
10/1/16 – 9/30/18	428,000*	428,000*	
10/1/17 – 9/30/19	428,000	186,723	241,277

- Individual Rights (PAIR) program is designed to serve individuals with disabilities who are not eligible for services under the DD or PAIMI programs.

Award Period	Available	Spent by 6/30/18	Carryover
10/1/15 – 9/30/17	171,598*	171,598*	
10/1/16 – 9/30/18	171,598*	171,598*	
10/1/17 – 9/30/19	171,598	58,997	112,601

- Beneficiaries of Social Security (PABSS) program provides work incentive assistance for Social Security Disability Insurance (SSDI) and Supplementary Security Income (SSI) beneficiaries who need vocational rehabilitation, employment services, and other supports to secure or regain employment.

Award Period	Available	Spent by 6/30/18	Carryover
10/1/12 – 9/30/18	100,000*	100,000*	
10/1/12 – 9/30/18	100,000*	100,000*	
10/1/12 – 9/30/18	100,000*	99,459*	
10/1/12 – 9/30/19	100,000	7,084	92,916

- Voting Access (PAVA) program was enacted to help ensure that every qualified person with a disability has the opportunity to vote.

Award Period	Available	Spent by 6/30/18	Carryover
3/1/11 – 9/30/16	70,000*	70,000*	
2/9/12 – 9/30/17	70,000*	70,000*	
10/1/12 – 9/30/17	70,000*	70,000*	
10/1/13 – 9/30/18	70,000	15,521	54,479

- Traumatic Brain Injury (TBI) program ensures protection and advocacy systems serve individuals with traumatic brain injury and their families.

Award Period	Available	Spent by 6/30/18	Carryover
10/1/09 – 9/30/17	50,000*	50,000*	
10/1/15 – 9/30/17	50,000*	49,992*	
10/1/16 – 9/30/18	50,000	46,430	3,570

- Assistive Technology (AT) program allows protection and advocacy system to assist individuals with disabilities in accessing AT devices & services.

Award Period	Available	Spent by 6/30/18	Carryover
4/1/15 – 9/30/16	50,000*	50,000*	
10/1/15 – 9/30/17	50,000*	50,000*	
10/1/17 – 9/30/18	50,000	31,127	18,873

Source: ConnectND Financials and agency grant awards

- * Represent federal grants that were 'closed' during our audit period and are shown in a graphical representation on the highlight page.

Over 87% of total expenditures incurred by the North Dakota Protection and Advocacy Project are related to salaries and benefits. To determine if the North Dakota Protection and Advocacy Project was inflating wages to use up their available funding, we reviewed salary information for June 2018. We noted 23 employees are paid an average of 23.6% of their pay grade range, therefore, we concluded the North Dakota Protection and Advocacy Project was not using salary inflation to ensure they used available funding.

The North Dakota Protection and Advocacy Project also receives approximately \$3 million dollars in general fund appropriation authority each biennium. These funds are used to both supplement federal programs where additional funding is needed as well as provide investigative services which are not covered by any federal program.

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

During our audit period, the North Dakota Protection and Advocacy Project received federal grants that related to:

- Individual Rights
- Individuals with Mental Illness
- Voting Access
- Developmental Disabilities
- Traumatic Brain Injury
- Assistive Technology
- Beneficiaries of Social Security

We reviewed all federal grant awards which had expenditures charged to them during our audit period and determined all available federal funds were spent prior to the end of their period of availability.

Methodology

To meet this objective, we:

- Reviewed grant award documentation from the United States Department of Education, United States Department of Health and Human Services, and United States Social Security Administration.
- Queried the state accounting system to ensure all federal funds awarded were spent during the applicable period of availability.
- Reviewed salaries for all employees of the North Dakota Protection and Advocacy Project in relation to their pay grade.

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

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 relating to our statutorily required audit testing were identified.

Background Information and Results

Audit procedures included test compliance with appropriation laws and evaluating adequacy of blanket bond coverage.

The North Dakota Protection and Advocacy Project is an independent state agency established in 1977 to advance the human and legal rights of people with disabilities. People served include infants, children, and adults of all ages. Approximately half of funds for program operations are from federal grants. Additional support is provided by the state of North Dakota. There are no costs for services, however, the North Dakota Protection and Advocacy Project does implement general eligibility requirements, including that the individual must reside within the state of North Dakota

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 North Dakota Protection and Advocacy Project is for the two-year period ended June 30, 2018.

The North Dakota Protection and Advocacy Project has operations in the following locations, with each being included in the audit scope:

- Central office and main location of operation located in downtown Bismarck.
- Satellite offices located in Williston, Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Dickinson, Belcourt, and Grafton.

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 North Dakota Protection and Advocacy Project's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations.
- Reviewed adequacy of blanket bond coverage by comparing coverage to State Bonding guidelines.

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 North Dakota Protection and Advocacy Project 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>
Revenues and Other Sources:		
Revenue from Federal Government	\$1,248,669	\$1,190,802
Miscellaneous Revenue	13	
Transfers In	207,658	235,789
Total Revenues and Other Sources	<u>\$1,456,340</u>	<u>\$1,426,591</u>
Expenditures and Other Uses:		
Salaries and Benefits	\$2,636,719	\$2,632,683
Rent of Building Space	125,429	126,655
IT – Equipment, Communications, Data Processing	100,514	90,315
Travel	59,272	58,242
Professional and Consulting Fees and Services	23,721	59,600
Conference and Dues and Memberships	18,280	24,537
Operating Fees	11,943	17,374
Periodicals and Resource Materials	9,868	8,992
Office Supplies	3,978	4,979
Repairs	3,924	6,340
Printing	3,669	4,178
Postage	2,990	3,824
Office Equipment and Furniture	1,124	595
Insurance	1,208	1,053
Utilities	607	711
Miscellaneous Expenditures	216	2,694
Total Expenditures and Other Uses	<u>\$3,003,462</u>	<u>\$3,042,772</u>

Source: ConnectND Financials

Statement of Appropriations

For the Year Ended June 30, 2018

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
P & A Services	<u>\$6,447,600</u>	<u>(\$3,003,462)</u>	<u>\$3,444,138</u>
Totals	<u>\$6,447,600</u>	<u>(\$3,003,462)</u>	<u>\$3,444,138</u>

Expenditures by Source:	Original Appropriation	Expenditures	Total
General	\$2,958,999	(\$1,414,137)	\$1,544,862
Other	<u>\$3,488,601</u>	<u>(\$1,589,325)</u>	<u>\$1,899,276</u>
Totals	<u>\$6,447,600</u>	<u>(\$3,003,462)</u>	<u>\$3,444,138</u>

Source: ConnectND Financials

For the Biennium Ended June 30, 2017

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
P & A Services	<u>\$6,453,779</u>	<u>(\$6,050,313)</u>	<u>\$403,466</u>
Totals	<u>\$6,453,779</u>	<u>(\$6,050,313)</u>	<u>\$403,466</u>

Expenditures by Source:	Original Appropriation	Expenditures	Total
General	\$3,020,926	(\$3,020,921)	\$ 5
Other	<u>\$3,432,853</u>	<u>(\$3,029,392)</u>	<u>\$403,461</u>
Totals	<u>\$6,453,779</u>	<u>(\$6,050,313)</u>	<u>\$403,466</u>

Source: ConnectND Financials

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?*

There were no recommendations included in the prior audit report.

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

No, a management letter was not issued.

LAFRC Audit Communications

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

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

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

The North Dakota Protection and Advocacy Project'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 and Human Resource Management System (HRMS) and are high-risk information technology systems critical to the North Dakota Protection and Advocacy Project.

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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