

North Dakota Office of the State Auditor

Office of Administrative Hearings

Audit Report for the Biennium Ended June 30, 2019

Client Code 140



North Dakota State Auditor
Joshua C. Gallion



Why We Conducted this Audit

The purpose of this audit was to determine financial transactions including expenditures were made in accordance with law and appropriation requirements.

What We Found

This audit did not identify any exceptions or defaults.

KEY PERSONNEL

State Auditor's Office Staff

Robyn Hoffmann, CPA, Audit Manager
Dustin Walcker, Audit Supervisor
Elizabeth Rogers, Auditor
Breck Hendrickson, Auditor

Client Staff Contacts

Timothy Dawson, Director
Frances Zuther, Administrative Staff Officer

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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

August 28, 2019

Mr. Timothy Dawson, Director

We are pleased to submit this audit of the Office of Administrative Hearings for the biennium ended June 30, 2019. 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.

Robyn Hoffmann, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701)-239-7291. We wish to express our appreciation to Director Dawson and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

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.

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 Office of Administrative Hearings is for the biennium ended June 30, 2019.

The Office of Administrative Hearings' sole location is its Bismarck office which was included in the audit scope.

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.

- Non-statistical sampling was used, and the results were projected to the population.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the Office of Administrative Hearings' processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations. Where necessary, internal control was tested 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 expenditures 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 Office of Administrative Hearings 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, 2019</u>	<u>June 30, 2018</u>
<u>Revenues and Other Sources:</u>		
Sales and Services	\$1,117,436	\$1,416,627
Miscellaneous Revenue	116	
Total Revenues and Other Sources	<u>\$1,117,552</u>	<u>\$1,416,627</u>
<u>Expenditures and Other Uses:</u>		
Professional Fees and Services	\$ 593,840	\$ 578,004
Salaries and Benefits	572,750	592,946
Rent	44,594	37,962
IT Data Processing	33,038	33,472
Travel	14,600	21,478
Equipment	7,811	270
Postage and Printing	4,841	6,111
Professional Development	4,604	6,021
Miscellaneous Expense	3,170	3,067
Supplies	2,609	1,786
IT Software	1,076	2,653
Total Expenditures and Other Uses	<u>\$1,282,933</u>	<u>\$1,283,770</u>

Source: ConnectND Financials

Statement of Appropriations

For the Biennium Ended June 30, 2019

Expenditures by Line Item:	Final Appropriation	Expenditures	Unexpended Appropriation
Salaries and Wages	\$1,191,850	\$1,165,696	\$ 26,154
Operating Expenses	1,726,784	1,401,007	325,777
Total	\$2,918,634	\$2,566,703	\$351,931
Expenditures by Source:			
Other	\$2,918,634	\$2,566,703	\$351,931
Total	\$2,918,634	\$2,566,703	\$351,931

Source: ConnectND Financials

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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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