

North Dakota Office of the State Auditor

North Dakota Aeronautics Commission

Audit Report for the Biennium Ended June 30, 2019

Client Code 412



North Dakota State Auditor
Joshua C. Gallion



Why We Conducted this Audit

The purpose of this audit was to determine that 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

Kyle Wanner, Executive Director
Gaye Niemiller, Administrative 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

July 31, 2019

Members of the North Dakota Aeronautics Commission
Mr. Kyle Wanner, Executive Director

We are pleased to submit this audit of the Aeronautics Commission 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 Mr. Kyle Wanner 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 controls 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 Aeronautics Commission is for the biennium period ended June 30, 2019.

The Aeronautics Commission's 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. 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 for data analysis. Significant evidence was obtained from ConnectND.
- Observed the Aeronautics Commission's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations. 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 operating and grant expenditures, for further testing.
- Tested compliance of procurement requirements.

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 Aeronautics Commission 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>		
Aircraft Excise Tax	\$2,789,939	\$1,226,976
Federal Revenue	567,470	154,558
Aircraft Licenses and Registrations	191,079	189,895
Miscellaneous Revenue	8,483	8,802
Total Revenues and Other Sources	<u>\$3,556,971</u>	<u>\$1,580,231</u>
<u>Expenditures and Other Uses:</u>		
Grants to Airports	\$3,732,304	\$4,072,716
Consulting and Engineering Services	695,198	136,025
Salaries and Benefits	594,425	587,179
Repairs	92,514	77,581
Rental of Rooms, Building, and Equipment	48,952	47,556
IT Data Processing and Equipment	48,540	31,889
Operating Fees and Services	47,898	48,419
Building, Grounds, and Vehicle Supply	21,158	200,599
Travel	19,451	25,819
Professional Development	17,509	15,968
Printing	12,172	4,818
Insurance	7,457	7,362
Postage	6,164	5,952
Total Expenditures and Other Uses	<u>\$5,343,742</u>	<u>\$5,261,883</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	\$1,431,222	\$1,181,604	\$249,618
Operating Expenses	2,204,190	1,619,002	585,188
Capital Assets	100,000		100,000
Construction Carryover	2,500,000	1,261,340	1,238,660
Grants	<u>7,150,000</u>	<u>6,543,680</u>	<u>606,320</u>
Total	<u>\$13,385,412</u>	<u>\$10,605,626</u>	<u>\$2,779,786</u>
Expenditures by Source:	Final Appropriation	Expenditures	Total
General	\$900,000	\$900,000	
Other	<u>12,485,412</u>	<u>9,705,626</u>	<u>\$2,779,786</u>
Total	<u>\$13,385,412</u>	<u>\$10,605,626</u>	<u>\$2,779,786</u>

Source: ConnectND Financials

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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