

# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

*State Auditor Joshua C. Gallion*

## ND Commission on Legal Counsel for Indigents Valley City, North Dakota

Audit Report for the Biennium Ended June 30, 2019

*Client Code 188*



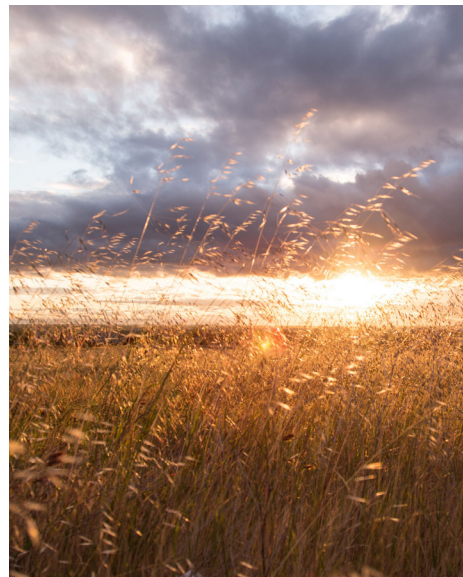


### WHAT WE LOOKED AT

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.



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## KEY PERSONNEL

Robyn Hoffmann  
CPA, AUDIT MANAGER

Dustin Walcker  
AUDIT SUPERVISOR

Alandra Kist  
LEAD AUDITOR

## HAVE QUESTIONS? ASK US.

NORTH DAKOTA STATE  
AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117  
Bismarck, North Dakota 58505

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# Introduction

## **ND Commission on Legal Counsel for Indigents Valley City, North Dakota**

Audit Report for the Biennium Ended June 30, 2019

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**W**e are pleased to submit this audit of the ND Commission on Legal Counsel for Indigents 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.

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) 239-7250. We wish to express our appreciation to H. Jean Delaney and her staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

**JOSHUA C. GALLION  
NORTH DAKOTA STATE AUDITOR**

# Audit Results

## Statutory Audit Requirements

### OBJECTIVE RELATED TO OUR STATUTORY AUDIT REQUIREMENTS:

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, 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

As we determined internal control was significant to this audit objective, we assessed internal control by gaining an understanding of internal control and concluded as to the adequacy of the design of internal control and whether the applicable internal controls were implemented.

We also tested the operating effectiveness of those controls we considered necessary to address our audit objective. The controls assessed were generally the key controls identified during the planning phase of the engagement, which may

include controls at both the entity and transaction levels. Our team identified key controls significant to this audit objective related to the control activities component of internal control, specifically the principles related to the design of control activities and the implementation of the same. We also identified controls relating to the monitoring component of internal control, specifically the principle of performing monitoring activities.

Based on the audit work performed, auditors are required to report deficiencies in internal control that are significant within the context of the audit objectives. A deficiency in internal control exists when the design, implementation, or operation of a control does not allow management or personnel to achieve control objectives and address related risks.

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.

### SCOPE

This audit of the Commission on Legal Counsel for Indigents is for the biennium ended June 30, 2019. The Commission on Legal Counsel for Indigents has operations in the following locations.

Each location was included in the audit scope:

- Valley City Administrative Office
- Bismarck Defender Office
- Minot Defender Office
- Fargo Defender Office
- Williston Defender Office
- Watford City Defender Office
- Dickinson Defender Office
- Grand Forks Defender Office



## 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 Commission on Legal Counsel for Indigents 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 travel vouchers, operating expenditures, and contractual agreements, 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 Commission on Legal Counsel for Indigents 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. 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).



# Responses to LAFRC Audit Questions

## **1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?**

Financial statements were not prepared by the Commission on Legal Counsel for Indigents in accordance with generally accepted accounting principles, so an opinion is not applicable. 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 Commission on Legal Counsel for Indigents' 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) are high-risk information technology systems critical to the Commission on Legal Counsel for Indigents.



# Financial Statements

## Statement of Revenues and Expenditures

REVENUES AND OTHER SOURCES	June 30, 2019	June 30, 2018
Indigent Defense Facility Fee	\$ 692,740	\$ 811,084
Indigent Application Fee	187,196	174,238
Intergovernmental Reimbursement	45,899	23,778
Miscellaneous Revenue	36	
Transfers In		189,000
<b>Total Revenues and Other Sources</b>	<b>\$ 925,871</b>	<b>\$1,198,100</b>

EXPENDITURES AND OTHER USES	June 30, 2019	June 30, 2018
Professional Fees and Services	\$4,736,319	\$4,699,503
Salaries and Benefits	3,781,674	3,863,318
Rents and Leases	218,734	307,501
Travel	181,812	171,843
Data Processing/Telecommunications	146,935	160,454
IT Contractual Services and Repairs	83,891	74,580
Supplies	58,068	56,251
Operating Fees and Services	40,134	56,361
Equipment	24,232	7,638
Professional Development	13,950	14,124
Miscellaneous Expense	1,519	1,585
<b>Total Expenditures and Other Uses</b>	<b>\$9,287,268</b>	<b>\$9,413,158</b>

Source: ConnectND Financials

# Financial Statements

## Statement of Appropriations

For the Biennium Ended June 30, 2019

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Legal Counsel for Indigents	\$20,853,864	\$18,700,426	\$2,153,438
<b>Total</b>	<b>\$20,853,864</b>	<b>\$18,700,426</b>	<b>\$2,153,438</b>

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
General	\$17,983,876	\$16,711,006	\$1,272,870
Other	2,869,988	1,989,420	880,658
<b>Total</b>	<b>\$20,853,864</b>	<b>\$18,700,426</b>	<b>\$2,153,438</b>

Source: ConnectND Financials



Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
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**NORTH DAKOTA STATE AUDITOR'S OFFICE**

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505

 [ND.gov/Auditor](https://nd.gov/Auditor)

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