

North Dakota State Auditor's Office

Department of Labor and Human Rights

Audit Report for the Biennium Ended June 30, 2019

Client Code 406



North Dakota State Auditor
Joshua C. Gallion



Office of the
State Auditor

Report Highlights

Department of Labor and Human Rights

September 2019

Audit Period: July 2017 – June 2019

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

Allison Bader, MBA, Audit Manager
Kristi Morlock, MBA, Audit Supervisor
Richard Fuher, CPA, MBA, Senior Auditor

Client Staff Contacts

Erica Thunder, Commissioner

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE – DEPT 117
BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

September 19, 2019

The Honorable Doug Burgum, Governor

Ms. Erica Thunder, Commissioner

We are pleased to submit this audit of the Department of Labor and Human Rights 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.

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 Commissioner Thunder and her 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

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 considered controls at both the entity and transaction levels. We 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 information and communication component of internal control, specifically the principle of using quality information.

Based upon 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 Department of Labor and Human Rights is for the biennium ended June 30, 2019.

The Department of Labor and Human Rights' 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.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the Department of Labor and Human Rights' processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws. Where necessary, internal control was tested which included testing information system processes 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 and revenue refunds, 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 Department of Labor and Human Rights 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).

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Revenues:</u>		
Revenue from Federal Government	\$ 151,850	\$ 288,020
Miscellaneous Revenue	36	848
Total Revenues	<u>\$ 151,886</u>	<u>\$ 288,868</u>
<u>Expenditures:</u>		
Salaries and Benefits	\$ 1,010,720	\$ 1,065,757
IT Services and Communications	59,926	55,105
Travel	23,132	16,723
Professional Services	16,718	4,395
Supplies and Equipment	9,655	16,485
Professional Development	6,044	9,743
Rent	5,729	5,729
Postage and Printing	5,497	6,212
Miscellaneous Expenditures	2,849	1,868
Witness Fees and Expenses	1,030	3,701
Advertising	608	10,073
Total Expenditures	<u>\$ 1,141,908</u>	<u>\$ 1,195,791</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	\$ 2,414,984	\$ 2,076,146	\$ 338,838
Operating Expenses	<u>328,918</u>	<u>261,553</u>	<u>67,365</u>
Totals	<u>\$ 2,743,902</u>	<u>\$ 2,337,699</u>	<u>\$ 406,203</u>
Expenditures by Source:			
General	\$ 2,303,986	\$ 1,897,829	\$ 406,157
Other	<u>439,916</u>	<u>439,870</u>	<u>46</u>
Totals	<u>\$ 2,743,902</u>	<u>\$ 2,337,699</u>	<u>\$ 406,203</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

Office of the State Auditor

600 East Boulevard Avenue – Department 117

Bismarck, ND 58505-0060