



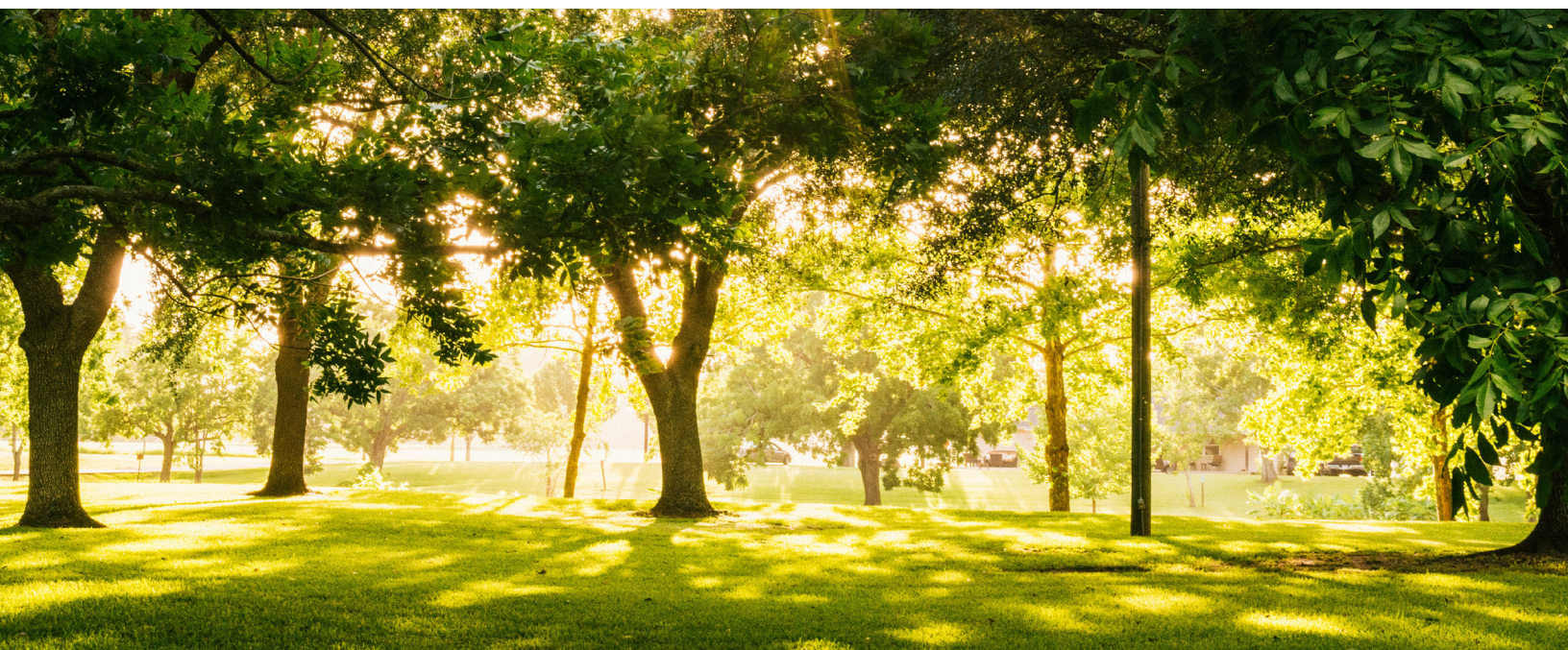
NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Parks and Recreation Department

Audit Report for the Biennium Ended June 30, 2019

Client Code 750





WHAT WE LOOKED AT

Our team audited the Parks and Recreation Department which included reviewing financial transactions, expenditures, reconciliation of park revenue deposits, and blanket bond coverage.

WHAT WE FOUND

This audit did not identify any areas of concern.

TABLE OF CONTENTS

INTRODUCTION 2

 Terms Used in Report 3

AUDIT RESULTS

 Statutory Objective 4

 Conclusion 4

AUDIT PROCEDURES

 Statutory Objective

 Internal Control 5

 Scope 5

 Methodology 5

 Statutory Criteria 6

 Authority and Standards 6

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

 Responses to LAFRC Audit Questions 7

 LAFRC Audit Communications 8

FINANCIAL STATEMENTS

 Statement of Revenues and Expenditures 9

 Statement of Appropriations 11

KEY PERSONNEL

Allison Bader
MBA, AUDIT MANAGER

Kristi Morlock
MBA, AUDIT SUPERVISOR

Kevin Scherbenske
CPA, SENIOR AUDITOR

Brittani Reim
AUDITOR

HAVE QUESTIONS? ASK US.

NORTH DAKOTA STATE
AUDITOR'S OFFICE

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

- 701-328-2241
- NDSAO@nd.gov
- ND.gov/Auditor
- Facebook.com/NDStateAuditor
- Linkedin.com/company/NDStateAuditor

Introduction

Parks and Recreation Department

May 15, 2020

We are pleased to submit this audit of the North Dakota Parks and Recreation Department 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 Ryan Gardner, Interim Director, and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Appropriation: Sum of money or total of assets devoted to a special purpose.

Blanket Bond Coverage: Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Conflict of Interest: Situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

ConnectND: The accounting system for North Dakota.

Default: Failures to do something required by duty or law.

Emergency Commission: Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

Noncompliance: Failure to act in accordance with a wish or command.

North Dakota Administrative Code (N.D.A.C.): Codification of all rules of state administrative agencies.

North Dakota Century Code (N.D.C.C.): Collection of all the statutes passed by the North Dakota Legislative Assembly.

Performance Audit: Engagements that provide objective analysis, findings, and conclusion to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Session Laws: Published after each regular and special legislative session and contain the laws enacted during that session.



Audit Results

▼ STATUTORY OBJECTIVE

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.

CONCLUSION

No exceptions to our statutorily required audit testing were identified.



Audit Procedures

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. 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. (Green Book, GAO-14-704G, 10.01, 10.10)

SCOPE

This audit of the North Dakota Parks and Recreation Department is for the biennium ended June 30, 2019.

The North Dakota Parks and Recreation Department has its Bismarck office, located on Century Avenue and 14 state parks, 8 recreational areas, and 7 nature preserves located throughout North Dakota. Each location was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Inquired with appropriate agency personnel.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.

- 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.
- 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 including testing ConnectND budget limits, segregated and appropriate payment and fixed asset approvals, and segregated reconciliation of the daily deposit from the Point of Sale park revenue system.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Used non-statistical sampling, which allowed results to be projected to populations.

STATUTORY CRITERIA

Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

The criteria used to evaluate legislative intent are the laws as published in the North Dakota Century Code and the North Dakota Session Laws. The following areas were identified to be of higher risk of noncompliance:

- Compliance with appropriations, adjustments, and related transfers in accordance with limits and purpose. (2017 North Dakota Session Laws Chapter 18 (H.B. 1019), N.D.C.C. 54-16-03, N.D.C.C. 54-44.1-11, 2019 North Dakota Session Laws Chapter 44 (S.B. 2019, Section 9 – emergency measure)
- Blanket bond coverage maintained in accordance with state law and state guidelines. (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10)
- Proper use of funds (State Constitution article 10 section 12, N.D.C.C. 44-08-05.1, N.D.C.C. 54-44.1-09, N.D.C.C. 54-44.1-10)
- Goods, services, and public improvements procured in accordance with state law. (N.D.C.C. Chapter 54-44.4, N.D.C.C. Chapter 48-01.2, N.D.A.C. Article 4-12)
- Annual inventory of fixed assets completed in accordance with state law (N.D.C.C. 44-04-07)

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota Parks and Recreation Department 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 standards used to evaluate internal control are 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 North Dakota Parks and Recreation Department 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. The North Dakota Department of Parks and Recreation was in compliance with significant statutes, laws, rules and regulations under which it was created and is functioning.

3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?

Yes. We did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

4. WERE THERE ANY INDICATIONS OF LACK OF EFFICIENCY IN FINANCIAL OPERATIONS AND MANAGEMENT OF THE AGENCY?

No. There were no indications of lack of efficiency in financial operations and management of the agency significant within the context of our audit objectives.

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 Parks and Recreation Department'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, Human Resource Management System (HRMS) and Point of Sale Information System are high-risk information technology systems critical to the North Dakota Parks and Recreation Department.

Financial Statements

Statement of Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2019	JUNE 30, 2018
Park Permits and User Fees	\$ 4,046,267	\$ 3,945,274
Revenue from Federal Government	1,847,037	1,728,397
Mineral Lease Royalties	1,298,741	1,240,608
Concession Sales	936,810	942,579
Donations	202,039	120,904
Intergovernmental Revenue	80,910	63,242
Lease and Rent of Buildings and Land	77,465	78,082
Insurance Recoveries	87,998	9,406
Miscellaneous Revenue	118,574	106,993
Transfers In	134,940	443,596
Total Revenue and Other Sources	\$ 8,830,781	\$ 8,679,081

Source: ConnectND Financials

Continued on following page

Financial Statements

Statement of Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2019	JUNE 30, 2018
Salaries and Benefits	\$ 7,346,090	\$ 7,355,503
Building Repairs and Land Improvements	2,271,177	1,160,199
Equipment	1,316,344	163,884
Grants	1,222,138	701,133
Professional Services	1,063,802	1,021,348
Buildings, Grounds and Vehicle Supplies	758,020	517,878
Utilities	630,815	627,222
IT Data Processing, Equipment, Communications, Software	521,750	397,221
Other Supplies	506,067	424,466
Travel	388,724	382,254
Food and Clothing	299,752	251,860
Operating Fees and Services	279,968	266,958
Building Construction and Purchase	192,006	843,095
Rentals and Leases - Buildings, Land, Equipment	166,384	118,123
Insurance	146,666	133,953
Miscellaneous Expenditures	149,926	165,942
Transfers Out	-	655,600
Total Expenditures and Other Uses	\$ 17,259,629	\$ 15,186,639

Source: ConnectND Financials

Statement of Appropriations

For the Biennium Ended June 30, 2019

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Construction Carryover	\$ 3,724,531	\$ 2,669,752	\$ 1,054,779
Administration	3,668,728	2,849,521	819,207
Parks Operations and Maintenance	20,801,321	18,092,555	2,708,766
Recreation	7,190,879	4,506,741	2,684,138
Peace Garden	2,015,271	936,443	1,078,828
Lewis and Clark Interpretive Center	1,604,505	1,436,268	168,237
Totals	\$ 39,005,235	\$ 30,491,280	\$ 8,513,955

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
General	\$ 20,012,892	\$ 17,029,576	\$ 2,983,316
Other	18,992,343	13,461,704	5,530,639
Totals	\$ 39,005,235	\$ 30,491,280	\$ 8,513,955

Source: ConnectND Financials



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

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

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

 NDSAO@nd.gov

 701-328-2241

 Facebook.com/NDStateAuditor

 Linkedin.com/company/NDStateAuditor