



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

State Historical Society

Audit Report for the Two-Year Period Ended June 30, 2020

Client Code 701





WHAT WE LOOKED AT AND WHY

North Dakota state law requires our team to identify any errors, internal control weaknesses, or potential violation of law in significant or high-risk functions of the agency.

WHAT WE FOUND

This audit did not identify any areas of concern.

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KEY PERSONNEL

Dustin Walcker
AUDIT MANAGER

Kevin Scherbenske
CPA, LEAD AUDITOR

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HAVE QUESTIONS? ASK US.

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Introduction

State Historical Society

April 23, 2021

We are pleased to submit this audit of the State Historical Society for the two-year period ended June 30, 2020. 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.

Dustin Walcker 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 the State Historical Society 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: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

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

ConnectND: The accounting system for North Dakota.

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

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 conclusions 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

OBJECTIVE

Are there any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency?

CONCLUSION

No areas of concern were identified.

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documents and electronic data records. We planned our audit work to assess the design, implementation, and effectiveness of those internal controls that were significant to our audit objective. Specifically, our work related to internal control included the following components and underlying principles based on guidance issued by the U.S. Government Accountability Office.

COMPONENT: CONTROL ACTIVITIES

Principal: Management should design control activities to achieve objectives and respond to risks.

Principal: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

The specific internal control testing completed for this audit objective is identified below:

- Segregated preparation and approval of expenditures is tested statewide in the State of North Dakota Annual Financial Report.
- Reviewed results of initial appropriation input and adjustment authorization.

- Reviewed the coding used for tracking for appropriation adjustments.
- Reviewed if purchase cards expenditures are approved by a designated supervisor.
- Reviewed if receipts are being reconciled to the individual purchase card statements.
- Reviewed if individual Purchasing Card statements are reconciled to Peoplesoft.
- Reviewed individuals responsible for purchases had the appropriate level of training required.
- Reviewed annual inventory sample and agency approval of the inventory.
- Reviewed expenditures from the donation account.

There were no deficiencies identified.

SCOPE

This audit of the State Historical Society is for the two-year period ended June 30, 2020.

The State Historical Society has its Bismarck office on the Capitol complex and seven historic sites that collect revenue. The following sites were included in the scope of this audit:

- Central Office – Heritage Center
- Chateau DeMores
- Fort Abercrombie
- Fort Buford/Missouri-Yellowstone Confluence Interpretive Center
- Fort Totten
- Pembina State Museum
- Ronald Regan Minuteman Missile Site
- Welk Homestead State Historic Site

Locations were selected based on the level of activities (Central Office has the bulk of activities).

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population.
- Interviewed appropriate agency personnel.
- Observed the State Historical Society's processes and procedures.
- Inspected documentary evidence.
- Analyzed financial data in ConnectND to determine areas of risk.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10).
- Tested compliance with appropriation laws and regulations. (2017 North Dakota Session Laws Chapter 17 (H.B. 1018), 2019 North Dakota Session Laws Chapter 43 (S.B. 2018), 2019 North Dakota Session Laws Chapter 49 (S.B. 2024), N.D.C.C. 54-10-01.1, N.D.C.C. 54-16-03, N.D.C.C. 54-44.1-09, N.D.C.C. 54-44.1-11).
- Selected a judgmental sample of expenditures to ensure expenditures were within legal restrictions (State Constitution article 10 section 12, N.D.C.C. 44-08, N.D.C.C. 54-44.1-09, N.D.C.C. 54-44.1-10).
- Selected a judgmental sample of items purchased through state issued credit cards (PCard) to ensure compliance with law (State Constitution article 10 section 12, N.D.C.C. 44-08, N.D.C.C. 54-44.1-09, N.D.C.C. 54-44.1-10).

- Selected a judgmental sample of purchases subject to procurement rules to ensure compliance with law (N.D.C.C. 54-44.4, N.D.C.C. Chapter 48-01.2).

- Reviewed contingent appropriation of funds authorized to assist relocation of pioneer village from the North Dakota state fairgrounds to another location in Ward County of \$150,000. (2019 North Dakota Session Laws Chapter 50 (S.B. 2146)).

- Reviewed procedures surrounding the safeguarding of the collection inventory. (N.D.C.C. 55-01-04).

- Selected a judgmental sample of donations made to the State Historical Society to ensure the donations were used for the purpose specified by the donor. (N.D.C.C. 55-01-04).

AUTHORITY AND STANDARDS

This biennial audit of the State Historical Society 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).



Responses to LAFRC Audit Questions

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

Revenues, Expenditures and Appropriations information was not prepared by the State Historical Society 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. 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.

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 State Historical Society's revenues, expenditures and appropriation information 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 that were significant to the audit objective.

Finances

Revenues and Expenditures

REVENUES AND OTHER SOURCES		JUNE 30, 2020	JUNE 30, 2019
Federal		\$ 1,111,637	\$ 869,073
Restitution		-	650,000
Concession Sales		431,540	612,487
Donations		323,417	86,817
Admission		117,207	162,371
Leases, Rents, and Royalties		50,191	89,014
Interest/Insurance Recoveries		36,639	30,557
Miscellaneous		48,518	64,441
Transfers from State Disaster Relief Fund		-	268,741
Other Transfers In		865,776	7,690
Total Revenue and Other Sources		\$ 2,984,925	\$ 2,841,191

Source: ConnectND Financials

Continued on following page

Finances

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2020	JUNE 30, 2019
Salaries and Benefits	\$ 7,068,789	\$ 6,898,918
Repairs	926,588	757,777
Bond Payments	588,452	694,961
Supplies - Building / Office	483,099	540,462
IT Equipment / Data Processing / Communications	357,376	319,272
Grants	302,133	148,220
Utilities	139,650	145,741
Operating Fees	116,968	799,015
Equipment	106,454	233,379
Professional Fees and Services	94,312	222,810
Travel	83,854	106,405
Miscellaneous	163,525	287,604
Transfers Out	854,002	-
Total Expenditures and Other Uses	\$ 11,285,202	\$ 11,154,564

Source: ConnectND Financials

Statement of Appropriations

For the Year Ended June 30, 2020

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Salaries and Wages	\$ 14,295,816	\$ 6,639,050	\$ 7,656,766
Operating Expenses	3,941,585	1,087,444	2,854,141
Capital Assets	2,385,542	923,801	1,461,741
Appropriation Carryover	659,035	471,589	187,446
Grants	750,000	289,290	460,710
Cultural Heritage Grants	500,000	12,093	487,907
Exhibits	372,000	26,649	345,351
CARES Act Funding - 2020	20,000	-	20,000
Totals	\$ 22,923,978	\$ 9,449,916	\$ 13,474,062
Expenditures by Source			
General	\$ 19,624,726	\$ 8,761,100	\$ 10,863,626
Other	3,299,252	688,816	2,610,436
Totals	\$ 22,923,978	\$ 9,449,916	\$ 13,474,062

Source: ConnectND Financials

Continued on following page

Statement of Appropriations

For the Biennium Ended June 30, 2019

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Salaries and Wages	\$ 13,595,892	\$ 13,148,246	\$ 447,646
Operating Expenses	3,885,894	2,613,397	1,272,497
Capital Assets	1,747,653	1,690,949	56,704
Appropriation Carryover	848,136	848,135	1
Double Ditch Historic Site	2,757,943	2,086,919	671,024
Grants	600,000	213,913	386,087
Litigation Costs	265,000	259,594	5,406
Totals	\$ 23,700,518	\$ 20,861,153	\$ 2,839,365
Expenditures by Source			
General	\$ 17,786,780	\$ 17,122,338	\$ 664,442
Other	5,913,738	3,738,815	2,174,923
Totals	\$ 23,700,518	\$ 20,861,153	\$ 2,839,365

Source: ConnectND Financials



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