



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

*State Auditor Joshua C. Gallion*

## North Dakota State Seed Department

For the Two-Year Period Ended June 30, 2020

*Client Code 616*





## 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 high-risk or significant functions of the agency.

## WHAT WE FOUND

This audit did not identify any areas of concern.

# TABLE OF CONTENTS

## INTRODUCTION

Terms Used in Report . . . . . 3

## AUDIT RESULTS

Internal Control . . . . . 4

Scope . . . . . 4

Methodology . . . . . 5

Authority and Standards . . . . . 5

## LAFRC COMMUNICATIONS

Responses to LAFRC Audit Questions . . . . . 6

LAFRC Audit Communications . . . . . 7

## FINANCIALS

Revenues and Expenditures . . . . . 8

# KEY PERSONNEL

Robyn Hoffmann  
CPA, AUDIT MANAGER

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M. ACC, LEAD AUDITOR

Cory Wigdahl  
CFE, SENIOR AUDITOR

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# HAVE QUESTIONS? ASK US.

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# Introduction

## North Dakota State Seed Department

May 10, 2021

We are pleased to submit this audit of the North Dakota State Seed Department 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.

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 the State Seed Department 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

**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:** Set of activities that are layered in normal operating procedures of an organization with the intent of safeguarding assets, minimizing errors, and making sure operations are being followed.

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

**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

## 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 implement control activities through policies.

### COMPONENT: MONITORING ACTIVITIES

**Principal:** Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

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

- Bank deposits were prepared timely and agreed to the daily receipt report.
- Receipts were reconciled to the daily deposit by someone independent of preparation.
- The monthly checks to sweep funds from the Wells Fargo clearing account into the Bank of North Dakota account were properly approved.
- Expenditures had proper segregated approvals.
- Hourly employee wage rates were properly authorized.
- Hourly timecards were approved by the employee's immediate supervisor.
- Write-offs of accounts receivable were properly approved.
- One Time Payment entries were properly approved.
- Payroll was reviewed and certified by an appropriate individual.

There were no deficiencies identified.

## SCOPE

This audit of the North Dakota State Seed Department is for the two-year period ended June 30, 2020. The North Dakota State Seed Department has operations in the following locations. Each location was included in the audit scope:

- Central office in Fargo, ND
- Branch office in Grafton, ND

## METHODOLOGY

To meet this objective, we:

- Interviewed appropriate State Seed Department personnel.
- Observed the State Seed Department's processes and procedures.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Used non-statistical sampling and the results were projected to the population.
- Obtained data from the State Seed Administration Software (SSAS) system, a significant software system utilized by the North Dakota State Seed Department.
- Inspected documentary evidence.
- Performed an analysis and selected a sample of high-risk transactions, including expenditures, cash receipts, accounts receivable, and payroll for further testing.
- 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).
- Selected a random sample of receipts from the State Seed Administration Software system to ensure that fees charged for services are in accordance with approved rates (N.D.C.C. 4.1-52-10(7), N.D.C.C. 4.1-52-09).
- Selected a random sample of vouchers to ensure that expenditures were made for lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a judgmental sample of monthly payroll reports to ensure payroll is properly certified (N.D.C.C. 54-44.3-16).
- Selected a random sample of receipts from the State Seed Administration Software and a random sample of fiscal

year-end customer accounts receivable balances to ensure the proper use of the State Treasurer (N.D.C.C. 54-06-08).

- Reviewed fiscal year-end annual inventories of fixed assets to ensure they are completed and maintained in accordance with law (N.D.C.C. 44-04-07).
- Reviewed disposals to ensure the proper use of state surplus property, unless otherwise exempt (N.D.C.C. 54-44-04.6).
- Reviewed capital expenditure accounts to ensure all assets having a value of \$5,000 or more are included in the financial statements (N.D.C.C. 54-27-21).

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 audit of the North Dakota State Seed 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).



# Responses to LAFRC Audit Questions

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

Revenues and Expenditures information was not prepared by the North Dakota State Seed 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.

## **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 North Dakota State Seed Department's revenues and expenditures information does not include any significant accounting estimates.

## **9. IDENTIFY ANY SIGNIFICANT AUDIT ADJUSTMENTS.**

An audit adjustment was made to reclassify revenue related the Potato Cyst Nematode Survey from Federal Grant Revenue to Intergovernmental Services Revenue and Regulatory and Inspection Fees Revenue for \$65,562 in fiscal year 2020 and \$95,549 in fiscal year 2019.

## **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 Capital Management (HCM) and State Seed Administration Software (SSAS) are high-risk information technology systems critical to the North Dakota State Seed Department. No exceptions were noted

# Financials

## Revenues and Expenditures

REVENUES AND OTHER SOURCES		JUNE 30, 2020	JUNE 30, 2019
Regulatory and Inspection Fees		\$ 3,297,490	\$ 3,161,539
Fees for Services		125,539	82,795
Transfers In		110,000	110,000
Intergovernmental Services		64,920	85,080
License, Permits, and Fees		47,003	7,404
Interest Income		30,333	16,488
Rental Income		5,720	5,720
Fines		1,500	11,000
Miscellaneous General Revenue		1,115	3,185
<b>Total Revenue and Other Sources</b>		<b>\$ 3,683,620</b>	<b>\$ 3,483,211</b>

Source: ConnectND Financials

Continued on the following page

# Financials

## Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2020	JUNE 30, 2019
Salaries and Benefits	\$ 2,431,880	\$ 2,348,825
Professional Fees and Services	122,501	176,102
Travel	108,100	137,034
Utilities & Insurance	92,804	91,246
IT Contractual Services and Repairs	85,387	36,304
Grants, Benefits and Claims	70,000	70,000
Operating Fees and Services	68,439	78,510
Supply/Material - Professional	54,392	42,360
Postage	32,033	29,085
Professional Development	28,107	30,803
Extra Repairs/Deferred Maintenance	27,928	-
Lab Supplies	25,865	37,313
Repairs	25,351	27,739
IT Communications & Data Processing	18,440	16,815
Printing	14,446	11,739
Office Supplies	11,530	15,495
Equipment & IT Equipment Over \$5,000	9,390	-
Rentals/Leases-Equipment & Other	3,321	2,952
Bldg, Grounds, Vehicle Supply	2,023	1,374
Supplies - IT Software	1,961	4,391
Miscellaneous Supplies	1,730	2,427
Equipment & IT Equipment Under \$5,000	1,340	13,265
<b>Total Expenditures and Other Uses</b>	<b>\$ 3,236,968</b>	<b>\$ 3,173,779</b>

Source: ConnectND Financials



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