



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 4

Authority and Standards 5

LAFRC COMMUNICATIONS

Responses to LAFRC Audit Questions 6

LAFRC Audit Communications 7

FINANCIALS

Revenues and Expenditures 8

Appropriations 9

KEY PERSONNEL

Lindsey Slappy
AUDIT MANAGER

Breck Hendrickson
CPA, LEAD AUDITOR

Kevin Scherbenske
CPA, SENIOR AUDITOR

Josh Hulm
AUDITOR



Leslie Reisenauer
AUDITOR

Brandon Steckler
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

Aeronautics Commission

December 20, 2021

We are pleased to submit this audit of the Aeronautics Commission for the biennium ended June 30, 2021. 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 the responsiveness and effectiveness of state government.

Lindsey Slappy was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2336. We wish to express our appreciation to the Aeronautics Commission 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.

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 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

Our audit did not identify any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency.

INTERNAL CONTROL

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. 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.

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.
- Cardholders supervisor's approval on purchase card statements.

- Purchase cards were not shared among employees.
- Appropriate level of employee procurement training.
- Supporting documentation attached to the reimbursement requests for grants.

There were no deficiencies identified.

SCOPE

The Aeronautics Commission's sole location is its Bismarck office which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population where appropriate.
- Interviewed appropriate agency personnel.
- Documented the Aeronautics Commission's processes and procedures.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Analyzed expenditures to determine the Aeronautics Commission did not expend more than appropriated. (N.D.C.C. 54-16-03).
 - 2019 Session Laws House Bill 1006, Section 1.
- Analyzed accounts charged to each appropriation class to determine that expenditures were not charged to an inappropriate class to circumvent appropriation spending.

authority. (N.D.C.C. 54-16-03).

- Reviewed non-appropriated fund activity to ensure the Aeronautics Commission had legislative approval for non-appropriated expenditures. (N.D.C.C. 54-44.1-09).
- Analyzed expenditures for compliance with the documented intent of appropriation adjustments, including reviewing documented approval from the Carryover Committee.
- Selected a high-risk and random sample of expenditures to ensure goods and services were properly procured by individuals with the proper levels of procurement training. (N.D.C.C. Chapter 54-44.4-05, N.D.C.C. 48-01.2, NDAC Article 4-12, and OMB State Procurement Manual guidelines).
- Selected a high-risk and random sample of purchase card expenditures to ensure receipts support individual purchase card charges, the purchase was reasonable and related to the function of the agency, and that the coding was adequate for financial reporting purposes. Ensured that purchase card expenditures were made by the appropriate cardholders and that the cardholder's supervisor approved card statements.
- Selected a high-risk and random sample of grant expenditures for all funds besides those tested separately to ensure cost distribution appeared consistent with the nature of the expenditure, proper coding was used, supporting documentation was attached to reimbursement requests, and that the invoice matched the vendor and amount paid. (N.D.C.C. 48-08-05.1 Article X, Section 12, N.D.C.C. 54-44.1-09).
- Selected a high-risk and random sample of grant expenditures from the Airport Infrastructure Fund to ensure cost distribution appeared consistent with the nature of the expenditure, proper coding was used, supporting documentation was attached to reimbursement requests, that the invoice matched the vendor and amount paid, and that the grant was awarded in accordance with N.D.C.C.. (N.D.C.C. 2-05-23).

- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. Evaluated 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 (1)).

AUTHORITY AND STANDARDS

This biennial audit of the Aeronautics Commission 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 appropriation information was not prepared by the Aeronautics Commission 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 Aeronautics Commission's revenues, expenditures and appropriation information does 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 Capital Management (HCM) are high-risk information technology systems critical to the Aeronautics Commission.

Financials

Revenues and Expenditures

| REVENUES AND OTHER SOURCES | JUNE 30, 2020 | JUNE 30, 2019 |
|--|---------------------|----------------------|
| Aircraft Excise Tax | \$ 3,400,451 | \$ 2,892,556 |
| Aircraft Licenses and Registrations | 193,181 | 197,957 |
| Federal Revenue | 149,863 | 18,850 |
| Miscellaneous Revenue | 8,740 | 57,596 |
| Transfers In | - | 20,000,000 |
| Total Revenue and Other Sources | \$ 3,752,234 | \$ 23,166,959 |

| EXPENDITURES AND OTHER USES | JUNE 30, 2020 | JUNE 30, 2019 |
|---|---------------------|---------------------|
| Grants to Airports | \$ 5,185,835 | \$ 3,474,323 |
| Salaries and Benefits | 521,384 | 651,337 |
| Repairs | 57,203 | 60,920 |
| Rental of Rooms, Buildings, and Equipment | 49,454 | 49,525 |
| IT Data Processing and Equipment | 46,865 | 39,093 |
| Operating Fees and Services | 36,018 | 40,595 |
| Professional Development | 11,717 | 15,183 |
| Insurance | 8,833 | 7,940 |
| Building, Grounds and Vehicle Supply | 6,786 | 18,351 |
| Postage | 5,808 | 5,867 |
| Printing | 5,175 | 3,850 |
| Consulting and Engineering Services | 2,850 | 8,067 |
| Travel | 234 | 25,059 |
| Total Expenditures and Other Uses | \$ 5,938,161 | \$ 4,400,111 |

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

| EXPENDITURES BY LINE ITEM | ORIGINAL APPROPRIATION | ADJUSTMENTS | FINAL APPROPRIATION | EXPENDITURES | UNEXPENDED APPROPRIATION |
|---------------------------|------------------------|---------------------|----------------------|----------------------|--------------------------|
| Salaries and Wages | \$ 1,526,328 | - | \$ 1,526,328 | \$ 1,278,911 | \$ 247,417 |
| Operating Expenses | 2,004,754 | - | 2,004,754 | 616,547 | 1,388,207 |
| Construction Carryover | - | 2,362,337 | 2,362,337 | 537,398 | 1,824,939 |
| Grants | 45,800,000 | - | 45,800,000 | 8,404,383 | 37,395,617 |
| Totals | \$ 49,331,082 | \$ 2,362,337 | \$ 51,693,419 | \$ 10,837,239 | \$ 40,856,180 |

| EXPENDITURES BY SOURCE | ORIGINAL APPROPRIATION | ADJUSTMENTS | FINAL APPROPRIATION | EXPENDITURES | UNEXPENDED APPROPRIATION |
|------------------------|------------------------|---------------------|----------------------|----------------------|--------------------------|
| General | \$ 500,000 | - | \$ 500,000 | \$ 500,000 | \$ 0 |
| Other | 48,831,082 | 2,362,337 | 51,193,419 | 10,337,239 | 40,856,180 |
| Totals | \$ 49,331,082 | \$ 2,362,337 | \$ 51,693,419 | \$ 10,837,239 | \$ 40,856,180 |

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