



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Department of Environmental Quality

Audit Report for the Biennium Ended June 30, 2021

Client Code 303





WHAT WE LOOKED AT AND WHY

North Dakota state law (N.D.C.C. 54-10-01) requires that our team perform an audit once every two years. This includes a review of financial transactions and determining that expenditures are correct. Our audits report any errors, internal control weaknesses or potential violations of law identified in significant or high-risk functions of the agency.

We also checked if the Department was properly permitting and monitoring special waste landfills and animal feeding operations to mitigate negative effects on the environment.

WHAT WE FOUND

Opportunity for Improved Policies



Opportunities for improvement were identified in several different inspection control and policy areas.

Read more on page 5

Lengthy Application Review



Oilfield landfill operators are waiting over 120 days for their permit to be approved.

Read more on page 7

Inadequate Permit Length Policy



The state may be missing out on revenue and facilities may be receiving inequitable treatment.

Read more on page 8

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HAVE QUESTIONS? ASK US.

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Introduction

Department of Environmental Quality

November 29, 2021

We are pleased to submit this audit of the Department of Environmental Quality (DEQ) 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 responsiveness and effectiveness of state government.

Lindsey Slappy was the audit manager on this engagement. 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 DEQ 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.

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

North Dakota Administrative Code (N.D.A.C.): The 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 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

Special Waste Landfills

OBJECTIVE

Is the Department of Environmental Quality (DEQ) properly permitting and monitoring special waste landfills to mitigate negative effects on the surrounding environment?

CONCLUSION

Our team found three areas of concern. These were:

- Opportunities for improvement for several inspection control and policy areas.
- Permit applications are not being reviewed within 120 days, as required by N.D.A.C.
- The program is missing policies and procedures to determine how long permits are granted.

BACKGROUND

Solid Waste Program

The Department of Environmental Quality manages different programs. One of those programs is the Solid Waste Program. This program oversees solid waste facilities across the State of North Dakota for both individual homes and businesses. The Solid Waste Program provides options for disposing of waste products.

This program is important to mitigate environmental and health impacts to communities across North Dakota.

Oilfield Landfills

We selected the oilfield landfills because of the type of waste received at these facilities. The quantity of waste is significant given the oil activity in the state, the type of

waste these oilfield landfills hold tend to be solid material that is brought up when drilling oil wells. This material includes sludge, mud, and dirt that may have contaminates in it.

Oilfield landfills are currently the most frequently inspected type of facility, as DEQ policy dictates they are inspected monthly by DEQ staff or contractors. After facilities are inspected, a report is issued notifying the facility operator of any compliance issues noted during the inspection. After receiving the report, the facility must communicate a corrective action plan and fix the issue or risk further enforcement action, including possible monetary fines.

Opportunity for Improved Inspection Control and Policies

CONCLUSION

Opportunities for improvement were identified by our team in several different inspection control and policy areas. The program objective of the DEQ as communicated to the legislature was to have 90% compliance with applicable state and federal waste management regulations. Our team found that the procedures presently in place are not helping the DEQ meet their objective. Policies and procedures are not being reviewed to ensure they are still relevant. This results in the potential for facility operators to be operating out of compliance and DEQ not properly allocating staff resources.

BACKGROUND

Lack of Communication for Inspection Results

Problems identified by DEQ staff in waste facility inspections were not being communicated to waste facility staff. The DEQ Solid Waste Program conducts monthly inspections of all waste facilities. In 95 out of 231 inspections, the Solid Waste Program sent an inspector to conduct a new inspection prior to the communication of the previous months inspection results. Because of the lack of communication, each waste facility would not have an opportunity to address noncompliance issues prior to the new inspection.

Issues Identified Not Addressed

Inspectors mark items for review as “unknown” if they are uncertain or unable to determine compliance at the time of inspection. The DEQ is not following up on issues marked as unknown, and they are unaware if a facility is in compliance at the time of inspection. Our team found this issue in five out of 24, or 21% of reports we reviewed.

Not Tracking Noncompliance Issues

Three of the inspection reports we reviewed identified

instances of noncompliance. Two of these reports were not carried forward to the database for tracking and follow up.

Hiring a Third-Party Contractor and Using Employees for Identical Review

The DEQ's Solid Waste Program contracted with a third party to complete inspections of one facility on a monthly basis. In addition to the third-party contractor, the DEQ also sent out their own inspectors to perform the same work in 16 of the 24 months during our audit period.



Three inspection reports identified issues with noncompliance. Because of a **lack of communication**, facilities would not have an opportunity to address these issues.

State Law (N.D.C.C. Section 23.1-08-03 subsection 10) outlines that it is the duty of the DEQ to, “Prepare, issue, modify, revoke, and enforce orders, after investigation, inspection, notice, and hearing, prohibiting violation of this chapter or of any rules issued under this chapter, and requiring remedial measures for solid waste management as may be necessary or appropriate under this chapter.”

Standards for Internal Control in the Federal Government requires management to externally communicate the necessary quality information to achieve the entity's objectives. (15.01).

Standards for Internal Control in the Federal Government also requires management to periodically review policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives and addressing related risk. (12.05).

RECOMMENDATION

We recommend the Department of Environmental Quality evaluate policies and procedures to ensure they contribute to meeting the overall program objective. This includes modifying or implementing policies and procedures to ensure proper communication of inspection results, inspections verifying all required information, proper tracking and follow up of noncompliance, and assignment of inspection duties among staff.

DEPARTMENT OF ENVIRONMENTAL QUALITY

RESPONSE

The DEQ agrees to implement this recommendation. The DEQ has an informal long-term policy to notify facility representatives verbally of items of non-compliance and follow up with a written inspection report. This informal policy is now memorialized in a field inspection operating procedure which requires facility notification within 48 hours of the inspection and a written report identifying all items of non-compliance sent within 30 days. Additionally, the DEQ has updated the standard inspection form and removed the “unknown” option. The DEQ will review third party contracts to avoid duplication of effort. Database report tracking procedures will be implemented.

Lengthy Application Review

CONCLUSION

Oilfield landfill operators are having to wait longer than the 120 days allowed by state law for their permit to be approved before constructing new facilities or expanding already opened facilities. This can cause the solid waste needs in the state to go unmet. The products that would be dumped at oilfield landfills include elements brought up during the drilling process, including drill cuttings, drilling mud, and dirt.

BACKGROUND

The Department of Environmental Quality is not issuing permits within 120 days of receiving applications for special waste oilfield landfills as required by N.D.A.C. 33.1-20-03.1-04. During our audit period, three permits for special waste oilfield facilities were approved for renewal and all were approved after a review period lasting between 419 and 1,585 days. It was also noted that four other facilities that have previously submitted applications are still awaiting a decision from the Department with at least 120 days passing since their application was submitted. N.D.A.C. does allow DEQ to extend the permit review period for an additional 120 days if necessary due to significant changes to the facility, however all reviews and open applications have lasted at least a total of 240 days.

N.D.A.C. 33.1-20-03.1-04 states: “Upon receipt of a permit application, the department has one hundred twenty days to review and approve or disapprove the application and notify the applicant of the decision. The department may extend the period an additional one hundred twenty days if the applicant submits a significant change that in the department’s judgment requires additional time to review.”

RECOMMENDATION

We recommend the Department of Environmental Quality develop procedures to review and approve all permits for special oilfield landfills within 120 days as required by N.D.A.C. 33.1-20-03.1-04.

DEPARTMENT OF ENVIRONMENTAL QUALITY

RESPONSE

The DEQ agrees to implement this finding. A complete permit application is a complex document made up of many interrelated components requiring input from several governmental, non-governmental and public entities. For example, permits may require county zoning approval and may also receive third-party review which may be provided after the initial application has been submitted to the state for review. The DEQ will implement a policy and tracking system to monitor the 120-day period to ensure timely review, follow up, and approval decision of applications.



Operators have to **wait to implement** modifications at facilities. This may cause solid waste needs to go **unmet**.

Inadequate Permit Length Policy

CONCLUSION

There are no set permit lengths established. The program determines the permit length on an individual basis based on the level or risk with the facility. The risk factors used and the risk level assigned to the facility are not documented. This could result in inequitable treatment of facilities or missed revenue opportunities for the state by not requiring permit renewals as frequently.

BACKGROUND

Upon review and approval of solid waste facility applications, the Solid Waste Program issues a permit with an active length determined by the program staff. Program staff indicated that the length is determined based on an assessment of risk including various factors. However, the risk assessment requirements are not documented in policy. There is also no documentation to support individual permit lengths assigned. Based on this, our team was unable to determine whether the assessment of risk is being applied consistently.



The state may be missing out on **revenue** and facilities may be receiving **inequitable** treatment.

State law (N.D.C.C. 22.3-08-03 subsection 9) says that the department shall “Establish procedures for permits governing the design, construction, operation, and closure of solid waste management facilities and systems.” Per GAO Greenbook Standards, management should document in policies the internal control responsibilities of the organization. (Principle 12- Implement Control Activities, paragraph 12.02).

RECOMMENDATION

We recommend that the Solid Waste Program develop a policy that defines risk assessment procedures to use in determining the active length of approved permits.

DEPARTMENT OF ENVIRONMENTAL QUALITY

RESPONSE

The DEQ agrees to implement this recommendation. DEQ will create a decision matrix for selecting a permit length based on fixed criteria which will be added to the standard operating procedures for facility permitting. During the permit review process, the public will have an opportunity to review and comment on the permit length justification.



Audit Results

Animal Feeding Operations

OBJECTIVE

Is the Department of Environmental Quality properly permitting and monitoring animal feeding to mitigate negative effects on the surrounding environment?

management if any compliance issues are found during the inspection. Upon receipt of the report, the facility must communicate a corrective action plan and fix the issue. If they do not correct the issue noted, fines are issued.

CONCLUSION

The North Dakota Pollutant Discharge Elimination System Program is properly permitting, and monitoring Animal Feeding Operations as required by the N.D.A.C. and the North Dakota Pollutant Discharge Elimination System Program policies and procedures.

BACKGROUND

The North Dakota Pollutant Discharge Elimination System (NDPDES) program is a part of the Division of Water Quality of the DEQ and is responsible for the monitoring and control of pollution from Animal Feeding Operations. Water quality is essential to public health, the natural environment, and economic development in North Dakota.

When animals are raised for harvesting, there are several mitigation efforts that must be in place for animal waste product. These efforts include drains, and various methods to keep any animal waste products out of waterways, which is important to keep animal waste away from water where it has the potential to spread E. Coli. If this bacteria gets into bodies of water, it could end up in drinking water for communities.

The Animal Feeding Operations facilities are inspected on a regular basis as required by the program and the Environmental Protection Agency. After the facility is inspected by a staff of the DEQ, a report notifies the facility



Audit Results

▼ PRIMARY OBJECTIVE

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

CONCLUSION

No areas of concern were identified. This is the first biennium in existence for the Department of Environmental Quality as a stand-alone entity, as it was split from the Department of Health in 2019.



Audit Procedures

Special Waste Landfill Objective

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentations 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 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.

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

- Inspection checklists being used by DEQ staff included all significant portions of N.D.A.C.
- Facility inspections were rotated and performed by a variety of staff.
- Issues of noncompliance noted during inspections was forwarded to the enforcement tracking database.
- Permit application forms contained references to correct and significant portions of North Dakota Administrative Code (N.D.A.C.).
- Permits were being approved by the Solid Waste Manager and by the Director of Waste Management.
- Permit drafts were available for public review and comment before being approved.
- Staff reviewed and signed off on the DEQ ethics policy.

The deficiencies were identified in: Finding 2021-01, Finding 2021-02, and Finding 2021-03.

SCOPE

The Solid Waste Program has its Bismarck office location and four regional offices. Only the main Bismarck office was included in the scope of this audit.

This location was selected based on the bulk of activities and inspections for relevant facilities being based out of this office.

The scope of this audit objective included all permits renewed, all inspections performed at special waste oilfield landfills, and any staff who performed inspections for them during our audit period. Inspections and their results as well as enforcement actions taken against facilities are stored in Microsoft Access Databases. Employee records were also used to determine that staff performing inspections had signed an ethics policy.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the Department's processes and procedures.
- Selected a random sample of staff members to ensure they understood and acknowledged the DEQ ethics policy.
- Permit and Inspection checklists were compared to relevant N.D.A.C. and N.D.C.C. to ensure they included verifications of significant requirements in law.
- Tested permit applications submitted and approved during our audit period to ensure compliance with required information and fee submissions per N.D.A.C. 33.1-20-03.1-02, N.D.A.C. 33.1-20-15, and N.D.A.C. 33.1-20-15-01.

- Selected a random sample of inspections performed to ensure inspections were properly completed and inspections results were communicated in accordance with department policy.
- Analyzed data of inspections performed to ensure proper facility coverage and rotation of staff per department policy.
- Selected a random sample of enforcement actions to ensure facilities were completing corrective action plans to address any issues of apparent non-compliance.

Animal Feeding Operations Objective

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentations 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 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.

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

- Permit Application forms contained reference to correct and significant portions of N.D.A.C.
- Permits were being approved by inspections who are involved in the Animal Feeding Operations.
- Inspection checklist being used by DEQ staff included all significant portions of N.D.A.C.
- Issues of noncompliance noted during inspection were forwarded to the enforcement tracking database.

There were no deficiencies identified.

SCOPE

The North Dakota Pollutant Discharge Elimination System Program has its sole location in Bismarck. The scope of this audit includes Animal Feeding Operations permit applications, Animal Feeding Operations permits, inspection documentation and documentation of enforcement actions.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.

- Observed the Department's processes and procedures.
- Compared permits and inspection checklist to relevant N.D.A.C. and N.D.C.C. to ensure that they included verifications to significant requirements in law.
- Selected a random sample of inspections performed to ensure inspections were properly completed and inspection results were communicated in accordance with department policy. Also, tested to ensure any issues identified during inspections were carried over to the enforcement database for tracking.
- Selected a random sample of permit applications submitted and approved during our audit period to ensure compliance with information required per N.D.A.C. chapter 33.1-16-03.1-07.
- Selected a random sample of enforcement responses to ensure that the responses were being sent out in the allowed time frames set in department policy.
- Selected a random sample of complaints to ensure that complaints are being properly followed up on per department policy.

Primary Objective

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.

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 Comprehensive Financial Report.
- Original appropriations and appropriation adjustment authorizations were tested in the audit of the State of North Dakota Annual Comprehensive Financial Report.
- Confirmed no changes were made to the ConnectND edit checks that limit budget overspending.
- Ensured employees had proper procurement officer certification training for the types of procurements conducted and tasks performed.
- Reviewed the annual equipment inventory procedures for items over \$5,000.

There were no deficiencies identified.

SCOPE

The DEQ has operations in the following locations. Each location was included in the audit scope:

- The Bismarck office.

- Chemistry lab in Bismarck.
- Environmental Training Center in Bismarck.
- Field Offices in Fargo, Gwinner, Sawyer, and Towner.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the Department's processes and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Analyzed and tested expenditures to determine the Department of Environmental Quality did not expend more than appropriated. (N.D.C.C. 54-16-03).
 - 2019 Session Laws House Bill 1024 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 Department of Environmental Quality had legislative approval for non-appropriated expenditures. (N.D.C.C. 54-44.1-09).
- Tested compliance with the documented intent of appropriation laws funding restrictions, including one-time funding items.
 - Determined \$1,040,000 of appropriation funding was spent on air pollution program equipment. (2019 Session Laws House Bill 1024 section 2).
 - \$250,000 appropriation from the Environment and Rangeland Protection fund and \$50,000 grant to the North

Dakota stockmen's association (2019 Session Laws House Bill 1024 section 3).

- o \$882,249 appropriation from the State Fire and Tornado fund (2019 Session Laws House Bill 1024 section 4).

- o \$297,217 appropriation from the Petroleum Release Compensation fund (2019 Session Laws House Bill 1024 section 5).

- Tested compliance with boiler inspection fee increases. (N.D.A.C. – Title 33.1 Article 14).

- Tested compliance with radioactive material license fee increases. (N.D.A.C. – Title 33.1 Article 10).

- Selected a sample of applicable expenditures to ensure goods and services were properly procured. (N.D.C.C. 54-44.4, N.D.A.C. Title 4-12, and OMB State Procurement Manual guidelines).

- Selected a random sample of expenditures to test payments were properly coded and supported.

- Analyzed expenditures paid out of significant legislatively restricted funds to ensure expenditures were within legal restrictions.

- o State Fire and Tornado Fund (2019 Session Laws House Bill 1024 section 4 authorized funding to the Department of Environmental Quality for the Boiler Inspection Program).

- o Petroleum Release Compensation Fund (N.D.C.C. 23.1-12).

- 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(1)).

- Reviewed annual equipment inventory (N.D.C.C. 44-04-07).

AUTHORITY AND STANDARDS

This biennial audit of the Department of Environmental Quality 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 Department of Environmental Quality 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?

Other than the findings of this report, the Department of Environmental Quality 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?

Other than the findings of this report, 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?

There were not any indications of a lack of efficiency in financial operations and management of the Department of Environmental Quality, although in our operational work addressing "Inspection Controls and Policies" (page 5), we did note an opportunity for improvement.

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 Department of Environmental Quality'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 that were significant to the audit objectives.

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Revenue from Federal Government	\$ 10,244,095	\$ 8,716,608
Permits and Fees	4,794,966	4,501,065
Fines	4,244,144	2,762,746
Miscellaneous Program Revenue	798,722	575,355
Water / Lab Analysis Fees	521,879	569,192
Inspection Fees	369,848	375,166
Transfers In	1,961,954	3,743,232
Total Revenues and Other Sources	\$ 22,935,608	\$ 21,243,364

Source: ConnectND Financials

Continued on following page

Financials

Revenues and Expenditures

EXPENDITURES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Benefits	\$ 14,297,170	\$ 13,693,394
Grants	5,005,539	3,161,531
Professional Fees – Consulting / Legal	1,744,957	884,097
IT – Equipment / Data Processing	1,023,367	763,961
Equipment	930,949	229,053
Rent	592,856	592,674
Travel	395,625	420,288
Repairs	319,537	413,652
Lab Supplies	315,463	272,178
Dues / Training	147,046	94,352
Utilities	140,055	128,989
Bond Payments	108,395	108,413
Miscellaneous – Supplies / Postage / Printing	462,768	391,723
Transfers Out	975,205	371,353
Total Expenditures and Other Uses	\$ 26,458,932	\$ 21,525,658

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Salaries and Wages	\$ 30,774,798	\$ 27,970,885	\$ 2,803,913
Operating Expenses	10,564,898	8,584,146	1,980,752
Capital Assets	2,263,429	1,884,413	379,016
Grants	16,056,529	8,237,315	7,819,214
Totals	\$ 59,659,654	\$ 46,676,759	\$ 12,982,895

EXPENDITURES BY SOURCE	ORIGINAL APPROPRIATION	ADJUSTMENTS	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
General	\$ 12,480,922	-	\$ 12,480,922	\$ 11,863,682	\$ 617,240
Other	46,978,574	200,158	47,178,732	34,813,076	12,365,655
Totals	\$ 59,459,496	\$ 200,158	\$ 59,659,654	\$ 46,676,759	\$ 12,982,895

Source: ConnectND Financials



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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