



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Office of the Governor

For the Biennium Ended June 30, 2021

Client Code 101

Photo credit: North Dakota Department of Transportation





WHAT WE LOOKED AT AND WHY

North Dakota state law 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.

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

Allison Bader
MBA, AUDIT MANAGER

Lindsey Schneider
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 - ndsao.link/ebs
- Linkedin - ndsao.link/wsw
- YouTube - ndsao.link/f2d

Introduction

Office of the Governor

February 8, 2022

We are pleased to submit this audit of the Office of the Governor 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.

Allison Bader was the audit manager for this engagement. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-1073. We wish to express our appreciation to the Office of the Governor 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 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

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 Financial Report.
- Inspected random sample of purchase card expenditures and related receipts to ensure expenditures were reviewed and approved by the Chief Administrative Officer.

There were no deficiencies identified.

SCOPE

This audit of the Office of the Governor is for the biennium ended June 30, 2021.

The Office of the Governor's sole location is its Bismarck office which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the Office of the Governor's processes and procedures.
- Inspected documentary evidence.
- 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 where appropriate.
- Analyzed and tested expenditures to determine the Office of the Governor did not expend more than appropriated. (N.D.C.C. 54-16-03).
 - o 2019 Session Laws Senate Bill 2001 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).
- Tested compliance with the documented intent of appropriation adjustments, including specific Session Laws with related emergency measure sections authorized by the Emergency Commission. (N.D.C.C. 54-16-03).
 - o 2019 Session Laws Senate Bill 2001 Section 3.
- Tested compliance that internship fund and donation funds were used according to the documented intent.
 - o 2019 Session Laws Senate Bill 2001 Section 3.
 - o 2019 Session Laws Senate Bill 2015 Section 8.

- 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)).

- Selected random sample of Boards and Commissions Project expenditures to ensure the proper use of \$139,808 of one-time funding. (2019 North Dakota Session Laws Senate Bill 2001 Section 2).

- Ensured the Theodore Roosevelt Presidential Library Foundation provided the Office of the Governor with a certification of donation of \$100 million in cash donations and binding pledged donations for the construction of a presidential library and museum in North Dakota.

- o Ensured written agreement was in place between Theodore Roosevelt Presidential Library Foundation and the State of North Dakota through the Office of the Governor that included the following:

- Funds will be used for operating and maintaining the presidential library.
 - Any unused funds will be returned to the State general fund.
 - \$10 million of the donation will be donated to a higher education institution foundation in North Dakota for the purpose of creating an endowment to digitize documents relating to Theodore Roosevelt and creation of a Theodore Roosevelt conservation scholars program.
 - \$300,000 of the donation will be donated to a city in North Dakota for prior costs incurred related to planning for a presidential library.

- o Verified the Office of the Governor reported to the Budget Section the certification of donation to the Theodore Roosevelt Presidential Library Foundation.

- o Verified the Office of the Governor reported to the Budget Section within 30 days of applying for loan authorization for loan related to donation. (2019 North Dakota Session Laws Senate Bill 2001 Section 5).

- Verified Office of the Governor obtained a \$35 million loan from the Bank of North Dakota and that the funds

were deposited into the Theodore Roosevelt Presidential Library and Endowment Fund. (2019 North Dakota Session Laws Senate Bill 2001 Section 8).

- Selected a random sample of purchase card expenditures to ensure receipts support individual purchase card charges and the purchase was reasonable related to the function of the agency.

- Selected a sample of high-risk and random operating expenditures to test accurate recording of payments in the state's accounting system related to appropriation class, funds, and accounts, and reasonableness of purchase. (N.D.C.C. 54-44.1-09, N.D.C.C. 44-08-05).

AUTHORITY AND STANDARDS

This biennial audit of the Office of the Governor 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 Office of the Governor 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 Office of the Governor'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 significant to the audit objective.

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Donations	\$ 143,000	\$ 159,162
Transfers In	-	18,083
Total Revenue and Other Sources	\$ 143,000	\$ 177,245

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Benefits	\$ 2,181,152	\$ 2,034,892
Information Technology Services	151,705	88,906
Office Equipment and Furniture	31,176	5,437
Professional Fees and Services	27,421	6,161
Professional Development	21,971	41,962
Supplies	13,947	6,700
Information Technology Equipment	12,220	-
Printing and Postage	11,746	5,189
Room Rental	9,192	475
Travel	5,341	21,470
Operating Fees and Services	4,972	2,583
Miscellaneous Expenses	2,302	1,724
Total Expenditures and Other Uses	\$ 2,473,145	\$ 2,215,499

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Salaries and Wages	\$ 3,979,862	\$ 3,931,933	\$ 47,929
Governor's Salary	274,112	274,112	-
Operating Expenses	556,680	468,752	87,928
Contingency	10,000	10,000	-
Governor's Transition In	15,000	-	15,000
Governor's Transition Out	50,000	-	50,000
Roughrider Awards	10,800	3,847	6,953
Totals	\$ 4,896,454	\$ 4,688,644	\$ 207,810

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Source			
General	\$ 4,502,923	\$ 4,321,617	\$ 181,306
Other	393,531	367,027	26,504
Totals	\$ 4,896,454	\$ 4,688,644	\$ 207,810

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 - nd sao.link/ebs

 YouTube - nd sao.link/f2d

 LinkedIn - nd sao.link/wsw