



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

*State Auditor Joshua C. Gallion*

## Judicial Branch

Audit Report for the Biennium Ended June 30, 2021

*Client Code 180*





### 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.

### WHAT WE FOUND

This audit did not identify any areas of concern.

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# KEY PERSONNEL

Allison Bader  
MBA, AUDIT MANAGER

Kristi Morlock  
MBA, SENIOR AUDITOR

Creighton Barrett  
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

## Judicial Branch

April 19, 2022

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**W**e are pleased to submit this audit of the Judicial Branch 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. 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 Judicial Branch 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.

**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

## PRIMARY 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.





# Audit Procedures

## INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentation and electronic data records. We planned our audit work to assess the design, implementation, and operating effectiveness of those internal controls that were significant to our audit objectives.

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.
- Selection committee used in the hiring of the architect for the law library remodel was made up of individuals with prior experience for expected competence in each significant area of the project.
- Proper approval of purchase card transactions by the unit administrator.

There were no deficiencies identified.

## SCOPE

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

- The Judicial Branch's Central Office, Supreme Court, and Law Library located in the State Capitol building.
- The Judicial Branch's state-funded county operations: Stutsman, Cass, Ramsey, Walsh, Stark, Ward, Burleigh, Morton, Grand Forks, Richland, Williams, McKenzie, Barnes, and Rolette.

## METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and projected results to the population where appropriate.
- Interviewed appropriate agency personnel.
- Observed the Judicial Branch's processes and procedures.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Performed detailed analytical procedures. These procedures were used to identify high-risk transactions and potential errors for additional testing.
- 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).
- Analyzed and randomly tested expenditures to determine the Judicial Branch did not expend more than appropriated. (N.D.C.C. 54-16-03, 2019 Session Laws House Bill 1002 section 1).
- Tested compliance with the documented intent of appropriation adjustments (N.D.C.C. 54-16-03).
- Analyzed expenditures and determined that \$47,000 of \$82,500 of general funds was used for copy machines. (2019 Session Laws House Bill 1002 section 2).
- Analyzed expenditures and determined that the \$64,852 of general funds was used for audio and visual equipment. (2019 Session Laws House Bill 1002 section 2).
- Verified the Judicial Branch received a transfer of \$970,000 from the capitol building fund. Analyzed expenditures and determined that these funds were used for remodeling the supreme court law library space. Verified that after the remodel 2 study rooms were in the judicial wing to be used by attorneys. (2019 Session Laws House Bill 1002 sections 2 and 3).

- Reviewed procurement procedures surrounding the selection of the architect for the supreme court law library remodel. (N.D.C.C. 54-44.7-03).
- Reviewed public improvement contractor awarding procedures relating to advertisement and lowest bid selection for the supreme court law library remodel project. (N.D.C.C. 48-01.2-04, 05, and 07).
- Analyzed payroll expenditures and agreed to state law the annual salary amounts of supreme court justices through June 30, 2020 was \$159,409 and \$163,394 after that. Also agreed to state law that the chief justice received an additional \$4,508 per annum through June 30, 2020 and \$4,621 per annum after that. (2019 Session Laws House Bill 1002 section 4 and N.D.C.C. 27-02-02).
- Analyzed payroll expenditures and agreed to state law the annual salary of district judges through June 30, 2020 was \$146,269 and \$149,926 after that. Also agreed to state law that the presiding judges in districts received an additional \$4,156 per annum through June 30, 2020 and \$4,620 per annum after that. (2019 Session Laws House Bill 1002 section 14 and N.D.C.C. 27-05-03).
- Analyzed and tested random and high-risk expenditure corrections to determine that corrections were not made to an inappropriate class to circumvent appropriation spending authority. (N.D.C.C. 54-16-03).
- 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. (2019 Session Laws House Bill 1002 Section 1).
- Inspected grant payments from the court facilities improvement fund were made to counties. Selected a sample of grant applications and determined that the Court Facilities Improvement Advisory Committee approved applications and the purpose of the grant was consistent with the fund and the applicant agreed to provide local funding for at least 25% of the total cost of the project. Finally, verified that 25% of the funds granted during the biennium were allocated to counties

with a population of less than 7,500 by comparing county population information to census data. (N.D.C.C. 27-05.2-10).

- Analyzed and tested a random sample of expenditures to ensure goods and services were properly procured. (according to Judicial Procurement Policy).
- Reviewed non-appropriated fund activity to ensure that the Judicial Branch had legislative approval for non-appropriated expenditures. (N.D.C.C. 54-44.1-09).
  - o Restitution Collection Fund authorized by N.D.C.C. 12.1-32-08.
  - o Court Facilities Improvement Fund authorized by N.D.C.C. 27-05.2-08 and N.D.C.C. 29-26-22.
  - o Judges Retirement Fund authorized by N.D.C.C. 27-17-05.

## **AUTHORITY AND STANDARDS**

This biennial audit of the Judicial Branch 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).





# LAFRC Audit Report Questions

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

Revenues, expenditures and appropriation information was not prepared by the Judicial Branch 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 Judicial Branch'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       |
|--|--|---------------------|---------------------|
| Collection of Court Fees               |  | \$ 617,528          | \$ 384,796          |
| Intergovernmental Revenue              |  | 544,694             | 745,395             |
| Disciplinary Fees                      |  | 189,535             | 242,166             |
| Court Filing Fess                      |  | 24,728              | 31,223              |
| Interest Income                        |  | 1,195               | 663                 |
| Conference Registration Fees           |  | -                   | 2,475               |
| Miscellaneous Revenue                  |  | 70,372              | 65,990              |
| Transfers In                           |  | 1,282,212           | -                   |
| <b>Total Revenue and Other Sources</b> |  | <b>\$ 2,730,264</b> | <b>\$ 1,472,708</b> |

Source: ConnectND Financials

Continued on the following page

# Financials

## Revenues and Expenditures

| EXPENDITURES AND OTHER USES              |  | JUNE 30, 2021        | JUNE 30, 2020        |
|--|--|----------------------|----------------------|
| Salaries and Benefits                    |  | \$ 41,960,259        | \$ 41,047,724        |
| Operating Fees and Services              |  | 5,080,220            | 4,711,415            |
| Equipment                                |  | 2,706,283            | 152,600              |
| IT Software                              |  | 2,266,059            | 565,818              |
| IT Services                              |  | 1,916,859            | 1,497,873            |
| Professional Fees and Services           |  | 945,742              | 820,067              |
| Repairs                                  |  | 938,328              | 105,328              |
| Professional Materials                   |  | 509,910              | 524,534              |
| Supplies                                 |  | 389,340              | 184,498              |
| Travel                                   |  | 347,868              | 551,920              |
| Professional Development                 |  | 268,746              | 235,207              |
| Grants                                   |  | 140,559              | 350,026              |
| Rentals/Leases of Buidlings/Equipment    |  | 106,067              | 234,376              |
| <b>Total Expenditures and Other Uses</b> |  | <b>\$ 57,576,240</b> | <b>\$ 50,981,386</b> |

Source: ConnectND Financials

# Appropriations

For the Biennium Ended June 30, 2021

| EXPENDITURES BY<br>LINE ITEM | FINAL APPROPRIATION | EXPENDITURES  | UNEXPENDED<br>APPROPRIATION |
|------------------------------|---------------------|---------------|-----------------------------|
| <b>Supreme Court</b>         |                     |               |                             |
| Salaries and Wages           | \$ 11,340,261       | \$ 10,563,576 | \$ 776,685                  |
| Operating Expenses           | 2,740,607           | 2,405,420     | 335,187                     |
| Capital Assets               | 977,500             | 866,589       | 110,911                     |
| Guardianship Program         | 283,042             | 264,990       | 18,052                      |

| EXPENDITURES BY<br>LINE ITEM | FINAL APPROPRIATION | EXPENDITURES | UNEXPENDED<br>APPROPRIATION |
|------------------------------|---------------------|--------------|-----------------------------|
| <b>District Court</b>        |                     |              |                             |
| Salaries and Wages           | 71,744,333          | 71,030,009   | 714,324                     |
| Operating Expenses           | 20,790,663          | 19,797,694   | 992,969                     |
| Capital Assets               | 1,879,852           | 1,772,763    | 107,089                     |
| DC - Judges Retirement       | 280,332             | 198,989      | 81,343                      |

| EXPENDITURES BY<br>LINE ITEM  | FINAL APPROPRIATION   | EXPENDITURES          | UNEXPENDED<br>APPROPRIATION |
|-------------------------------|-----------------------|-----------------------|-----------------------------|
| <b>Judicial Conduct Board</b> |                       |                       |                             |
| Judicial Conduct Board        | 1,250,962             | 1,122,515             | 128,447                     |
| <b>Totals</b>                 | <b>\$ 111,287,552</b> | <b>\$ 108,022,545</b> | <b>\$ 3,265,007</b>         |

Source: ConnectND Financials

Continued on the following page

# Appropriations

For the Biennium Ended June 30, 2021

| EXPENDITURES BY SOURCE |  | FINAL APPROPRIATION | EXPENDITURES   | TOTAL        |
|------------------------|--|---------------------|----------------|--------------|
| General                |  | \$ 107,503,043      | \$ 105,037,628 | \$ 2,465,415 |
| Other                  |  | 3,784,509           | 2,984,917      | 799,592      |
| Totals                 |  | \$ 111,287,552      | \$ 108,022,545 | \$ 3,265,007 |

Source: ConnectND Financials





Office of the  
State Auditor

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](mailto:NDSAO@nd.gov)

 701-328-2241

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