



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Office of Administrative Hearings

Audit Report for the Biennium Ended June 30, 2021

Client Code 140





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.

TABLE OF CONTENTS

INTRODUCTION

Terms Used in Report. 3

AUDIT RESULTS

Primary Objective. 4

AUDIT PROCEDURES

Internal Control 5

Scope 5

Methodology 5

Authority and Standards. 6

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Responses to LAFRC Audit Questions 7

LAFRC Audit Communications. 8

FINANCIALS

Revenues and Expenditures 9

Appropriations. 10

KEY PERSONNEL

Lindsey Slappy
AUDIT MANAGER

Joshua Hulm
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 Administrative Hearings

March 17, 2022

We are pleased to submit this audit of the Office of Administrative Hearings 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. 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 Director Dawson and his 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.

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.



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.



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 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:

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.
- Receipts are being reconciled to the individual purchase card statements.
- Purchase cards expenditures and the related receipts are reviewed and approved by an appropriate individual.
- Purchase card statements are reconciled to the transaction detail report by a non-card holder.

There were no deficiencies identified.

SCOPE

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

The Office of Administrative Hearings' sole location is the Bismarck office which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Used non-statistical sampling and projected the results to the population when appropriate.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the Office of Administrative Hearings' processes and procedures.
- Inspected documentary evidence.
- 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 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)).
- Selected a random sample of purchase card expenditures to ensure they were properly supported, reviewed, approved, coded, and reconciled. (NDCC 44-08-05.1)
- Selected a random sample of operating expenditures to ensure expenditures were for lawful and official purposes and properly coded and supported (N.D.C.C. 44-08-05.1).
- Selected a random sample of quarterly reports to ensure that the required statistical information was reported (N.D.C.C. 54-57-09).

There were no significant limitation or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

AUTHORITY AND STANDARDS

This biennial audit of the Office of Administrative Hearings 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 Administrative Hearings 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 Administrative Hearings' 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 Office of Administrative Hearings.

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES		JUNE 30, 2021	JUNE 30, 2020
Sales and Services		\$ 1,028,435	\$ 1,275,182
CARES Act Funding		522	-
Total Revenue and Other Sources		\$ 1,028,957	\$ 1,275,182

EXPENDITURES AND OTHER USES		JUNE 30, 2021	JUNE 30, 2020
Salaries and Benefits		\$ 605,231	\$ 615,099
Legal Fees and Services		375,415	536,490
Rent		40,624	41,339
IT Data Processing		34,513	37,081
Miscellaneous Refunds		6,934	-
Equipment		4,653	9,671
Postage and Printing		4,402	6,128
Accounting Fees and Services		3,250	6,137
IT Software		3,117	5,496
Supplies		2,304	2,016
Travel		2,058	11,457
Professional Development		2,108	6,855
Miscellaneous Expenses		2,145	1,259
Total Expenditures and Other Uses		\$ 1,086,754	\$ 1,279,026

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Salaries and Wages	\$ 1,248,330	\$ 1,220,138	\$ 28,192
Operating Expenses	1,582,334	1,145,120	437,214
CARES Act Funding - 2020	522	522	-
Totals	\$ 2,831,186	\$ 2,365,780	\$ 465,406

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Other	\$ 2,831,186	\$ 2,365,780	\$ 465,406
Totals	\$ 2,831,186	\$ 2,365,780	\$ 465,406

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