



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

*State Auditor Joshua C. Gallion*

## North Dakota State Library

*Audit Report for the Biennium Ended June 30, 2021*

*Client Code 250*





## 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 expenses are correct. Our audit reports 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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## HAVE QUESTIONS? ASK US.

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# Introduction

## North Dakota State Library

June 1, 2022

We are pleased to submit this audit of the North Dakota State Library 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 the State Library 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 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

## 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

## Primary Objective

### 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. 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.
- Unique coding of financial transactions was utilized to track specific projects and appropriations.
- Federal Expenditures were reviewed and approved from the Director of Fiscal Services or the State Librarian for compliance with federal requirements.
- Purchases made with a purchase card were reconciled to monthly statements by the purchase card holder and the Director of Administrative Services.
- Purchase card expenditures and their related receipts are reviewed and approved by an appropriate individual.

- All expenditures were approved by the Director of Administrative Services or State Librarian.
- Spreadsheet formulas were utilized to ensure state aid payments to local libraries were made to only eligible libraries.
- Spreadsheet formulas were utilized to calculate state aid payments to local libraries in accordance with N.D.C.C.
- Information received from local libraries to determine eligibility to receive state aid payments were reviewed and certified by the appropriate city or county auditor.

There were no deficiencies identified.

### SCOPE

The State Library'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 Department's processes and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines (N.D.C.C. 26.1-21-08 & 26.1-21-10(1)).
- Analyzed funds added to the appropriation from emergency commission action to identify appropriate authority and they were spent for the intended purpose.
- Expenditures were analyzed to ensure they were coded to an appropriate appropriation line and appropriations were not overspent.

- Analyzed all expenditures made to ensure they were approved by either the Director of Administrative Services or the State Librarian and these approvals were segregated from the person entering the expenditure.
- Selected and tested a judgmental sample of AP expenditures for proper coding, support, and business purpose (N.D.C.C. 44-08-5.1(1a), 44-08-04 (1-7), 54-06-09 (1-6)).
- Selected and tested a random sample of purchase card expenditures for proper coding, support, approvals, reconciliation, and business purpose (N.D.C.C.44-08-5.1).
- Selected and tested a random sample of federal expenditures for proper coding, support, and were made in accordance with any federal requirements (N.D.C.C.54-24-03.1).
- Tested maintenance of effort calculations for state aid eligibility determinations of local libraries to ensure compliance (N.D.C.C. 54-24.2).
- Tested calculations for payments made to local libraries to determine the amount of state aid was compliant with applicable Century Code and Session Laws and payments distributed matched the calculations (N.D.C.C. 54-24.2, 2019 Senate Bill 2013 Section 15).

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).

## **AUTHORITY AND STANDARDS**

This biennial audit of the State Library 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





# 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 State Library 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?**

The State Library has implemented all 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 State Library'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 State Library.

# Financials

## Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Revenue from Federal Government	\$ 1,127,845	\$ 1,122,950
Miscellaneous Revenue	105,773	45,991
<b>Total Revenue and Other Sources</b>	<b>\$ 1,233,618</b>	<b>\$ 1,168,941</b>

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Benefits	\$ 1,934,362	\$ 2,026,248
Grants	1,159,257	1,180,214
Resource Materials	263,987	316,223
Professional Fees and Services	174,613	132,213
IT Data Processing and Communications	119,198	108,362
Postage	51,018	179
Printing, Supplies and Software	29,059	26,667
Miscellaneous Expenditures	34,373	35,433
Rent and Leases	22,047	21,428
Travel	16,892	32,881
Equipment	760	8,050
<b>Total Expenditures and Other Uses</b>	<b>\$ 3,805,565</b>	<b>\$ 3,887,898</b>

Source: ConnectND Financials

# Appropriations

For the Biennium Ended June 30, 2021

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Salaries and Wages	\$ 4,282,146	\$ 3,960,360	\$ 321,786
COVID-19 Salaries & Wages	86,669	-	86,669
Operating Expenses	1,821,917	1,395,351	426,566
COVID-19 Operating	1,580,057	-	1,580,057
Grants	2,471,717	2,337,391	134,326
COVID-19 Grants	500,000	-	500,000
<b>Totals</b>	<b>\$ 10,742,506</b>	<b>\$ 7,693,102</b>	<b>\$ 3,049,404</b>

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPECTED APPROPRIATIONS
General	\$ 5,781,419	\$ 5,323,325	\$ 458,094
Other	4,961,087	2,369,777	2,591,310
<b>Totals</b>	<b>\$ 10,742,506</b>	<b>\$ 7,693,102</b>	<b>\$ 3,049,404</b>

Source: ConnectND Financials



# Status of Prior Recommendations

## Noncompliance with Appropriation Laws (Finding 19-01)

Implemented

**Recommendation:** We recommend the State Library comply with appropriation laws by ensuring costs are charged to the proper appropriation lines.

**Status:** Implemented.

## Noncompliance with Appropriation Laws for Grants to Public Libraries (Finding 19-02)

Implemented

**Recommendation:** We recommend the State Library comply with the appropriation laws related to state aid to public libraries by ensuring accurate distribution.

**Status:** Implemented.

## Improper Distribution of State Aid to Public Libraries (Finding 19-03)

Implemented

**Recommendation:** We recommend the State Library ensure eligibility is properly determined to calculate the state aid distribution.

**Status:** Implemented.

## Lack of City/County Auditor Certified Applications (Finding 19-04)

Implemented

**Recommendation:** We recommend the State Library discontinue the practice of populating portions of the state financial aid applications for public libraries and ensure the applications are certified by the auditors of the city or county operating the library.

**Status:** Implemented.



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