



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Department of Veterans Affairs

For the Two-Year Period Ended June 30, 2022

Client Code 321





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 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

Department of Veterans Affairs

May 22, 2023

We are pleased to submit this audit of North Dakota Department of Veterans Affairs for the two-year period ended June 30, 2022. 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.

Robyn Hoffmann, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7291. We wish to express our appreciation to the Department of Veterans Affairs 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: A 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.

Sessions Laws: Published after each regular and special legislative session and contain the laws enacted during that session.

Subrecipient: A nonfederal entity that receives a subaward from a state agency to carry out part of a federal award.



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.

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

- Expenditures were properly approved.
- Write-offs for Veteran Aid Loans were properly authorized.
- The Commissioner of Veterans Affairs or an authorized representative signed the promissory note.
- The County Veteran Service Officer reviewed and signed the Veterans Aid Loan.

There were no deficiencies identified.

SCOPE

The North Dakota Department of Veterans Affairs has operations in the following locations. Each location was included in the audit scope:

- The central office in Fargo, ND.
- Office space in the Fargo, ND Veterans Affairs Regional Office.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate Department of Veterans Affairs personnel.
- Used non-statistical sampling and the results were projected to the population. When applicable, populations were stratified to ensure that an appropriate sample was obtained.
- Inspected documentary evidence.
- Observed the Department of Veterans Affairs processes, policies, and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Analyzed meeting minutes to ensure emergency commission changes complied with the documented intent of the adjustment. (N.D.C.C. 54-10-01.1, N.D.C.C. 54-16-03).
- Inspected invoices to ensure \$50,000 was spent on service dogs to assist North Dakota veterans with post-traumatic stress disorder. (2021 SB 2025 Section 3).
- Reviewed vouchers, analyzed data, and reviewed testimony to determine that one-time funding was reported to the appropriations committee and spent properly for the following amounts: \$7,500 for grant database enhancements, \$140,000 for temporary loan and grant position, and \$291,500 for Veterans Home Cemetery. (2019 HB 1025 Section 2).
- Selected a random sample of active Veterans Aid Loans to ensure the promissory notes were signed by the applicants, the applications were completed, and the loans were made to eligible veterans and/or surviving spouses. Determined that applicants met criteria adopted by the department. Determined that loan agreements had been executed and did not exceed four years from the date of the loan advance. Determined that proper statutory rates

were being charged and traced to subsequent receipts to confirm the validity and the amounts of the receivables. (N.D.C.C. 37-14-04 thru 10, Department of Veterans Affairs - Department Policies 200-262).

- Reviewed fixed assets to ensure that records for assets greater than \$5,000 are properly maintained. (N.D.C.C. 54-27-21).
- Reviewed leases to ensure a written lease vs. purchase analysis of the decision was performed. (N.D.C.C. 54-27-21.1).
- Reviewed investments to ensure statutory authority for each investment and that permission was obtained for the investment outside of the Bank of North Dakota. (2021 HB 1211, N.D.C.C. 37-14-03, N.D.C.C. 37-14-14).
- Selected a random sample of expenditure vouchers to ensure that expenditures were properly coded, properly supported, charged to the correct fiscal year, and made for lawful and official purposes. (N.D.C.C. 44-08-05.1).
- Selected 100% of Veterans Aid Loan write-offs to determine that non-cash credits or write-offs to loans receivable were appropriate. (N.D.C.C. 37-14-04 thru 10, Department of Veterans Affairs - Department Policy 262).
- Selected a random sample of vouchers to ensure Highly Rural Transportation Grant expenditures were allowable, funds were used for purposes as described in their application, agreements exist between the primary recipient and the subrecipient, and expenditures were properly coded. (2 CFR 200).

AUTHORITY AND STANDARDS

This biennial audit of the Department of Veterans Affairs 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).

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2022	JUNE 30, 2021
Federal Revenue	\$ 695,364	\$ 466,316
Loan Principal and Interest	78,911	84,813
Contributions and Private Grants	39,760	32,795
Investment Earnings	1,199	1,444
Transfers In	4,855	2,860
Total Revenue and Other Sources	\$ 820,089	\$ 588,228

EXPENDITURES AND OTHER USES	JUNE 30, 2022	JUNE 30, 2021
Salaries and Benefits	\$ 718,985	\$ 684,952
Grants, Benefits, and Claims	460,054	588,738
Motor Vehicles	130,034	-
Operating Fees and Services	112,652	556
Rentals/Leases - Building/Land	38,979	35,731
Travel	27,147	16,017
IT - Data Processing	25,818	22,168
Professional Development	6,216	6,743
Rentals/Leases - Equipment and Other	6,145	5,896
Supplies - IT/Software	4,673	16,012

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Financials

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2022	JUNE 30, 2021
Utilities	\$ 4,172	\$ 3,577
IT - Communications	2,896	4,897
Insurance	2,862	1,943
IT - Contractual Services	2,229	14,477
Building, Grounds, Vehicle Supply	2,032	1,977
Repairs	1,225	1,209
Office Supplies	688	4,439
Promotional Supplies	306	2,585
Supply/Material - Professional	299	578
Postage	150	5,662
Professional Fees and Services	116	304
IT Equipment Under \$5,000	-	1,614
Office Equipment and Furniture Under \$5,000	-	4,122
Printing	-	1,123
Total Expenditures and Other Uses	\$ 1,547,678	\$ 1,425,320

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Transport Vans	\$ 18,800	\$ 13,845	\$ 4,955
Grants - Transportation Program	1,200,000	920,564	279,436
Vets Affairs Administration	1,350,489	1,276,643	73,846
Service Dogs	100,000	37,500	62,500
State Approving Agency	285,658	236,267	49,391
Veterans Home Cemetary	291,500	-	291,500
Totals	\$ 3,246,447	\$ 2,484,819	\$ 761,628
Expenditures by Source			
General Funds	1,466,430	1,282,487	183,943
Federal Funds	1,780,017	1,202,332	577,685
Totals	\$ 3,246,447	\$ 2,484,819	\$ 761,628

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Appropriations

For the Year Ended June 30, 2022

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Technology Project Carryover	\$ 3,095	\$ 306	\$ 2,789
Transport Vans	18,800	-	18,800
Grants - Transportation Program	1,220,000	505,951	714,049
Vets Affairs Administration	1,501,950	716,610	785,340
Service Dogs	100,000	12,500	87,500
State Approving Agency	292,024	123,572	168,452
Veterans Home Cemetery	291,500		291,500
American Rescue Plan Act	647,000	4,855	642,145
Totals	\$ 4,074,369	\$ 1,363,795	\$ 2,710,574
Expenditures by Source			
General Funds	1,623,719	677,813	945,906
Federal Funds	2,450,650	685,982	1,764,668
Totals	\$ 4,074,369	\$ 1,363,795	\$ 2,710,574

Source: ConnectND Financials



Status of Prior Recommendations

Noncompliance with the Highly Rural Transportation Grant (Finding 2020-01)

Implemented

Recommendation: We recommend that the North Dakota Department of Veterans Affairs comply with the grant agreement with the U.S. Department of Veterans Affairs and Title 2 of the Code of Federal Regulations part 200 by ensuring the following:

- Administration costs are not charged directly to the grant, but the appropriate and applicable indirect cost rate is utilized.
- Subrecipient agreements are updated to include the required information.
- Unallowable costs are not charged to the grant.

Status: Implemented. The department provided sufficient and appropriate evidence to support all elements of the recommendation.



Office of the
State Auditor


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