



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Department of Public Instruction

Audit Report for the Biennium Ended June 30, 2023

Client Code 201





WHAT WE LOOKED AT AND WHY

North Dakota state law requires that our team perform an audit once every two to four years. This included 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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AUDITOR'S OFFICE**

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Introduction

Department of Public Instruction

December 13, 2023

We are pleased to submit this audit of the Department of Public Instruction for the biennium ended June 30, 2023. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two to four 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 the responsiveness and effectiveness of state government.

Lindsey Slappy, CPA, 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 Department of Public Instruction 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.

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 or high-risk functions of the agency?

CONCLUSION

No errors, internal control weaknesses, or potential violations of law 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 by the appropriate individuals.
- Monitoring procedures are being completed annually on transportation data.
- Procurement procedures were performed by an individual with the proper level of training.
- Travel related expenditure reimbursements were properly approved.

There were no deficiencies identified.

SCOPE

The Department of Public Instruction'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 of Public Instruction's processes and procedures.

- Inspected documentary evidence.
- Analyzed financial data in ConnectND to determine areas of risk.
- Used non-statistical random sampling and the results were projected to the population. Where applicable, populations were stratified for efficiency and to ensure the population was adequately represented in the samples.
- Selected a random sample of operating expenditures to ensure expenditures were reasonable, properly coded, and supported.
- Analyzed expenditures paid out of the Displaced Homemakers Fund (Fund 235) to ensure expenditures were within legal restrictions (N.D.C.C. 14-06.1-14).
- Analyzed accounts charged to each appropriation line to determine that expenditures were not charged to an inappropriate line to circumvent appropriation spending authority (N.D.C.C. 54-16-03, N.D.C.C. 54-44.1-09, N.D.C.C. 54-44.1-11).
- Reviewed non-appropriated fund activity to ensure the Department of Public Instruction had legislative approval for non-appropriated expenditures (N.D.C.C. 54-44.1-09).
- Reviewed expenditures related to all appropriation adjustments, including those approved by the Emergency Commission, to ensure the Department of Public Instruction complied with the documented intent of the adjustment (N.D.C.C. 54-10-01.1, N.D.C.C. 54-16-03).
- Selected a random sample of travel related expenditure reimbursements to ensure reimbursements were within legal restrictions, reasonable, and properly coded and supported (N.D.C.C. 44-08-03, N.D.C.C. 44-08-04, N.D.C.C. 54-06-09).

- Analyzed expenditures and selected a random sample of purchases subject to procurement rules to ensure compliance with law (N.D.C.C. 54-44.4 and N.D.A.C. 4-12).
- Reviewed the annual physical inventory of property of sufficient value and permanence to ensure compliance with law (N.D.C.C. 44-04-07).
- Determined if the school district finance facts report was completed and submitted in accordance with legislative intent (N.D.C.C. 15.1-02-09).
- Determined if new requirements for including instruction on Indian tribes and Native American history in North Dakota classrooms were implemented (2021 Session Laws Senate Bill 2304, Sections 1 and 2).
- Determined if the spending on one-time funding for science experiment grants, regional education association grants, and state-automated reporting system maintenance was used for its intended purpose (2021 Session Laws House Bill 1013, Section 2).
- Determined if \$800,000 that was included in the integrated formula payments appropriation line was distributed to reimburse school districts or special education units for gifted and talented programs (2021 Session Laws House Bill 1013, Section 6).
- Selected a random sample of expenditures charged to the transportation grants appropriation line to determine if they were paid out using the approved rate of reimbursement (2021 Session Laws House Bill 1013, Section 8).
- Determined the salary of the Superintendent of Public Instruction was in accordance with legislative intent (2021 Session Laws House Bill 1013, Section 19).
- Determined the necessary reports on learning loss, accelerated learning, and the secondary school emergency relief fund were presented to legislative management in accordance with legislative intent (2021 Session Laws House Bill 1013, Section 24).
- Determined biennial reports on the academic performance metrics of students participating in virtual instruction presented to legislative management were accurate, reliable, and in accordance with legislative intent (2021 Session Laws House Bill 1388, Section 5).
- Selected a judgmental sample of state school aid payment vouchers to ensure the Foundation Aid Program system is correctly calculating the various payment lines to the school districts in accordance with legislative intent (2021 Session Laws House Bill 1027 and House Bill 1388, Sections 10, 11, and 12).

AUTHORITY AND STANDARDS

This biennial audit of the Department of Public Instruction 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, 2023	JUNE 30, 2022
Revenue from Federal Government	\$ 352,131,555	\$ 340,030,658
Commodity Food Processing	2,156,249	1,088,272
Conference Registration Fees	103,241	45,279
Other Revenue	17,625	311,081
Transfers In	303,365,994	312,655,941
Total Revenue and Other Sources	\$ 657,774,664	\$ 654,131,231

Source: ConnectND Financials

Continued on the following page

Financials

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2023	JUNE 30, 2022
Grants	\$ 1,410,057,235	\$ 1,419,290,089
Professional Fees and Services	14,876,816	13,103,239
Salaries and Benefits	7,993,404	7,741,449
IT Contractual Services and Repairs	2,658,539	933,475
Operating Fees and Services	1,027,296	956,288
Data Processing and Telecommunications	920,962	1,038,260
Professional Development	879,174	291,117
Travel	426,480	259,621
IT Software and Licenses	256,325	189,069
Supplies	198,021	82,874
Rent of Building Space	170,189	170,964
Purchase and Lease of Equipment	117,514	130,480
Printing	100,246	121,249
Other Operating Expenses	38,369	54,106
Transfers Out	18,476,966	4,755,155
Total Expenditures and Other Uses	\$ 1,458,197,536	\$ 1,449,117,435

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2023

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Salaries and Wages	\$ 17,898,550	\$ 14,735,440	\$ 3,163,110
Operating Expenses	34,298,149	28,086,397	6,211,752
Integrated Formula Payments	2,131,325,000	2,068,033,841	63,291,159
Special Education Grants	27,000,000	18,803,871	8,196,129
Disabilities Education Act Grant	8,632,569	5,594,064	3,038,505
Transportation Grants	58,100,000	57,933,279	166,721
Pass-Through Grants	30,537,064	29,116,139	1,420,925
Other Grants	393,821,918	389,122,025	4,699,893
Power School	5,250,000	5,233,000	17,000
Emergency Education Relief - Schools	357,623,898	273,078,732	84,545,166
Emergency Education Relief - State	13,632,961	12,378,602	1,254,359
Assistance to Non-Public Schools	4,151,371	379,788	3,771,583
Homeless Children and Youth Program	1,999,661	847,681	1,151,980
State Automated Reporting System Rewrite	10,419,360	606,505	9,812,855
Governor's Emergency Education Relief Fund	3,989,324	3,035,507	953,817
National Board Certification	176,290	176,290	-
Totals	\$ 3,098,856,115	\$ 2,907,161,161	\$ 191,694,954

Source: ConnectND Financials

Continued on the following page

Appropriations

For the Biennium Ended June 30, 2023

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Source			
General	\$ 1,658,669,393	\$ 1,584,930,351	\$ 73,739,042
Other	1,440,186,722	1,322,230,810	117,955,912
Totals	\$ 3,098,856,115	\$ 2,907,161,161	\$ 191,694,954

Source: ConnectND Financials



Status of Prior Recommendations

Expenditures Not Approved by Emergency Commission (Finding 2021-01)

Implemented

Recommendation: We recommend the Department of Public Instruction develop procedures to track expenditures for Emergency Commission requests to ensure money is spent for the approved purpose or returned at the end of the biennium.

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



Office of the
State Auditor


NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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