

COMMISSION ON LEGAL
COUNSEL FOR INDIGENTS

BISMARCK, NORTH DAKOTA

Audit Report

For the Biennium Ended
June 30, 2017

Office of the State Auditor
Division of State Audit

Report Highlights

Internal Control: We evaluated and tested high risk areas including: payroll, expenditures, and controls related to compliance with legislative intent.

- We did not note any deficiencies that are required to be brought to the attention of those charged with governance.

Legislative Intent: We evaluated and tested high risk areas including: travel-related expenditures, compliance with OMB's Purchasing Procedures Manual, proper authorization of funds, and appropriation laws and adjustments.

- We concluded there was compliance with the legislative intent.

Financial:

- Fiscal year 2017 revenues and other sources include \$389,000 of transfers from the Strategic Investment and Improvements Fund, and \$76,759 of intergovernmental reimbursements from the North Dakota Adjutant General's Office. Neither of these types of transfers were received during fiscal year 2016. The intergovernmental reimbursements were related to expenses incurred from Dakota Access Pipeline activity.

Operations:

- During this audit we did not identify any areas of operational improvement.



Source: North Dakota Commission on Legal Counsel for Indigents

**LEGISLATIVE AUDIT AND FISCAL REVIEW
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
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BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

September 15, 2017

The Honorable Doug Burgum, Governor
Members of the North Dakota Legislative Assembly
Ms. H. Jean Delaney, Executive Director
Commission on Legal Counsel for Indigents

We are pleased to submit this audit of the Commission on Legal Counsel for Indigents for the biennium ended June 30, 2017. 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.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Amanda Westlake. Cindi Pedersen, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-4743. We wish to express our appreciation to Executive Director Delaney and her staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

Executive Summary

Introduction

The North Dakota Commission on Legal Counsel for Indigents is an executive branch agency and consists of the statutorily-created board, comprised of seven persons who are appointed from various entities, to serve staggering terms. The agency is responsible for the delivery of constitutionally-adequate services to criminal defendants and respondents in the state who financially qualify for indigent services in accordance with eligibility requirements. The commission utilizes the eight judicial districts to regulate its programs.

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies. Those items and the Office of the State Auditor's responses are noted below.

Responses to LAFRC Audit Questions

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the Commission on Legal Counsel for Indigents 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.

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 Commission on Legal Counsel for Indigents' financial statements do 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 the Human Resource Management System (HRMS) are high-risk information technology systems critical to the Commission on Legal Counsel for Indigents.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Commission on Legal Counsel for Indigents for the biennium ended June 30, 2017, were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Commission on Legal Counsel for Indigents' operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Commission on Legal Counsel of Indigents and are they in compliance with these laws?
3. Are there areas of the Commission on Legal Counsel for Indigents' operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Commission on Legal Counsel for Indigents is for the biennium ended June 30, 2017. We conducted our 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Commission on Legal Counsel for Indigents has operations in the following locations. Each location was included in the audit scope:

- Central Office in Valley City
- Public Defender Offices in Dickinson, Minot, Williston, Grand Forks, Fargo, Bismarck, and Watford City.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report.
- 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.

- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system. Significant evidence was obtained from ConnectND.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues and Other Sources:		
Court Administration Fees	\$ 635,541	\$ 866,814
Indigent Defense Application Fees	167,290	162,167
Intergovernmental Reimbursement	76,759	
Miscellaneous Revenue	360	
Transfers In	389,000	
Total Revenues and Other Sources	<u>\$1,268,950</u>	<u>\$1,028,981</u>
Expenditures:		
Professional Services	\$4,709,895	\$4,665,550
Salaries and Benefits	3,816,946	3,714,427
Lease of Building Space	241,792	285,934
Travel	183,953	241,354
Information Technology	175,116	263,318
Operating Expenses	59,924	56,485
Supplies	58,660	64,258
Postage	20,608	19,580
Professional Development	13,877	24,315
Printing	7,846	10,961
Equipment	5,492	7,181
Insurance	1,542	10,625
Miscellaneous Expenses	6,413	25
Total Expenditures	<u>\$9,302,064</u>	<u>\$9,364,013</u>

Statement of Appropriations

For the Biennium Ended June 30, 2017

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Legal Counsel for Indigents	\$ 19,212,098	\$ 1,232,410	\$ 20,444,508	\$ 18,666,077	\$ 1,778,431
Totals	<u>\$ 19,212,098</u>	<u>\$ 1,232,410</u>	<u>\$ 20,444,508</u>	<u>\$ 18,666,077</u>	<u>\$ 1,778,431</u>
Expenditures by Source:					
General Fund	\$ 17,105,184	\$ 16,410	\$ 17,121,594	\$ 17,059,494	\$ 62,100
Other Funds	2,106,914	1,216,000	3,322,914	1,606,583	1,716,331
Totals	<u>\$ 19,212,098</u>	<u>\$ 1,232,410</u>	<u>\$ 20,444,508</u>	<u>\$ 18,666,077</u>	<u>\$ 1,778,431</u>

Internal Control

In our audit for the biennium ended June 30, 2017, we identified the following areas of the Commission on Legal Counsel for Indigents' internal control as being the highest risk:

Internal Controls Subjected to Testing:

- Controls surrounding the processing of expenditures.
- Controls surrounding the processing of payroll.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.

The criteria used to evaluate internal control is 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). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded internal control was adequate.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect: (1) misstatements in financial or performance information; (2) violations of laws and regulations; or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any significant deficiencies in internal control.

Compliance with Legislative Intent

In our audit for the biennium ended June 30, 2017, we identified and tested the Commission on Legal Counsel for Indigents' compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- Compliance with appropriations (2015 North Dakota Session Laws chapter 22).
- Compliance with OMB's Purchasing Procedures Manual.
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Proper authorization for the Commission's funds.
- Compliance with payroll-related laws including certification of payroll.
- Compliance with fixed asset record-keeping requirements.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards require auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that has occurred or is likely to have occurred.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

Operations

This audit did not identify areas of the Commission on Legal Counsel for Indigents' operations where we determined it was practical at this time to help to improve efficiency or effectiveness.

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of State Audit

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