



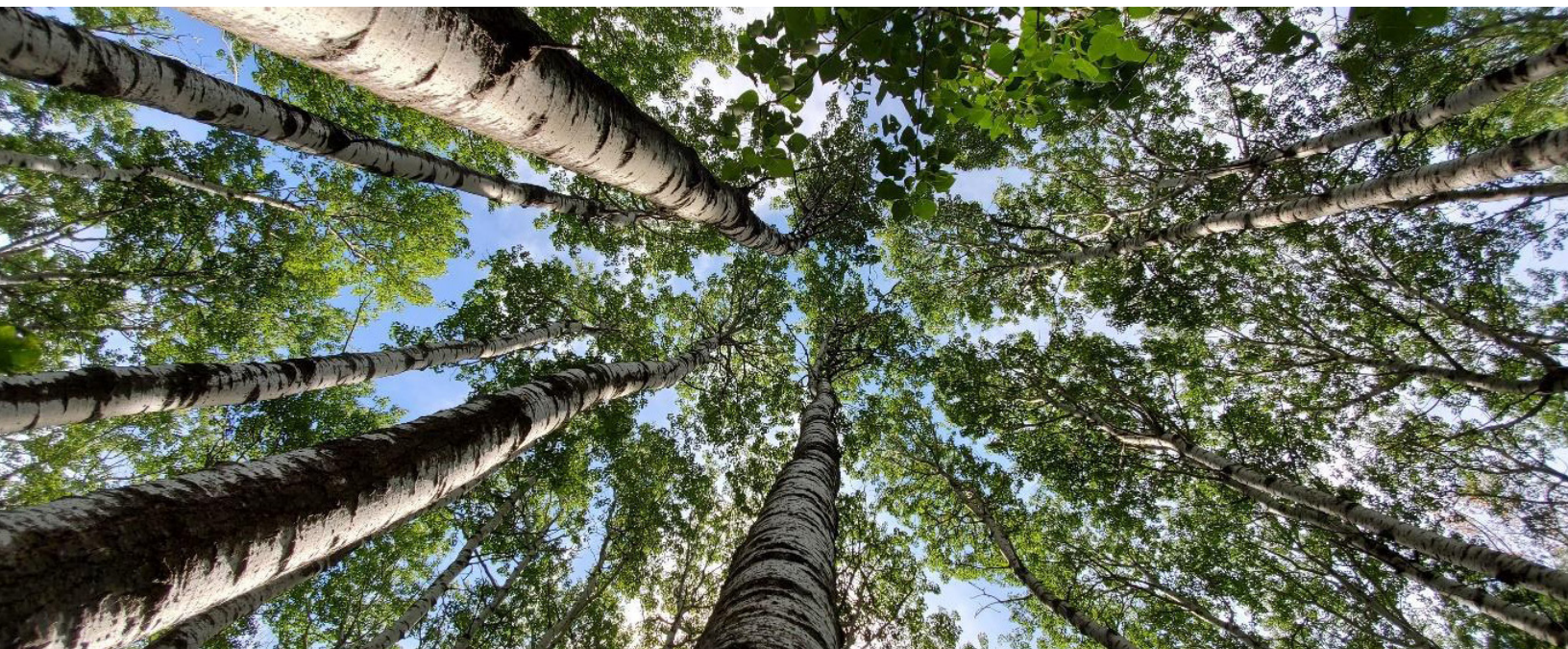
NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Forest Service

Audit Report for the Biennium Ended June 30, 2021

Client Code 244





WHAT WE LOOKED AT AND WHY

North Dakota state law (54-10-01) 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 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.

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KEY PERSONNEL

Robyn Hoffmann
CPA, AUDIT MANAGER

Grant Hermanson
M.ACC, LEAD AUDITOR

Alex Mehring
CPA, SENIOR 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](https://www.facebook.com/ndsao.link/ebs)
- 🌐 LinkedIn - [ndsao.link/wsw](https://www.linkedin.com/company/ndsao.link/wsw)
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Introduction

North Dakota Forest Service

February 18, 2022

We are pleased to submit this audit of the North Dakota Forest Service 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.

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 North Dakota Forest Service 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.

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.

INTERNAL CONTROL

As required by auditing standards, we planned our audit work to assess the 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 Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

- Verified that expenses were properly approved.
- Verified that journal entries were prepared by an appropriate individual relying on adequate support.
- Verified that journal entries were properly approved.
- Verified that travel expenses were properly approved.
- Verified that necessary support was uploaded when required for travel expenses and that the proper field was completed in PeopleSoft with an adequate reason for missing support.

- Verified that purchase card statements were reconciled to receipts.
- Verified that purchase card reconciliations were approved.

There were no deficiencies identified.

SCOPE

This audit of the North Dakota Forest Service is for the biennium ended June 30, 2021.

The North Dakota Forest Service has operations in the following locations. Each location was included in the audit scope:

- State Headquarters – Bottineau
- State Nursery – Towner
- North Dakota State University Campus - Fargo
- Field Offices:
 - Bottineau
 - Bismarck
 - Carrington
 - Lisbon
 - Walhalla

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population. When applicable, populations were stratified to ensure an appropriate sample was obtained.
- Interviewed appropriate North Dakota Forest Service personnel.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.

- Reviewed North Dakota Forest Service policies and procedures.
- Selected a random sample of vouchers to ensure that expenses were properly coded, charged to the proper fiscal year, and made for lawful and official purpose. (N.D.C.C. 44-08-05.1).
- Selected a random sample of journal entries to ensure supporting documentation was valid and the entries were properly coded.
- Selected a judgmental sample of purchases subject to procurement rules to ensure compliance with State Board of Higher Education policies, North Dakota University System procedures, and procurement laws. (N.D.C.C. 54-44.4, N.D.C.C. 44-08-01).
- Selected a random sample of travel vouchers to ensure that travel expenses were properly coded, proper support was provided, and claims for reimbursement were not in excess of what is allowed by law. (N.D.C.C. 44-08-03, N.D.C.C. 44-08-04, N.D.C.C. 54-06-09).
- Selected a random sample of purchase card transactions to ensure that purchase card expenses were properly coded, charged to the proper fiscal year, and made for lawful and official purpose. (N.D.C.C. 44-08-05.1).
- Selected a random sample of sales and service revenues to ensure revenues were properly coded, and the proper amount was charged.
- Ensured the proper amounts and uses of carryover funds were reported to the subsequent appropriations committee (2019 House Bill 1003, Chapter 3, Section 18).

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 criteria used to evaluate internal control is published in the Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control – Integrated Framework.

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota Forest Service has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.



Responses to LAFRC Audit Questions

1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?

Revenues, expenses and appropriation information was not prepared by North Dakota Forest Service in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the North Dakota University System's annual financial report 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 most significant accounting estimates for the North Dakota Forest Service include the useful lives of capital assets, net pension liability and other post-employment benefits liability. Estimated useful lives are used to compute depreciation on capital assets and are based on industry standards and experience. The net pension liability and other post-employment benefits liability is based on the actuary's calculation based on plan provisions and census date for plan participants. We evaluated the key factors and assumptions used to develop the estimated useful lives, net pension liability and other post-employment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

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, Human Capital Management (HCM) and Campus Solutions are high-risk information technology systems critical to the North Dakota Forest Service. No exceptions were identified in the six audit report questions.

Financials

Revenues and Expenses

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Federal Grants and Contracts	\$ 1,698,861	\$ 1,710,047
State and Local Grants and Contracts	259,891	249,097
Nongovernmental Grants and Contracts	1,846	3,002
Sales and Services of Educational Departments	1,508,448	782,477
State Appropriations	2,478,976	2,157,031
Gifts	47,965	34,213
Endowment and Investment Income	4,619	5,998
State Appropriations - Capital Assets	84,383	34,345
Total Revenue and Other Sources	\$ 6,084,989	\$ 4,976,210

EXPENSES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Wages	\$ 3,184,333	\$ 2,761,939
Operating Expenses	1,962,427	1,840,423
Data Processing	23,968	26,766
Depreciation	215,102	190,733
Loss on Capital Assets	20,416	76,371
Total Expenses and Other Uses	\$ 5,406,246	\$ 4,896,232

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Operating Expenses	\$ 15,223,336	\$ 10,090,590	\$ 5,132,746
Capital Assets	118,728	118,728	-
Biennium Carryover	456,130	456,130	-
Totals	\$ 15,798,194	\$ 10,665,448	\$ 5,132,746

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General	\$ 5,132,794	\$ 4,754,735	\$ 378,059
Special	10,665,400	5,910,713	4,754,687
Totals	\$ 15,798,194	\$ 10,665,448	\$ 5,132,746

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

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