



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute

Audit Report for the Biennium Ended June 30, 2021

Client Code 630





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 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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HAVE QUESTIONS? ASK US.

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Introduction

▀ **North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute**

March 30, 2022

We are pleased to submit this audit of the North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute 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 Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute 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: Sum of money or total of assets devoted to a special purpose.

Agricultural Research Fund: A special fund in the state treasury that is appropriated to the State Board of Agricultural Research and Education for purposes of agricultural research.

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 conclusion 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.

State Board of Agricultural Research and Education (SBARE): Board is responsible for budgeting and policymaking associated with the North Dakota Agricultural Experiment Station and the North Dakota State University Extension Services.



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

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentations 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:

- Verified expenses were properly approved.
- Verified a reconciliation between the purchase card statement and receipts was performed.
- Verified the purchase card reconciliation was properly approved.

There were no deficiencies identified.

SCOPE

The North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute has operations in the following locations. Each location was included in the audit scope:

North Dakota Agricultural Experiment Station:

- Main Research Center – North Dakota State University Campus - Fargo
- Agronomy Seed Farm – Casselton
- Carrington Research Extension Center - Carrington
- Central Grasslands Research Extension Center - Streeter
- Dickinson Research Extension Center - Dickinson
- Hettinger Research Extension Center - Hettinger

- Langdon Research Extension Center - Langdon
- North Central Research Extension Center - Minot
- Williston Research Extension Center - Williston

North Dakota State University Extension Services:

- Extension Service offices:
 - In all 53 North Dakota counties
 - North Dakota State University Campus – Fargo

Northern Crops Institute:

- North Dakota State University Campus - Fargo

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 that an appropriate sample was obtained.
- Interviewed appropriate agency personnel.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.
- Reviewed the North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute's policies and procedures.
- Tested compliance with appropriate laws and regulations (2019 House Bill 1020, Chapter 3, Sections 5 and 6; 2019 House Bill 1020 Chapter 20, Sections 2, and 4; 2017 Senate Bill 2020, Chapter 45, Section 3).

- Selected a random sample of vouchers to ensure that expenses were properly coded and made for lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a random sample of purchase card transactions to ensure that purchase card expenses were properly coded and made for lawful and official purposes (N.D.C.C. 44-08-05.1).
- Selected a judgmental sample of goods, services, and public improvements to ensure compliance with procurement laws and procedures (N.D.C.C. 48-01.2, N.D.C.C. 54-44.4, N.D.C.C. 54-44.7).
- Tested a random sample of sales, services, and gift revenues to ensure transactions were properly coded and agreed to the published applicable fee rate.
- Selected a stratified sample of private grant and contract awards to ensure expenses were made in line with the specific purpose of the grant or contract (N.D.C.C. 15-10-12).
- Reviewed the Agricultural Research Fund to verify expenses were in accordance with state law (N.D.C.C. 15-12.1-19 part 1).

The standards used to evaluate internal control were 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 Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute 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.



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 the North Dakota Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute 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 Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute include the useful lives of capital assets, allowance for doubtful accounts, 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. Management's estimate of the allowance is based on aging categories. The net pension liability and other post-employment benefits liability are based on the actuary's calculation based on plan provisions and census data for plan participants. We evaluated the key factors and assumptions used to develop the estimated useful lives, net pension liability and other post-employment 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.

Continued on following page

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 Agricultural Experiment Station, North Dakota State University Extension Services, and Northern Crops Institute.

No exceptions were identified related to the operations of these high-risk information technology systems.

Financials

Revenues and Expenses

REVENUES AND OTHER ADDITIONS	JUNE 30, 2021	JUNE 30, 2020
State Appropriations	\$ 52,091,028	\$ 47,219,823
Sales and Services of Educational Departments	13,395,019	11,125,640
Federal Grants and Contracts	17,727,807	12,597,168
Nongovernmental Grants and Contracts	9,490,666	4,733,556
Federal Appropriations	5,138,169	5,746,160
State Grants and Contracts	4,410,996	4,474,235
Gifts	3,551,232	1,847,749
State Appropriations - Capital Assets	1,565,121	740,855
Tax Revenues	500,000	500,000
Insurance Proceeds	13,432	131,422
Capital Grants and Gifts	-	1,567,156
Gain on Disposal of Capital Asset	-	31,433
Endowment and Investment Income	4,941	8,190
Total Revenue and Other Sources	\$ 107,888,411	\$ 90,723,387

Source: ConnectND Financials

Continued on following page

Financials

Revenues and Expenses

EXPENSES AND OTHER DEDUCTIONS	JUNE 30, 2021	JUNE 30, 2020
Salaries and Wages	\$ 71,819,350	\$ 67,256,776
Operating Expenses	20,972,045	19,289,788
Depreciation Expense	5,223,778	5,009,088
Data Processing	1,733,082	629,737
Loss on Disposal of Capital Assets	84,828	-
Interest on Capital Assets - Related Debt	257,007	45,653
Scholarships and Fellowships	11,688	9,984
Cost of Sales and Services	10,177	7,698
Transfers to North Dakota Industrial Commission	242,045	241,719
Total Expenses and Other Uses	\$ 100,354,000	\$ 92,490,443

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

MAIN RESEARCH CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Main Research Center	\$ 112,525,533	\$ 108,588,121	\$ 3,937,412
Totals	\$ 112,525,533	\$ 108,588,121	\$ 3,937,412
Expenses by Source			
General	\$ 53,417,326	\$ 53,417,326	\$ -
Special	57,943,240	54,005,828	3,937,412
Federal	1,164,967	1,164,967	-
Totals	\$ 112,525,533	\$ 108,588,121	\$ 3,937,412

AGRONOMY SEED FARM

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Agronomy Seed Farm	\$ 1,565,975	\$ 1,228,193	\$ 337,782
Totals	\$ 1,565,975	\$ 1,228,193	\$ 337,782
Expenses by Source			
Special	\$ 1,565,975	\$ 1,228,193	\$ 337,782
Totals	\$ 1,565,975	\$ 1,228,193	\$ 337,782

Source: ConnectND Financials

NORTH DAKOTA STATE UNIVERSITY EXTENSION SERVICES

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
NDSU - Extension Service	\$ 55,596,705	\$ 44,967,846	\$ 10,628,859
Soil Conservation Committee	1,091,520	1,091,520	-
Totals	\$ 56,688,225	\$ 46,059,366	\$ 10,628,859
Expenses by Source			
General	\$ 28,054,666	\$ 28,054,666	\$ -
Special	27,778,159	17,149,300	10,628,859
Federal	855,400	855,400	-
Totals	\$ 56,688,225	\$ 46,059,366	\$ 10,628,859

CARRINGTON RESEARCH EXTENSION CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Carrington Research Center	\$ 9,808,917	\$ 9,203,958	\$ 604,959
Totals	\$ 9,808,917	\$ 9,203,958	\$ 604,959
Expenses by Source			
General	\$ 3,768,185	\$ 3,768,185	\$ -
Special	5,917,676	5,312,717	604,959
Federal	123,056	123,056	-
Totals	\$ 9,808,917	\$ 9,203,958	\$ 604,959

Source: ConnectND Financials

CENTRAL GRASSLAND RESEARCH EXTENSION CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Central Grasslands Research	\$ 3,636,712	\$ 3,387,759	\$ 248,953
Totals	\$ 3,636,712	\$ 3,387,759	\$ 248,953
Expenses by Source			
General	\$ 2,079,732	\$ 2,079,732	\$ -
Special	1,432,093	1,182,140	249,953
Federal	125,887	125,887	-
Totals	\$ 3,637,712	\$ 3,387,759	\$ 249,953

DICKINSON RESEARCH EXTENSION CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Dickinson Research Center	\$ 7,129,055	\$ 4,226,890	\$ 2,902,165
Totals	\$ 7,129,055	\$ 4,226,890	\$ 2,902,165
Expenses by Source			
General	\$ 3,535,980	\$ 3,535,980	\$ -
Special	3,479,882	577,717	2,902,165
Federal	113,193	113,193	-
Totals	\$ 7,129,055	\$ 4,226,890	\$ 2,902,165

Source: ConnectND Financials

HETTINGER RESEARCH CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Hettinger Research Center	\$ 5,219,896	\$ 3,943,161	\$ 1,276,735
Totals	\$ 5,219,896	\$ 3,943,161	\$ 1,276,735
Expenses by Source			
General	\$ 2,277,449	\$ 2,277,449	\$ -
Special	2,834,954	1,558,219	1,276,735
Federal	107,493	107,493	-
Totals	\$ 5,219,896	\$ 3,943,161	\$ 1,276,735

NORTH CENTRAL RESEARCH EXTENSION CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
North Central Research	\$ 5,255,904	\$ 3,989,259	\$ 1,266,645
Totals	\$ 5,255,904	\$ 3,989,259	\$ 1,266,645
Expenses by Source			
General	\$ 2,028,170	\$ 2,028,170	\$ -
Special	3,109,400	1,842,755	1,266,645
Federal	118,334	118,334	-
Totals	\$ 5,255,904	\$ 3,989,259	\$ 1,266,645

Source: ConnectND Financials

LANGDON RESEARCH EXTENSION CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Langdon Research Center	\$ 3,175,684	\$ 2,537,187	\$ 638,497
Totals	\$ 3,175,684	\$ 2,537,187	\$ 638,497
Expenses by Source			
General	\$ 1,653,208	\$ 1,653,208	\$ -
Special	1,398,852	760,355	638,497
Federal	123,624	123,624	-
Totals	\$ 3,175,684	\$ 2,537,187	\$ 638,497

WILLISTON RESEARCH EXTENSION CENTER

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Williston Research Center	\$ 5,585,933	\$ 5,585,933	\$ -
Totals	\$ 5,585,933	\$ 5,585,933	\$ -
Expenses by Source			
General	\$ 2,858,302	\$ 2,858,302	\$ -
Special	2,608,211	2,608,211	-
Federal	119,420	119,420	-
Totals	\$ 5,585,933	\$ 5,585,933	\$ -

Source: ConnectND Financials

NORTHERN CROPS INSTITUTE

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Line Item			
Northern Crops Institute	\$ 4,200,115	\$ 4,200,115	\$ -
Totals	\$ 4,200,115	\$ 4,200,115	\$ -
Expenses by Source			
General	\$ 1,943,810	\$ 1,943,810	\$ -
Special	2,140,719	2,140,719	-
Federal	115,586	115,586	-
Totals	\$ 4,200,115	\$ 4,200,115	\$ -

Source: ConnectND Financials



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