



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Ethics Commission

For the Biennium Ended June 30, 2021

Client Code 195





WHAT WE LOOKED AT AND WHY

North Dakota state law (N.D.C.C. 54-10-01) 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 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

Allison Bader
MBA, AUDIT MANAGER

Creighton Barrett
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.com/NDStateAuditor
-  Linkedin.com/company/NDStateAuditor

Introduction

Ethics Commission

January 10, 2022

We are pleased to submit this audit of the Ethics Commission 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.

Allison Bader was the audit manager for this engagement. 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 Ethics Commission 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.

Blanket Bond Coverage: Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

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.

North Dakota Administrative Code (N.D.A.C.): The codification of all rules of state administrative agencies.

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.

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 U.S. Government Accountability Office.

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

- Segregated preparation and approval of expenditures is tested statewide in the State of North Dakota Annual Financial Report.
- Selected a judgmental sample of expenditures and inspected invoices and receipts to determine that the related expenditures were properly approved.

There were no deficiencies identified.

SCOPE

The audit of the Ethics Commission is for the biennium ended June 30, 2021.

The Ethics Commission's sole location is its Bismarck office which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population where appropriate.
- Interviewed appropriate agency personnel.
- Observed the Ethics Commission's processes and procedures.
- Inspected documentary evidence.
- Reviewed meeting minutes.
- Read and observed applicable laws to the agency including, but not limited to, Article XIV of the ND Constitution, N.D.C.C. 54-66, and Administrative Rule Title 115, and House Bill 1521 of the 2019 Legislative Session Laws.
- Queried and analyzed financial data in ConnectND (PeopleSoft) to determine areas of risk. Significant evidence was obtained from ConnectND.
- Performed analytical procedures on payroll. Determined the Ethics Commission followed N.D.C.C. 54-35-10 for compensation of Commission members. Reviewed meeting minutes and determined compensation was based on conducting business and determined the Commission members received the correct rate based on meetings in attendance.
- Reviewed meeting minutes to determine the Executive Director's compensation was determined in a public meeting per N.D.C.C. 54-66-04.1 and salary paid was the salary authorized.

- Selected a high-risk sample of expenditures to test accurate recording and reasonableness of payments in the state's accounting system related to appropriation fund, class, and account. (N.D.C.C. 54-44.01-09 states all expenditures must be appropriated. N.D.C.C.44-08-05 and Article X Section 12 states moneys shall be paid out and disbursed only pursuant to appropriation and authorized approvers of expenses must ensure that expenditures are proper, lawful, and for official purpose).

- Analyzed accounts charged to appropriations and determined that the expenditures were charged to the appropriate class in accordance with N.D.C.C. 54-16-03.

- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. (N.D.C.C 26.1-21-08 and N.D.C.C. 26.1-21-10(1)).

- Reviewed meeting minutes and the Ethics Commission's website to determine the agency followed Article XIV Section 3(2) by maintaining a confidential whistleblower hotline.

- Performed analytical procedures and tested 100% of the 12 complaints received by the Ethics Commission during the audit period. Determined the Executive Director identified the complaints received to the Commission in the monthly commission meetings. Determined the Commission acted on complaints within their jurisdiction and dismissed complaints in accordance with N.D.C.C. 54-66-05. (N.D.A.C. 115-02-01-02, 115-02-01-03 (6), (7)).

AUTHORITY AND STANDARDS

This biennial audit of the Ethics Commission 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).



Responses to LAFRC Audit Questions

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

Revenues, Expenditures and Appropriation information was not prepared by the North Dakota Ethics Commission 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. 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 as this is the Ethics Commission's first audit.

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 Ethics Commission's revenues, expenditures and appropriation information does 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 Human Capital Management (HCM) are high-risk information technology systems significant to the audit objective.

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Revenue	\$ -	\$ -
Total Revenue and Other Sources	\$ -	\$ -

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salary and Benefits	\$ 219,598	\$ 98,850
Rent of Office Space and Equipment	27,981	13,995
IT Data Processing and Communications	14,472	21,526
Office Equipment, Furniture, and Supplies	1,224	15,551
Travel	-	10,886
Fees and Services	3,550	2,565
Professional Development	446	1,491
Total Expenditures and Other Uses	\$ 267,271	\$ 164,864

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Ethics Commission	\$ 517,155	\$ 432,135	\$ 85,020
Totals	\$ 517,155	\$ 432,135	\$ 85,020

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Source			
General	\$ 517,155	\$ 432,135	\$ 85,020
Totals	\$ 517,155	\$ 432,135	\$ 85,020

Source: ConnectND Financials



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JOSHUA C. GALLION**

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 NDSAO@nd.gov

 701-328-2241

 Facebook.com/NDStateAuditor

 Linkedin.com/company/NDStateAuditor