



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

*State Auditor Joshua C. Gallion*

## North Dakota Oilseed Council

Audit Report for the Two-Year Period Ended June 30, 2022

*Client Code 608*



# TABLE OF CONTENTS

<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	<b>4</b>
Comparative Statement of Revenues and Expenditures	4
Notes to the Financial Statement	5
<b>EXHIBITS</b>	<b>7</b>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing     Standards</i>	7
Findings, Recommendations and Management’s Response	9
Governance Communication	10



## Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Clark Coleman, Chairman, North Dakota Oilseed Council

### Report on the Audit of the Financial Statement

#### ***Opinion***

We have audited the accompanying Comparative Statement of Revenues and Expenditures of the North Dakota Oilseed Council Fund, for the two years ended June 30, 2022, and the related notes to the financial statement, as listed in the table of contents.

In our opinion, the accompanying financial statement referred to above present fairly, in all material respects, the revenues and expenditures for the North Dakota Oilseed Council Fund, for the two-year period ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the North Dakota Oilseed Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statement presents only the North Dakota Oilseed Council Fund's revenues and expenditures, and does not purport to, and does not present fairly the financial position of the state of North Dakota as of June 30, 2022 and 2021, for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statement is presented and audited in accordance with North Dakota Century Code 4.1-44-04. This financial statement is not intended to be a complete presentation of the North Dakota Oilseed Council Fund's assets and liabilities. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the North Dakota Oilseed Council's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by the Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 on our consideration of the North Dakota Oilseed Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Oilseed Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota Oilseed Council's internal control over financial reporting and compliance.

/S/

Joshua C. Gallion  
State Auditor  
Bismarck, North Dakota  
November 17, 2022

## Comparative Statement of Revenues and Expenditures

For the Years Ended June 30, 2022 and 2021

<u>REVENUES</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assessments (net of refunds of \$76,500 and \$112,577)	\$ 1,336,014	\$ 1,845,988
Interest on Investments	\$ 1,377	\$ 2,214
Total Revenues	\$ 1,337,391	\$ 1,848,202
 <u>EXPENDITURES</u>		
Professional Fees and Services	\$ 1,290,000	\$ 1,276,088
Professional Development	103,972	3,484
Salaries-Permanent	37,398	36,494
Fringe Benefits	24,476	24,258
Rentals/Leases-Bldg/Land	11,500	10,750
Operating Fees and Services	4,248	3,376
Travel	2,905	150
IT- Communications	1,869	1,976
IT Equipment under \$5,000	1,674	-
IT Contractual Services	1,200	-
Postage	927	1,011
Insurance	823	829
Office Supplies	668	220
Supplies-IT Software	202	206
Grants, Benefits & Claims	-	54,364
Total Expenditures	\$ 1,481,863	\$ 1,413,206
Revenues (Under) Over Expenditure:	\$ (144,472)	\$ 434,997



## Notes to the Financial Statement

### NOTE 1 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The responsibility for the financial statement, the internal control structure, and compliance with laws and regulations belongs to management of the North Dakota Oilseed Council. A summary of the significant accounting policies follows:

#### A. REPORTING ENTITY

For financial reporting purposes, the North Dakota Oilseed Council includes all funds, programs, and activities over which it is financially accountable. The North Dakota Oilseed Council does not have any component units as defined by the Government Accounting Standards Board. The North Dakota Oilseed Council is part of the state of North Dakota as a reporting entity.

The North Dakota Oilseed Council was established by North Dakota Century Code chapter 4.1-09, and is responsible for promoting the production, development, marketing, and advertising of sunflower, safflower, rapeseed or canola, crambe, and flax within North Dakota. The Council receives its funding through an assessment of four cents per hundredweight on sunflowers and canola, three cents per bushel on flax, and three cents per hundredweight on all other oilseeds grown in North Dakota or sold to a first purchaser. The Council operates on a continuing appropriation and received no funding from the state legislature.

#### B. REPORTING STRUCTURE

The financial statement includes all activities of the reporting entity as defined above. These activities are funded from North Dakota Oilseed Council's operating fund. The comparative statement of revenues and expenditures is a combined statement to give the users an overview of the agency's activity.

#### C. BASIS OF PRESENTATION

North Dakota Century Code 4.1-44-04 requires certain commodity promotion groups to prepare a report for the legislative assembly. As part of this report the applicable commodity groups are required to prepare a single-page uniform statement of revenues and expenditures.

Revenues and expenditures on the comparative statement of revenues and expenditures are reported on the modified accrual basis of accounting which is generally accepted accounting principles (GAAP) for governmental fund types.

Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount can be determined, available means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered available if they are collected within a year after fiscal year end. Expenditures are recorded when goods or services are received. Exceptions include principal and interest expenditures which are recorded when due, and compensated absences which are recorded when paid.

#### **D. GAAP REPORTING DIFFERENCES**

GAAP financial statements would include a balance sheet. GAAP financial statements would also provide additional note disclosures.

#### **NOTE 2 | RELATED PARTIES**

The North Dakota Oilseed Council has seven members representing sunflower producers. These members are also on the National Sunflower Association (NSA) board of directors. The North Dakota Oilseed Council contracts with the NSA to promote market development and research for sunflowers. Payments under these contracts totaled \$602,377 for the two-year period ended June 30, 2022.

The North Dakota Oilseed Council has three members representing canola producers. This member is also on the Northern Canola Growers Association board of directors. The North Dakota Oilseed Council contracts with the Northern Canola Growers Association to promote market development and research for canola. Payments under these contracts totaled \$1,733,333 for the two-year period ended June 30, 2022.

The North Dakota Oilseed Council has one member representing flaxseed producers. This member is also on the AmeriFlax board of directors. The North Dakota Oilseed Council contracts with AmeriFlax Inc. to promote market development and research for flaxseed. Payments under these contracts totaled \$240,000 for the two-year period ended June 30, 2022

#### **NOTE 3 | OTHER SIGNIFICANT ITEMS**

Council has cash and investment reserves of \$1,708,328 and \$1,795,740 at June 30, 2022 and June 30, 2021, respectively. Based on the average monthly expenditures for fiscal year 2022 and 2021, this amount represents approximately 13.83 and 15.25 months of expenditures respectively.





**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

Independent Auditor's Report

Members of the Legislative Assembly

Members of the North Dakota Oilseed Council

Clark Coleman, Chairman North Dakota Oilseed Council

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Comparative Statement of Revenues and Expenditures of the North Dakota Oilseed Council, for the two-year period ended June 30, 2022, and the related notes to the financial statement and have issued our report thereon dated November 17, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the North Dakota Oilseed Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Oilseed Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Oilseed Council's internal control.

*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 and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies,

in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the North Dakota Oilseed Council's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/S/

Joshua C. Gallion  
State Auditor  
Bismarck, ND  
November 17, 2022

## **Findings, Recommendations and Management's Response**

### **Finding 2022-01 – Expenditures Recorded in Incorrect Year**

#### **Condition**

The North Dakota Oilseed Council incorrectly adjusted the financial statements for fiscal years 2022 and 2021. A payment totaling \$40,000 was supposed to be moved from fiscal year 2022 to 2021. However, the adjustment incorrectly moved \$400,000 in expenditures which resulted in a \$360,000 understatement of expenditures in fiscal year 2022 and an overstatement of expenditures in fiscal year 2021 for the same amount.

#### **Criteria**

Generally Accepted Accounting Principles (GAAP) require expenditures to be reported in the period incurred. In addition, OMB Policy 200 states “financial data must be reported in accordance with generally accepted accounting principles related to year-end accruals of expenditures.”

#### **Cause**

The North Dakota Oilseed Council made an error when completing their accounts payable closing package.

#### **Effect**

Expenditures for fiscal year 2022 were understated by \$360,000 while expenditures for fiscal year 2021 were overstated by \$360,000

#### **Recommendation**

We recommend the North Dakota Oilseed Council accurately prepare and submit closing package entries to record expenditures in the correct fiscal year.

#### **North Dakota Oilseed Council Response/Corrective Action Plan**

The Oilseed Council agrees with the recommendation. In the future, closing packages will be reviewed closer and any questions or concerns related to closing packages will be discussed with OMB.



## Governance Communication

November 17, 2022

The North Dakota Oilseed Council

Legislative Audit and Fiscal Review Committee

We have audited the Comparative Statement of Revenues and Expenditures, of the North Dakota Oilseed Council Fund for the two-year period ended June 30, 2022 and have issued our report thereon dated November 17, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Matters**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota Oilseed Council are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the two-year period. We noted no transactions entered into by the North Dakota Oilseed Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements as detailed below.

Comparative Statement of Revenues and Expenditures Effect:

1. The Oilseed Council made an error when determining the amount of expenditures in fiscal year 2022 to be recorded in fiscal year 2021. A payment of \$40,000 was included in the adjustment as \$400,000 which resulted in a \$360,000 error.

#### 2021

Cash At Bank of North Dakota	360,000	
Professional Fees and Services		360,000

#### 2022

Professional Fees and Services	360,000	
Cash At Bank of North Dakota		360,000

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 17, 2022.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the North Dakota Oilseed Council’s financial statement or a determination of the type of auditor’s opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the North Dakota Oilseed Council’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the North Dakota Oilseed Council, management of the North Dakota Oilseed Council, and the Legislative Audit and Fiscal Review Committee, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Lindsey Slappy".

Lindsey Slappy, CPA  
Audit Manager





Office of the  
State Auditor

NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION

**NORTH DAKOTA STATE AUDITOR'S OFFICE**


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