

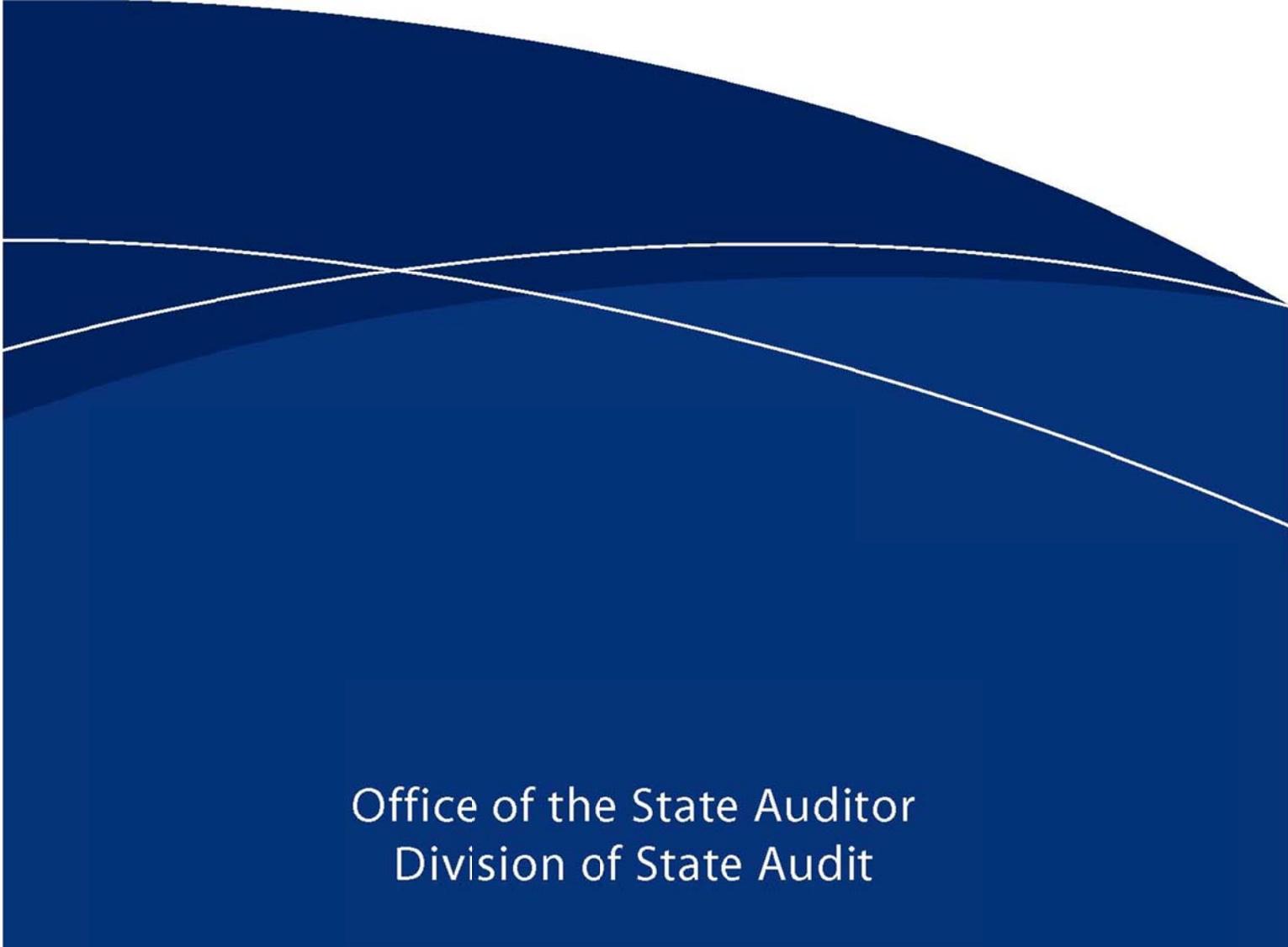


North Dakota
Department of Health
BISMARCK, NORTH DAKOTA

Audit Report

For the Biennium Ended
June 30, 2009

ROBERT R. PETERSON
STATE AUDITOR



Office of the State Auditor
Division of State Audit

**LEGISLATIVE AUDIT AND FISCAL REVIEW
COMMITTEE MEMBERS**

Senator Randel Christmann – Chairman
Representative RaeAnn G. Kelsch – Vice Chairman

Representatives

Rick Berg
Merle Boucher
Jeff Delzer
Patrick R. Hatlestad
Jerry Kelsh
Keith Kempenich
Gary Kreidt
Louis Pinkerton
Chet Pollert
Bob Skarphol
Blair Thoreson
Benjamin A. Vig
Lonny Winrich

Senators

Joan Heckaman
Jerry Klein
Judy Lee

Contents

<i>Transmittal Letter</i>	<i>1</i>
<i>Executive Summary</i>	<i>2</i>
<i>Introduction</i>	<i>2</i>
<i>Responses to LAFRC Audit Questions</i>	<i>2</i>
<i>LAFRC Audit Communications</i>	<i>3</i>
<i>Audit Objectives, Scope, and Methodology</i>	<i>4</i>
<i>Discussion and Analysis</i>	<i>6</i>
<i>Financial Summary</i>	<i>6</i>
<i>Analysis of Significant Changes in Operations</i>	<i>6</i>
<i>Analysis of Significant Variances Between Final Budgeted and Actual Expenditures</i>	<i>7</i>
<i>Financial Statements</i>	<i>8</i>
<i>Statement of Revenues and Expenditures</i>	<i>8</i>
<i>Statement of Appropriations</i>	<i>9</i>
<i>Internal Control</i>	<i>11</i>
<i>Fraud Risk Assessment (Finding 09-1)</i>	<i>11</i>
<i>Compliance With Legislative Intent</i>	<i>13</i>
<i>Operations</i>	<i>15</i>
<i>Prior Recommendations Not Implemented</i>	<i>16</i>
<i>Management Letter (Informal Recommendations)</i>	<i>17</i>

STATE AUDITOR
ROBERT R. PETERSON



PHONE
(701) 328 - 2241
FAX
(701) 328 - 1406

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

February 22, 2010

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Dr. Terry Dwelle, State Health Officer, North Dakota Department of Health

We are pleased to submit this audit of the North Dakota Department of Health for the biennium ended June 30, 2009. 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 Kevin Scherbenske, CPA. Andrea Wike was the staff auditor. Cindi Pedersen, CPA, was the audit supervisor. Inquiries or comments relating to this audit may be directed to the audit supervisor by calling (701) 328-2241. We wish to express our appreciation to Dr. Dwelle and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson
State Auditor

Executive Summary

Introduction

The North Dakota Department of Health is dedicated to ensuring that North Dakota is a healthy place to live and that each person has an equal opportunity to enjoy good health. The Department of Health is committed to the promotion of healthy lifestyles, the protection and enhancement of health and the environment, and the provision of quality health-care services for the people of North Dakota.

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 response 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 North Dakota Department of Health 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 unqualified 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?

Other than our finding addressing the "Fraud Risk Assessment" (page 11) we determined internal control was adequate.

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?

The North Dakota Department of Health has not implemented one recommendation included in the prior audit report addressing "Fraud Risk Assessment" as noted on page 16.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

Yes, a management letter was issued and is included on page 17 of this report, along with management's response.

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, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

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 North Dakota Department of Health's 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, Human Resource Management System (HRMS) and Vital Records Index are high-risk information technology systems critical to the North Dakota Department of Health.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the North Dakota Department of Health for the biennium ended June 30, 2009 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the North Dakota Department of Health's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the North Dakota Department of Health and are they in compliance with these laws?
3. Are there areas of the North Dakota Department of Health's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the North Dakota Department of Health is for the biennium ended June 30, 2009. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The North Dakota Department of Health has operations in the following locations. Each location will be included in the audit scope:

- The central office located in the State Capitol building.
- The following divisions are at 2635 East Main – Bismarck, ND:
 - Laboratory Services (Chemistry and Microbiology)
 - Medical Examiner
- The following divisions are at 918 East Divide – Bismarck, ND:
 - Environmental Health Section Chief's Office
 - Division of Air Quality
 - Division of Municipal Facilities
 - Division of Waste Management
 - Division of Water Quality
 - Emergency Preparedness and Response Section

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 and developed a discussion and analysis of the financial statements.

- 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.
- Observed North Dakota Department of Health's processes and procedures.

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

Discussion and Analysis

The accompanying financial statements have been prepared to present the North Dakota Department of Health's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the biennium ended June 30, 2009, operations of the North Dakota Department of Health were primarily supported by federal funding. This is supplemented by appropriations from the state's general fund and fees credited to the agency's operating fund.

Financial Summary

Revenues consisted primarily of federal funds. Other revenues during the audited period included tobacco settlement funds, as well as various rebates, license, permits, fines, and fees.

We noted a significant decrease in Vaccine Reimbursement revenue from the year ended June 30, 2008 compared to the year ended June 30, 2009. This decrease is due to a new program which appropriated funds for immunization services including vaccines to public health units until a billing system could be developed and vaccine costs would be billed directly to the insurance provider. Consequently, the majority of the costs for direct purchasing of vaccines occurred in the first year of the biennium.

Total revenues and transfers in were \$58,713,821 for the year ended June 30, 2009 as compared to \$57,321,039 for the year ended June 30, 2008.

Expenditures consisted primarily of grants, salaries, and WIC (women, infants, and children program) payments. Grants increased primarily due to additional federal revenue received. We also noted a significant decrease in Medicine and Drugs expenditures from the year ended June 30, 2008 compared to the year ended June 30, 2009. This decrease is due to a one-time appropriation to create an anti-viral stockpile and the majority of the direct purchases were made in the first half of the biennium. All other expenditures remained fairly constant.

Total expenditures for the North Dakota Department of Health were \$71,754,425 for the year ended June 30, 2009, as compared to \$65,811,229 for the prior year.

Analysis of Significant Changes in Operations

The Department of Health received over \$2 million of general fund authority to set up an anti-viral stockpile in case of severe influenza outbreak.

The Department of Health received an appropriation of \$19.4 million of special funds and \$2 million of general funds to transition to a provider choice immunization program which was later renamed PROtect ND Kids. This program was to assist the local public health units and other health care providers to transition to a provider choice immunization program.

Previously the majority of all immunization vaccines were provided by the federal government but funds for that activity have been cut from the federal budget. The \$2 million was to continue

immunization services previously funded through the immunization grant program with the intent to access third-party payers funds (health insurance) for these services.

Analysis of Significant Variances Between Final Budgeted and Actual Expenditures

The Department of Health ended the 2007-2009 biennium with \$18.3 million of unexpended operating line item authority. The majority was due to the PROtect ND Kids program. The Department received an appropriation of \$19.4 million of special fund authority and only expended \$2.2 million. This program was to assist the local public health units in obtaining vaccines at lower costs by allowing the Department to make the initial purchase and be reimbursed by the local public health units. It was discovered that the locals could obtain the vaccines at the same cost and would purchase them directly.

The Department had unexpended authority in the grants line item of \$16.9 million. There are two federal programs that did not spend as rapidly as anticipated. Contracts were awarded for the Arsenic Trioxide and the 319 Nonpoint Source Pollution program, but the projects had unanticipated delays.

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<u>Revenues and Other Sources:</u>		
Federal Revenue	\$46,523,765	\$42,127,658
WIC/Medication Rebates	2,933,507	3,074,263
Vaccine Reimbursements	271	2,074,297
Air Pollution Construction Permits	1,456,121	1,518,374
Water Sample Analysis Fees	648,572	688,792
Vital Records – Service Fees	502,787	580,954
Health Facilities Licensing Fees	109,500	109,650
Other Licenses, Permits, and Fees	1,012,284	908,970
Fines	33,200	260,509
Other Revenue	138,187	209,265
Transfer from Tobacco Settlement Fund	2,501,432	3,648,107
Other Transfers In	2,854,195	2,120,200
Total Revenues and Other Sources	<u>\$58,713,821</u>	<u>\$57,321,039</u>
<u>Expenditures and Other Uses:</u>		
Grants, Benefits, and Claims	\$24,800,434	\$20,877,193
Salaries and Benefits	19,724,829	18,225,522
Food Supplies (WIC)	9,544,815	9,946,130
Fees – Professional Services	5,775,694	3,717,323
IT – Processing/Services/Equipment	2,818,647	2,032,165
Lab/Surgical Supplies	1,555,860	1,377,227
Travel	984,306	1,040,139
Operating Fees and Services	876,500	252,521
Rent of Building Space	720,679	681,408
Equipment	651,766	351,123
Medicine and Drugs	602,367	4,388,053
Repairs	508,814	372,203
Supplies/Materials – Professional	502,156	452,036
Bond Payments	332,585	332,850
Other Expenditures	1,530,523	1,195,677
Transfers Out	824,450	569,659
Total Expenditures and Other Uses	<u>\$71,754,425</u>	<u>\$65,811,229</u>

Statement of Appropriations

For The Biennium Ended June 30, 2009

Expenditures by Line Item:	Original <u>Appropriation</u>	<u>Adjustments</u>	Final <u>Appropriation</u>	<u>Expenditures</u>	Unexpended <u>Appropriation</u>
Salaries and Wages	\$ 37,709,131	\$ 627,004	\$ 38,336,135	\$ 37,191,206	\$ 1,144,929
Operating Expenses	48,076,674		48,076,674	29,811,516	18,265,158
Capital Assets	1,817,383		1,817,383	1,566,836	250,547
Grants	58,039,776		58,039,776	41,147,039	16,892,737
Tobacco Prevention and Control	8,919,346	3,024	8,922,370	8,428,454	493,916
WIC Food Payments	17,550,000	2,750,000	20,300,000	19,315,328	984,672
Totals	<u>\$ 172,112,310</u>	<u>\$ 3,380,028</u>	<u>\$175,492,338</u>	<u>\$137,460,379</u>	<u>\$ 38,031,959</u>
Expenditures by Source:					
General Fund	\$ 21,517,033	\$ 132,460	\$ 21,649,493	\$ 21,545,228	\$ 104,265
Other Funds	150,595,277	3,247,568	153,842,845	115,915,151	37,927,694
Totals	<u>\$ 172,112,310</u>	<u>\$ 3,380,028</u>	<u>\$175,492,338</u>	<u>\$137,460,379</u>	<u>\$ 38,031,959</u>

Appropriation Adjustments:

\$383,004 of the adjustment to the Salaries and Wages line and the \$3,024 adjustment to the Tobacco Prevention and Control line was due to additional appropriation authority granted by Senate Bill 2189 of the 2007 session for market equity increases for classified state employees.

\$170,000 of the adjustment to the Salaries and Wages line was to accept additional federal funds for two additional FTE's for increased influenza surveillance and testing capacity to enhance pandemic influenza detection in North Dakota and was approved by the Emergency Commission.

\$74,000 of the adjustment to the Salaries and Wages line was to accept additional federal funds for one additional FTE to maintain, enhance, and analyze the North Dakota Immunization Information System data and was approved by the Emergency Commission.

The \$2,750,000 of additional authority for the WIC Food Payments line for additional federal funds for the WIC program and was approved by the Emergency Commission.

Expenditures Without Appropriations Of Specific Amounts:

The Statewide Conference Fund is nonappropriated in accordance with OMB policy 211 (\$3,792 of expenditures for this biennium).

The Organ/Tissue Transplant Fund has a continuing appropriation authorized by NDCC section 23-01-05.1 (\$21,544 of expenditures for this biennium).

The Environmental Quality Restoration Fund has a continuing appropriation authorized by NDCC section 23-31-02 (\$14,164 of expenditures for this biennium).

Expenditures for the veterinarian's repayment program are tracked in the Department of Health's operating fund, but were funded under the North Dakota University System office. The continuing appropriation for these expenditures is authorized by NDCC 43-29.1-08 (\$65,776 of expenditures for this biennium).

Internal Control

In our audit for the biennium ended June 30, 2009, we identified the following areas of the North Dakota Department of Health's internal control as being the highest risk:

Internal Controls Subjected to Testing:

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of inventories.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the Vital Records information system.

The criteria used to evaluate internal control is published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

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 that internal control was not adequate noting a certain matter involving internal control and its operation that we consider to be a significant deficiency.

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 identified the following significant deficiency in internal control. We also noted a matter involving internal control that we have reported to management of the North Dakota Department of Health in a management letter dated February 22, 2010.

Fraud Risk Assessment (Finding 09-1)

The North Dakota Department of Health does not have a system in place to identify possible instances of fraud or fraudulent activities in the agency's financial and operational areas.

The most important guidance relating to internal control is contained in *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of Treadway Commission (COSO). This guidance dictates that a Fraud Risk Assessment program be established and practiced to identify risks of fraudulent type activities including when special circumstances arise, when changing operating environments, and for restructuring. In addition, the North Dakota Department of Health does not have the necessary control activities designed/documented to ensure significant fraud exposures are identified and mitigated.

Recommendation:

We recommend the North Dakota Department of Health:

- Establish and perform a fraud risk assessment on a recurring basis.
- Design and document the necessary control activities to ensure that each significant fraud exposure identified during the risk assessment process has been adequately mitigated.

North Dakota Department of Health Response:

We agree with the above. The department is currently in the process of conducting our first fraud risk assessment, including procedures to mitigate any significant fraud exposure identified. It is expected to be completed in spring 2011.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2009, we identified and tested North Dakota Department of Health's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

- Proper use of the following legally restricted funds:
 - Abandoned Motor Vehicle Disposal Fund.
 - Organ Transplant Support Fund.
 - Environmental Quality Restoration Fund.
 - Environmental Health Practitioner Licensure Fee Administrative Fund.
 - Health Care Trust Fund.
 - Community Health Trust Fund.
 - Operator's Certification Fund.
 - Environment and Rangeland Protection Fund.
 - Domestic Violence and Sexual Assault Prevention Fund.
- Appropriations of \$266,119 from the environment and rangeland protection fund including \$50,000 for a North Dakota Stockmen's Association environmental services program grant (2007 North Dakota Session Laws chapter 4, section 4).
- Appropriations of \$2,010,135 for a one-time funding for an antiviral stockpile in case of serve influenza outbreak (2007 North Dakota Session Laws chapter 4, section 11).
- Appropriate fees charged for life safety survey (2007 North Dakota Session Laws chapter 4, section 12).
- Appropriations of \$22,000 for a grant to the State Board of Pharmacy for a prescription drug and device donation and repository program (2007 North Dakota Session Laws chapter 366, section 2).
- Appropriations of \$75,000 from the health care trust fund and \$25,000 from donations for contracting for and assisting with an evaluation of the state trauma system (2007 North Dakota Session Laws chapter 229, section 2).
- Appropriations of \$1,250,000 from the insurance tax distribution fund to make payments to emergency medical services operations (2007 North Dakota Session Laws chapter 250, section 5).
- Appropriations of \$30,000 for funding an assessment of the state's emergency medical services system (2007 North Dakota Session Laws chapter 250, section 6).
- Appropriations of \$200,000 for establishing a viral hepatitis program (2007 North Dakota Session Laws chapter 231, section 2).
- Establishment of the Immunization Task Force (2007 North Dakota Session Laws chapter 230, section 2).
- Appropriations of \$2,000,000 for providing vaccines to public health units and other immunization providers (2007 North Dakota Session Laws chapter 230, section 3).
- Appropriations of \$50,000 for providing human papilloma virus education (2007 North Dakota Session Laws chapter 232, section 2).

- Appropriations of \$60,000 from the community health trust fund for funding the new practice grant program (2007 North Dakota Session Laws chapter 375, section 4).
- Care for tuberculosis patients in the state (NDCC section 23-07.1-04, 14).
- Emergency medical services distribution, allocation, and use of funds (NDCC section 23-40-04, 05, 06).
- Grants for the establishment of dental practices are in accordance with applicable statute (NDCC section 43-28.1-10).
- Appropriation for the repayment of veterinarians educational loans – determine if any loan payments were in accordance with applicable statute (NDCC section 43-29.1-07).
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with appropriation requirements relating to remaining appropriation requirements and credits to appropriations.

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.

While we did not find any items that were required to be reported in accordance with *Government Auditing Standards*, we noted certain inconsequential or insignificant instances of non-compliance that we have reported to management of the North Dakota Department of Health in a management letter dated February 22, 2010.

Operations

This audit did not identify areas of North Dakota Department of Health's operations where we determined it was practical at this time to help to improve efficiency or effectiveness. However, we did note a certain matter involving operations that we have reported to management of North Dakota Department of Health in a management letter dated February 22, 2010.

Prior Recommendations Not Implemented

Prior recommendations have been implemented with the exception of the following:

Fraud Risk Assessment (Finding 07-1)

Recommendation:

We recommend the North Dakota Department of Health:

- Establish and perform a fraud risk assessment on a recurring basis.
- Design and document the necessary control activities to ensure that each significant fraud exposure identified during the risk assessment process has been adequately mitigated.

Status: Not implemented – see page 11.



STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Management Letter (Informal Recommendations)

February 22, 2010

Terry Dwelle, MD
State Health Officer
North Dakota Department of Health
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Dr. Dwelle:

We have performed an audit of the North Dakota Department of Health for the biennium ended June 30, 2009, and have issued a report thereon. As part of our audit, we gained an understanding of the North Dakota Department of Health's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

GENERAL

Informal Recommendation 09-1: We recommend the Department of Health develop a code of ethics and code of business conduct and ensure that employees adhere to the policy.

LEGISLATIVE INTENT

Informal Recommendation 09-2: We recommend the Department of Health transfer uncommitted funds in excess of \$250,000 in the abandon motor vehicle disposal fund to the highway fund on July 1 of each year (NDCC 39-26-12).

OPERATIONAL IMPROVEMENTS

Informal Recommendation 09-3: We recommend the Department of Health look for ways to increase their usage of the P-card as a form of payment. We further recommend, if necessary, they meet with officials from OMB to facilitate this process by raising P-card limits, determining which of their vendors they could be making P-card payments to, or changing the accounting on their P-cards so as to limit or eliminate the need to re-allocate P-card expenditures.

Management of North Dakota Department of Health agreed with these recommendations.

I encourage you to call myself or an audit manager at 328-2241 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

A handwritten signature in black ink that reads "Kevin Scherbenske". The signature is written in a cursive, slightly slanted style.

Kevin Scherbenske
Auditor in-charge

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of State Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

(701) 328-2241