

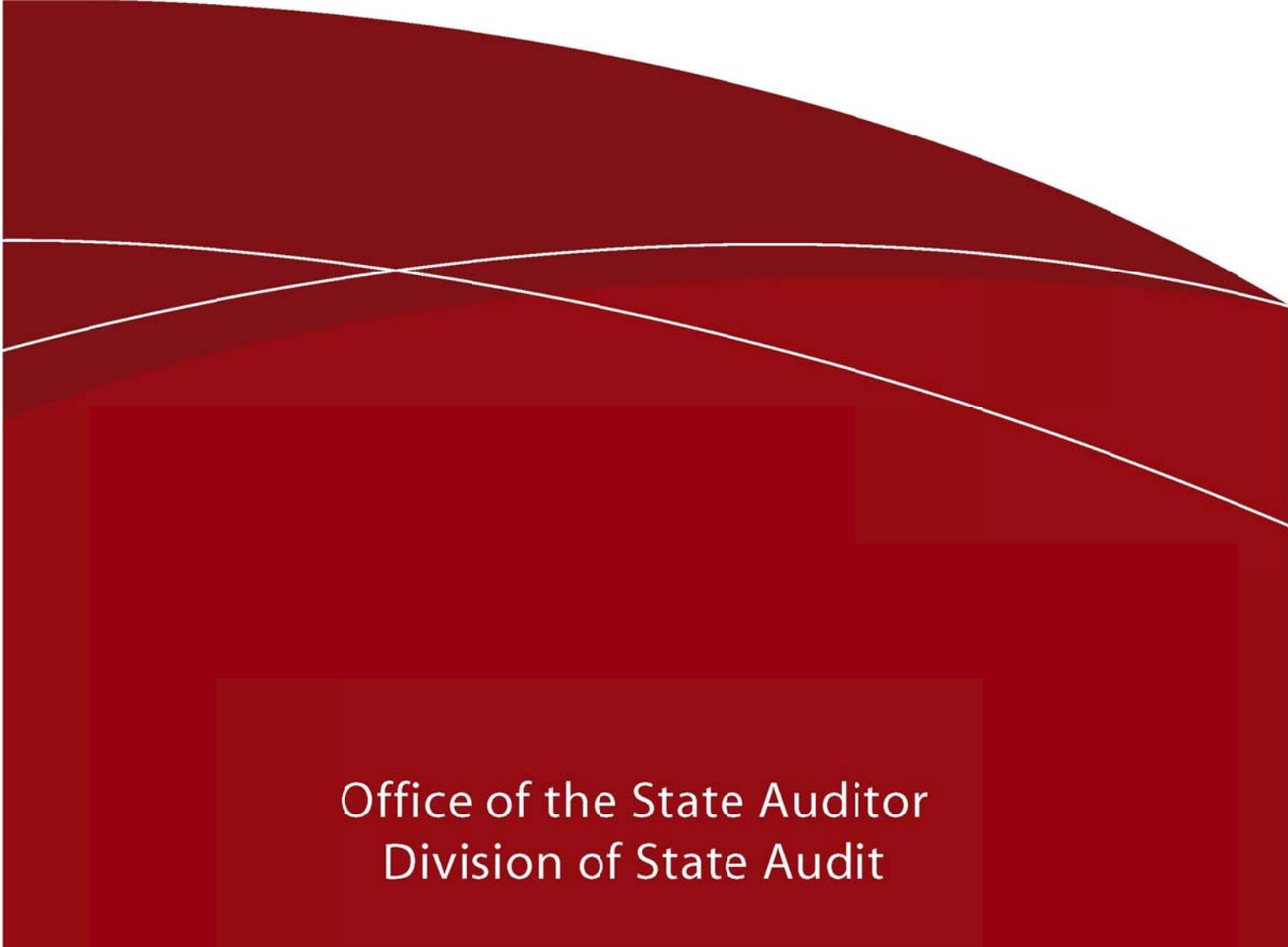


Tax Distribution and Outstanding Checks
System

Information System Audit

June 30, 2010

ROBERT R. PETERSON
STATE AUDITOR



Office of the State Auditor
Division of State Audit

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TABLE OF CONTENTS

Transmittal Letter	1
Executive Summary	2
Background Information	3
Financial Summary	3
Objectives, Scope, and Methodology	4
Are security roles designed to provide access based on a demonstrated need to view, add, change, or delete data?	5
Summary of Audit Work Performed	5
Auditor's Opinion.....	5
Are the distributions setup in accordance with North Dakota Century Code?	6
Summary of Audit Work Performed	6
Auditor's Opinion.....	6
Are the distributions correctly reported on the Treasurer's website?	7
Summary of Audit Work Performed	7
Auditor's Opinion.....	7

TRANSMITTAL LETTER

June 30, 2010

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Kelly L. Schmidt, State Treasurer, Office of the State Treasurer

Transmitted herewith is the information system audit of the Tax Distribution and Outstanding Checks (TDOC) system. This audit resulted from the statutory responsibility of the State Auditor under NDCC § 54-10-01.

TDOC is used by the State Treasurer's Office to distribute taxes and track outstanding checks.

TDOC was selected for this audit because it is considered a high-risk information system. TDOC is considered "high-risk" because it is a new system. The term "high-risk" does not necessarily indicate that the system has problems, but indicates a higher potential for significant problems to occur.

Inquiries or comments relating to this audit may be directed to Donald LaFleur, Information Systems Audit Manager, by calling (701) 328-4744. We wish to express our appreciation to the State Treasurer's Office for the courtesy, cooperation, and assistance provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

EXECUTIVE SUMMARY

The purpose of this report is to provide our analysis, findings, and recommendations regarding our audit of the TDOC system. While primarily an information system audit, we also addressed operational issues related to the system and its operation.

TDOC is used by the State Treasurer's Office to distribute taxes and track outstanding checks.

BACKGROUND INFORMATION

System Overview

The Office of the State Treasurer is responsible for the distribution of taxes to cities and counties as required by law. The Treasurer distributes approximately \$770,000,000 per year in taxes with the TDOC system.

The TDOC system is used to distribute several of the taxes administered by the Office of the State Treasurer.

Financial Summary

Below is a listing of tax types handled by the TDOC system, along with the money distributed for each of these tax types for the fiscal year ended June 30, 2010.

TDOC Distributions	
Oil & Gas (Gross Production)	\$ 273,236,663
Oil Extraction Tax	\$ 251,836,901
Highway Tax	\$ 198,039,333
State Aid	\$ 40,524,120
Township Road & Bridge	\$ 4,157,345
City Cigarette Tax	\$ 1,412,656
Estate Tax	\$ 13,515
Grand Total	\$ 769,220,536

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit of the TDOC system was to answer the following questions:

1. Are security roles designed to provide access based on a demonstrated need to view, add, change, or delete data?
2. Are the distributions setup in accordance with North Dakota Century Code?
3. Are the distributions correctly reported on the Treasurer's website?

This audit was conducted in accordance with *Standards for Information Systems Auditing* issued by the Information Systems Audit and Control Association and *Government Auditing Standards* issued by the Comptroller General of the United States.

ARE SECURITY ROLES DESIGNED TO PROVIDE ACCESS BASED ON A DEMONSTRATED NEED TO VIEW, ADD, CHANGE, OR DELETE DATA?

Summary of Audit Work Performed

We obtained and reviewed a list of the TDOC roles and their access rights. We reviewed these roles to ensure the access they provided was consistent with their stated purpose. We reviewed policies and procedures for adding, changing, and deleting user access. We reviewed user access. We tested superuser accounts to determine if the access was necessary and appropriate.

Auditor's Opinion

In our opinion, the security in the system is setup correctly.

ARE THE DISTRIBUTIONS SETUP IN ACCORDANCE WITH NORTH DAKOTA CENTURY CODE?

Summary of Audit Work Performed

We examined the setup and coding for each distribution and compared it to the North Dakota Century Code to ensure the system was calculating the distributions properly.

Auditor's Opinion

In our opinion, the setup of the distributions in the TDOC system is in accordance with the North Dakota Century Code.

ARE THE DISTRIBUTIONS CORRECTLY REPORTED ON THE TREASURER'S WEBSITE?

Summary of Audit Work Performed

We reviewed the reporting process of the distributions and how the system updates the data on the website.

Auditor's Opinion

In our opinion, the website is correctly reporting the distributions.

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www.nd.gov/auditor/

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Division of State Audit

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