

Information Technology
Department

BISMARCK, NORTH DAKOTA

Audit Report

Two-year Period Ended
June 30, 2014

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of State Audit

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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>Management's Discussion and Analysis</i>	<i>6</i>
<i>Financial Summary</i>	<i>6</i>
<i>Analysis of Significant Changes in Operations</i>	<i>7</i>
<i>Analysis of Significant Variances - Budgeted and Actual Expenditures for the 2011-2013 Biennium</i>	<i>8</i>
<i>Financial Statements</i>	<i>9</i>
<i>Statement of Revenues and Expenditures</i>	<i>9</i>
<i>Statement of Appropriations</i>	<i>10</i>
<i>Internal Control</i>	<i>13</i>
<i>Compliance With Legislative Intent</i>	<i>14</i>
<i>Noncompliance With Annual Inventory of Fixed Assets (Finding 14-1)</i>	<i>15</i>
<i>Operations</i>	<i>16</i>
<i>Management Letter (Informal Recommendations)</i>	<i>17</i>

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Transmittal Letter

March 25, 2015

The Honorable Jack Dalrymple, Governor
Members of the North Dakota Legislative Assembly
Mr. Mike Ressler, Chief Information Officer

We are pleased to submit this audit of the Information Technology Department for the two-year period ended June 30, 2014. 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 Jacqueline Ressler. Michael Schmitcke and Megan Reis were the staff auditors. Paul Welk, CPA was the audit manager. 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 Mr. Ressler and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Bob Peterson".

Robert R. Peterson
State Auditor

Executive Summary

Introduction

The North Dakota Information Technology Department (ITD) is established with the responsibility for all wide area network services planning, selection, and implementation for all state agencies, including institutions under the control of the State Board of Higher Education, counties, cities, and school districts in the state. In exercising its powers and duties, ITD is responsible for computer support services, host software development, statewide communications services, standards for providing information to other state agencies and the public through the internet, technology planning, process redesign, and quality assurance.

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 responses 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 Information Technology Department 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?

Other than our findings addressing "noncompliance with annual inventory of fixed assets" (page 15), the Information Technology Department was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

3. Was internal control adequate and functioning effectively?

Yes.

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 recommendation in the prior audit report was implemented.

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 Information Technology Department'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 CIS are high-risk information technology systems critical to the Information Technology Department.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Information Technology Department for the two-year period ended June 30, 2014 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Information Technology Department'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 Information Technology Department and are they in compliance with these laws?
3. Are there areas of the Information Technology Department's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Information Technology Department is for the two-year period ended June 30, 2014. 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 Information Technology Department has operations in the following locations. Each location was included in the audit scope:

- Bismarck Office Locations
- EduTech Fargo Office
- EduTech Valley City Office
- Center for Distance Education, Fargo

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 reviewed management's 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 Information Technology Department'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.

Management's Discussion and Analysis

The accompanying financial statements have been prepared to present the Information Technology Department'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).

The following management discussion and analysis was prepared by the Information Technology Department's management. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of this supplementary information to ensure it does not conflict with the knowledge we gained as part of our audit.

Financial Summary

The Information Technology Department (ITD) primarily operates as an internal service fund. ITD tracks and monitors the expense and revenue of each service in cost centers to ensure that one service is not subsidizing another. The federal government does not allow state central service agencies to accumulate an excess fund balance. Regulations establish specific standards for determining allowable costs for services in federally funded projects. ITD monitors the cost centers and adjust rates accordingly.

Revenues consisted primarily of fees received from state agencies and political subdivisions for ITD computer services. Other significant revenues during the audited period included PowerSchool revenue, the sale of publications and student fees for the Center for Distance Education (CDE), and revenue from federal grants.

Overall revenues decreased 6% from fiscal year 2014 to fiscal year 2013. Total revenues were \$68,639,818 for the year ended June 30, 2014 as compared to \$73,182,758 for the year ended June 30, 2013. The decrease is a result of a transfer from the Bank of ND to the Health Information Exchange fund in fiscal year 2013 and less federal reimbursements in fiscal year 2013. The overall decrease is offset by Computer Services revenue that increased \$4,276,926 from fiscal year 2014 to fiscal year 2013, due to rate increases for the 2013-2015 biennium implemented in July 2013.

Overall expenses increased 5% from fiscal year 2013 to fiscal year 2014. Total expenses were \$77,650,911 for the fiscal year ended June 30, 2014 as compared to \$74,021,606 for the fiscal year ended June 30, 2013. The overall increase is a result of additional contractor work for technology projects in other agencies and increased office equipment to move ITD into a central location. Other changes for 2014 occurred in three main areas. Expenses for IT equipment decreased by \$1,027,062 due to less expenditures for server and storage hardware. Repair expenses decreased by \$646,751 for expenses related to the datacenter power and cooling upgrade completed in fiscal year 2013. Grant expenditures increased in fiscal year 2014 for grants given to medical providers to build HL7 interfaces to the Health Information Network.

Analysis of Significant Changes in Operations

There were no significant changes in ITD during the audit period.

In addition to ITD's traditional role of providing services to customers on a charge back basis, the Legislature has expanded ITD's responsibility to oversee several general funded technology programs. A brief description of these programs follows.

The Center for Distance Education (CDE) was established in 1935 by the North Dakota Legislative Assembly to provide distance education courses for students in grades K-12 and adults. CDE offers a broad curriculum of middle level and high school distance education courses free of time and place constraints, enhanced through the use of new instructional technologies and delivery systems. More information can be obtained from CDE's home page at: www.ndcde.org.

Senate Bill 2251 of the fifty-seventh legislative assembly created the Education Technology Council (ETC) as an entity within ITD to coordinate educational technology initiatives for elementary and secondary education. More information can be obtained from the ETC's home page at: www.ndetc.k12.nd.us.

EduTech provides technical support and services to K-12 users of STAGEnet and is responsible for professional development of K-12 administrators and teachers in the use of technology to improve teaching and learning. More information can be obtained at www.edutech.nodak.edu.

A general fund and special fund appropriation was given to ITD to support the deployment and operation of STAGEnet to the K-12 schools throughout the state. The general funds cover the costs not funded by the federal E-Rate Program.

A general fund appropriation was given to ITD to support the deployment and operation of the Statewide Longitudinal Data System (SLDS), a P20W data warehouse that integrates data from Pre-K, K-12, postsecondary, and workforce training programs. This system allows state and local entities to leverage approved data from education and workforce training programs for use in reporting, program evaluation, and research for the purpose of improving participant outcomes of education and workforce training programs

A general fund appropriation was given to ITD to support the deployment and operation of a centralized Geographic Information System (GIS) hub to make data more easily available and reduce costs by pooling the resources and data used by all levels of government.

A general fund and special fund appropriation was given to ITD to support the operation of the health information technology office. The office is responsible for implementing a statewide interoperable health information infrastructure and promoting the use and adoption of electronic health records and associated health information technologies.

A general fund and special fund appropriation was given to ITD to support the deployment and operation of a centralized Criminal Justice Information Sharing (CJIS) hub to make data more easily available and reduce costs by pooling the resources and data used by all levels of law enforcement agencies.

ITD also publishes an annual report that discusses our major accomplishments and performance measures in more detail. The report can be found at www.nd.gov/itd/publications.

Analysis of Significant Variances - Budgeted and Actual Expenditures for the 2011-2013 Biennium

ITD received \$8,000,000 in federal fund appropriations for potential federal stimulus grants, (Federal Stimulus Fund - 2009 line item) related to the Health Information Exchange (\$5,100,000) and the Broadband Mapping project (\$2,900,000). ITD received \$5,343,733 in federal grants for the Health Information Technology Planning and \$2,000,000 in federal grants for Broadband Mapping. Both grants are multiple year grants and expenditures for these grants started in fiscal year 2010 and will continue into the 2013-2015 biennium. ITD also received an \$8,000,000 special fund appropriation (Health Information Technology Office line item) for matching dollars related to the federal stimulus grants for Health Information Technology Planning and the Health Information Exchange (HIE). In addition, ITD received a \$5,596,266 special fund appropriation to pay for HIE expenditures via funds received from billing providers. Overall HIE expenditures were less than anticipated since we were still in the build out phase of the project during the 2011-13 biennium.

The Center for Distance Education (CDE) received a \$6,649,238 appropriation consisting of a \$2,625,395 general fund appropriation and a \$4,023,843 special fund appropriation. The general fund appropriation covers a portion of the base operating costs for CDE with the special fund appropriation for the other portion of the base operating costs and any costs for additional education supplies and contract teachers if demand for courses exceeds initial projections. The expenditures were less than the appropriation since the demand remained within the base operating projections.

\$4,025,000 of the unexpended appropriations in the Capital Assets line item was related to delayed equipment purchases as a result of project delays. The remaining unexpended appropriations was due to planned equipment replacements extending into the 2013-2015 biennium.

The unexpended \$3,626,867 in general fund appropriations for the Statewide Data System line item is related to the Statewide Longitudinal Data System. The state received grants in the Department of Public Instruction (DPI) budget which reduced the amount of general funds needed in 2011-2013. This general funded technology initiative started in the 2009-2011 biennium and will continue on into the 2013-2015 biennium. As we worked with OMB and the Legislature on the 2011-2013 budget for this line item appropriation, all parties anticipated that any funds not expended for the project during the 2011-2013 biennium would be treated as a technology carryover appropriation for the 2013-2015 biennium.

We received additional appropriations in the Salaries and Wages and Operating Expenses line items for various IT projects during the special session. The variances in these line items are a result of not hiring staff as early as anticipated and not onboarding as many contractor resources as originally anticipated during the special session.

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
<u>Revenues and Other Sources:</u>		
Computer Services	\$61,948,536	\$57,671,610
Federal Revenue	2,474,997	3,491,087
PowerSchool Revenue	2,575,868	2,251,438
Sale of Publication	506,860	586,951
Student Fees	464,845	473,588
Telecommunication Relay Services	375,494	374,750
Miscellaneous General Revenue	293,218	282,973
Transfers In		8,050,361
Total Revenues and Other Sources	<u>\$68,639,818</u>	<u>\$73,182,758</u>
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	31,052,796	28,862,636
IT Equipment Over \$5000	2,308,716	3,335,778
Bond Payments	2,504,100	2,677,257
Grants	774,613	352,980
Major Operating Expenses		
IT Contractual Services	19,396,818	16,549,541
Supplies - IT Software	11,761,617	12,083,870
IT - Data Processing	2,299,993	1,842,582
IT-Communications	2,200,044	2,688,192
Rent of Building Space	1,264,505	1,277,247
Repairs	425,863	1,072,614
Office Supplies	1,016,785	120,508
Travel	593,923	615,734
IT Equip under \$5,000	496,442	534,768
Professional Development	531,180	529,952
Fees and Services	130,469	147,469
Other Operating Expenses	878,770	755,560
Transfers Out	14,277	574,918
Total Expenditures and Other Uses	<u>\$77,650,911</u>	<u>\$74,021,606</u>

Statement of Appropriations

For The Fiscal Year Ended June 30, 2014

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Wages	\$ 51,553,251	\$ (655,164)	\$ 50,898,087	\$ 24,809,990	\$ 26,088,097
Accrued Leave Payments	2,626,084		2,626,084	36,441	2,589,643
Operating Expenses	64,834,643		64,834,643	31,488,107	33,346,536
Capital Assets	12,500,000		12,500,000	4,743,480	7,757,120
Technology Project Carryover		3,704,757	3,704,757	2,233,068	1,471,689
Center for Distance Education	5,868,391	218,522	6,086,913	2,957,122	3,129,791
Statewide Data System	1,870,754	33,222	1,903,976	269,406	1,634,573
Education Technology Grant	1,814,609	13,713	1,828,322	223,724	1,604,598
EduTech	8,052,094	275,423	8,327,517	3,753,893	4,573,624
Wide Area Network	4,928,177	36,039	4,964,216	2,067,757	2,896,459
Geographic Info System	1,460,294	9,703	1,469,997	512,525	957,472
Health Info Technology Office	4,750,723	37,530	4,788,253	1,070,638	3,717,615
Criminal Justice Information	3,869,361	31,012	3,900,373	1,388,848	2,511,525
Federal Stimulus Funds - 2009	6,800,000		6,800,000	2,095,912	4,704,088
Totals	<u>\$ 170,928,981</u>	<u>\$ 3,704,757</u>	<u>\$ 174,633,738</u>	<u>\$ 77,650,911</u>	<u>\$ 96,982,827</u>
Expenditures by Source:					
General Fund	\$ 21,254,428	\$ 3,704,757	\$ 24,959,185	\$ 10,800,509	\$ 14,158,676
Other Funds	149,674,553		149,674,553	66,850,402	82,824,151
Totals	<u>\$ 170,928,981</u>	<u>\$ 3,704,757</u>	<u>\$ 174,633,738</u>	<u>\$ 77,650,911</u>	<u>\$ 96,982,827</u>

Appropriation Adjustments:

Chapter 52, Section 3, of the 2013 Legislative Session granted the director of the Office of Management and Budget to make transfers of funds between line items as requested by the Chief Information Officer of the Information Technology Department as determined necessary for the development and implementation of information technology projects. \$655,165 was

moved from the Salaries and Wages line into the various lines that will have salary expenditures.

The \$3,704,757 adjustment to the Technology Project Carryover line item was approved by the Capital Construction Carryover Committee for the completion of the State Longitudinal Data System and Criminal Justice Information Sharing projects.

For The Biennium Ended June 30, 2013

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Wages	\$ 45,603,286	\$ 1,779,791	\$ 47,383,177	\$ 44,042,086	\$ 3,341,091
Operating Expenses	53,152,191	16,066,286	69,218,477	55,106,650	14,111,827
Capital Assets	15,035,666	1,500,000	16,535,666	10,690,275	5,845,391
Technology Project Carryover		2,376,580	2,376,580	1,720,814	655,766
Center for Distance Education	6,649,238		6,649,238	4,972,547	1,676,691
Statewide Data System	3,626,867		3,626,867		3,626,867
Education Technology Grant	1,075,403		1,075,403	1,043,450	31,953
EduTech	7,926,447		7,926,447	7,689,529	236,918
Wide Area Network	5,206,992		5,206,992	4,792,147	414,845
Geographic Info System	1,112,065		1,112,065	1,030,092	81,973
Health Info Technology Office	13,959,238		13,959,238	782,714	13,176,524
Criminal Justice Information	2,981,394		2,981,394	2,409,557	571,837
Federal Stimulus Funds - 2009	8,000,000		8,000,000	2,976,246	5,023,754
Totals	<u>\$ 164,328,887</u>	<u>\$ 21,722,657</u>	<u>\$ 186,051,544</u>	<u>\$ 137,256,109</u>	<u>\$ 48,795,436</u>
Expenditures by Source:					
General Fund	\$ 19,252,204	\$ 2,376,580	\$ 21,628,784	\$ 17,242,047	\$ 4,386,737
Other Funds	145,076,683	19,346,077	164,422,760	120,014,061	44,408,699
Totals	<u>\$ 164,328,887</u>	<u>\$ 21,722,657</u>	<u>\$ 186,051,544</u>	<u>\$ 137,256,109</u>	<u>\$ 48,795,436</u>

Appropriation Adjustments:

Chapter 578, Section 2, of the 2011 Special Session Laws appropriated \$19,346,077 to the Information Technology Department for the purpose of defraying the costs of the Department of Human Services eligibility system. ITD allocated \$1,779,791 to the Salaries and Benefits line item, \$16,066,286 to the Operating Expenses line item, and \$1,500,000 to the Capital Assets line item.

The \$2,376,580 adjustment to the Technology Project Carryover line item was approved by the Capital Construction Carryover Committee for the completion of the State Longitudinal Data System and Criminal Justice Information Sharing projects.

Internal Control

In our audit for the two-year period ended June 30, 2014, we identified the following areas of the Information Technology Department'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 assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) 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 internal control was adequate.

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 did not identify any significant deficiencies in internal control.

Compliance With Legislative Intent

In our audit for the two-year period ended June 30, 2014, we identified and tested Information Technology Department's compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- Proper return of any excess state aid moneys to the Superintendent of Public Instruction (NDCC Section 15.1-07-33, subsection 3).
- Calculation of the telephone access line surcharge rate (NDCC section 54-44.8-08).
- Deposit of moneys into the Information Technology Fund (NDCC section 54-59-14).
- Proper use of the electronic health information exchange fund (NDCC section 54-59-27).
- Proper use of the State Treasurer (State Constitution, Article X, section 12).
- Compliance with appropriations and related transfers (2011 North Dakota Session Laws chapter 20 and 2013 North Dakota Session Laws chapter 52).
- Proper fund authorization.
- Compliance with OMB's Purchasing Procedures Manual.
- Compliance with the Bank of North Dakota Transfer (2011 North Dakota Session Laws chapter 20, section 4 and 6).
- Compliance with appropriations for the StageNet Connectivity and to defer the costs of Department of Human Service Center Eligibility System (2011 Session Law chapter 39, section 4 and chapter 578, section 2)
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Proper use of outside bank accounts, petty cash funds, and proper authority for investments outside the Bank of North Dakota.
- Adequate blanket bond coverage of employees (NDCC Section 26.1-21-08).
- Compliance with fixed asset requirements including record-keeping, annual inventory, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.
- Compliance with payroll-related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.

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 requires 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The finding is described below. Other than this finding, we concluded there was compliance with the legislative intent identified above. We also have noted a certain inconsequential instance of noncompliance that we have reported to management of the Information Technology Department in a management letter dated March 25, 2015.

Noncompliance With Annual Inventory of Fixed Assets (Finding 14-1)

Condition:

The Information Technology Department did not physically verify all of their fixed assets when taking their annual inventory for fiscal years 2013 and 2014. We noted 710 fixed assets totaling \$2,166,352 and 2,104 fixed assets totaling \$7,237,732 for fiscal years 2013 and 2014, respectively, were not physically inspected to verify the existence of the fixed assets.

Criteria:

North Dakota Century Code section 44-04-07 requires state agencies to complete an annual inventory of fixed assets.

Cause:

Turnover in the position responsible for taking the annual inventory of fixed assets.

Effect or Potential Effect:

Missing fixed assets may go undetected by the Information Technology Department and possible misstatement of the financial statements.

Recommendation:

We recommend the Information Technology Department perform a complete annual inventory of fixed assets as required by North Dakota Century Code section 44-04-07.

Information Technology Department Response:

The Information Technology Department agrees with the recommendation and has already started work on the 2015 inventory. We anticipate no issues completing the 2015 inventory. The 2014 inventory was started but not completed due to turnover of staff in this area. The 2013 inventory was started utilizing staff interns to conduct the inventory which posed some challenges in the outlying areas around the state that are not state owned locations.

Operations

This audit did not identify areas of Information Technology Department's operations where we determined it was practical at this time to help to improve efficiency or effectiveness.

Management Letter (Informal Recommendations)

March 25, 2015

Mr. Mike Ressler, Chief Information Officer
Information Technology Department
4201 Normandy Street
Bismarck, North Dakota 58503-1324

Dear Mr. Ressler:

We have performed an audit of the Information Technology Department for the two-year period ended June 30, 2014, and have issued a report thereon. As part of our audit, we gained an understanding of the Information Technology Department'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.

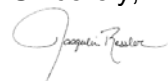
The following presents our informal recommendation.

Informal Recommendation 14-1: We recommend the Information Technology Department pay all meal and lodging requirements in accordance with the Office of Management and Budget's Fiscal and Administrative Policy 505 and also take steps to ensure all expenditures are properly coded.

Management of Information Technology Department agreed with this recommendation.

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,



Jacqueline Ressler
Auditor in-charge

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