

# Department of Career and Technical Education

BISMARCK, NORTH DAKOTA

## **Audit Report**

For the Biennium Ended  
June 30, 2017

**Joshua C. Gallion**  
State Auditor



Office of the State Auditor  
Division of State Audit

# *Office of the State Auditor*

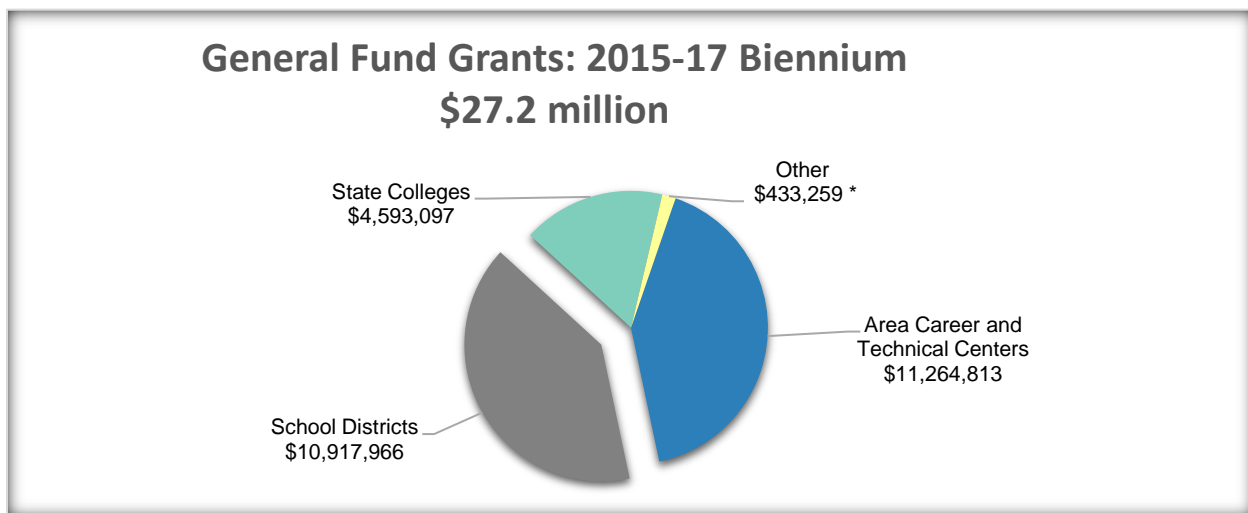
## *Department of Career and Technical Education*

### *Report Highlights*

#### **Grants to School Districts (General Funds):**

The audit included a review of grants to school districts from the state's general fund. Significant deficiencies identified were improper and unsupported payments to school districts, unreviewed access privileges of the Budget and Reimbursement Process (BRP) system, and unreconciled grant payments approved in the BRP system which are paid through the state's accounting system (ConnectND).

The BRP system contains information for grants to school districts, area career and technical centers, and state colleges. A total of \$27,209,135 in grants from the state's general fund were awarded during the 2015-17 biennium. The Department of Career and Technical Education receives general fund appropriation from the state legislature to award grants to school districts. These grants defray the costs of career and technical education classes with approved curriculums. Grants are awarded on a reimbursement basis for salary, travel, equipment and other supplemental payments.



Source: Budget and Reimbursement Process (BRP) system, \* Connect ND Finance

**Internal Control:** High risk areas were evaluated and tested including: expenditures (including correcting entries and grant expenditures) and the Budget and Reimbursement Process (BRP) system. Deficiencies identified in the review of grants to school districts are related to inadequate internal controls. In addition, the following significant deficiency was identified.

- Grant expenditures were coded to incorrect appropriation lines and accounts in the state's accounting system (ConnectND) which resulted in improper recognition and reporting of expenditures.

**Legislative Intent:** High risk areas were evaluated and tested including: procurement, salary of the Career and Technical Education Director, blanket bond coverage, and appropriation laws. One instance of non-compliance was identified.

- The Department overspent general fund spending authority by \$48,592. These funds were awarded as grants to school districts and used for other purposes rather than science, technology, engineering, and mathematics initiatives as specified by the North Dakota Legislature.

## **LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE MEMBERS**

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## **AUDITOR AND AGENCY PERSONNEL**

### **State Auditor Personnel**

Allison Bader, Audit Manager  
Holly Robak, In-Charge Auditor  
Heidi Morman, Auditor  
Alandra Williams, Auditor Intern

### **Department of Career and Technical Education Contacts**

Wayde Sick, Director and Executive Officer  
Mark Wagner, Assistant State Director  
Gwen Ferderer, Budget & Finance Admin.

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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
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BISMARCK, NORTH DAKOTA 58505

## ***Transmittal Letter***

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June 15, 2018

Members of the North Dakota Legislative Assembly  
State Board for Career and Technical Education  
Mr. Wayne Sick, Director

We are pleased to submit this audit of the Department of Career and Technical Education for the biennium ended June 30, 2017. 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.

Allison Bader 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. Sick and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion  
State Auditor

# ***Executive Summary***

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## ***Introduction***

The mission of the North Dakota Department of Career and Technical Education is to work with others to provide all North Dakota citizens with the technical skills, knowledge, and attitudes necessary for successful performance in a globally competitive workplace. This includes providing career awareness, work readiness skills, occupational preparation, and retraining of workers throughout the state.

There are nine members of the State Board of Career and Technical Education (State Board). They include six individuals who are appointed by the Governor; the remaining three are the elected Superintendent of Public Instruction, the appointed Chancellor of Higher Education, and the appointed Executive Director of Job Service North Dakota.

The State Board appointed Wayne Kutzer as State Director and Executive Officer of the Department of Career and Technical Education as of July 1, 2000. Wayde Sick was appointed after the audit period as State Director and Executive Officer on May 1, 2018. The duties, terms of office, and compensation of the Director are determined by the State Board. The Director enforces the rules and regulations adopted by the State Board and prepares reports concerning Career and Technical Education as required by the State Board.

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 Department of Career and Technical Education 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 the finding, "overspent general fund spending authority (page 11), the Department of Career and Technical Education 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?*

Other than the following findings, we determined internal control was adequate.

- Improper Coding of Expenditures (page 10)
- Improper and Unsupported Payments to School Districts (page 15)
- Lack of Review of Access Privileges (page 17)
- Lack of Reconciliation Between Accounting Systems (page 18)

*4. Were there any indications of lack of efficiency in financial operations and management of the agency?*

No.

*5. Has action been taken on findings and recommendations included in prior audit reports?*

There were no recommendations included in the prior audit report.

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

No, a management letter was not issued.

**LAFRC Audit Communications**

*7. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

*8. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The financial statements of the Department of Career and Technical Education 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 Budget and Reimbursement Process (BRP) system are high-risk information technology systems critical to the Department of Career and Technical Education.



# ***Audit Objectives, Scope, and Methodology***

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## ***Audit Objectives***

The objectives of this audit of the Department of Career and Technical Education for the biennium ended June 30, 2017 were to provide reliable, audited financial statements and to answer the following questions:

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

## ***Audit Scope***

This audit of the Department of Career and Technical Education is for the biennium ended June 30, 2017. We conducted our 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 Department of Career and Technical Education's sole location is its Bismarck office which was included in the audit scope.

## ***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.
- 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 Department of Career and Technical Education's processes and procedures.
- Performed a review of school district expenditures submitted in the Budget and Reimbursement Process system

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

# Financial Statements

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## Statement of Revenues and Expenditures

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<b><u>Revenues and Other Sources:</u></b>		
Federal Revenue	\$ 3,823,501	\$ 4,396,181
Conference Registration Fees (net of refunds)	85,626	66,159
Renewal License Fee	2,500	3,500
Private Grant	650	200
Transfers In	624,023	232,916
<b>Total Revenues and Other Sources</b>	<u>\$ 4,536,300</u>	<u>\$ 4,698,956</u>
<b><u>Expenditures:</u></b>		
Grants	\$ 17,747,934	\$ 17,508,477
Salaries and Benefits	2,237,416	2,287,379
Professional Services	239,883	102,534
Professional Development	115,042	118,994
Operating Expenses	96,725	76,158
Travel	88,342	125,538
IT Services	76,064	128,939
Equipment	24,338	1,349
Rentals and Leases	15,130	15,364
<b>Total Expenditures</b>	<u>\$ 20,640,874</u>	<u>\$ 20,364,732</u>

## Statement of Appropriations

For the Biennium Ended June 30, 2017

<b>Expenditures by Line Item:</b>	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Salaries and Benefits	\$ 4,763,504		\$ 4,763,504	\$ 4,524,795	\$ 238,709
Operating Expenses	1,267,339		1,267,339	* 1,046,214	221,125
Grants	31,240,290	\$ 131,804	31,372,094	* 31,241,123	130,971
Grants Postsecondary	661,113		661,113	* 551,350	109,763
Adult Farm Management	660,438		660,438	660,438	
Workforce Training	2,803,500		2,803,500	2,803,500	
<b>Totals</b>	<u>\$ 41,396,184</u>	<u>\$ 131,804</u>	<u>\$ 41,527,988</u>	<u>\$ 40,827,420</u>	<u>\$ 700,568</u>
<b>Expenditures by Source:</b>					
General Fund	\$ 31,698,297		\$ 31,698,297	\$ 31,698,297	
Other Funds	9,697,887	\$ 131,804	9,829,691	9,129,123	\$ 700,568
<b>Totals</b>	<u>\$ 41,396,184</u>	<u>\$ 131,804</u>	<u>\$ 41,527,988</u>	<u>\$ 40,827,420</u>	<u>\$ 700,568</u>

\* Adjusted for errors in appropriation lines identified in Finding 17-1.

### Expenditures without Appropriations of Specific Amounts:

Statewide Conference Fund has a continuing appropriation in accordance with OMB Policy 211 (\$178,186 of expenditures for this biennium).

## ***Internal Control***

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In our audit for the biennium ended June 30, 2017, we identified the following areas of the Department of Career and Technical Education's internal control as being the highest risk:

***Internal Controls Subjected to Testing:***

- Controls surrounding the processing of expenditures.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the Budget and Reimbursement Process system.
- Controls surrounding grants awarded to school districts from the state's general fund.

The criteria used to evaluate internal control is published in the publication *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book, GAO-14-704G). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216) and, for programs receiving Federal funds, the Code of Federal Regulation as set forth by the Federal Government (2 CFR 200.303).

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 misstatements in financial or performance information, violations of laws and regulations, or 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. In addition, significant deficiencies in internal control are identified in Findings 17-3, 17-4 and 17-5.

## ***Improper Coding of Expenditures (Finding 17-1)***

### **Condition:**

The Department of Career and Technical Education coded expenditures to incorrect appropriation lines and accounts in the state's accounting system. The following errors were noted:

- \$400,990 of expenditures were coded to incorrect appropriation lines. Coding these expenditures correctly would have resulted in a remaining appropriation of \$130,971 in the grants appropriation line and \$109,763 in the postsecondary grants appropriation line.
- \$281,879 of expenditures for purchases of services were incorrectly coded to a grant account instead of an operating account.

### **Criteria:**

"Standards for Internal Control in the Federal Government" (Green Book) requires that control activity categories include accurate and timely recording of transactions. (GAO-14-704G para 10.03)

### **Cause:**

The Department was unsure where to code some expenditures and could not identify where those expenditures were initially budgeted.

### **Effect or Potential Effect:**

Improper recognition and reporting of expenditures.

### **Recommendation:**

We recommend the Department of Career and Technical Education properly code expenditures in the state's accounting system to the proper appropriation lines and accounts.

### ***Department of Career and Technical Education Response:***

*CTE agrees with this finding.*

*The funds in question were grants to the four community colleges to fund staff to provide career exploration training to local educators. Due to budget cuts during the 15-17 biennium, these grants were eliminated, and the work was brought in house. Another added expense was to support the RUPReadyND program. This was previously partially funded through a grant from the Bank of North Dakota, the remaining with CTE Federal funds. When the BND grant funds were depleted, CTE used Federal grant funds to cover the entire cost to continue to deliver that service to the students and schools of North Dakota. This was based on CTE's conversation with their fiscal analyst in 2014. The fiscal analyst gave Wayne Kutzer (former State Director) the option of coding these expenses as grants or as operating. Mr. Kutzer chose to code them as grants so that is where the appropriation was placed.*

*CTE has always been transparent in distributing all remaining general fund monies to schools. Former Director Kutzer testified during the 2017 Legislative Session that all unused General Fund grants were distributed to schools.*

*Corrective Action: CTE will request changes in appropriation lines in the 2019-21 biennium to allow these expenditures to be coded per the State Auditor's recommendation.*

## ***Compliance with Legislative Intent***

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In our audit for the biennium ended June 30, 2017, we identified and tested Department of Career and Technical Education's compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- \$100,000 appropriated from the general fund for providing a science, technology, engineering, and mathematics advancement initiative. (House Bill 1393, section 1 of the 2015 North Dakota Session Laws).
- Compliance with appropriations and related transfers (House Bill 1019 of the 2015 North Dakota Session Laws).
- Proper authorization of the Department's funds.
- Compliance with OMB's Purchasing Procedures Manual.
- Travel-related expenditures are made in accordance with OMB policy and state statute.
- Compliance with compensation of the Executive Director as approved by the State Board for Career and Technical Education (NDCC 15-20.1-02)
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Proper authorization of expenditures without appropriations of specific amounts.
- Compliance with adjustments to appropriation (House Bill 1013, section 61 or the 2013 North Dakota Session Laws carryover 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* 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.

### ***Overspent General Fund Spending Authority (Finding 17-2)***

#### **Condition:**

The Department of Career and Technical Education overspent their general fund spending authority by \$48,592 during the 2015-17 biennium. House Bill 1393 of the 2015 Legislative Session appropriated \$100,000 or so much of the sum as may be necessary from the general fund for the purpose of providing a science, technology, engineering, and mathematics (STEM) advancement initiative. The Department only spent \$51,408 on this initiative. The remaining general funds were awarded as grants to school districts for other purposes.

#### **Criteria:**

NDCC 54-44.1-09 requires all expenditures of the state and of its budget units of moneys drawn from the state treasury must be made under authority of biennial appropriations acts, which must be based upon a budget as provided by law, and no money may be drawn from the treasury,

except by appropriation made by law as required by section 12 of article X of the Constitution of North Dakota.

NDCC 54-16-03 requires a state officer may not expend, or agree or contract to expend, any amount in excess of the sum appropriated for that expenditure and may not expend an amount appropriated for any specific purpose or fund or for any other purpose without prior approval in the form of a transfer approval or expenditure authorization as provided in this chapter.

**Cause:**

The Board of Career and Technical Education voted to award any additional available general fund dollars to school districts as additional grant payments. The remaining STEM funding was included in this distribution.

**Effect or Potential Effect:**

The Department did not return the proper amount of general funds back to the state's general fund.

**Recommendation:**

We recommend the Department of Career and Technical Education ensure compliance with the specific appropriation limits set by the North Dakota Legislature.

***Department of Career and Technical Education Response:***

*CTE agrees with this finding.*

*Of the STEM advancement initiative budget of \$100,000, the Department of CTE spent \$51,408. The remaining balance was awarded as grants to school districts. CTE has always been transparent in distributing all remaining general fund monies to schools. Former Director Kutzer testified during the 2017 Legislative Session that all unused General Fund grants were distributed to schools.*

*Corrective Action: Supplemental payments to schools no longer occurs, effective the 2017-18 school year.*



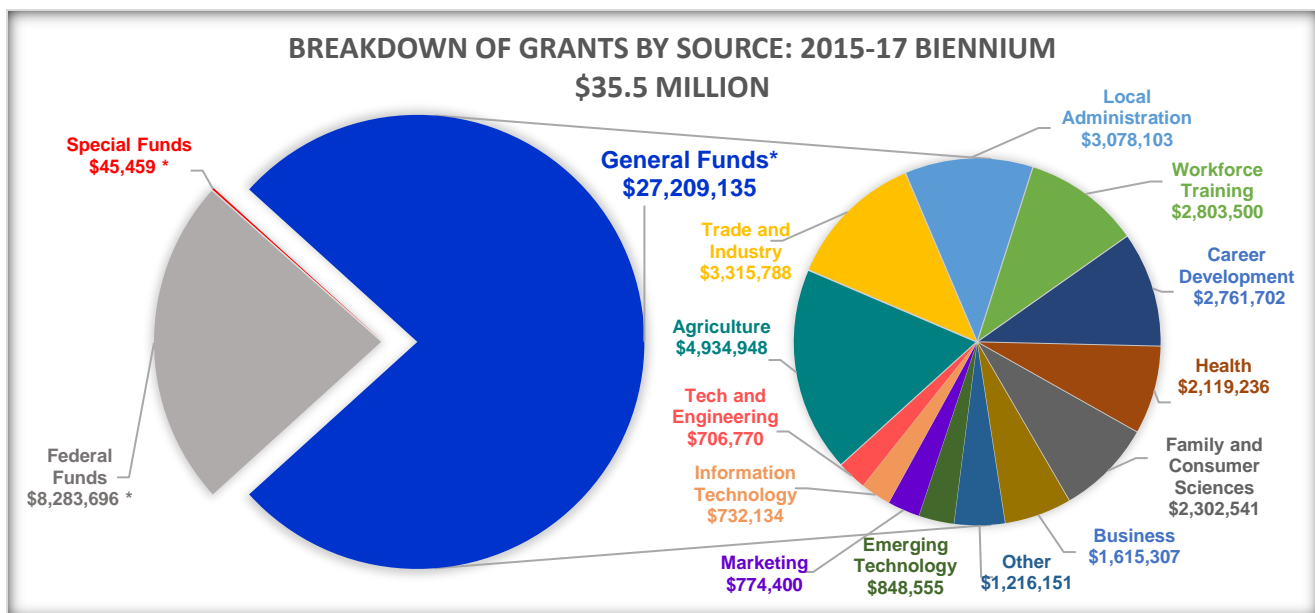
## Operations

Our audit of the Department of Career and Technical Education included a review of operations surrounding grants awarded to school districts from the state's general fund. These grants are awarded to defray the cost of career and technical education classes with approved curriculums.

### Grants to School Districts (General Fund)

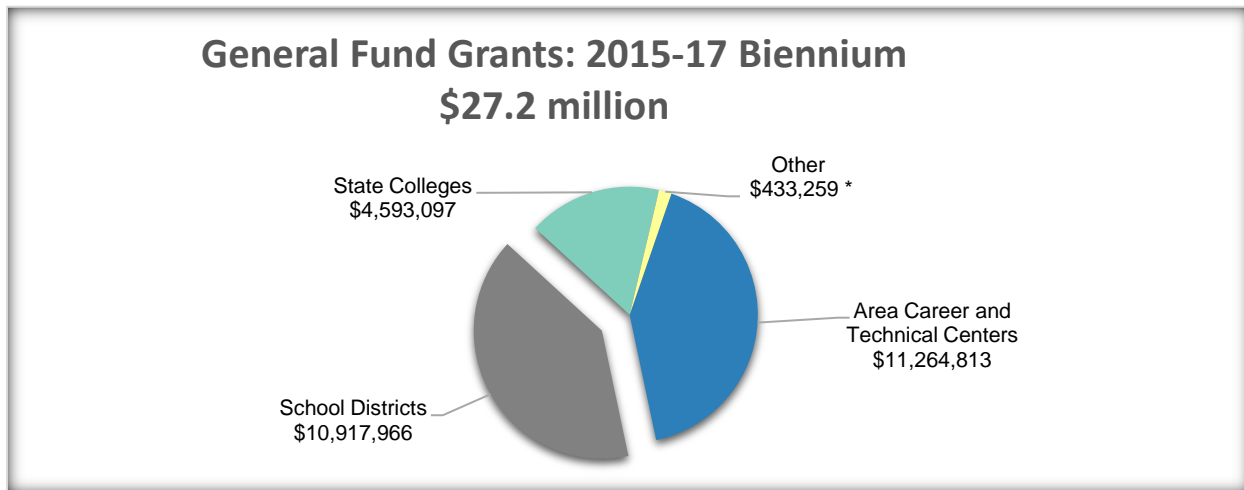
#### Background:

The Department of Career and Technical Education has the responsibility to administer funds provided by the federal government and by the state for the promotion of career and technical education per NDCC 15-20.1-03(2). The state's general fund is the major funding source for grants awarded to entities that offer or promote career and technical education. The graph below shows the breakdown of career and technical education programs that were awarded general funds during our audit period. During the 2015-17 biennium, grants from all sources totaled \$35.5 million with \$27.2 million in grants awarded from the general fund. Agriculture, trade and industry, and local administration are the largest career and technical education programs that receive general fund grants.



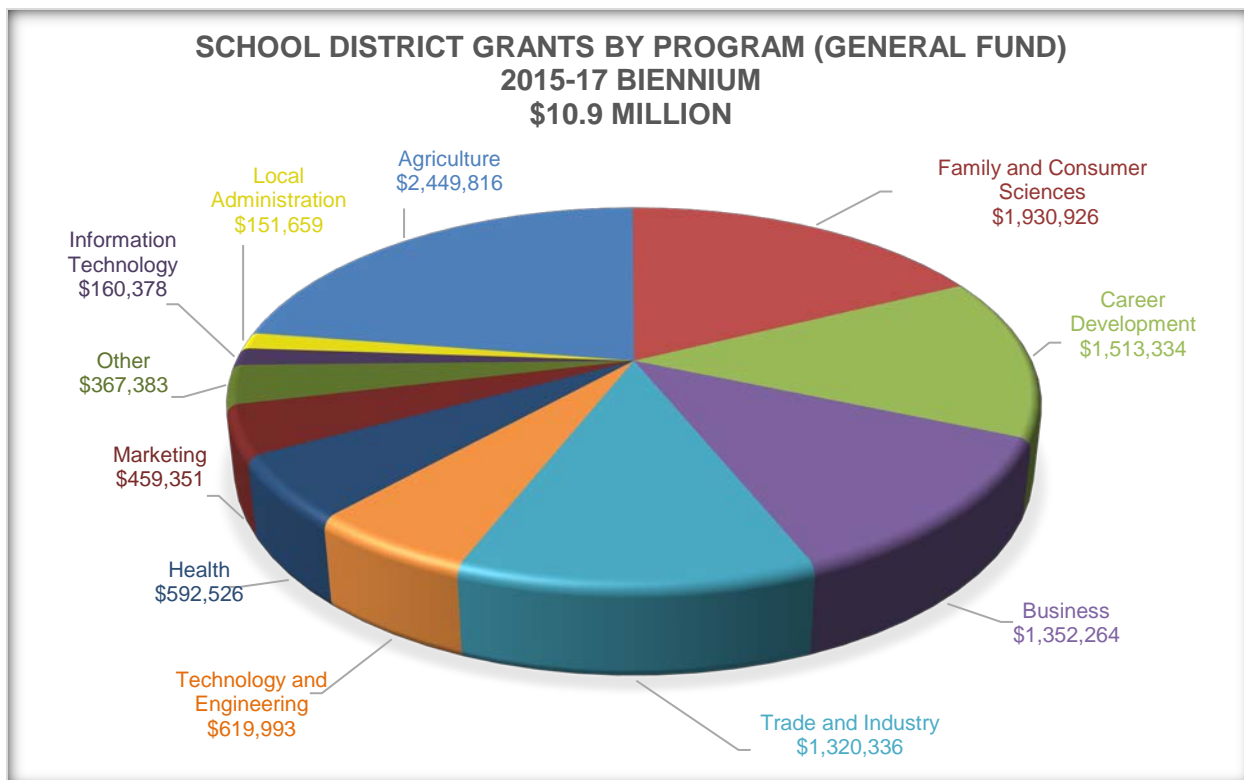
Source: Connect ND Finance \*, Budget and Reimbursement System Process (BRP)

The majority of grants from the general fund are awarded to state colleges, area career and technical centers, and school districts that offer approved career and technical education courses.



Source: Budget and Reimbursement Process (BRP) system, \* Connect ND Finance

There are approximately 140 school districts in North Dakota that offer career and technical education courses. School districts received \$10,917,966 in grants awarded from the state's general fund during the 2015-17 biennium. Grants are awarded on a reimbursement basis for salary, travel, equipment and other supplemental payments. School districts determine the career and technical education programs and related courses that will be offered and apply for approval of those courses from the State Board of Career and Technical Education to receive grant funding.



Source: Budget and Reimbursement Process (BRP) system

The Budget and Reimbursement Process (BRP) system was implemented by the Department for the 2014-2015 school year to receive reimbursement requests from the school districts and store all necessary supporting documentation. School districts submit an application by April of each year for courses to be offered in the upcoming school year. Once the application is approved by the State Board for Career and Technical Education, a request for reimbursement plan is created in BRP. At the beginning of the school year, the school districts may change the reimbursement plans. During the school year, the school districts can upload supporting documentation into BRP for expenditures incurred related to the career and technical education courses. At the end of the school year, in June and July, grant payments are made to school districts for expenses of the completed school year based on a reimbursement rate set by the Department.

Our audit of grants awarded to school districts from the state's general fund to subsidize the expenses of career and technical education courses was designed and conducted to meet the following objectives:

- Are grants awarded to school districts from the state's general fund spent for reasonable activities and properly supported?
- Are reimbursement rates followed as set by the Department for salary, travel, and equipment?
- Are access privileges of the Budget and Reimbursement Process system reviewed to ensure access is proper?
- Is a timely reconciliation completed of grants approved in the Budget and Reimbursement Process system to actual grants paid in the state's accounting system (ConnectND)?

The Department of Career and Technical Education did not meet these objectives.

### ***Improper and Unsupported Payments to School Districts (Finding 17-3)***

#### **Condition:**

The Department of Career and Technical Education made improper payments for salary, travel, and miscellaneous expenditures. These improper payments were based on incorrect reimbursement rates and unsupported reimbursement requests from school districts.

Of \$429,149 payments tested during the audit period, the audit identified \$6,176 in improper payments to school districts. Of these improper payments, 44% relate to travel expenditures. Payments were based on improper reimbursement for instructor time, mileage, meals, and final reimbursement percentage. Unreasonable expenditures were submitted by school districts for reimbursement and paid by the Department for professional association fees, supplies, food, transportation fees and fuel. During the audit, the program administrators confirmed these expenditures were unreasonable and did not have policy guidance.

In addition, of the 45 reimbursements to school districts for travel tested, 44 did not have proper supporting receipts.

#### **Criteria:**

The Department has a policy for reimbursement of state funded programs which lists reimbursement rates by program. The Department also has policies on travel per diem reimbursement rates and instructor time. In addition, Department policy identifies that professional association fees are unallowable.

Department policies require documentation to be uploaded for miscellaneous payments that pertain to the direct cost of the program. The Department does not have separate policies for supporting documents to be received for other reimbursed payments. However, North Dakota Office of Management and Budget Policy 513 and Policy 516 require receipts for similar travel expenditures.

"Standards for Internal Control in the Federal Government" (Green Book) requires management to clearly document all internal controls, transactions, and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are to be properly managed and maintained. (GAO-14-704G para 10.03)

**Cause:**

The Department did not comply with policies for reimbursement rates to school districts. Receipts and supporting documents were not required prior to reimbursement. The Department does not have adequate policies that require receipts and supporting documents from the school districts be uploaded in the Budget and Reimbursement Process system. The Department does not otherwise perform any quality control review during on-site visits to the school districts of records retained for expenditures.

**Effect or Potential Effect:**

Improper payments were made to school districts.

**Operational Improvement:**

We recommend the Department of Career and Technical Education provide reimbursement payments to school districts based on proper reimbursement rates and after receiving supporting receipts.

We also recommend the Department of Career and Technical Education require school districts to upload supporting documents for reimbursement request into the Budget and Reimbursement Process system.

**Department of Career and Technical Education Response:**

*CTE agrees to this finding.*

*Corrective Action: Beginning with the 2018-19 school year, CTE will require all school districts to upload invoices for equipment purchases with Federal funds before reimbursements are made. CTE will begin conducting fiscal desk audits for travel and supplies documentation during the 2018-19 school year. CTE staff and schools will be made aware of the requirements.*

## ***Lack of Review of Access Privileges (Finding 17-4)***

### **Condition:**

The Department of Career and Technical Education has not completed a review of access privileges to deactivate login IDs not being used within the Budget and Reimbursement Process (BRP) system. The BRP system is used by school districts, area career and technical centers, and state colleges to submit requests for reimbursement for career and technical education courses. The Department is responsible for reviewing the requests for reimbursement including sensitive information in the teacher contracts and making proper reimbursement payments based on the expenditures submitted. During the audit period, there were 460 login IDs with successful access into BRP. Of these login IDs, 13% had a most recent login date of December 31, 2015 or earlier. These login IDs were not reviewed and deactivated when no longer used.

### **Criteria:**

"Standards for Internal Control in the Federal Government" (Green Book) requires that management design control activities which include verifications, approvals, and supervisory control activities, and document corrective actions on a timely basis. Control activities for security management of information systems include safeguards of unauthorized access to data, files, and programs through access rights. The Green Book also provides guidance that internal controls be evaluated annually. (GAO-14-704G para. OV3.04, 10.10, 11.12, 17.06)

### **Cause:**

The Department did not review access privileges for the Budget and Reimbursement Process system.

### **Effect or Potential Effect:**

Individuals may have improper and unauthorized access to add or change requests for reimbursement in the Budget and Reimbursement Process system.

### **Operational Improvement:**

We recommend the Department of Career and Technical Education complete and document a review of access privileges of the Budget and Reimbursement Process system on an annual basis at a minimum.

### ***Department of Career and Technical Education Response:***

*CTE agrees to this finding.*

*Corrective Action: CTE will develop a process for review of access privileges on a yearly basis and will add/deactivate access privileges as updates are received during the year.*

## ***Lack of Reconciliation Between Accounting Systems (Finding 17-5)***

### **Condition:**

The Department of Career and Technical Education has not completed a reconciliation between the state's accounting system (ConnectND) and the Budget and Reimbursement Process (BRP) system since the BRP system was implemented during the 2014-2015 school year. Grant expenditures are submitted for reimbursement and approved within BRP. Expenditures are manually keyed into ConnectND to be paid. During the audit period, over \$27 million dollars of state general fund grant expenditures were approved in BRP, paid through ConnectND, and not reconciled.

### **Criteria:**

Standards for Internal Control in the Federal Government (Green Book) requires that management design internal control activities for operational processes including proper reconciliations. (GAO-14-704G para 10.10)

### **Cause:**

The Department did not require a reconciliation between ConnectND and the BRP system.

### **Effect or Potential Effect:**

Approved expenditures in the BRP system may not be accurately paid in ConnectND.

### **Operational Improvement:**

We recommend the Department of Career and Technical Education complete timely reconciliations between the state's accounting system, ConnectND, and the Budget and Reimbursement Process system.

### ***Department of Career and Technical Education Response:***

*CTE agrees with this finding.*

*The Budget and Reimbursement Process (BRP) was piloted in the 2015-16 school year (2014-15 was transferred in from Access.) To ensure payments were accurate, CTE staff added each program up for each school or CTE center. This provided for an accurate payment amount to be submitted in PeopleSoft.*

*As an added precaution, all entered transactions in PeopleSoft are reviewed by the Administrative Officer before final approval is issued. This includes all PeopleSoft expenditures including BRP transactions.*

*Corrective Action: BRP has had many adjustments over the past three years to correct issues. BRP is currently being rewritten to improve its performance and CTE will now begin reconciling BRP with Peoplesoft.*

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