



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Highway Patrol

Audit Report for the Two-Year Period Ended June 30, 2020

Client Code 504





WHAT WE LOOKED AT AND WHY

North Dakota state law requires our team to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. We also reviewed key card access to the State Capitol building for both current and terminated employees, and contractors.

WHAT WE FOUND



Terminated Employees Had Potential to Bypass Capitol Security

The Highway Patrol is not monitoring records of current and terminated employees using key card access. We found **13 terminated employees** still had active access cards.

Read more on page 4



Contractors Had Potential to Bypass Capitol Security

We found **28 active access cards** for contractors that had not been disabled after completing their contract.

Read more on page 6

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HAVE QUESTIONS? ASK US.

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Introduction

North Dakota Highway Patrol

September 2, 2021

We are pleased to submit this audit of the North Dakota Highway Patrol for the two-year period ended June 30, 2020. 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.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Whenever possible, additional audit objectives are included to increase responsiveness 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 the North Dakota Highway Patrol staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

JOSHUA C. GALLION
NORTH DAKOTA STATE AUDITOR

TERMS USED IN REPORT

Appropriation: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

Blanket Bond Coverage: Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

ConnectND: The accounting system for North Dakota.

Continuum System: The system used by Highway Patrol to manage ID and Access cards for employees and contractors.

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

Noncompliance: Failure to act in accordance with a wish or command.

North Dakota Century Code (N.D.C.C.): Collection of all the statutes passed by the North Dakota Legislative Assembly.

Performance Audit: Engagements that provide objective analysis, findings, and conclusions to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

Session Laws: Published after each regular and special legislative session and contain the laws enacted during that session.

Termination: The end of an employee's work with a company. Termination may be voluntary (when a worker leaves of their own) or involuntary, in the case of a company downsize or layoff, or if an employee is fired.

Audit Results

CAPITOL SECURITY OBJECTIVE

Is key card access, which allows users to bypass security screening at the Capitol building, properly issued and disabled according to state law?

FINDING
2020-01

Terminated Employees Could Bypass Capitol Security

CONCLUSION

Key card access which allows users to bypass security screening at the Capitol building is not properly issued and disabled.

BACKGROUND

The North Dakota State Capitol building in Bismarck is home to various government agencies that provide benefits to the citizens of North Dakota.

Capitol Security officers of the North Dakota Highway Patrol manage the Capitol building access cards and provide Capitol complex security needs. While access to the North Dakota Capitol building is open to the public, all visitors are required to pass through a security screening including a metal detector when entering the building.

Employees have access to multiple doors in the Capitol building through key card access. Key card access is one of the several measures in place to provide Capitol building security. Agency designated contacts help to return key cards to Capitol Security when employees quit employment with agencies housed in the Capitol building.

Our team found that the Highway Patrol is not monitoring records of current and terminated employees who have key card access. Automation is not built into the Continuum system to allow for integration based on employment status.

Sources noted by superscript numbers listed on page 8

State law requires the Superintendent of the Highway Patrol to control and oversee the return of keys allowing entry to the building.¹ State law also requires the Highway Patrol to determine the manner in which keys are issued and returned and to also establish policies regarding card access.²

The number of visitors who entered through the security checkpoint in 2019 and 2020 was 175,209. Also during that time frame, access cards were used 735,452 times by employees and contractors to gain entrance into the Capitol.⁴



In 2019 and 2020, the Capitol had **175,209 visitors**. In addition, employees and contractors scanned access cards **735,452 times**.

From a random sample of 30 access cards from 210 potentially terminated employees, we identified 13 terminated employees who still had active access cards.

Highway Patrol does not presently have a policy on the process for the return, disabling, and monitoring of key card access. We also found that the Highway Patrol is not fully utilizing the list of terminated employees that is sent monthly from the Office of Management and Budget (OMB) to disable access in their Continuum system.

In addition, Highway Patrol is only viewing terminated employees from Burleigh County on the terminated employee list from OMB. The Highway Patrol is not reconciling terminated employees to individuals with active key card access in the Continuum system and revoking access when necessary.

The Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book, GAO-14-704G), states:

- Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. (para. 13.04).
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate results. (para. 16.01).
- Management should remediate identified internal control deficiencies on a timely basis. (para. 17.01).

RECOMMENDATION

We recommend the Highway Patrol:

- Perform monitoring procedures by routinely reconciling terminated employees to access within systems that control building security and disable access for terminated employees; or,
- Coordinate with human resource agencies to automate, if possible, building access for employees according to employment status.

NORTH DAKOTA HIGHWAY PATROL RESPONSE

We agree with the finding. Agencies are currently directed under OMB Policy 108 to collect cards upon termination (end of employment). We do not have reason to believe that this isn't consistently being done. The NDHP will, however, clarify communications to agencies ensuring they notify NDHP Security to deactivate the ID card access of terminated employees in a timely manner. We will enhance our current internal control process by collaborating with OMB to explore possibilities within personnel records to build a better method of reconciling ID card access based on current employment status.

Audit Results

FINDING
2020-02

Contractors Could Bypass Capitol Security

CONCLUSION

Contractors that no longer require routine access, can bypass Capitol Security and enter the Capitol building whenever they would like. This can compromise the safety of those working in the Capitol, public citizens that are touring or visiting, the valuable data stored in the building, and the Capitol building infrastructure as a whole. The Capitol building, along with the Judicial Wing, has an insured value of approximately 209-million-dollars. ⁶

BACKGROUND

Our team found 28 active access key cards that had not been disabled after completion of contracts, or the expiration date of the access card exceeded the contract completion date requiring routine access.



In our sample, we found a **56% error rate** of access cards for contractors.

These errors were identified from a random sample of 50 access cards from 538 contractors. Of the 28 contractors, 14 contractors needed to have their access immediately revoked at the time of audit as the contracts had been completed. The remaining 14 contractors were working under active contracts however the expiration date of the access cards was set between 2 months to 78 years beyond the contract completion date.

The Highway Patrol key card access policy states contractor cards are set to expire one year from the creation date, agencies will need to ask for renewal annually. ⁵ During the course of our audit, we found the agency was not consistently limiting building access to one year or less for non-employees.

The United States Department of Homeland Security best practices states that individuals under contract to a department or agency would be issued access based on the need for routine access to facilities or information systems. ³

Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book, GAO-14-704G), states,

- Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. (para. 13.04).
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate results. (para. 16.01).
- Management should remediate identified internal control deficiencies on a timely basis. (para. 17.01).

RECOMMENDATION

We recommend the Highway Patrol:

- Consistently limit or automate expiration of building access to one year or less for non-employees and require agencies to renew access requests annually.
- Provide guidance to agencies to limit contractor access to contract needs for routine access with a maximum of the contracted period of services.
- Implement a required field on the Access Card Authorization Request form be used to identify when contractor access is to be revoked.

NORTH DAKOTA HIGHWAY PATROL RESPONSE

We agree with the finding. The NDHP agrees to implement procedures to terminate access for individuals working under a specific contract in conjunction with the contract end date. We will also seek a process to ensure regular validation of employees of companies who are not under a state contract and currently doing regular business at the Capitol (ie. USPS, Fed-Ex, UPS).

Following the issuance of the final audit report, the NDHP will form an internal audit review committee to address each issue, identify possible solutions, and implement an action plan.

Sources

1, 2 N.D.C.C. 54-21-17.1. Superintendent to secure interior of Capitol building - Issuance and return of keys. The superintendent of the highway patrol shall see to the security of the state Capitol building, and shall have control over the issuance and return of keys allowing entry to the building proper, or any door located therein. Keys to doors in the legislative wing must be issued and controlled by the legislative council when so requested by the highway patrol. The highway patrol shall determine the manner in which keys are to be issued and returned, including the procedure for receiving and recording the payment of fees in lieu of return of keys provided in section 54-06-15.

3 U.S. Department of Homeland Security. Cyber Security and Infrastructure Agency. (2020) "Facility Access Control: An Interagency Security Committee Best Practice" <https://www.cisa.gov/sites/default/files/publications/Facility%20Access%20Control%20-%20An%20Interagency%20Security%20Committee%20Best%20Practice.pdf>. Relevance: Facility access control eligibility, suspension removal, and revocation.

4 During the audited period, Capitol Security operated metal detector screenings at the South and West door entrances. The visitor counts were provided by the Highway Patrol and represent the number of individuals who passed through the metal detector. The employee and contractor counts represent the number of scanned access cards at the Capitol building entrances: North Pull Door, North Slide Door, North Mailroom Pull Door, Loading Dock Door, Main East Entrance, Main West Entrance, Judicial Wing Tunnel Door. Individuals may scan their access card multiple times per day when entering and/or leaving the Capitol building.

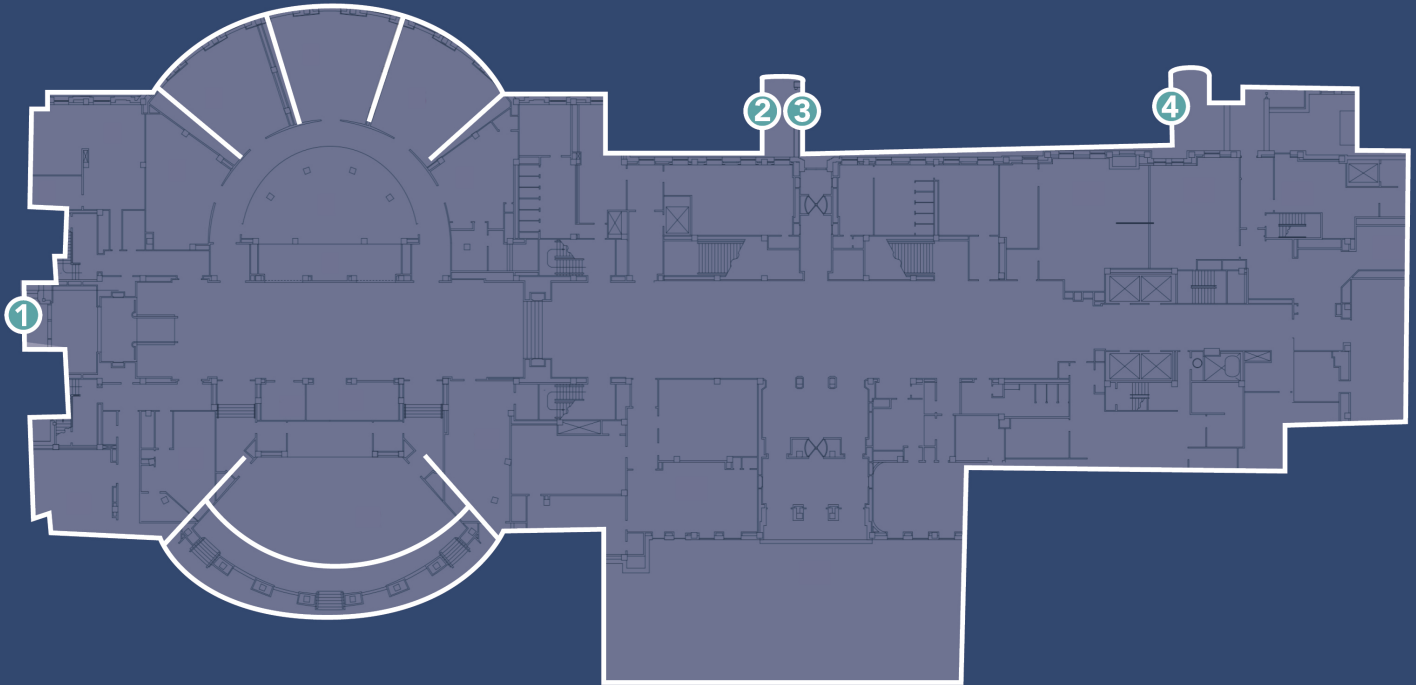
5 ND Highway Patrol. "Key Card Access Policy." Accessed May 2020 on TeamND Connect. <https://ndgov.sharepoint.com/sites/TeamND/SitePages/Keys-and-Card-Access.aspx>. Relevance: Policy states, "contractor cards are set to expire one year from the creation date, agencies will need to ask for a renewal annually."

6 Capitol building insured value was obtained from the Commercial Building and Personal Property Scheduled Insurance Coverage Declaration with the North Dakota Fire and Tornado Fund as provided by the North Dakota Office of Management and Budget. The valuation was current as of the time of the audit for the coverage period of 7/1/21 – 7/1/22. The valuation is for building property and business personal property located at 600 E Boulevard Avenue excluding the maintenance shop which is a detached building.

North Dakota Capitol Building

Doors with key card access

Capitol Tower L-Wing Ground Floor

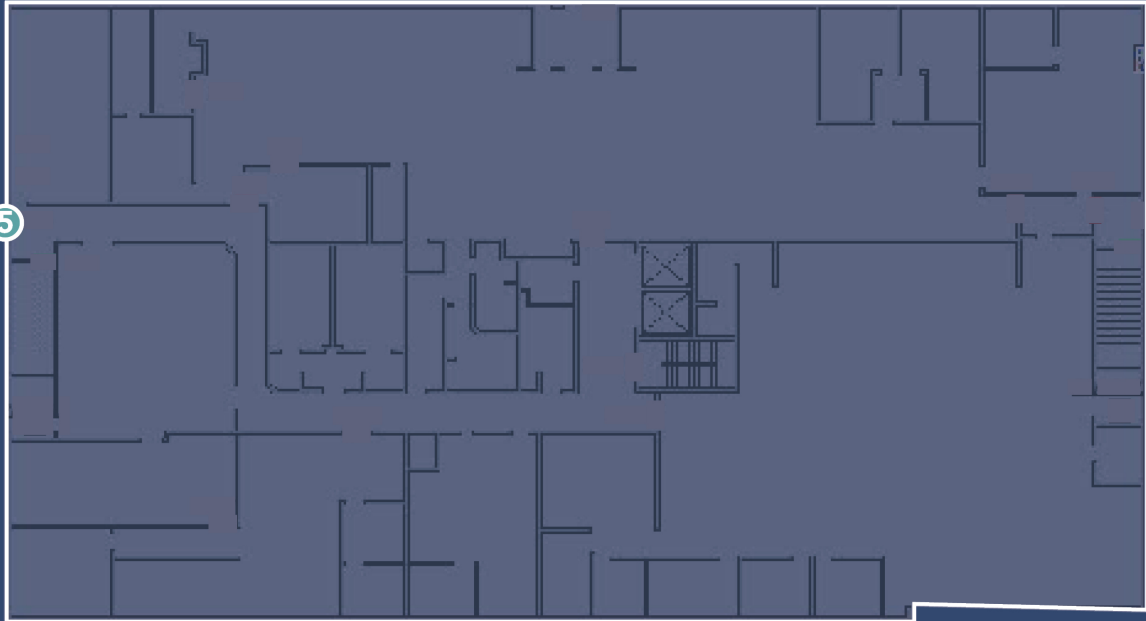


- ① Main West Entrance
- ② North Pull Door
- ③ North Slide Door
- ④ North Mailroom Pull Door

North Dakota Capitol Building

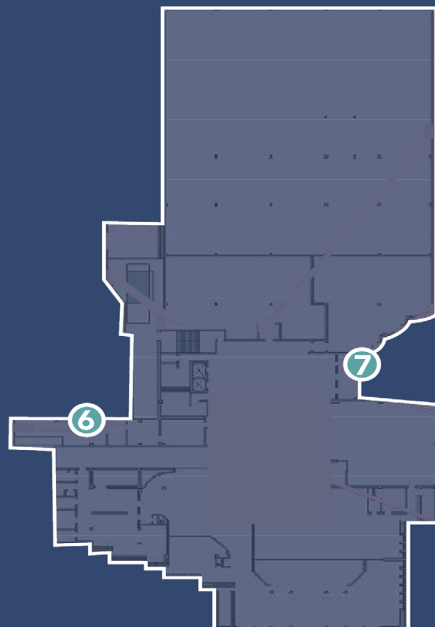
Doors with key card access

Department of Transportation Highway Building First Floor



5 Judicial Wing Tunnel Door

Judicial Wing Ground Floor



6 Loading Dock Door

7 Main East Entrance



Audit Results

PRIMARY OBJECTIVE

Are there any errors, internal control weaknesses, or potential violations of law for significant or high-risk functions of the agency?

CONCLUSION

No areas of concern were identified.

Audit Procedures

Key Card Objective

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentations and electronic data records. We planned our audit work to assess the design, implementation, and effectiveness of those internal controls that were significant to our audit objectives. Specifically, our work related to internal control included the following components and underlying principles based on guidance issued by the U.S. Government Accountability Office.

COMPONENT: CONTROL ACTIVITIES

Principle: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

COMPONENT: INFORMATION AND COMMUNICATION

Principle: Management should use quality information to achieve the entity's objectives.

The specific internal control testing completed for this audit objective is identified below:

- Continuum system restricts building access by a change of status from 'active' to 'disabled' or by access card expiration date.
- Continuum system restricts access to certain points of entry allowed by an access card.
- Accurate information was obtained regarding the end date of a contracted project via an internal audit performed

by Highway Patrol or from the agency the contractor worked for.

We observed Capitol Security officers change the status of an access card from 'active' to 'disabled' in the Continuum System. We tried to obtain physical access to the Capitol building using the disabled access card and were not able to gain access. Similarly, we observed Capitol Security officers change the expiration date of an access card to a prior day in the Continuum system. The expired access card did not allow physical access into the Capitol building. Lastly, we attempted to gain entry through a door that was not authorized by the access card and the attempted entry was denied.

Information regarding the end date of contracted projects is not obtained by Highway Patrol. See finding 2020-02. Highway Patrol is not reconciling a complete list of terminated employees to individuals with active key card access in the Continuum system. See finding 2020-01.

SCOPE

The North Dakota Highway Patrol headquarters is located in the Capitol building at 600 East Boulevard Avenue in Bismarck, North Dakota. The Capitol building access records from the Continuum system were obtained from Highway Patrol on May 20, 2021. The records were limited to employees and contractors with active access cards in the Continuum system at the time of our audit. Access records from the Continuum system were compared with active and terminated employees in ConnectND Human Capital Management (HCM). Access records were limited to employees that were terminated after January 1, 2015, and this limit was made by comparing exact matches of employee lastname, firstname in the Continuum system and ConnectND HCM. Access records were not limited for contractors and all contractor access was subject to testing.

Records were also limited to access of these Capitol building entrances: North Pull Door, North Slide Door, North Mailroom Pull Door, Loading Dock Door, Main East Entrance, Main West Entrance, Judicial Wing Tunnel Door.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and projected the results to the population where appropriate.
- Interviewed appropriate agency personnel.
- Observed the Department's processes and procedures.
- Obtained key card access records from the Continuum system. The data showed all employees and contractors that have had an access or ID card.
- Compared the data from the Continuum System to ConnectND HCM records to identify active and terminated employees.
- Created file of the combined employment data from Connect and key card access records from the Continuum system.
- Analyzed this file to identify active and terminated employees with active access cards, date and entry location the access cards were last used, and the expiration date on the card.
- Analyzed terminated employees with access cards that have not been disabled from the Continuum system.
- Terminated employees with active access cards were compared to ConnectND HCM records, via their employee ID number, to determine if the employee was terminated from all job duties and if Capitol building access should have been revoked.
- Had discussions with HR representatives from the terminated employees last agency to ensure they have been completely terminated.
- Obtained and analyzed a ConnectND query showing terminated government employees in North Dakota since 2015.
- Potentially terminated employees were analyzed and terminated employment was confirmed with ND Human Resources Management Services Office and respective agencies. Monthly monitoring of OMB's terminated employee list and revoking access in Continuum would have allowed access to be revoked prior to the audit.
 - o Random testing of 15 access cards from 78 potentially terminated employees that had used their access cards after termination did not identify any significant errors. Majority of cards were held by an employee who had transferred to another agency, division, location.
 - o Random testing of 15 access cards from 132 potentially terminated employees that had not used their access cards after termination resulted in a 92% error rate of access cards that were not disabled. Two cards did not have access to the Capitol building.
- Analyzed expiration dates of access cards for contractors in the Continuum System key card access records.
- To determine if routine access was still required, we obtained contracts from individual agencies to compare the contract expiration date to the expiration date on the contractor's access card.
- For contractors without government contracts, such as delivery couriers and the press, we contacted their access card representative to confirm current employment and confirm if access is still required for that individual.
- Random testing of 50 access cards from 538 contractors resulted in a 56% error rate of access cards that were not disabled upon completion of the contract or the expiration date of the access card was beyond the contract completion date requiring routine access.

Primary Objective

INTERNAL CONTROL

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Specifically, our work related to internal control included the following components and underlying principles based on guidance issued by the U.S. Government Accountability Office.

COMPONENT: CONTROL ENVIRONMENT
<p>Principle: Management should demonstrate a commitment to recruit, develop, and retain competent individuals.</p>
COMPONENT: CONTROL ACTIVITIES
<p>Principle: Management should design control activities to achieve objectives and respond to risks.</p> <p>Principle: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.</p>

The specific internal control testing completed for this audit objective is identified below:

- Segregated preparation and approval of expenditures were tested statewide in the audit of the State of North Dakota Annual Comprehensive Financial Report.
- Ensured employees had proper procurement officer certification training for the types of procurements conducted and tasks performed.
- Ensured reconciliations were completed between the Highway Patrol asset tracking system and assets included for capitalization in ConnectND Asset Management.

There were no deficiencies identified.

SCOPE

The North Dakota Highway Patrol headquarters is located in the Capitol building at 600 East Boulevard Avenue in Bismarck, North Dakota. In addition, the agency has several locations throughout the state. The financial data for all locations flows through headquarters and was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and projected the results to the population where appropriate.
- Interviewed appropriate agency personnel.
- Observed the Highway Patrol's processes and procedures.
- Inspected documentary evidence.
- Queried the ConnectND (PeopleSoft) system for data analysis. Performed detailed analytical procedures. These procedures were used to identify high risk transactions and potential problems for additional testing.
- Analyzed accounts charged to each appropriation class to determine that expenditures were not charged to an inappropriate class to circumvent appropriation spending authority. (N.D.C.C. 54-16-03).
- Analyzed and tested expenditures to determine the Highway Patrol did not expend more than appropriated. (N.D.C.C. 54-16-03).
 - o 2017 Session Laws Senate Bill 2011 section 1.
 - o 2019 Session Laws House Bill 1011 section 1.
- Tested compliance with the documented intent of special appropriation laws, including one-time funding items.
- Analyzed transfers and expenditures to determine that no more than \$6,912,904 was transferred from the highway tax distribution fund and used for defraying expenses of the department. (2017 Session Laws Senate Bill 2011 section 4).

- Analyzed expenditures and determined that not more than \$1,369,165 of income from the motor carrier electronic permit transaction fund was used for defraying various expenses associated with the issuance of permits and other nonenforcement motor carrier and administrative activities. (2017 Session Laws Senate Bill 2011 section 5).
- Analyzed expenditures and determined that \$308,000 of the available \$358,000 from the strategic investment and improvements fund was used for equipment replacement. (2017 Session Laws Senate Bill 2011 section 6).
- Analyzed patrol officer payroll and ensure that officers did not receive a per diem of more than \$200 per month that is paid in lieu of reimbursement for meals and other expenses. (2017 Session Laws Senate Bill 2011 Section 7, 2019 Session Laws House Bill 1011 section 7).
- Analyzed transfers and expenditures to determine that \$4,552,780 of the \$7,204,043 was transferred from the highway tax distribution fund and as of the end of fiscal year 2020 the highway patrol has not had any expenditures. (2019 Session Laws House Bill 1011 section 4).
- Analyzed expenditures and determined that \$941,482 of the not more than \$3,356,069 of income from the motor carrier electronic permit transaction fund was used for defraying various expenses associated with the issuance of permits and other nonenforcement motor carrier and administrative activities, including the purchase of equipment and the construction of an addition to the indoor shooting range. (2019 Session Laws House Bill 1011 section 5).
- Reviewed non-appropriated fund activity to ensure the Highway Patrol had legislative approval for all non-appropriated expenditures (N.D.C.C. 54-44.1-09).
 - o Motor Carrier Electronic Permit Transaction fund authorized by N.D.C.C. 39-12-02(6).
 - o Statewide Conference fund authorized by OMB Policy 211.
 - o Highway Patrol Asset Forfeiture Fund authorized by N.D.C.C. 39-03-18.
- Tested compliance with the documented intent of appropriation adjustments. (N.D.C.C.54-16-03).
- Evaluated the adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. (N.D.C.C.26.1-21-08, N.D.C.C. 26.1-21-10(1)).
- Selected a random sample of expenditures to ensure goods and services were properly procured in accordance with competitive purchasing requirements. (N.D.C.C. 54-44.4, N.D.C.C. 48-01.2, N.D.A.C. Title 4-12, and OMB State Procurement Manual Guidelines).
- Analyzed Conference Fund activity and determined that the fund was closed out within 60 days of the end of the 2019 and 2020 annual Leadership in Police Organizations conference. (OMB Policy 211).
- Analyzed and performed random testing of expenditures in asset account classifications to ensure that purchases of capital assets were properly capitalized in ConnectND Asset Management. (N.D.C.C. 54-27-21).

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota Highway Patrol has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The standards used to evaluate internal control are 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).



Responses to LAFRC Audit Questions

1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?

Revenues, expenditures and appropriation information was not prepared by the North Dakota Highway Patrol 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 findings of this report, the Highway Patrol 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. Other than the findings of this report, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

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 Highway Patrol has implemented all 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 North Dakota Highway Patrol's revenues, expenditures and appropriation information does 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 Capital Management (HCM) and Continuum are high-risk information technology systems that were significant to the audit objective.

Finances

Revenues and Expenditures

REVENUES AND OTHER SOURCES		JUNE 30, 2020	JUNE 30, 2019
Permits and Fees		\$ 12,721,626	\$ 24,661,740
Federal Revenue		1,813,114	2,604,121
Sales and Use Tax		65,565	80,175
Conference Fees		67,455	56,999
Miscellaneous Revenue		13,733	8,906
Transfers In		5,722,071	3,233,476
Total Revenue and Other Sources		\$ 20,403,564	\$ 30,645,417

EXPENDITURES AND OTHER USES		JUNE 30, 2020	JUNE 30, 2019
Salaries and Benefits		\$ 21,269,400	\$ 20,087,846
Travel		2,285,325	2,850,372
IT Data Processing/Communications		809,181	844,478
Equipment		586,762	2,834,050
Rent		469,106	464,011
Supplies		408,926	712,157
Professional Services		250,590	202,192
Repairs		220,362	822,654
Food and Clothing		206,787	139,622
Professional Development		186,777	295,509
Building Construction		12,749	-
Miscellaneous Operating Expenses		480,521	478,996
Transfers Out		-	48,612
Total Expenditures and Other Uses		\$ 27,186,486	\$ 29,780,499

Source: ConnectND Financials

Appropriations

For the Year Ended June 30, 2020

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Highway Patrol	\$ 484,094	\$ 656	\$ 483,438
Field Operations	61,494,103	26,993,503	34,500,600
Totals	\$ 61,978,197	\$ 26,994,159	\$ 34,984,038
Expenditures by Source			
General	\$ 44,295,405	\$ 23,342,197	\$ 20,953,208
Other	17,682,792	3,651,962	14,030,830
Totals	\$ 61,978,197	\$ 26,994,159	\$ 34,984,038

For the Biennium Ended June 30, 2019

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Expenditures by Line Item			
Construction Carryover	\$ 28,171	\$ -	\$ 28,171
Field Operations	59,263,427	55,863,668	3,399,759
Totals	\$ 59,291,598	\$ 55,863,668	\$ 3,427,930
Expenditures by Source			
General	\$ 42,527,428	\$ 41,017,995	\$ 1,509,433
Other	16,764,170	14,845,673	1,918,497
Totals	\$ 59,291,598	\$ 55,863,668	\$ 3,427,930

Source: ConnectND Financials



Status of Prior Recommendations

Noncompliance with Internal Policies for School Bus Inspections (Finding 18-01)

Implemented

Recommendation: We recommend the North Dakota Highway Patrol perform school bus inspections and re-inspections according to internal policies.

Status: Implemented. North Dakota Highway Patrol updated internal policies and school bus inspections are being completed in accordance with 2015 National Specifications and Procedures Manual (most current). Re-inspections are no longer required to be completed by the Highway Patrol due to changes in internal policies and procedures in conjunction with the North Dakota Department of Instruction (DPI).

Inaccurate School Bus Inspection Database Records (Finding 18-02)

Implemented

Recommendation: We recommend the North Dakota Highway Patrol ensure complete and consistent records are managed and maintained in the School Bus Inspection Database.

Status: Implemented. North Dakota Highway Patrol is including complete and consistent records in the School Bus Inspection Database. We reconciled the inspection request list to bus records of inspections that were performed by the North Dakota Highway Patrol.



Status of Prior Recommendations

Incomplete List of Entities and Vehicles to be Inspected (Finding 18-03)

Implemented

Recommendation: We recommend the North Dakota Highway Patrol ensure entity and school bus listings are defined and complete to carry out changes in internal policies.

Status: Implemented. Due to policy changes in conjunction with the North Dakota Department of Public Instruction (DPI), the North Dakota Highway Patrol is no longer required to perform inspections on all school buses therefore would not need a complete and defined school bus listing. Starting with the 2019-2020 school year, the North Dakota DPI and North Dakota Highway Patrol communicated to school administrators that each school superintendent must have school buses, activity buses, and motor coaches under their supervision inspected to receive funding. Schools can receive inspections from a qualified mechanic or inspector or the North Dakota Highway Patrol. The North Dakota Highway Patrol is now completing inspections for only the buses that schools ask them to inspect and are no longer required to ensure all buses, regular or standby, district-owned, or contracted, are inspected. Schools self-report their inspections and inspection results to DPI.

Not Maximizing the Use of Federal Funds (Finding 18-04)

Implemented

Recommendation: We recommend the North Dakota Highway Patrol ensure procedures are in place to maximize the use of federal grant funds by complying with federal grant requirements.

Status: Implemented. The North Dakota Highway Patrol maximized the use of federal grant funds by using the correct matching percentage of state funds and ensuring expenditures were paid within the allowable grant period.



Status of Prior Recommendations

Lack of Blanket Bond Coverage (Finding 18-05)

Implemented

Recommendation: We recommend the North Dakota Highway Patrol obtain blanket bond coverage and ensure that coverage is renewed on a biennial basis.

Status: Implemented. The North Dakota Highway Patrol obtained blanket bond coverage in March 2019.

Improper Capitalization of Assets (Finding 18-06)

Implemented

Recommendation: We recommend the North Dakota Highway Patrol capitalize assets with a value greater than \$5,000.

Status: Implemented. The North Dakota Highway Patrol properly capitalized assets.



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