



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Department of Corrections and Rehabilitation

Audit Report for the Biennium Ended June 30, 2021

Client Code 530





## WHAT WE LOOKED AT AND WHY

North Dakota state law (N.D.C.C. 54-10-01) requires that our team perform an audit once every two years. This includes a review of financial transactions and determining that expenditures are correct. Our audits report any errors, internal control weaknesses or potential violations of law identified in significant or high-risk functions of the agency.

## WHAT WE FOUND

This audit did not identify any areas of concern.

# TABLE OF CONTENTS

## INTRODUCTION

Terms Used in Report. . . . . 3

## AUDIT RESULTS

Primary Objective. . . . . 4

## AUDIT PROCEDURES

Internal Control . . . . . 5  
Scope . . . . . 5  
Methodology . . . . . 5  
Authority and Standards. . . . . 6

## LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Responses to LAFRC Audit Questions . . . . . 8  
LAFRC Audit Communications. . . . . 9

## FINANCIALS

Revenues and Expenditures . . . . . 10  
Appropriations. . . . . 12

## STATUS OF PRIOR RECOMMENDATIONS

All Recommendations . . . . . 13

## KEY PERSONNEL

Allison Bader  
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## HAVE QUESTIONS? ASK US.

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# Introduction

## Department of Corrections and Rehabilitation

April 20, 2022

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**W**e are pleased to submit this audit of the Department of Corrections and Rehabilitation for the biennium ended June 30, 2021. 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) 328-1073. We wish to express our appreciation to the Department of Corrections and Rehabilitation 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.

**Conflict of Interest:** Situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

**ConnectND:** The accounting system for North Dakota.

**Department of Corrections Subject Tracking and Reporting System (DOCSTARS):** This is the Parole & Probation's field services core business system. It provides daily information to BCI pertaining to supervised offenders and provides data to the parole board and victims compensation sub systems.

**Emergency Commission:** Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

**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.



# Audit Results

## PRIMARY OBJECTIVE

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

## CONCLUSION

No areas of concern were identified.



# Audit Procedures

## 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 operating effectiveness of those internal controls that were significant to our audit objectives.

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

- Segregated preparation and approval of expenditures is tested statewide in the State of North Dakota Annual Financial Report.
- Selected a random and judgmental sample of expenditures and inspected proper level of procurement training was completed by the purchasing employee.
- Selected random and judgmental sample of state purchase card expenditures and inspected that related receipts were approved by the appropriate supervisor.
- Performed analytics on DOCSTARS data to inspect supervision level override approvals were segregated from the preparers.
- Selected random sample of pharmacy adjustments by month and inspected individual adjustment printouts to ensure adjustment was reviewed and signed by individual independent from preparing the adjustment.

There were no deficiencies identified.

## SCOPE

The Department of Corrections and Rehabilitation has operations in the following locations.

Each location was included in the audit scope:

- Youth Correctional Center - Mandan
- James River Correctional Center - Jamestown
- Missouri River Correctional Center - Bismarck (Includes Bismarck Transition Center, Centre Inc. Fargo, Grand Forks, and Mandan, and Lake Region Residential Re-Entry Center, Devils Lake)
- North Dakota State Penitentiary - Bismarck
- Dakota Women's Correctional Rehabilitation Center - New England (Includes Bismarck Transition Center and Centre Inc. Fargo and Mandan)
- Rough Rider Industries - Bismarck
- 8 Parole and Probation Regions including the 17 District Offices -
  - o Region 1 - Fargo and Wahpeton
  - o Region 2 - Bottineau, Rolla, Devils Lake, Jamestown, and Oaks
  - o Region 3 - Bismarck and Washburn
  - o Region 4 - Mandan, Beulah, and Dickinson
  - o Region 5 - Williston and Minot
  - o Region 6 - Grand Forks and Grafton
  - o Region 7 - Statewide Drug Courts and Staff Development
  - o Region 8 - Pretrial Services

## METHODOLOGY

To meet this objective, we

- Used non-statistical sampling and the results were projected to the population where appropriate.
- Interviewed appropriate agency personnel.
- Observed the Department of Corrections and Rehabilitation's processes and procedures.



- Inspected documentary evidence. (2019 Session Laws House Bill 1015 Sections 2).
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Analyzed and tested expenditures to determine the Department of Corrections and Rehabilitation did not expend more than appropriated (N.D.C.C. 54-16-03).
  - 2019 Session Laws House Bill 1015 Section 1.
- 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).
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. Evaluated blanket bond coverage maintained in accordance with state law and state guidelines. (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10(1)).
- Determined if \$1,218,00 was received from the strategic investment and improvements fund and was used for the purpose of extraordinary repairs, intake and legal movement system, inmate tracking system, contracts and payment processing system, oracle software upgrades, redundant fence, and scan and screen device. (2019 Session Laws House Bill 1015 Sections 2 and 3)
- Analyzed expenditures and determined \$203,858 of \$298,700 of special funds was used for the purchase of equipment. (2019 Session Laws House Bill 1015 Section 2).
- Analyzed expenditures and determined \$1,332,250 of general and special funds was used for extraordinary repairs. (2019 Session Laws House Bill 1015 Section 2).
- Analyzed expenditures and determined \$458,830 of \$475,000 of general funds was used for a youth correctional center campus and Department of Correction and Rehabilitation Study.
- Analyzed expenditures and determined \$18,313 of \$160,000 of strategic investment and improvement funds was used for a redundant fence. (2019 Session Laws House Bill 1015 Sections 2 and 3).
- Analyzed expenditures and determined \$156,492 of \$165,000 of strategic investment and improvement funds was used for Oracle software upgrade. (2019 Session Laws House Bill 1015 Sections 2 and 3).
- Analyzed expenditures and determined \$100,000 of strategic investment and improvement funds was used for contracts and payments processing system. (2019 Session Laws House Bill 1015 Sections 2 and 3).
- Analyzed expenditures and determined \$122,684 of \$160,000 of strategic investment and improvement funds was used for inmate tracking system. (2019 Session Laws House Bill 1015 Sections 2 and 3).
- Analyzed expenditures and determined \$233,603 of \$240,000 of strategic investment and improvement funds was used for intake and legal movement system. (2019 Session Laws House Bill 1015 Sections 2 and 3).
- Analyzed expenditures and determined \$755,034 was spent to establish a pretrial services program as a pilot project in three judicial districts of the state.
- Analyzed expenditures and determined \$7,000,000 of general funds was spent on community behavioral health program.
- Tested compliance with the documented intent of appropriation adjustments, including specific Session Laws with related emergency measure sections authorized by the Emergency Commission. (N.D.C.C. 54-16-03).
- Analyzed and selected a high-risk and random sample of expenditures to ensure goods and services were



properly procured. (N.D.C.C. 54-44.4, N.D.C.C. 48-01.2, N.D.A.C. Article 4-12, and OMB State Procurement Manual guidelines).

- Analyzed and selected high-risk and random sample of purchase card expenditures to ensure receipts support individual purchase card charges and the purchase was reasonable related to the function of the agency.
- Analyzed and selected high-risk and random sample of expenditures, including purchase card expenditures, to test accurate recording of payments in the state's accounting system related to appropriation class, funds, and account, and reasonableness of purchase. (N.D.C.C. 54-44.1-09, N.D.C.C. 44-08-05).
- Performed analytics on DOCSTARS data and determined historical supervision level overrides were retained within the information system.
- Reviewed non-appropriated fund activity to ensure the Department of Corrections and Rehabilitation had legislative approval for non-appropriated expenditures. (N.D.C.C. 54-44.1-09).
  - Probationer Violation Trans Fund (N.D.C.C. 12-65-08).
  - Department of Corrections Operating Fund (N.D.C.C. 12.1-32-07(2)).

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).

## **AUTHORITY AND STANDARDS**

This biennial audit of the Department of Corrections and Rehabilitation 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.



# 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 Department of Corrections and Rehabilitation 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?**

Yes.

## **3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?**

Yes. 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 Department of Corrections and Rehabilitation 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 Department of Corrections and Rehabilitation 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), Macola, Correctional Institution Pharmacy Software (CIPS), and Department of Corrections Subject Tracking and Reporting System (DOCSTARS) are high-risk information technology systems critical to the Department of Corrections and Rehabilitation.

# Financials

## Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Revenue From Federal Government	\$ 8,569,402	\$ 4,586,918
Roughrider Industries Sales	8,497,051	7,838,269
Correctional Fees	2,195,898	2,338,830
Intergovernmental Revenue	404,094	463,566
Meal Sales	378,478	389,885
Mineral Lease Royalties	25,000	25,000
Miscellaneous Revenue	121,890	209,122
Transfers-In	57,144,913	3,770,550
<b>Total Revenue and Other Sources</b>	<b>\$ 77,336,726</b>	<b>\$ 19,622,140</b>

Source: ConnectND Financials

Continued on following page

# Financials

## Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Benefits	\$ 78,099,630	\$ 73,572,508
Community Housing and Programming	9,747,504	10,013,513
Roughrider Industries Expenses	8,776,362	7,520,909
Grants	7,576,510	4,949,139
Dakota Womens Prison	5,952,656	5,952,656
Medical, Hospital, Dental, Optical	4,866,073	5,790,523
Professional Services and Supples	4,300,761	7,631,579
IT - Services, Software, Equipment, Supplies	4,024,051	3,387,848
Food and Clothing	3,691,123	3,608,164
Building and Grounds	1,861,219	2,060,614
Bad Debt Expense	1,704,226	2,126,740
Utilities	1,652,788	1,812,372
COVID Housing Payments to Counties	1,380,950	232,800
Equipment	1,312,630	402,962
Repairs	1,190,192	829,508
Rent of Building Space	814,136	803,628
Travel	781,244	995,741
Inmate Wages	767,135	702,283
Supplies	620,183	721,163
Bond Payments and Special Assessments	390,870	351,218
Professional Development	215,137	210,118
Contract Housing	214,992	637,473
Other Operating Expenses	1,148,593	815,575
<b>Total Expenditures and Other Uses</b>	<b>\$ 141,088,965</b>	<b>\$ 135,129,034</b>

Source: ConnectND Financials

# Appropriations

For the Biennium Ended June 30, 2021

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Capital Assets Carryover	\$ 935,907	\$ 935,907	\$ -
CARES Act Funding - 2020	48,787,732	48,787,732	-
Adult Services	247,971,182	198,722,990	49,248,192
Youth Service	32,546,577	23,940,403	8,606,174
<b>Totals</b>	<b>\$ 330,241,398</b>	<b>\$ 272,387,032</b>	<b>\$ 57,854,366</b>

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
General	\$ 231,928,044	\$ 178,827,404	\$ 53,100,640
Other	98,313,354	93,559,628	4,753,726
<b>Totals</b>	<b>\$ 330,241,398</b>	<b>\$ 272,387,032</b>	<b>\$ 57,854,366</b>

Source: ConnectND Financials



# Status of Prior Recommendations

## Information System (DOCSTARS) Data Limitation (Finding 2019-01)

Implemented

**Recommendation:** We recommend the Department update DOCSTARS information system to retain the historical supervision level overrides.

**Status:** Implemented. Analytics were performed on DOCSTARS data which determined historical supervision level overrides were retained within the DOCSTARS information system.

## No Segregated Override Approval (Finding 2019-02)

Implemented

**Recommendation:** We recommend the Department ensure supervision level overrides are approved by a Program Manager or a Lead Officer and documented by the individual approving instead of the individual seeking approval.

**Status:** Implemented. Analytics were performed on DOCSTARS data which determined all supervision level overrides requiring approval were approved by an individual segregated from preparation.

## Inconsistent Approval of Pharmacy Adjustments (Finding 2019-03)

Implemented

**Recommendation:** We recommend the Department of Corrections and Rehabilitation implement procedures to ensure all pharmacy adjustments are accounted for and all adjustments are reviewed and approval by an individual who did not prepare the adjustment.

**Status:** Implemented. All adjustments are reviewed and approved by an individual independent from preparing the adjustment.






NORTH DAKOTA STATE AUDITOR  
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