

# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Department of Human Services

Audit Report for the Year Ended June 30, 2021

Client Code 325





### 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. We also reviewed the Substance Use Disorder Voucher program to review the eligibility of people applying for the program.

### AUDIT REPORT HIGHLIGHTS



#### Over a Million Program Dollars Incorrectly Paid

We found that up to \$1,066,655 was incorrectly paid for by the Substance Use Disorder (SUD) program. Up to 293 people could have benefitted from the SUD program services if they had not been denied because the program ran out of funds.

*Read more on page 9*



#### Nonexempt Employees Underpaid by \$132,000

Employees who worked both nights and weekends at the Life Skills and Transition Center and State Hospital were underpaid by \$132,000, according to their policy.

*Read more on page 12*

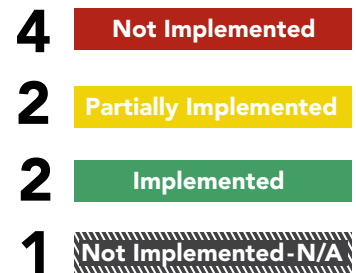
### WHAT WE FOUND

DHS is **not following their own policy** and guidelines to check on **children who are suspected victims of abuse**.

*Read more page 17*



The agency has **not implemented any changes** in **four areas** we found during our last audit.



8 TOTAL AREAS OF CONCERN

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## HAVE QUESTIONS? ASK US.

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# Introduction

## Department of Human Services

April 8, 2022

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We are pleased to submit this audit of the Department of Human Services 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) 328-2241. We wish to express our appreciation to the Department of Human Services 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.

**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.

**Microsoft Dynamics:** A Microsoft application used to maintain data for the Substance Use Disorder Voucher Program.

**MMIS:** Medicaid Management Information System (MMIS) used for processing medical-related claims including Medicaid.

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

**North Dakota Administrative Code (N.D.A.C.):** Codification of all rules of state administrative agencies.

**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.

**Substance Use Disorder (SUD) Voucher:** Funding issued by the department to a licensed substance abuse treatment program, excluding human service centers and the state hospital, to provide eligible individuals with substance use disorder treatment and recovery services.

**Workforce:** Time and attendance system used by the Department of Human Services.



# Audit Results

## Substance Use Disorder Voucher Program

### OBJECTIVE

Is the Department of Human Services (DHS) administering the Substance Use Disorder (SUD) Voucher Program in accordance with laws, rules, and program guidance?

developed to address underserved areas and gaps in the state's substance use treatment system, and to assist in the payment of addiction treatment services provided by licensed substance abuse treatment programs. Since the program's start in 2016 until December of 2020, over 4,200 individuals had received services through the SUD Voucher.

The SUD Voucher program offers a variety of treatment options that are consistent with the American Society of Addiction Medicine (ASAM) criteria.

### CONCLUSION

Individuals eligible for a SUD voucher are approved based on limited income. Our team found that the DHS is not verifying employment information available through other service programs administered by the DHS.

We also found that individuals eligible under Medicaid were receiving funding under the SUD Voucher Program. The treatment received from the SUD Voucher Program could have been billed to Medicaid. Billing Medicaid for eligible services could have resulted in up to \$1 million general fund dollars available for an average of 293<sup>1</sup> additional individuals who could have received substance use disorder treatment services during the audit period.

See Findings 2021-01 and 2021-02.

### BACKGROUND

During the 64th Legislative Session in 2015, the Department of Human Services was appropriated funding to administer a voucher system to pay for substance use disorder treatment services. The voucher system was

<sup>1</sup> Amount paid on vouchers within Dynamics totaled \$6,170,568. With 1,697 vouchers receiving payment, the average amount paid for services for one individual is \$3,636. \$1 million with \$3,636 per voucher results in 293 individuals served. The largest voucher totaled \$61,435.75 and the smallest totaled \$2.30. Of the total number of vouchers, 456 (27%) were over the average and 1,241 (73%) were below the average.

## Not Verifying Income

### CONCLUSION

Without verifying income, there is potential that people applying for voucher programs are not eligible. An individual receiving benefits from the voucher program when they may not be eligible is taking away an opportunity for an individual who is eligible for the program.

### BACKGROUND

In a random sample of 60 out of 1,874 applications, we identified 40 people who were not required to submit any income or expense verification documents to DHS. From the same 60 individuals, we found that the DHS did not perform any other income verification procedures using information available through other service programs administered by DHS.

We also reviewed individuals that reported income greater than the 200% of Federal Poverty Guidelines. If someone has an income over that percentage amount, they would need to submit an exception request indicating inability to pay. This would need to be approved by DHS prior to receiving a voucher. In a random sample of people who reported income greater than 200% of the Federal Poverty Guidelines, we reviewed 15 out of 147 individuals. Of those 15 we reviewed, we identified 11 individuals who were not required to submit any income or expenses verification documents to the SUD Voucher program.

From the same 15 individuals, we identified that the DHS did not perform any other income verification procedures using income and employment information available through other service programs and information systems of the DHS. The computer program (Dynamics), used for the SUD Voucher program, is not integrated with other information systems for eligibility determination. Because

the voucher program is not tied into other programs,

there is no way to quickly determine individual eligibility for the voucher program.

North Dakota Administrative Code (N.D.A.C. 75-09.1-11-07) says that to be eligible for a substance use disorder treatment voucher, the individual must have an annual income no greater than two hundred percent of federal poverty guidelines. N.D.A.C. 75-09.1-11-11 states that exceptions will be considered with regard to an individual meeting the eligibility criteria. Exception requests are reviewed on a case-by-case basis.



An individual receiving benefits from the program when they **may not be eligible** is taking away an opportunity for an individual who is eligible for the program to receive program benefits.

According to an updated draft of the SUD Operating Procedures, “When an individual Federal Poverty Guideline (FPG) exceeds the 200% threshold, an exception request can be approved if the individuals’ calculated net income minus expenses are at or below 75% the FPG.”

These Operating Procedures identified five exception options which DHS will consider for individuals with income greater than 200% FPG. These options are 1) unable to pay the cost of high deductibles, 2) unable to pay the cost of high copays, 3) individual qualifies for Medicaid, 4) individual qualifies for Medicaid Expansion, and 5) other financial hardship.

These Operating Procedures also require that SUD applicants provide expense information and identify allowable categories of expenses. Operating Procedures state that SUD Voucher administrators are responsible

for reviewing income documents submitted for accuracy and the applications are to be reviewed to verify eligibility information is on file. These procedures were not in place during the audit period.

In 2019, for a one-person household, 200% of the Federal Poverty Guideline was \$24,980, as published by the U.S Department of Health and Human Services. In 2021, for a one-person household, 200% of the Federal Poverty Guideline was \$25,760.

According to “Standards for Internal Control in the Federal Government” (Green Book), to meet operational process information requirements, the entity’s information system should be designed to obtain and process information. An information system includes both manual and technology-enabled information processes (GAO-14-704G para. 11.03).

The DHS uses the NDVerify system to streamline eligibility verification sources for other economic assistance and health care coverage programs (NDVerify policy 448-01-50-07).

## DEPARTMENT OF HUMAN SERVICES RESPONSE

The Department of Human Services agrees with this recommendation. The Department has implemented a new system that has specific requirements for income verifications to be submitted by the client into the system. Through these requirements the worker is able to determine proper eligibility. A new full time employee was hired, Medicaid Eligibility Specialist, to complete a secondary review, who has access to ND Verify, SPACES and Job Service. If the specialist finds anything that negates the submitted documentation, the program is made aware.

### RECOMMENDATION

We recommend DHS verify the income of the SUD Voucher applicants by:

- Obtaining acceptable income and expenses verification documents from individuals and service providers, *and*
- Implementing an automated process to verify income eligibility using existing DHS interface verification sources with other service programs. Until an automated process is implemented, we recommend DHS establish documented procedures to ensure a manual search is performed.



## Substance Use Disorder Voucher Incorrectly Paid

### CONCLUSION

Because the SUD Voucher Program ran out of funds, new applicants were denied into the program for an entire year (July 1, 2020, until July 1, 2021). DHS was not able to provide information on how many potential applicants could have applied for the program during that time period. When service providers were notified of the shutdown, service providers stopped submitting applicants, and the application link for individuals to apply was removed from use.



We found that up to **\$1,066,655** was incorrectly paid for by the SUD program. **293 people could have benefitted** from the services had they not been denied due to the program running **out of funds**.

In addition, our team found that up to \$1,066,655 was incorrectly paid for by the SUD Voucher Program, rather than Medicaid. If the treatment services paid for by the Voucher would have been correctly allocated from Medicaid, up to 293 people could have benefited from the substance use disorder treatment services.

### BACKGROUND

The SUD Voucher Program is entirely funded by the state general fund. Medicaid is jointly funded by federal and separately allocated state funds. The SUD Voucher Program ran out of funds because of limited appropriation. If treatment is billed and paid correctly, more people will have access to the treatment services they require. DHS does not

presently have written guidance that tells service providers to bill Medicaid before the SUD Voucher Program when the individual receiving services is approved for Medicaid which covers the same treatment services.

N.D.A.C. 75-09.1-11-14 states that DHS shall provide training and technical assistance to all programs that apply to participate in the SUD Voucher System. All programs shall participate in training regarding the process required to submit billing for services that may be paid through the SUD Voucher System.

According to an undated draft of the SUD Operating Procedures “If an invoice is on file that has been paid, for which Behavioral Health Division (DHS) would not have been the primary payer, the SUD Voucher Administrator will initiate the overpayment recovery process.” When a service item has been paid by the SUD Voucher Program in error due to insurance or other billing error, it is expected the provider will remit this payment back to the SUD Voucher Program.

DHS is not verifying and tracking individuals approved for Medicaid to properly recover overpayments.

### RECOMMENDATION

We recommend the DHS:

- Implement procedures to verify and track individuals approved for a SUD Voucher who are also approved for Medicaid.
- Update provider guidance to identify eligible treatment services for the provider to bill to Medicaid.
- Implement procedures for the SUD Voucher Program to ensure reimbursement from Medicaid or service providers when payments are processed by SUD for Medicaid eligible services.

## **DEPARTMENT OF HUMAN SERVICES RESPONSE**

The Department of Human Services agrees with this recommendation. A new full time employee was hired, Medicaid Eligibility Specialist, who verifies if a participant is eligible for both SUD and Medicaid.

A link to Medicaid Guidance that lists approved services will be added to the provider guidance for billing purposes.

In July, 2021 a documented process was implemented for a quarterly update on client status. If a client became Medicaid eligible or obtains other insurance, this would be identified in the update. This would initiate the Department to review all expenses paid to determine if a refund is appropriate.



**PRIMARY OBJECTIVE**

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

**CONCLUSION**

The audit found that employees at the Life Skills and Transition Center and the State Hospital who worked both nights and weekends were underpaid by approximately \$132,000, based on a misstated 2021 shift differential policy. In addition, bonuses totaling \$157,000 were paid to ineligible employees.

The Department of Human Services also has not implemented four significant findings from prior audits.

## Employees Not Properly Paid

### CONCLUSION

Employees at the Life Skills and Transition Center and the State Hospital who worked both nights and weekends were underpaid by \$132,000. This projection is estimated to be split equally between the State Hospital and Life Skills and Transition Center based on the amount of weekend hourly payroll during the audit period.

In addition, the audit team found 26 employees at the Life Skills and Transition Center who worked in a direct care associate temporary role as a secondary position. These dual position employees were underpaid by an estimated \$4,477 for overtime on night and weekend shift differential for hours worked over 40 hours in a week.<sup>2</sup>

Payroll calculations are done manually for employees working in a dual direct care associate temporary role, compared to payroll calculations being processed in Workforce for their primary position. This is because the software Workforce does not allow one employee to be in the system twice in two different roles.

### BACKGROUND

According to the 2021 DHS Policy/Administrative Procedures for shift differential, the DHS provides a differential for employees who work nights or weekend shifts. The policy states the following:

- Employees who work nights are provided \$0.80 per hour.
- Employees who work weekends are provided with \$1.00 per hour.
- Employees who work both nights *and* weekends are provided both amounts (\$1.80 per hour).



**Employees** who worked both nights and weekends at the Life Skills and Transition Center and State Hospital were **underpaid by \$132,000.**

In fiscal year 2021, employees who worked both nights and weekends were not provided both amounts (\$1.80 per hour). Instead, employees were only provided \$1.00 per hour for working the weekend. DHS claims to have made a mistake that was overlooked when policy documents were drafted where the policy should have been only the increased rate of \$1.00 would be paid for weekends, and not the \$1.80 for employees who work both nights and weekends. During fiscal year 2021, 515 employees were paid weekend shift differential. We are not able to determine how many of these employees also worked nights during the weekend shifts.

“Standards for Internal Control in the Federal Government” (Green Book) states management should internally communicate the necessary quality information to achieve objectives. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis (GAO-17-704G principle 13.05, 14.01).

<sup>2</sup> According to North Dakota Century Code Section 34-06-04.1, if the state provides overtime then the overtime calculation must comply with the requirements of the Fair Labor Standards Act of 1938 (FLSA), as amended, and any rules and interpretations adopted by the United States Department of Labor. According to FLSA, employees covered by the Act must receive overtime pay for hours worked more than 40 in a workweek at a rate not less than time and one-half their regular rates of pay. The formula to compute the regular rate is: total compensation in the workweek (except for statutory exclusions) divided by total hours worked in the workweek = regular rate for the workweek.

## RECOMMENDATION

We recommend the Department of Human Services ensure nonexempt employees are properly paid and that compensation policies are detailed and accurate.

position employee would have been paid less because their overtime was manually calculated improperly. Lastly, we also contacted the U.S. Department of Labor and utilized the U.S. Office of Personnel Management's example on how to calculate FLSA overtime (<https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/how-to-compute-flsa-overtime-pay/>) which clearly shows these employees were underpaid.

## DEPARTMENT OF HUMAN SERVICES RESPONSE

While the Department agrees that the policy document was incorrect, we disagree that employees were underpaid. The Department discussed the requirements of payment of overtime for dual position employees at great length with USDOL. The Department paid these employees according to the guidance received from USDOL and according to past practice of \$0.80 and \$1.00 per hour, not the combined amount of \$1.80. Our timekeeping system (Workforce), training materials, and other general information reflects the \$.80 and \$1.00 separately. This has been a long-standing policy within our agency and was a simple oversight on a document that is saved electronically. Employees did not expect the amount of \$1.80 and have never received that combined amount. The policy document has since been modified to reflect actual practice.

## STATE AUDITOR'S OFFICE RESPONSE

We conclude the Department of Human Services response is inconsistent or in conflict with our finding. The shift differential section was newly added to the 2021 Human Resource Policies and was not being followed. We audited according to policies provided by the Department. Our audit identified that employees who worked weekend night shifts were not paid in accordance with the 2021 shift differential policy.

Our audit also identified dual position employees were incorrectly paid overtime pursuant to the Fair Labor Standards Act. While these dual position employees were paid overtime, they were not paid time and one-half on neither night nor weekend shift differential amounts for hours worked over 40 hours in a week like other direct care associates were paid. Essentially, if two direct care associates earning the same hourly rate with the same number of overtime hours worked the same weekend shift, the dual

## Noncompliance with Performance Bonus Requirements

### CONCLUSION

The Department of Human Services followed criteria not consistent with state law by providing bonuses totaling \$157,000 to employees who were not eligible.

### BACKGROUND

According to North Dakota Century Code Section 54-06-30, state employees are eligible to receive a performance bonus under this section only if the following guidelines are met:

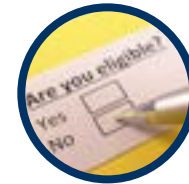
- The employee has held a position in state government for at least one year before a bonus is paid.
- The employee's overall annual performance evaluation satisfies the agency's performance bonus program criteria for receiving a bonus.
- The employee is a full-time or part-time regular non-probationary employee holding a regularly funded non-temporary position.

### Overview of bonus payments given during audit period:

- 130 bonuses totaling \$157,000 were provided to employees that were not eligible to receive a bonus under the state's employee performance bonus program.
- 61 of the 130 performance bonuses totaling \$76,000 were provided to employees who did not work in state government for at least one year before the bonuses were paid.
- 69 of the 130 performance bonuses totaling \$81,000 were paid to temporary employees and classified as incentive

pay. Two terminated temporary employees were paid a total of \$2,000 after termination, one temporary employee received two incentive payments totaling \$3,000, and one temporary employee received \$1,500 even though they had worked less than 40 hours in 2021 and earned less than \$500.

DHS indicated they utilized the same performance bonus criteria relative to COVID work for temporary employee incentive payments. We found the incentive payments were not identified in policy nor communicated to employees to incentivize them to work. These payments were provided after the fact and from excess appropriation at the end of the biennium. Because of these reasons, we consider such payments to be bonuses, not incentive payments.



**130 bonuses totaling \$157,000**  
were provided to employees who were **not eligible** to receive them.

### RECOMMENDATION

We recommend the Department of Human Services comply with the state employee performance bonus program requirements outlined in North Dakota Century Code Section 54-06-30.

### DEPARTMENT OF HUMAN SERVICES RESPONSE

The Department disagrees with this recommendation. The payments in question occurred at our two 24-hour facilities. The reason for the payments was due to excessive hours worked due to COVID and caring for patients. We consider this a life safety issue, and our number one concern was providing adequate care to patients. This included employees of various kinds working extreme

overtime, forfeiting vacations, and doing work outside of their assigned responsibilities. Some of these employees happened to be temporary or less tenured. We stand behind the fact that we needed to compensate this work regardless of the coding that was used within the payroll system to generate the payment.

#### **STATE AUDITOR'S OFFICE RESPONSE**

We conclude the Department of Human Services response is inconsistent or in conflict with our finding. We agree employees should be compensated and they were compensated for their work. The issue is that state law does not allow bonuses to be paid to temporary or less tenured employees. To further compensate employees, including temporary or less tenured employees, the Department could have provided temporary pay increases or higher incentive pay amounts as an allowable alternative (N.D.A.C. 4-07-02-16).

order tracking sheet due to employee turnover and lack of guidance.

This is a prior recommendation not implemented for the fourth consecutive time, since the 2014-2015 audit.

FINDING  
2021-05

## Child Care Correction Orders Not Resolved

### CONCLUSION

Childcare providers are operating without proper re-inspection of corrective orders, potentially jeopardizing the health and safety of children.

### BACKGROUND

The DHS is not properly monitoring corrective orders issued to childcare providers and performing re-inspections to make sure corrective orders are resolved within the correct timeframe. 170 of 537 (32%) corrective orders were not re-inspected within the 24-hour, 20-day, or 60-day time frame allowed for correction. 30 of 537 (6%) corrective orders issued during our audit period did not identify any date the orders were corrected.

Correction orders are issued when a childcare program or facility is not in compliance with state law. State law (N.D.C.C. section 50-11.1-07.3) states the Department shall re-inspect an early childhood program issued a correction order (under N.D.C.C. section 50-11.1-07.2) at the end of the period allowed for correction.

DHS indicated that correction orders and dates are not consistently documented on the Department's corrective

### RECOMMENDATION

We recommend the Department of Human Services ensures childcare correction orders are resolved by re-inspection before the end of each allowed correction period.

### DEPARTMENT OF HUMAN SERVICES RESPONSE

The Department of Human Service agrees with this recommendation. A new database is going into place in August of 2022. This new database will notify when a reinspection is needed. It will also escalate the notice if the reinspection is not done timely.



Childcare providers are operating without proper re-inspection of corrective orders, **jeopardizing the health and safety of children.**



## Failure to Timely Contact Suspected Victims of Child Abuse and Neglect

### CONCLUSION

A child may stay in an at-risk environment susceptible to abuse or neglect for an additional amount of time.

### BACKGROUND

The DHS is not following their own policy and guidelines to check on children who are suspected victims of abuse and neglect.

DHS has indicated the delay is because of social workers prioritizing emergency cases, which causes less severe cases to be delayed in assignment of social workers, however our team found cases needing face-to-face contact within 24 hours were also delayed. DHS indicated that social workers are over ratio in caseloads, however they did not provide caseload information for North Dakota.

Face-to-face contact with children who are suspected victims of abuse is required by DHS policy to occur between 24 hours and 14 days depending on the severity of abuse (graphic on following page). Response Time A — which includes substantial risk of death, burns, and sexual abuse to children — is required to have contact within 24 hours. DHS averaged 13 days.

This contact with children who are suspected victims of abuse may be made by county social services, law enforcement, medical personnel, juvenile court staff, or military family advocacy.

Assessments completed by DHS on reports of child abuse or neglect have increased from 8,662 in 2015, to 9,841 in 2021. During the audit, our team reviewed 60 of 4,359 assessments that appeared to have face-to-face contact that exceeded allowable time frames. Our team found that 41 of the 60 assessments (68%) did not have face-to-face

contact within the allowable time frames. The types of cases included physical injuries such as welts or cuts, educational neglect, illegal substances used during pregnancy or in front of children, children who are suicidal, and sexual abuse.

DHS Policy 640-01-10-10-01 states that Response Time A reports must have face-to-face contact made within 24 hours, Response Time B reports must have face-to-face contact within three calendar days, and Response Time C reports must have face-to-face contact within 14 calendar days.

This is the third consecutive audit that our team has found this issue and recommended DHS address this concern.

### RECOMMENDATION

We recommend the Department of Human Services ensures timely face-to-face contact with suspected victims of child abuse or neglect.

### DEPARTMENT OF HUMAN SERVICES RESPONSE

The Department of Human Services agrees with the recommendation. The Department acknowledges this is an issue but due to extreme staff turnover the case ratio for workers is over the appropriate level. The Department is getting to as many cases as the staff are able to manage. The staff work the cases in order of severity. We plan to request additional FTE in the Legislative Session to lessen the case load.

# Child Protection Services Manual

Examples of types of suspected maltreatment — used as a guide to determine the response time of every case

RESPONSE TIME A   24 HOURS	RESPONSE TIME B   3 DAYS	RESPONSE TIME C   14 DAYS
Substantial risk of death.	Identified impending danger.	Suspicion of maltreatment.
Sexual abuse where alleged perpetrator has access to the victim.		No indication of present danger.
Burns, fractures, internal injuries.		
Malnutrition.		
Child with disabilities left with needs unmet.		
Grossly inappropriate discipline.		

**!**  
DHS  
AVERAGED  
13 DAYS

**!**  
DHS  
AVERAGED  
17 DAYS

**!**  
DHS  
AVERAGED  
33 DAYS

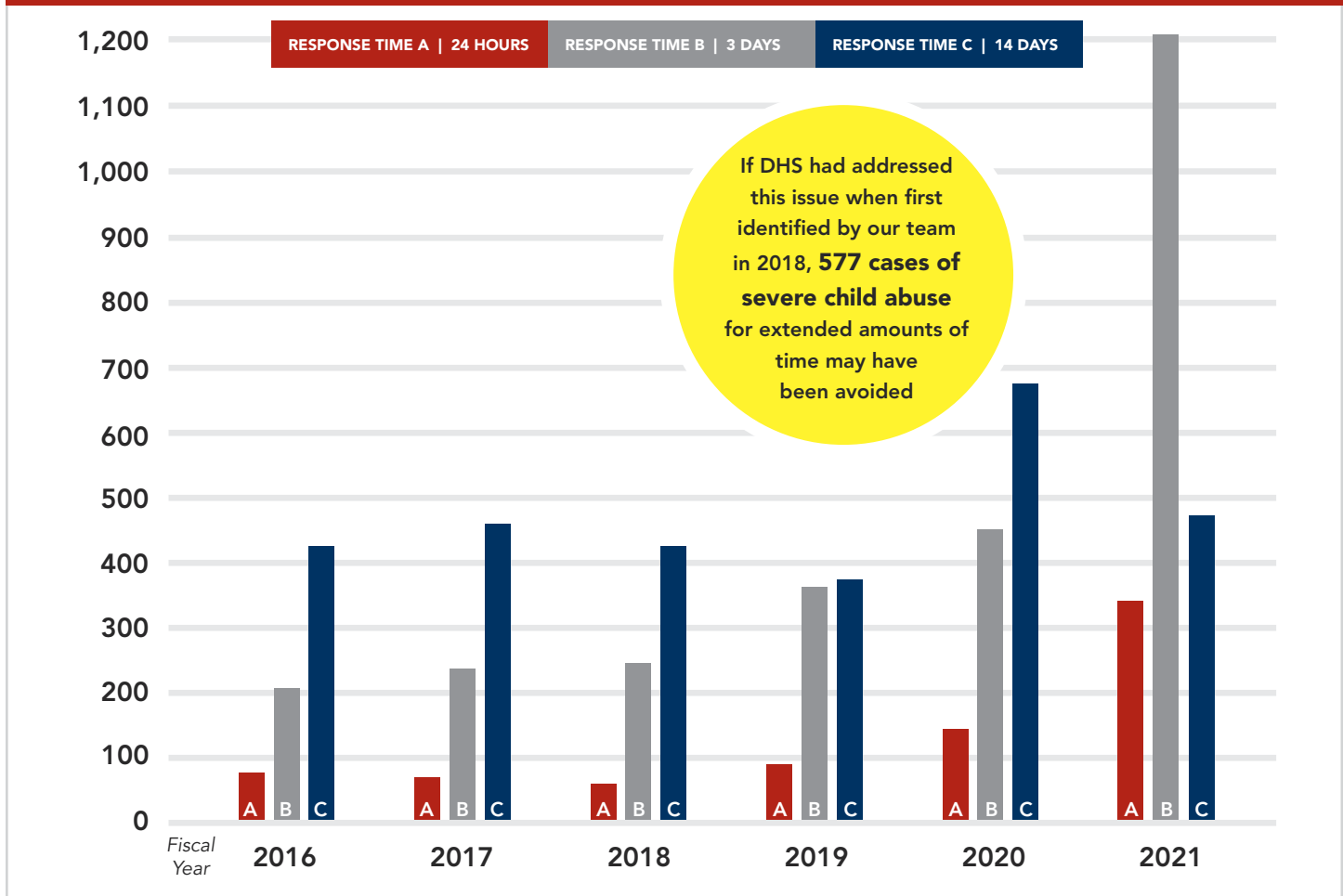


Of the cases we reviewed, **68%** did not check on children in the allowable time frames.

DHS Policy: Response Time Decision 640-01-10-10-01.

Average response time for each category (A, B, or C) is for cases where face-to-face contact was after the required response time.

## Cases of children left in dangerous situations for unallowed amounts of time



DHS revised their policy in December 2020, which included the revision of the definition of what cases fell under each category. The revision also included changing the name from Category A, B, C to Response Times A, B, C. These numbers are projected cases based on the error rates from each biennial audit of cases with recorded face-to-face contact dates outside required response time.

## Statewide Financial Statement Errors

### CONCLUSION

The Department reported incorrect financial amounts that could have been included in the State's Annual Comprehensive Financial Reports (ACFR).

The error amounts totaling \$629 million were identified by our team and adjusted by the Office of Management and Budget so these numbers could be properly incorporated into the 2020 and 2021 ACFRs.

### BACKGROUND

The Department of Human Services reported incorrect financial information to the Office of Management and Budget for the preparation of the ACFR.



In fiscal years 2020 and 2021, reporting errors totaled **\$629 million** for various account balances.

The fiscal year 2020 reporting errors totaled \$28.3 million for account balances including accounts payable, accounts receivable and grants receivable. The fiscal year 2021 reporting errors totaled approximately \$600.7 million for account balances including cash, grants receivable, accounts payable, miscellaneous receivables, interfund activity, drug rebate refund receivables, and medical collections revenue.

Generally Accepted Accounting Principles (GAAP) requires that each government produce an ACFR. GAAP prescribes the format and content of the ACFR in detail. The Department of Human Services' ACFR reporting process did not identify errors prior to submission to the Office of Management and Budget.<sup>3</sup>

According to Standards for Internal Control in the Federal Government, management should design control activities, including accurate recording of transactions, to achieve objectives and respond to risks (GAO-14-704G para. 10.01, 10.03).

### RECOMMENDATION

We recommend the Department of Human Services strengthen procedures surrounding the ACFR reporting process to ensure accurate amounts are reported to the Office of Management and Budget.

### DEPARTMENT OF HUMAN SERVICES RESPONSE

The Department of Human Services agrees with the recommendation. The Department continues to identify areas of improvement and has requested additional training to ensure that our team is properly prepared to ensure accurate amounts are reported.

<sup>3</sup> North Dakota Century Code (N.D.C.C.) section 54-44-04(14.1) states "the Office of Management and Budget shall prepare on an annual basis comprehensive financial statement of the State of North Dakota." The ACFR Closing Package Manual issued by the Office of Management and Budget provides guidance to state agencies about financial reporting requirements for the ACFR.

## Unsupported DRAMS Receivable Balances

### CONCLUSION

There is increased potential for fraud and errors to occur and be undetected within the Medicaid drug rebate program.

### BACKGROUND

Internal controls surrounding the Drug Rebate and Analysis Management System (DRAMS) are inadequate. The DRAMS system is used to calculate drug rebates and interest due from drug manufacturers for the Medicaid drug rebate program. The Department was not able to provide a detailed list of accounts that made up the receivables balances provided for the statewide Annual Comprehensive Financial Report. As a result, our team was not able to check the account balances.

We also identified a known overstatement of interest on conversion balances on DRAMS of \$287,619, with a projected likely error of \$6,297,706.

“Standards for Internal Control in the Federal Government” (Green Book) requires that management design control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing by information technology (GAO-17-704G para 11.09).

This is a prior recommendation not implemented for the third consecutive time, since the 2016-2017 biennial audit.

### RECOMMENDATION

We recommend the Department of Human Services strengthen controls surrounding the Drug Rebate and Analysis System (DRAMS) to ensure:

- Receivables balances provided for the Statewide financial statements are supported by a detailed listing of drug manufacturer accounts.
- Interest is proper on conversion balances.

### DEPARTMENT OF HUMAN SERVICES RESPONSE

The Department agrees with this recommendation. The Department recognizes this is a prior recommendation and continues to make progress toward resolving the issues within DRAMS. The Department has several work orders with the DRAMS developer to resolve the issues with the historical records, the work efforts are measured, and the Department ensures that progress is being made. Much work has been done towards this effort but there is still much more to do. However, until all the issues with the historical records are resolved, a detailed listing of the receivables will not be accurate, nor will the interest be properly calculated on the converted data.

# Financials

## Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Revenue from Federal Government	\$ 1,600,026,388	\$ 1,122,276,675
Patient Care and Treatment Fees	32,649,736	11,238,745
Child Support Retained and Incentives	4,648,459	5,677,186
Revenue from Local Governments	1,492,258	1,233,651
Loan Revenue	503,154	507,669
Concessions and Miscellaneous Sales	366,579	350,597
Lease and Rental for Rooms, Buildings, Land	274,137	269,013
Other Revenues	1,624,918	1,480,697
Transfers In	168,454,967	95,418,689
<b>Total Revenue and Other Sources</b>	<b>\$ 1,810,040,596</b>	<b>\$ 1,238,452,922</b>

The Department of Human Services processed \$273,895,345 in child support payments as an agent for child support payers and recipients. These child support collections and payments are not included in the above Statement of Revenues and Expenditures.

Source: ConnectND Financials

Continued on following page

# Financials

## Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Grants	\$ 1,727,359,226	\$ 1,563,896,558
Salaries and Benefits	190,994,681	175,691,721
Operating Fees and Services	58,415,892	51,158,291
IT Contractual Services	53,319,996	58,148,207
IT Data Processing, Communications, Equipment	32,720,000	31,960,940
Medical, Dental, Optical	16,492,939	22,098,016
Repairs	5,874,067	6,272,343
Lease/Rental of Building, Land, Equipment	5,795,330	5,704,256
Professional Fees and Services	5,413,609	2,990,405
Supplies	3,188,910	3,008,878
Postage and Printing	1,752,834	1,673,815
Travel	1,378,329	1,924,930
Utilities	1,160,824	1,443,022
Equipment	909,920	845,453
Other Expenditures	853,389	875,903
Transfers Out	4,856,896	1,998,455
<b>Total Expenditures and Other Uses</b>	<b>\$ 2,110,486,842</b>	<b>\$ 1,929,691,193</b>

The Department of Human Services processed \$273,895,345 in child support payments as an agent for child support payers and recipients. These child support collections and payments are not included in the above Statement of Revenues and Expenditures.

Source: ConnectND Financials

# Appropriations

For the Biennium Ended June 30, 2021

EXPENDITURES BY LINE ITEM	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATION
Salaries and Wages	\$ 89,861,059	\$ 88,233,632	\$ 1,627,427
Operating Expenses	313,613,300	288,774,537	24,838,763
COVID-19 Operating Expenses	29,133,875	-	29,133,875
Capital Assets	360,000	290,034	69,966
Construction Carryover	5,545,000	4,885,683	659,317
Technology Carryover	59,580,311	36,520,918	23,059,393
Grants	604,437,864	504,623,015	99,814,849
COVID-19 Grants	505,641,460	4,128,695	501,512,765
HSC / Institutions	373,475,394	344,432,810	29,042,584
Grants-Medical Assistance	2,807,663,919	2,588,747,795	218,916,124
COVID-19 Med Assistance Grants	16,000,000	16,000,000	-
County Social Service Finance	173,936,600	163,295,212	10,641,388
<b>Totals</b>	<b>\$ 4,979,248,782</b>	<b>\$ 4,039,932,331</b>	<b>\$ 939,316,451</b>

EXPENDITURES BY SOURCE	FINAL APPROPRIATION	EXPENDITURES	TOTAL
General	\$ 1,474,062,646	\$ 1,289,148,477	\$ 184,914,169
Other	3,505,186,136	2,750,783,854	754,402,282
<b>Totals</b>	<b>\$ 4,979,248,782</b>	<b>\$ 4,039,932,331</b>	<b>\$ 939,316,451</b>

Source: ConnectND Financials

# Status of Prior Recommendations

## Definition of Terms

### Implemented

The department provided sufficient and appropriate evidence to support all elements of the recommendation.

### Partially Implemented

Some evidence was provided, but not all elements of the recommendation were addressed.

### Not Implemented

Evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

### Not Implemented - N/A

Circumstances changed to make a recommendation not applicable.





# Status of Prior Recommendations

## Payments After Death (Finding 2019-01)

Partially Implemented

**Recommendation:** We recommend the Department of Human Services ensure payments are not made for the benefit of deceased individuals.

**Status:** Partially Implemented. The Department implemented a new automated process that updates Medicaid members' date of death nightly. However, automatic payments not tied to a date of service are still being made to Medicaid individuals after their date of death. Payments totaling \$921 were paid for services after the date of death in MMIS.

## Child Care Correction Orders Not Resolved (Finding 2019-02)

Not Implemented

**Recommendation:** We recommend the Department of Human Services improve procedures to ensure childcare correction orders are resolved at the end of each allowed correction period.

**Status:** Not Implemented. The Department is not ensuring that all correction orders are resolved at the end of the correction period. See Finding 2021-05.

## Not Monitoring Child Care Facilities with MOUs (Finding 2019-03)

Not Implemented - N/A

**Recommendation:** We recommend the Department of Human Services perform additional monitoring of childcare providers to ensure compliance with memorandum of understanding (MOU) agreements.

**Status:** Not Implemented – N/A. The Department has moved away from using MOUs except in last resort cases. The Department indicated there were no MOUs issued in the last 18 months of the audit period.



# Status of Prior Recommendations

## Failure to Timely Contact Suspected Victims of Child Abuse and Neglect (Finding 2019-04)

**Not Implemented**

**Recommendation:** We recommend the Department of Human Services ensures timely face-to-face contact with suspected victims of child abuse or neglect.

**Status:** Not implemented. The Department is not ensuring face-to-face contact with suspected victims of child abuse or neglect is conducted within allowable timeframes. See Finding 2021-06.

## Not Performing Quality Assurance for Child Protection Services (Finding 2019-05)

**Implemented**

**Recommendation:** We recommend the Department of Human Services ensure consistent and complete quality assurance procedures surrounding reports of child abuse and neglect, investigations and decisions.

**Status:** Implemented.

## Confirmed Child Abusers Not Listed on Index (Finding 2019-06)

**Implemented**

**Recommendation:** We recommend the Department of Human Services ensure individuals with confirmed child abuse or neglect are properly listed on the Child Abuse and Neglect Index.

**Status:** Implemented. Comparison of child abuse cases on the FRAME System with a 'services required' decisions did not identify any cases that were not properly reported on the Child Abuse and Neglect Index.



# Status of Prior Recommendations

## Financial Errors (Finding 2019-08)

**Not Implemented**

**Recommendation:** We recommend the Department of Human Services strengthen procedures surrounding the CAFR reporting process to ensure accurate amounts are reported to the Office of Management and Budget.

**Status:** Not implemented. The Department has continued to have significant financial errors in the 2020 and 2021 ACFRs. See Finding 2021-07.

## Medicaid Drug Rebate System Errors (Finding 2019-09)

**Not Implemented**

**Recommendation:** We recommend the Department of Human Services strengthen controls surrounding the Drug Rebate and Analysis Management System (DRAMS) to ensure:

- Receivables balances are properly calculated.
- Interest is properly calculated for overdue drug rebate balances.

**Status:** Not implemented. The Department has work orders into the DRAMS developer to ensure reports are showing properly calculated receivables and that interest is being properly calculated. A portion of the work orders have been completed and the remaining are waiting on the DRAMS developer to complete. See Finding 2021-08.



# Appendix A

## Substance Use Disorder Voucher Program Objective

### INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentation 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.

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

- Dynamics system restricts approval of the application when income is greater than 200% of the Federal Poverty Guidelines.

We observed the SUD program administrator create a new application in the Provider Portal and enter an income amount greater than 200% of the Federal Poverty Guidelines. The administrator attempted to advance the application process without uploading any exception request documents, and an error message was properly generated by Dynamics. The application was properly not able to be approved until further action was taken by the SUD administrator to upload documents.

We also determined the DHS did not have internal control procedures to ensure that applicants' income was verified to be below 200% of the Federal Poverty Guidelines. See Finding 2021-01.

### SCOPE

The SUD Voucher Program is administered within the DHS in its Behavioral Health Division in Bismarck. Our audit included all invoices and program authorizations in Dynamics during the audit period. The Dynamics system was piloted starting in December 2019 and went live February 1, 2020. Prior to the Dynamics system, paper records were manually processed for the SUD Voucher Program. These manual records were not included in the scope of the audit. Evaluations of individuals applying to receive treatment through the SUD Voucher Program were obtained from licensed addiction counselor service providers. Records from the Dynamics system and service providers were compared to income verification documents, program eligibility requirements, and Medicaid eligibility in MMIS. Our audit did not include testing the accuracy of the billings from service providers.

### METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the department's processes and procedures.

- Obtained records from the Dynamics system. The data contained applications for individuals, authorizations for services, and invoices from providers.
- Verified amounts paid for treatment services agreed to pay rate schedule for treatment services in Dynamics and agreed to provider guidance for rates established by the department for each specific American Society of Addiction Medicine service (N.D.A.C. 75-09.1-11-08).
- Reconciled payments from the Dynamics system to payments made in ConnectND.
- Compared invoice amounts paid to amounts preauthorized for each voucher and determined paid amounts did not exceed preauthorizations.
- Selected a random sample of individual applications for SUD vouchers from Dynamics data with reported income amounts greater than 200% of the Federal Poverty Guideline to test for an approved exemption and verification of income.
- Tested random sample of 60 out of 1874 individuals showed that 40 did not submit any income verifying documents. Determined all 60 individuals did not have any income verification procedures performed by the DHS.
- Tested random sample of 15 out of 147 individuals that reported income greater than 200% FPG, 11 did not submit any income verifying documents. Determined all 15 individuals did not have any income verification procedure performed by the DHS.
- To determine potential amounts not refunded from service providers for Medicaid-approved individuals and eligible services (\$1,066,655) we compared individuals receiving SUD treatment services in the Dynamics system to MMIS records of individuals approved for Medicaid. The DHS identified service providers approved to bill Medicaid. Determined \$1,309,847 was billed by Medicaid-approved providers to the SUD Voucher Program for individuals eligible for Medicaid. DHS provided amounts refund to the SUD Voucher Program from each service provider during the audit period. Subtracted amounts already refunded during the audit period.
  - o Total refund for 2019: \$92,073
  - o Total refund for 2020: \$136,657
  - o Total refund for 2021: \$14,463
- To determine the average amount paid for services for one individual (\$3,636) during the audit period, we divided the total amount paid on vouchers (\$6,170,568) within Dynamics by the total number of vouchers receiving payment (1,697) within Dynamics. This resulted in a potential average of 293 eligible individuals could have benefited from the program before applications were suspended in July 2020. ( $\$1,066,655 / \$3,636$ ).
- Selected a random sample of individual applications for SUD vouchers from Dynamics data with income amounts greater than 200% of the Federal Poverty Guideline to test for an approved exemption and verification of income.

- Selected a random sample of individual applications for SUD vouchers from Dynamics data and compared eligibility requirements to supporting application records. Records include dates of birth, address of residency, treatment services provided, treatment services authorized, insurance and income documents, and release of information forms.
  - o Resident of North Dakota
  - o Over the age of 18
  - o Release of Information (ROI) signed
  - o Licensed addiction counselor evaluations from service providers
  - o Income in Dynamics agrees to application
  - o Income verification



# Appendix B

## Primary Objective

### INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentation 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.

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

- Segregated preparation and approval of expenditures are tested statewide in the State of North Dakota Annual Comprehensive Financial Report.
- Original appropriations and appropriation adjustment authorizations were reviewed in the audit of the State of North Dakota Annual Comprehensive Financial Report.
- Tested payments for segregation in the preparation and approval of the Child Care Emergency Operating Grant.
- Inspected that there was a report created to identify individuals that were not included in the Child Abuse and Neglect Index that should have been included.
- Employees had proper procurement officer certification training for the types of procurements conducted and tasks performed.

There were no deficiencies identified in the above controls. Internal control deficiencies were identified in Findings 2021-03, 2021-07, 2021-08.

### SCOPE

The Department of Human Services has its central office in the Capitol, eight regional human service centers, eight regional child support enforcement units, the State Hospital in Jamestown, and the Life Skills and Transition Center in Grafton, ND.

Financial transactions through ConnectND and the Human Capital Management (HCM) for all locations were 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 Department of Human Services (DHS) 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 errors 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 randomly tested expenditures to determine the Department of Human Services did not expend more than appropriated (N.D.C.C. 54-16-03, 2019 Session Laws Senate Bill 2012 Section 1).
- Tested compliance with the documented intent of special appropriation laws, including one-time funding items.
- Analyzed expenditures and determined that \$2,381,432 of \$13,785,658 of federal and strategic investment and improvement funds was used for technology projects (2019 Session Laws Senate Bill 2012 section 2 and section 34).
- Analyzed expenditures and determined that \$865,901 of \$4,227,165 of strategic investment and improvement funds was used for capital projects at the Life Skills and Transition Center (2019 Session Laws Senate Bill 2012 section 2 and section 34).
- Analyzed expenditures and determined that \$1,978,492 of \$2,493,500 of strategic investment and improvement funds was used for capital projects at the State Hospital. (2019 Session Laws Senate Bill 2012 section 2 and section 34).
- Analyzed expenditures and determined that the \$977,603 of General Funds was used for medically complex children provider funding (2019 Session Laws Senate Bill 2012 section 2).
- Analyzed expenditures and determined that as of the end of the biennium none of the \$335,000 of general funds that were appropriated for a hyperbaric oxygen therapy grant had been used (2019 Session Laws Senate Bill 2012 section 2 and section 20).
- Analyzed expenditures and determined that the \$153,800 of \$200,000 of general funds was used for a state hospital study (2019 Session Laws Senate Bill 2012 section 2).
- Reviewed the distribution formula to human service zones as outlined in N.D.C.C. 50-35-03 and 50-35-04 and determined that \$144,600,127 of the \$173,700,000 appropriated from the county social services class was distributed. Payments distributed were properly calculated according to the formula (2019 Session Laws Senate Bill 2012 section 13).



- Analyzed expenditures and determined that \$6,000,000 from the tobacco prevention and control trust fund was used for defraying expenses in the medical services division (2019 Session Laws Senate Bill 2012 section 14).
- Analyzed expenditures and determined that \$27,400,000 of the \$32,400,000 from the community health trust fund was used for defraying expenses in the medical services division (2019 Session Laws Senate Bill 2012 section 15).
- Analyzed expenditures and determined that \$1,000,000 from the health care trust fund and \$1,062,000 from federal funds were used for reimbursements to nursing facilities to increase the facilities operating margin up to 4.4%. Also reviewed the operating margin calculation at the nursing facilities to ensure it was increased to 4.4% (2019 Session Laws Senate Bill 2012 section 16).
- Analyzed expenditures in the Medicaid Management Information System (MMIS) and determined that \$567,367,511, which included \$60,776,487 of general funds and the remaining federal, was used for payments to individuals eligible to receive funding through the medical assistance expansion program. In addition, analyzed expenditures related to the medically frail, prescription drugs, and federal health insurance provider fees that had separate appropriations. Also, reviewed the uniform payment system methodology to ensure payments that are made are set to a consistent level and with a consistent methodology and that the required minimum levels of reimbursement were met for Indian health care providers, federally qualified health centers, and rural health clinics. Finally, reviewed certification letters from Centers for Medicare and Medicaid Services to ensure capitation rates under risk contracts are actuarially sound and adequate to meet managed care organization contractual requirements (2019 Session Laws Senate Bill 2012 section 17).
- Analyzed and performed random testing of expenditures to ensure \$200,000 of general funds was used for a grant for an adaptive skiing program affiliated with a winter park that is located in a county with less than 10,000 individuals (2019 Session Laws Senate Bill 2012 section 21).
- Analyzed expenditures and determined that \$876,525 of \$925,000 of general funds was used to provide grants to entities to provide services to individuals experiencing chronic homelessness in the northeast and southeast human service regions. Also determined that the funds were used for services not reimbursed by other funding sources (2019 Session Laws Senate Bill 2012 section 22).
- Analyzed expenditures and determined that \$954,094 of \$1,500,000 of general funds was used for providing behavioral health services and support grants to school districts to address student behavioral health needs during fiscal year 2021. Also, ensured that school districts met eligibility requirements for the grant (2019 Session Laws Senate Bill 2012 section 23).
- Analyzed expenditures and determined that \$96,274 of \$300,000 of general funds was used for school behavioral health programs. Ensured that a portion of this funding was used for a rural school and a tribal school and that the schools had a grant agreement in place and reported their progress (2019 Session Laws Senate Bill 2012 section 24).
- Determined that a \$50 fee was established and collected by the behavioral health division for administration and enforcement of licensing and certification activities in North Dakota Administrative Code 75-03-43. Also analyzed expenditures and determined that the fees collected were used to defray the costs of administering and enforcing licensing and certification activities in the behavioral health division (2019 Session Laws House Bill 1100 section 1).

- Analyzed deposits and ensured that civil money penalties were deposited into the child support and disbursement fund. Also, analyzed expenditures and ensure that they were used for covering losses the department incurs in making child support disbursements (2019 Session Laws Senate Bill 2114 section 6).
- Determined that DHS has not adopted rules for opioid treatment medication unit licensure fees (2019 Session Laws House Bill 1103 section 4).
- Determined that tribal health care coordination agreements were not facilitated and no funds were distributed (2019 Session Laws House Bill 1194 section 1).
- Analyzed expenditures and determined that \$333,333 of operating funds were used to provide a grant to a city located in a county of fewer than 25,000 individuals and provide prevention and extinguishment of fires at the North Dakota State Hospital (2021 Session Laws House Bill 1012 section 3).
- Determined that coronavirus relief funds for senior nutrition services were not spent as of the end of fiscal year 2021 and were available in the next biennium (2021 Session Laws House Bill 1012 section 12).
- Reviewed matrixes for 2020 and 2021 and determined that by July 1, 2021 DHS in consultation with the development disabilities payment steering committee, identified at least \$6,950,000 in reductions to be made to payment rates for intermediate care facilities and residential services for individuals with disabilities (2021 Session Laws House Bill 1012 section 54).
- Analyzed and tested expenditures that were appropriated for COVID-19 expenditures and determined that \$4,128,695 of the \$12,270,566 was spent for operating expenses, none of the \$280,814,929 appropriated for grants was spent, and the \$16 million appropriated for medical assistance grants. Remaining funds are available to be spent in the next biennium (2021 Session laws House Bill 1394 section 1).
- Analyzed and tested payments to providers under the Childcare Emergency Operating Grant and ensured payments to providers were accurate and reasonable (Guidelines established by DHS for the Childcare Emergency Operating Grant).
- Analyzed and selected a random sample of nonexempt employees at the Life Skills and Transition Center to ensure they were paid according to state laws, administrative rules, federal regulations, and department policies for the month (N.D.C.C. 34-06-04.1, N.D.A.C.46-02-07-02(4), Life Skills and Transition Center Procedure Number VII-2b Staffing Guidelines, and DHS HR Policy/Administrative Procedure).
- Tested compliance with the documented intent of appropriation adjustments (N.D.C.C. 54-16-03).
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines. 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)).

- Analyzed and tested a sample of expenditures to ensure goods and services were properly procured (N.D.C.C. Chapter 54-44.4-05, N.D.C.C. 48-01.2, N.D.A.C. Article 4-12, and OMB State Procurement Manual guidelines).
- Reviewed non-appropriated fund activity to ensure that DHS had legislative approval for non-appropriated expenditures (N.D.C.C. 54-44.1-09).
  - Statewide Conference Fund authorized by OMB Policy 211.
  - Child Support Disbursement Fund authorized by N.D.C.C. 14-09-25.
  - Operating Fund authorized by N.D.C.C. 50-06-14.

## **AUTHORITY AND STANDARDS**

This biennial audit of the Department of Human Services 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).



# LAFRC Audit Report Questions

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

Revenues, expenditures, and appropriation information were not prepared by the Department of Human Services 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 Department of Human Services 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 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?**

Yes. Reimbursement and monitoring of Medicaid eligible expenses within the SUD Voucher Program may allow the Department to provide SUD vouchers to more individuals. See Finding 2021-02.

## **5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?**

Except for the findings of this report, the Department of Human Services 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 Human Services' revenues, expenditures, and appropriation information 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 to 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), Medicaid Management Information System (MMIS), Dynamics, and Workforce Time and Attendance are high-risk information technology systems significant to the audit objectives. Findings 2021-01 and 2021-03 relate to the Dynamics and Workforce systems.



NORTH DAKOTA STATE AUDITOR  
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