



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, 2022

Client Code 504





WHAT WE LOOKED AT AND WHY

North Dakota state law 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 audit reports 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.



Read about prior audit
impact on **page 14**



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HAVE QUESTIONS? ASK US.

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Introduction

North Dakota Highway Patrol

July 31, 2023

We are pleased to submit this audit of the North Dakota Highway Patrol for the two-year period ended June 30, 2022. 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.

ConnectND: The accounting system for North Dakota.

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

Emergency Commission: Group of elected officials with 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.

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 or high-risk functions of the agency?

CONCLUSION

No areas of concern were identified.



Audit Procedures

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 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 are tested statewide in the annual audit of the State of North Dakota Annual Comprehensive Financial Report.
- Selected random and judgmental samples of expenditures and inspected training records to determine whether the purchasing employee had completed the proper level of procurement training.
- Randomly selected a sample of months to determine that the monthly reconciliation of revenue collections was completed between the receipt system and the state's accounting system, ConnectND.

There were no significant deficiencies identified.

SCOPE

The North Dakota Highway Patrol has operations in the following locations. Each location was included in the audit scope:

- The headquarters in the Capitol
- Law Enforcement Training Academy

- Western region in Bismarck
- Western region in Dickinson
- Western region in Minot
- Western region in Williston
- Eastern region in Fargo
- Eastern region in Jamestown
- Eastern region in Grand Forks
- Eastern region in Devils Lake

The Capitol Building access records from the Continuum system were obtained from Highway Patrol on May 1, 2023. These records were limited to employees and non-employees (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 Connect ND Human Capital Management (HCM). Access records were limited to employees terminated after January 1, 2015. This limit was made by comparing exact matches of the employee's first and last name in the Continuum system and Connect ND HCM. Access records were not limited for non-employees, and all non-employee access was subject to testing. Records were also limited to Capitol Building entrances: North Pull Door, North Slide Door, North Mailroom Pull Door, Loading Dock Door, Main East Entrance, Main West Entrance, and Judicial Wing Tunnel Door.

METHODOLOGY

To meet this objective, we:

General

- Used non-statistical sampling, and the results were projected 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. Significant evidence was obtained from ConnectND.

Expenditures

- Selected a judgmental 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, OMB State Procurement Manual guidelines).
- Analyzed and selected a high-risk and random sample of expenditures, including purchase card expenditures, to test the accuracy of recorded payments in the state's accounting system related to appropriation class, funds and accounts, and reasonableness of purchase (N.D.C.C. 54-44.1-09, N.D.C.C. 44-08-05).
- Reviewed non-appropriated fund activity to ensure the North Dakota Highway Patrol had legislative approval for non-appropriated expenditures (N.D.C.C. 54-44.1-09).
 - Motor carrier electronic permit transaction fund authorized by N.D.C.C. 39-12-02 (6).
 - Statewide conference fund authorized by OMB Policy 211.

Appropriations Used For Legislative Purpose

- Analyzed and tested expenditures to determine the North Dakota Highway Patrol did not expend more than appropriated (N.D.C.C. 54-16-03).
 - 2019 Session Laws House Bill 1011, 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).
- 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. 54-16-06, N.D.C.C. 54-10-01.1).

- Analyzed and tested expenditures to determine that \$78,620 of special funds was used for architectural services to develop schematic designs and construction costs related to the new law enforcement training academy.
- Analyzed and tested expenditures to determine \$66,431 of special funds from the motor carrier electronic permit transaction fund was used to pay invoices related to the indoor shooting range for the new law enforcement training academy.
- Analyzed expenditures to determine \$50,530 of general funds was used to purchase ammunition.
- Analyzed and tested expenditures to ensure \$81,830 of general funds was used for aircraft engine overhaul (2019 Session Laws House Bill 1011 Section 2).
- Analyzed transfers and expenditures to determine that \$4,178,043 was transferred from the highway tax distribution fund and used for defraying expenses of the department, including the purchase of equipment and the construction of an addition to the indoor shooting range (2019 Session Laws House Bill 1011 Section 4).
 - Analyzed expenditures and determined that \$76,035 of \$96,228 of highway tax distribution funds was used for drone purchases (2019 Session Laws House Bill 1011 Section 2).
 - Analyzed expenditures and determined that \$1,606,461 of \$1,729,100 of highway tax distribution funds was used for the addition to the indoor shooting range (2019 Session Laws House Bill 1011 Section 2).
- Analyzed expenditures and determined that \$3,356,069 of income from the motor vehicle carrier electronic permit transaction fund was used for defraying various expenses associated with the issuance of permits and other non-enforcement motor carrier and administrative activities (2019 Session Laws House Bill Section 5).
- Analyzed patrol officer payroll and ensured that officers

did not receive per diem of more than \$200 per month that is paid in lieu of reimbursement for meals and other expenses (2019 Session Laws House Bill 1011 Section 7 and 2021 Session Laws Senate Bill 2011 Section 9).

- Analyzed transfers and expenditures to determine that \$6,425,912 of the \$9,346,781 was transferred from the highway tax distribution fund, and, as of the end of fiscal year 2022, \$4,673,391 of expenditures was utilized for defraying expenses of the department (2021 Session Laws Senate Bill 2011 Section 5).
- Analyzed and inspected payroll records to determine that \$1,661,283 of the \$2,092,500 funds was used for salary equity funding and on-call pay (2021 Session Laws Senate Bill 2011 Section 6).
 - Analyzed and inspected payroll records to determine \$1,198,776 of the \$1,532,000 funds was used for salary equity adjustments.
 - Reviewed procedures to ensure law enforcement officer on-call pay did not exceed 25% of the officer's hourly salary for regular on-call duties and did not exceed 50% of the officer's hourly salary for emergency on-call duties. Payroll data was analyzed, and we determined that Highway Patrol used a lower rate of 20% for regular on-call duties and 50% for emergency on-call duties.
- Analyzed and tested expenditures and determined that \$2,119,187 of the \$3,147,244 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 hard body armor and body and in-car cameras (2021 Session Laws Senate Bill 2011 Sections 7).
 - Analyzed and tested expenditures and determined that \$173,609 of \$265,000 of motor carrier electronic permit transaction funds was used for hard body armor (2021 Session Laws Senate Bill 2011 Section 2).
 - Analyzed and tested expenditures and determined that \$990,381 of \$1,158,000 of motor carrier electronic permit transaction funds was used for body

and in-car cameras (2021 Session Laws Senate Bill 2011 Section 2).

- Analyzed and tested expenditures to determine that \$1,747,254 of the \$2,612,000 of federal funds from the state fiscal recovery fund were used for purchasing radios compatible with the statewide interoperable radio network (2021 Special Session Laws Senate Bill 2345 Section 1).

Capitol Building Key Card Access

- Obtained and analyzed ConnectND records of employees terminated after July 1, 2015. This date is consistent with the prior audit parameters and was judgmentally selected to identify terminated employees with active access cards. We analyzed these records to identify terminated employees with active access cards, then terminated employees were compared to ConnectND HCM records to determine if the employee was terminated, transferred agencies, or whether Capitol Building access should have been disabled. We obtained card access records from the Continuum System, and the data showed all employees and contractors with access or ID cards. We compared the data obtained from the Continuum System to ConnectND HCM records to identify active (transferred) and terminated employees with building access. We analyzed employee access card data, the date the access cards were last used, and the expiration date on the card.
- Potentially terminated employees were analyzed to identify routine access to the Capitol Building. Terminated employment was confirmed with the ND Human Resources Management Services Office and respective agencies. The prior audit recommendation was made as of 6/30/2021, and Highway Patrol began making changes immediately. Therefore, test periods were divided into those for employees terminated prior to 7/1/2021 and those terminated between 7/1/2021 and 6/30/2022.
 - Randomly selected 20 access cards from 127 employees terminated prior to 7/1/2021. Four errors.
 - Randomly selected 10 access cards from 39 employees terminated from 7/1/2021 and 6/30/2022. One error.

- Analyzed access card data for contractors and other non-state employees in Continuum System records. Selected a random sample of contractors and non-state employees with active access cards and, to determine if routine access was still required, obtained contracts from individual agencies to compare the contract expiration dates to the expiration date of the access card in the Continuum system. Highway Patrol implemented changes starting 1/1/2022; therefore, testing was divided into two separate periods: cards activated prior to 1/1/2022 and cards activated between 1/1/2022 and 6/30/2022.
 - Randomly selected 25 out of 338 contractor or non-state employees with access cards activated prior to 1/1/2022. One error.
 - Randomly selected 12 out of 50 contractor or non-state employees with access cards activated between 1/1/2022 and 6/30/2022. Zero errors.

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 and 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).

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2022	JUNE 30, 2021
Permits and Fees	\$ 13,577,830	\$ 12,110,011
Federal Revenue	1,458,711	2,294,918
Sales and Use Tax	73,695	65,070
Conference Fees	55,355	-
Miscellaneous Revenue	15,799	16,463
Transfers In	23,267,508	13,654,709
Total Revenue and Other Sources	\$ 38,448,898	\$ 28,141,171

Source: ConnectND Financials

Continued on the following page

Financials

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2022	JUNE 30, 2021
Salaries and Benefits	\$ 23,163,512	\$ 22,001,134
Equipment	3,674,545	2,043,238
Travel	2,851,285	2,269,080
IT Processing and Communications	1,642,560	929,960
Supplies	828,191	557,250
Repairs	380,446	623,539
Rent	239,767	492,213
Food and Clothing	183,196	375,982
Grants	177,302	-
Professional Fees and Services	172,622	347,025
Professional Development	133,833	280,009
Construction	66,431	1,292,009
Miscellaneous Operating Expenses	205,613	219,126
Transfers Out	3,123	103,729
Total Expenditures and Other Uses	\$ 33,722,426	\$ 31,534,294

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Highway Patrol	\$ 22,088,003	\$ 22,085,855	\$ 2,148
Field Operation	61,494,103	36,104,580	25,389,523
Totals	\$ 83,582,106	\$ 58,190,435	\$ 25,391,671
Expenditures by Source			
General	\$ 44,295,405	\$ 23,038,043	\$ 21,257,362
Other	39,286,701	35,152,392	4,134,309
Totals	\$ 83,582,106	\$ 58,190,435	\$ 25,391,671

Source: ConnectND Financials

Appropriations

For the Year Ended June 30, 2022

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Field Operations	\$ 66,540,375	\$ 33,437,866	\$ 33,102,509
Training Academy	3,000,000	-	3,000,000
American Rescue Plan Act	246,000	-	246,000
Totals	\$ 69,786,375	\$ 33,437,866	\$ 36,348,509
Expenditures by Source			
General	\$ 36,378,292	\$ 13,843,988	\$ 22,534,304
Other	33,408,083	19,593,878	13,814,205
Totals	\$ 69,786,375	\$ 33,437,866	\$ 36,348,509

Source: ConnectND Financials



Status of Prior Recommendations

Terminated Employees Could Bypass Capital Security (Finding 2020-01)

Implemented

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.

Status: Implemented. Highway Patrol has taken significant action on the prior recommendation.

Contractors Could Bypass Capital Security (Finding 2020-02)

Implemented

Recommendation: We recommend Highway Patrol:

- Consistently limit or automate expiration of building access to one year or less for non-employees and require agencies to review 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 contractors access is to be revoked.

Status: Implemented.

Impact From Prior Audit



Improvements to Capitol Building Security

Prior Audit Error Corrections

- Capitol access has been disabled for contractors identified in the prior audit as no longer working on an active contract or service order with a state agency.
- Capitol access has been disabled for terminated employees identified in the prior audit.
- Since the prior audit, expiration dates for 352 contractor cards have been changed from previously allowing access until year 2099.
- Expiration of employee access cards has been changed to expire no later than the year 2032. Since the prior audit, expiration dates for 2,726 cards have been changed from previously allowing access until the year 2099.

Policy Improvements

- Access Card Authorization Request form has been changed to include an expiration date specified by the contractor's requesting agency.
- Access Card Authorization Request policy to agencies has been changed to collect the state contract number and expiration date of the contract to be entered on the form. The policy also notifies the agencies that contractor access will be terminated on the date entered for the end of the contract or within 1 year.



Impact From Prior Audit



Improvements to Capitol Building Security

New Contractor Access

- New contractor's access cards are manually set to expire 1 year from activation unless otherwise specified by the contractor's requesting agency. Our testing found that non-employee access cards activated after 1/1/2022 had proper expiration dates.

New Employee Access

- New employee access cards are manually set up to expire 10 years after the employment start date.

Remaining Challenges

- Error rate of terminated employees with capitol access dropped since the prior audit from 46% to 16.7%. This remaining error is likely due to human error in the manual process to reconcile and disable terminated employees from the Continuum System based on the terminated employee list provided by the Office of Management and Budget each quarter.
- The server for the Continuum System used by Highway Patrol Capitol Security is not connected to the internet which makes it more secure. Therefore, the process to disable terminated employees cannot be automated because the Continuum system is not integrated with other systems used for employment status.





Office of the
State Auditor


NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION


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