NORTH DAKOTA
OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Information Technology

Audit Report for the Two-Year Period Ended June 30, 2022

Client Code 112

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

ND | Office of the State Auditor

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.

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HAVE QUESTIONS? ASK US.

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Introduction

We are pleased to submit this audit of North Dakota Information Technology 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.

Lindsey Slappy, CPA, 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 Information Technology 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.

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.

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.

Purchase Card: The purchasing card is a credit card program administered by the Office of Management and Budget.

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

Teleworking: A work flexibility arrangement under which an employee performs their duties from home, on the road, or in a satellite location for all or part of their work week.

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 is tested statewide in the State of North Dakota Annual Comprehensive Financial Report.

- Ensured procurement transactions were properly approved.

- Ensured purchase card expenditure receipts were reconciled to the statement by the cardholder and the receipts were reviewed and approved by the cardholder's supervisor.

- Ensured telework agreements were properly acknowledged by North Dakota Information Technology employees.

There were no significant deficiencies identified.

SCOPE

North Dakota Information Technology has operations in the following physical locations available to the public. Each location was included in the audit scope:

- Central Office at 4201 Normandy Street, Bismarck, ND

- EduTech at 2000 44th Street South, Floor 3, Fargo, ND

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.

- Observed North Dakota Information Technology's processes and procedures.

- Analyzed financial data in ConnectND to determine areas of risk.

- Analyzed expenditures to determine that North Dakota Information Technology did not expend more than appropriated (N.D.C.C. 54-16-03, 54-44.1-11, and 54-44.1-09).
    ◦ 2019 Session Laws House Bill 1021

- Reviewed expenditures related to all appropriation adjustments, including those approved by the Emergency Commission to ensure the North Dakota Information Technology complied with the documented intent of the adjustment (N.D.C.C. 54-10-01.1, N.D.C.C. 54-16-03).

- Selected a sample of expenditures to ensure the one-time funding was used for its intended purpose (2019 Session Laws House Bill 1021, Sections 2, 4, and 5). The sample consisted of some high-risk items and some randomly selected items.

- Determined if the report to legislative management on service rates was accurate and completed in accordance with legislative intent (2019 Session Laws House Bill 1021, Section 9).

- Determined if the spending on one-time funding for statewide interoperable radio network projects was used for its intended purpose (2019 Session Laws House Bill 1435, Section 8 and 2021 Session Laws Senate Bill 2021, Section 9).

- Determined if the spending on one-time funding for cyber security and the health information technology office was used for its intended purpose (2021 Session Laws Senate Bill 2021, Section 2).

- Selected a judgmental sample of employees who transferred due to the unification initiative to ensure state agencies were charged the proper labor rate for the relocated positions. Additionally, we determined whether information was reported annually in accordance with legislative intent (2021 Session Laws Senate Bill 2021, Section 10).

- Determined whether the telephone access line and radio communications access surcharge rates being used are in accordance with legislative intent (N.D.C.C. 54-44.8-08).

- Selected a random sample of projects to determine whether background checks were completed in accordance with legislative intent (2019 Session Laws House Bill 1080, Section 1 and N.D.C.C. 54-59-20).

- Selected a random sample of expenditures and correcting entries from the Health Information Exchange Fund (Fund 325) to ensure that expenditures were within legal restrictions and properly coded and supported (N.D.C.C. 54-59-27).

- Selected a random sample of expenditures and correcting entries from the Interoperable Radio Network Fund (Fund 476) to ensure expenditures were within legal restrictions and properly coded and supported (N.D.C.C. 37-17.3-12).

- Selected a random sample of expenditures to ensure expenditures were within legal restrictions and properly coded and supported (N.D.C.C. 44-08-03, 44-08-04, 44-08-05.1 #1a, and 54-06-09).

- Analyzed expenditures and selected a random sample of purchases subject to procurement rules to ensure compliance with law (N.D.C.C. 48-01.2, 54-44.4, and N.D.A.C. 4-12).

- Judgmentally selected high-risk accounts payable module adjusting entries to ensure the entries were in compliance with law and properly coded and supported (N.D.C.C. 54-44.1-09, N.D.C.C. 54-44.1-10, N.D.C.C. 44-08-05.1 1a, and N.D.C.C. 54-16-03).

- Selected a judgmental sample of items purchased through state-issued credit cards (purchase cards) to ensure they were in compliance with law and properly coded and supported (N.D.C.C. Chapter 44-08-05.1).

- Reviewed the annual physical inventory of property of sufficient value and permanence to ensure compliance with law (N.D.C.C. 44-04-07 and Office of Management and Budget (OMB) Policy 205).

- Selected a random sample of employee telework agreements to ensure they were utilized for all teleworking employees (N.D.C.C. 54-44.3-12 and ND OMB HR Policy – The New Workplace – Teleworking).

- Selected a judgmental sample of employee performance evaluations to ensure compliance with law (N.D.A.C. 4-07-10).

AUTHORITY AND STANDARDS

This biennial audit of North Dakota Information Technology 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).

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES	JUNE 30, 2022	JUNE 30, 2021
Computer Services	$ 92,813,681	$ 81,424,299
Equipment Usage - Interoperable Radio Network	5,046,801	3,509,956
Assessed Communication Services Fee	4,439,831	4,715,840
Program Income	1,124,680	1,253,039
Health Information Exchange Reimbursement	1,072,709	7,431,208
Digital Credentialing Grant Revenue	400,000	-
Telecommunication Relay Services	275,596	327,475
Miscellaneous General Revenue	132,386	38,676
Federal Revenue	-	2,723
Transfers In	40,028,079	56,076,663
Total Revenue and Other Sources	**$ 145,333,763**	**$ 154,779,879**

Source: ConnectND Financials

Financials

Revenues and Expenditures

EXPENDITURES AND OTHER USES	JUNE 30, 2022	JUNE 30, 2021
Salaries and Benefits	$ 49,588,956	$ 43,276,329
IT - Contractual Services	29,069,771	61,657,420
IT - Software and Licenses	27,691,220	44,874,350
Professional Fees and Services	10,759,282	169,019
Motorola SIRN Project Expenses	9,174,509	5,567,358
IT Equipment Under $5,000	4,324,877	3,843,531
Statewide Interoperable Radio Network Expenses	4,074,252	3,239,700
IT - Data Processing	3,762,829	3,878,001
IT - Phone Communications	3,194,758	3,349,355
IT Equipment Over $5,000	2,654,201	8,314,106
Rent of Building Space	2,177,877	1,861,617
Repairs	772,196	546,718
Travel	399,762	167,081
Professional Development	384,239	757,911
Other Operating Expenses	366,848	181,989
Bank of North Dakota Loan Interest Repayment	194,932	-
Utilities	114,092	122,186
Health Information Exchange Expenses	104,151	937,090
Grants to Private and Non-State Entities	75,000	112,000
Data Processing Supply	53,167	4,206,487
COVID Cares Act Expenses	-	3,261,882
Total Expenditures and Other Uses	**$ 148,936,919**	**$ 190,324,130**

Source: ConnectND Financials

Appropriations

For the Year Ended June 30, 2022

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Salaries and Wages	$ 101,754,538	$ 45,419,878	$ 56,334,660
Operating Expenses	114,588,112	58,507,037	56,081,075
Capital Assets	3,443,909	1,290,693	2,153,216
Technology Project Carryover	80,000,000	19,014,026	60,985,974
Broadband Infrastructure Grant	45,000,000	38,430	44,961,570
Statewide Data System	4,486,278	1,379,591	3,106,687
Edu Tech	9,691,939	4,625,628	5,066,311
Wide Area Network	4,679,718	2,282,788	2,396,930
Geographic Info System	1,101,806	539,254	562,552
Health Info Technology Office	14,725,871	4,658,906	10,066,965
Interoperability Radio Network	14,193,796	3,347,739	10,846,057
CARES Act Funding - 2020	8,087,081	7,832,949	254,132
American Rescue Plan Act	401,000	-	401,000
Totals	**$ 402,154,048**	**$ 148,936,919**	**$ 253,217,129**
Expenditures by Source			
General	$ 28,995,862	$ 15,392,153	$ 13,603,709
Other	373,158,186	133,544,766	239,613,420
Totals	**$ 402,154,048**	**$ 148,936,919**	**$ 253,217,129**

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENDITURES	UNEXPENDED APPROPRIATIONS
Expenditures by Line Item			
Salaries and Wages	$ 81,389,501	$ 75,286,257	$ 6,103,244
Operating Expenses	105,357,364	100,775,171	4,582,193
Capital Assets	4,253,117	2,183,852	2,069,265
Statewide Data System	4,387,145	4,216,651	170,494
Edu Tech	9,645,773	9,356,096	289,677
Wide Area Network	5,167,970	5,167,970	-
Geographic Info System	2,202,629	1,382,069	820,560
Health Info Technology Office	48,434,279	15,843,254	32,591,025
Interoperability Radio Network	132,330,000	27,911,236	104,418,764
CARES Act Funding - 2020	61,868,226	60,281,145	1,587,081
Totals	**$ 455,036,004**	**$ 302,403,701**	**$ 152,632,303**
Expenditures by Source			
General	$ 28,580,311	$ 28,482,420	$ 97,891
Other	426,455,693	273,921,281	152,534,412
Totals	**$ 455,036,004**	**$ 302,403,701**	**$ 152,632,303**

Source: ConnectND Financials

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