

Office of Management and
Budget

BISMARCK, NORTH DAKOTA

Audit Report

For the Biennium Ended
June 30, 2017



Office of the State Auditor
Division of State Audit

Report Highlights

Internal Control: We evaluated and tested high risk areas including: revenue, expenditures (including correcting entries and purchase card transactions), safeguarding assets, Assetworks inventory system and the Avanti cost tracking system.

- We did not note any deficiencies that are required to be brought to the attention of those charged with governance.

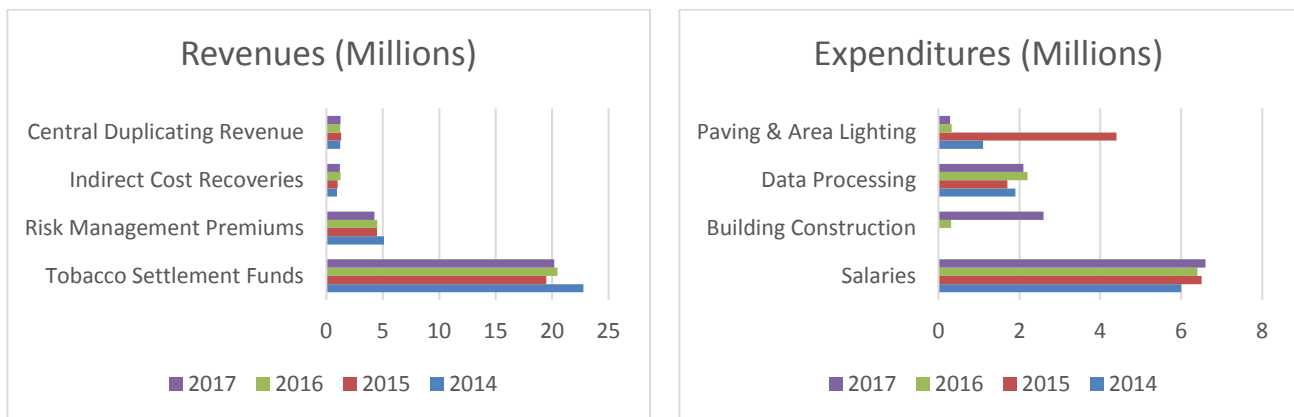
Legislative Intent: We evaluated and tested high risk areas including: required transfers, proper use of restricted funds, and appropriation laws.

- The Office of Management and Budget did not distribute the Community Service Supervision grants in accordance with Senate Bill 2015, section 15 of the 2015 Legislative Session.

Operations: We evaluated the following operational areas of the Office of Management and Budget and did not note any deficiencies that are required to be brought to the attention of those charged with governance:

- Annual Leave Payouts to Current State Employees
- Annual Leave Accrual for State Employees
- State Employee Salary Ranges
- Application Screening Process for State Employees

Financial: Revenues and expenditures during the audit period remained constant except for building and construction expenditures. The significant increase in fiscal year 2017 was due to the construction of the new Governor’s residence. Revenues and expenditures during the prior audit period also remained constant except for paving and area lighting expenditures. The significant increase in fiscal year 2015 was due to paving and lighting projects completed on the capitol complex.



Source: ConnectND (state's accounting system)

**LEGISLATIVE AUDIT AND FISCAL REVIEW
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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

Transmittal Letter

September 13, 2017

The Honorable Doug Burgum, Governor
Members of the North Dakota Legislative Assembly
Ms. Pam Sharp, Director, Office of Management and Budget

We are pleased to submit this audit of the Office of Management and Budget for the biennium ended June 30, 2017. 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.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Michael W. Schmitcke, CPA. Kristi Morlock and Liz Rogers were the staff auditors. Paul Welk, 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 Ms. Pam Sharp and her staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

Executive Summary

Introduction

The North Dakota Office of Management and Budget is established under North Dakota Century Code (NDCC) chapter 55-44. The Office, headed by a Director appointed by the Governor, is vested with the control and supervision of the fiscal administration of the executive branch of government. The Office of Management and Budget's divisions include: Fiscal Management, Human Resources Management Services, Central Services, Facility Management, and Risk Management.

Additional information can be obtained from the Office of Management and Budget website, <http://www.nd.gov/omb>.

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies. Those items and the Office of the State Auditor's responses are noted below.

Responses to LAFRC Audit Questions

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the Office of Management and Budget 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 our finding addressing "noncompliance with community service supervision grants" (page 12), the Office of Management and Budget was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

3. Was internal control adequate and functioning effectively?

Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior audit reports?

The Office of Management and Budget 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.*

Yes, a management letter was issued and is included on page 15 of this report, along with management's response.

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 Office of Management and Budget's financial statements 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 for audits conducted by the Office of the State Auditor.

13. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

14. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance and Human Resource Management System (HRMS) are high-risk information technology systems critical to the Office of Management and Budget.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Office of Management and Budget for the biennium ended June 30, 2017 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Office of Management and Budget's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Office of Management and Budget and are they in compliance with these laws?
3. Are there areas of the Office of Management and Budget's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Office of Management and Budget is for the biennium ended June 30, 2017. We conducted our 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Office of Management and Budget has operations in the following locations. Each location was included in the audit scope:

- Fiscal Management, Human Resource Management Services, Facility Management, and Central Services Divisions in the State Capitol.
- Risk Management Division in north Bismarck.
- Surplus Property Division in south Bismarck.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report.
- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the

- sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Interviewed appropriate agency personnel.
 - Queried the ConnectND (PeopleSoft) system. Significant evidence was obtained from ConnectND.
 - Observed the Office of Management and Budget's processes and procedures.

In aggregate, there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Financial Statements

Statement of Revenues and Expenditures

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Revenues and Other Sources:</u>		
Tobacco Settlement Funds	\$ 20,196,747	\$ 20,466,444
Risk Management Premiums	4,274,967	4,512,967
Indirect Cost Recoveries	1,198,027	1,252,745
Central Duplicating Revenue	1,246,339	1,219,237
Lease and Rental of Rooms and Buildings	880,306	881,153
Sale of Salvage and Scrap	863,359	1,053,339
Postage and Training Services	558,468	564,723
Purchase Card Rebate (Net of Distributed Refunds)	550,343	699,576
Sale of Capital Assets	362,727	361,146
Interest and Investment Earnings	473	8,606,661
Other Revenues	708,873	308,517
Transfers In	418,501,405	63,605,525
Total Revenues and Other Sources	<u>\$ 449,342,034</u>	<u>\$ 103,532,033</u>
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$ 9,645,034	\$ 9,434,370
Operating Fees and Services	4,214,117	4,634,612
Extraordinary Repairs	2,690,918	2,224,209
Building Construction	2,636,542	306,170
IT Data Processing and Contractual Services	2,586,895	2,469,494
Grants	2,123,518	2,064,410
Professional Services	1,525,437	706,412
Utilities	1,448,416	1,490,398
Supplies	746,938	719,099
Insurance	553,125	565,972
Postage	530,967	557,378
Professional Development	333,683	331,996
Bond Principal and Interest	332,337	332,330
Repairs	285,016	577,256
Building and Grounds Maintenance	232,821	280,782
Other Expenses	610,430	681,480
Transfers Out	172,473,776	120,301,846
Total Expenditures and Other Uses	<u>\$ 202,969,970</u>	<u>\$ 147,678,214</u>

Statement of Appropriations

For the Biennium Ended June 30, 2017

Expenditures by Line Item:	Original <u>Appropriation</u>	<u>Adjustments</u>	Final <u>Appropriation</u>	<u>Expenditures</u>	Unexpended <u>Appropriation</u>
Salaries and Benefits	\$ 19,798,254	\$ 1,149,976	\$ 20,948,230	\$ 20,401,021	\$ 547,209
Operating Expenses	13,855,261	351,524	14,206,785	12,363,448	1,843,337
Fiscal Carryover	-	3,835,655	3,835,655	1,316,002	2,519,653
State Contingency	500,000	(2,000)	498,000	-	498,000
Capital Assets	8,640,303	-	8,640,303	4,944,901	3,695,402
Construction Carryover	-	4,231,468	4,231,468	3,572,221	659,247
Grants	555,000	-	555,000	554,998	2
Grants – Guardianships	1,328,600	-	1,328,600	1,328,600	-
Prairie Public Broadcasting	1,600,000	-	1,600,000	1,600,000	-
Energy Develop Impact Funding	7,965,000	(3,858,837)	4,106,163	-	4,106,163
Student Internship Program	250,000	(188,037)	61,963	21,495	40,468
Market Equity Funding Pool	4,490,000	(4,490,000)	-	-	-
Health Insurance Pool	3,350,000	(964,924)	2,385,076	-	2,385,076
State Transfers	1,500,000	-	1,500,000	1,500,000	-
Totals	<u>\$ 63,832,418</u>	<u>\$ 64,825</u>	<u>\$ 63,897,243</u>	<u>\$ 47,602,686</u>	<u>\$ 16,294,557</u>
Expenditures by Source:					
General Fund	\$ 41,107,028	\$ 2,218,355	\$ 43,325,383	\$ 36,760,670	\$ 6,564,713
Other Funds	22,725,390	(2,153,530)	20,571,860	10,842,016	9,729,844
Totals	<u>\$ 63,832,418</u>	<u>\$ 64,825</u>	<u>\$ 63,897,243</u>	<u>\$ 47,602,686</u>	<u>\$ 16,294,557</u>

Expenditures Without Appropriations Of Specific Amounts:

The transfer from the General Fund to the Highway Fund was in accordance with Senate Bill 2015, section 7 of the 2015 Legislative Assembly (\$18,690,000 transferred during the biennium).

Indigent Civil Legal Services Fund has a continuing appropriation authorized by NDCC section 54-06-20 (\$664,253 of expenditures for this biennium).

Risk Management Workers Compensations Fund has a continuing appropriation authorized by NDCC section 65-04-03.1 (\$8,090,351 of expenditures for this biennium).

Risk Management Claims Fund has a continuing appropriation authorized by NDCC section 32-12.2-07 (\$2,652,431 of expenditures for this biennium).

Community Service Supervision Fund had transfers during the biennium authorized by Senate Bill 2015, section 15 of the 2015 Legislative Assembly (\$40,078 of transfers for this biennium).

Tobacco Settlement Trust Fund had transfers authorized by NDCC section 54-27-25 (\$40,663,191 of transfers this biennium).

State Tuition Fund had transfers during the biennium authorized by NDCC section 15.1-28-03 (\$115,847,643 of transfers for this biennium).

Property Tax Relief Fund had transfers during the biennium authorized by Senate Bill 2015, section 3 of the 2015 Legislative Assembly (\$657,000,000 of transfers for this biennium).

Foundation Aid Stabilization Fund had transfers during the biennium authorized by Article X, section 24 of the Constitution (\$116,053,293 of transfers for this biennium).

Budget Stabilization Fund had transfers to the General Fund during the biennium authorized by NDCC section 54-27.2-01 (\$572,485,454).

Postage Revolving Fund has a continuing appropriation authorized by NDCC section 48-06-06 (\$1,048,257 of expenditures for this biennium).

Central Personnel Training Fund and Central Services Fund have a continuing appropriation authorized by NDCC section 54-44-11 (\$695,044 of expenditure for this biennium).

Capitol Renovation Fund has a continuing appropriation authorized by NDCC section 48-10-02 (\$102,197 of expenditures for this biennium).

Internal Control

In our audit for the biennium ended June 30, 2017, we identified the following areas of the Office of Management and Budget's internal control as being the highest risk:

Internal Controls Subjected to Testing:

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the AssetWorks inventory system.
- Controls surrounding the Avanti cost tracking system.

The criteria used to evaluate internal control is 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). Agency management must establish and maintain effective internal control in accordance with policy of the Office of Management and Budget (OMB Policy 216).

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded internal control was adequate.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect: (1) misstatements in financial or performance information; (2) violations of laws and regulations; or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any significant deficiencies in internal control. However, we noted a matter involving internal control that we have reported to management of the Office of Management and Budget in a management letter dated September 13, 2017.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2017, we identified and tested the Office of Management and Budget's compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- The transfer from the Property Tax Relief Fund to the General Fund was completed properly (Senate Bill 2015, section 3 of the 2015 Legislative Session).
- The proper use of general funds and special funds for a targeted market equity salary funding pool and development of a statewide plan to prioritize market equity increases (Senate Bill 2015, section 4 of the 2015 Legislative Session).
- The proper use of general funds and special funds for a state agency energy development impact funding pool (Senate Bill 2015, section 5 of the 2015 Legislative Session).
- Proper transfers were completed from the General Fund to the following funds:
 - Highway Fund (Senate Bill 2015, section 7 of the 2015 Legislative Session).
 - Federal Environmental Law Impact Review Fund (House Bill 1432, section 5 of the 2015 Legislative Session).
- The transfer from the Strategic Investment and Improvements Fund to the Highway Fund was completed properly (Senate Bill 2015, section 8 of the 2015 Legislative Session).
- The transfer from the Strategic Investments and Improvements Fund to the General Fund was completed properly (House Bill 1024, section 5 of 2017 Legislative Session).
- The proper use of Capitol Building Fund money for the capitol building entrance and signage projects and legislative wing electrical and ceiling repairs (Senate Bill 2015, section 14 of the 2015 Legislative Session).
- The proper distribution of funds for the community service supervision grants (Senate Bill 2015, section 15 of the 2015 Legislative Session).
- The proper distribution of grants and special items (Senate Bill 2015, section 17 of the 2015 Legislative Session).
- The proper transfer of funds to eligible agencies from the health insurance pool – temporary employees line (Senate Bill 2015, section 19 of the 2015 Legislative Session).
- The proper establishment of policies and guidelines for the delivery of desktop services (House Bill 1021, section 7 of the 2015 Legislative Session).
- The proper procurement of architect and engineering services for the design of the Governor's residence (Senate Bill 2304, section 1 of the 2015 Legislative Session).
- The proper funding was used for the design and construction of the Governor's residence (Senate Bill 2304, section 2 of the 2015 Legislative Session).
- Proper receipt of private donations prior to start of construction of the Governor's residence (Senate Bill 2304, section 3 of the 2015 Legislative Session).
- The transfer from the Budget Stabilization Fund to the General Fund was completed properly (Senate Bill 2379, section 3 of the 2016 Special Legislative Session).

- The proper transfer of Bank of North Dakota profits to the General Fund (Senate Bill 2379, section 4 of the 2016 Special Legislative Session).
- The proper transfer of Tobacco Settlement Trust Funds (NDCC section 54-27-25).
- Proper transfer of proceeds from property sold for three thousand dollars or more (NDCC section 54-44-04.6(5)).
- Application of proper statutory rates relating to revenue.
- Proper use by the Office of Management and Budget of the following legally restricted funds:
 - Indigent Civil Legal Services Fund (NDCC 54-06-20).
 - Capital Grounds Planning Fund (NDCC 48-10-02).
 - Risk Management Workers Compensation Fund (NDCC 65-04-03.1).
 - Risk Management Fund (NDCC 32-12.2-07).
 - Community Service Supervision Fund (NDCC 29-26-22(3)).
 - State Tuition Fund (NDCC 15.1-28-03).
 - Property Tax Relief Fund (NDCC 57-51.1-07.5).
 - Foundation Aid Stabilization Fund (State Constitution, article X, section 24).
 - Postage Revolving Fund (NDCC 48-06-06).
 - Central Personnel Training Fund (NDCC 54-44-11(3)).
 - Central Services Fund (NDCC 54-44-11(1) and (2)).
 - Capitol Renovation Fund (NDCC 48-10-02).
- Proper authorization of the Office of Management and Budget's funds.
- Compliance with the Office of Management and Budget's Purchasing Procedures Manual.
- Proper use of the State Treasurer (State Constitution, article X, section 12).
- Compliance with appropriations and related transfers (2015 North Dakota Session Laws chapter 49).
- Proper authority for investments outside the Bank of North Dakota.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with fixed asset requirements including record-keeping, annual inventory, and surplus property.
- Proper use of the Bank of North Dakota as depository for credit card collections (NDCC section 54-06-08.2).

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that has occurred or is likely to have occurred.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The finding is described below. Other than this finding, we concluded there was compliance with the legislative intent identified above.

Noncompliance with Community Service Supervision Grants (Finding 17-1)

Condition:

The Office of Management and Budget did not distribute the Community Service Supervision grants in accordance with Senate Bill 2015, section 15 of the 2015 Legislative Session. The distribution errors ranged from an overpayment of \$30,998 to an underpayment of \$21,838.

Criteria:

Senate Bill 2015, section 15 of the 2015 Legislative Session required the Office of Management and Budget to distribute grant funds in specific amounts to North Dakota community corrections association regions on or before August first during each year of the biennium beginning July 1, 2015 and ending June 30, 2017.

Cause:

The North Dakota Community Corrections Association (NDCCA) notified the Office of Management and Budget (OMB) in writing that Senate Bill 2015 included outdated information on the regions and provided a current regional breakdown to OMB requesting the distribution to be updated. OMB accepted the request and distributed the funds based on the new breakdown provided by NDCCA.

Effect or Potential Effect:

Improper payments may have been made.

Recommendation:

We recommend the Office of Management and Budget distribute Community Service Supervision grants in accordance with the Session Laws.

Office of Management and Budget Response:

OMB agrees with the recommendation.

Operations

Our audit of the Office of Management and Budget included a review of operations surrounding annual leave payouts to current state employees, annual leave accrual for state employees, state employee salary ranges, and the application screening process for employment with the state.

Annual Leave Payouts to Current State Employees

Background:

An employee is allowed to carry over a maximum of 240 hours of accrued annual leave beyond April 30, of each year. According to North Dakota Administrative Code 4-07-12-10, an employee may not be paid for unused annual leave while the employee remains in the service of the agency except for the following reasons:

- The employee takes a long-term leave of absence;
- The employee goes on educational leave;
- The employee moves to temporary employment; or
- Human Resource Management Services (HRMS) approves a written request from an agency for an exception to this section for a business-related reason.

Our audit of the Office of Management and Budget’s annual leave payout process was designed and conducted to meet the following objective:

Is the approval process surrounding annual leave payouts for current employees who have accrued over 240 hours adequate to ensure payments are proper and not in violation of North Dakota Administrative Code 4-07-12-10?

The results of our testing did not identify any issues relating to our audit objective.

Annual Leave Accrual for State Employees

Background:

Employees begin to accrue annual leave from the first day of hire. HRMS, through the use of PeopleSoft, calculates the leave accrual for all state employees on a monthly basis using the criteria listed in the following table:

<u>Years of Service</u>	<u>Annual Leave Accrued for Full-time Employees</u>
1 st through 3 rd	8 hours per month
4 th through 7 th	10 hours per month
8 th through 12 th	12 hours per month
13 th through 18 th	14 hours per month
19 th and over	16 hours per month

Our audit of the Office of Management and Budget’s annual leave accrual for state employees was designed and conducted to meet the following objective:

Does HRMS accrue the proper amount of annual leave for state employees?

The results of our testing did not identify any issues relating to our audit objective.

State Employee Salary Ranges

Background:

North Dakota Administrative Code section 4-07-02-05 states HRMS shall assign a pay grade and a salary range to each approved class in the classification plan. Unless otherwise provided by HRMS, the salary level of a classified employee must be within the assigned salary range.

Our audit of the Office of Management and Budget's process to ensure classified employees salaries are within an assigned salary range was designed and conducted to meet the following objective:

Does HRMS ensure state employees are paid within the appropriate salary ranges?

The results of our testing did not identify any issues relating to our audit objective.

Application Screening Process

Background:

State agencies are required to use the Recruiting Solutions module in PeopleSoft to post job openings. Applicants are required to submit their applications and supporting documentation through Recruiting Solutions.

Our audit of the Office of Management and Budget's application screening process was designed and conducted to meet the following objective:

Does HRMS's Recruiting Solutions provide a process that ensures job applicants are able to submit all required documents and provide sufficient help to those applicants that have difficulties?

The results of our testing did not identify any issues relating to our audit objective.

Management Letter (Informal Recommendations)

September 13, 2017

Ms. Pam Sharp, Director
Office of Management and Budget
State Capitol
600 E Boulevard Avenue
Bismarck, ND 58505

Dear Ms. Sharp:

We have performed an audit of the Office of Management and Budget for the biennium ended June 30, 2017, and have issued a report thereon. As part of our audit, we gained an understanding of the Office of Management and Budget's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations, and may not bring to light all weaknesses in systems and procedures, or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions, which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted a certain condition we did not consider reportable within the context of your audit report. This condition relates to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendation to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if this recommendation has been implemented, and if not, we will reconsider its status. The following presents our informal recommendation.

Informal Recommendation 17-1: We recommend the Office of Management and Budget Facility Management perform purchase card statement reconciliations in accordance with OMB policy 300.

Management of the Office of Management and Budget agreed with this recommendation.

I encourage you to call me or an audit manager at 328-2241, if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

/S/

Michael W. Schmitcke, CPA
Auditor in-charge

You may obtain audit reports on the internet at:

www.nd.gov/auditor/

or by contacting the
Division of State Audit

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060

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