



North Dakota Legislative Council

Prepared for the Legislative Audit and
Fiscal Review Committee
LC# 23.9380.01000
September 2022

SUMMARY OF MAJOR ITEMS IN AUDIT REPORTS FOR THE SEPTEMBER 27, 2022, MEETING

DEPARTMENT OF WATER RESOURCES (JUNE 30, 2020 AND 2021)

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. An opinion was not issued on this audit report. No errors, internal control weakness, or potential violations of law for significant and high-risk functions were identified.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- **Improper credits to appropriation** - The Department of Water Resources did not properly account for the sale of land, making their expenditures and other financing sources understated by \$461,500.

Prior audit findings:

The following recommendations were included in the June 30, 2018 and 2019, audit of the State Water Commission:

- Improper emergency action plan process for dams; and
- Dam operating plans not tracked or reviewed.

The June 30, 2020 and 2021, audit of the Department of Water Resources indicates the department has implemented changes and controls to address the prior audit recommendations.

Audit cost as reported by the State Auditor's office:

Department of Water Resources		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$40,172.50	
State Auditor's office hours ³	571.00	
Hourly rate	\$70.35	
Agency costs ⁴	\$20,600.00	\$20,600.00

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²This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

³Staff hours incurred to complete the audit.

⁴This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to North Dakota Century Code Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- Of the 2019-21 biennium unexpended appropriation shown on page 11, how much is anticipated to be carryover for water projects?

**COMMISSION ON LEGAL COUNSEL FOR INDIGENTS
(JUNE 30, 2020 AND 2021)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. An opinion was not issued on this audit report. No errors, internal control weakness, or potential violations of law for significant and high-risk functions were identified.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- None.

Prior audit findings:

No prior audit recommendations.

Audit cost as reported by the State Auditor's office:

Commission on Legal Counsel for Indigents		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	N/A	
State Auditor's office hours ³	N/A	
Hourly rate	N/A	
Agency costs ⁴	N/A	\$939
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Observations/potential questions relating to the audit report:

- None.

**COUNCIL ON THE ARTS
(JUNE 30, 2021 AND 2020)**

Audit purpose: The purpose of this audit was to determine if there are any internal control weaknesses or violations of state law.

Findings:

- **Payroll charged to federal funds** - The State Auditor reported the agency charged \$117,905 of salary expenses to federal funds but did not properly document that the work related directly to the federal grant program for which the funds were received. Additionally, the agency provided employee bonuses totaling \$7,500 using federal COVID-19 relief funds. Federal guidelines do not allow the use of federal COVID-19 relief funds for employee bonuses.

Audit cost as reported by the State Auditor's office:

Council on the Arts		
	2020 Audit	2022 Audit ¹
State Auditor's office ²	\$12,345.00	
State Auditor's office hours ³	181.00	
Hourly rate	\$68.20	
Agency costs ⁴	\$0.00	\$0.00
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Observations/potential questions relating to the audit report:

- None.

**AGRICULTURE COMMISSIONER
(JUNE 30, 2020 AND 2021)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. An opinion was not issued on this audit report. No errors, internal control weakness, or potential violations of law for significant and high-risk functions were identified.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- None.

Prior audit findings:

The prior audit finding has been addressed. Section 20 of House Bill No. 1009 (2021) amended Section 7 of Chapter 34 of the 2019 Session Laws to provide the Agriculture Commissioner's salaries and wages line item includes "up to" \$50,000 from the general fund for matching funds for the North Dakota outdoor heritage fund grant provided for the waterbank program. This amendment addressed the prior audit report finding regarding the use of these funds and whether the entire \$50,000 must be used exclusively for the waterbank program.

Audit cost as reported by the State Auditor's office:

Agriculture Commissioner		
	2019 Audit	2021 Audit¹
State Auditor's office ²	\$49,849.00	
State Auditor's office hours ³	740.25	
Hourly rate	\$67.34	
Agency costs ⁴	\$11,500.00	\$5,296.00

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Observations/potential questions relating to the audit report:

- On page 11, why were grant expenditures \$19.5 million during fiscal year 2021 but only \$5.3 million during fiscal year 2020? Was this due to timing of grant programs, the COVID-19 pandemic, or other reasons?

**DEPARTMENT OF CAREER AND TECHNICAL EDUCATION
(JUNE 30, 2020 AND 2021)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. An opinion was not issued on this audit report. No errors, internal control weakness, or potential violations of law for significant and high-risk functions were identified.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- **Noncompliance with appropriations laws** - The report states the Center for Distance Education (CDE), which reports to the Department of Career and Technical Education, overspent its 2019-21 biennium appropriation authority by \$121,255. Of this amount, \$120,000 was for online learning curriculum purchased from a vendor. The Center for Distance Education pays for the curriculum materials on an annual basis and in an effort to receive a discounted price for the materials for the 1st year of the 2021-23 biennium, payment of \$120,000 was issued prior to June 30, 2021, resulting in CDE overspending its 2019-21 biennium appropriation authority.
- The department has indicated their fiscal office will implement oversight of CDE's budget and appropriation spending to ensure compliance with appropriation limits and the Director of CDE will discuss major decisions with the department director prior to implementation.

Prior audit findings:

- No prior audit recommendations.

Audit cost as reported by the State Auditor's office:

Department of Career and Technical Education		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$39,498.00	
State Auditor's office hours ³	576.50	
Hourly rate	\$68.51	
Agency costs ⁴	\$0.00	\$604.00
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Observations/potential questions relating to the audit report:

- In the middle of the right column on page 5, the report states \$9,531,188 was appropriated for CDE for the 2019-21 biennium. The correct amount is \$9,351,188. The \$9,622,168 appropriation amount stated on page 11 reflects CDE's spending authority after approval of requests from the Emergency Commission and Budget Section.

**NORTH DAKOTA STATE UNIVERSITY
(JUNE 30, 2021)**

Audit purpose: The purpose of this audit was to determine that:

- International students were not overpaying;
- Special project payroll was properly processed and awarded; and
- Financial transactions including expenditures were made in accordance with law and appropriation requirements.

The institution's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

Findings:

- The audit did not identify any areas of concern.

Prior audit findings:

The following recommendations were included in the June 30, 2019, audit of North Dakota State University:

- Properly administer contracts, maintain an official personnel file, and perform proper annual evaluations;
- Adequately monitor its trademark licensing program;
- Develop and document a policy on how to distribute royalty revenue earned from the sale of licensed merchandise; and
- Properly retain request for qualifications documents.

The June 30, 2021, audit of North Dakota State University indicates the institution has implemented changes and controls to address prior audit recommendations.

Audit cost as reported by the State Auditor's office:

North Dakota State University		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$90,967.50	
State Auditor's office hours ³	1,384.25	
Hourly rate	\$65.72	
Agency costs ⁴	\$31,500.00	\$0.00

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Observations/potential questions relating to the audit report:

- Why was the institution not charged for a portion of the cost of the audit?

**NORTH DAKOTA STATE COLLEGE OF SCIENCE
(JUNE 30, 2021)**

Audit purpose: The purpose of this audit was to determine that financial transactions and expenses were correct.

The institution's transactions were tested and included in the University System's annual financial report on which an unmodified opinion was issued.

Findings:

- The audit did not identify any areas of concern.

Prior audit findings:

The June 30, 2019, audit of the North Dakota State College of Science included a recommendation that the institution include in the faculty contract the criteria that is necessary to complete an annual evaluation and maintain an official personnel file. The June 30, 2021, audit indicates the institution has implemented changes and controls to address the prior audit recommendation.

Audit cost as reported by the State Auditor's office:

North Dakota State College of Science		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$54,013.00	
State Auditor's office hours ³	813.00	
Hourly rate	\$66.44	
Agency costs ⁴	\$16,300.00	\$0.00
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Observations/potential questions relating to the audit report:

- Why was the institution not charged for a portion of the cost of the audit?

**WILLISTON STATE COLLEGE
(JUNE 30, 2021)**

Audit purpose: The purpose of this audit was to determine that financial transactions and expenses were correct.

The institution's transactions were tested and included in the University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Bank reconciliation** - Williston State College (WSC) did not properly reconcile between the general ledger and bank statements. The State Auditor reported unreconciled balances in 4 months in 2021 ranging from approximately \$98,000 to \$239,000.
- **Scholarships** - WSC did not follow scholarship awarding and approval requirements. The State Auditor reported that of 32 scholarships tested, 6 were not in compliance with scholarship requirements and 3 did not have documentation surrounding the approval of the scholarship.
- **Procurement** - WSC did not follow procurement rules for some large purchases. The State Auditor reported that of 10 procurement purchases tested, 7 transactions, totaling \$404,146, were not correctly procured.

Prior audit findings:

The finding related to procurement was also a prior audit finding. A prior audit finding related to reconciling student finance to the general ledger and bank statements was considered fully implemented.

Audit cost as reported by the State Auditor's office:

Williston State College		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$44,125.00	
State Auditor's office hours ³	643.50	
Hourly rate	\$68.57	
Agency costs ⁴	\$14,500.00	\$0.00

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Observations/potential questions relating to the audit report:

- Has employee turnover significantly contributed to these issues in the report?
- Why was the institution not charged for a portion of the audit costs?

**LAKE REGION STATE COLLEGE
(JUNE 30, 2021)**

Audit purpose: The purpose of this audit was to determine that financial transactions and expenses were correct.

The institution's transactions were tested and included in the University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Procurement** - Lake Region State College did not follow procurement rules for some large purchases. The State Auditor reported that of 10 procurement purchases tested, 4 were not correctly procured.

Prior audit findings:

- The finding related to procurement was also a prior audit finding.

Audit cost as reported by the State Auditor's office:

Lake Region State College		
	2019 Audit	2021 Audit¹
State Auditor's office ²	\$20,685.00	
State Auditor's office hours ³	334.00	
Hourly rate	\$61.93	
Agency costs ⁴	\$14,700.00	\$15,538.78

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Observations/potential questions relating to the audit report:

- None.

**VALLEY CITY STATE UNIVERSITY
(JUNE 30, 2021)**

Audit purpose: The purpose of this audit was to determine that financial transactions and expenses were correct.

The institution's transactions were tested and included in the University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Procurement** - Valley City State University did not follow procurement rules for some large purchases. The State Auditor reported that of eight procurement purchases tested, four were not correctly procured.

Prior audit findings:

The finding related to procurement was also a prior audit finding.

Audit cost as reported by the State Auditor's office:

Valley City State University		
	2019 Audit	2021 Audit¹
State Auditor's office ²	\$26,590.00	
State Auditor's office hours ³	409.50	
Hourly rate	\$64.93	
Agency costs ⁴	\$16,300.00	\$17,379.89

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Observations/potential questions relating to the audit report:

- None.

**MAYVILLE STATE UNIVERSITY
(JUNE 30, 2021)**

Audit purpose: The purpose of this audit was to determine that:

- Employee pay was correct;
- The bank and external reconciliations process was appropriate; and
- Financial transactions and expenses were correct.

The institution's transactions were tested and included in the University System's annual financial report on which an unmodified opinion was issued.

Findings:

- **Payroll training** - Mayville State University (MaSU) did not have adequate payroll training or internal controls around payroll. The State Auditor reported MaSU overpaid 15 employees a total of over \$175,000. The State Auditor then reviewed 32 additional pay transactions and identified issues relating to all 32 transactions, including lack of approval and lack of support.
- **Bank reconciliations** - MaSU improperly prepared and approved bank reconciliations. The State Auditor reported MaSU is not properly approving bank reconciliations, supporting reconciling items, and is not reconciling bank reconciliations to a \$0 balance. The State Auditor reports in the 4 months tested in fiscal year 2021, unreconciled amounts ranged from \$975 to \$162,690.
- **Other financial reconciliations** - MaSU did not reconcile student finance, payroll, and the general ledger to a \$0 difference each month.
- **Journal entries** - MaSU did not maintain proper documentation for journal entries and approved without attached support for approval. The State Auditor reports of 32 journal entries tested, 18 did not have support, approval, or proper coding.
- **Purchase cards** - MaSU did not ensure proper signatures for purchase cardholders are documented and approvals are maintained. The State Auditor reports of 32 purchase card reconciliations tested, 4 were not properly approved by the cardholder's supervisor.
- **Waivers** - MaSU had inadequate procedures to ensure that tuition waiver requirements are met, and proper documentation is maintained. The State Auditor reports of 32 scholarships or waivers tested, 2 tuition waivers did not have documented criteria and 5 housing waivers did not have support for all criteria.

Prior audit findings:

- The findings related to bank reconciliations and waivers were prior audit findings.

Audit cost as reported by the State Auditor's office:

Mayville State University		
	2019 Audit	2021 Audit¹
State Auditor's office ²	\$47,067.50	
State Auditor's office hours ³	679.00	
Hourly rate	\$69.32	
Agency costs ⁴	\$17,800.00	\$28,471.43

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Observations/potential questions relating to the audit report:

- Were the payroll amounts repaid?

**DEPARTMENT OF PUBLIC INSTRUCTION
(BIENNIUM ENDED JUNE 30, 2021)**

Audit purpose: The purpose of the audit was to determine whether there were any errors, internal control weaknesses, or potential violations of law for significant or high-risk functions of the Department of Public Instruction (DPI).

Finding:

- **Expenditures not approved by Emergency Commission - Finding 2021-01**

Condition: DPI received approval from the Emergency Commission and the Budget Section for a total of \$16,918,463 to spend on the Comprehensive Literacy State Development Program, which is a program funded by the federal government to improve literacy for disadvantaged children. The department spent \$3,117,564 on the literacy program and \$13,800,899 on a summer foods program, which was not part of the Emergency Commission approval. The Department of Public Instruction spent funds on a program other than the program approved for additional spending authority by the Emergency Commission.

Recommendation: The State Auditor recommended DPI develop procedures to track expenditures for Emergency Commission requests to ensure money is spent for the approved purpose or returned at the end of the biennium.

Agency response: DPI agreed with the State Auditor's recommendation and as part of a monthly review of budget reports and reconciliations, the department has incorporated separate tracking of Emergency Commission approvals to prevent a recurrence.

Prior audit finding:

- **Lack of guidance and monitoring for school district transportation funding - Finding 2019-01**

Recommendation: The State Auditor recommended DPI improve guidance to school districts on how to report miles and rides as well as strengthen procedures surrounding the monitoring of transportation data submitted by the school district.

Status: DPI has partially implemented the recommendation included in the prior audit report. The Department of Public Instruction has updated the STARS Transportation Reports Reference Guide to provide clarity and guidance to school districts when reporting miles and rides. However, processes put in place to monitor transportation data submitted by the school district were not going to be put into use until the 2021-22 school year, which is after the audit period ended on June 30, 2021. Therefore, DPI's monitoring procedures over school districts could not be reviewed during the current audit to determine if they were implemented.

Other information:

- **Internal control** - In addition, the State Auditor performed specific internal control testing related to the segregated preparation and approval of expenditures; appropriation adjustments; the tracking of expenditures related to one-time funding, gifted and talented programs, Medicaid matching funds; transportation grants and continuing education grants; continuing education grant application approvals; the tracking of expenditures related to rapid enrollment grants and music education grants; teacher shortage loan forgiveness program payment approvals; WebGrants System expenditure approvals and reconciliations; non-WebGrants System grant expenditure approvals; proper procurement processes and training; and purchase card expenditure approvals. No deficiencies were identified.

Audit cost as reported by the State Auditor's office:

Department of Public Instruction	
State Auditor's office ¹	
State Auditor's office hours ²	
Hourly rate	
Agency costs ³	\$10,619.05
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Observations/potential questions relating to the audit report:

- Why are total biennial expenditures of \$2,580,390,418 on the Statement of Revenues and Expenditures on page 10 \$189,767 more than expenditures totaling \$2,580,200,651 on the Statement of Appropriations on page 11?
- What is the reason for the increase in professional fees and services from \$7.7 million in fiscal year 2020 to \$11 million in fiscal year 2021?

**VETERANS' HOME
(JUNE 30, 2020 AND 2021)**

Audit purpose: The purpose of this audit was to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. An opinion was not issued on this audit report. No errors, internal control weakness, or potential violations of law for significant and high-risk functions were identified.

The agency's transactions were tested and included in the state's basic financial statements on which an unmodified opinion was issued.

Findings:

- None.

Prior audit findings:

- No prior audit recommendations.

Audit cost as reported by the State Auditor's office:

Veterans' Home		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$26,855.00	
State Auditor's office hours ³	401.50	
Hourly rate	\$101.76	
Agency costs ⁴	\$14,000.00	\$16,533.00
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Observations/potential questions relating to the audit report:

- None.

**OFFICE OF MANAGEMENT AND BUDGET
(JUNE 30, 2021 AND 2020)**

Audit purpose: The purpose of this audit was to review financial transactions, expenditures, and internal controls.

Findings:

- No findings were discovered and no deficiencies were identified related to a review of financial transactions and internal controls.

Other information:

- **Prior audit recommendation** - As shown on page 13, the Office of Management and Budget partially implemented the recommendations related to the alternate procurement process.
- **Appropriation** - As shown on page 12, the Office of Management and Budget's final appropriation authority for the 2019-21 biennium totaled \$168,252,474, of which \$13,216,329 was unexpended.

Audit cost as reported by the State Auditor's office:

Office of Management and Budget		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$32,057.50	
State Auditor's office hours ³	479.50	
Hourly rate	\$66.86	
Agency costs ⁴	\$29,000.00	\$29,865.60
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Observations/potential questions relating to the audit report:

- None.

**PARKS AND RECREATION DEPARTMENT
(JUNE 30, 2021 AND 2020)**

Audit purpose: The purpose of this audit was to review financial transactions, expenditures, and internal controls.

Findings:

- **Noncompliance with fraud risk assessment** - The Parks and Recreation Department did not conduct a fraud risk assessment during the 2019-21 biennium, increasing the risk that fraud could occur.
- **Lack of inventory policy** - A physical inventory had not been conducted since 2018, and the department did not have a formally established inventory policy, which could have resulted in missing property.
- **Understated capitalized assets** - Equipment over \$5,000 was not properly capitalized, causing fixed assets to be understated by \$449,315.
- **Potential noncompliance with legislative intent** - The Parks and Recreation Department provided a reimbursement to the International Peace Garden from unexpended appropriation authority related to capital projects which was continued into the 2019-21 biennium from the 2013-15 biennium. However, the authorization to continue the funding did not specifically authorize or prohibit using the funds for equipment purchases, so compliance with legislative intent was unclear.

Audit cost as reported by the State Auditor's office:

Parks and Recreation Department		
	2019 Audit	2021 Audit¹
State Auditor's office ²	\$34,173.75	
State Auditor's office hours ³	470.25	
Hourly rate	\$72.67	
Agency costs ⁴	\$0.00	\$9,150.25

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Observations/potential questions relating to the audit report:

- Will the finding related to understated capitalized assets impact the annual comprehensive financial report?

**TAX COMMISSIONER
(JUNE 30, 2021 AND 2020)**

Audit purpose: The purpose of this audit was to review financial transactions, expenditures, and internal controls.

Findings:

- **Review of eligibility for property tax credits** - The audit identified an opportunity for the Tax Commissioner to enhance the review of eligibility for the homestead property tax credit and the disabled veterans' property tax credit to reduce the risk of providing the credit to ineligible individuals.

Other information:

- **Revenue collections** - As shown on page 10, the Tax Commissioner collected tax and fee revenues totaling \$7.89 billion in the 2019-21 biennium. As included in the prior audit report, the Tax Commissioner collected tax and fee revenues totaling \$8.77 billion during the 2017-19 biennium.
- **Appropriation** - As shown on page 12, the Tax Commissioner's final appropriation authority for the 2019-21 biennium totaled \$58.28 million, of which \$3.97 million was unexpended. Based on the prior audit report, the Tax Commissioner's final appropriation authority for the 2017-19 biennium totaled \$53.58 million, of which \$1.79 million was unexpended.

Audit cost as reported by the State Auditor's office:

Tax Commissioner		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$26,070.00	
State Auditor's office hours ³	351.00	
Hourly rate	\$74.27	
Agency costs ⁴	\$0.00	\$0.00

¹The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

²This cost is determined by staff hours and costs. This is the cost to the State Auditor's office for completion of the audit.

³Staff hours incurred to complete the audit.

⁴This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- None.

**DEPARTMENT OF HUMAN SERVICES
(JUNE 30, 2021)**

Audit purpose: The State Auditor reviewed the Department of Human Services financial transactions to identify any errors, internal control weaknesses, or violations of law. The audit also reviewed specifically the eligibility of individuals participating in the substance use disorder voucher program.

Findings:

- **Not verifying income eligibility** - The department is not adequately verifying that individuals applying for the substance use disorder voucher program have income at or below 200 percent of the federal poverty level.
- **Not verifying Medicaid eligibility** - The department paid up to \$1,066,655 through the substance use disorder voucher program for services provided to individuals that could have received services through the Medicaid program. This resulted in 293 individuals not being served through the voucher program due to a lack of funding for the program.
- **Employees not properly paid** - Employees at the Life Skills and Transition Center and State Hospital were underpaid by \$132,000 due to the department not paying the appropriate shift differential for employees working overnight on a weekend.
- **Noncompliance with performance bonus requirements** - The department paid a total of \$157,000 in performance bonuses to employees that were not eligible to receive a bonus. Bonuses were provided to 61 employees who were not employed in state government for at least one year before receiving the bonus and 69 bonuses were provided to ineligible temporary employees.
- **Child care correction orders not resolved (prior audit finding)** - The department is not properly monitoring corrective orders issued to child care providers.
- **Timely contact for victims of child abuse (prior audit finding)** - The department is not responding in the required time frame when reports of suspected child abuse are received.
- **Financial statement errors (prior audit finding)** - The department reported incorrect financial statement amounts totaling \$629 million to the Office of Management and Budget for the state's annual comprehensive financial report.
- **Drug Rebate and Analysis Management System receivables balance (prior audit finding)** - There is a lack of internal controls for the Drug Rebate and Analysis Management System which can result in an overstatement of receivables for the Medicaid drug rebate system.

Prior audit findings not fully implemented:

- **Payments after death (2019-01)** - Medicaid benefits for medical services are being billed for services dated after a beneficiary's date of death.
- **Child care correction orders not resolved (2019-02)** - Child care providers are operating without proper reinspection of correction orders, potentially jeopardizing the health and safety of children.
- **Failure to timely contact suspected victims of child abuse and neglect (2019-05)** - The department is not responding in the required time frame when reports of suspected child abuse are received.
- **Financial errors (2019-08)** - The department reported incorrect financial information for the state's comprehensive annual financial report.
- **Medicaid drug rebate system errors (2019-09)** - There is increased potential for fraud and errors to occur and be undetected within the Medicaid drug rebate program.

Audit cost as reported by the State Auditor's office:

Department of Human Services		
	2019 Audit	2021 Audit ¹
State Auditor's office ²	\$229,629.00	
State Auditor's office hours ³	3,155.00	
Hourly rate	\$72.78	
Agency costs ⁴	\$68,900.00	\$16,826.60

¹The State Auditor's office is no longer reporting its costs along with the number of hours utilized to complete an audit on its website.

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³Staff hours incurred to complete the audit.

⁴This is the billable amount, based on the agency's special funds, which the State Auditor's office is required to bill, pursuant to Section 54-10-01(2), directly to the agency for completion of the audit and are deposited in the general fund. The State Auditor's office does not benefit from the money collected from billing for audit services from state agencies.

Observations/potential questions relating to the audit report:

- Were the underpaid employees' payroll amounts corrected?
- Did the employees incorrectly receiving performance bonuses repay the bonuses?
- Why was the audit cost charged to the agency significantly less for the 2021 audit compared to the 2019 audit?