

# NORTH DAKOTA LEGISLATIVE COUNCIL

## Minutes of the

### LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Tuesday, October 17, 2006  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Representative Francis J. Wald, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Representatives Francis J. Wald, Ole Aarsvold, Jeff Delzer, RaeAnn G. Kelsch, Andrew G. Maragos, Chet Pollert, Earl Rennerfeldt, Bob Skarphol; Senators Randel Christmann, Jerry Klein, Judy Lee

**Members absent:** Representatives Merle Boucher, David Monson, Blair Thoreson, Mike Timm; Senators Bill L. Bowman, Tim Mathern

**Others present:** See attached appendix  
Senator David O'Connell, member of the Legislative Council, was also in attendance.

**It was moved by Representative Skarphol, seconded by Senator Klein, and carried on a voice vote that the minutes of the June 19, 2006, meeting of the Legislative Audit and Fiscal Review Committee be approved as distributed.**

#### STATE AGENCY AND INSTITUTION AUDIT REPORTS

Chairman Wald called on Mr. Dana Ereth, Eide Bailly LLP, Certified Public Accountants, who presented the audit report for the beginning farmer revolving loan fund for the years ended December 31, 2005 and 2004. Mr. Ereth reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion and does not contain any findings or recommendations relating to the financial statements.

In response to a question from Representative Skarphol, Mr. Bob Humann, Senior Vice President of Lending, Bank of North Dakota, said the total dollar amount of loan losses realized by the beginning farmer revolving loan fund have been minimal.

In response to a question from Representative Wald, Mr. Humann said the maximum loan amount that may be provided under the beginning farmer revolving loan fund is \$250,000. He said the loans can be made for either real estate or "chattel."

In response to a question from Senator Klein, Mr. Humann said the cash balance in the beginning farmer revolving loan fund is sufficient for the loan activity of the fund.

In response to a question from Representative Delzer, Mr. Humann said during the year ended December 31, 2005, \$925,000 was transferred from the beginning farmer revolving loan fund to the agriculture partnership in assisting community

expansion (Ag PACE) fund, and during the year ended December 31, 2004, \$1,300,000 was transferred from the Ag PACE fund to the beginning farmer revolving loan fund. The legislative budget analyst and auditor said North Dakota Century Code (NDCC) Section 6-09-15.5 provides that the Bank of North Dakota may transfer any unobligated funds between the beginning farmer revolving loan fund and the Ag PACE fund.

Mr. Ereth presented the audit report for the community water facility loan fund for the years ended December 31, 2005 and 2004. Mr. Ereth reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion and does not contain any findings or recommendations relating to the financial statements.

In response to a question from Representative Skarphol, Mr. Humann said the community water facility loan fund provides supplementary financing in conjunction with federal funds for community water facility projects. He said the fund may loan up to 50 percent of the total cost of the project. He said in recent years there has been minimal activity associated with the community water facility loan fund primarily because community water project loans are available from other sources.

In response to a question from Representative Wald, Mr. Humann said the community water facility loan program is administered by the Rural Utilities Services, which is an agency of the United States Department of Agriculture.

Mr. Ereth presented the audit report for the developmentally disabled facility loan fund for the years ended December 31, 2005 and 2004. Mr. Ereth reviewed the auditor's responses to the committee guidelines and said the audit report contains an unqualified opinion and does not contain any findings or recommendations relating to the financial statements.

In response to a question from Senator Lee, Mr. Humann said the purpose of the developmentally disabled facility loan program is to provide financing to nonprofit corporations, organized in the locality in which a facility is proposed to be located, for the project costs related to the establishment of facilities for developmentally disabled, chronically mentally ill, and physically disabled persons. He said all applications under this program must be approved by the Department of Human Services. According to the Department of Human Services, he said, there is

minimal demand for these types of facilities. Senator Lee said the loans provided under this program relating to facilities for developmentally disabled persons are issued at a rate of 10.5 percent, which may be the reason for the minimal demand for the program.

### **NORTH DAKOTA STOCKMEN'S ASSOCIATION**

Chairman Wald called on Ms. Rhonda Mahlum, Mahlum and Goodhart, P.C., Certified Public Accountants, who presented the audit report of the North Dakota Stockmen's Association for the years ended December 31, 2005 and 2004. She said the audit report contains an unqualified opinion and does not contain any findings or recommendations. She said the management letter does contain informal recommendations relating to segregation of accounting duties, bank balances in excess of Federal Deposit Insurance Corporation (FDIC) coverage of \$100,000, reconciliation of brand renewals to related revenues recorded, and "closing" the accounting software on a monthly basis.

### **STATE AGENCY AND INSTITUTION AUDIT REPORTS**

Chairman Wald called on Mr. Ed Nagel, State Auditor's office, who presented the audit report for the State Department of Health for the years ended June 30, 2005 and 2004. Mr. Nagel reviewed the auditor's responses to the committee guidelines and said the report contains one finding of internal control weakness relating to PeopleSoft access controls. He said the Office of Management and Budget is responsible for these security roles. He said the Office of Management and Budget has corrected this internal control weakness so a recommendation will not be made to the State Department of Health. He said the report contains one recommendation for operational improvement relating to developing a checklist to be used by food inspectors in determining whether food establishments are complying with regulations.

In response to a question from Representative Skarphol, Mr. Nagel said ConnectND finance and human resource management systems are identified as high-risk information technology systems critical to the State Department of Health. During the 2005-07 biennium, he said, ManTech International Corporation was hired to conduct security tests of state computer systems. He said ManTech International Corporation provided the Information Technology Department with recommendations relating to the ConnectND finance and human resource management systems. He said a followup review will be conducted on the status of recommendations made by ManTech International Corporation. He said the State Auditor's office plans to request funding from the 2007 Legislative Assembly to conduct additional security tests of state computer systems.

In response to a question from Representative Delzer, Mr. Nagel said the statewide conference fund is available to all agencies that sponsor training conferences or seminars in which the attendees are required to pay a registration fee. He said each agency deposits the registration fees in the fund, which is then used to pay for related expenses of the conference.

In response to a question from Representative Aarsvold, the legislative budget analyst and auditor said pursuant to NDCC Section 54-44.1-11, the chairmen of the House and Senate Appropriation Committees with the Office of Management and Budget may continue appropriations or balances in force for not more than two years after the expiration of the biennial period during which they become available. He said the appropriations that may be continued are limited to new construction projects, major repair or improvement projects, purchases of new equipment costing more than \$10,000 per unit (if ordered during the first 12 months of the biennium in which the funds were appropriated), and the purchase of land by the state on a "contract for deed" purchase.

In response to a question from Representative Delzer, the legislative budget analyst and auditor said the University System provides a report to the Budget Section on the use of local funds and the status of capital construction projects. He said, in addition, there are reporting requirements for state agencies and institutions to provide information regarding carryover funds to the Legislative Assembly as part of the budgeting process.

Mr. Nagel presented the audit report for the Department of Labor for the years ended June 30, 2005 and 2004. He reviewed the auditor's responses to the committee guidelines and said the audit report contains one finding of noncompliance with legislative intent relating to failing to complete an annual inventory of assets as required, pursuant to NDCC Section 44-04-07.

In response to a question from Representative Wald, Ms. Lisa Fair McEvers, Commissioner, Labor Department, said during fiscal year ended June 30, 2005, the Labor Department used one-time federal funding to purchase workstations and new chairs.

In response to a question from Senator Lee, Ms. Robin Bosch, Business Manager, Labor Department, said costs related to discrimination investigations are a significant part of the department's budget. Ms. Fair McEvers said the Labor Department would provide the committee with additional information relating to human rights and discrimination complaints investigated by the department.

Mr. Nagel presented the audit report for the Veterans Home for the years ended June 30, 2005 and 2004. He reviewed the auditor's responses to the committee guidelines and said the report contains three findings of internal control weaknesses relating to proper accounting of fixed asset purchases and depreciation, segregation of accounting duties and

computer access controls, and obtaining documented approval for all travel-related vouchers. He said one prior audit recommendation relating to improving internal controls of purchase cards was determined not to be implemented.

In response to a question from Representative Wald, Ms. Kristen Lunneborg, Accounting Manager, Veterans Home, said the Veterans Home employs one part-time pharmacist and one full-time pharmacy technician.

### AUDITS OF INSTITUTIONS OF HIGHER EDUCATION

Mr. Nagel presented the audit report for the University of North Dakota for the years ended June 30, 2005 and 2004. He reviewed the auditor's responses to the committee guidelines and said the audit report contains one internal control finding relating to obtaining proper certification for nonemployee travel before a request for payment is completed and taking proper steps to cancel hotel rooms when individuals cannot attend a conference to avoid unnecessary room charges.

In response to a question from Representative Skarphol, Ms. Tamera Barber, Director of Financial Reporting, University System, said approximately \$14 million was transferred from the North Dakota University System common information services (technology) pool to the University of North Dakota during the 2003-05 biennium for costs associated with the ConnectND system. She said the student information system component of ConnectND is maintained for the University System by the University of North Dakota.

In response to a question from Representative Delzer, Ms. Barber said the common information services pool is primarily used to pay expenses associated with the ConnectND system for the University System. Total general fund appropriations provided by the Legislative Assembly for a common information services pool for the last four bienniums were:

Biennium	General Fund Appropriation
1999-2001	\$21,948,467
2001-03	\$26,938,419
2003-05	\$25,089,639
2005-07	\$20,563,093

Representative Skarphol asked the Legislative Council staff to provide the committee with information regarding the use of funding from the common information services pool, including how much is used for salaries and wages and the amount paid to the Information Technology Department.

Mr. Nagel presented the audit report for North Dakota State University for the years ended June 30, 2005 and 2004. He reviewed the auditor's responses to the committee guidelines and said the audit report does not contain any findings or recommendations.

In response to a question from Representative Skarphol, Mr. Gary Wavers, Controller, North Dakota State University, said the appropriation bill for North Dakota agricultural research and extension provides that the legislative appropriation may be adjusted for any additional federal or special income received during the biennium. He said the funding must be used for the purposes as designated in the federal Act, gift, or donation. Ms. Barber said the adjusted appropriation for the current biennium is reflected in each agency's budget request report for the next biennium, which is submitted to the Office of Management and Budget.

In response to a question from Representative Pollert, Mr. Nagel said the Office of Management and Budget is responsible for ensuring that all general fund appropriations are accounted for in the ConnectND system. He said the annual audit of the University System includes the total general fund appropriation of all institutions of the University System.

Mr. Nagel presented the audit report for the State College of Science for the years ended June 30, 2005 and 2004. He reviewed the committee guidelines and said the audit report contains one internal control finding relating to proper "tagging" of equipment and updating of equipment inventory schedules. He said the audit report contains one finding of noncompliance with legislative intent relating to failing to complete an annual inventory of assets as required, pursuant to NDCC Section 44-04-07.

In response to a question from Senator Christmann, Ms. Barber said the former president of the State College of Science is currently working for the University System office. She said the former President's salary is being paid by the State College of Science. She said a "search group" has been formed to search for a new president; however, this process typically takes several months. She said it is unlikely that the candidate chosen for the position will start before the end of the 2005-07 biennium.

### CONTINUING APPROPRIATION STUDY

Chairman Wald called on Ms. Arvy Smith, Deputy State Health Officer, State Department of Health, who presented information regarding the committee's study of continuing appropriation authority. A copy of the information presented is on file in the Legislative Council office. Ms. Smith said the State Department of Health has authority for three continuing appropriations. She said the continuing appropriations relate to the environmental quality restoration fund, organ tissue transplant fund, and local public health vaccine purchases.

In response to a question from Representative Delzer, Ms. Smith said the environmental quality restoration fund generates revenues from penalties assessed relating to catastrophic environmental events. She said the fund is used to provide environmental and public health protection by funding emergency response activities. She said there are no

"caps" or limits on the total fund balance that may accumulate in the environmental quality restoration fund.

In response to a question from Representative Aarsvold, Ms. Smith said the North Dakota Century Code does provide for penalties relating to certain catastrophic environmental events. She said other penalties are determined through negotiations between the State Department of Health and the parties responsible for the event.

In response to a question from Representative Skarphol, Ms. Smith said pursuant to NDCC Section 57-38-35.1, tax refunds of less than \$5 are not refunded to the taxpayer. She said these funds are instead transferred by the Tax Department to the State Treasurer who deposits the money into the organ transplant fund. The money in the organ transplant fund is paid to the North Dakota Association for the Disabled to offset costs associated with attendant care, insurance, and medical travel for transplant recipients.

In response to a question from Representative Skarphol, Ms. Smith said the State Department of Health is able to purchase vaccines and other medical supplies at a lower cost than local public health units. She said the 2003 Legislative Assembly approved a continuing appropriation allowing the State Department of Health to make purchases on behalf of local public health units in order to realize a cost-savings for the local public health units. She said the State Department of Health is reimbursed by the local public health units for the cost of such purchases.

Chairman Wald called on Mr. Jeff Weispfenning, Deputy Agriculture Commissioner, Department of Agriculture, who presented information regarding the committee's study of continuing appropriation authority. A copy of the information presented is on file in the Legislative Council office. Mr. Weispfenning said the Department of Agriculture has authority for three continuing appropriations. He said the continuing appropriations relate to the honey promotion fund, turkey fund, and minor use fund.

In response to a question from Representative Delzer, Mr. Weispfenning said the Legislative Assembly has transferred funds from the environment and rangeland protection fund to the minor use fund each legislative session since 1997. He said the 2005 Legislative Assembly authorized a transfer of \$200,000 from the environment and rangeland protection fund to the minor use fund. He said the continuing appropriation is helpful in administering the research and other contracts, which often may span from one biennium to another.

In response to a question from Representative Delzer, Mr. Weispfenning said the Crop Protection Product Harmonization and Registration Board manages the minor use fund. He said the Department of Agriculture provides fiscal and administrative services to support the actions of the board. He said

the board has not received any federal grants for minor use pesticide projects.

In response to a question from Senator Christmann, Mr. Weispfenning said the honey promotion fund is administered in conjunction with the North Dakota Beekeepers Association to promote the honey industry. He said revenues for the honey promotion fund are derived by a five cent per colony fee paid by beekeepers. He said the honey promotion fund is administered by the Department of Agriculture because the fund is too small to support administrative staff. He said producers can request a refund of fees paid to the honey promotion fund; however, there is an overall high percentage of participation in the program.

Chairman Wald called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, who presented information regarding the committee's study of continuing appropriation authority. A copy of the information presented is on file in the Legislative Council office. Mr. Goettle said the Department of Commerce has authority for four continuing appropriations. He said the continuing appropriations relate to the ethanol production incentive fund, North Dakota Development Fund, Inc., community development loan fund, and career guidance and job opportunities web site.

Mr. Goettle said NDCC Section 54-60-10 provides authority for the Department of Commerce to provide career guidance and job opportunity services through an Internet web site. He said the Department of Commerce is to deposit in the department's operating fund any money received from subscriptions, commissions, fees, or other revenue from the web site. He said money deposited in the operating fund of up to \$130,000 per biennium under this section is appropriated to the department on a continuing basis for payment of expenses related to administration of the Internet web site. He said any additional amounts deposited in the operating fund during a biennium under this section may be spent pursuant to legislative appropriations or with Budget Section approval.

Mr. Goettle said during 2004 a number of changes relating to web site management and partnership agreements occurred which negatively impacted the department's objective to provide a single statewide web site for posting job openings. In addition, he said, a number of university career centers developed independent web sites for recruitment of their alumni. He said after considering the changes and options available, the Department of Commerce discontinued the web site as of February 28, 2005. He said the department does not plan to incur any future expenditures on the web site; therefore, the continuing appropriation will not be utilized.

In response to a question from Representative Delzer, Ms. LaVonne Stair, Office Manager, Department of Commerce, said during the 2005 legislative session, the department indicated that the continuing appropriation authority for the career guidance and job opportunities web site was no longer

necessary; however, no action was taken to remove the authority. Mr. Goettle said the Department of Commerce will include "language" in its 2007 appropriation bill to remove the continuing appropriation authority for the web site.

In response to a question from Representative Pollert, Mr. Goettle said NDCC Section 4-14.1-10 provides for the ethanol production incentive fund. He said money in the ethanol production incentive fund is appropriated on a continuing basis to the Office of Renewable Energy and Energy Efficiency for use in paying ethanol production incentives. He said a formula based on the average price per bushel of corn and the average "rack price" per gallon of ethanol is used to determine ethanol production incentives. He said based on current prices of corn and ethanol, it is unlikely that production incentives will be distributed during the 2005-07 biennium. He said he is not aware of any "cap" or limit on the total fund balance that may accumulate in the ethanol production incentive fund.

In response to a question from Representative Skarphol, Mr. Goettle said the North Dakota Century Code does not specify whether the production incentives may be provided to plants that produce ethanol from other renewable energy sources other than corn. Senator Klein said the legislation anticipated for ethanol production incentives would be provided only to plants that produce ethanol from corn.

In response to a question from Representative Skarphol, Mr. Goettle said the Development Fund is used to account for fund investments, including equity positions, loans, loan guarantees, and other innovative financing mechanisms for new or expanding "primary sector" businesses in North Dakota or relocating to North Dakota. He said the repayment of principal and interest generated from these investments are reinvested in other "primary sector" businesses. However, he said, due to an increase in requests for project funding, the Department of Commerce plans to ask the 2007 Legislative Assembly for an appropriation of approximately \$5 million for the Development Fund.

In response to a question from Representative Wald, the legislative budget analyst and auditor said the Office of Management and Budget plans to submit a summary report of continuing appropriations to the 60th Legislative Assembly. He said the report will include agency justification for the continuing appropriation authority and related revenues, expenditures, and fund balances for previous bienniums and projections for the 2007-09 biennium. He said the Legislative Council staff will reference the Legislative Audit and Fiscal Review Committee study during the agency's presentation to the Appropriations Committees of the 2007 Legislative Assembly.

## DEPARTMENT OF EMERGENCY SERVICES SALARY INCREASES REVIEW

Chairman Wald called on Mr. Ken Purdy, Human Resource Management Services, Office of Management and Budget, who presented information regarding the status of the review of salary increases provided to employees of the Department of Emergency Services. A copy of the information presented is on file in the Legislative Council office. Mr. Purdy said the Department of Emergency Services, including State Radio, provided salary increases to 53 employees during the 2003-05 biennium. He said Human Resource Management Services (HRMS) met with representatives of the Department of Emergency Services on several occasions to gather information relating to the reasons for the increases.

Mr. Purdy said the North Dakota Administrative Code provides for the following types of salary increases:

1. **Promotion** - Not specifically limited in amount but a promotional increase is to consider the magnitude of the job change and internal salary relationships.
2. **Equity** - Up to 20 percent in a biennium; the limit was 10 percent in a biennium until June 30, 2004.
3. **Responsibility/workload** - Up to 20 percent in a biennium; the limit was 10 percent in a biennium until June 30, 2004.
4. **Performance** - Up to 5 percent in any 12-month period.

Mr. Purdy said 25 salary increases provided to employees of State Radio were improperly coded as a "responsibility" increase rather than an "equity" increase. He said the documentation for the salary increases was incorrect and was not submitted to HRMS in a timely fashion; however, there was justification for the increases.

Mr. Purdy said the overall mission of the Department of Emergency Services changed with the addition of homeland security functions, which "filtered through" to virtually every position in the department. He said 20 employees of the Department of Emergency Services received responsibility increases and those increases did not exceed the limit on these types of increases.

Mr. Purdy said six salary increases provided were analyzed on a case-by-case basis and were determined to be within North Dakota Administrative Code guidelines. He said the director who made the decisions to provide the salary increases is no longer employed with the agency. He said the deputy director, during the time the salary increases were provided, is also no longer employed with the agency.

In response to a question from Representative Skarphol, Mr. Purdy said the salary increases did not create inequity issues, thus rescinding the increases would serve "no purpose." He said the North Dakota

Century Code does provide for "corrective action" to be taken in cases of improper salary adjustments.

Chairman Wald called on Mr. Gordy Smith, State Auditor's office, who presented information regarding the status of the review of salary increases provided to employees of the Department of Emergency Services. A copy of the information presented is on file in the Legislative Council office. Mr. Smith said while conducting the performance audit, the State Auditor's office asked the Department of Emergency Services to provide support for the salary increases provided but the department was unable to provide that information. He said the conclusions presented in the HRMS report appear to be based on information that either was not made available to the State Auditor's office or was based on after-the-fact allocations of raises that are not supported by appropriate documentation. He said the allocations would appear to have been made approximately a year and a half after the "raises" were given and, to the knowledge of the State Auditor's office, did not include input from the individual responsible for making the final decision on providing the "raises."

In response to a question from Representative Delzer, Mr. Gordy Smith said in October 2003, the Emergency Commission approved the Department of Emergency Services request to receive federal homeland security funding for the purpose of adding three full-time equivalent positions and for temporary employees. He said the federal homeland security funding was instead used to provide salary increases. Based on an Attorney General's opinion, he said, an agency is limited to spending funding approved by the Emergency Commission to only those purposes as outlined in the agency's request to the Emergency Commission.

Representative Delzer said the Emergency Commission approved the request based on incorrect information. He said he does not believe the Budget Section would have approved the department's request if the committee knew that the additional federal funding would be used to provide "raises."

In response to a question from Representative Skarphol, Mr. Gordy Smith said federal homeland security funding is anticipated to decrease during the 2007-09 biennium. He said 80 percent of the funding is allocated to local government units and the remaining 20 percent is retained by state government.

In response to a question from Representative Delzer, the legislative budget analyst and auditor said the 2005-07 biennium appropriation to the Department of Emergency Services is approximately \$63 million, of which approximately \$5.1 million is from the general fund.

In response to a question from Representative Maragos, Mr. Gordy Smith said the Adjutant General has developed guidelines to ensure administrative rules are followed in the future. He said there are "concerns" regarding how to continue the funding for the salary increases and the issue of fairness to all state employees. He said the Legislative Assembly

may want to consider establishing "parameters" for salary increases.

In response to a question from Senator Lee, Mr. Gordy Smith said he is not aware of any other instances where such significant salary increases have been provided in such a widespread manner by a state agency. Senator Lee said all state agencies should be accountable to the Legislative Assembly for their actions; however, the Legislative Assembly should avoid "micromanaging" state agencies.

### **DEPARTMENT OF CORRECTIONS AND REHABILITATION SUBJECT TRACKING AND REPORTING SYSTEM FOLLOWUP REPORT**

Chairman Wald called on Mr. Donald LaFleur, State Auditor's office, who presented information regarding the followup information technology audit report of the Department of Corrections and Rehabilitation subject tracking and reporting system. He said two prior audit recommendations were fully implemented and one recommendation was determined not to be implemented. He said the prior audit recommendation that was not implemented relates to integration of the department's Field Services Division system and its institutional offender system.

Mr. Dave Krabbenhoft, Director of Finance and Administration, Department of Corrections and Rehabilitation, said the department agrees with the recommendation; however, complete implementation is dependent on funding. He said the estimated cost to complete the integration is approximately \$2.9 million. He said the integration project will be included as an optional adjustment request in the Department of Corrections and Rehabilitation 2007-09 biennium agency budget request.

### **DEPARTMENT OF CORRECTIONS AND REHABILITATION**

Mr. Krabbenhoft presented information regarding the implementation of previous State Auditor's office audit recommendations. A copy of the information presented is on file in the Legislative Council office. Mr. Krabbenhoft said the Department of Corrections and Rehabilitation agrees with and accepts the State Auditor's office recommendation regarding strengthening the internal controls over the pharmacy inventory. He said the State Penitentiary pharmacy is operated by a pharmacist and a pharmacy technician. He said the pharmacy fills, on average, 3,900 prescriptions per month. In addition to filling and dispensing prescriptions, he said, other duties of the two employees include formulary maintenance, drug research regarding side effects and cost-effectiveness, recordkeeping, ordering and receiving drugs, and stocking the pharmacy. He said sound internal control requires segregation of duties. He said proper segregation of duties is not possible with the limited staff and their overall workload. Instead,

the Department of Corrections and Rehabilitation, he said, will adopt other procedures that will help mitigate the lack of segregation of duties. He said these procedures will include:

1. All drug purchases will be reviewed and approved for payment by the Department of Corrections and Rehabilitation medical director.
2. All prescriptions filled and dispensed by the State Penitentiary pharmacy will be subject to quarterly peer review.
3. Annual physical inventory of the pharmacy inventory will be conducted by employees other than the pharmacist and pharmacy technician.
4. Drug purchases will be analytically reviewed by the Department of Corrections and Rehabilitation business office, on a quarterly basis, for dollar amount and number of orders.

Mr. Krabbenhoft said he accepts responsibility for not implementing the audit recommendation in a timely manner. However, he said, the Department of Corrections and Rehabilitation will take appropriate actions to ensure implementation of the audit recommendation.

## **DEPARTMENT OF HUMAN SERVICES ACCOUNTS RECEIVABLE**

Chairman Wald called on Ms. Brenda Weisz, Department of Human Services, who presented information on the status of the department's accounts receivable, pursuant to NDCC Sections 25-04-17 and 50-06.3-08. A copy of the information presented is on file in the Legislative Council office. Ms. Weisz said the total amount written off by the Department of Human Services for fiscal year 2006 was \$4,916,673, of which \$772,013 related to the human service centers, \$4,114,117 related to the State Hospital, and \$30,543 related to the Developmental Center.

## **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

**It was moved by Representative Maragos, seconded by Representative Kelsch, and carried on a roll call vote that, pursuant to NDCC Section 54-35-02.2, the committee accept the following reports:**

1. **Beginning farmer revolving loan fund (December 31, 2005 and 2004).**
2. **Community water facility loan fund (December 31, 2005 and 2004).**
3. **Developmentally disabled facility loan fund (December 31, 2005 and 2004).**

4. **North Dakota Stockmen's Association (December 31, 2005 and 2004).**
5. **State Department of Health (June 30, 2005 and 2004).**
6. **Labor Department (June 30, 2005 and 2004).**
7. **Veterans Home (June 30, 2005 and 2004).**
8. **University of North Dakota (June 30, 2005 and 2004).**
9. **North Dakota State University (June 30, 2005 and 2004).**
10. **State College of Science (June 30, 2005 and 2004).**
11. **Department of Corrections and Rehabilitation subject tracking and reporting system followup report (May 18, 2006).**
12. **Reports available but not selected for presentation:  
Board of Dietetic Practice (September 30, 2005 and 2004).  
Education Standards and Practices Board (June 30, 2005).**

Representatives Wald, Aarsvold, Delzer, Kelsch, Maragos, Rennerfeldt, and Skarphol and Senators Christmann, Klein, and Lee voted "aye." No negative votes were cast.

**It was moved by Representative Skarphol, seconded by Representative Kelsch, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and to present the report to the Legislative Council.**

The chairman said the next meeting of the Legislative Audit and Fiscal Review Committee is tentatively planned for November 21, 2006. The committee plans to receive the performance audit of Workforce Safety and Insurance during this meeting.

The meeting was adjourned subject to the call of the chair at 12:30 p.m.

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Donald J. Wolf  
Senior Fiscal Analyst

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Jim W. Smith  
Legislative Budget Analyst and Auditor

[ATTACH:1](#)