

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Monday, March 6, 2017
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Jerry Klein, Chairman, called the meeting to order at 3:30 p.m.

Members present: Senators Jerry Klein, Judy Lee, Merrill Piepkorn; Representatives Karla Rose Hanson, Patrick Hatlestad, Keith Kempenich, Lawrence R. Klemin, Gary Kreidt, Andrew G. Maragos, Corey Mock, Mike Nathe, Marvin E. Nelson, Chet Pollert

Members absent: Representative Bob Martinson

Others present: See [Appendix A](#) for additional persons present.

It was moved by Representative Mock, seconded by Representative Maragos, and carried on a voice vote that the minutes of the October 13, 2016, meeting be approved as distributed.

Chairman Klein welcomed newly appointed Representative Hanson and Senator Piepkorn to the committee.

Mr. Joshua C. Gallion, State Auditor, said the State Auditor's office will be presenting the performance audit report relating to the State Board of Higher Education's space utilization study and the North Dakota University System's technology security audit and vulnerability assessment report.

SPACE UTILIZATION STUDY PERFORMANCE AUDIT

At the request of Chairman Klein, Mr. Jason Wahl, State Auditor's office, presented information ([Appendix B](#)) regarding the performance audit report ([Appendix C](#)) of the space utilization study of the State Board of Higher Education. He said the performance audit was conducted to review the involvement of board members, board office staff, and campus personnel in the study, the comprehensiveness of the study, the contractor's compliance with terms of the contract, and the State Board of Higher Education actions as a result of the study. He said the State Auditor's office determined the report prepared for the State Board of Higher Education regarding classroom and teaching laboratory utilization was not complete, lacked necessary information, and included inconsistent information.

Senator Lee distributed a memorandum entitled [Higher Education Committee - Summary of Committee Findings](#) from the Legislative Management's 2015-16 interim Higher Education Committee. She said the memorandum provides a schedule with details on the utilization rates of classrooms and laboratories at University System institutions, and a schedule with details of the University System's estimated facility maintenance costs.

In response to a question from Representative Nathe, Mr. Wahl said it was determined that the University System did not have adequate data to provide the consultants to conduct a complete space utilization study.

In response to a question from Chairman Klein, Mr. Wahl said the \$1 million appropriated to the University System to hire an external consultant to complete a systemwide facility analysis of space utilization and development of a systemwide facility master plan may not have been enough funding for the scope of the project.

COMMENTS BY UNIVERSITY SYSTEM REPRESENTATIVES

At the request of Chairman Klein, Mr. Rick Tonder, Director of Facilities Planning, North Dakota University System, presented information regarding the space utilization study performance audit. He said the University System agrees that a space utilization study was not completed during the 2013-15 biennium. He said the proposals received from various consultants identified that the \$1 million appropriation would not allow for a systemwide master plan and a space utilization study; therefore, he said the project's scope was limited to a systemwide master plan study. He said the study included deferred maintenance, class room utilization analysis, and laboratory utilization analysis. He said the consultants concluded that space utilization data received from the various campuses was questionable, inconsistent, and incomplete. He said the University System considers the

consultant's study and the analysis of space utilization data to be accurate within the limitations of the data quality that was provided to them.

Mr. Tonder said the State Board of Higher Education approved institutional master plans based on program or strategic needs. He said the board also approved the following three recommendations intended to improve classroom size, laboratory utilization, and reduce deferred maintenance:

- Require central scheduling of at least 95 percent of classroom and class laboratories at each institution;
- Prioritize deferred maintenance projects that improve classroom and laboratories; and
- Remove facilities in lieu of repair when the estimated deferred maintenance cost is greater than 65 percent of the replacement value, unless there is significant historical value with the building.

In response to a question from Representative Kempenich, Mr. Tonder said the University System currently has too much space to maintain. He said the University System is involved in a process of "right sizing" campuses. He said the University System is also beginning to develop routine maintenance procedures to ensure buildings stay sealed from water and weather. He said priorities need to be made because of the large deferred maintenance estimates.

In response to a question from Representative Klemin, Mr. Tonder said the University System has limited new requests for construction projects and the board may not approve new building requests. He said the University System is in the process of centralizing scheduling to assist with utilization, prioritization, and removal of facilities.

UNIVERSITY SYSTEM'S TECHNOLOGY SECURITY AUDIT AND VULNERABILITY ASSESSMENT

At the request of Chairman Klein, Mr. Erik Wallace, Principal Architect, Enterprise Security and Protection, Telecommunication Systems Inc., representing L.R. Kimball, presented information ([Appendix D](#)) regarding the report of the University System's technology security audit and vulnerability assessment. The following schedule summarizes the nine findings and related recommendations from the report:

Findings	Recommendation
Missing software patch or required upgrade	<ul style="list-style-type: none"> • Ensure each campus runs vulnerability assessment software to determine required patches and to provide prioritization associated with patching. • Apply all applicable hardware, software, and application patches within a reasonable time period based on the severity of the issue. • Ensure a patch management program is tracking systems that are affected and providing a timeline to resolution. • Evaluate commercially available patch management products to expedite patching and updates.
Unsupported operating systems	<ul style="list-style-type: none"> • Move from unsupported versions of operating systems to supported versions. • Unsupported systems which may not be changed or if the cost would be too high should provide depth strategies to mitigate risk to the system, which includes shutdown of ports and applications not required, limit access to the machine, and segregating the machine if possible. • If an unsupported system is required, a waiver should be provided and a defense strategy outlined for protection of the machine and the attached networks.
Easily guessed or default credentials	<ul style="list-style-type: none"> • Create a password policy, which includes password management-related requirements. • Protect passwords from attacks which capture passwords, which includes the use of hypertext transfer protocol secure for web password submission, or the use of multi-factor authentication. • Configure password mechanisms to reduce successful password guessing. • Determine requirements for password expiration based on security and usability. • Ensure systems do not include default or "out-of-box" user and password settings.
Systems with well-known vulnerabilities	<ul style="list-style-type: none"> • Ensure each campus is using software for vulnerability assessment. • Ensure each campus applies applicable hardware, software, and application patches within a reasonable period based on the severity of the issue.

Clear text password	<ul style="list-style-type: none"> • Replace hypertext markup language web services with a hypertext transfer protocol secure version when data must be protected. • Replace unsecured services with secured secure shell service. • Add training for user awareness.
Secure sockets layer certificate issues	<ul style="list-style-type: none"> • Consider purchasing a proper certificate. • Consider using hashing and encryption algorithms.
Unsupported web server	<ul style="list-style-type: none"> • Evaluate the need for the web server and consider shutting down. • Consider upgrading the server to a supported release.
Cross-site scripting and structured query language injection	<ul style="list-style-type: none"> • Explore capabilities for securely developing and testing web applications.

In response to a question from Representative Klemin, Mr. Wallace said a vulnerability assessment and phishing experiment was conducted in each of the prior 3 years. He said this is the 1st year L.R. Kimball has conducted a review of the policy and procedures.

In response to a question from Representative Kempenich, Mr. Wallace suggested the University System expand its role in reviewing vulnerability assessments. He suggested allocating more resources to reviewing policies and procedures to comply with the cybersecurity framework.

COMMENTS BY UNIVERSITY SYSTEM REPRESENTATIVES

At the request of Chairman Klein, Mr. Darin King, Deputy Chief Information Officer, North Dakota University System, presented information regarding the University System's technology security audit and vulnerability assessment. He said the University System's responses to the technology security audit and vulnerability assessment findings are included in the audit report. He said the University System is making progress with updating the security network, procedures, and standards to address all the recommended security controls.

PROPOSED PERFORMANCE AUDIT OF OIL AND GAS DIVISION

Representative Nelson proposed that the State Auditor's office conduct a performance audit of the Oil and Gas Division system for gathering, recording, and reporting oil and gas production. He submitted information ([Appendix E](#)) regarding statewide production data from the Department of Mineral Resources website, and ([Appendix F](#)) regarding a production report from the Department of Mineral Resources website. He said the statewide production data includes information for every well in the state, including production location, barrels of oil produced, and the cubic feet of natural gas produced. He expressed concerns that the final numbers identified in the production report differ from the numbers identified in the production data included on the department's website.

It was moved by Representative Nelson, seconded by Representative Hanson, that the State Auditor's office conduct a performance audit of the Industrial Commission's Oil and Gas Division's system for gathering, recording, and reporting oil and gas production.

Senator Lee suggested the committee receive information from the department before requiring a performance audit. She said receiving an explanation from the department regarding any differences between the data and reports may resolve the issue.

Representative Nelson said he would support receiving information from the department first.

Representative Pollert suggested information could be requested from the department when it presents its budget to the House Appropriations Committee since the Legislative Assembly is still in session.

Representative Nelson withdrew his motion with the consent of Representative Hanson.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Senator Lee, seconded by Representative Nelson, and carried on a roll call vote that pursuant to North Dakota Century Code Section 54-35-02.2, the committee accept the performance audit report of the space utilization study for the State Board of Higher Education, and the report of the University System's technology security audit and vulnerability assessment. Senators Klein, Lee, and Piepkorn and Representatives Pollert, Hanson, Hatlestad, Kempenich, Klemin, Kreidt, Nathe, and Nelson voted "aye." No negative votes were cast.

No further business appearing, Chairman Klein adjourned the meeting at 5:15 p.m.

Michael C. Johnson
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:6