

PERFORMANCE AUDIT REPORT

University System Capital Projects
Report No. 3028

April 5, 2010

STATE AUDITOR
ROBERT R. PETERSON



PHONE
(701) 328 - 2241
FAX
(701) 328 - 1406

STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
STATE CAPITOL
600 E. BOULEVARD AVENUE - DEPT. 117
BISMARCK, NORTH DAKOTA 58505

April 5, 2010

Honorable John Hoeven, Governor

Members of the North Dakota Legislative Assembly

Transmitted herewith is the performance audit report on aspects of capital projects within the North Dakota University System. This report contains the results of our review of whether capital projects were adequately monitored.

We conducted this audit under the authority granted within North Dakota Century Code Chapter 54-10. Included in the report are the objectives and scope, findings and recommendations, and management responses.

We want to extend our appreciation to the Bismarck State College, North Dakota State University, and University of North Dakota foundations for their assistance and cooperation during this audit.

Sincerely,

A handwritten signature in cursive script that reads "Bob Peterson".

Robert R. Peterson
State Auditor

Table of Contents

Transmittal Letter

Executive Summary i

Chapter 1 University System

Introduction..... 1
Ensuring a Unified System of Higher Education Exists 1
Establishing a Monitoring Function 2
Making Improvements with Policies 3
 Establishing a Capital Lease Policy 4
Improving the Process for Authorizing/Approving Capital Projects 5
Reviewing the Use of Asbestos Settlement Funds 6

Chapter 2 North Dakota State University

Introduction..... 8
Complying with Capital Projects..... 8
 Obtaining Approval for Improvement Projects..... 8
 Obtaining Approval for Significant Changes..... 9
 Presenting Information on Unfinished or Postponed Projects 10
Ensuring Information is Fully and Accurately Reported 11
Obtaining an Increase in Authorization for Old Main Projects 12
Improving Budgeting and Planning 12
Formal Attorney General’s Opinion Requested..... 14
Additional Information Related to President’s House 15

Chapter 3 University of North Dakota

Introduction..... 16
Complying with Capital Project Requirements 16
 Obtaining Approval for Improvement Projects..... 16
 Obtaining Approval for Significant Changes..... 17
Ensuring Information is Fully and Accurately Reported 17
Complying with Local Matching Fund Requirements 18
Additional Information Related to President’s House... 19

Chapter 4 Other Institutions

Introduction..... 20
Obtaining Approval for Significant Changes..... 20

Chapter 5 Audit and Background Information

Purpose and Authority of the Audit..... 22
Background Information 22
Objectives of the Audit 22
Scope and Methodology..... 22

Appendices

Appendix A: List of Recommendations

Executive Summary

Results and Findings Recommendations addressed in this report are listed in Appendix A. Discussions relating to individual recommendations are included in Chapters 1 through 4. As part of this audit, we reviewed 14 projects at 5 institutions.

University System We determined capital projects within the University System are not adequately monitored. We conclude there is not a unified system of higher education related to capital projects. There is very limited to no effective monitoring of institutions' compliance with State Board of Higher Education (SBHE) policies. We identified changes are needed with capital project related policies. Also, a review is needed on how asbestos settlement funds were used by an institution.

North Dakota State University We identified North Dakota State University is in noncompliance with capital project requirements in state law and SBHE policies. Improvements are needed to ensure proper approval is obtained to proceed with improvement projects as well as when projects are significantly changed or when authorized amounts are exceeded. Also, improvements in reporting project costs and project related information are needed. We identified changes are necessary with budgeting and planning surrounding capital projects.

University of North Dakota We identified the University of North Dakota is in noncompliance with capital project requirements in state law and SBHE policies. Improvements are needed to ensure proper approval is obtained to proceed with improvement projects as well as when projects are significantly changed or when authorized amounts are exceeded. Also, improvements in reporting project costs and project related information are needed. We identified changes are necessary to comply with local matching fund requirements.

Other Institutions We identified Dickinson State University is in noncompliance with capital project requirements within SBHE policies. Improvements are needed to ensure proper approval is obtained when projects are significantly changed.

University System

Introduction

The objective of this performance audit was to answer the following question:

“Are North Dakota University System capital projects adequately monitored?”

Based on our review of capital project information as well as a review of 14 selected projects at 5 institutions, we determined capital projects are not adequately monitored. Significant improvements needed with monitoring capital projects are included in this chapter. Improvements of less significance were communicated in a separate letter to the President of the State Board of Higher Education.

To determine whether capital projects are adequately monitored, we:

- Reviewed applicable laws and policies;
- Reviewed information related to 14 capital projects at 5 institutions;
- Reviewed the estimating and budgeting processes for capital projects;
- Reviewed the approval and authorization processes for capital projects;
- Reviewed how capital project information is reported; and
- Interviewed selected personnel.

Ensuring a Unified System of Higher Education Exists

North Dakota Century Code (NDCC) Section 15-10-01.2 states:

“The institutions of higher education under the control of the state board of higher education are a unified system of higher education, as established by the board, and are designated as the North Dakota university system.”

In review of information related to capital projects, we identified a number of differences between institutions. As a result, we conclude there is not a unified system of higher education related to capital projects. We identified differences in a number of areas including budgeting/estimating, accounting, reporting, compliance, and monitoring. For example, at North Dakota State University (NDSU), costs, such as NDSU direct employee labor which were not billed to a department, are not being included in the costs of projects. Direct employee labor at the University of North Dakota is included in the costs of projects. Differences in what institutions would include in the cost of a project varied not only from institution to institution but within the same institution. It is apparent the determining factor on what would be included in the cost of a project was dependent upon the funds available for the project. If sufficient funds existed, costs associated with landscaping, furniture, etc. would be included in the project cost. If sufficient funds did not exist, institutions would exclude such costs from the project.

There is not a unified system of higher education related to capital projects.

Chapter 1 University System

We identified resources available for estimating and monitoring capital projects were significantly different. While the larger institutions have staff available to assist in these areas, smaller institutions do not. We identified Dickinson State University entered into a contract for construction management services for the Badlands Activities Center project. It is estimated the contractor will receive approximately \$1.4 million to perform this service. Construction management services are typically performed by institution staff at the larger institutions.

Information related to improvements being made by the State Board of Higher Education (SBHE) and selected institutions is included throughout this report. These improvements, if implemented, will enhance consistency and improve processes related to capital projects. In addition to these improvements, action should be taken by SBHE to ensure there is a unified system related to capital projects.

Recommendation 1-1

We recommend the State Board of Higher Education take appropriate action to address differences relating to capital projects to ensure there is a unified system of higher education.

Management's Response

Agree. While the NDUS has and will continue to take steps to improve capital project policies and procedures to ensure uniformity, to the extent possible, additional staff resources will be required to assist the SBHE and campuses due to the large number of and complexity of capital projects, and limited System staffing. The SBHE has included in its approved 11-13 biennial budget a request for a new facilities project management position to provide partial assistance. This position was originally requested by the SBHE in 1997-99 in the System Office budget, but was included in the executive budget and funded by the Legislative Assembly in the OMB budget.

Establishing a Monitoring Function

We identified very limited to no effective monitoring of institutions' compliance with SBHE policies by either the University System Office or SBHE. Our review of 14 selected projects at 5 institutions identified noncompliance issues with capital project requirements. Both the University System Office and SBHE are relying on institutions to comply with requirements. In review of the noncompliance areas, it appears noncompliance issues may only be identified through an audit process such as this, if an institution were to bring something to SBHE (such as requesting additional project authorization after expenditures have been incurred which exceed the project amount), or if the media identifies problems with a project (such as was the case with the President's house at NDSU).

There is very limited to no monitoring of institutions' compliance with SBHE policies.

SBHE did make a number of changes to policies related to capital projects in October 2009 when noncompliance and differences in interpretations were identified. However, until there is monitoring of institutions' compliance, the mere fact policies were changed does not mean institutions will be in compliance.

Chapter 1 University System

The University System 2009 Annual Financial audit includes a recommendation to have an internal auditor at each of the institutions or have an internal audit position at the SBHE level. Such positions could be used to monitor institutions' compliance with SBHE policies.

Recommendation 1-2

We recommend the State Board of Higher Education establish an effective, system-wide monitoring function to ensure institutions are complying with policies and state law. The monitoring function should report directly to the Budget, Audit, and Finance Committee of the Board.

Management's Response

Agree. With the potential addition of a new facility project management position in the 11-13 biennium, the NDUS Office would be able to provide full-time capital project guidance and assistance and conduct periodic "sample" testing to monitor capital project compliance. This position would administratively report within the NDUS Office, while also having a dotted reporting relationship to the SBHE Budget, Audit and Finance Committee on compliance issues. With regard to additional internal audit staff as recommended in the FY09 financial audit, the Legislative Assembly will need to consider the funding requirements for this along with other academic, research and administrative needs of the NDUS.

Making Improvements with Policies

The North Dakota University System Architect/Engineer Manual was last revised in January 1999. We identified the information in the manual was outdated and references state laws and SBHE policies which are no longer applicable or now have different language. Information contained in this manual and in SBHE policies establishes what costs should be allocated to a project. The manual states:

"Costs allocated to a project shall include the cost of fixed furnishings and equipment, architect and engineer's fees, miscellaneous and reimbursable expenses. Utility extensions or connections, curb, gutter, sidewalk, landscaping, and all other related items may be included in the building/project/improvement cost or funding sources identified separately."

The information provided allows institutions to decide whether certain costs, such as sidewalks and landscaping, are to be included in the cost of the project. This manual also does not define key terms used throughout the manual. For example, the term "project" is not defined.

Our review of SBHE policies related to capital projects identified information which was redundant, unclear, or did not address certain areas related to capital projects. For example, policies do not address the splitting of projects to circumvent requirements. With the differences we identified in how institutions interpret policies, it is important policies are reviewed periodically to ensure they are clear, concise, and up-to-date.

Chapter 1 University System

Recommendation 1-3

We recommend the State Board of Higher Education update the North Dakota University System Architect/Engineer Manual and at a minimum:

- Provide sufficient detail to ensure consistency from institution to institution;
- Identify definitions for key terms; and
- Establish a periodic review process to ensure the manual is up-to-date.

Management's Response

Agree. The NDUS Office, in cooperation with the campuses, will be directed to review and update the manual, including those items noted in the recommendation.

Recommendation 1-4

We recommend the State Board of Higher Education establish a periodic review process of policies and ensure policies related to projects are clear, concise, and up-to-date. At a minimum, changes should be made to:

- Include a policy to ensure institutions do not split projects to circumvent provisions of other policies;
- Require institution staff and material costs directly related to the project be included in the cost of the project; and
- Include language related to gifts in-kind.

Management's Response

Agree. A cross-functional inter-institutional committee has been established to review and recommend changes to policy and procedures, including those changes noted in the recommendation. These policies will be reviewed at least annually by the Administrative Affairs Council.

Establishing a Capital Lease Policy

In review of information of the 14 selected projects, we identified institutions were entering into capital leases which, ultimately, financed the cost of projects. A lease is either categorized as an operating lease or a capital lease depending on specific criteria. For example, if ownership transfers to the state by the end of the lease term or the lease contains an option to purchase at a "bargain" price, the lease is considered to be a capital lease. In effect, a capital lease is a purchasing agreement. Two projects we reviewed involved capital leases.

Capital leases allow institutions to finance projects without approval from the legislature or SBHE.

- Bismarck State College (BSC) entered into a capital lease with the BSC Foundation for the Mechanical Maintenance Building. The Foundation issued \$1.4 million in bonds to finance this project. The lease payments made by BSC will pay off the full amount of the bonds including interest. The lease agreement allows BSC to purchase the building for \$100 at the end of the 15 years. This project was not authorized or approved by either the legislature or SBHE.
- North Dakota State University (NDSU) entered into a capital lease with the NDSU Development Foundation for Barry Hall (College of Business building). This project is further addressed in Chapter 2, section entitled *Formal Attorney General's Opinion Requested*. The Development Foundation issued two sets of

Chapter 1 University System

bonds totaling \$13.12 million to finance the project. The lease payments made will pay off the full amount including interest on one bond issuance (\$7.42 million) and will pay the bond interest payments on the other (\$5.7 million). NDSU will own the building at the end of the lease. While NDSU had approval from the legislature and SBHE for a new College of Business school off campus, there was no authorization or approval by either the legislature or SBHE to enter into a capital lease.

The use of a capital lease agreement allowed BSC to finance a project without approval from the legislature or SBHE. The use of a capital lease agreement allowed NDSU to pay for the financing of a project using public funds for a project which was approved by the legislature to use "donations, gifts, or other private funds" (see Chapter 2, section entitled *Formal Attorney General's Opinion Requested* for additional information). Had these projects been financed through other means, such as bonds, legislative and SBHE approval would have been required. We conclude these leases allow laws and policies to be circumvented.

In addition to our review of projects, we conducted a limited review of financial information prepared annually by the University System. Capital leases must be included as long-term debt on financial statements of the institutions. Consistent with the University System report, our review identified concerns related to certain institutions long-term debt. A viability ratio measures the ability of an entity to retire long-term debt using current assets. A viability ratio of 1.0 or greater is preferred. We identified five of the 11 institutions have a viability ratio below 1.0 (Fiscal Year 2009). The two largest institutions are well below 1.0 with NDSU at 0.4 and UND at 0.5.

Recommendation 1-5

We recommend the State Board of Higher Education establish policies for capital leases and other similar financing/purchasing agreements entered into by institutions. At a minimum, the policies should include requirements for Board approval.

Management's Response

Agree. The SBHE will direct staff, in consultation with the campuses, to review and recommend policy changes for SBHE consideration with regard to capital leases and other similar financing/purchasing agreements.

Improving the Process for Authorizing/ Approving Capital Projects

In our review of project related requests brought to SBHE in calendar years 2008 and 2009 (request for authorization to proceed, request to increase previously authorized project amount, etc), all votes were unanimous to approve the institution requests and no changes were identified in the minutes. With such a high rate of approval, we question whether SBHE is adding value to the process or has become only an administrative compliance requirement.

Chapter 1 University System

All project related requests presented to SBHE were approved.

Each institution submits their prioritized projects to the University System Office to be included in the biennial budget request. The two larger institutions submit three projects and the other institutions each submit two. Each request is reviewed by a representative of the University System Office and evaluated based on criteria established in SBHE policy. No review is performed by someone with expertise in architectural/engineering or construction areas. In addition, even though SBHE may approve a project to be included in the budget request, if the project is funded by the legislature, the institution must receive additional SBHE authorization to proceed.

Changes could be made to the authorization/approval process to ensure a review is performed by someone with knowledge and expertise in architectural/engineering or construction areas (other than an architect/engineer which may have been hired by the institution as part of the project). Also, SBHE involvement and redundant approvals could be reduced if the process was to be changed. Authorizing the Chancellor and/or a committee of SBHE could reduce the number of requests coming to the full SBHE.

Recommendation 1-6

We recommend the State Board of Higher Education make changes to the process for authorizing/approving project requests to ensure the Board's involvement is adding value to the process. The Board should ensure adequate architectural/engineering reviews of project requests are performed by obtaining the necessary expertise, through the use of outside or internal resources.

Management's Response

Agree. The SBHE Budget, Audit and Finance Committee will discuss, and recommend any necessary changes in the SBHE capital project review and approval process to the SBHE. As noted earlier, the SBHE is seeking a new position in the 11-13 biennial budget to provide full-time staff support and related architect/engineer expertise.

Reviewing the Use of Asbestos Settlement Funds

Asbestos settlement funds of \$14.5 million were made available to certain institutions and state agencies in 1999. UND's allocation was a net of approximately \$4.5 million (amount allocated less attorney fees). A document presented to SBHE in 1999 stated the settlement funds would be held in reserve at the campus level to be used for asbestos abatement and removal costs. Representatives of the University System Office identified asbestos abatement would include costs to contain, remove, and dispose of asbestos.

Asbestos settlement funds are being used by UND for more than costs to contain, remove, and dispose of asbestos.

In review of the use of asbestos settlement funds by UND on two projects, we identified UND appears to be in noncompliance with the intent established for the use of these funds. For example, information provided by UND identified asbestos funds were used to pay for kitchen cupboards (approximately \$8,400) and installation of a glass top on the President's desk (approximately \$1,100). When discussing the use of these funds, UND identified the language from the University System

Chapter 1 University System

office indicated the Chancellor had stated the funds were to be set aside and used in asbestos related projects. UND's interpretation of "asbestos related projects" appears broader than the intent established for the funds.

Recommendation 1-7

We recommend the North Dakota University System Office review the use of asbestos settlement funds at the University of North Dakota and determine whether the Chancellor's directive on the use of such funds has been complied with.

Management's Response

Agree. A review will be conducted and changes in the use of asbestos funds, if necessary, will be made.

North Dakota State University

Introduction

As part of this performance audit, we selected six capital projects at North Dakota State University (NDSU). Our review of these capital projects identified improvements were needed. Significant improvements are included in this chapter. Improvements of less significance were communicated in a separate letter to management. The six capital projects selected for review included:

- Barry Hall;
- Old Main projects;
- President's house;
- Research Greenhouse Complex;
- Stockbridge – University Village B Court roof replacement; and
- Wellness Center addition.

Complying with Capital Project Requirements

We identified requirements related to capital projects in state law and State Board of Higher Education (SBHE) policies. We performed a review to determine compliance with requirements for the six capital projects selected at NDSU. Based on our review, we identified noncompliance with certain requirements.

Obtaining Approval for Improvement Projects

In review of information related to the Old Main project, various work was performed by NDSU and outside contractors. Included was remodeling/renovation work related to the President's office. The work began in the summer of 2009. Based on discussions with NDSU representatives, such work was not scheduled or planned to be started in the summer. The work was started at this time at the request of the former President. NDSU decided to split the work into multiple projects. For example, NDSU considered the demolition work in the office as a separate project from remodeling/renovation work in the office. It is apparent the project was split by NDSU to avoid obtaining approval from SBHE. Interviews with representatives of NDSU confirmed this conclusion. The project work, if it had been appropriately considered as one project, was estimated at an amount in excess of \$250,000. SBHE policy in effect at this time required SBHE approval for capital projects or improvements exceeding \$250,000. Our review of the work associated with the President's office identified costs exceeded \$640,000 which includes an allocation for infrastructure (labor and materials for woodwork alone in the office exceeded \$90,000).

A project was split in an attempt to avoid requesting SBHE authorization.

Recommendation 2-1

We recommend North Dakota State University obtain proper approval to proceed with improvement projects.

Management's Response

NDSU agrees with the recommendation.

NDSU will more carefully consider the scope of related projects and comply with the requirements of State Board of Higher Education policy. If NDSU is in doubt as to whether to include certain costs in the scope of a project, NDSU will consult the North Dakota University System Office.

Chapter 2 North Dakota State University

Based on the information in this report, NDSU is doing a complete business process review (BPR) of facility management at NDSU. This review will result in business practices that increase efficiency, accuracy and conform to all external and internal policies and procedures. Internal controls, accountability and performance measures will be key considerations on re-designing the process. The business practice review (BPR) will be expanded to other departments after the completion of the business practice review (BPR) of facility management.

Obtaining Approval for Significant Changes

The President's house project was approved by the Budget Section at the October 30, 2007 meeting. It was moved and carried on a roll call vote for the Budget Section to "approve the North Dakota State University request to accept from the North Dakota State University Foundation a new president's house at a construction cost of \$900,000." The total amount we identified of \$2.2 million includes construction costs, landscaping, furnishings, fixtures, etc. (excludes donations of \$403,147 and transition costs of \$99,851). Of this amount, \$1,465,026 is attributed to payments made by the Development Foundation to vendors for "Construction." The authorized amount for construction costs was exceeded and NDSU did not receive additional legislative or SBHE approval until after the vast majority of the expenditures were incurred and paid.

Approval to exceed authorized amounts of projects was not properly obtained.

Based on a review of information and in discussions with representatives of NDSU and the Development Foundation, it is clear the estimated cost of the house was known to be in excess of the authorized \$900,000 (not including costs for landscaping, parking lot, etc.). Rather than appropriately requesting an increase in the authorized amount, it was determined by the Development Foundation and NDSU to attempt to receive gifts in-kind (work performed by vendor at no cost) and donated materials. Even if gifts-in kind and donations could have covered the excess cost over \$900,000 (thus, the Development Foundation would only cut checks for payments for \$900,000), the actual and true cost would have still exceeded the \$900,000 authorized amount. Thus, the process used does not appear appropriate.

NDSU received SBHE approval to proceed with roof replacement projects for Stockbridge Hall and University Village-B Court in February 2006. A request was submitted to SBHE in June 2006 requesting total funding of \$655,000 for both roofs. NDSU stopped work on the University Village-B Court project and thus, the roof replacement work included in the approved project was not done. The money saved on this building was used on the Stockbridge building. NDSU did not obtain approval for this significant change in scope.

Recommendation 2-2

We recommend North Dakota State University ensure appropriate authorization is received from the State Board of Higher Education and, if applicable, the legislature for projects which have been significantly changed or expanded or when authorized amounts are exceeded.

Chapter 2 North Dakota State University

Management's Response

NDSU agrees with the recommendation.

NDSU will ensure that appropriate authorization is received from the State Board of Higher Education and, if applicable, the legislature on future projects.

Presenting Information on Unfinished or Postponed Projects

In review of the six projects selected, we identified two projects were not completed and the work unfinished on these projects is anticipated to be completed at another time. Information on each of these two projects is below.

Unfinished work on projects was not presented to SBHE.

- The new President's house has areas which were not completed during construction. For example, the basement, which is identified by NDSU as being 3,934 square feet, is completely unfinished. Also, sod and/or grass around the majority of the house has yet to be installed or planted. When cost information on this project was presented to SBHE, NDSU did not clearly identify unfinished areas.
- As identified previously in this chapter, repair and remodeling projects related to the President's office were improperly split to avoid taking the projects to SBHE for authorization. When NDSU presented the projects to SBHE, once in November 2009 and again in January 2010, NDSU did not clearly identify part of the project was left unfinished. A kitchenette room/area off of the President's office conference room was originally planned to be completed and subsequently was removed from the project. Based on discussions with NDSU representatives related to why this work was not completed, the work was removed from the project when costs for the project were increasing and NDSU was being questioned by the Chancellor's office on costs.

Based on a review of SBHE policies and information in the North Dakota University System Architect/Engineer Manual, institutions should be receiving approval from SBHE when a portion of a building is unfinished or completion of any work on an improvement is postponed.

Recommendation 2-3

We recommend North Dakota State University clearly present to the State Board of Higher Education plans to leave any portion of an approved building project unfinished or to postpone completion of any work on an approved building or other improvement project.

Management's Response

NDSU agrees with the recommendation.

NDSU will clearly identify in plans and updates submitted to the State Board of Higher Education any portion of an approved building project unfinished or postponed for future completion.

Ensuring Information is Fully and Accurately Reported

During our review of information related to the six projects we selected, we identified instances in which information was not completely accurate and didn't fully portray all costs of projects. Examples related to the President's house project include:

Costs and other information related to the President's house were not accurately reported.

- At the December 2009 Budget Section meeting, the Executive Director of the Development Foundation provided written testimony related to information on the President's house. As part of this written testimony, it states: "The foundation provided an additional \$373,855 to cover what we thought at the time was going to be the total cost of the project." The information provided by NDSU on the project indicates the payment has been made. As of March 30, 2010, no payment had been made to NDSU.
- In review of documents and information provided by NDSU on the President's house project to the Budget Section, no information related to the fact significant costs and work on the house remain. For example, the basement of the house is not finished (3,934 square feet). In addition, when requesting additional authorization for the increase in costs for the house, NDSU does not include an estimated amount for the areas to be completed.
- In review of cost information and discussions with NDSU representatives, it appears attempts were made to keep the reported amount for the President's house as low as possible. An example of this is NDSU's decision in September 2009 to not hook up the generator specifically ordered (and paid for) for the house (\$20,000).

We also identified concerns related to information NDSU provided on the Barry Hall and Old Main projects. Information on each project is below.

Information provided by NDSU on other projects was misleading.

- When NDSU presented information to SBHE in November 2009 related to costs of the Barry Hall project, NDSU stated the Development Foundation and the hired architect managed the project and Facilities Management personnel attended regular construction meetings. We conclude the Development Foundation did not manage the project and provided, in effect, a check book function for this project. Invoices were first submitted to NDSU for review and NDSU signed off on the invoices indicating payments should be processed. Also, the Development Foundation was not responsible for any changes to the scope or work performed on the project while NDSU appears to have been requesting a number of changes to the project.
- NDSU was requested by the Chancellor to submit information regarding the renovation of the area encompassing the President's office. The information provided by NDSU to the Chancellor did not clearly and accurately identify the process involved with the projects. For example, NDSU's response indicates the demolition work was formally bid and Facilities

Chapter 2 North Dakota State University

Management employees worked on the demolition. There were no formal bids received (architect solicited proposals from vendors) and demolition work was done through a contracted vendor. Both times when NDSU presented information on the Old Main projects to SBHE, NDSU did not clearly and accurately identify the process involved with the projects. NDSU indicated all four projects were independent projects which they do not appear to be.

Recommendation 2-4

We recommend North Dakota State University ensure all project costs and project related information is fully and accurately reported.

Management's Response

NDSU agrees with the recommendation.

NDSU will improve the information included in the capital project description to the State Board of Higher Education.

NDSU was reimbursed \$373,855 for costs to the Presidents house from the Development Foundation on April 14, 2010.

Obtaining an Increase in Authorization for Old Main Projects

In November 2009, NDSU requested and received SBHE authorization for \$784,000 for four projects within Old Main. NDSU identified projects related to – the President's office area, re-pointing of building bricks (tuckpointing), infrastructure upgrade, and work in the accounting offices in the basement. The majority of expenditures had already been incurred and paid prior to the request being made to SBHE. In January 2010, NDSU requested and received authorization from SBHE to increase the spending authority to \$938,939. Based on our review of information related to the four areas included by NDSU in the request, the total cost was approximately \$116,000 more than what was authorized the second time by SBHE.

Recommendation 2-5

We recommend North Dakota State University request authorization to increase spending authority for the Old Main projects previously presented to the State Board of Higher Education. In the information included in the request, the institution should give a full, complete, and accurate description of the projects and processes followed.

Management's Response

NDSU agrees with the recommendation.

NDSU will seek authorization to increase spending authority for the old Main project. This request will include a full, complete, and accurate description of the projects and processes followed.

Improving Budgeting and Planning

In our review of the six projects selected, we identified information related to inadequate and/or poor budgeting and planning on three projects. Also, NDSU has self-proclaimed budget concerns. Information related to budgeting and planning on the three projects follows.

Chapter 2

North Dakota State University

For over four months, NDSU did not request payment of \$373,855 from the Development Foundation.

- We identified the Development Foundation had agreed to pay NDSU \$373,855 in November 2009 for certain costs NDSU had paid for the President's house. As of March 30, 2010, no payment had been made. A representative of the Development Foundation stated they were waiting for NDSU to submit a request for payment. We also identified lease payments (\$2,500 per month) were made for the temporary residence off campus which could have been avoided with proper planning. The former President moved out of the old house on campus three months before the house was demolished. In addition, the leased home off campus sat vacant for three months even though lease payments continued to be made. Representatives of the Development Foundation and NDSU indicated the former President wouldn't allow the leased home to be shown to prospective buyers as was required by the signed lease. As a result, lease payments had to continue to be made after the home was vacated.
- NDSU has entered into a lease agreement with the Development Foundation for Barry Hall. The Development Foundation issued two sets of bonds for this project. NDSU's payments under this lease pays off one bond issuance (over \$14 million will be paid by NDSU) and pays the interest on the other. The lease payments did not appear to be budgeted for at the time of the lease being entered into. NDSU intended to enter into another lease agreement with the Development Foundation for furniture and information technology equipment in this building. The Development Foundation was to obtain a \$3 million loan from a local bank and NDSU would make payments to pay off the loan. While NDSU has made furniture and IT equipment purchases going back at least eight months, no formal agreement has been entered into with the Development Foundation. No budget was established by the Development Foundation or NDSU for this project. A number of changes to this project occurred at the request of NDSU which did increase the cost of this project. For example, the North Dakota Trade Office is in Barry Hall. This was not included in the original plan and work had to be performed to the space occupied by the Trade Office (cost was approximately \$212,000). Also, the plan for the renovation did not include the basement being finished. NDSU then determined it wanted the basement finished (cost was approximately \$231,000). A stock ticker was also added to the project (cost was approximately \$78,000).
- In review of information related to the remodeling of the President's office area, the project appears to have been started rather quickly due to the request of the former President. While the work was started in the summer of 2009, NDSU's planned work for the summer did not include this project to be completed (over \$640,000).

Inadequate planning and budgeting is leading to additional costs.

Chapter 2 North Dakota State University

Recommendation 2-6

We recommend North Dakota State University make improvements in budgeting and planning. The university should ensure adequate funds exist prior to incurring expenditures and agreements for financing are entered into prior to purchases being made.

Management's Response

NDSU agrees with the recommendation.

A complete business practice review (BPR) of facilities management and other departments will improve budgeting and planning at NDSU.

Formal Attorney General's Opinion Requested

Our review of NDSU's new College of Business building (Barry Hall) identified certain areas which resulted in our office requesting a formal Attorney General's Opinion on February 10, 2010. A brief outline of the history of this project is below.

- A new, \$20 million building to be located on campus is approved by the 2001 Legislature.
- SBHE authorized NDSU to proceed with fund raising efforts for the proposed new building in March 2002. The estimated cost is \$20 million and source of funding is from gifts.
- Chapter 31 of the 2005 Session Laws states SBHE may enter into an agreement with the Development Foundation or other private entity to authorize construction of a College of Business building on NDSU campus using donations, gifts, or other private funds.
- Chapter 3 of the 2007 Session Laws states SBHE may enter into an agreement with the Development Foundation or other private entity to authorize construction of a College of Business building off NDSU campus using donations, gifts, or other private funds.
- NDSU entered into a lease agreement with the Development Foundation. The Development Foundation had purchased two buildings in downtown Fargo. One of these buildings was to be used for the College of Business. The building required modifications/renovations and an addition. The Development Foundation issued two sets of bonds for the building – one for \$7.42 million and one for \$5.7 million. Under the lease agreement, NDSU will make payments to retire the \$7.42 million bond issuance (over \$14 million total) and will pay the interest payments on the \$5.7 million bond issuance.

NDSU is using public funds to make lease payments which are paying financing costs of a project which was to use "donations, gifts, or other private funds."

In effect, NDSU is making payments using public funds which will finance the costs associated with this project. We questioned whether this was in compliance with requirements in Session Law as this project was to use "donations, gifts, or other private funds." Even though the Development Foundation issued the bonds to finance construction/remodeling work, NDSU is ultimately paying off one bond issuance and the interest on the other. Our formal request for an Attorney General's Opinion includes questions related to this project including whether NDSU complied with requirements of the 2007

Chapter 2
North Dakota State University

Session Laws. At the time of the report, no opinion had been issued by the Office of the Attorney General.

**Additional Information
Related to
President's House**

As identified in this chapter of the report, a number of concerns related to the President's house were identified. We concluded the \$900,000 authorized amount was exceeded and NDSU didn't accurately report information related to the house including the fact the house project is not finished (for example, 3,934 square foot basement is completely unfinished). The table below identifies costs provided to the Budget Section in December 2009 and what we concluded the costs are. The Budget Section motion to approve NDSU's request to increase the project authorization for the new President's house from \$900,000 to \$2,451,638 failed.

	NDSU Reported	SAO Amount
Total planning, construction, furniture, appliances, and occupancy costs	\$2,079,283	\$2,202,836 ¹
Gifts in-kind/donations	\$372,355	\$403,147
Total transition living costs	\$89,682	\$99,851

¹ Approximately \$1.9 million of this amount was paid by the Development Foundation. The remaining amount was paid by NDSU using public funds including approximately \$35,000 of general funds.

According to information provided by NDSU for insurance purposes, the first floor of the house is 3,934 square feet, the second floor is 3,770 square feet, and the garage is 1,131 square feet (8,835 total square feet). This does not include the unfinished basement (3,934 square feet). A NDSU representative identified the old house was 4,553 square feet.

Based on a tour of the President's house at NDSU, review of supporting documentation for expenditures, and discussions with representatives of NDSU and the Development Foundation, there appears to be certain areas of the house which could be considered unnecessary and added to the cost of the house. For example, certain portions of the sidewalks/entry ways of the house are heated, the blinds in the bedrooms are automated (operated via a switch on the wall), and two "outbuildings" (basically two buildings used as restrooms which are adjacent to the house) were identified. We identified no such similar items during the tour of the President's house at the University of North Dakota (UND). Based on all information reviewed related to the houses and information identified in interviews, it does appear that differences existed between NDSU and UND related to financial responsibilities and proper cost containment for the house projects.

University of North Dakota

Introduction

As part of this performance audit, we selected four capital projects at the University of North Dakota (UND) to review. In addition, we performed a limited review of information provided by UND on projects within Twamley Hall, concentrating on the President's office suite area. Our reviews of these capital projects identified improvements were needed. Significant improvements are included in this chapter. Improvements of less significance were communicated in a separate letter to management. The four capital projects included:

- Jodsaas (Harrington Hall);
- National Center for Hydrogen Technology;
- O'Kelly Hall – Ireland Laboratory Renovation; and
- President's house.

Complying with Capital Project Requirements

We identified requirements related to capital projects in state law and State Board of Higher Education (SBHE) policies. We performed a review to determine compliance with requirements for the four capital projects selected at UND. Based on our review, we identified noncompliance with certain requirements.

Obtaining Approval for Improvement Projects

The Twamley Hall building at UND includes the President's office suite area and various administrative offices. The President's office suite area underwent remodeling/renovation work in 2008. UND decided to split this project work into four areas – reception office, administrative support, conference room, and the President's office. These four areas are in the same office location (one door from the hall leads you to all areas) and comprise the President's office suite area. In addition to UND considering the remodeling/construction work for each of these four areas as separate projects, UND also split the asbestos related work in these four areas into separate projects.

A project was split in an attempt to avoid requesting SBHE approval.

Based on information provided by UND, the total cost of all work in this area was approximately \$228,000. In review of planning information and other documents provided by UND, it is apparent the project was split by UND to avoid obtaining approval from the State Board of Higher Education (SBHE). At the time this project started, SBHE policy required authorization to proceed with an improvement for which the cost exceeds \$100,000.

Recommendation 3-1

We recommend the University of North Dakota obtain proper approval to proceed with improvement projects.

Management's Response

Agree. UND is engaged institutionally and with the NDUS office to clarify definitions, process and procedure to ensure compliance with SBHE policy. UND is in the process of reviewing existing campus policies, procedures and practices relative to capital projects and will develop a comprehensive approach for review, approval, monitoring and oversight of capital projects through policy, procedure and organizational structure.

Chapter 3 University of North Dakota

Obtaining Approval for Significant Changes

Approval to exceed
authorized amounts of
projects was not
properly obtained.

The President's house project was approved by the Budget Section at the October 30, 2007 meeting. It was moved and carried on a roll call vote for the Budget Section to "approve the University of North Dakota request to accept from the University of North Dakota Alumni Foundation a new president's house at a construction cost of \$900,000." The total amount we identified of \$1.263 million includes construction costs, landscaping, furnishings, fixtures, etc. (not including approximately \$50,000 in brick and transition costs of \$54,092). Of this amount, \$912,139 is attributed to payments made by the Foundation to vendors for building construction costs. In addition, there was approximately \$27,700 worth of architect fees related to this project as well as \$3,800 in bond issuance costs. The authorized amount for construction costs was exceeded and UND did not receive additional legislature or SBHE approval until after the expenditures were incurred and paid.

UND received SBHE authorization to proceed with a National Center for Hydrogen Technology facility in January 2006. The Chancellor's recommendation for this project identified construction of a \$3 million facility. This project used \$2.5 million of Centers of Excellence funding, \$500,000 from the city, and \$64,755 of interest which was earned on the Centers of Excellence funding. UND did not obtain SBHE for approval for spending more on the project than was authorized.

Recommendation 3-2

We recommend the University of North Dakota ensure appropriate authorization is received from the State Board of Higher Education and, if applicable, the legislature for projects which have been significantly changed or expanded or when authorized amounts are exceeded.

Management's Response

Agree. UND is engaged institutionally and with the NDUS office to clarify definitions, process and procedure to ensure compliance with SBHE policy. UND is in the process of reviewing existing campus policies, procedures and practices relative to capital projects and will develop a comprehensive approach for review, approval, monitoring and oversight of capital projects through policy, procedure and organizational structure.

Ensuring Information is Fully and Accurately Reported

The University System Office provided a template with cost categories for UND to report cost information associated with the President's house project. We identified instances in which information was not completely accurate and didn't fully portray all costs of the house. Examples include:

- UND did not identify information related to the fact the cost of the house did not include the brick used on the outside of this brick structure. Due to a contractor error on another project (parking ramp), a large amount of brick was leftover which the contractor left for UND to use. UND estimated this probably saved \$50,000 on the house.
- UND used an estimated amount for the cost of moving the President's belongings rather than the actual expenditure. UND

Chapter 3 University of North Dakota

Costs related to the President's house were not accurately reported.

estimated the cost of moving to be \$19,065 and the actual cost was \$20,349. In addition, UND included the total moving expense related to the President's belongings as "transitional costs." The President's belongings were moved to Pennsylvania and the cost of moving the belongings to Pennsylvania is not a transitional cost. We estimated the cost of moving the belongings to Pennsylvania was \$12,000.

- UND reported \$52,724 of costs for the driveway. The total amount was not all associated with the driveway as it included \$5,100 for trees and \$3,508 for leveling and seeding the patio area. There was a specific landscaping category included in the cost information presented by UND.
- UND reported \$52,724 of costs for the driveway, and \$81,770 of costs for the patio. These costs are listed under the construction cost category of "Landscaping/other exterior" as an other expense. Both costs were incurred after the President had already moved into the house. There was a cost category to identify "Costs incurred subsequent to occupancy" which is where these expenditures could have been reported.

Recommendation 3-3

We recommend the University of North Dakota ensure all project cost information is fully and accurately reported.

Management's Response

Agree. UND is engaged institutionally and with the NDUS office to clarify definitions, process and procedure to ensure compliance with SBHE policy. UND is in the process of reviewing existing campus policies, procedures and practices relative to capital projects and will develop a comprehensive approach for review, approval, monitoring and oversight of capital projects through policy, procedure and organizational structure.

Complying with Local Matching Fund Requirements

Included in the 2007-2009 Executive Budget Recommendation was a \$2.2 million general fund request for the O'Kelly Hall project. The project was described as providing code-required improvements to the fire protection, mechanical, ventilation, and electrical systems for the building. The 2007 Legislative Assembly amended the request to require a local match of \$220,000 (special funds). UND used asbestos settlement funds for the match requirement (asbestos settlement funds were awarded in 1999).

North Dakota Century Code Section 15-10-12.3 identifies requirements related to local matching funds. The section states, in part:

UND is in noncompliance with local matching fund requirements.

"If any institution under the control of the state board of higher education undertakes a capital construction project, including any renovation or expansion, with the approval of the legislative assembly, all local funds to be used for the project must be derived from sources that have been presented to and approved by the legislative assembly or the budget section pursuant to section 15-10-12.1. *The source of any local matching funds required for*

Chapter 3
University of North Dakota

state-funded or bonded projects must be funds raised and designated for the project and may not include funding from the state general fund, state and federal grant and contract funds, tuition or fees, endowment or investment income, institutional sales and services income including indirect and administrative costs, or transfers or loans from other institutions' funds or agency funds unless the institution has received prior approval from the legislative assembly or from the budget section pursuant to section 15-10-12.1.” (emphasis added)

No funds were specifically raised for the match requirement and UND received no approval to transfer the asbestos funds. We conclude prior approval from the Legislative Assembly or the Budget Section should have been received for UND to use the asbestos settlement funds as a match for the project.

Recommendation 3-4

We recommend the University of North Dakota comply with North Dakota Century Code Section 15-10-12.3 and ensure local matching funds required for state-funded projects are funds raised and designated for the project or obtain proper approval to transfer institution or agency funds.

Management’s Response

Agree. UND will seek SBHE authorization to go to the Budget Section for approval to use asbestos settlement proceeds for the matching requirement for the O’Kelly Hall project.

**Additional Information
Related to
President’s House**

In this chapter of the report, we identified concerns related to the President’s house project. We concluded the \$900,000 authorized amount was exceeded and UND didn’t accurately report information related to the house. The table below identifies costs provided to the Budget Section in December 2009 and what we concluded the costs are. The Budget Section passed a motion to approve UND’s request to increase the project authorization for the new President’s house from \$900,000 to \$1,262,705.

Table 2 UND President’s House		
	UND Reported	SAO Amount
Total planning, construction, furniture, appliances, and occupancy costs	\$1,262,705	\$1,263,205 ²
Brick for house ¹	\$0	\$50,000
Total transition living costs	\$52,926	\$42,092
¹ Not a donation, brick available due to contractor error on another project. Value of brick estimated by UND. ² Amount paid with private funds (paid by foundations).		

According to information provided by UND for insurance purposes, the new house is 8,289 square feet. A UND representative identified the old house was 8,881 square feet.

Other Institutions

Introduction

As part of this performance audit, we selected certain capital projects at Bismarck State College (BSC), Dickinson State University (DSU), and North Dakota State College of Science (NDSCS) to review. Our review of these capital projects identified improvements were needed. A significant improvement related to one DSU project is included in this chapter. Improvements of less significance were communicated in a separate letter to management of BSC and DSU. No other concerns were identified with the projects reviewed at the three institutions. Capital projects reviewed at the three institutions included:

- Mechanical Maintenance Building (BSC)
- Badlands Activities Center (DSU)
- May Hall renovation (DSU)
- Steamlines (NDSCS)

Obtaining Approval for Significant Changes

The Badlands Activities Center project began as a renovation to and construction of an addition to Whitney Stadium. The project was originally appropriated \$4 million in the 2001-2003 biennium, increased to \$5 million in the 2003-2005 biennium, and increased to \$8 million for the 2007-2009 biennium. Changes were due to increases in estimated costs as the project was refined by the institution and presented to the legislature.

At the September 2007 State Board of Higher Education (SBHE) meeting, DSU was authorized to request Budget Section approval of a revised \$16 million Whitney Stadium renovation and addition, financed from donations and contributions (Budget Section approved the request). The proposed facility evolved as an alliance between the university and several community and regional entities for an expanded, year round multipurpose facility. This project was then referred to as the Badlands Activities Center. At the June 2008 SBHE meeting, SBHE ratified the Chancellor's approval for a revised financing plan for the \$16 million project which included the DSU Foundation issuing \$11.5 million in bonds or obtaining a private loan up to \$11.5 million with the bonds or loan to be paid off with donations and gifts.

In review of this project, we identified the students of DSU voted in February 2008 to increase student fees to assist in paying for the center. The fee increase accepted was \$5 per credit hour, with a cap of 12 hours or \$60 per semester, for a period of five years, after which time the fee will be \$1 per credit hour, with a cap of 12 hours or \$12 per semester, for the next five years. DSU collects the fee and makes a payment to the Foundation. As of the end of calendar year 2009, approximately \$300,000 had been paid to the Foundation. The use of student fees to pay for this project is a change in the financing of the project. This project was approved by SBHE to be paid with donations and gifts. No SBHE approval was obtained for this change.

Approval to change the financing of the project was not properly obtained.

Chapter 4 Other Institutions

Recommendation 4-1

We recommend Dickinson State University ensure appropriate authorization is received from the State Board of Higher Education for projects which have been significantly changed or expanded.

Management's Response

Dickinson State University concurs with the recommendation. With guidance from North Dakota University System Office staff, Dickinson State University plans to submit a request to the North Dakota State Board of Higher Education proposing a revision to their June 2008 action approving the financing plan for the Badlands Activities Center. The revision would recognize as part of the financing plan, student fee contributions authorizations under Board Policy 805.2 and intended by vote of the student body to assist in addressing debt service related to the Badlands Activities Center Project.

Audit and University System Background Information

Purpose and Authority of the Audit

The performance audit of aspects of capital projects of the North Dakota University System was conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code Chapter 54-10.

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so management and those charged with governance and oversight can use the information to improve performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The purpose of this report is to provide our analysis, findings, and recommendations regarding our limited review of the capital projects of the North Dakota University System.

Background Information

Organized as a system in 1990, the North Dakota University System is made up of 11 institutions governed by the eight-member State Board of Higher Education (SBHE). The board includes seven citizen members appointed by the Governor who serve four-year terms and one student appointed by the Governor for a one-year term. A non-voting faculty advisor is selected by the Council of College Faculties.

Requirements related to capital projects are included in state law and SBHE policies. According to policy, SBHE approval is required for all institution capital projects or improvements for which the total cost exceeds \$250,000 (prior to September 2008, the amount was \$100,000). A number of changes were made to policies related to capital projects in October 2009.

Objectives of the Audit

The objective of this performance audit is listed below:

“Are North Dakota University System capital projects adequately monitored?”

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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.

Audit field work was conducted from the end of November 2009 to the beginning of April 2010. The audit period for which information was collected and reviewed was July 1, 2005 through October 31, 2009. In certain cases, additional information was reviewed. This was done, in

Chapter 5
Audit and University System Background Information

part, to review information related to selected projects which were not completed as of October 31, 2009. We selected 14 projects at 5 institutions based on project size, funding sources, authorization amounts, changes to the project, and other information. Specific methodologies are identified in the respective chapters of this report.

List of Recommendations

- Recommendation 1-1** We recommend the State Board of Higher Education take appropriate action to address differences relating to capital projects to ensure there is a unified system of higher education.
- Recommendation 1-2** We recommend the State Board of Higher Education establish an effective, system-wide monitoring function to ensure institutions are complying with policies and state law. The monitoring function should report directly to the Budget, Audit, and Finance Committee of the Board.
- Recommendation 1-3** We recommend the State Board of Higher Education update the North Dakota University System Architect/Engineer Manual and at a minimum:
- a) Provide sufficient detail to ensure consistency from institution to institution;
 - b) Identify definitions for key terms; and
 - c) Establish a periodic review process to ensure the manual is up-to-date.
- Recommendation 1-4** We recommend the State Board of Higher Education establish a periodic review process of policies and ensure policies related to projects are clear, concise, and up-to-date. At a minimum, changes should be made to:
- a) Include a policy to ensure institutions do not split projects to circumvent provisions of other policies;
 - b) Require institution staff and material costs directly related to the project be included in the cost of the project; and
 - c) Include language related to gifts in-kind.
- Recommendation 1-5** We recommend the State Board of Higher Education establish policies for capital leases and other similar financing/purchasing agreements entered into by institutions. At a minimum, the policies should include requirements for Board approval.
- Recommendation 1-6** We recommend the State Board of Higher Education make changes to the process for authorizing/approving project requests to ensure the Board's involvement is adding value to the process. The Board should ensure adequate architectural/engineering reviews of project requests are performed by obtaining the necessary expertise, through the use of outside or internal resources.
- Recommendation 1-7** We recommend the North Dakota University System Office review the use of asbestos settlement funds at the University of North Dakota and determine whether the Chancellor's directive on the use of such funds has been complied with.
- Recommendation 2-1** We recommend North Dakota State University obtain proper approval to proceed with improvement projects.

Appendix A List of Recommendations

- Recommendation 2-2** We recommend North Dakota State University ensure appropriate authorization is received from the State Board of Higher Education and, if applicable, the legislature for projects which have been significantly changed or expanded or when authorized amounts are exceeded.
- Recommendation 2-3** We recommend North Dakota State University clearly present to the State Board of Higher Education plans to leave any portion of an approved building project unfinished or to postpone completion of any work on an approved building or other improvement project.
- Recommendation 2-4** We recommend North Dakota State University ensure all project costs and project related information is fully and accurately reported.
- Recommendation 2-5** We recommend North Dakota State University request authorization to increase spending authority for the Old Main projects previously presented to the State Board of Higher Education. In the information included in the request, the institution should give a full, complete, and accurate description of the projects and processes followed.
- Recommendation 2-6** We recommend North Dakota State University make improvements in budgeting and planning. The university should ensure adequate funds exist prior to incurring expenditures and agreements for financing are entered into prior to purchases being made.
- Recommendation 3-1** We recommend the University of North Dakota obtain proper approval to proceed with improvement projects.
- Recommendation 3-2** We recommend the University of North Dakota ensure appropriate authorization is received from the State Board of Higher Education and, if applicable, the legislature for projects which have been significantly changed or expanded or when authorized amounts are exceeded.
- Recommendation 3-3** We recommend the University of North Dakota ensure all project cost information is fully and accurately reported.
- Recommendation 3-4** We recommend the University of North Dakota comply with North Dakota Century Code Section 15-10-12.3 and ensure local matching funds required for state-funded projects are funds raised and designated for the project or obtain proper approval to transfer institution or agency funds.
- Recommendation 4-1** We recommend Dickinson State University ensure appropriate authorization is received from the State Board of Higher Education for projects which have been significantly changed or expanded.