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BISMARCK STATE COLLEGE

BISMARCK, NORTH DAKOTA

Audit Report

For the Biennium Ended
June 30, 2009

ROBERT R. PETERSON
STATE AUDITOR

Office of the State Auditor
Division of State Audit

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Transmittal Letter

January 21, 2010

The Honorable John Hoeven, Governor

Members of the North Dakota Legislative Assembly

North Dakota State Board of Higher Education

Dr. Larry C. Skogen, President, Bismarck State College

We are pleased to submit this audit of Bismarck State College for the biennium ended June 30, 2009. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

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

The in-charge auditor for this audit was Mary Feltman, CPA. John Grettum, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7289. We wish to express our appreciation to President Skogen and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

Introduction

Since its founding in 1939, Bismarck State College has evolved from a locally based junior college to a state college whose mission fits within system and core missions of institutions governed by the North Dakota State Board of Higher Education. The institution emphasizes the necessity of remaining open to evolutionary change to best fulfill present and future demands, which will be placed upon it.

The purpose of Bismarck State College is to provide an educational environment of the highest caliber at a reasonable cost; to maintain a warm and wholesome social atmosphere; to provide opportunities for advanced knowledge, improved skills, high ideals and ethical standards; and to make learning an enjoyable, rewarding experience.

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

Responses to LAFRC Audit Questions

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

   An unqualified opinion was issued in the fiscal years 2008 and 2009 annual financial reports of the North Dakota University System. The financial statements for Bismarck State College were obtained from the Annual Financial Reports of the North Dakota University System.

2. *Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?*

   Yes.

3. *Was internal control adequate and functioning effectively?*

   Other than our finding addressing "Segregation of Duties" (page 11), we determined internal control was adequate.

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

   No.

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

   Yes.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

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

7. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

   In fiscal year 2009 Bismarck State College began reporting Pell receipts as nonoperating rather than operating revenue in the financial statements. This was done to comply with GASB's Comprehensive Implementation Guide which states that Pell grant receipts should be reported as nonoperating revenues because they are nonexchange transactions. The total amount for fiscal year 2009 was $2,946,401.

   There were no management conflicts of interest noted, no contingent liabilities identified or significant unusual transactions.

8. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

   The most significant accounting estimates used by Bismarck State College include: useful lives of capital assets and allowance for uncollectible receivables. Estimated useful lives are used to compute depreciation on capital assets. Management's estimate of the allowance for uncollectible receivables is based on aging categories and past history. We evaluated the key factors and assumptions used to develop the allowances in determining that it is reasonable in relation to the financial statements taken as a whole.

9. *Identify any significant audit adjustments.*

   All significant audit adjustmejitnts we proposed for Bismarck State College were recorded during the fiscal year 2008 audit of the North Dakota University System. No entries were proposed during the fiscal year 2009 audit of the North Dakota University System. In fiscal year 2008, entries were made to adjust notes receivables for the incorrect allowance percentage provided by the SLSC ($27,763) and to reclassify capital leases to the Bismarck State College Foundation as due to component unit ($6,335,000).

10. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

    None.

11. *Identify any serious difficulties encountered in performing the audit.*

    None.

12. *Identify any major issues discussed with management prior to retention.*

    This is not applicable for audits conducted by the Office of the State Auditor.

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

    None.

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

    ConnectND Finance, Human Resource Management System (HRMS), and Student Administration are high-risk information technology systems critical to Bismarck State College.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of Bismarck State College for the biennium ended June 30, 2009 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of Bismarck State College's operations and is internal control adequate in these areas?

2. What are the significant and high-risk areas of legislative intent applicable to Bismarck State College and are they in compliance with these laws?

3. Are there areas of Bismarck State College's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of Bismarck State College is for the biennium ended June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Bismarck State College's sole location is its campus which was included in the audit scope.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared financial statements from the fiscal years 2008 and 2009 Annual Financial Reports of the North Dakota University System and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures including computer assisted auditing techniques. These procedures were used to identify high risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system. Significant evidence was obtained from ConnectND.
- Observed Bismarck State College's processes and procedures.

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

Discussion and Analysis

The accompanying financial statements have been prepared to present Bismarck State College's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the biennium ended June 30, 2009, operations of Bismarck State College were primarily supported by student tuition and fees (30%); appropriations from the state's general fund (27%); federal grants and contracts (12%); auxiliary enterprises (9%); and capital grants and gifts (8%). This is supplemented by sales and services, gifts, state and local grants and contracts, investment income, and insurance proceeds.

Financial Summary

Total net assets increased by $7.1 million (31%) over the two-year period ending June 30, 2009. The increase is attributable to the addition of the National Energy Center of Excellence, equipment purchases and remodeling of Schafer Hall, and Lidstrom Hall remodeling.

Operating revenues consisted primarily of student tuition and fees, as well as auxiliary enterprises, and federal grants and contracts. Nonoperating revenues included state appropriations, federal grants and contracts, and capital grants and gifts. Revenues remained fairly constant between fiscal years 2009 and 2008, except state and local grants and contracts and capital grants and gifts. State and local grants increased $578,354 mainly from a workforce training grant and a workforce enhancement grant. Capital grants and gifts increased $5.7 million primarily from grants received for the National Energy Center of Excellence. Total revenues were $41,027,285 for the year ended June 30, 2009 as compared to $33,057.921 for the year ended June 30, 2008.

Total expenditures for Bismarck State College were $35,278,962 for the year ended June 30, 2009 as compared to $31,683,614 for the prior year. The increase in total expenditures for the audited period is primarily due to the increase in salaries and wages of $1.7 million (which account for 56% of total expenditures) and operating expenses of $1.7 million (which account for 26% of total expenditures). All other expenditures remained fairly constant.

Analysis of Significant Changes in Operations

Bismarck State College did not have any significant changes in operations.

Analysis of Significant Variances Between Final Budgeted and Actual Expenditures

Bismarck State College did not have any significant variances for the general fund expenses as reflected on the statement of appropriations.

Financial Statements

Statement of Net Assets

		June 30, 2009		June 30, 2008
ASSETS				
Cash & cash equivalents	$	3,046,004	$	4,949,513
Investments		3,416,000		3,126,000
Accounts receivable, net		953,738		667,744
Receivable from component units		87,764		342,824
Due from State General Fund				434,563
Grants & contracts receivables, net		1,687,671		1,081,565
Inventories		622,647		549,459
Notes receivable, net		521,317		540,873
Other assets		408,974		406,612
Unamortized bond discount		86,772		
Capital assets, net		31,059,632		28,776,624
Total assets	$	41,890,519	$	40,875,777
LIABILITIES				
Accounts payable	$	1,561,931	$	2,227,474
Payable to component unit		54,788		
Accrued payroll		1,113,984		1,187,528
Deferred revenue		602,857		402,852
Deposits		424,468		247,525
Other liabilities		43,113		116,649
Due to component units		2,265,001		6,335,000
Due to others		5,965,369		6,248,065
Total liabilities	$	12,031,511	$	16,765,093
NET ASSETS				
Invested in capital assets, net of related debt	$	23,581,563	$	16,844,956
Restricted for:				
Expendable:				
Scholarships and fellowships		48,570		55,437
Institutional		15,537		42,383
Loans		579,629		574,695
Debt service		456,481		486,560
Unrestricted		5,177,228		6,106,653
Total net assets	$	29,859,008	$	24,110,684

Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2009		June 30, 2008	
OPERATING REVENUES				
Student tuition and fees	$	11,575,156	$	10,577,080
Federal grants and contracts		1,628,672		4,482,615
State and local grants and contracts		954,513		376,159
Nongovernmental grants and contracts		25,305		299,960
Sales and services of educational departments		3,025,926		2,527,093
Auxiliary enterprises		3,465,164		3,040,911
Other		6,751		9,586
Total operating revenues	$	20,681,487	$	21,313,404
OPERATING EXPENSES				
Salaries and wages	$	19,682,016	$	18,011,197
Operating expenses		9,496,079		7,794,944
Data processing		540,507		511,701
Depreciation		1,246,102		1,136,324
Scholarships and fellowships		1,910,361		1,592,506
Cost of sales and services		1,756,542		1,749,749
Total operating expenses	$	34,631,607	$	30,796,421
Operating loss	$	(13,950,120)	$	(9,483,017)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	$	9,938,280	$	9,795,400
Federal grants and contracts		3,044,323		
Gifts		1,319,945		786,557
Investments income		116,468		319,312
Interest on capital asset-related debt		(584,445)		(568,202)
Loss on capital assets		(425)		-
Insurance proceeds		21,429		4,236
Other nonoperating expenses		(62,485)		(318,991)
Net nonoperating revenues	$	13,793,090	$	10,018,312
(Loss) Income before capital grants, gifts and transfers	$	(157,030)	$	535,295
State appropriations-capital assets		169,330		792,562
Capital grants and gifts		5,736,023		46,350
Total other revenue	$	5,905,353	$	838,912
Increase in net assets	$	5,748,323	$	1,374,207
NET ASSETS				
Net Assets-beginning of the year		24,110,684		22,736,477
Net Assets-end of the year	$	29,859,007	$	24,110,684

Statement of Cash Flows

		June 30, 2009		June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$	11,854,567	$	10,447,961
Grants and contracts		1,990,609		4,901,797
Payments to suppliers		(11,897,663)		(9,582,466)
Payments to employees		(19,654,656)		(17,729,633)
Payments for scholarships and fellowships		(1,910,361)		(1,592,506)
Loans issued to students		(67,486)		(160,594)
Collection of loans to students		77,458		110,324
Auxiliary enterprise charges		3,456,330		3,000,443
Sales and service of educational departments		2,889,435		2,581,555
Cash received (paid) on deposits		50,311		(17,864)
Other payments		(127,125)		(6,549)
Net cash used by operating activities	$	(13,338,581)	$	(8,047,532)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	$	9,938,280	$	9,795,400
Grants and gifts received for other than capital purposes		4,598,525		486,881
Agency fund cash (decrease) increase		(22,424)		90,000
Other nonoperating expenses				(78,821)
Net cash flows provided by noncapital financing activities	$	14,514,381	$	10,293,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital appropriations	$	603,893	$	357,999
Capital grants and gifts received		5,551,568		92,700
Purchases of capital assets		(3,987,708)		(4,341,681)
Insurance proceeds		21,429		4,236
Principal paid on capital debt and lease		(4,516,228)		(545,506)
Deposits with capital debt payment trustees				25,000
Interest paid on capital debt and lease		(581,540)		(566,229)
Net cash used by capital and related financing activities	$	(2,908,586)	$	(4,973,481)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$	1,670,000	$	2,500,000
Interest on investments		119,277		345,853
Purchase of investments		(1,960,000)		(2,640,000)
Net cash (paid) provided by investing activities	$	(170,723)	$	205,853
Net decrease in cash		(1,903,509)		(2,521,700)
CASH - BEGINNING OF YEAR		4,949,513		7,471,213
CASH - END OF YEAR	$	3,046,004	$	4,949,513

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RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	June 30, 2009	June 30, 2008
Operating loss	$ (13,950,120)	$ (9,483,017)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	1,246,102	1,136,324
Change in assets and liabilities	(38,237)	
Accounts receivable adjusted for interest receivable	(97,762)	(129,667)
Grant & contract receivables	(617,881)	(256,937)
Inventories	(73,188)	(78,364)
Notes receivable	19,556	(10,171)
Other assets	(92,949)	(14,149)
Accounts payable and accrued liabilities adjusted for interest payable	(11,778)	484,465
Accrued payroll	(73,544)	195,904
Compensated absences	100,904	85,660
Deferred revenue	200,005	40,284
Deposits	50,311	(17,864)
Net cash used by operating activities	$ (13,338,581)	$ (8,047,532)

SUPPLEMENTAL DISCLOSURE ON NONCASH TRANSACTIONS		
Expenses paid by capital lease/special assessments	$ 62,629	$ 319,234
Gifts of capital assets	184,455	(46,350)
Total non-cash transactions	$ 247,084	$ 272,884

Statement of Appropriations

For The Biennium Ended June 30, 2009

Expenses by line item	Original Appropriation	Adjustments	Final Appropriation	Expenses	Unexpended Appropriation
Operating expenses	$ 19,733,680		$ 19,733,680	$ 19,733,680	
Capital assets	6,695,942	(5,734,050)	961,892	961,892	
Capital improvements -			-		
Off system			-		
Student apartments		4,974,924	4,974,924	4,972,695	$ 2,229
Schafer hall		311,300	311,300	310,860	440
Totals	$ 26,429,622	$ (447,826)	$ 25,981,796	$ 25,979,127	$ 2,669
Expenses by source					
General fund	$ 20,695,572		$ 20,695,572	$ 20,695,572	
Special fund	5,734,050	(447,826)	5,286,224	5,283,555	$ 2,669
Totals	$ 26,429,622	$ (447,826)	$ 25,981,796	$ 25,979,127	$ 2,669

Appropriation Adjustments:

Capital assets
The $5,734,050 was a transfer to the capital improvement – off system line item which includes $54,300 for Schafer hall and $5,679,750 for the student apartment (Lidstrom hall).

Capital improvement – off system
The increase of $4,974,924 for the student apartments includes a $5,679,750 transfer from the capital asset line item and a reduction of $704,826 for expenses that occurred prior to fiscal year 2008.

The increase of $311,300 for Schafer hall includes a $54,300 transfer from capital asset line item and an additional $257,000 appropriation approved by the budget section in March 2008.

Internal Control

In our audit for the biennium ended June 30, 2009, we identified the following areas of Bismarck State College's internal control as being the highest risk:

Internal Controls Subjected to Testing:

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenses.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.

The criteria used to evaluate internal control is published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded that internal control was not adequate noting a certain matter involving internal control and its operation that we consider to be a significant deficiency.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect (1) misstatements in financial or performance information; (2) violations of laws and regulations; or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we identified the following significant deficiencies in internal control. We also noted other matters involving internal control that we have reported to management of Bismarck State College in a management letter dated January 21, 2010.

Segregation of Duties (Finding 09-1)

The same three people responsible for writing receipts are responsible for posting to accounts receivable and mailing the customer billings. These duties are incompatible.

Good internal controls require proper segregation of duties between the receipt collection and posting to the customer account.

Recommendation:

We recommend Bismarck State College reallocate duties surrounding receipt writing, posting to accounts receivable, and mailing the customer billings to ensure proper segregation of duties.

Bismarck State College Response:

We agree that the duties of writing receipts, posting to accounts receivable, and mailing the customer billings are incompatible. The Controller will work closely with the Student Finance Operations Manager and the Student Finance Relations Coordinator to ensure compatibility of these duties. We will have the changes implemented by March 1, 2010.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2009, we identified and tested Bismarck State College's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

- Determine if the State Board of Higher Education entered into an agreement or agreements with Bismarck State College Foundation or other private entity and did all things necessary and proper to authorize constrction by the Foundation or other private entity of a National Energy Center of Excellence building on Bismarck State College campus using state funds, federal funds, donations, gifts, or other private funds [07 HB 1003, chapter 3, section 15]
- Proper use/approval of clearing account and petty cash/till funds (NDCC 54-06-08.1 and Attorney General's letter dated September 11, 1987).
- BND used as credit card processing depository (NDCC 54-06-08.2).
- Surplus property (54-44-04.6, parts 1, 3, 4, and 5).
- Fixed asset requirements including record keeping and lease analysis requirements (NDCC 54-27-21 and 54-27-21.1).
- Inventory records (NDCC 44-04-07).
- Expenses including proper voucher approvals (NDCC 44-08-05.1 and Article X, Section 12, subpart 2 of North Dakota Constitution) and being within budgeted amounts (NDCC 54-44.1-09 and Article X, Section 12 of North Dakota Constitution).
- Travel-related expenses are made in accordance with state statue (NDCC 44-08-04, 44-08-04.1-.5 and 54-06-09).
- Purchasing including bidding (NDCC 54-44.4-01, 54-44.4-02, 54-44.4-05, 54-44.4-06, 54-44.7-02, 48-01.2-25 and 44-08-01).
- Conflict of Interest (NDCC 12.1-13-03, 48-01.2-08 and 48-02-12).
- Carryover of unexpended appropriations (NDCC 54-44.1-11).
- Adequate blanket bond coverage (NDCC 26.1-21-08).
- Unclaimed property laws (NDCC 47-30.1-02.1 and 47-30.1-03.1).
- Nepotism (NDCC 44-04-09).
- Bond Revenues and Reserves (NDCC 15-55-03 and 15-55-06).
- Misapplication of entrusted property (NDCC 12.1-23-07).

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

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* Thus, we concluded there was compliance with the legislative intent identified above.

While we did not find any items that were required to be reported in accordance with *Government Auditing Standards*, we noted certain inconsequential or insignificant instances of non-compliance that we have reported to management of Bismarck State College in a management letter dated January 21, 2010.

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Management Letter (Informal Recommendations)

January 21, 2010

Dave Clark
Executive Vice President
Bismarck State College
1500 Edwards Avenue
Bismarck, North Dakota 58501

Dear Mr. Clark:

We have performed an audit of Bismarck State College for the biennium ended June 30, 2009, and have issued a report thereon. As part of our audit, we gained an understanding of Bismarck State College's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

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

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of state or federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

SURPRISE COUNTS

Informal Recommendation 09-1
Surprise counts of petty cash and cash on hand are not done annually. As of May 2009, the last surprise count was done in August 2007.

Good internal controls require that assets be safeguarded from theft and/or loss.

We recommend Bismarck State College perform surprise counts of till funds, cash-on-hand and petty cash at least annually.

Bismarck State College Response:
Agree. Surprise counts of petty cash and cash on hand were inadvertently overlooked during the summer of 2008. We will add this item to our year end checklist to ensure yearly surprise cash counts in the future.

DEPARTMENT INVENTORIES

Informal Recommendation 09-2
Individuals taking the departmental inventories are not always signing off the inventory sheets, nor are department heads always approving the inventory sheets. Additionally, the accounts payable clerk is entering changes on the asset management system that are not always approved.

Per NDCC section 44-04-07, the person in charge of any state department or institution shall maintain, or cause to be maintained, a complete and current inventory record of all property of sufficient value and permanence to make such inventory record practical. Each year such person shall make a complete inventory of all such property, and shall maintain such inventory, with a person's certificate thereto attached, as to the correctness of same, in the files and records of the department or institution.

We recommend:

- Persons taking the departmental inventories sign the inventory sheets;
- Department Heads approve the final inventory sheets; and
- Only approved changes be entered into the asset management system.

Bismarck State College Response:
Agree. We have redesigned the departmental inventory sheets to require the signatures of the individual taking inventory and the department head. The Asset Management Associate will ensure proper approval before accepting the inventory sheets and making any adjustments in the asset management system.

TEAM TRAVEL CODING

Informal Recommendation 09-3
On expense vouchers for team travel, meals for the team and coaches were not detailed or documented to distinguish the student or coach amounts.

Per NDUS Human Resource Policy Manual #31.1, employees who are authorized to travel at institutional expense are required to submit a detailed record of travel expenses on a travel reimbursement voucher. However, coaches and other authorized employees may detail and document athletic team and other organized group travel expenses, including expenses of coaches, trainers and other employees, on a team or group travel expense report. Employees are not required to submit separate individual travel reimbursement vouchers for expenses detailed and documented on a team or other organized group report.

We recommend Bismarck State College detail and document all employee travel that is included with the athletic team or other organized group travel expenses as outlined in NDUS Human Resource Policy Manual #31.1.

Bismarck State College Response:
Agree. The Controller will work with the Athletics Assistant to provide the necessary detail on expense vouchers for team travel. The Accounts Payable Associate will ensure adequate detail before entering the voucher and the Controller will also verify this information when approving expense vouchers.

PURCHASE CARDS

Informal Recommendation 09-4
Controls surrounding purchase card transactions and compliance with established policy are not adequate. Six out of ten purchase card transactions tested were not properly completed or signed by the cardholder and eight out of ten purchase card transactions were not approved by the department head.

Proper internal controls and established policy require that purchase card original receipts be reconciled to the statement and these statements be signed by the card holder and forwarded to their appropriate reviewer (supervisor) for review and approval.

We recommend Bismarck State College comply with established policies by ensuring the purchase card holders properly complete and sign the purchase card record and the purchase card record be approved by the appropriate reviewer (supervisor).

Bismarck State College Response:
Agree. An expansion of our purchase card program took place in January of 2009. We recognized that added internal controls and a written policy and procedures were required along with this expansion. In January of 2009, the purchase card policy was approved and can be found here: http://www.bsc.nodak.edu/hr/genpol/PurchaseCards.pdf

As stated in our policy, we require original documentation for every purchase, a signature of the statement preparer, and a signature of the appropriate supervisor. These items are required before our Accounts Payable Associate accepts the reconciled statement from the cardholder.

I encourage you to call me at 701-239-7290 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

Mary Feltman

Mary Feltman, CPA
Auditor In-charge

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