

WILLISTON STATE
COLLEGE

WILLISTON, 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

March 15, 2010

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
Dr. Ray Nadolny, President

We are pleased to submit this audit of Williston 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 Robyn Hoffmann, 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 Nadolny and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

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

Robert R. Peterson
State Auditor

Executive Summary

Introduction

Williston State College is an open admission, learner-centered, comprehensive community college of the North Dakota University System providing academic transfer and occupational education, workforce training, and cultural activities to residents of North Dakota, the upper plains, and beyond. Williston State is committed to providing educational opportunities that are accessible, affordable, life-changing, and life-long.

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 Williston 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 findings addressing "General Ledger Entry Documents Support and Approval" (page 13) and "Allowance for Doubtful Accounts" (page 14), 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 17 of this report, along with management's response.

LAFRC Audit Communications

- 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 Williston 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 \$827,662.

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 Williston 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. 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, except for the allowance for uncollectible receivables. We were unable to determine whether the allowance is reasonable or appropriate because it does not appear to be based on actual experience. See recommendation on page 14.

- 9. Identify any significant audit adjustments.*

All significant audit adjustments we proposed for Williston State College were recorded during the fiscal years 2009 and 2008 audits of the North Dakota University System. In fiscal year 2008, an entry was made to adjust notes receivable for the incorrect allowance percentage provided by the SLSC (\$16,307). In fiscal year 2009, entries were made to reclassify Pell revenue as nonoperating (\$827,662), to record retirement of indebtedness funds as unrestricted based on bond indenture (\$180,000), and to remove unspent general fund capital asset appropriation from the fiscal year 2009 revenue (\$8,495).

- 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 Williston State College.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of Williston 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 Williston 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 Williston State College and are they in compliance with these laws?
3. Are there areas of Williston State College's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of Williston 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Williston State College's sole location is its central office which was included in the audit scope.

Audit Methodology

To meet the objectives outlined above, we:

- Prepared condensed 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 Williston 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 Williston 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 Williston State College were primarily supported by appropriations from the state's general fund (30%); student tuition and fees (14%); auxiliary enterprises (11%); and sales and services of educational departments (10%). This is supplemented by federal grants and contracts, capital grants and gifts, gifts, and state and local grants and contracts.

Financial Summary

Total net assets increased by \$2.3 million (20%) over the two-year period ending June 30, 2009. The increase is attributable to the addition of a Workforce training service rig and the construction of the Petroleum Safety Training Center.

Operating revenues consisted primarily of student tuition and fees, as well as auxiliary enterprises, sales and services of educational departments, and federal grants and contracts. Nonoperating revenues during the audit period included state appropriations, capital gifts and grants, and gifts. Total revenues were \$11,023,966 for the year ended June 30, 2009 as compared to \$10,347,185 for the year ended June 30, 2008. The major revenue increases are as follows:

- Non-credit course fee revenue received for the Workforce Petroleum Safety and Technology Training Center (\$150,000);
- Gifts for scholarships received from the WSC Foundation (\$185,000); and
- Permanent Oil Tax Trust Fund for construction of the Service Rig Facility (\$700,000).

Total expenses for Williston State College were \$10,018,980 for the year ended June 30, 2009 as compared to \$9,060,041 for the prior year. The largest expense fluctuations are as follows:

- Instructional supplies associated with Workforce Training program (\$150,000 increase);
- Payments to food service contractor all coded to operating expense in fiscal year 2009 (\$150,000 increase); and
- Workforce training contract payments to Center for Transportation Safety to train truck drivers (\$200,000 increase).

Analysis of Significant Changes in Operations

Williston State College had the following significant changes in operations:

- Receivables for Workforce Training are reported as Grants & Contracts Receivable beginning in fiscal year 2009. Prior to fiscal year 2009 they were reported as accounts receivable.
- Expendable debt service net assets of \$270,000 were improperly reported in fiscal year 2008 and a correction was made in fiscal year 2009 to report most of the balance as unrestricted net assets.
- Federal grants and contracts revenue for the Pell Grant program was recognized as non-operating revenue beginning in fiscal year 2009 to comply with current accounting standards. Total Pell revenue reported as operating revenue for fiscal year 2008 was \$870,000.

Analysis of Significant Variances Between Final Budgeted and Actual Expenditures

Williston 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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
ASSETS		
Cash and cash equivalents	\$ 810,307	\$ 879,887
Investments	52,200	52,200
Accounts receivable, net	137,384	364,994
Receivable from component unit	203,586	298,000
Due from state general fund	65,961	
Grants & contracts receivables, net	778,787	411,502
Inventories	123,145	175,998
Notes receivable, net	261,057	287,027
Other assets	47,460	46,477
Capital assets, net	13,115,861	11,836,004
Total assets	<u>\$ 15,595,748</u>	<u>\$ 14,352,089</u>
LIABILITIES		
Accounts payable	\$ 430,148	\$ 160,104
Payable to component units		10,000
Accrued payroll	319,640	356,741
Deferred revenue	91,245	82,210
Deposits	126,111	192,094
Other liabilities	7,802	26,445
Due to component units	229,618	
Due to others	607,770	746,068
Total liabilities	<u>\$ 1,812,334</u>	<u>\$ 1,573,662</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 12,412,703	\$ 11,249,273
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	58,106	59,024
Expendable:		
Scholarships and fellowships	24,216	32,092
Institutional	5,527	(7,887)
Loans	297,353	320,093
Capital projects		
Debt service	6,606	276,336
Unrestricted	978,903	849,496
Total net assets	<u>\$ 13,783,414</u>	<u>\$ 12,778,427</u>

Statement of Revenues, Expenses, and Changes in Net Assets

	June 30, 2009	June 30, 2008
OPERATING REVENUES		
Student tuition and fees	\$ 1,509,183	\$ 1,553,016
Federal grants and contracts	364,020	1,237,791
State and local grants and contracts	658,128	318,777
Nongovernmental grants and contracts	3,443	9,950
Sales and services of educational departments	1,241,435	975,199
Auxiliary enterprises	1,154,106	1,160,806
Other	4,635	7,151
Total operating revenues	\$ 4,934,950	\$ 5,262,690
OPERATING EXPENSES		
Salaries and wages	\$ 5,287,466	\$ 5,105,073
Operating expenses	2,865,207	2,067,558
Data processing	209,709	96,420
Depreciation	574,290	567,615
Scholarships and fellowships	530,403	581,183
Cost of sales and services	529,939	644,504
Total operating expenses	\$ 9,997,014	\$ 9,062,353
Operating loss	\$ (5,062,064)	\$ (3,799,663)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	\$ 3,211,252	\$ 3,211,252
Federal grants and contracts	827,662	
Gifts	774,483	550,018
Investments income	795,408	126,584
Interest on capital asset-related debt	(21,551)	(4,122)
Gain (loss) on capital assets	(415)	13,027
Other nonoperating revenues (expenses)	423	(9,873)
Net nonoperating revenues	\$ 5,587,262	\$ 3,886,886
Income before capital grants and gifts	\$ 525,198	\$ 87,223
State appropriations-capital assets	\$ 65,961	\$ 146,237
Capital grants and gifts	413,827	1,037,377
Total other revenue	\$ 479,788	\$ 1,183,614
Increase in net assets	\$ 1,004,986	\$ 1,270,837
NET ASSETS		
Net Assets-beginning of the year	12,778,428	11,507,588
Net Assets-end of the year	\$ 13,783,414	\$ 12,778,425

Statement of Cash Flows

	June 30, 2009	June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	\$ 1,499,857	\$ 1,580,930
Grants and contracts	643,819	1,325,238
Payments to suppliers	(3,318,920)	(2,751,043)
Payments to employees	(5,329,176)	(5,048,645)
Payments for scholarships and fellowships	(530,403)	(581,183)
Loans issued to students	(42,900)	(91,201)
Collection of loans to students	39,514	68,545
Auxiliary enterprise charges	1,149,650	1,146,266
Sales and service of educational departments	1,433,830	466,676
Cash received (paid) on deposits	(39,657)	65,771
Other receipts (payments)	(14,563)	5,643
Net cash used by operating activities	\$ (4,508,949)	\$ (3,813,003)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	\$ 3,211,252	\$ 3,211,252
Grants and gifts received for other than capital purposes	1,602,145	550,018
Agency fund cash decrease	(1,123)	
Tax revenues		4,292
Other nonoperating expenses		(30,880)
Net cash flows provided by noncapital financing activities	\$ 4,812,274	\$ 3,734,682
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of debt		
Capital appropriations		\$ 146,237
Capital grants and gifts received	\$ 160,316	360,001
Purchases of capital assets	(1,092,985)	(644,954)
Principal paid on capital debt and lease	(214,691)	(191,696)
Interest paid on capital debt and lease	(21,303)	(3,968)
Net cash used by capital and related financing activities	\$ (1,168,663)	\$ (334,380)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		
Interest on investments	\$ 795,758	\$ 127,024
Net cash provided by investing activities	795,758	127,024
Net decrease in cash	(69,580)	(285,677)
CASH - BEGINNING OF YEAR	879,887	1,165,564
CASH - END OF YEAR	\$ 810,307	\$ 879,887

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**RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Operating loss	\$ (5,062,064)	\$ (3,799,663)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities		
Depreciation expense	574,290	567,615
Other nonoperating expenses	(18,215)	
Change in assets and liabilities		
Accounts receivable adjusted for interest receivable	206,268	(485,014)
Grant and contract receivables	(381,772)	(241,280)
Inventories	52,853	(49,971)
Notes receivable	25,970	(14,370)
Other assets	(983)	(1,508)
Accounts payable and accrued liabilities adjusted for interest payable	167,036	74,170
Accrued payroll	(36,802)	30,169
Compensated absences	(4,908)	26,259
Deferred revenue	9,035	14,819
Deposits	(39,657)	65,771
Net cash used by operating activities	<u>\$ (4,508,949)</u>	<u>\$ (3,813,003)</u>

SUPPLEMENTAL DISCLOSURE ON NONCASH TRANSACTIONS

Assets acquired through capital leases	\$ 310,918	
Expenses paid by capital lease/special assessments		\$ 10,397
Gifts of capital assets	343,511	1,037,377
Total non-cash transactions	<u>\$ 654,429</u>	<u>\$ 1,047,774</u>

Statement of Appropriations

For The Biennium Ended June 30, 2009

Expenses by line item	Original		Final		Unexpended Appropriation
	Appropriation	Adjustments	Appropriation	Expenses	
Operating expenses	\$ 6,622,504		\$ 6,622,504	\$ 6,553,155	\$ 69,349
Capital assets	2,257,198	\$ 55,000	2,312,198	912,198	1,400,000
Plant improvement - carryover		8,495	8,495		8,495
Capital improvements - off system					
Service rig facility		55,000	55,000	49,719	5,281
Totals	\$ 8,879,702	\$ 118,495	\$ 8,998,197	\$ 7,515,072	\$ 1,483,125
Expenses by source					
General fund	\$ 6,579,702	\$ 63,495	\$ 6,643,197	\$ 6,634,702	\$ 8,495
Special fund	2,300,000	55,000	2,355,000	880,370	1,474,630
Totals	\$ 8,879,702	\$ 118,495	\$ 8,998,197	\$ 7,515,072	\$ 1,483,125

Appropriation Adjustments:

Capital assets:

The \$55,000 adjustment is an increase in the project authorization for the service rig project to be funded by the North Dakota University System 2007-09 contingency and capital improvement fund. This was approved by the Budget Section March 19, 2008.

Plant improvement – carryover:

The \$8,495 increase is the prior biennium's unspent general funds.

Capital improvement – off system:

The \$55,000 adjustment is an increase in the project authorization for the service rig project to be funded from training revenue or possibly city grant funds. This was approved by the Budget Section March 19, 2008.

Internal Control

In our audit for the biennium June 30, 2009, we identified the following areas of Williston 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 expenditures.
- 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 are 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 certain matters involving internal control and its operation that we consider to be significant deficiencies.

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.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Williston State College's internal control. We consider the finding 09-1 to be a material weakness.

We also noted another matter involving internal control that we have reported to management of Williston State College in a management letter dated March 15, 2010.

General Ledger Entry Documents Support and Approval (Finding 09-1)

During our test of documents used to enter transactions directly to the general ledger, we noted 47% (15 of 32) of the documents tested did not have adequate support or approval. The total amount input during the two-year period ending June 30, 2009 was over \$11.3 million.

According to the COSO framework on proper internal controls, it is management's responsibility to put proper controls in place to provide reasonable assurance of accurate financial reporting.

Recommendation:

We recommend that all general ledger input documents have proper approval and adequate support attached and maintained.

Williston State College's Response:

Agree. We will make sure to have adequate support and approval.

Allowance for Doubtful Accounts (Finding 09-2)

Williston State College has been using the same percentages for years to estimate their Allowance for Doubtful Accounts based on the aging category of the Accounts Receivable. In fiscal year 2009, the allowance (\$93,692) was 52% of the total accounts receivable (\$179,247) balance. However, we noted in fiscal year 2009 that WSC only wrote off \$2,934 of accounts and in fiscal year 2008, they only wrote off \$380 of accounts receivable. It is our opinion that the estimate for the allowance for doubtful accounts is not based on the prior results and/or the percentages used are not relevant.

Generally accepted accounting principles dictate that the allowance for doubtful accounts should be based on relevant, sufficient, and reliable data. Also, an adequate review of the allowance calculation should be done to ensure the assumptions used to calculate the allowance are reasonable.

Recommendation:

We recommend that Williston State College evaluate the Allowance for Doubtful Accounts to determine if the estimate is relevant, sufficient, and reliable.

Williston State College's Response:

Agree. We will develop a method of accounting for doubtful accounts based on relevant and sufficient estimates by fiscal year 2011.

Compliance With Legislative Intent

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

- Determine that \$900,000 was used for the service rig program at Williston State for the biennium beginning July 1, 2007 and ending June 30, 2009 (07 HB 1003, chapter 3, section 10).
- Proper use/approval of clearing account and petty cash/till funds (NDCC 54-06-08.1, Article X, Section 12, part 1 of the North Dakota Constitution and Attorney General's opinion dated September 11, 1987).
- BND used as credit card processing depository (NDCC 54-06-08.2).
- Deposit and expenses of gifts to a state institution (Article IX, Section 1 of the North Dakota Constitution, Attorney General's opinion dated September 13, 1963, NDCC 01-08-02, 15-10-12, 15-67-01, 15-67-02, 15-67-04, 15-67-05, and 15-67-07).
- Fixed asset requirements including record keeping and lease analysis requirements (NDCC 54-27-21.1 and 54-27-21).
- Inventory records (NDCC 44-04-07).
- Expenses including proper voucher approvals (NDCC 44-08-05.1 and Article X, Section 12, subpart 2 of the North Dakota Constitution) and being within budgeted amounts (NDCC 54-44.1-09, Article X, Section 12 of North Dakota Constitution and Attorney General's opinion dated January 6, 1977).
- Travel-related expenses are made in accordance with state statute (NDCC 44-08-04, 44-08-04.1-5, and 54-06-08 parts 1a, 1b, 3, 4, 5, and 6).
- Conflict of interest (NDCC 12.1-13-03 and 48-01.2-08).
- 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 a certain inconsequential or insignificant instances of non-compliance that we have reported to management of Williston State College in a management letter dated March 15, 2010.



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

Management Letter (Informal Recommendations)

March 15, 2010

Mr. Justin Maddison
CFO and VP for Business Services
Williston State College
1410 University Ave
Williston, ND 58801

Dear Mr. Maddison:

We have performed an audit of Williston 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 Williston 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 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:

PROPER CODING

Informal Recommendation 09-1:

Williston State College is not using the correct account codes for coding building capital lease principal and interest payments or revenue from the State Oil Tax Trust fund. The principal and interest payments should be coded to building capital lease – prin account 582050 and building capital lease – inter account 582040, respectively. The revenue from the State Oil Tax Trust fund should be coded to state capital gifts and grants, account 451005.

Generally accepted accounting principles require uniform classifications and recording of like items and transactions.

We recommend that Williston State College properly and consistently code all transactions and use available general ledger accounts.

Williston State College Response:

Agree. We will use proper account codes in the future.

CARRYOVER OF UNEXPENDED APPROPRIATIONS

Informal Recommendation 09-2:

Williston State College did not present a report on carryover funds from the 2005-07 biennium to the subsequent appropriation committee of the legislative assembly. At the end of fiscal year 2007, Williston State College carried over from the capital asset line \$8,495 of general funds for extraordinary repairs.

North Dakota Century Code section 54-44.1-11 requires the North Dakota University System to report on the amounts and uses of funds carried over from one biennium to the next subsequent appropriations committee of the legislative assembly.

We recommend that Williston State College report on the amount and use of funds carried over from one biennium to the next to the appropriations committee of the legislative assembly.

Williston State College Response:

Agree: If there is a carryover, those amounts will be recorded under section 54-44.1-11.

I encourage you to call myself at (701) 239-7291 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,



Robyn Hoffmann, CPA
Auditor In-charge

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