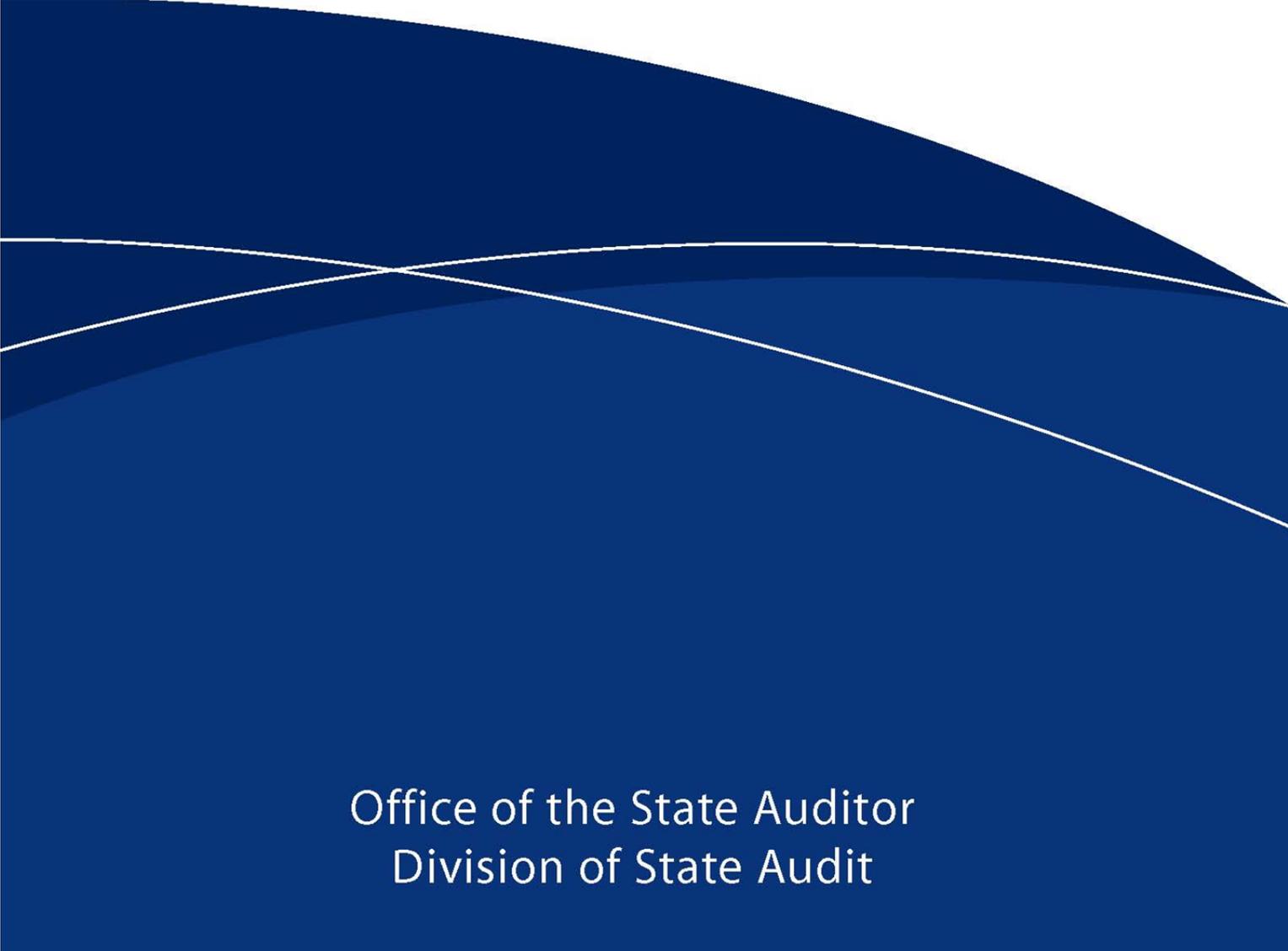


DICKINSON STATE  
UNIVERSITY  
DICKINSON, NORTH DAKOTA

**Audit Report**

For the Biennium Ended  
June 30, 2011

ROBERT R. PETERSON  
STATE AUDITOR



Office of the State Auditor  
Division of State Audit

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## *Transmittal Letter*

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March 5, 2012

The Honorable Jack Dalrymple, Governor  
Members of the North Dakota Legislative Assembly  
North Dakota State Board of Higher Education  
Dr. D. C. Coston, President, Dickinson State University

We are pleased to submit this audit of the Dickinson State University for the ended June 30, 2011. 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 Cory Wigdahl, CFE. 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 Coston and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Bob Peterson".

Robert R. Peterson  
State Auditor

# *Executive Summary*

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## *Introduction*

Dickinson Normal School was created in 1916 by a constitutional amendment approved by North Dakota voters. Classes began in 1918 with a two-year program designed to train elementary and secondary teachers. In 1931, four-year degrees were offered for the first time under the school's new name, Dickinson State Teachers College. In recognition of the institution's broadened curriculum, Dickinson State Teachers College became Dickinson State College in 1963. University status was granted in 1987 as the progression of education in the West River region was recognized by the State Board of Higher Education.

Dickinson State University is a comprehensive state institution, one of the eleven colleges and universities that make up the North Dakota University System. The University employs approximately 200 faculty and staff with an enrollment of approximately 2,500 students. Dickinson State University has shown a strong growth pattern in enrollment over the course of the last decade. Present programs include the basic arts and sciences as well as specialized programs in agriculture, business, computer science, and nursing. The University also offers pre-professional programs in medicine, law, engineering, social work, optometry, veterinary medicine, and chiropractic.

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?*

The financial statements for Dickinson State University included in this report were obtained from the Annual Financial Report of the North Dakota University System; however, the related note disclosures are not included in accordance with generally accepted accounting standards, so an opinion is not applicable. An unqualified opinion was issued on the annual financial report 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?*

This audit disclosed no reportable compliance issues within the context of the scope of this audit. However, a recent performance audit of Dickinson State University conducted by the Performance Audit Division of the State Auditor's Office uncovered numerous potential compliance violations. Please refer to that report for additional information.

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

This audit disclosed no reportable internal control issues within the context of the scope of this audit. However, a recent performance audit of Dickinson State University conducted by the Performance Audit Division of the State Auditor's Office uncovered numerous internal control weaknesses. Please refer to that report for additional information.

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

There was an indication of a lack of efficiency in financial operations and management of the Dickinson State University that included "Controls Surrounding Waivers" (page 15).

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

There were no recommendations included in the prior audit report.

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

Yes, we issued a management letter that included two findings addressing unclaimed property and report on carryover funds.

### **LAFRC Audit Communications**

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

There were no management conflicts of interest noted or contingent liabilities identified.

However, there was a significant change in accounting policy. As of June 30, 2011, Dickinson State University began reporting the receipt and disbursement of student financial aid on the Statement of Cash Flows as Direct Lending Receipts and Direct Lending Disbursements. Prior to June 30, 2011 these amounts were included net on the Statement of Cash Flows as Agency Fund Cash Increases/Decreases.

Additionally, there is a potential for disclosure of significant unusual transactions in the forthcoming performance audit of Dickinson State University by the North Dakota State Auditor's office.

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 Dickinson State University 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 estimated useful lives and allowances in determining that it is reasonable in relation to the financial statements taken as a whole.

9. *Identify any significant audit adjustments.*

There were no significant audit adjustments proposed for Dickinson State University.

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 Dickinson State University. No exceptions related to the operations of an information technology system were noted.

# ***Audit Objectives, Scope, and Methodology***

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## ***Audit Objectives***

The objectives of this audit of the Dickinson State University for the biennium ended June 30, 2011 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Dickinson State University's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Dickinson State University and are they in compliance with these laws?
3. Are there areas of the Dickinson State University's operations where we can help to improve efficiency or effectiveness?

## ***Audit Scope***

This audit of the Dickinson State University is for the biennium ended June 30, 2011. 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.

## ***Audit Methodology***

To meet the objectives outlined above, we:

- Prepared condensed financial statements from the fiscal years 2011 and 2010 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 Dickinson State University'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***

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The accompanying financial statements have been prepared to present Dickinson State University'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, 2011, operations of Dickinson State University were primarily supported by appropriations from the state's general fund. This is supplemented by federal funding and fees credited to the agency's operating fund.

### ***Financial Summary***

Assets at Dickinson State University increased \$1 million dollars from \$50 million in fiscal year 2010 to \$51 million in fiscal year 2011. This was due to an increase in bookstore revenue (\$200,000), on-line course access fees (\$700,000), and advance payments (\$50,000). Liabilities remained fairly constant.

Revenues consisted primarily of state appropriations, student tuition and fees, and capital grants and gifts. Other revenues during the audited period included auxiliary enterprises, federal grants and contracts, and sales and services. These all remained fairly constant except for a decrease in capital grants and gifts and an increase in state appropriations in fiscal year 2011. Capital grants and gifts decrease is due to receiving an \$11 million gift for the Badlands Activity Center in fiscal year 2010. The increase in state appropriations of \$1 million was due to the timing of general fund drawdowns at the end of a biennium. Total revenues were \$32,644,556 for the year ended June 30, 2011 as compared to \$42,078,547 for the year ended June 30, 2010.

Total expenditures for Dickinson State University were \$31,786,282 for the year ended June 30, 2011 as compared to \$31,005,261 for the prior year. The increase in total expenditures for the audited period reflects primarily salaries and wages and operating expenses (which also account for 86% of total expenditures in both years). All other expenditures remained fairly constant.

### ***Analysis of Significant Changes in Operations***

Dickinson State University added an Environmental Science major in 2010.

### ***Analysis of Significant Variances - Budgeted and Actual Expenditures***

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

# Financial Statements

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## Statement of Net Assets

	June 30, 2011	June 30, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,685,895	\$ 2,803,882
Investments	9,655,000	9,655,000
Accounts receivable, net	591,132	522,821
Due from component units	10,101	327,653
Due from state general fund	-	33,638
Grants and contracts receivable, net	634,397	254,792
Inventories	372,418	473,245
Notes receivable, net	1,049,806	1,099,407
Other Assets	152,160	175,429
Unamortized bond discount and cost of issuance	15,615	17,567
Capital assets, net	34,766,639	34,619,652
<b>Total assets</b>	<b>\$ 50,933,163</b>	<b>\$ 49,983,086</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 723,219	\$ 678,232
Payable to component units		
Accrued payroll	949,888	894,615
Deposits	188,029	191,342
Due to Others	1,271,414	1,276,558
<b>Total current liabilities</b>	<b>\$ 3,132,550</b>	<b>\$ 3,040,747</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 34,224,818	\$ 34,025,253
Restricted For:		
Expendable:		
Scholarships and fellowships		12,314
Institutional	171,735	520,768
Loans	1,220,922	1,247,125
Debt service	86,781	88,733
Unrestricted	12,096,357	11,048,146
<b>Total Net Assets</b>	<b>\$ 47,800,613</b>	<b>\$ 46,942,339</b>

## Statement of Revenues and Expenditures and Changes in Net Assets

	June 30, 2011	June 30, 2010
<b>OPERATING REVENUES:</b>		
Student tuition and fees	\$ 9,676,063	\$ 9,758,798
Federal grants and contracts	1,259,111	1,129,278
Local Appropriations	5,000	
State and local grants and contracts	260,871	88,662
Nongovernmental grants and contracts	45,854	229,711
Sales and services of educational departments	1,074,075	1,099,777
Auxiliary enterprises	4,151,182	3,904,462
Other	76,124	112,605
<b>Total operating revenues</b>	<b>\$ 16,548,280</b>	<b>\$ 16,323,293</b>
<b>OPERATING EXPENSES:</b>		
Salaries and wages	\$ 18,402,095	\$ 18,013,372
Operating expenses	8,937,949	8,497,908
Data processing	524,105	591,353
Depreciation	1,583,644	1,368,182
Scholarships and fellowships	1,539,045	1,701,191
Cost of sales and services	770,111	767,799
<b>Total operating expenses</b>	<b>\$ 31,756,949</b>	<b>\$ 30,939,805</b>
<b>Operating loss</b>	<b>\$ (15,208,669)</b>	<b>\$ (14,616,512)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
State appropriations	\$ 10,773,121	\$ 10,412,028
Federal grants and contracts	2,705,491	2,680,205
Gifts	1,057,981	491,915
Investments income	264,184	299,496
Interest on capital asset-related debt	(29,333)	(30,842)
Loss on capital assets		(34,614)
Insurance proceeds		44,013
Other nonoperating revenues	12,211	86,172
<b>Net nonoperating revenues</b>	<b>\$ 14,783,655</b>	<b>\$ 13,948,373</b>
<b>Loss before capital grants, gifts, and transfers</b>	<b>\$ (425,014)</b>	<b>\$ (668,139)</b>
State appropriations-capital assets	\$ 1,252,122	\$ 572,156
Capital grants and gifts	31,166	11,169,269
<b>Increase in net assets</b>	<b>\$ 858,274</b>	<b>\$ 11,073,286</b>
<b>NET ASSETS</b>		
Net assets - beginning of year	46,942,340	35,869,054
Net assets - end of year	<b>\$ 47,800,614</b>	<b>\$ 46,942,340</b>

## Statement of Cash Flows

	June 30, 2011	June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Student tuition and fees	\$ 9,608,616	\$ 9,673,700
Grants and contracts	1,275,894	1,506,263
Payments to suppliers	(9,797,832)	(11,183,897)
Payments to employees	(18,332,323)	(17,821,122)
Payments for scholarships and fellowships	(1,539,045)	(1,701,191)
Loans issued to students	(163,514)	(205,659)
Collection of loans to students	167,991	154,512
Auxiliary enterprise charges	4,120,625	3,849,845
Sales and service of educational departments	1,026,159	1,175,231
Cash received (paid) on deposits	(22,026)	28,647
Other receipts	127,456	216,495
<b>Net cash used by operating activities</b>	<b>\$ (13,527,999)</b>	<b>\$ (14,307,176)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	\$ 10,773,121	\$ 10,412,028
Grants and gifts received for other than capital purposes	3,763,472	3,172,120
Direct lending receipts	7,003,966	
Direct lending disbursements	(7,003,966)	
Agency fund cash decrease	(46,974)	(96,927)
<b>Net cash flows provided by noncapital financing activities</b>	<b>\$ 14,489,619</b>	<b>\$ 13,487,221</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from issuance of debt		\$ 21,765
Capital appropriations	\$ 1,285,760	568,053
Capital grants and gifts received	367,303	11,897,371
Purchase of capital assets	(1,916,337)	(10,995,933)
Insurance proceeds		44,013
Principal paid on capital debt and lease	(52,578)	(64,337)
Interest paid on capital debt and lease	(29,332)	(31,989)
<b>Net cash provided by capital and related financing activities</b>	<b>\$ (345,184)</b>	<b>\$ 1,438,943</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	\$ 265,577	\$ 300,953
Net cash provided used by investing activities	\$ 265,577	\$ 300,953
Net increase in cash	\$ 882,013	\$ 919,941
CASH - BEGINNING OF YEAR	\$ 2,803,882	\$ 1,883,941
CASH - END OF YEAR	\$ 3,685,895	\$ 2,803,882

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

	June 30, 2011	June 30, 2010
Operating loss	\$ (15,208,669)	\$ (14,616,512)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	1,583,644	1,368,182
Other nonoperating expense	28,063	86,168
Change in assets and liabilities:		
Accounts receivable adjusted for interest receivable	(89,743)	(7,842)
Grant and contract receivables	(294,942)	58,612
Inventories	100,827	(23,721)
Notes receivable	49,599	(18,305)
Other assets	25,221	19,674
Accounts payable and accrued liabilities adjusted for interest payable	230,257	(1,394,329)
Accrued payroll	38,188	111,882
Compensated absences	31,584	80,368
Deposits	(22,028)	28,647
<b>Net cash used by operating activities</b>	<u><u>\$ (13,527,999)</u></u>	<u><u>\$ (14,307,176)</u></u>

**SUPPLEMENTAL DISCLOSURE ON NONCASH TRANSACTIONS**

Gifts of capital assets	\$ 4,020	\$ 343,853
<b>Total non-cash transactions</b>	<u><u>\$ 4,020</u></u>	<u><u>\$ 343,853</u></u>

## Statement of Appropriations

### For The Biennium Ended June 30, 2011

Expenses by line item	Original		Final		Unexpended Appropriation
	Appropriation	Adjustments	Appropriation	Expenses	
Operating Expenses	\$ 21,223,737	\$ 311,412	\$ 21,535,149	\$ 21,535,149	
Capital Assets	2,383,690	(1,271,888)	1,111,802	465,826	\$ 645,976
Capital Assets-Carryover		269,103	269,103	227,818	41,285
Capital Improvements - Off system					
Murphy Hall		180,617	180,617	180,617	
Badlands Activity Center		11,432,691	11,432,691	10,774,595	658,096
Deferred Maintenance	1,662,172		1,662,172	1,130,634	531,538
<b>Totals</b>	<b>\$ 25,269,599</b>	<b>\$ 10,921,935</b>	<b>\$ 36,191,534</b>	<b>\$ 34,314,639</b>	<b>\$ 1,876,895</b>
<b>Expenses by source</b>					
General fund	\$ 24,919,599	\$ (691,373)	\$ 24,228,226	\$ 23,540,044	\$ 688,182
Special fund	350,000	11,613,308	11,963,308	10,774,595	1,188,713
<b>Totals</b>	<b>\$ 25,269,599</b>	<b>\$ 10,921,935</b>	<b>\$ 36,191,534</b>	<b>\$ 34,314,639</b>	<b>\$ 1,876,895</b>

### Appropriation Adjustments:

#### Operating Expenses:

The increase was comprised of:

- \$61,412 general funds transfer from the NDUS for security and emergency preparedness needs pursuant to 2009 SB 2003, section 19, and
- \$250,000 general funds transfer from the NDUS for the STEM funding initiative pursuant to 2009 SB 2003, section 28.

#### Capital Assets:

Pursuant to 09 SB 2003 section 12, DSU received general funds of \$2,000,000 for the development of a campus-wide master plan. Since this was declared an emergency measure pursuant to section 40, DSU received \$1,271,888 prior to July 1, 2009, thus those expenses need to be reduced in the current biennium.

#### Capital Assets Carryover:

The \$269,103 increase was the amount of the general fund carry over from the prior biennium.

#### Capital Improvements – Off System

- \$180,617 is the amount of special funds carried over from the prior biennium for Murphy Hall.
- \$11,432,691 is the amount of special funds carried over from the prior biennium for Whitney Stadium/Badlands Activity Center.

## *Internal Control*

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In our audit for the biennium period ended June 30, 2011, we identified the following areas of the Dickinson State University'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 tuition waivers.
- Controls surrounding non-cash credits to student accounts.
- Controls surrounding parking permit revenue.
- 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 internal control was adequate.

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 did not identify any significant deficiencies in internal control. However, we noted other matters involving internal control that we have reported to management of the Dickinson State University in a management letter dated March 5, 2012.

## *Compliance With Legislative Intent*

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In our audit for the biennium June 30, 2011, we identified and tested Dickinson State University's compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- DSU reported to the appropriations committee of the sixty-second legislative assembly on the use of one-time funding. (09 SB2003, chapter 31, section 7)
- DSU spent \$2 million for the development of a campus-wide master plan, an asbestos survey, and removal and schematic design for Stoxen library, other campus repairs, and payoff of energy or construction loans. (09 SB 2003, chapter 31, section 12)
- \$250,000 was used to enhance the use of science, technology, engineering, and mathematics in existing teacher education program curriculums and was not used for infrastructure projects. [09 SB 2003, chapter 31, section 28]
- 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, Attorney General's letter dated September 11, 1987).
- BND used as credit card processing depository (NDCC 54-06-08.2).
- Fixed asset requirements including record keeping, and lease analysis requirements (NDCC 44-04-07, 54-27-21, 54-27-21.1).
- Expenses including proper voucher approvals (NDCC 44-08-05.1, Article X, Section 12, subpart 2 of North Dakota Constitution) and being within budgeted amounts (NDCC 54-44.1-09, Attorney General Opinion dated January 6, 1977).
- Travel-related expenses are made in accordance with state statute (NDCC 44-08-04, 44-08-04.1, 04.2, 04.3, 04.4, 04.5, and 54-06-09).
- Conflict of Interest (NDCC 12.1-13-03, 48-01.2-08, 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, 47-30.1-03.1).
- Nepotism (NDCC 44-04-09).
- Bond Revenues and Reserves (NDCC 15-55-03, 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 the Dickinson State University in a management letter dated March 5, 2012.

## ***Operations***

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Our audit of Dickinson State University identified the following areas of potential improvements to operations, as expressed by our operational objectives:

### ***Controls Surrounding Waivers (Finding 11-1)***

#### **Condition:**

Dickinson State University (DSU) grants various waivers, such as waivers for members of the ND National Guard, veteran dependents, survivors of emergency medical personnel, cultural diversity, international students (global awareness), room and board, athletics, institutional (Presidential) discretionary, senior citizens, and tuition remission for DSU employees, spouses, and dependents. DSU, in general, seems to have proper authorization and support controls in place however, our testing indicated that those controls are not consistently operating effectively and DSU issued waivers without proper support. As a result, our testing revealed that DSU issued 24 of 63 (38%) waivers without properly support.

Additionally, we noted DSU has not developed formal written policies for all waivers to include:

- Application, eligibility, awarding and selection criteria, implementation procedures, and approval processes.
- Independent verification of waiver amounts, support, and authorization on a test basis.

#### **Criteria:**

State law and State Board of Higher Education policy section 820 authorizes universities to set tuition and fees (NDCC 15-10-17 (3)) and to adopt procedures providing for waivers.

#### **Effect or Potential Effect:**

Possible improper waivers granted to students. Waivers subjected to testing for FY10 and FY11 totaled approximately \$6.3 million. We project, based on our testing, that approximately \$2.1 million of those waivers were issued without proper support.

#### **Operational Improvement 11-1:**

We recommend Dickinson State University strengthen waiver controls to:

- Make certain all waivers are properly supported,
- Develop written policies and procedures for all waivers to include application, eligibility, awarding and selection criteria, implementation procedures and approval processes.

#### ***Agency Response:***

*DSU concurs.*



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)***

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March 5, 2012

Mr. Alvin Binstock Vice President for Business Affairs  
Dickinson State University  
291 Campus Drive  
Dickinson, North Dakota 58601-4896

Dear Mr. Binstock:

We have performed an audit of Dickinson State University for the biennium ended June 30, 2011, and have issued a report thereon. As part of our audit, we gained an understanding of the Dickinson State University'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.

## UNCLAIMED PROPERTY

### Informal Recommendation 11-1:

DSU did not include and submit all checks over two years old for fiscal year 2011, on their unclaimed property report, to the ND State Land Department.

NDCC 47-30.1-02.1 states, except as provided in sections 47-30.1-04 and 47-30.1-05, any checks held, issued, or owing in the ordinary course of the holder's business which remain uncashed by the owner for more than two years after becoming payable are presumed abandoned.

NDCC 47-30.1-17, subsection 1, states, a person holding property, tangible or intangible, presumed abandoned and subject to custody as unclaimed property under this chapter shall report and deliver the property to the administrator.

We recommend DSU submit all checks that have been uncashed for two years to unclaimed property in compliance with NDCC Chapter 47-30.1.

### ***Dickinson State University Response:***

*DSU concurs. DSU is aware of the requirements of Chapter 47-30, however a manual error occurred when identifying checks that were two years old or older for the 2011 report.*

## REPORT OF CARRYOVER FUNDS (Prior Management Letter)

### Informal Recommendation 11-2:

DSU did not present a complete report of carryover funds from the 2007-09 biennium to the subsequent appropriations committee of the legislative assembly. At the end of fiscal year 2009, DSU carried over \$269,103 of general funds from the capital asset line and \$180,617 and \$11,432,691 of special funds from the capital improvement off system line for the Murphy Hall renovation and the Badlands Activity Center, respectively. DSU only reported on the general funds carried over.

Per NDCC 54-44.1-11, the NDUS shall report on the amounts and uses of funds carried over from one biennium to the next to subsequent appropriations committee of the legislative assembly.

We recommend DSU report on the amount and use of funds carried over in compliance with NDCC 54-44.1-11. This includes all active appropriations, general and special fund, from all prior bienniums.

### ***Dickinson State University Response:***

*DSU concurs.*

I encourage you to call myself at 701-239-7296 or the audit manager at 701-239-7289 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cory Wigdahl', with a long horizontal flourish extending to the right.

Cory Wigdahl, CFE  
Auditor in-charge

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