

DAKOTA COLLEGE AT
BOTTINEAU
BOTTINEAU, NORTH DAKOTA

Audit Report

For the Year Ended
June 30, 2018

Joshua C. Gallion
State Auditor

Office of the State Auditor
Division of State Audit



Why We Conducted this Audit

The purpose of this audit was to determine:

- Are faculty performing job duties, receiving evaluations, and being compensated as required by their contracts?
- That financial transactions including expenses were made in accordance with law and appropriation requirements.

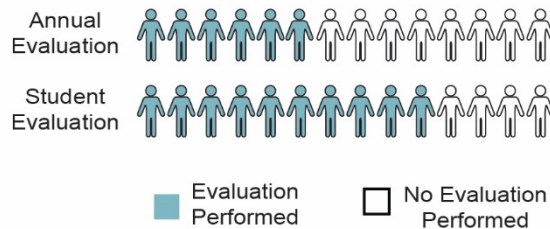
What We Found

Faculty are an integral part of providing quality experiences and ensuring student success. We focused on whether faculty members have a valid contract, received a student evaluation, received an annual evaluation, and are being contractually compensated for their responsibilities, as outlined in State Board of Higher Education policy 605.1 and Dakota College at Bottineau's employee handbook.

We noted the following exceptions surrounding faculty evaluations:

Faculty Evaluations

- Annual evaluations were not performed for 8 out of 14 faculty members tested
- Student evaluations were not performed for 4 out of 14 faculty members tested



Source: Personnel Records from Dakota College at Bottineau

We noted the following exceptions below surrounding our statutorily required audit testing:

Areas for Improvement



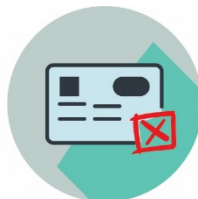
Not Enough Documentation for Team Meals

Dakota College at Bottineau was not in compliance with team meals and a lodging reimbursement. See page 5.



Not Enough Documentation to Support Tuition Waivers

Dakota College at Bottineau did not keep adequate support to substantiate the awarded student waivers. See page 6.



Unnecessary Steps Required for Purchase Card Transactions

Dakota College at Bottineau created more paperwork and obtained unnecessary signatures for their purchase card transactions. See page 7.



Once Again, We Found the College is not Following Proper Procurement Procedures

Dakota College at Bottineau did not properly procure their dining services or the purchase of human-simulator mannequins. See page 14.

KEY PERSONNEL

State Auditor's Office Staff

Robyn Hoffmann, CPA, Audit Manager
Cory Wigdahl, CFE, Lead Auditor
Grant Hermanson, M. Acc.
Tyler Liebl

Client Staff Contacts

Dr. Steven Shirley, President
Dr. Jerry Migler, Campus Dean
Lisa Mock, Director of Financial Affairs

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STATE OF NORTH DAKOTA
OFFICE OF THE STATE AUDITOR
FARGO BRANCH OFFICE
1655 43rd STREET SOUTH, SUITE 203
FARGO, NORTH DAKOTA 58103

Transmittal Letter

May 21, 2019

State Board of Higher Education Audit Committee

Dr. Jerry Migler, Campus Dean

We are pleased to submit this audit of Dakota College at Bottineau for year ended June 30, 2018. 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.

The primary consideration in determining the contents of these audits is to produce informative audits to improve government. Statutory audit requirements are an important part of these audits and are addressed by our standard audit objective. Additionally, whenever possible additional audit objectives are included to increase responsiveness and effectiveness of state government.

Robyn Hoffmann, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7291. We wish to express our appreciation to Dr. Migler and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

Joshua C. Gallion
State Auditor

cc: Legislative Audit and Fiscal Review Committee
Chris Kadrmas, Legislative Council Fiscal Analyst

Audit Results

Faculty Contracts Audit Objective

The audit of faculty contracts was designed and conducted to meet the following objective:

Are faculty performing job duties, receiving evaluations, and being compensated as required by their contracts?

Conclusion

We conclude not all faculty at Dakota College at Bottineau were receiving adequate evaluations as required by State Board of Higher Education (SBHE) policy and Dakota College at Bottineau's employee handbook. We further conclude that for faculty who did receive an evaluation, the evaluation was not properly placed in the faculty's personnel file as required by NDCC. See Finding 18-01 in this report.

Background Information and Results



The listed goals and priorities of Dakota College at Bottineau are to provide quality experiences, use resources efficiently, and ensure student success. The faculty at Dakota College at Bottineau have a great impact on obtaining each of the goals and priorities of the institution. Since faculty have such an important role, faculty personnel files were reviewed to determine if the faculty member:

- Had a valid contract;
- Received a student evaluation;
- Received an annual evaluation; and
- Was being contractually compensated for their responsibilities.

SBHE policy 605.1 and Dakota College at Bottineau's employee handbook offer guidance for faculty contracts and evaluations.

In addition to the above areas, NDCC section 54-06-21 outlines what documents are required to be maintained in an employee's personnel file.

None of the fourteen faculty members sampled had a complete personnel file, as required by NDCC. In addition, eight faculty members had not received an annual evaluation and four faculty members had not received a student evaluation.

Inspection of Personnel Files	
 Stated Practices NDCC section 54-06-21 outlines what documents are required to be maintained in an employee's personnel file.	 What We Found Of the 14 faculty members sampled, none of the members had a complete personnel file, as required by NDCC.

Noncompliance Surrounding Faculty Personnel Files (Finding 18-01)

Condition:

Dakota College at Bottineau was not in compliance with NDCC and SBHE policy surrounding faculty personnel files:

- The required annual and/or student evaluations for all 14 faculty that were tested were either not performed or were located elsewhere;
- Eight faculty did not have annual evaluations performed; and
- Four faculty did not have student evaluations performed.

Criteria:

NDCC section 54-06-21 states, in part, the official personnel file on each employee is the file maintained under the supervision of the agency head or the agency head's designated representative. The employee must acknowledge that the employee has read the material by signing the actual copy to be filed or an attachment to the actual copy to be filed, with the understanding that the signature merely signifies that the employee has read the material to be filed and does not necessarily indicate agreement with its content. The material must then be placed in the file.

SBHE policy 605.1, section 8, states in part, institution procedures shall provide for annual evaluation of all full-time faculty. Evaluation criteria shall relate to a faculty member's duties and goals and be appropriately weighted in accordance with the terms of the faculty member's contract. Evaluations of all teaching faculty must include significant student input.

Dakota College at Bottineau's employee handbook, section II, chapter 1, part 7.3 (d), states in part, that each benefited faculty member will be annually evaluated, complying with SBHE policy. The evaluation will draw on the Annual Summary of Activities, classroom observations, and student evaluations. The annual evaluation will be left in the faculty member's personnel file.

Cause:

Faculty records at Dakota College at Bottineau were located in multiple locations due to who possessed the personnel record. In addition, Dakota College at Bottineau did not fully understand that annual evaluations are required for all full-time faculty.

Effect or Potential Effect:

There was noncompliance with NDCC, SBHE policy, and the Dakota College at Bottineau employee handbook.

Recommendation:

We recommend that Dakota College at Bottineau perform evaluations and maintain an official personnel file as required to ensure compliance with NDCC, SBHE policy, and Dakota College at Bottineau's employee handbook.

Dakota College at Bottineau Response:

Agree. DCB will perform annual evaluations and develop a process to ensure the proper maintenance of personnel files.

Internal Control

We gained an understanding of internal control 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.

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: misstatements in financial or performance information, violations of laws and regulations or impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any deficiencies in internal control that were significant within the context of our audit objectives and based upon the audit work performed.

Scope

This audit of Dakota College at Bottineau is for the year ended June 30, 2018.

Dakota College at Bottineau's sole location is its Bottineau campus, which was included in the audit scope.

Methodology

To meet this objective, we:

- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- 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.
- Tested personnel files for compliance with NDCC, SBHE policy, and Dakota College at Bottineau's employee handbook.
- Interviewed appropriate agency personnel.

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

Statutory Audit Requirements

The objective related to our statutory audit requirements is:

Are there any exceptions to report relating to statutorily required audit testing?

Statutorily required audit testing includes: performing the post audit of financial transactions, detecting and reporting any defaults, determining that expenses have been made in accordance with law, appropriation acts, emergency commission action, and evaluating blanket bond coverage. Defaults are defined as failures to do something required by duty or law. Bonding coverage provides insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

Noncompliance over Student Waivers (Finding 18-03)

Condition:

Dakota College at Bottineau had insufficient support to substantiate the North Dakota veteran dependent tuition waiver and the resident assistant (RA) waiver that were given to students for 3 out of the 25 items tested.

Criteria:

NDCC sections 15-10-18.2 and 15-10-18.3 set forth specific criteria for which a student is required to meet in order to be eligible for the North Dakota veteran dependent tuition waiver.

SBHE policy 820, states in part, institutions must adopt procedures for all waivers offered. At a minimum, institutional procedures must address eligibility, application process, selection criteria, awarding process and monitoring.



Cause:

Dakota College at Bottineau has inadequate policies and procedures to ensure that waiver requirements are met, and proper documentation is maintained.

Effect or Potential Effect:

There was noncompliance with NDCC and SBHE policy, and possibly awarding waivers to ineligible students.

Recommendation:

We recommend Dakota College at Bottineau develop documented policies and retain adequate support for awarding student tuition waivers to ensure compliance with NDCC and SBHE policy.

Dakota College at Bottineau Response:

Agree. DCB will develop a policy to ensure student tuition waivers are in compliance with NDCC and SBHE policy.

Internal Control

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.

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

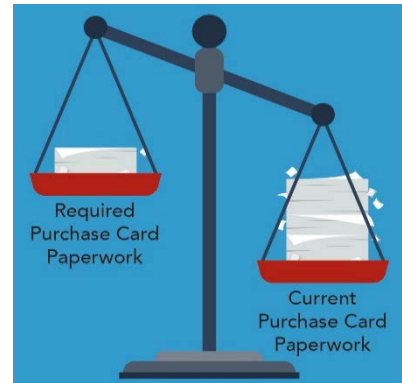
deficiency in internal control that was significant within the context of our audit objectives and based upon the audit work performed. The deficiency is identified in Finding 18-04.

Inefficiency Surrounding Purchase Card Transactions (Finding 18-04)

Condition:

There was a lack of efficiency surrounding the purchase card (p-card) process:

- Every transaction tested (25) had at least one request for payment (RFP) form completed; and
- 8 out of the 25 test items had multiple RFPs completed requiring additional copies of the receipt along with multiple signatures from each allocated department.



Criteria:

NDUS procedure 803.4, states in part, the p-card provides efficiency and reduces the cost of initiating and payment of purchases. During the reconciliation process, the cardholder assigns a fund-department-account (project/program if applicable), attaches detailed documentation, indicates the business purpose for each transaction, and traces it to the cardholder's statement. Reconciliation is performed on a monthly basis by the cardholder and approved by the designated approver.

Cause:

Dakota College at Bottineau wants to ensure the department knows what they are being charged.

Effect or Potential Effect:

Completing a RFP for each transaction, making multiple copies of receipts, and obtaining multiple signatures for each RFP from every allocated department reduces any efficiencies gained by utilizing the p-card.

Recommendation:

We recommend Dakota College at Bottineau discontinue the additional paperwork and adhere to NDUS procedures to properly and efficiently administer the p-card program.

Dakota College at Bottineau Response:

Agree. DCB agrees to streamline the process.

Scope

This audit of Dakota College at Bottineau is for the year ended June 30, 2018.

Dakota College at Bottineau's sole location is its Bottineau campus, which was included in the audit scope.

Methodology

To meet this objective, we:

- 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.
- 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 for data analysis. Significant evidence was obtained from ConnectND.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations and, where necessary, internal control was tested which included selecting representative samples to determine if controls were operating effectively and if laws were being followed consistently.
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines.
- Performed an analysis and selected a sample of high-risk transactions, including procurement, purchase cards, travel expenses, and scholarships and waivers, for further testing.

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

Authority and Standards

This year end performance audit of the Dakota College at Bottineau has been conducted by the Office of the State Auditor pursuant to authority within NDCC chapter 54-10.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. 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.

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.

Financial Statements

Statement of Net Position

	<u>June 30, 2018</u>
ASSETS:	
Cash & cash equivalents	\$ 3,069,537
Accounts receivable, net	472,560
Due from other NDUS institutions	108,278
Due from component unit	5,000
Due from state general fund	406
Grants and contracts receivables, net	444,990
Inventories	132,670
Notes receivable, net	186,694
Other assets	30,696
Capital assets, net	7,734,134
Total assets	<u>\$ 12,184,965</u>
Deferred outflows of resources	\$ 545,817
LIABILITIES:	
Accounts payable	\$ 169,562
Due to other NDUS institutions	112,758
Accrued payroll	308,525
Unearned revenue	76,537
Deposits	132,101
Pension liability	1,074,542
OPEB liability	50,182
Other noncurrent liabilities	24,600
Due to others	209,573
Total liabilities	<u>\$ 2,158,380</u>
Deferred inflows of resources	\$ 109,585
NET POSITION:	
Invested in capital assets	\$ 7,701,135
Restricted For:	
Scholarships and fellowships	18,223
Institutional	29,991
Loans	229,842
Debt service	12,935
Unrestricted	2,470,691
Total net position	<u>\$ 10,462,817</u>

Source: North Dakota University System Annual Financial Report

Statement of Revenues, Expenses, and Change in Net Position

	June 30, 2018
REVENUES AND OTHER ADDITIONS:	
Student tuition and fees	\$ 1,998,049
Federal grants and contracts	1,626,282
State and local grants and contracts	315,787
Nongovernmental grants and contracts	70,091
Sales and services of educational departments	157,580
Auxiliary enterprises	1,547,007
Other	6,887
State appropriations	3,786,000
Gifts	296,545
Endowment and investment income	140,508
State appropriations - capital assets	65,050
Insurance proceeds	6,711
Capital grants and gifts	162,879
Total revenues and other additions	<u>\$ 10,179,376</u>
EXPENSES AND OTHER DEDUCTIONS:	
Salaries and wages	\$ 5,805,844
Operating expenses	2,541,150
Data processing	131,766
Depreciation	394,249
Scholarships and fellowships	443,193
Costs of sales and services	284,923
Interest on capital asset-related debt	6,575
Total expenses and other deductions	<u>\$ 9,607,700</u>
Revenue over expenses	\$ 571,676
NET POSITION:	
Net position-beginning of the year, as restated	\$ 9,891,141
Net position-end of the year	<u>\$ 10,462,817</u>

Source: North Dakota University System Annual Financial Report

Statement of Cash Flows

	June 30, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	\$ 1,978,724
Grants and contracts	971,269
Payments to suppliers	(2,852,470)
Payments to employees	(5,657,260)
Payments for scholarships and fellowships	(443,193)
Loans issued to students	(14,694)
Collection of loans to students	26,566
Auxiliary enterprise charges	1,535,083
Sales and service of educational departments	26,703
Cash received on deposits	6,205
Other receipts	7,656
Net cash used by operating activities	<u><u>\$ (4,415,411)</u></u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	\$ 3,786,000
Grants and gifts received for other than capital purposes	1,375,922
Direct Lending Receipts	1,963,987
Direct Lending Disbursements	(1,977,941)
Agency fund cash increase (decrease)	(4,843)
Net cash flows provided by noncapital financing activities	<u><u>\$ 5,143,125</u></u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital appropriations	\$ 170,441
Capital grants and gifts received	162,879
Purchases of capital assets	(495,789)
Insurance proceeds	6,707
Principal paid on capital debt and lease	(14,340)
Interest paid on capital debt and lease	(6,574)
Net cash used by capital and related financing activities	<u><u>\$ (176,676)</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	\$ 140,508
Net cash provided by investing activities	<u><u>\$ 140,508</u></u>
<i>(Continued on next page)</i>	

(Continued from previous page)

	<u>June 30, 2018</u>
Net increase in cash	\$ 691,546
Cash, Beginning of Year	<u>\$ 2,377,991</u>
Cash, End of Year	<u><u>\$ 3,069,537</u></u>
 RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (4,959,753)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	394,249
Other nonoperating revenues	25,536
Change in assets and liabilities	
Accounts receivable adjusted for interest receivable	(175,737)
Grant & contract receivables	38,483
Notes receivable	15,611
Other assets	(23,832)
Accounts payable and accrued liabilities adjusted for interest payable	100,548
Pension liability	314,512
OPEB liability	8,394
Net change in deferred outflows	(282,187)
Net change in deferred inflows	38,186
Accrued payroll	72,828
Compensated absences	(3,149)
Deferred revenue	14,693
Deposits	6,207
Net cash used by operating activities	<u><u>\$ (4,415,411)</u></u>

Source: North Dakota University System Annual Financial Report

Statement of Appropriations

For the Biennium Ended June 30, 2019

Expenses by Line Item:	Original Appropriation	Adjustments	Final Appropriation	Expenses	Unexpended Appropriations
Operating Expenses	\$ 17,197,705		\$ 17,197,705	\$ 10,433,175	\$ 6,764,530
Capital Assets	114,007		114,007	10,730	103,277
Capital Assets Carryover		\$ 193,799	193,799	102,328	91,471
Totals	\$ 17,311,712	\$ 193,799	\$ 17,505,511	\$ 10,546,233	\$ 6,959,278
Expenses by Source:					
General fund	\$ 7,682,539	\$ 170,458	\$ 7,852,997	\$ 3,899,058	\$ 3,953,939
Special fund	9,629,173	23,341	9,652,514	6,647,175	3,005,339
Totals	\$ 17,311,712	\$ 193,799	\$ 17,505,511	\$ 10,546,233	\$ 6,959,278

Source: ConnectND Financials

Status of Prior Recommendations

Noncompliance with Procurement Rules (Finding 18-05)

Condition:

During the 2017 biennial audit, we recommended Dakota College at Bottineau properly procure commodities and services to comply with NDUS procedures and NDCC.

Current Status:

Dakota College at Bottineau did not properly procure the dining service contract (\$574,434) and human-simulator mannequins for the nursing program (\$127,592).

Criteria:

NDCC section 15-10-17 part 5 states, in part, that the SBHE may determine policy for purchasing by the University System in coordination with OMB as provided by NDCC chapter 54-44.4.

NDUS procedure 803.1, part 3 states, in part, commodity purchases of \$50,000 and greater and purchases for services of \$100,000 or greater must be purchased from formal bids or a request for proposal.

Cause:

Dakota College at Bottineau did not follow through with all the required procurement procedures.

Effect:

Without properly procuring commodities and services, there was noncompliance with NDUS procedures, and ultimately, noncompliance with NDCC chapter 54-44.4.

Recommendation:

We recommend that Dakota College at Bottineau properly procure commodities and services in compliance with NDCC and NDUS requirements.

Dakota College at Bottineau Response:

Agree. DCB has completed OMB procurement training December 2018. An RFP for Dining Services was out for bids at the time of the audit. The nursing mannequin was purchased with private grant funds and the make/model were written into the grant proposal. An "Alternate Procurement Request" form will be completed as required with future transactions.

You may obtain audit reports on the internet at:

www.nd.gov/auditor

or by contacting the Office of the State Auditor at:

Email: ndsao@nd.gov

Phone: (701) 328-2241

Office of the State Auditor

600 East Boulevard Avenue – Department 117

Bismarck, ND 58505-0060