

MINOT STATE UNIVERSITY

MINOT, 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 if:

- Minot State University complied with the State Board of Higher Education’s immunization policy and related North Dakota University System procedure.
- Faculty worked under current contracts, received proper evaluations, and were compensated as required by their contracts.
- Financial transactions including expenses were made in accordance with law and appropriation requirements.

What We Found



Not Testing All High-Risk Students for Tuberculosis

A Newly Admitted International Student From a High-Risk Country was Not Tested for Tuberculosis. See page 2.



Circumventing the NDUS Procedure for Students Without Proof of Immunizations

The University Took Three Accounts Off Hold to Allow Students to Register Without Proof of Immunizations. See page 2.



Not Following NDUS Procedure for Tracking Students Immunized/Not Immunized

The University was Unable to Provide Proof of a Immunization Tracking System. See page 2.



Complying with Faculty Contract Requirements

Faculty had Contracts, Received Evaluations, and Were Compensated as Required by Their Contracts. See page 7.



Not Following SBHE Purchasing Policy

The University is Allowing Unauthorized Employees to Make Purchases and Not Obtaining Proper Documentation. See page 9.



Not Following NDCC Bidding Requirements for Capital Projects

The University did not Follow Proper Bidding Requirements for the Olson Library and the Seasonal Dome. See page 11.

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Transmittal Letter

June 13, 2019

State Board of Higher Education Audit Committee
Dr. Steven W. Shirley, President, Minot State University

We are pleased to submit this audit of the Minot State University for the 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 President Shirley 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

Immunizations and Tuberculosis Testing

The audit of immunizations and tuberculosis testing was designed and conducted to answer the following objective:

Is Minot State University complying with the State Board of Higher Education's immunization policy and related North Dakota University System procedure?

Conclusion

We identified Minot State University did not consistently comply with aspects of the State Board of Higher Education's immunization policy and related North Dakota University System procedure.

Background Information

According to the Centers for Disease Control and Prevention (CDC), measles, mumps, rubella, meningococcal and tuberculosis are contagious diseases that can lead to severe complications. People suffering from severe complications may need to be hospitalized and could die.

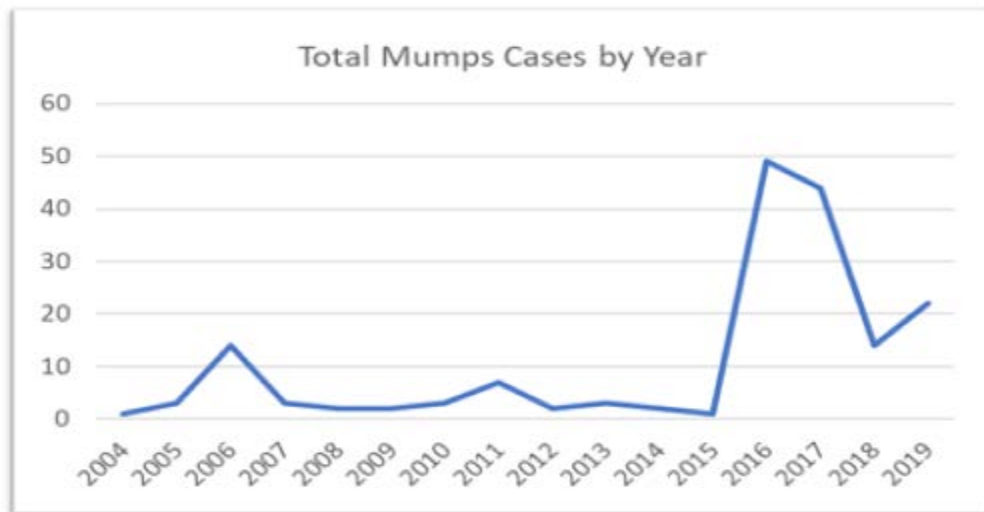
From January 1 to June 6, 2019, the CDC reported 1,022 individual cases of measles have been confirmed in 28 states, which is the greatest number of cases reported in the U.S. since 1992 (no confirmed cases in North Dakota). From January 1 to May 24, 2019, 42 states (including North Dakota) and the District of Columbia in the U.S. reported mumps infections in 1,002 people to the CDC.

As of June 2019, the CDC reported three colleges in the U.S. were experiencing outbreaks of serogroup B meningococcal disease.

Source: <https://www.cdc.gov/meningococcal/>

As of June 2019, the North Dakota Department of Health (NDDoH) reported 22 cases of mumps in North Dakota, compared to 14 in 2018. The NDDoH also reported there were 13 active cases of tuberculosis in 2018 in North Dakota. No cases of measles, rubella, or meningococcal were reported in North Dakota in 2018 or as of June 2019.

The following graph shows total mumps cases by year in North Dakota from 2004 to June 2019.



Source: <https://www.ndhealth.gov/Disease/data/>

State Board of Higher Education (SBHE) policy 506.1 requires:

- Any student enrolled at any North Dakota University System (NDUS) institution to provide documentation of immunity against measles, mumps and rubella (MMR).
- Effective fall 2017, newly admitted students ages twenty-one and younger to provide documentation of immunity against meningococcal disease.
- Each institution to establish procedures for tuberculosis screening of international students.
- Tuberculosis testing of new international students from all countries except those classified by U.S. health officials as low risk for tuberculosis.

International student is defined as any student who is not a U.S. citizen, either native or naturalized, a permanent resident, an asylee, a refugee, or, at some institutions - a resident of Manitoba or Saskatchewan.

Source: NDUS Residency Desk Manual

However, the immunization policy allows each institution to establish procedures for exemption, which may include students enrolled only in distance learning courses, courses taught off campus, etc. Institutions may grant additional exemptions upon application to and approval by the authorized institution official under established institution procedures, when:

- Immunization is contraindicated by a medical condition that is certified by a licensed provider;
- The student's beliefs preclude participation in an immunization program; or
- Instances when the student has had one MMR immunization and agrees to have a second one no less than twenty-eight days later.

Related NDUS procedure 506.1 requires, in part:

- Each institution to develop and implement procedures to ensure that all students subject to the immunization policy provide the required documentation of immunity.
- Campus procedures to stipulate that non-exempt students will supply required proof of immunization prior to permitting students to register for a subsequent term or earlier.
- Development of a tracking system to facilitate the identification of students who are immunized and those who are not.

The related NDUS procedure also states, “Any individual who has been exempted from the immunization requirements may be required to stay off campus, including exclusion from campus activities, in the event of an outbreak of a communicable disease until the danger is over.”

According to NDUS Full-Time On Campus Enrollment Reports for the 2017 fall and 2018 spring semesters, Minot State University had 1,896 and 1,796, full-time on campus students, respectively (Report ID: NDUH2SRX).

Noncompliance with SBHE’s Immunization Policy and Related NDUS Procedure (Finding 18-01)

We identified the following instances where Minot State University (MSU) did not comply with SBHE policy 506.1 and related NDUS procedure:

- MSU was unable to provide support of tuberculosis testing for 1 of the 9 newly admitted international students selected from countries considered by U.S. health officials as high risk for tuberculosis. In total, MSU had approximately 38 newly admitted international students from high risk countries for tuberculosis.
- MSU was unable to provide proof of immunization for 3 of the 20 students selected whose accounts were released from a medical hold for failure to comply with the immunization requirements. After the holds were released, these students were allowed to register for a subsequent term then holds were placed back on their accounts to circumvent NDUS procedure.
- MSU was unable to provide evidence of the tracking system used to facilitate the identification of students who are immunized and those who are not.

The above instances of noncompliance were likely caused by Minot State University’s ineffective tracking of students who are immunized and those who are not. As a result, students are at an increased risk of contracting a communicable disease in the event of an outbreak.

We also identified the following instances where Minot State University complied with SHBE’s policy and related NDUS procedure:

- MSU was able to provide either immunization records or approved exemption forms for all 18 on campus students selected for MMR immunizations.
- MSU was able to provide either immunization records or approved exemption forms for all 10 newly admitted on campus students ages twenty-one and younger selected for immunity against meningococcal disease.
- MSU has developed and implemented procedures to help ensure that all students subject to the immunization policy provide the required documentation of immunity.

Recommendation:

We recommend Minot State University comply with the State Board of Higher Education's immunization policy and related North Dakota University System procedure.

Minot State University Response:

Agree. New procedures will be implemented by October 31, 2019, to ensure compliance with immunization policies.

Limit Access to Release Student Health Holds (Finding 18-02)

We identified five individuals with access to release Student Health holds from student accounts that were not current employees of Minot State University's Student Health Division. Individuals identified with such access included:

- Two individuals employed by the Center for Extended Learning at the Minot Air Force Base Office.
- An individual employed in the Registrar's Office.
- A retired former Director of Student Health.
- A retired Administrative Assistant of Student Development.

According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (2013), Principle 11, "The organization selects and develops general control activities over technology to support the achievement of objectives." This includes establishing relevant security management process control activities. COSO further states, "These control activities generally employ a policy of restricting authorized users to the applications or functions commensurate with their job responsibilities and supporting an appropriate segregation of duties."

The cause of the above issue appears to be from Minot State University failing to monitor the users with access to release Student Health holds. As a result, students not in compliance with Minot State University's Health Records Requirements could be improperly allowed to register for subsequent terms without submitting required documentation.

Recommendation:

We recommend Minot State University limit access to release Student Health holds to Student Health Division employees responsible for tracking students who are immunized and those who are not.

Minot State University Response:

Agree. Access has been restricted to only those Student Health department employees responsible for tracking students who are immunized and those who are not. A policy will be implemented by October 31, 2019.

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 a 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 18-02.

Scope

Any student enrolled at Minot State University in the 2017 fall or 2018 spring semesters not exempted from the immunization requirements because they were enrolled only in distance learning courses, courses taught off campus, etc. were included in the audit scope.

Methodology

To meet this objective, we:

- Interviewed applicable Minot State University personnel.
- Reviewed Minot State University's Student Health requirements.
- Tested compliance with the following aspects of SHBE's Immunization Policy and related NDUS Procedures:
 - Selected a sample of 20 out of 3,353 students enrolled during the 2017 fall or 2018 spring semesters and tested for proper documentation of immunity against measles, mumps and rubella (MMR).
 - Selected a sample of 10 out of 938 students newly admitted during the 2017 fall or 2018 spring semesters approximately twenty-one years of age or younger and tested for proper documentation of immunity against meningococcal disease.
 - Selected a sample of 9 out of 38 newly admitted international students enrolled during the 2017 fall or 2018 spring semesters from countries classified by U.S. health officials as higher risk for tuberculosis and tested for evidence of tuberculosis testing.
 - Selected a sample of 20 out of 263 students enrolled during the 2017 fall or 2018 spring semesters who had Student Health holds released during the audit period and tested for proper documentation of immunity prior to permitting the students to register for a subsequent term.
- Reviewed user access rights related to individuals capable of releasing Student Health holds.

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

Faculty Contracts

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

Are faculty working under current contracts, receiving proper evaluations, and being compensated as required by their contracts?

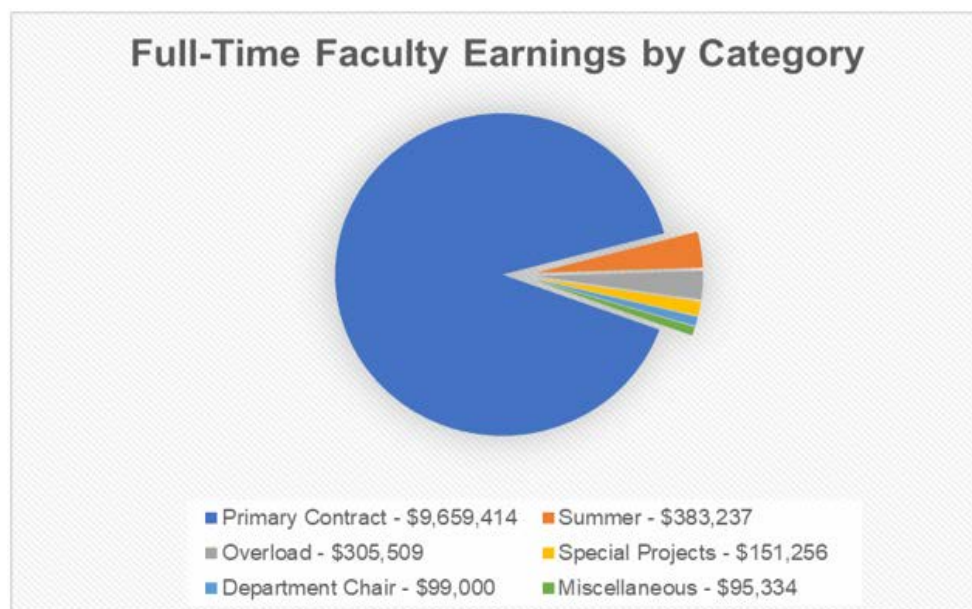
Conclusion

We identified faculty worked under current contracts, received proper evaluations, and were compensated as required by their contracts. However, we noted an inconsequential instance of noncompliance that we have reported to management of the Minot State University in a management letter dated June 13, 2019.

Background Information

During our audit period, Minot State University had approximately 152 regular full-time employees who met the SBHE's definition of faculty. SBHE policy 605.1 defines faculty as all members of the academic staff, excluding coaches and administrators in their capacities as coaches or administrators. The policy also requires, in part, the general terms and conditions of faculty appointments be provided in a written contract. Minot State University enters into primary contracts with faculty related to appointments for the academic year (fall/spring semesters). Other contracts may be entered with faculty throughout the year related to additional responsibilities or duties beyond the scope of the primary contracts. For example, other contracts may be entered related to appointments for the summer semester, course overloads, and non-instructional duties (special projects or department chair).

The following chart illustrates full-time faculty earnings by category of the various contracts. Miscellaneous earnings consist primarily of early retirement tenure buyouts and annual/sick leave payouts.



Source: NDUS PeopleSoft HRMS

SBHE policy 605.1, also requires, in part:

- “Institution procedures shall provide for annual evaluation of all full-time faculty.”
- “Evaluations of teaching faculty must include significant student input.”

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. However, we noted other matters involving internal control that we have reported to management of Minot State University in a management letter dated June 13, 2019.

Scope

Regular full-time employees under North Dakota University System 'academic' Broadband job classification (2000) with contract earnings for the period of July 1, 2017 to June 30, 2018 were included in the audit scope. North Dakota State Board of Higher Education policy 605.1 section 4 defines faculty as all members of the academic staff, excluding coaches and administrators in their capacities as coaches or administrators. Regular and temporary part-time employees were excluded from the audit scope.

Methodology

To meet this objective, we:

- Interviewed applicable Minot State University personnel.
- Reviewed SBHE Policies related to academic appointments and performance evaluations.
- Reviewed Minot State University's Faculty Handbook and Bylaws.
- Selected a sample of 15 out of 152 full-time faculty and tested compliance with the following aspects of SHBE policies:
 - General terms and conditions of faculty appointments were provided in a written contract.
 - Evaluations of full-time faculty were provided at least annually.
 - Evaluations of teaching faculty included significant student input.

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, and 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.

Conclusions

We found issues surrounding procurement, however the remaining areas related to our statutory required testing were adequate.

Noncompliance with Purchasing Policies and Procedures (Finding 18-03)

Condition:

Minot State University did not comply with the State Board of Higher Education's purchasing policy (803.1) and related North Dakota University System procedure. Seven out of eighteen procurement transactions tested were considered errors. Errors included not obtaining the proper number of informal quotes, failure to use a formal bid process or a Request for Proposal (RFP), and not maintaining proper bid documentation.

Criteria:

North Dakota Century Code section 54-44.4-01 states, in part, "Each state agency and institution shall obtain its necessary commodities and services at competitive cost, consistent with quality, time and performance requirements, except as otherwise provided by law."

State Board of Higher Education policy 803.1 states, in part:

- "Each institution shall develop and implement necessary and appropriate policies and procedures to ensure compliance with laws and State Board of Higher Education policies governing purchasing."
- "Each procurement transaction must be adequately documented for audit and public record purposes."

Related North Dakota University System procedure 803.1 outlines procurement requirements for commodities and services as well as procurement department responsibilities. Procurement department responsibilities include:

- Designating one or more persons to act as the institution's lead procurement officer.
- Enforcing this procedure and to obtain adequate documentation when such documentation is absent from the procurement requisition.

NDUS procedure 803.1 also allows lead procurement officers to delegate purchase authority to employees as needs of the institution dictate. Such delegation is to specify any limits and the

designated employee may only make purchases within the scope of the delegated authority. The procedure further states, “requests without adequate documentation may not be processed.”

Cause:

Minot State University has not developed and implemented necessary and appropriate policies and procedures to ensure compliance with laws and State Board of Higher Education policies governing purchasing. For example, Minot State University is:

- Allowing employees without formally delegated authority to procure commodities or services;
- Not ensuring adequate documentation is obtained; and
- Processing requests without adequate documentation.

Effect or Potential Effect:

The best purchase price may not have been attained because the appropriate level of competition required was not met.

Recommendation:

We recommend Minot State University comply with State Board of Higher Education’s purchasing policy (803.1) and related North Dakota University System procedure when purchasing commodities and services.

Minot State University Response:

Agree. Minot State is formalizing delegated authorities and increasing our efforts to ensure that adequate documentation is obtained on all purchases of commodities and services. A policy will be finalized by December 31, 2019.

Noncompliance with Capital Project Bidding Requirements (Finding 18-04)

Condition:

Minot State University was unable to provide evidence that aspects of the following capital projects were properly bid:

- Gordon B. Olson Library Northwest Arts Center - (missing architect bids)
- Herb Parker Stadium Air-Supported Seasonal Dome – (missing general contractor bids)



Source: Minot State University



Source: Minot State University

The 2017 Session Laws, Chapter 55, appropriated \$1,400,000 for the arts center and \$634,000 for the dome.

Criteria:

North Dakota Century Code section 54-44.7-02 states that architect services must be procured. All North Dakota state agencies shall negotiate contracts for services on the basis of demonstrated competence and qualification for the particular type of services required.

North Dakota Century Code section 48-01.2-06 requires multiple prime bids for the general, electrical, and mechanical portions of a project when any individual general, electrical, or mechanical contract or any combination of individual contracts is more than \$150,000.

Cause:

Minot State University has not developed procedures to ensure:

- The lead procurement officer is involved in all procurements; and
- Proper bid documentation is maintained.

Effect or Potential Effect:

The best purchase price may not have been attained because the appropriate level of competition required was not met.

Recommendation:

We recommend Minot State University comply with bidding requirements related to capital projects.

Minot State University Response:

Agree. Minot State is expanding its efforts to clarify and communicate policies to all departments and affiliated organizations on campus as well as to centralize compliance efforts with the Purchasing Officer. MSU will have processes in place by December 31, 2019.

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 Minot State University is for the fiscal year ended June 30, 2018.

Minot State University's sole location is its Minot 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.
- Used non-statistical sampling 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.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed Minot State University's processes and procedures.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations. 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 samples of travel vouchers, procurement transactions, and capital projects transactions for further testing.
- Reviewed appropriateness of scholarships paid to students by comparing to scholarship requirements.

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 performance audit of Minot State University has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code 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	\$ 23,343,978
Investments	1,399,660
Accounts receivable, net	787,941
Due from other NDUS institutions	236,761
Due from component unit	3,380,065
Due from state general fund	111,304
Grants and contracts receivables, net	649,022
Notes receivable, net	2,863,837
Other assets	53,430
Capital assets, net	<u>75,823,399</u>
Total assets	<u>\$ 108,649,397</u>
Deferred outflows of resources	\$ 3,509,534
LIABILITIES:	
Accounts payable	\$ 911,361
Due to other NDUS institutions	40,171
Accrued payroll	2,161,644
Unearned revenue	971,044
Deposits	687,148
Pension liability	7,248,589
OPEB liability	338,513
Due to others	<u>13,451,794</u>
Total liabilities	<u>\$ 25,810,264</u>
Deferred inflows of resources	\$ 740,191
NET POSITION:	
Invested in capital assets	\$ 63,679,417
Restricted For:	
Nonexpendable:	
Scholarships and fellowships	3,239,710
Expendable:	
Scholarships and fellowships	1,119,418
Institutional	602,289
Loans	3,358,871
Debt service	479,019
Unrestricted	<u>13,129,752</u>
Total net position	<u>\$ 85,608,476</u>

Source: North Dakota University System Annual Financial Report

Statement of Revenues, Expenses and Changes in Net Position

	<u>June 30, 2018</u>
REVENUES AND OTHER ADDITIONS:	
Student tuition and fees	\$ 15,565,350
Federal grants and contracts	7,274,152
State and local grants and contracts	1,588,229
Nongovernmental grants and contracts	334,433
Sales and services of educational departments	1,893,275
Auxiliary enterprises	3,398,933
Other	168,557
State appropriations	19,508,567
Gifts	2,255,050
Endowment and investment income	278,793
Insurance proceeds	7,055
State appropriations - capital assets	972,196
Capital grants and gifts	1,192,649
Gain on capital assets	700
Total revenues and other additions	<u><u>\$ 54,437,939</u></u>
EXPENSES AND OTHER DEDUCTIONS:	
Salaries and wages	\$ 37,166,732
Operating expenses	11,377,507
Data processing	399,726
Depreciation	4,385,261
Scholarships and fellowships	1,752,742
Interest on capital asset-related debt	695,115
Total expenses and other deductions	<u><u>\$ 55,777,083</u></u>
Revenue under expenses	\$ (1,339,144)
NET POSITION:	
Net position-beginning of the year, as restated	\$ 86,947,620
Net position-end of the year	<u><u>\$ 85,608,476</u></u>

Source: North Dakota University System Annual Financial Report

Statement of Cash Flows

	<u>June 30, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Student tuition and fees	\$ 15,553,275
Grants and contracts	6,137,279
Payments to suppliers	(12,212,285)
Payments to employees	(36,501,627)
Payments for scholarships and fellowships	(1,752,742)
Loans issued to students	(394,987)
Collection of loans to students	455,439
Auxiliary enterprise charges	3,429,856
Sales and service of educational departments	1,724,167
Cash paid on deposits	(1,871)
Other receipts	177,192
Net cash used by operating activities	<u>\$ (23,386,304)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State appropriations	\$ 19,520,863
Grants and gifts received for other than capital purposes	5,508,785
Direct Lending Receipts	8,813,807
Direct Lending Disbursements	(8,806,630)
Agency fund cash decrease	(60,531)
Net cash flows provided by noncapital financing activities	<u>\$ 24,976,294</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital appropriations	\$ 882,719
Capital grants and gifts received	1,172,549
Purchases of capital assets	(1,754,286)
Insurance proceeds	7,049
Principal paid on capital debt and lease	(405,223)
Interest paid on capital debt and lease	(708,052)
Net cash used by capital and related financing activities	<u>\$ (805,244)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	\$ (587,713)
Interest on investments	287,646
Purchase of investments	\$ 522,515
Net cash provided by investing activities	<u>\$ 222,448</u>
<i>(Continued on next page)</i>	

(Continued from previous page)

	<u>June 30, 2018</u>
Net increase in cash	\$ 1,007,194
Cash, Beginning of Year	<u>\$ 22,336,784</u>
Cash, End of Year	<u>\$ 23,343,978</u>
 RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (28,197,036)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	4,385,261
Other nonoperating revenues	80,659
Change in assets, deferred outflows, liabilities, and deferred inflows	
Accounts receivable adjusted for interest receivable	(209,741)
Grant & contract receivables	194,198
Notes receivable	108,359
Other assets	12,239
Accounts payable and accrued liabilities adjusted for interest payable	(493,589)
Pension liability	2,260,628
OPEB liability	55,643
Net change in deferred outflows	(1,937,852)
Net change in deferred inflows	270,674
Accrued payroll	(67,039)
Compensated absences	83,051
Deferred revenue	70,110
Deposits	(1,869)
Net cash used by operating activities	<u>\$ (23,386,304)</u>
 SUPPLEMENTAL DISCLOSURE ON NON CASH TRANSACTIONS:	
Gifts of capital assets	\$ 20,100
Net decrease in value of investments	<u>(9,523)</u>
Total non-cash transactions	<u>\$ 10,577</u>

Source: North Dakota University System Annual Financial Report

Statement of Appropriations

For the Year Ended June 30, 2018

Expenses by Line Item:	Original Appropriation	Adjustments	Final Appropriation	Expenses	Unexpended Appropriations
Operating Expenses	\$ 100,876,052		\$ 100,876,052	\$ 55,323,065	\$ 45,552,987
Capital Assets	1,099,620		1,099,620	111,299	988,321
Plant Improvements Carryover		1,980,561	1,980,561	860,897	1,119,664
Capital Improvements - Off System	2,284,000		2,284,000	1,007,023	1,276,977
Operating Carryover		12,295	12,295	12,295	
Totals	<u>\$ 104,259,672</u>	<u>\$ 1,992,856</u>	<u>\$ 106,252,528</u>	<u>\$ 57,314,579</u>	<u>\$ 48,937,949</u>
Expenses by Source:					
General fund	\$ 39,916,756	\$ 1,266,220	\$ 41,182,976	\$ 20,493,059	\$ 20,689,917
Special fund	64,342,916	726,636	65,069,552	36,821,520	28,248,032
Totals	<u>\$ 104,259,672</u>	<u>\$ 1,992,856</u>	<u>\$ 106,252,528</u>	<u>\$ 57,314,579</u>	<u>\$ 48,937,949</u>

Source: ConnectND Financials

Management Letter (Informal Recommendations)

June 13, 2019

Mr. Brent Winiger
Vice President for Administration and Finance
Minot State University
500 University Avenue West
Minot, ND 58707

Dear Mr. Winiger,

We have performed an audit of Minot State University for the year ended June 30, 2018 and have issued a report thereon. As part of our audit, we gained an understanding of Minot 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 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.

Faculty Contracts

Informal Recommendation 18-1: We recommend Minot State University establish and operate a tracking mechanism to ensure all full-time faculty receive annual evaluations.

Informal Recommendation 18-2: We recommend Minot State University send summarized PDF reports containing student input from Student Perception of Learning forms directly to faculty supervisors (department chair and/or vice president of academic affairs) to help ensure annual evaluations of teaching faculty contain significant student input.

Informal Recommendation 18-3: We recommend Minot State University ensure a position description is established to outline the allocation of teaching, research, and service responsibilities whenever a position description is referenced in a faculty contract.

Management of Minot State University agreed with these recommendations.

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

Sincerely,

A handwritten signature in cursive script that reads "Robyn Hoffmann".

Robyn Hoffmann, CPA
Audit Manager

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

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