

North Dakota University

System Office

BISMARCK, NORTH DAKOTA

# Audit Report

Two-year Period 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 that:

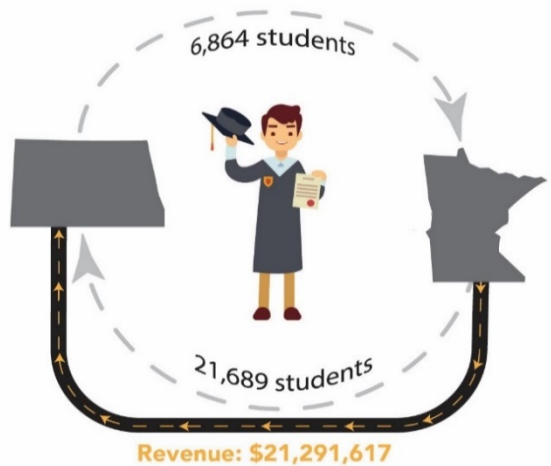
- The Minnesota – North Dakota reciprocity agreement was properly approved, supported, verified, recorded on the financial statements, and to ensure the reallocation of the revenue to the various institutions was proper; and
- Financial transactions including expenses were made in accordance with law and appropriation requirements at the North Dakota University system office (NDUSO) and at Core Technology Solutions (CTS), the information system arm of the North Dakota University System.

### Minnesota-North Dakota Reciprocity Agreement

The North Dakota University System participates in several student exchange/reciprocity programs allowing higher education students to take advantage of out-of-state academic programs typically at a lower tuition rate. The most impactful of these is its agreement with the state of Minnesota. The Minnesota – North Dakota Public Higher Education Reciprocity Agreement allows students in North Dakota and Minnesota to pursue educational opportunities at public institutions in the other state at tuition rates substantially less than those established for traditional out-of-state students. During the audit period 6,864 North Dakota students and 21,689 Minnesota students took advantage of the program. The agreement awards a tuition reciprocity reimbursement to the state receiving the greater number of students from the other state. This has resulted in revenue of \$21,291,617 for North Dakota during the two-year period, which it then redistributed to the state’s public higher education institutions.

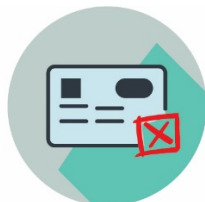
### Minnesota-North Dakota Reciprocity Agreement Results

for 16-17 and 17-18 school years



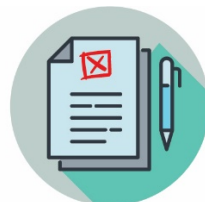
Source: North Dakota University System and Campus Solutions/PeopleSoft Financials

### Areas for Improvement



CTS is Not Following Proper Procurement Procedures

CTS was Not Aware That Services are Required to Go Through the Procurement Process. See page 5.



CTS is Lacking Proper Approval for General Ledger Entries

CTS Does Not Have Proper Procedures to Ensure There is a Review and Approval by an Appropriate Individual. See page 7.

## **KEY PERSONNEL**

### **State Auditor's Office Staff**

Robyn Hoffmann, CPA, Audit Manager  
Alex Mehring, CPA, Lead Auditor  
Travis Klinkhammer, CPA  
Jason Schwartz

### **Client Staff Contacts**

Dr. Mark Hagerott, Chancellor  
Tammy Dolan, VC for Administrative Affairs/CFO  
Robin Putnam, CPA, Director of Financial Reporting  
Sharon Schwartzbauer, Accountant  
Darin King, Vice Chancellor IT/CIO  
Aaron Mitchell, CPA, CTS Controller

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## *Transmittal Letter*

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May 23, 2019

State Board of Higher Education Audit Committee  
Dr. Mark R. Hagerott, Chancellor, North Dakota University System

We are pleased to submit this audit of the North Dakota University System Office for the two-year period 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 Chancellor Hagerott 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

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## Minnesota – North Dakota Public Higher Education Reciprocity Agreement

The review of the Minnesota – North Dakota Reciprocity Agreement was designed and conducted to meet the following objectives:

Is the Minnesota reciprocity marginal expenditure calculation properly approved, supported, verified, and recorded on the financial statements?

Is the reallocation of reciprocity revenue from Minnesota to the individual North Dakota University System (NDUS) institutions proper?

### Conclusion

We conclude that the North Dakota University System Office is in compliance with the scope of their agreement with the Minnesota Office of Higher Education.

### Background Information and Results

The Minnesota Office of Higher Education and the North Dakota State Board of Higher Education entered into a reciprocity agreement for the purpose of improving higher education for the residents of Minnesota and North Dakota by providing greater availability and accessibility to educational opportunities. The agreement is to be reviewed annually and can be modified at any time upon agreement of both parties. Tuition is set so that Minnesota reciprocity students attending NDUS institutions will pay the North Dakota resident rate, plus a surcharge, while North Dakota reciprocity students attending Minnesota institutions will pay the higher of the Minnesota or North Dakota resident rate for the type of campus attended. As determined in the Memorandum of Understanding during the audit period, the state receiving the lesser number of students will pay the other state a tuition reciprocity reimbursement. The state which owes the reimbursement calculates their obligation using the marginal expenditure calculation (See below).

## Marginal Expenditure Calculation

$$\begin{aligned} & \text{Operational Expenditure per Full-Time Equivalent Student} \\ & \times \text{Marginal Expenditure Rate} \\ & = \text{Marginal Expenditure Rate per Full-Time Equivalent Student} \\ & - \text{Resident Tuition Rate} \\ & = \text{Remaining Marginal Expenditures per Full-Time Equivalent Student} \\ & \times \text{GAP FTE (Difference in state flow of students)} \\ & = \text{Gross State Obligation} \\ & - \text{Student Payment (Total Tuition Payment in Excess of Resident Tuition)} \\ & = \text{Net State Obligation} \end{aligned}$$

Source: MN-ND Public Higher Education Reciprocity Agreement

During the audit period numerous students from both states took advantage of the Minnesota – North Dakota Reciprocity program. North Dakota had 6,864 students that choose to enroll at a

Minnesota public institution of higher education, while Minnesota had 21,689 students enroll in North Dakota public higher education institutions. Beyond the increased opportunities and accessibility for students in both states to obtain post-secondary education, the agreement benefited the state of North Dakota through the reciprocity reimbursement paid by the state of Minnesota during the two years of the audit. This reimbursement totaled \$21,291,617 of revenue, which was then redistributed to the North Dakota public higher education institutions based on Minnesota reciprocity students enrolled (See chart below for distributions).

## MN Student Enrollment

| School                                | 2016-2017     | 2017-2018     |
|---------------------------------------|---------------|---------------|
| Bismarck State College                | 13            | 24            |
| Dakota College at Bottineau           | 5             | 4             |
| Dickinson State University            | 5             | 5             |
| Lake Region State College             | 43            | 36            |
| Mayville State University             | 88            | 114           |
| Minot State University                | 5             | 13            |
| North Dakota State College of Science | 508           | 536           |
| North Dakota State University         | 5,374         | 6,013         |
| NDSU Graduate Schools                 | 149           | 146           |
| University of North Dakota            | 3,801         | 3,829         |
| UND Graduate Schools                  | 375           | 369           |
| UND School of Law                     | 1             | 1             |
| Valley City State University          | 115           | 116           |
| Williston State College               | 0             | 1             |
| <b>TOTAL</b>                          | <b>10,482</b> | <b>11,207</b> |

Source: MN Student Enrollment Headcount Report - Campus Connection

## Revenue to Each ND Institution

| School                                | 2016-2017           | 2017-2018          |
|---------------------------------------|---------------------|--------------------|
| Bismarck State College                | \$21,883            | \$30,708           |
| Dakota College at Bottineau           | \$7,862             | \$5,083            |
| Dickinson State University            | \$7,305             | \$6,040            |
| Lake Region State College             | \$74,793            | \$48,564           |
| Mayville State University             | \$123,208           | \$122,024          |
| Minot State University                | \$6,978             | \$14,891           |
| North Dakota State College of Science | \$819,401           | \$670,790          |
| North Dakota State University         | \$5,862,397         | \$4,880,781        |
| NDSU Graduate Schools                 | \$125,222           | \$87,713           |
| University of North Dakota            | \$4,300,677         | \$3,239,230        |
| UND Graduate Schools                  | \$333,585           | \$225,003          |
| UND School of Law                     | \$304               | \$234              |
| Valley City State University          | \$156,460           | \$120,305          |
| Williston State College               | \$0                 | \$176              |
| <b>TOTAL</b>                          | <b>\$11,840,075</b> | <b>\$9,451,542</b> |

Source: MN Reciprocity 16-17/17-18 Campus Allocation Payment

## 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 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 the North Dakota University System Office is for the two-year period ended June 30, 2018. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The North Dakota University System Office has operations in the following locations. Each location was included in the audit scope:

- The Bismarck office in the State Capitol
- Core Technology Services in Grand Forks and Fargo

### ***Methodology***

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Inspected documentary evidence.
- Tested Minnesota-North Dakota Reciprocity Agreement calculations to ensure compliance with the operating agreement and annual Memorandum of Understanding administrative memos.
- Tested significant controls surrounding the Minnesota-North Dakota Reciprocity Agreement calculation.

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.

### ***Conclusion***

Except for the following findings, no exceptions relating to our statutorily required audit testing were identified.

### ***Background Information and Results***

The North Dakota University System was established in 1990 to serve as the policy coordinating entity for North Dakota's 11 public institutions of higher education. It is governed by the State Board of Higher Education as mandated by North Dakota Century Code 15-10-01.2. The system has two main components, the system office in Bismarck, ND and Core Technology Services in Grand Forks, ND and Fargo, ND. The System Office contributes administrative functions to the



North Dakota University System. Core Technology Services provides information management and technology services to the North Dakota University System students, faculty, staff, and state residents. Core Technology Services supports ConnectND North Dakota’s implementation of the Oracle/Peoplesoft Accounting system as well as supporting third party systems that integrate into ConnectND.

**Noncompliance Surrounding Procurement (Finding 18-01)**

**Condition:**

Core Technology Services (CTS) did not properly procure 5 out of the 14 transactions tested (\$3.2 million).

**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 and NDCC section 44-08-01 part 3.

NDUS procedure 803.1, part 3 states in part, for services \$100,000 and over, they must be purchased from formal bid process or a Request for Proposal (RFP). In addition, part 3.d states in part, contracts may not exceed a term of 10 years.

NDUS procedure 803.1 part 4 states that sole source, emergency or purchases made from discount contracts under a group alliance or consortium for goods or services do not require competition based on written approval of the procurement officer or other official delegated that authority and as documented on the Alternate Procurement Request form. Sole source requests based on personal preference, cost or price, perceived quality, vendor performance, delivery time, trade-in allowance or no cost options or accessories or other special packages or deals are not permitted; rather, these items may be considered in evaluating bids or proposals

## Procurement Quick Guide

| What is Procurement?   | How Does Procurement Work?   |
|--|--|
| <p>Procurement is the process of acquiring commodities or services. This includes:</p> <ul style="list-style-type: none"> <li>• Acquisition</li> <li>• Solicitation of bids/proposals</li> <li>• Evaluation and selection of sources</li> <li>• Preparation and awarding of a contract</li> <li>• Contract administration</li> </ul> | <ul style="list-style-type: none"> <li>• A lead procurement officer is designated</li> <li>• A reasonable estimated value is assigned to the purchase</li> <li>• The method of procurement is determined</li> <li>• Applicable laws/regulations are applied</li> <li>• Solicit as many sources as practical</li> <li>• The purchase is made</li> </ul> |

Source: N.D.A.C. §4-12-02-02, NDUS Procedure 803.1

**Cause:**

CTS was not aware that services whether unique or not are required to go through the procurement process. In addition, procurement records were not kept by other NDUS institutions who procured contracts for CTS.

**Effect or Potential Effect:**

Without soliciting formal bids, competitive pricing was not obtained as required by NDUS procedures, and ultimately, noncompliance with NDCC chapter 54-44.4.

**Recommendation:**

We recommend that CTS properly procure commodities and services in compliance with NDCC and NDUS requirements.

**North Dakota University System Office Response:**

*CTS partially agrees with the findings.*

*CTS agrees in 2 of the 5 cases that an Alternate Procurement process to document the variance from procurement procedures should have been conducted. CTS made changes to its practices after these procurements took place.*

*In the other 3 cases, CTS feels the findings do not accurately reflect current business processes and circumstances surrounding the original procurement. The original procurement processes were performed prior to CTS being a business entity in FY13. In two of these three remaining cases, a new procurement was performed either at the time or shortly following the transactions identified. In the final case, the original 2004 contract does reference an RFP, however CTS is not in possession of nor does CTS know of any documentation of the solicitation. CTS did resign a new contract in 2017 with current NDUS terms and conditions, but felt policy wasn't clear that an Alternate Procurement was required to continue paying for support/maintenance of an existing software product.*

*To avoid future issues, CTS will adjust procedures starting on 6/7/2019 to utilize the Alternate Procurement procedure to document when we are resigning contracts to continue to provide existing IT services. Current practices already include regular reviews for software contracts to determine if the product should be continuing to be maintained or if there is a business need and funding available to perform a procurement. As these are decided, proper procurement processes are followed. However, it is important for us to note that until all software has been refreshed, findings such as this may continue to occur in the future.*

**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 the following deficiency in internal control that was significant within the context of our audit objectives and based upon the audit work performed.

### **Lack of Approval of General Ledger Transactions (Finding 18-02)**

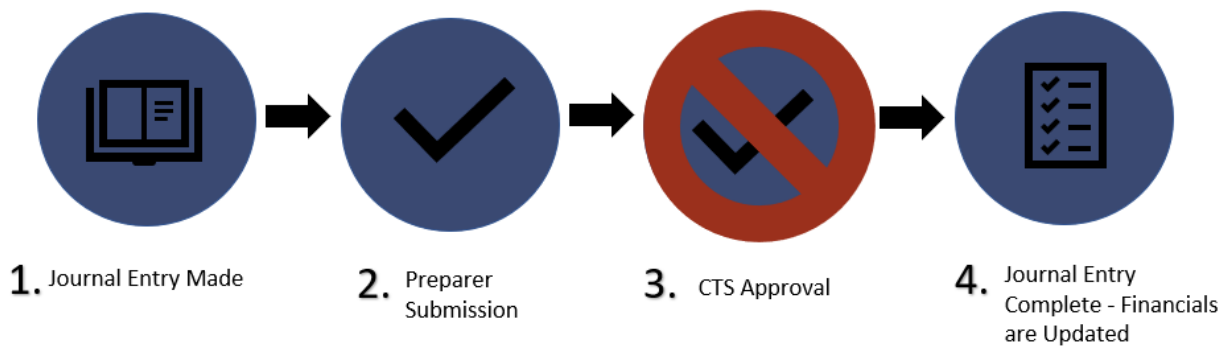
**Condition:**

Core Technology Services (CTS) did not approve journal entries for 27 out of the 32 tested.

**Criteria:**

Committee of Sponsoring Organizations (COSO) of the Treadway Commission publication *Internal Control - Integrated Framework* states that proper design and implementation of internal control policies and procedures for approval are necessary to ensure objectives are effectively achieved.

### **General Ledger Entries Lacking Step 3 Approval**



**Cause:**

CTS does not have proper procedures in place to ensure that there is a review and approval by an appropriate individual.

**Effect or Potential Effect:**

With a lack of approval, CTS is susceptible to an increased risk of error going undetected or not being caught in a timely manner.

**Recommendation:**

We recommend that CTS review and approve journal entries before they are posted to the general ledger.

**North Dakota University System Office Response:**

CTS agrees with the recommendation. As of Spring 2019, CTS has already implemented mandatory workflows where all journal entries, whether initiated in house or not, are approved by the CTS Controller.

## **Scope**

This audit of the North Dakota University System Office is for the two-year period ended June 30, 2018.

The North Dakota University System Office has operations in the following locations. Each location was included in the audit scope:

- The Bismarck office in the State Capitol
- Core Technology Services in Grand Forks and Fargo

## **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.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system for data analysis. Significant evidence was obtained from ConnectND.
- Observed the North Dakota University System Office's processes and procedures.
- 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 travel expenses, procurement, appropriation laws, general ledger interfacing, and journal entries 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 biennial performance audit of the North Dakota University System Office 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

|                                       | June 30, 2018        | June 30, 2017        |
|---------------------------------------|----------------------|----------------------|
| <b>ASSETS:</b>                        |                      |                      |
| Cash & cash equivalents               | \$ 16,205,038        | \$ 16,793,710        |
| Accounts receivable, net              | 7,004                | 133                  |
| Due from Student Loan Transfer Fund   | 921,000              |                      |
| Due from other NDUS institutions      | 1,281,207            | 106,720              |
| Due from state general fund           | 475,679              | 1,802,349            |
| Grants and contracts receivables, net | 50,251               | 1                    |
| Other assets                          | 45,072               | 36,730               |
| Capital assets, net                   | 3,376,840            | 3,870,796            |
| <b>Total assets</b>                   | <b>\$ 22,362,091</b> | <b>\$ 22,610,439</b> |
| <b>Deferred outflows of resources</b> | <b>\$ 2,528,617</b>  | <b>\$ 919,779</b>    |
| <b>LIABILITIES:</b>                   |                      |                      |
| Accounts payable                      | \$ 1,758,227         | \$ 2,511,053         |
| Due to other NDUS institutions        | 142,233              | 121,983              |
| Accrued payroll                       | 636,060              | 748,009              |
| Deposits                              | 254,889              | 65,657               |
| Pension liability                     | 4,627,818            | 2,492,377            |
| OPEB liability                        | 214,906              |                      |
| Other noncurrent liabilities          | 16,259               | 23,212               |
| Due to others                         | 1,550,340            | 1,657,111            |
| <b>Total liabilities</b>              | <b>\$ 9,200,732</b>  | <b>\$ 7,619,402</b>  |
| <b>Deferred inflows of resources</b>  | <b>\$ 156,341</b>    | <b>\$ 166,470</b>    |
| <b>NET POSITION:</b>                  |                      |                      |
| Invested in capital assets            | \$ 1,904,699         | \$ 3,198,143         |
| Restricted For:                       |                      |                      |
| Expendable:                           |                      |                      |
| Institutional                         | 13,908               | 13,908               |
| Other                                 | 61,610               | 73,456               |
| Unrestricted                          | 13,553,418           | 12,458,839           |
| <b>Total net position</b>             | <b>\$ 15,533,635</b> | <b>\$ 15,744,346</b> |

Source: NDUS Annual Financial Reports

## Statement of Revenues, Expenses, and Changes in Net Position

|   | June 30, 2018        | June 30, 2017        |
|---|----------------------|----------------------|
| <b>REVENUES AND OTHER ADDITIONS:</b>            |                      |                      |
| State appropriations                            | \$ 51,702,410        | \$ 60,719,355        |
| Student tuition and fees                        | 5,267,726            | 4,816,722            |
| Sales and services of educational departments   | 1,551,116            | 1,888,250            |
| Other nonoperating revenues                     | 4,524,770            | 4,041,174            |
| Federal grants and contracts                    | 231,127              | 265,311              |
| Nongovernmental grants and contracts            | 99,500               | 20,000               |
| Auxiliary enterprises                           |                      | 5,000                |
| Gifts   | 17,025               | 18,720               |
| Endowment and investment income                 | 10,410               | 28                   |
| <b>Total revenues and other additions</b>       | <b>\$ 63,404,084</b> | <b>\$ 71,774,560</b> |
| <b>EXPENSES AND OTHER DEDUCTIONS:</b>           |                      |                      |
| Scholarships and fellowships                    | \$ 16,039,243        | \$ 22,542,451        |
| Grant and special grant expenditures            | 10,043,058           | 11,655,190           |
| Salaries and wages                              | 16,430,910           | 16,667,638           |
| Operating expenses                              | 10,251,864           | 10,951,127           |
| Data processing                                 | 5,644,729            | 4,291,067            |
| Transfer to the Industrial Commission           | 3,471,359            | 2,406,216            |
| Depreciation                                    | 1,543,756            | 1,509,955            |
| Interest on capital asset-related debt          | 6,859                | 285                  |
| <b>Total expenses and other deductions</b>      | <b>\$ 63,431,778</b> | <b>\$ 70,023,929</b> |
| Revenue over expenses                           | \$ (27,694)          | \$ 1,750,631         |
| <b>NET POSITION</b>                             |                      |                      |
| Net position-beginning of the year, as restated | \$ 15,561,329        | \$ 13,993,715        |
| Net position-end of the year                    | <b>\$ 15,533,635</b> | <b>\$ 15,744,346</b> |

Source: NDUS Annual Financial Reports

## Statement of Cash Flows

|   | <u>June 30, 2018</u>   | <u>June 30, 2017</u>   |
|---|------------------------|------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                        |                        |
| Student tuition and fees  | \$ 5,248,634           | \$ 5,856,555           |
| Grants and contracts  | 280,378                | 285,310                |
| Payments to suppliers   | (16,629,172)           | (14,055,554)           |
| Payments to employees   | (16,024,688)           | (16,704,499)           |
| Payments for scholarships and fellowships                                   | (16,039,244)           | (22,542,451)           |
| Auxiliary enterprise charges  |                        | 5,000                  |
| Sales and service of educational departments                                | 388,851                | 2,067,847              |
| Cash received on deposits   | 175,936                | 4,528                  |
| Other receipts  | 3,588,474              | 4,033,300              |
| <b>Net cash used by operating activities</b>                                | <u>\$ (39,010,831)</u> | <u>\$ (41,049,964)</u> |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                      |                        |                        |
| State appropriations  | \$ 51,645,333          | \$ 60,791,339          |
| Grants and gifts received for other than capital purposes                   | 17,026                 | 18,720                 |
| Grants and gifts given for other than capital purposes                      | (10,043,058)           | (11,655,190)           |
| Agency fund cash increase (decrease)  | (8,492)                | 12,332                 |
| Transfers to Industrial Commission  | (3,471,359)            | (2,406,216)            |
| <b>Net cash flows provided by noncapital financing activities</b>           | <u>\$ 38,139,450</u>   | <u>\$ 46,760,985</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>            |                        |                        |
| Capital appropriations  | \$ 1,383,748           | \$ (1,655,246)         |
| Purchases of capital assets   | (1,049,800)            | (501,177)              |
| Principal paid on capital debt and lease                                    | (54,792)               | (61,366)               |
| Interest paid on capital debt and lease                                     | (6,860)                | (286)                  |
| <b>Net cash provided (used) by capital and related financing activities</b> | <u>\$ 272,296</u>      | <u>\$ (2,218,075)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                        |                        |
| Interest on investments   | \$ 10,413              | \$ 28                  |
| <b>Net cash provided by investing activities</b>                            | <u>\$ 10,413</u>       | <u>\$ 28</u>           |
| <b>Net increase (decrease) in cash</b>                                      | <u>\$ (588,672)</u>    | <u>\$ 3,492,974</u>    |
| <b>CASH BEGINNING OF YEAR</b>   | <u>\$ 16,793,710</u>   | <u>\$ 13,300,736</u>   |
| <b>CASH END OF YEAR</b>   | <u>\$ 16,205,038</u>   | <u>\$ 16,793,710</u>   |
| <i>(Continued on next page)</i>   |                        |                        |



(Continued from previous page)

| <b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)<br/>TO NET CASH USED BY OPERATING ACTIVITIES</b> | <b>June 30, 2018</b>   | <b>June 30, 2017</b>   |
|---|------------------------|------------------------|
| Operating loss  | \$ (42,761,033)        | \$ (48,966,955)        |
| Adjustment to reconcile net loss to net cash<br>used by operating activities                            |                        |                        |
| Depreciation expense  | 1,543,756              | 1,509,955              |
| Other nonoperating revenues (expenses)  | 3,596,818              | 4,048,127              |
| Change in assets, deferred, outflows, liabilities and<br>deferred inflows                               |                        |                        |
| Accounts receivable adjusted for interest receivable  | (1,181,357)            | 1,219,430              |
| Grant & contract receivables  | (50,250)               | (1)                    |
| Other assets  | (8,344)                | (14,827)               |
| Accounts payable and accrued liabilities adjusted<br>for interest payable                               | (732,576)              | 1,186,640              |
| Pension liability   | 2,135,441              | 829,363                |
| OPEB liability  | 31,893                 |                        |
| Net change in deferred outflows   | (1,608,838)            | (537,562)              |
| Net change in deferred inflows  | (10,129)               | (47,964)               |
| Accrued payroll   | (90,167)               | (337,573)              |
| Compensated absences  | (51,978)               | 56,875                 |
| Deposits  | 175,933                | 4,528                  |
| <b>Net cash used by operating activities</b>  | <b>\$ (39,010,831)</b> | <b>\$ (41,049,964)</b> |

Source: NDUS Annual Financial Report

## Statement of Appropriations

For the Biennium Ended June 30, 2017

|                                 | 2015-2017                 |                              | Expenses              | Balance<br>6-30-17   |
|---------------------------------|---------------------------|------------------------------|-----------------------|----------------------|
|                                 | Original<br>Appropriation | Appropriation<br>Adjustments |                       |                      |
| <b>Expenses by Line Item</b>    |                           |                              |                       |                      |
| Capital Assets                  | \$ 8,368,836              | \$ (1,467,375)               | \$ 6,887,614          | \$ 13,847            |
| Deferred Maintenance Pool       | 8,700,000                 | (8,700,000)                  |                       |                      |
| Student Fin. Assistance Grants  | 25,634,276                | 2,283,073                    | 22,120,356            | 5,796,993            |
| Veterans Assistance Programs    | 325,000                   |                              | 325,000               |                      |
| Scholars Program                | 2,113,584                 | 182,682                      | 2,029,436             | 266,830              |
| Title II Grant                  | 1,006,472                 |                              | 531,350               | 475,122              |
| Native American Scholarships    | 649,267                   | 600                          | 644,056               | 5,811                |
| Commendatory Grants             | 4,800                     | (314)                        | 4,031                 | 455                  |
| Technology                      | 46,330,965                | (1,927,472)                  | 44,403,493            |                      |
| Education Challenge Fund        | 23,500,000                | (425,953)                    | 22,124,500            | 949,547              |
| Education Incentive Program     | 3,349,000                 | 18,883                       | 3,362,007             | 5,876                |
| Tribal Community College Grants | 1,000,000                 | (32,750)                     | 967,250               |                      |
| Academic & Tech Ed Scholarships | 14,054,677                | 2,055,072                    | 12,677,219            | 3,432,530            |
| Student Exchange                | 4,275,015                 | 218,216                      | 3,719,775             | 773,456              |
| Open Education Resources        | 110,000                   | (2,750)                      | 107,250               |                      |
| Two-Year Campus Marketing       | 800,000                   | (23,254)                     | 776,746               |                      |
| Campus Security funding pool    | 3,000,000                 | (3,000,000)                  |                       |                      |
| Student Mental Health           | 316,000                   | 183,029                      | 457,990               | 41,039               |
| Competitive Research Program    | 7,050,000                 | (461,775)                    | 6,588,225             |                      |
| Biennium Carryover              |                           | 1,098,649                    | 1,098,649             |                      |
| System Governance               | 7,702,343                 | (314,356)                    | 6,795,434             | 592,553              |
| Internal Audit Pool             | 300,000                   | (19,650)                     | 280,350               |                      |
| Contingent Appropriation        | 1,050,000                 | (1,050,000)                  |                       |                      |
| <b>TOTALS</b>                   | <b>\$ 159,640,235</b>     | <b>\$ (11,385,445)</b>       | <b>\$ 135,900,731</b> | <b>\$ 12,354,059</b> |
| General Fund Authority          | \$ 154,629,019            | \$ (11,385,445)              | \$ 131,364,637        | \$ 11,878,937        |
| Federal Fund Authority          | 1,006,472                 |                              | 531,350               | 475,122              |
| Special Fund Authority          | 4,004,744                 |                              | 4,004,744             |                      |
| <b>TOTALS</b>                   | <b>\$ 159,640,235</b>     | <b>\$ (11,385,445)</b>       | <b>\$ 135,900,731</b> | <b>\$ 12,354,059</b> |

Source: ConnectND Financials

**For the Year Ended June 30, 2018**

|                                     | 2018-2019                 |                              | FY18<br>Expense      | Balance<br>6-30-18   |
|-------------------------------------|---------------------------|------------------------------|----------------------|----------------------|
|                                     | Original<br>Appropriation | Appropriation<br>Adjustments |                      |                      |
| <b><u>Expenses by Line Item</u></b> |                           |                              |                      |                      |
| Capital Assets                      | \$ 6,605,326              |                              | \$ 3,471,359         | \$ 3,133,967         |
| Student Fin. Assistance Grants      | 21,917,306                | \$ 796,993                   | 10,147,428           | 12,566,871           |
| Veterans Assistance Programs        | 277,875                   |                              | 277,875              |                      |
| Scholars Program                    | 1,807,115                 | 266,830                      | 852,323              | 1,221,622            |
| Title II Grant                      | 1,006,472                 |                              | 231,128              | 775,344              |
| Native American Scholarships        | 555,323                   | 5,811                        | 287,967              | 273,167              |
| Technology                          | 61,527,347                |                              | 28,638,439           | 32,888,908           |
| Education Challenge Fund            | 2,000,000                 |                              | 1,197,913            | 802,087              |
| Education Incentive Program         | 2,863,393                 | 5,876                        | 377,725              | 2,491,544            |
| Tribal Community College Grnts      | 600,000                   |                              | 300,000              | 300,000              |
| Academic & Tech Ed Scholar.         | 12,016,749                | 3,432,530                    | 7,342,000            | 8,107,279            |
| Student Exchange                    | 3,699,342                 | 773,456                      | 1,749,756            | 2,723,042            |
| Student Mental Health               | 284,400                   | 41,039                       | 143,947              | 181,492              |
| Competitive Research Program        | 6,027,750                 |                              | 3,013,875            | 3,013,875            |
| Biennium Carryover                  |                           | 592,553                      | 254,845              | 337,708              |
| Dual-Credit Pilot Program           | 200,000                   |                              | 84,180               | 115,820              |
| System Governance                   | 8,393,238                 |                              | 3,564,548            | 4,828,690            |
| Two-Year Campus Study               | 40,000                    |                              | 33,753               | 6,247                |
| Shared Campus Services              | 500,000                   |                              | 156,000              | 344,000              |
| <b>TOTALS</b>                       | <b>\$ 130,321,636</b>     | <b>\$ 5,915,088</b>          | <b>\$ 62,125,061</b> | <b>\$ 74,111,663</b> |
| General Fund Authority              | \$ 103,909,530            | \$ 5,915,088                 | \$ 51,702,410        | \$ 58,122,208        |
| Federal Fund Authority              | 1,006,472                 |                              | 231,128              | 775,344              |
| Special Fund Authority              | 25,405,634                |                              | 10,191,523           | 15,214,111           |
| <b>TOTALS</b>                       | <b>\$ 130,321,636</b>     | <b>\$ 5,915,088</b>          | <b>\$ 62,125,061</b> | <b>\$ 74,111,663</b> |

Source: ConnectND Financials

You may obtain audit reports on the internet at:

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or by contacting the Office of the State Auditor at:

**Email:** [ndsao@nd.gov](mailto:ndsao@nd.gov)

**Phone:** (701) 328-2241

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