



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Upper Great Plains Transportation Institute

Audit Report for the Biennium Ended June 30, 2019

Client Code 627





## WHAT WE LOOKED AT

Our team audited the Upper Great Plains Transportation Institute which included reviewing financial transactions, expenditures and blanket bond coverage.

## WHAT WE FOUND

This audit did not identify any areas of concern.

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## KEY PERSONNEL

Robyn Hoffmann  
CPA, AUDIT MANAGER

Cory Wigdahl  
CFE, AUDIT SUPERVISOR

Tyler Liebl  
LEAD AUDITOR

## HAVE QUESTIONS? ASK US.

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# Introduction

## Upper Great Plains Transportation Institute

May 18, 2020

We are pleased to submit this audit of the Upper Great Plains Transportation Institute for the biennium ended June 30, 2019. 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. 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. Tolliver and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

/S/

**JOSHUA C. GALLION**  
**NORTH DAKOTA STATE AUDITOR**

## TERMS USED IN REPORT

**Appropriation:** Sum of money or total of assets devoted to a special purpose.

**Blanket Bond Coverage:** Insurance to state agencies for any default or wrongful act on the part of any public employee or public official.

**ConnectND:** The accounting system for North Dakota.

**Default:** Failures to do something required by duty or law.

**Emergency Commission:** Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

**Internal Control:** Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

**Noncompliance:** Failure to act in accordance with a wish or command.

**North Dakota Century Code (N.D.C.C.):** Collection of all the statutes passed by the North Dakota Legislative Assembly.

**Performance Audit:** Engagements that provide objective analysis, findings, and conclusion to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.

**Session Laws:** Published after each regular and special legislative session and contain the laws enacted during that session.



# Audit Results

## STATUTORY OBJECTIVE

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 expenditures have been made in accordance with law, appropriation acts, and emergency commission action, and evaluating blanket bond coverage.

## CONCLUSION

No exceptions to our statutorily required audit testing were identified.



# Audit Procedures

## INTERNAL CONTROL

As we determined internal control was significant to this audit objective, we assessed internal control by gaining an understanding of internal control and concluded as to the adequacy of the design of internal control and whether the applicable internal controls were implemented. We also tested the operating effectiveness of those controls we considered necessary to address our audit objective. The controls assessed were generally the key controls identified during the planning phase of the engagement, which may include controls at both the entity and transaction levels. We identified key controls significant to this audit objective related to the control activities component of internal control, specifically the principles related to the design of control activities, design of control activities for the information system and the implementation of the same. We also identified controls relating to the monitoring component of internal control, specifically the principle of performing monitoring activities.

## SCOPE

This audit of the Upper Great Plains Transportation Institute was for the biennium ended June 30, 2019.

The Upper Great Plains Transportation Institute has operations in the following locations. Each location was included in the audit scope:

- North Dakota State University, Main Campus.
- Bismarck, North Dakota.

## 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.
- Received queries from the Upper Great Plains Transportation Institute from the ConnectND (PeopleSoft) system for data analysis and determined completeness. Significant evidence was obtained from ConnectND.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations. When necessary, internal control was tested which included selecting representative samples to determine if controls were operating effectively and if laws were being followed.
- 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 expenses, procurement, purchase cards, and travel expenses for further testing.
- Internal controls were tested including proper approvals of expenses, travel expenses and purchase cards and performing a reconciliation of purchase card statements.

## STATUTORY CRITERIA

Upper Great Plains Transportation Institute management must establish and maintain effective internal control in accordance with the North Dakota University System procedure 802.6 and the North Dakota University System Accounting Manual.

The criteria used to evaluate legislative intent are the laws as published in the North Dakota Century Code and the North Dakota Session Laws. The following areas were identified to be of higher risk of noncompliance:

- Compliance with appropriations, adjustments, and related transfers in accordance with limits and purpose. (2017 North Dakota Session Laws, S.B. 2020, Chapter 45, Sections 3 and 13).
- Blanket bond coverage maintained in accordance with state law and state guidelines. (N.D.C.C. 26.1-21-08, N.D.C.C. 26.1-21-10)
- Travel reimbursement in accordance with limits of state law. (N.D.C.C. 44-08-03, N.D.C.C. 44-08-04, N.D.C.C. 54-06-09)
- Goods, services, and public improvements procured in accordance with state law. (N.D.C.C. 54-44.4, N.D.C.C. 48-01.2)
- Expenses were made for a public purpose (N.D.C.C. 44-08-05.1)

## AUTHORITY AND STANDARDS

This biennial audit of the Upper Great Plains Transportation Institute 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. 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 Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control – Integrated Framework.





# Responses to LAFRC Audit Questions

## **1. WHAT TYPE OF OPINION WAS ISSUED ON THE FINANCIAL STATEMENTS?**

Financial statements were not prepared by the Upper Great Plains Transportation Institute in accordance with generally accepted accounting principles, so an opinion is not applicable. The agency's transactions were tested and included in the North Dakota University System's annual financial report on which an unmodified opinion was issued.

## **2. WAS THERE COMPLIANCE WITH STATUTES, LAWS, RULES, AND REGULATIONS UNDER WHICH THE AGENCY WAS CREATED AND IS FUNCTIONING?**

Yes.

## **3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?**

Yes. We did not identify any deficiencies in internal control that were significant within the context of our audit objectives.

## **4. WERE THERE ANY INDICATIONS OF LACK OF EFFICIENCY IN FINANCIAL OPERATIONS AND MANAGEMENT OF THE AGENCY?**

No.

## **5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?**

There were no recommendations included in the prior audit report.

## **6. WAS A MANAGEMENT LETTER ISSUED? IF SO, PROVIDE A SUMMARY BELOW, INCLUDING ANY RECOMMENDATIONS AND THE MANAGEMENT RESPONSES.**

No, a management letter was not issued.



# LAFRC Audit Communications

## **7. IDENTIFY ANY SIGNIFICANT CHANGES IN ACCOUNTING POLICIES, ANY MANAGEMENT CONFLICTS OF INTEREST, ANY CONTINGENT LIABILITIES, OR ANY SIGNIFICANT UNUSUAL TRANSACTIONS.**

There were no significant changes in accounting policies, management conflicts of interest, contingent liabilities, or significant unusual transactions identified.

## **8. IDENTIFY ANY SIGNIFICANT ACCOUNTING ESTIMATES, THE PROCESS USED BY MANAGEMENT TO FORMULATE THE ACCOUNTING ESTIMATES, AND THE BASIS FOR THE AUDITOR'S CONCLUSIONS REGARDING THE REASONABLENESS OF THOSE ESTIMATES.**

The most significant accounting estimates for the Upper Great Plains Transportation Institute include the useful lives of capital assets, net pension liability and other post-employment benefits liability. Estimated useful lives are used to compute depreciation on capital assets and are based on industry standards and experience. The net pension liability and other post-employment benefits liability is based on the actuary's calculation based on plan provisions and census data for plan participants. We evaluated the key factors and assumptions used to develop the estimated useful lives, net pension liability and other post-employment benefits liability in determining that they are reasonable in relation to the financial statements taken as a whole.

## **9. IDENTIFY ANY SIGNIFICANT AUDIT ADJUSTMENTS.**

Significant audit adjustments were not necessary.

## **10. IDENTIFY ANY DISAGREEMENTS WITH MANAGEMENT, WHETHER OR NOT RESOLVED TO THE AUDITOR'S SATISFACTION RELATING TO A FINANCIAL ACCOUNTING, REPORTING, OR AUDITING MATTER THAT COULD BE SIGNIFICANT TO THE FINANCIAL STATEMENTS.**

None.

## **11. IDENTIFY ANY SERIOUS DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT.**

None.

## **12. IDENTIFY ANY MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION.**

This is not applicable for audits conducted by the Office of the State Auditor.

## **13. IDENTIFY ANY MANAGEMENT CONSULTATIONS WITH OTHER ACCOUNTANTS ABOUT AUDITING AND ACCOUNTING MATTERS.**

None.

*Continued on following page*

**14. IDENTIFY ANY HIGH-RISK INFORMATION TECHNOLOGY SYSTEMS CRITICAL TO OPERATIONS BASED ON THE AUDITOR'S OVERALL ASSESSMENT OF THE IMPORTANCE OF THE SYSTEM TO THE AGENCY AND ITS MISSION, OR WHETHER ANY EXCEPTIONS IDENTIFIED IN THE SIX AUDIT REPORT QUESTIONS TO BE ADDRESSED BY THE AUDITORS ARE DIRECTLY RELATED TO THE OPERATIONS OF AN INFORMATION TECHNOLOGY SYSTEM.**

ConnectND Finance, Human Resource Management System (HRMS), and Campus Solutions are high-risk information technology systems critical to the Upper Great Plains Transportation Institute. No exceptions were identified relating to the operations of an information technology system.

# Financial Statements

## Statement of Revenues and Expenses

REVENUES AND OTHER ADDITIONS	JUNE 30, 2019	JUNE 30, 2018
Federal Grants and Contracts	\$ 5,093,746	\$ 5,055,275
State Appropriations	1,919,434	1,875,325
Sales and Services of Educational Departments	111,287	78,727
Nongovernmental Grants and Contracts	441,086	556,399
State Grants and Contracts	33,196	47,091
Gifts	4,500	12,500
<b>Total Revenues and Other Additions</b>	<b>\$ 7,603,249</b>	<b>\$ 7,625,317</b>

EXPENSES AND OTHER DEDUCTIONS	JUNE 30, 2019	JUNE 30, 2018
Salaries and Wages	\$ 4,562,942	\$ 4,972,588
Operating Expenses	2,640,503	2,338,570
Data Processing	157,799	163,853
Scholarships and Fellowships	44,472	5,500
Depreciation Expense	32,474	44,998
<b>Total Expenses and Other Deductions</b>	<b>\$ 7,438,190</b>	<b>\$ 7,525,509</b>

Source: ConnectND Financials

# Statement of Appropriations

For the Biennium Ended June 30, 2019

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Transportation Institute	\$ 22,918,201	\$ 14,842,963	\$ 8,075,238
<b>Totals</b>	<b>\$ 22,918,201</b>	<b>\$ 14,842,963</b>	<b>\$ 8,075,238</b>

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General Fund	\$ 4,101,133	\$ 3,794,759	\$ 306,374
Federal Fund	12,478,218	8,846,815	3,631,403
Special Fund	6,338,850	2,201,389	4,137,461
<b>Totals</b>	<b>\$ 22,918,201</b>	<b>\$ 14,842,963</b>	<b>\$ 8,075,238</b>

Source: ConnectND Financials



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