



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Williston State College

Audit Report for the Biennium Ended June 30, 2019

Client Code 229





WHAT WE LOOKED AT

Our team audited Williston State College which included reviewing financial transactions, expenditures, and blanket bond coverage.

WHY WE LOOKED AT THIS

North Dakota state law (N.D.C.C. 54-10-01) requires that our team performs a post-audit of all financial transactions of state government, detecting and reporting any defaults, and determining that expenditures have been made in accordance with law and appropriation acts.

WHAT WE FOUND

Lack of Controls Surrounding Cash and Revenue



Checks should be implemented to ensure reconciliations for student finance are performed on a monthly basis.

Read more on page 5

Not Following Procurement Policies



Policies, NDUS requirements, and state law are not being followed when procuring commodities and services.

Read more on page 6

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HAVE QUESTIONS? ASK US.

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Introduction

Williston State College

June 16, 2020

We are pleased to submit this audit of Williston State College 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 President Miller 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: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

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

Campus Solutions: Portal of Oracle PeopleSoft. The Campus Solutions portal includes the modules of Recruitment & Admission, Campus Community, Financial Aid, Student Finance and Student Records.

Conflict of Interest: Situation in which a person is in a position to derive personal benefit from actions or decisions made in their official capacity.

ConnectND: The accounting system for North Dakota.

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

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 conclusions 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 Audit Requirements

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 and appropriation acts, and evaluating blanket bond coverage.

FINDING
2019-01

Lack of Controls Surrounding Cash and Revenues

CONCLUSION

Since 2012, we have recommended Williston State College implement checks to ensure reconciliations for student finance are performed on a monthly basis. This is important because it checks two sets of records to make sure they are in agreement. Williston State College has still not implemented this recommendation.



In previous audits, we recommended Williston State College **implement checks** to ensure reconciliations for student finance are performed on a **monthly** basis.

BACKGROUND

We found that Williston State College was lacking methods and procedures in the following areas surrounding cash and revenue during fiscal years 2018-2019.

- Reconciliations (comparing data between two sets of records) should happen on a monthly basis. The college should be looking at three sets of data and comparing them to make sure money leaving an account matches the actual amount received. Campus Solutions (student finance software) should be compared to the general ledger, and then bank statements should be compared to that data. This is presently not taking place.

- The method used to track the previous day's financial activities (known as a daily summary) should be completed by an independent individual. This process divides duties to help prevent fraud from occurring. At the present time, our team was not able to determine if this was happening. The program we reviewed is known as TrainND and provides various types of training across the state.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) publication Internal Control – Integrated Framework states control activities include approvals, reconciliations, and segregation of duties.

This is a prior recommendation not implemented from the fiscal year 2012 – 2013 biennial audit.

RECOMMENDATION

We recommend Williston State College implement controls to ensure:

- Adequate reconciliations are performed to completely reconcile student finance to the general ledger and the bank statements; and
- The reconciliation of receipts to the daily summary is performed and completed by an independent individual.

WILLISTON STATE COLLEGE RESPONSE

Williston State College will carefully review Finding 2019-01 and any associated internal processes and procedures, and will implement improvements where appropriate.



WILLISTON STATE COLLEGE RESPONSE

Williston State College will carefully review Finding 2019-02 and any associated internal processes and procedures, and will implement improvements where appropriate.

FINDING
2019-02

Not Following State Procurement Rules

CONCLUSION

Six out of the 15 (40%) procurement transactions that we tested were not properly procured. This amount totaled \$120,318.

BACKGROUND

Purchase thresholds have different requirements based on the total amount of the purchase. When bids are gathered for large projects, there is a set amount of vendor bids that are needed to meet purchasing thresholds. Because



Six out of the 15 (40%)
procurement transactions
that we tested **were not**
properly procured.

Williston State College did not solicit bids from an adequate number of vendors, purchasing thresholds were not met. Without a competitive bidding process, there is potential noncompliance with state law and North Dakota University System requirements.

This is a prior recommendation not implemented from the fiscal year 2016 –2017 biennial audit.

RECOMMENDATION

We recommend Williston State College properly procure commodities in compliance with N.D.C.C. and North Dakota University System procurement procedures.



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 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.

Considering both qualitative and quantitative factors, we identified a deficiency in internal control that were significant within the context of our audit objectives and based upon the audit work performed. The deficiency is identified in Finding 2019-02.

SCOPE

This audit of Williston State College is for the biennium ended June 30, 2019.

Williston State College's sole location is in Williston, ND which is included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.

- Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.

- Interviewed appropriate University personnel.

- Received queries from Williston State College from the ConnectND (PeopleSoft) system for data analysis and determined completeness. Significant evidence was obtained from the queries from ConnectND.

- 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 a random sample of high-risk transactions, including: procurement, revenue receipts, annual equipment inventory, reconciliation of Marketplace system to the general ledger, journal entries, reconciliation of student finance to the general ledger, payroll reconciliation of salaries to contracts, payroll appointment change forms, purchase card transactions, non-cash adjustments, travel expenses, expenses, and scholarships and waivers for further testing.

- Internal controls were tested including proper approvals of annual equipment inventory, payroll appointment change forms, journal entries, expenses, scholarship and waivers, purchase cards, non-cash adjustments, travel expenses and reconciliations for annual equipment inventory, student finance to general ledger, Marketplace system to the general ledger, receipts to daily summary, salaries to contracts, purchase cards and timeliness of deposits.

STATUTORY CRITERIA

University 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:

- 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)
- 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 laws. (N.D.C.C. 54-06-09, N.D.C.C. 44-08-03, N.D.C.C. 44-08-04)
- Special Appropriation Laws – One Time Funding for Institutional Operations Division. (Senate Bill 2003, Chapter 28, Section 3)
- Proper inventory records are being maintained (N.D.C.C. 44-04-07)
- Expenses were made for a public purpose (N.D.C.C. 44-08-05.1)
- Scholarships and waiver of tuition and fees (N.D.C.C. 15-10-18.2, N.D.C.C. 15-10-18.3, N.D.C.C. 15-10-18.4, N.D.C.C. 15-10-18.5, N.D.C.C. 37-07.1, N.D.C.C. 54-12-35)

AUTHORITY AND STANDARDS

This biennial audit of Williston State College 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?

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

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

Other than our finding addressing “Not Following State Procurement Rules,” Williston State College was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

3. WAS INTERNAL CONTROL ADEQUATE AND FUNCTIONING EFFECTIVELY?

Other than our finding addressing the “Lack of Controls Surrounding Cash and Revenues,” 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?

Action has been taken on findings and recommendations included in the prior audit report except as noted in the Status of Prior Recommendations section of this 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 used by Williston State College include useful lives of capital assets, allowance for uncollectible receivables, scholarship allowance, net pension liability, and OPEB liability. Estimated useful lives are used to compute depreciation on capital assets and are based on industry standards and experience. Management's estimate of the allowance for uncollectible receivables is based on aging categories and past history. The estimate for scholarship allowance is based on the difference between the tuition rates and charges and the amount actually paid by students and/or third parties making payments on behalf of students. The net pension liability and OPEB liability are 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, allowances, net pension liability, and OPEB 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 Capital Management (HCM), and Campus Solutions are high-risk information technology systems critical to Williston State College.

None of the exceptions identified in the six audit report questions are directly related to these systems.

Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position

REVENUES AND OTHER ADDITIONS	JUNE 30, 2019	JUNE 30, 2018
State Appropriations	\$ 4,589,396	\$ 4,100,000
Sales and Services of Educational Departments	3,257,366	3,251,024
Gifts	3,091,832	2,560,895
Auxiliary Enterprises	1,976,038	1,835,977
Federal Grants and Contracts	1,851,761	2,402,269
Student Tuition and Fees	1,466,963	1,523,501
State Grants and Contracts	411,874	566,764
Other	32,302	18,139
Nongovernmental Grants and Contracts	27,930	2,474
Endowment and Investment Income	9,093	6,025
State Appropriations - Capital Assets	5,821	-
Capital Grants and Gifts	5,650	132,750
Total Revenues and Other Additions	\$ 16,726,026	\$ 16,399,818

Source: North Dakota University System Annual Financial Report

Continued on following page

Financial Statements

Statement of Revenues, Expenses, and Changes in Net Position

EXPENSES AND OTHER DEDUCTIONS	JUNE 30, 2019	JUNE 30, 2018
Salaries and Wages	\$ 9,787,273	\$ 10,075,033
Operating Expenses	3,476,491	3,648,718
Depreciation	2,495,830	2,394,276
Scholarships and Fellowships	1,142,474	855,030
Interest on Capital Asset-Related Debt	643,486	633,729
Cost of Sales and Services	447,899	392,797
Data Processing	154,379	267,518
Loss on Capital Assets	14,497	6,026
Total Expenses and Other Deductions	\$ 18,162,329	\$ 18,273,127
Revenues under expenses	\$ (1,436,303)	\$ (1,873,309)

NET POSITION	JUNE 30, 2019	JUNE 30, 2018
Net position-beginning of the year, as restated	\$ 43,292,591	\$ 44,573,771
Net position-end of the year	\$ 41,856,288	\$ 42,700,462

Source: North Dakota University System Annual Financial Report

Statement of Appropriations

For the Biennium Ended June 30, 2019

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Operating Expenses	\$ 38,324,756	\$ 38,324,756	-
Capital Assets	1,261,968	17,465	\$ 1,244,503
Plant Improvement - Carryover	325,180	-	325,180
Totals	\$ 39,911,904	\$ 38,342,221	\$ 1,569,683

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General Fund	\$ 9,696,264	\$ 8,695,218	\$ 1,001,046
Special Fund	30,215,640	29,647,003	568,637
Totals	\$ 39,911,904	\$ 38,342,221	\$ 1,569,683

Source: ConnectND Financials



Status of Prior Recommendations

Noncompliance with Procurement Rules (Finding 2017-1)

Not Implemented

Recommendation: We recommend that Williston State College properly procure commodities and services in compliance with NDCC, NDUS requirements and the Williston State College Purchasing Policy.

Status: Not Implemented. See Finding 2019-03.

Lack of Blanket Bond Coverage (Finding 2017-2)

Implemented

Recommendation: We recommend that Williston State College maintain adequate blanket bond coverage.

Status: Implemented.

Inadequate Controls Surrounding Equipment (Finding 2017-3)

Implemented

Recommendation: We recommend that Williston State College implement controls to ensure that there is proper documentation of departmental inventories, including the individual(s) performing and approving the inventories and equipment is updated in PeopleSoft timely.

Status: Implemented.

Lack of Controls Surrounding Cash and Revenues (Prior Recommendation Not Implemented #1)

Partially Implemented

Recommendation: We recommend Williston State College implement controls to ensure:

- o Adequate reconciliations are performed to completely reconcile student finance to the general ledger and the bank statements;
- o Reconciliation of marketplace to the general ledger is being performed on a monthly basis;
- o Timely deposit of receipts; and
- o Credit card settlement reports agree to PeopleSoft credit card receipts.

Status: Partially Implemented. Bullets one and four of the recommendation were not implemented while bullets two and three of the recommendation were implemented. See Finding 2019-02

Lack of Controls Surrounding Payroll (Prior Recommendation Not Implemented #2)

Implemented

Recommendation: We recommend Williston State College strengthen controls surrounding payroll by:

- o Performing an independent reconciliation of salaries to approved contracts on at least an annual basis; and
- o Obtain approval for payroll appointment changes prior to the effective date of the change.

Status: Implemented.

Lack of Controls Surrounding Expenditures (Prior Recommendation Not Implemented #3)

Implemented

Recommendation: We recommend Williston State College implement controls surrounding expenditures to ensure there is:

- o A standardized approval process for journal entries; and
- o A review of the access roles for voiding/reissuing checks to ensure only those necessary individuals have access.

Status: Implemented.

Lack of Controls Surrounding Purchase Card Expenditures (Prior Recommendation Not Implemented #4)

Implemented

Recommendation: We recommend Williston State College strengthen controls surrounding purchase cards by:

- o Ensuring the card administrator reconciles the individual statements with the agency statement and signs off to the card statement; and
- o Develop a policy or procedure for the temporary or permanent changes to credit limits to individual's cards.

Status: Implemented.

Inadequate Controls over Non-Cash Adjustments (Prior Recommendation Not Implemented #5)

Implemented

Recommendation: We recommend Williston State College strengthen controls surrounding non-cash credit adjustments posted to student accounts to ensure supporting documentation is maintained for all non-cash credit adjustments.

Status: Implemented.

Lack of Supporting Documentation (Prior Recommendation Not Implemented #6)

Implemented

Recommendation: We recommend that Williston State College maintain documentation for all transactions to ensure an adequate audit trail is available.

Status: Implemented.



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