



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## Bismarck State College

Audit Report for the Two-Year Period Ended June 30, 2020

Client Code 227





### WHAT WE LOOKED AT AND WHY

North Dakota state law requires our team to identify any errors, internal control weaknesses, or potential violation of law in significant or high-risk functions of the agency.

### WHAT WE FOUND

This audit did not identify any areas of concern.

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# KEY PERSONNEL

Dustin Walcker  
AUDIT MANAGER

Delan Hellman  
LEAD AUDITOR

Josh Hulm  
AUDITOR

Jason Kovacevich  
AUDITOR

# HAVE QUESTIONS? ASK US.

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# Introduction

## **Bismarck State College**

April 22, 2021

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**W**e are pleased to submit this audit of Bismarck State College for the two-year period ended June 30, 2020. 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.

Dustin Walcker was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-3161. We wish to express our appreciation to the Bismarck State College 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.

**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

## OBJECTIVE

Are there any errors, internal control weaknesses, or potential violations of law for significant and high-risk functions of the agency?

## CONCLUSION

No areas of concern were identified.

## INTERNAL CONTROL

As required by auditing standards, we planned our audit work to assess the effectiveness of those internal controls that were significant to our audit objectives. Specifically, our work related to internal control included the following components and underlying principles based on guidance issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### COMPONENT: CONTROL ACTIVITIES

**Principal:** Management should design control activities to achieve objectives and respond to risks.

**Principal:** Management should implement control activities through policies.

The specific internal control testing completed for this audit objective is identified below:

- Reviewed approval of procurement transactions.
- Reviewed approval of travel related expenses.
- Reviewed eligible staff members who could apply for tenure.

- Ensured tenure committee members utilize a spreadsheet to grade each applicant for tenure.
- Reviewed approval of operating expenses.
- Reviewed approval of scholarships and waivers.
- Reviewed receipts that are being reconciled to the individual purchase card statements.
- Reviewed individual purchase card statements that are being reconciled to the “NDU\_PCard\_Trans” report by a non-card holder.
- Reviewed purchase card expenses that are approved by a designated supervisor.

There were no deficiencies identified.

## SCOPE

This audit of Bismarck State College is for the two-year period ended June 30, 2020.

Bismarck State College’s sole location is its Bismarck campus, which was included in the audit scope.

## METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population.
- Interviewed appropriate College personnel.
- Analyzed financial data in ConnectND to determine areas of risk.
- Observed Bismarck State College’s processes and procedures.

- Inspected documentary evidence.
- Tested compliance with special appropriation laws and regulations. (2017 North Dakota Session Laws Chapter 28 (S.B. 2003 Section 3), 2019 North Dakota Session Laws Chapter 3 (H.B. 1003 Sections 2, 5, 10, 18, 25, 29, 30, and 31)).
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines (N.D.C.C. Chapter 26.1-21-08, N.D.C.C. Chapter 26.1-21-10).
- Selected a judgmental sample of purchases subject to procurement rules to ensure compliance with law (N.D.C.C. Chapter 54-44.4, N.D.C.C. Chapter 48-01.2).
- Selected a judgmental sample of items purchased through state issued credit cards (Purchase Card) to ensure compliance with law (N.D.C.C. Chapter 44-08-05.1).
- Selected a judgmental sample of travel related expenses to ensure compliance with limits of state laws (N.D.C.C. Chapter 54-06-09, N.D.C.C. Chapter 44-08-03, N.D.C.C. Chapter 44-08-04).
- Selected a judgmental sample of faculty to ensure faculty granting tenure compliance with SBHE (SBHE Policy 605.1:3, SBHE Policy 605.1:5 (b-c), SBHE Policy 605.1:7).
- Selected a judgmental sample of operating expenses to ensure expenses were within legal restrictions (N.D.C.C. Chapter 44-08-05.1).
- Selected a judgmental sample of scholarship and waiver of tuition and fees expenses to ensure compliance with law (N.D.C.C. Chapter 15-10-18.2, N.D.C.C. Chapter 15-10-18.3, N.D.C.C. Chapter 15-10-18.4, N.D.C.C. Chapter 15-10-18.5, N.D.C.C. Chapter 37-07.1, N.D.C.C. Chapter 54-12-35, N.D.C.C. Chapter 15-10-12).

## **AUTHORITY AND STANDARDS**

This biennial audit of Bismarck 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 publication Internal Control – Integrated Framework from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.



# Responses to LAFRC Audit Questions

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

Revenues, expenses and appropriation information for Bismarck State College was 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?**

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?**

Bismarck State College has implemented all 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 used by Bismarck 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.

**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 that were significant to the audit objective.

# Finances

## Revenues and Expenses

REVENUES AND OTHER SOURCES	JUNE 30, 2020	JUNE 30, 2019
State Appropriations	\$ 16,571,952	\$ 23,396,087
State Tuition and Fees	13,406,164	13,157,207
Auxiliary Enterprises	4,339,396	4,611,344
Federal Grants and Contracts	4,324,978	3,651,261
Sales and Services of Educational Departments	4,125,063	3,948,603
Gifts	1,538,230	1,258,832
Nongovernmental Grants and Contracts	769,750	627,589
Capital Grants and Gifts	674,088	104,375
State and Local Grants and Contracts	422,731	415,265
Endowment and Investment Income	53,571	31,201
Insurance Proceeds	27,000	136
Other	11,338	16,007
Inter-Institutional Transfers	5,984	-
<b>Total Revenue and Other Additions</b>	<b>\$ 46,270,245</b>	<b>\$ 51,217,907</b>

Source: ConnectND Financials

Continued on following page

# Finances

## Revenues and Expenses

EXPENSES AND OTHER USES	JUNE 30, 2020	JUNE 30, 2019
Salaries and Wages	\$ 30,406,570	\$ 29,036,861
Operating Expenses	9,616,826	9,752,676
Depreciation	2,690,486	2,785,673
Cost of Sales and Services	2,013,024	1,954,228
Scholarships and Fellowships	1,478,447	1,267,870
Data Processing	714,087	949,390
Interest of Capital Asset-Related Debt	307,081	327,325
CARES Act Aid to Students	235,160	-
Other	36,894	-
Loss on Capital Assets	1,000	99,127
<b>Total Expenses and Other Deductions</b>	<b>\$ 47,499,575</b>	<b>\$ 46,173,150</b>
Revenues (Under) Over Expenses	\$ (1,229,330)	\$ 5,044,757

NET POSITION	JUNE 30, 2020	JUNE 30, 2019
Beginning of the Year as Restated	\$ 56,967,043	\$ 52,018,366
End of Year	\$ 55,737,713	\$ 57,063,123

Source: ConnectND Financials

# Appropriations

## For the Year Ended June 30, 2020

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATION
<b>Expenses by Line Item</b>			
Operating Expenses	\$ 101,265,465	\$ 48,044,500	\$ 53,220,965
Capital Assets	1,818,143	598,274	1,219,869
Plant Improvement - Carryover	905,082	851,697	53,385
Capital Building Fund	851,386	-	851,386
Operating Carryover	1,000,000	95,831	904,169
<b>Totals</b>	<b>\$ 105,840,076</b>	<b>\$ 49,590,302</b>	<b>\$ 56,249,774</b>
<b>Expenses by Source</b>			
General Fund	\$ 32,973,309	\$ 16,668,600	\$ 16,304,709
Special Fund	70,449,402	32,730,301	37,719,101
Federal Fund	2,417,365	191,401	2,225,964
<b>Totals</b>	<b>\$ 105,840,076</b>	<b>\$ 49,590,302</b>	<b>\$ 56,249,774</b>

Source: ConnectND Financials

Continued on following page

# Statement of Appropriations

For the Biennium Ended June 30, 2019

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATION
<b>Expenses by Line Item</b>			
Operating Expenses	\$ 102,670,034	\$ 93,150,639	\$ 9,519,395
Capital Assets	10,946,935	8,365,619	2,581,316
Plant Improvement - Carryover	29	29	-
<b>Totals</b>	<b>\$ 113,616,998</b>	<b>\$ 101,516,287</b>	<b>\$ 12,100,711</b>
<b>Expenses by Source</b>			
General Fund	\$ 40,625,000	\$ 38,719,918	\$ 1,905,082
Special Fund	72,991,998	62,796,369	10,195,629
<b>Totals</b>	<b>\$ 113,616,998</b>	<b>\$ 101,516,287</b>	<b>\$ 12,100,711</b>

Source: ConnectND Financials



# Status of Prior Recommendations

## Evidence Supporting Tenure of Faculty Not Maintained (Finding 18-01)

Implemented

**Recommendation:** We recommend Bismarck State College maintain supporting documentation for granting tenure to faculty.

**Status:** Implemented.

## Noncompliance with Procurement Policies (Finding 18-02)

Implemented

**Recommendation:** We recommend Bismarck State College properly procure commodities and services in compliance with the North Dakota State Board of Higher Education Purchasing Procedures Manual.

**Status:** Implemented.

## Noncompliance with Travel Meal Reimbursement Policies (Finding 18-03)

Implemented

**Recommendation:** We recommend Bismarck State College comply with travel meal reimbursement policies based on actual times the employee is traveling.

**Status:** Implemented.



Office of the  
State Auditor

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JOSHUA C. GALLION

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