

NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Dakota College at Bottineau

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

Client Code 243





WHAT WE LOOKED AT

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

WHAT WE FOUND

Improper Verification for Veteran Dependent Tuition Waivers



The College awarded a Veteran Dependent Tuition Waiver two semesters in a row to a student, however documentation was not kept to verify the student was eligible for that waiver.

Read more on page 4

Proper Documentation Not Maintained



The College purchased a \$211,100 fuel oil boiler, records were not kept to verify that adequate bids were received.

Read more on page 5

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HAVE QUESTIONS? ASK US.

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Introduction

Dakota College at Bottineau

August 10, 2021

We are pleased to submit this audit of Dakota College at Bottineau 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.

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 the Dakota College at Bottineau 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.

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

PRIMARY OBJECTIVE

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

FINDING
2020-01

Improper Verification for Veteran Dependent Tuition Waivers

CONCLUSIONS

The College awarded a Veteran Dependent Tuition Waiver two semesters in a row to a student, however documentation was not kept to verify the student was eligible for that waiver. The total amount awarded was \$4,809. This area of concern was also noted in the 2018 audit.

BACKGROUND

Veteran Dependent Tuition Waivers are established to assist students who are military dependents. When policies are not followed, students who could have been eligible for this tuition waiver may not have the opportunity to be recognized.



The College awarded a Veteran Dependent **Tuition Waiver** two semesters in a row to a student, however documentation **was not kept** to verify the student was eligible for that waiver.

The College does not presently have established procedures to check that waiver requirements are met, and documentation is maintained.

State law (N.D.C.C. 15-10-18.2 and 15-10-18.3) sets specific criteria students are required to meet in order to be eligible for the North Dakota Veteran Dependent Tuition Waiver. State Board of Higher Education policy 820, states in part, institutions must adopt procedures for all waivers offered. At a minimum, institutional procedures must address eligibility, application process, selection criteria, awarding process, and monitoring.

RECOMMENDATION

We recommend Dakota College at Bottineau verify and retain support for awarding veteran dependent tuition waivers to ensure compliance with N.D.C.C. and State Board of Higher Education policy.

DAKOTA COLLEGE AT BOTTINEAU RESPONSE

Dakota College at Bottineau has updated their procedures and now include a template listing the required documentation to qualify for a ND Veteran Dependent Waiver. This procedure will become effective 8/1/2021.

Procurement Documentation Not Maintained

CONCLUSION

Documentation was not kept to verify that procurement occurred. In order to ensure procurement was correct, the College needs to retain supporting documentation.

BACKGROUND

The College purchased a \$211,100 fuel oil boiler, records were not kept to verify that adequate bids were received.



In order to ensure procurement was correct, the College needs to retain supporting **documentation.**

N.D.C.C. 54-46-05 part 2, requires each agency to maintain records containing proper documentation of the organization, decisions and essential transactions to protect the legal and financial rights of the state and persons affected by the agency's activities. According to the State's Record Management Program, Dakota College of Bottineau should be retaining bids for ten years after the current fiscal year.

Dakota College of Bottineau placed reliance on the engineering firm to maintain the required bidding records.

RECOMMENDATION

We recommend Dakota College at Bottineau properly retain records as required to ensure compliance with N.D.C.C.

DAKOTA COLLEGE AT BOTTINEAU RESPONSE

Dakota College at Bottineau has updated its procurement procedures to include a review by Minot State University Procurement staff for guidance on all procurement purchases more than \$10,000 prior to purchasing. Dakota College at Bottineau agrees to properly retain records as per N.D.C.C.

Audit Procedures

Primary Objective

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

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

Principle: Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

Principle: Management should implement control activities through policies.

COMPONENT: INFORMATION AND COMMUNICATION

Principle: Management should internally communicate the necessary quality information to achieve the entity's objectives.

COMPONENT: MONITORING ACTIVITIES

Principle: Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

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

- Verified that expenses, travel reimbursements and expenses, scholarships and waivers, purchase card reconciliations, journal entries, and journal vouchers were properly approved.
- Verified purchase card reconciliations didn't have excessive permissions and paperwork.
- Verified that journal entry and journal voucher transactions were prepared by an appropriate individual.
- Verified that faculty have valid and current contracts.
- Verified that student and/or teaching evaluations were being performed on faculty.
- Verified that annual performance evaluations were being performed on faculty.

There were no deficiencies identified.

SCOPE

Dakota College at Bottineau's sole location is its Bottineau campus, which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and projected the results to the population.
- Analyzed financial data in ConnectND to determine areas of risk.
- Interviewed appropriate agency personnel.
- Inspected documentary evidence.
- Tested compliance with appropriate laws and regulations (2019 House Bill 1003, Chapter 3, Sections 2, 10, and 25).
- Selected a random sample of travel expenses and

reimbursements to ensure they were made in compliance with law (N.D.C.C. 44-08-03, N.D.C.C. 44-08-04, and N.D.C.C. 54-06-09).

- Selected a random sample of expense vouchers and purchase card transactions to ensure they were made for lawful and official purposes (N.D.C.C. 44-08-05.1).
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines (N.D.C.C. 26.1-21-08 and N.D.C.C. 26.1-21-10(1)).
- Selected a random sample of scholarship and waiver expenses to ensure compliance with law (N.D.C.C. 15-10-12, N.D.C.C. 15-10-18, N.D.C.C. 54-12-35, N.D.C.C. 37-07.1).
- Ensured the proper amounts and uses of carryover funds were reported to the subsequent appropriation committee (N.D.C.C. 54-44.1-11).
- Selected a judgmental sample of faculty personnel files for compliance (N.D.C.C. 54-06-21).
- Selected a judgmental sample of procurement expenses for compliance with law and North Dakota University System procedures (N.D.C.C. 48-01.2, N.D.C.C. 54-44.4, and North Dakota University System procedure 803.1).
- Selected a random sample of journal entries and journal vouchers for proper preparation, approval, and coding.
- Selected a random sample of rates charged to students to ensure the proper rate and coding were used.

AUTHORITY AND STANDARDS

This biennial audit of the Dakota College at Bottineau 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 revenues, expenses and appropriation information for Dakota College at Bottineau 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 Findings 2020-01 and 2020-02 in this report, Dakota College at Bottineau 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?

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?

Except for Finding 2020-01 in this report, Dakota College at Bottineau 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 for Dakota College at Bottineau include the useful lives of capital assets, allowance for doubtful accounts, scholarship allowance, 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. Management's estimate of the allowance is based on aging categories. 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 other post-employment benefits liability is based on the actuary's calculation based on plan provision and census data for plan participants. We evaluated the key factors and assumptions used to develop the estimated useful lives, allowance for doubtful accounts, scholarship allowance, 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 Capital Management (HCM) and Campus Solutions are high-risk information technology systems critical to Dakota College at Bottineau. None of the exceptions identified in the six audit report questions are directly related to these systems.

Finances

Revenues and Expenses

REVENUES AND OTHER SOURCES	JUNE 30, 2020	JUNE 30, 2019
Student Tuition and Fees	\$ 2,156,579	\$ 1,991,188
Federal Grants and Contracts	2,160,637	1,739,640
State and Local Grants and Contracts	257,887	331,068
Nongovernmental Grants and Contracts	119,121	109,730
Sales and Services of Educational Departments	157,886	154,207
Auxiliary Enterprises	1,384,306	1,601,327
State Appropriations	3,813,409	3,782,532
Gifts	417,577	344,573
Endowment and Investment Income	129,320	143,799
Gain on Disposal of Capital Assets	2,353	-
State Appropriations - Capital Assets	343,492	24,300
Capital Grants and Gifts	18,661	-
Other Nonoperating Revenues	11,022	6,453
Total Revenue and Other Sources	\$ 10,972,250	\$ 10,228,817

Source: North Dakota University System Annual Financial Report

Continued on following page

Finances

Revenues and Expenses

EXPENSES AND OTHER USES	JUNE 30, 2020	JUNE 30, 2019
Salaries and Wages	\$ 6,576,698	\$ 6,219,879
Operating Expenses	4,170,455	3,046,691
Data Processing	102,745	179,722
Depreciation	429,658	428,307
Scholarships and Fellowships	623,909	530,877
CARES Act Aid to Students	66,580	-
Cost of Sales and Services	336,080	347,049
Interest on Capital Asset-Related Debt	2,684	4,767
Other	46,959	-
Total Expenses and Other Uses	\$ 12,355,768	\$ 10,757,292
Revenue Under Expenses	\$ (1,383,518)	\$ (528,475)

NET POSITION	JUNE 30, 2020	JUNE 30, 2019
Net Position-Beginning of the Year, as restated	\$ 9,916,966	\$ 10,438,498
Net Position-End of the Year	\$ 8,533,448	\$ 9,910,023

Source: North Dakota University System Annual Financial Report

Appropriations

For the Year Ended June 30, 2020

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Operating Expenses	\$ 21,812,922	\$ 13,205,723	\$ 8,607,199
Capital Assets	2,614,007	32,328	2,581,679
Capital Asset Carryover	1,147,106	300,022	847,084
Capital Building Fund	212,128	-	212,128
Totals	\$ 25,786,163	\$ 13,538,073	\$ 12,248,090

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General	\$ 8,887,932	\$ 4,145,759	\$ 4,742,173
Special	16,525,915	9,365,433	7,160,482
Federal	372,316	26,881	345,435
Totals	\$ 25,786,163	\$ 13,538,073	\$ 12,248,090

Source: ConnectND Financials

Appropriations

For the Year Ended June 30, 2019

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Operating Expenses	\$ 22,112,077	\$ 22,112,077	\$ -
Capital Assets	1,578,547	35,030	1,543,517
Capital Asset Carryover	193,799	150,928	42,871
Totals	\$ 23,884,423	\$ 22,298,035	\$ 1,586,388

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General	\$ 8,852,997	\$ 7,705,890	\$ 1,147,107
Special	15,031,426	14,592,145	439,281
Totals	\$ 23,884,423	\$ 22,298,035	\$ 1,586,388

Source: ConnectND Financials



Status of Prior Recommendations

Noncompliance Surrounding Faculty Personnel Files (Finding 18-01)

Implemented

Recommendation: We recommend that Dakota College at Bottineau perform evaluations and maintain an official personnel file as required to ensure compliance with N.D.C.C., State Board of Higher Education policy, and Dakota College at Bottineau's employee handbook.

Status: Implemented.

Noncompliance with Travel Expenses (Finding 18-02)

Implemented

Recommendation: We recommend Dakota College at Bottineau ensure proper documentation is attached for team travel expenses and that only the allowable Government Services Administration rate for lodging is reimbursed.

Status: Implemented.

Noncompliance over Student Waivers (Finding 18-03)

Not Implemented

Recommendation: We recommend Dakota College at Bottineau develop documented policies and retain adequate support for awarding student tuition waivers to ensure compliance with N.D.C.C. and State Board of Higher Education policy.

Status: Not Implemented. See Finding 2020-01.

Inefficiency Surrounding Purchase Card Transactions (Finding 18-04)

Implemented

Recommendation: We recommend Dakota College at Bottineau discontinue the additional paperwork and adhere to North Dakota University System procedures to properly and efficiently administer the purchase card program.

Status: Implemented.



Status of Prior Recommendations

Noncompliance with Procurement Rules (Finding 18-05)

Implemented

Recommendation: We recommend that Dakota College at Bottineau properly procure commodities and services in compliance with N.D.C.C. and North Dakota University System requirements.

Status: Implemented.




NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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