



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Dickinson State University

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

Client Code 239





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 high-risk or significant functions of the agency.

WHAT WE FOUND



Procurement Documentation Not Maintained

Because of missing documentation, our team was unable to determine if a total of \$334,705 of goods and services purchased were in compliance with state law and University policies and procedures.

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HAVE QUESTIONS? ASK US.

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Introduction

Dickinson State University

June 1, 2021

We are pleased to submit this audit of Dickinson State University 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 Dickinson State University 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.

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.

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 or high-risk functions of the agency?

FINDING
20-01

Procurement Documentation Not Maintained

CONCLUSION

Because of missing documentation, our team was unable to determine if a total of \$334,705 of goods and services purchased were in compliance with state law, North Dakota University System procedures, and Dickinson State University policy. The primary cause of the missing documentation was because of staff turnover.

Seven total purchases were not documented. The breakdown of dollar amounts were:

- **Four** purchases, totaling **\$91,768** fell into the \$10,000 to \$49,999 category, which requires bids from three or more vendors.
- **Two** purchases, totaling **\$136,886** fell into the \$50,000 - \$99,999 category, which requires bids solicited through the state's online procurement office website.
- **One** purchase of **\$106,051** was over \$100,000, which requires the use of formal sealed bids and posting to the state's online procurement office website.

BACKGROUND

Dickinson State University is required to follow North Dakota University System policies and procedures when procuring commodities and services. These policies stipulate

when bidding needs to occur for purchases over a certain dollar amount. The policies also require documentation of the bidding process to be maintained.

State law (N.D.C.C. 15-10-17 part 5) states that the State Board of Higher Education determines policy for purchasing by the North Dakota University System in coordination with the Office of Management and Budget as provided by N.D.C.C. 54-44.4.

North Dakota University System procedure 803.1 part 4 and Dickinson State University's purchasing policy 803.1, requires single item purchases from \$10,000 - \$49,999 to solicit bids from three or more vendors. Purchases from \$50,000 - \$99,999 require solicitation of bids through the state's online procurement office website. Purchases above \$100,000 must receive formal sealed bids, as well as being posted to the state's online procurement office website.



Because of missing documentation, our team was unable to determine if a total of **\$334,705 of goods and services** purchased were in compliance with state law.

RECOMMENDATION

We recommend that Dickinson State University maintain documentation of the procurement of goods and services in accordance with N.D.C.C., North Dakota University System procedures, and Dickinson State University policy.

DICKINSON STATE UNIVERSITY RESPONSE

Dickinson State University will carefully review the recommendation and any associated internal processes and procedures and will implement improvements where appropriate.

Audit Procedures

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documents and electronic data records. We planned our audit work to assess the design, implementation, and effectiveness of those internal controls that were significant to our audit objective. 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:

- Verified that expenses were approved by the controller.
- Verified that cardholder's supervisors approved purchase card expenses.
- Verified that the purchase card purchases were made only by the cardholder.
- Verified proper approval of travel expenses.
- Verified proper approval of journal entries.
- Verified distribution of student evaluations of adjunct faculty.

There were no deficiencies identified.

SCOPE

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

Dickinson State University's main campus is in Dickinson. Courses are also offered at Bismarck State College in Bismarck. Both locations were included in our audit scope.

METHODOLOGY

The criteria used to evaluate legislative intent are the laws as published in the North Dakota Century Code and the North Dakota Session Laws. Our team also worked to identify areas of high risk of non-compliance including the following listed below.

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population.
- Interviewed appropriate agency personnel.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.
- Inspected Dickinson State University policies and handbooks.
- Inspected Dickinson State University contracts.
- Tested compliance with appropriation laws and regulations. (2017 Senate Bill 2003, Chapter 28, Sections 3 and 18, 2017 House Bill 1015, Chapter 14, Section 7, and 2019 House Bill 1003 Sections 2, 4, 5, 10, 18, 25, and 29).
- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines (N.D.C.C. 26.1-21-08 & 26.1-21-10(1)).
- Selected a judgmental sample of purchases subject to procurement rules to ensure compliance with law.

(N.D.C.C. 54-44.4, N.D.C.C. 48-01.2, North Dakota University System procedure 803.1, and Dickinson State University policy 803.1).

- Selected a random sample of operating expenses to ensure expenses were within legal restrictions (N.D.C.C. 44-08-05.1).
- Selected a random sample of scholarship and waiver expenses to ensure compliance with law (N.D.C.C. 15-10-18, N.D.C.C. 37-07.1, N.D.C.C. 54-12-35, N.D.C.C. 15-10-12).
- Selected a random sample of travel expenses to ensure compliance with law. (N.D.C.C. 44-08-03, N.D.C.C. 44-08-04, N.D.C.C. 54-06-09).
- Reviewed Dickinson State University's policies on nepotism and conflict of interest (N.D.C.C. 12.1-03-03, N.D.C.C. 44-04-09, State Board of Higher Education policy 308.1, Dickinson State University policy 304.4.001).

AUTHORITY AND STANDARDS

This biennial audit of Dickinson State University 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 Dickinson State University 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?

Other than Finding 20-01 in this report, Dickinson State University complied 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 20-01 in this report, Dickinson State University 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 Dickinson State University 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 Dickinson State University. 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	\$ 7,573,207	\$ 6,763,826
Federal Grants and Contracts	2,919,025	2,501,971
State and Local Grants and Contracts	17,326	33,141
Nongovernmental Grants and Contracts	(2,218)	-
Sales and Services of Educational Departments	436,893	1,041,037
Auxiliary Enterprises	1,750,890	1,273,587
Other	-	104,960
State Appropriations	9,821,902	10,807,268
Gifts	901,836	836,564
Endowment and Investment Income	181,714	184,551
Gain on Disposal of Capital Assets	-	2,114,656
State Appropriations - Capital Assets	319,332	284,974
Capital Grants and Gifts	339,558	-
Other Nonoperating Revenues	98,906	388
Total Revenue and Other Sources	\$ 24,358,371	\$ 25,946,923

Source: North Dakota University System Annual Financial Report

Continued on the following page

Finances

Revenues and Expenses

EXPENSES AND OTHER USES	JUNE 30, 2020	JUNE 30, 2019
Salaries and Wages	\$ 18,025,304	\$ 19,085,300
Operating Expenses	5,320,021	5,965,823
Data Processing	260,145	392,340
Depreciation	1,631,504	1,542,225
Scholarships and Fellowships	741,263	727,393
CARES Act Aid to Students	320,047	-
Costs of Sales and Services	202	(525)
Interest on Capital Asset-Related Debt	191,580	295,492
Other	211,693	-
Total Expenses and Other Uses	\$ 26,701,759	\$ 28,008,048
Revenues Under Expenses	\$ (2,343,388)	\$ (2,061,125)

NET POSITION	JUNE 30, 2020	JUNE 30, 2019
Beginning of the Year as Restated	\$ 37,225,996	\$ 39,287,117
End of Year	\$ 34,882,608	\$ 37,225,992

Source: North Dakota University System Annual Financial Report

Appropriations

For the Year Ended June 30, 2020

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATION
Expenses by Line Item			
Operating Expenses	\$ 49,423,329	\$ 26,785,155	\$ 22,638,174
Capital Assets	409,078	253,820	155,258
Capital Improvements-Off System	537,724	-	537,724
Capital Building Fund	4,000,000	-	4,000,000
Teddy Roosevelt Digitization	750,000	367,500	382,500
Biennium Carryover	1,000,000	1,000,000	-
Totals	\$ 56,120,131	\$ 28,406,475	\$ 27,713,656
Expenses by Source			
General Fund	\$ 20,143,063	\$ 10,433,472	\$ 9,709,591
Special Funds	35,114,733	17,973,003	17,141,730
Federal Funds	862,335	-	862,335
Totals	\$ 56,120,131	\$ 28,406,475	\$ 27,713,656

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2019

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATION
Expenses by Line Item			
Operating Expenses	\$ 52,757,155	\$ 51,682,936	\$ 1,074,219
One-Time Operations and Debt	7,409,626	7,409,626	-
Capital Assets	409,078	409,078	-
Capital Assets-Carryover	1,259,974	1,259,974	-
Capital Projects-Off System-Carryover	1,925,781	-	1,925,781
Teddy Roosevelt Presidential Library	1,643,750	1,545,350	98,400
Teddy Roosevelt Digitization	550,000	-	550,000
Totals	\$ 65,955,364	\$ 62,306,964	\$ 3,648,400
Expenses by Source			
General Fund	\$ 31,494,740	\$ 27,846,340	\$ 3,648,400
Special Funds	34,460,624	34,460,624	-
Totals	\$ 65,955,364	\$ 62,306,964	\$ 3,648,400

Source: ConnectND Financials

Status of Prior Recommendations

Definition of Terms

Implemented

The department provided sufficient and appropriate evidence to support all elements of the recommendation.

Partially Implemented

Some evidence was provided, but not all elements of the recommendation were addressed.

Not Implemented - N/A

Circumstances changed to make a recommendation not applicable.

Not Implemented

Evidence did not support meaningful movement towards implementation, and/or where no evidence was provided.

Status of Prior Recommendations

Student Evaluations Not Performed (Finding 18-01)

Implemented

Recommendation: We recommend that Dickinson State University follow the policies in their Faculty and Adjunct Faculty Handbooks regarding the frequency of required student evaluations for adjunct faculty.

Status: Implemented.

Lack of Annual Operating Agreement with Edgewood Hawks Point (Finding 18-02)

Not Implemented - N/A

Recommendation: We recommend that Dickinson State University negotiate an annual agreement with Edgewood Hawks Point to set forth the terms under which Dickinson State University will provide Hawks Point residents with access to programs and services, and the payments that Dickinson State University and Dickinson State University Heritage Foundation are to receive for providing this access.

Status: Due to changes in the initial agreement, this annual operating agreement is no longer necessary.

Noncompliance with Contract Requirements (Finding 18-03)

Not Implemented - N/A

Recommendation: We recommend that Dickinson State University properly review contracts to ensure all required provisions are included and there have been no significant changes from the proposal.

Status: No significant new contracts were signed during the audit period. This recommendation will be followed up in a future audit.

Lack of Blanket Bond Coverage (Finding 18-04)

Implemented

Recommendation: We recommend that Dickinson State University obtain blanket bond coverage and ensure that coverage is renewed on a biennial basis.

Status: Implemented.

Status of Prior Recommendations

Improper Sharing of Purchase Cards (Finding 18-05)

Implemented

Recommendation: We recommend that Dickinson State University follow North Dakota University Systems procedures and not allow the sharing of purchase cards.

Status: A test of purchase card expenses was completed during this audit which resulted in no errors.

Noncompliance with Procurement Requirements (Finding 18-06)

Not Implemented

Recommendation: We recommend that Dickinson State University properly procure commodities and services in compliance with N.D.C.C., North Dakota University System procedures and Dickinson State University policies.

Status: A procurement recommendation was reissued during this audit. See Finding 20-01.

Improper Recording of a Retainage Payable (Finding 18-07)

Not Implemented - N/A

Recommendation: We recommend Dickinson State University properly record a retainage payable in PeopleSoft.

Status: There were no significant capital improvement projects started during our audit period which would require a retainage payable to be recorded.

Inadequate Nepotism and Conflict of Interest Policies (Finding 18-08)

Partially Implemented

Recommendation: We recommend that Dickinson State University develop and implement policies surrounding nepotism and conflicts of interest.

Status: Dickinson State University implemented a policy on Nepotism and Conflicts of interest on March 27, 2020. Under the policy, Dickinson State University employees would be required to submit forms annually beginning July 1, 2020. As this is outside our audit period, the submission of these forms will be tested during a future audit.



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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