



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Minot State University

For the Two-Year Period Ended June 30, 2020

Client Code 241





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

This audit did not identify any areas of concern.

TABLE OF CONTENTS

INTRODUCTION

Terms Used in Report 3

AUDIT RESULTS

Internal Control 4

Scope 4

Methodology 4

Authority and Standards 5

LAFRC COMMUNICATIONS

Responses to LAFRC Audit Questions 6

LAFRC Audit Communications 7

FINANCIALS

Revenues and Expenses 9

Appropriations 11

STATUS OF PRIOR RECOMMENDATIONS

All Prior Recommendations. 13

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HAVE QUESTIONS? ASK US.

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Introduction

Minot State University

July 22, 2021

We are pleased to submit this audit of Minot 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.

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 Minot 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.

ConnectND: The accounting system for North Dakota.

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.

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

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 design the entity's information system and related 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 journal entries were properly approved.

- Verified that expenses were properly approved by authorized employees.

- Verified proper approval of student scholarships and waivers.

- Reviewed access roles in PeopleSoft to ensure the proper employees had access to release health holds on students' accounts.

There were no deficiencies identified.

SCOPE

This audit of Minot State University is for the two-year period ended June 30, 2020. Minot State University's sole location is its Minot 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 Minot State University personnel.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.
- Reviewed Minot State University policies and procedures.
- Tested compliance with appropriation laws and regulations (2019 House Bill 1003, Chapter 28, Sections 2,10, 18, and 25).

- Reviewed adequacy of blanket bond coverage by comparing coverage to state bonding guidelines (N.D.C.C. 26.1-21-08 and 26.1-21-10(1)).
- Selected a random sample of journal entries to ensure supporting documentation was valid, properly coded and charged to the proper fiscal year.
- Selected a random sample of vouchers to ensure that expenses were made for lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a judgmental sample of purchases subject to procurement rules to ensure compliance with procurement laws (N.D.C.C. 54-44.4, N.D.C.C. 48-01.2).
- Selected a judgmental sample of capital construction projects to ensure compliance with procurement laws and procedures (N.D.C.C. 15-10-12.1, N.D.C.C. 48-01.2-02.1, N.D.C.C. 54-44.7 and North Dakota University System procedure 902).
- Selected a random sample of tuition and fees charged to students to ensure the approved rate was charged.
- 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).
- Selected a random sample of sales and services and auxiliary enterprises revenue to ensure it was properly coded and proper rate was charged.
- Reviewed all newly admitted international students for Spring 2020 term to ensure proper documentation was obtained regarding required tuberculosis testing.
- Ensured the proper amounts and uses of carryover funds were reported to the subsequent appropriation committee (N.D.C.C. 54-44.1-11).

AUTHORITY AND STANDARDS

This biennial audit of Minot 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 Minot 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?

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?

Minot 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 Minot 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 Minot State University.

Financials

Revenues and Expenses

| REVENUES AND OTHER SOURCES | JUNE 30, 2020 | JUNE 30, 2019 |
|---|----------------------|----------------------|
| Student Tuition and Fees | \$ 15,916,571 | \$ 16,037,352 |
| Federal Grants and Contracts | 7,283,708 | 6,818,112 |
| State and Local Grants and Contracts | 2,404,481 | 1,937,550 |
| Nongovernmental Grants and Contracts | 308,613 | 375,022 |
| Sales and Services of Educational Departments | 1,508,472 | 2,061,973 |
| Auxiliary Enterprises | 2,866,757 | 3,354,281 |
| Other | 124,155 | 122,824 |
| State Appropriations | 19,320,944 | 19,491,576 |
| Local Appropriations | - | 1,000,000 |
| Gifts | 2,343,158 | 1,899,322 |
| Endowment and Investment Income | 255,069 | 305,895 |
| Insurance proceeds | 30,214 | 122,859 |
| State Appropriations - Capital Assets | 545,969 | 426,241 |
| Capital Grants and Gifts | 849,668 | 808,218 |
| Other Nonoperating Revenues | - | 88,513 |
| Total Revenue and Other Sources | \$ 53,757,779 | \$ 54,849,738 |

Source: North Dakota University System Annual Financial Report

Continued on the next page

Financials

Revenues and Expenses

| EXPENSES AND OTHER USES | JUNE 30, 2020 | JUNE 30, 2019 |
|--|-----------------------|-----------------------|
| Salaries and Wages | \$ 36,920,350 | \$ 36,096,752 |
| Operating Expenses | 11,099,871 | 16,498,592 |
| Data Processing | 484,831 | 434,123 |
| Depreciation | 4,340,815 | 4,374,718 |
| Scholarships and Fellowships | 2,197,931 | 1,715,141 |
| CARES Act Aid to Students | 454,699 | - |
| Cost of Sales and Services | - | 752 |
| Interest on Capital Asset-Related Debt | 983,793 | 677,259 |
| Loss on Disposal of Capital Assets | 43,071 | 80,728 |
| Other | 361,801 | - |
| Total Expenses and Other Uses | \$ 56,887,162 | \$ 59,878,065 |
| Revenue Under Expenses | \$ (3,129,383) | \$ (5,028,327) |

| NET POSITION | | |
|---|---------------|---------------|
| Net Position-Beginning of the Year, as restated | \$ 80,580,152 | \$ 85,608,475 |
| Net Position-End of the Year | \$ 77,450,769 | \$ 80,580,148 |

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 | \$ 102,913,452 | \$ 58,025,892 | \$ 44,887,560 |
| Capital Assets | 1,099,620 | 528,977 | 570,643 |
| Capital Asset Carryover | 755,107 | - | 755,107 |
| Capital Building Fund | 1,145,602 | - | 1,145,602 |
| Totals | \$ 105,913,781 | \$ 58,554,869 | \$ 47,358,912 |

| EXPENSES BY SOURCE | FINAL APPROPRIATION | EXPENSES | UNEXPENDED APPROPRIATIONS |
|--------------------|-----------------------|----------------------|---------------------------|
| General | \$ 40,651,800 | \$ 19,849,921 | \$ 20,801,879 |
| Special | 64,673,602 | 38,650,850 | 26,022,752 |
| Federal | 588,379 | 54,098 | 534,281 |
| Totals | \$ 105,913,781 | \$ 58,554,869 | \$ 47,358,912 |

Source: ConnectND Financials

Continued on the next page

Appropriations

For the Biennium Ended June 30, 2019

| EXPENSES BY LINE ITEM | FINAL APPROPRIATION | EXPENSES | UNEXPENDED APPROPRIATIONS |
|-----------------------------------|-----------------------|-----------------------|---------------------------|
| Operating Expenses | \$ 118,395,006 | \$ 118,395,006 | - |
| Capital Assets | 1,416,612 | 144,513 | 1,272,099 |
| Plant Improvement Carryover | 1,980,561 | 1,253,925 | 726,636 |
| Capital Improvements - Off System | 2,284,000 | 1,077,023 | 1,206,977 |
| Operating Carryover | 12,295 | 12,295 | - |
| Totals | \$ 124,088,474 | \$ 120,882,762 | \$ 3,205,712 |
| EXPENSES BY SOURCE | FINAL APPROPRIATION | EXPENSES | UNEXPENDED APPROPRIATIONS |
| General | \$ 41,182,976 | \$ 40,427,869 | \$ 755,107 |
| Special | 82,905,498 | 80,384,893 | 2,520,605 |
| Totals | \$ 124,088,474 | \$ 120,812,762 | \$ 3,275,712 |

Source: ConnectND Financials



Status of Prior Recommendations

Noncompliance with SBHE's Immunization Policy and Related NDUS Procedure (Finding 18-01)

Implemented

Recommendation: We recommend Minot State University comply with the State Board of Higher Education's immunization policy and related North Dakota University System procedure.

Status: Implemented.

Limit Access to Release Student Health Holds (Finding 18-02)

Implemented

Recommendation: We recommend Minot State University limit access to release Student Health holds to Student Health Division employees responsible for tracking students who are immunized and those who are not.

Status: Implemented.

Noncompliance Purchasing Policies and Procedures (Finding 18-03)

Implemented

Recommendation: We recommend Minot State University comply with State Board of Higher Education's purchasing policy (803.1) and related North Dakota University System procedure when purchasing commodities and services.

Status: Implemented.

Noncompliance with Capital Project Bidding Requirements (Finding 18-04)

Implemented

Recommendation: We recommend Minot State University comply with bidding requirements related to capital projects.

Status: Implemented.



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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