



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

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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
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