



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota State College of Science

Audit Report for the Biennium Ended June 30, 2021

Client Code 238





WHAT WE LOOKED AT AND WHY

North Dakota state law requires that our team perform an audit once every two years. This includes a review of financial transactions and determining that expenses are correct. Our audit reports any errors, internal control weaknesses or potential violations of law identified in significant or high-risk functions of the agency.

WHAT WE FOUND

This audit did not identify any areas of concern.

TABLE OF CONTENTS

INTRODUCTION 2

Terms Used in Report 3

AUDIT RESULTS

Primary Objective 4

Conclusion 4

Authority and Standards 6

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Responses to LAFRC Audit Questions 7

LAFRC Audit Communications 8

FINANCIALS

Statement of Revenues, Expenses and Changes in Net Position 10

Statement of Appropriations 12

STATUS OF PRIOR RECOMMENDATIONS 13



**HAVE
QUESTIONS?
ASK US.**

**NORTH DAKOTA STATE
AUDITOR’S OFFICE**

600 E. Boulevard Ave. Dept. 117
Bismarck, North Dakota 58505

 701-328-2241

 NDSAO@nd.gov

 ND.gov/Auditor

 Facebook - [ndsao.link/ebs](https://www.facebook.com/ndsao.link/ebs)

 LinkedIn - [ndsao.link/wsw](https://www.linkedin.com/company/ndsao.link/wsw)

 YouTube - [ndsao.link/f2d](https://www.youtube.com/channel/ndsao.link/f2d)

Introduction

North Dakota State College of Science

May 31, 2022

We are pleased to submit this audit of the North Dakota State College of Science for the biennium ended June 30, 2021. 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 North Dakota State College of Science 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.

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?

CONCLUSION

No areas of concern were identified.



Audit Procedures

Primary Objective

INTERNAL CONTROL

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

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

- Verified journal entries were properly prepared based on adequate support.
- Verified expenses were properly approved.
- Verified journal entries were properly approved.
- Verified a reconciliation between the purchase card statement and receipts was performed.
- Verified purchase card reconciliations were properly approved.
- Verified proper approval of scholarships and waivers.
- Verified that faculty had valid, current contracts, and renewals.
- Verified supervisory and student evaluations were being performed.

- Verified a complete and central official personnel file record was maintained.

There were no deficiencies identified.

SCOPE

The North Dakota State College of Science has operations in the following locations. Each location was included in the audit scope:

- The main campus in Wahpeton.
- The Skills and Technology Training Center in Fargo.

METHODOLOGY

To meet this objective, we:

- Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that an appropriate sample was obtained.
- Interviewed appropriate agency personnel.
- Observed the North Dakota State College of Science's processes and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.
- Reviewed the North Dakota State College of Science policies and procedures.
- Tested compliance with appropriate laws and regulations (2019 House Bill 1003, Chapter 3, Sections 2, 10, 18, 25, 29, and 30).

- Selected a random sample of tuition and fees charged to students to ensure compliance with the approved rate and proper account coding.
- Selected a random sample of sales and services, auxiliary enterprises, and gift revenues to ensure transaction was properly coded and the proper rate was charged.
- Selected a random sample of expense vouchers to ensure that expenses were properly coded and made for lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a random sample of purchase card transactions to ensure that purchase card expenses were properly coded and made for lawful and official purposes (N.D.C.C. 44-08-05.1).
- Selected a judgmental sample of goods, services, and public improvements to ensure compliance with procurement laws and procedures. (N.D.C.C. 48-01.2, N.D.C.C. 54-44.4, N.D.C.C. 54-44.7, State Board of Higher Education policy 803.1).
- Selected a random sample of scholarship and waiver expenses to ensure the expense was properly coded and in compliance with law (N.D.C.C. 15-10, N.D.C.C. 54-12-35, N.D.C.C. 37-07.1, State Board of Higher Education policy 820).
- Selected a random sample of journal entries to ensure proper account coding.
- Tested a random sample of faculty contracts and personnel files for compliance with N.D.C.C. 54-06-21, State Board of Higher Education policies 604, 605 and 607, and the North Dakota State College of Science policies regarding contracts, evaluations, and compensation.

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 standards used to evaluate internal control are issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota State College of Science has been conducted by the Office of the State



Responses to LAFRC Audit Questions

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

The revenues, expenses and appropriation information for the North Dakota State College of Science 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?

The North Dakota State College of Science 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.

The most significant changes in accounting policies are related to the adoption of the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, in fiscal year 2021. 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 the North Dakota State College of Science 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 provisions and census date 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.

Continued on following page.

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 the North Dakota State College of Science. No exceptions were identified related to the operations of these high-risk information technology systems.

Financials

Revenues, Expenses, and Changes in Net Position

REVENUES AND OTHER SOURCES	JUNE 30, 2021	JUNE 30, 2020
Student Tuition and Fees	\$ 8,462,589	\$ 8,316,725
Federal Grants and Contracts	3,755,158	3,938,199
State and Local Grants and Contracts	684,139	743,900
Nongovernmental Grants and Contracts	114,445	-
Sales and Services of Educational Departments	3,478,883	2,898,926
Auxiliary Enterprises	8,747,285	6,856,943
Other	164,770	135,301
State Appropriations	18,129,643	17,400,000
Federal Grants and Contract Stimulus	7,512,050	372,629
Gifts	1,444,828	883,392
Endowment and Investment Income	898,358	930,366
Insurance Proceeds	-	13,042
State Appropriations - Capital Assets	1,488,962	268,994
Capital Grants and Gifts	135,600	21,868
Total Revenue and Other Sources	\$ 55,016,710	\$ 42,780,285

Source: North Dakota University System Annual Financial Report

Continued on following page.

Financials

Revenues, Expenses, and Changes in Net Position

EXPENSES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Wages	\$ 29,763,368	\$ 27,957,040
Operating Expenses	13,121,977	8,351,988
Data Processing	2,479,932	76,614
Depreciation	3,188,327	3,014,359
Scholarships and Fellowships	1,481,803	1,629,524
HEERF Act Aid to Students	907,117	358,762
Cost of Sales and Services	2,690,967	2,400,055
Interest on Capital Asset-Related Debt	276,040	290,496
Loss on Disposal of Capital Assets	2,690	407,033
Other	211,028	325,458
Total Expenses and Other Uses	\$ 54,123,249	\$ 44,811,329
Increase (Decrease) in Net Position	\$ 893,461	\$ (2,031,044)

NET POSITION	JUNE 30, 2021	JUNE 30, 2020
Net Position - Beginning of the Year, as Restated	\$ 61,863,812	\$ 63,832,651
Net Position - End of the Year	\$ 62,757,273	\$ 61,801,607

Source: North Dakota University System Annual Financial Report

Appropriations

For the Biennium Ended June 30, 2021

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPECTED APPROPRIATIONS
Operating Expenses	\$ 101,086,403	\$ 99,842,516	\$ 1,243,887
Capital Assets	759,284	704,736	54,548
Capital Assets-Carryover	1,133,632	327,190	806,442
Capital Building Fund	2,501,390	-	2,501,390
Totals	\$ 105,480,709	\$ 100,874,442	\$ 4,606,267

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPECTED APPROPRIATIONS
General	\$ 37,786,765	\$ 36,814,664	\$ 972,101
Special	62,586,047	59,068,659	3,517,388
Federal	5,107,897	4,991,119	116,778
Totals	\$ 105,480,709	\$ 100,874,442	\$ 4,606,267

Source: ConnectND Financials



Status of Prior Recommendations

Lack of Faculty Evaluation Criteria and Official Personnel File (Finding 19-01)

Implemented

Recommendation: We recommend that North Dakota State College of Science include in the faculty contract the criteria that is necessary to complete an annual evaluation and maintain an official personnel file.

Status: Implemented.



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

NORTH DAKOTA STATE AUDITOR'S OFFICE

600 E. Boulevard Ave. Dept. 117 | Bismarck, North Dakota 58505

 [ND.gov/Auditor](https://nd.gov/Auditor)

 NDSAO@nd.gov

 701-328-2241

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