



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Mayville State University

Audit Report for the Biennium Ended June 30, 2021

Client Code 240





WHAT WE LOOKED AT AND WHY

North Dakota state law requires our team to identify any errors, internal control weaknesses, or potential violations of law in high-risk or significant functions of the agency. We reviewed employee earnings which included a review of additional pay to employees as well as regular earnings. In addition, we reviewed the bank reconciliation and external systems reconciliation process.

WHAT WE FOUND

7 TOTAL AREAS
OF CONCERN

Inadequate Controls Surrounding Payroll



The University does not have adequate payroll training or internal controls around payroll, which resulted in MASU identifying over \$175,000 being overpaid to 15 employees.

Read more on page 5

Improper Additional Payroll



Seven employees received incorrect payments totaling approximately \$10,000 because the University employees did not have adequate training.

Read more on page 6

Inadequate Monthly Bank Reconciliations



The University is continuing to improperly prepare and approve bank reconciliations.

Recent unreconciled amounts ranged from \$975 to \$162,690.

Read more on page 7

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HAVE QUESTIONS? ASK US.

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Introduction

Mayville State University

May 20, 2022

We are pleased to submit this audit of Mayville State University 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 Mayville 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

Additional Pay: Used to process supplemental payroll in addition to an employee's regular earnings.

Additional Pay Screen: A feature within ConnectND that is used to process an employee's additional pay.

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

Employee Earnings

OBJECTIVE

Does Mayville State University have controls over, and are they properly processing, employee earnings?

CONCLUSION

Mayville State University (MASU) does not have adequate controls over and is not properly processing employee earnings.

BACKGROUND

Payroll is an integral part of MASU and makes up over 65% of the total expenses for our audit period.

During our audit period, MASU identified that they overpaid 15 employees over \$175,000 in earnings.

These overpayments were made in the form of improper additional pay transactions to employees.

There are legitimate reasons an employee can receive additional pay. It could be for teaching a course overload, teaching summer school, taking on a special project, interim assignments, and others.

When an employee receives additional pay, the department sends an additional pay request to the human resources department that outlines the employee that will receive the pay, the start and end dates of the additional pay, the amount to be paid, the goal amount (total amount that can be paid), the earning description, and the funding source. Each funding source requires its own form because they are entered into the additional pay system separately.

These forms are approved by various individuals in the employee's department and the human resources department.

MASU ran into many issues with the additional pay screen in ConnectND (the accounting system for North Dakota). Some additional pay entries were not being entered with an end date or goal amount. This allowed the additional pay to be paid out beyond the earning period and continue for as long as the employee was employed at MASU.



The University does not have adequate payroll training or internal controls around payroll, which resulted in MASU identifying over **\$175,000 being overpaid** to 15 employees.

Employees can be funded by multiple sources, such as grants, state appropriations, tuition dollars, and others. When an employees' pay source shifted, previous funding sources carried over into the additional pay system, which was another cause of overpayments.

MASU did not remove the funding sources that were no longer applicable under the new additional pay, which allowed the employee to continue to be paid out under the old funding, as well as the new funding.

Because the amount of pay can vary with each paycheck depending on the courses taught, employees of MASU would not necessarily notice additional pay that was incorrectly included.

Another issue that MASU encountered was not requiring supporting documentation or a log to be maintained when making changes and deletions to the additional pay screen in ConnectND.

Inadequate Controls Surrounding Payroll

WHAT HAPPENED

Our team looked at 32 additional pay transactions. We found:

- Six of 32 (19%) additional pay transactions tested were not approved.
- 20 of 32 (63%) additional pay changes were not approved.
- 17 of 32 (53%) additional pay changes did not have support to substantiate the change.
- All of the 32 regular earnings tested did not have an approved payroll register for the pay period.

We also found that the human resources department was able to go into the additional pay system and manually delete records of additional pay that was given.

MASU does not have adequate payroll training and does not keep a personnel file up to date for all employees. Without adequate controls over payroll, there is an increased risk that overpayments and improper payments to employees could be made.

North Dakota University System Accounting Manual states special payments processed by the payroll department (e.g., relocations, special engagements for other departments, supplemental pay, etc.) should be properly authorized, approved, and documented before payment. It also states procedures should be in place to ensure that only authorized additions, deletions or changes to employee information are allowed.

State law (N.D.C.C. 54-44.3-16) says that the designated personnel officer of each agency or department shall certify that each person holding a position in the classified service authorized for payment through payroll has been classified in accordance with this chapter and that the rate of pay is

within established current salary ranges.

North Dakota University System Accounting Manual states completed payroll registers should be reviewed and approved by appropriate financial management prior to disbursement. The review should be documented.

The Committee of Sponsoring Organizations of the Treadway Commission's publication Internal Control - Integrated Framework states an authorization affirms that a transaction is valid, an authorization typically takes the form of an approval by a higher level of management. It also states that effective documentation assists in capturing the design of internal control and communicating the who, what, when, where, and why of internal control execution.

RECOMMENDATION

We recommend that Mayville State University implement internal controls surrounding payroll, specifically:

- Approve all additional pay transactions.
- Approve all changes and/or deletions for additional pay.
- Ensure all changes and/or deletions are supported and documentation is maintained.
- Approve the payroll register for all pay periods.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. MASU controls surrounding payroll have been reviewed and appropriate procedures have been implemented.

Improper Additional Payroll

WHAT HAPPENED

MASU did not have adequate training relating to the entering of additional pay for employees. Because of this, employees were either overpaid or underpaid.

BACKGROUND

Our team found that MASU increased additional pay for employees without adequate documentation, which resulted in approximately \$10,000 of incorrect payments to seven additional employees.

The North Dakota University System Accounting Manual states that compensation to employees should be made at the authorized rate. Changes to compensation should be properly documented and authorized, according to policy.



Seven additional employees received **incorrect payments** totaling approximately **\$10,000**.

RECOMMENDATION

We recommend that Mayville State University properly pay all employees based on adequate documentation at the authorized rate.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. MASU documentation surrounding additional pay forms have been reviewed and appropriate procedures have been implemented.

Reconciliations

OBJECTIVE

Is Mayville State University properly reconciling bank statements and external systems to the underlying accounting records?

CONCLUSION

MASU is not properly reconciling bank statements and external systems to the underlying accounting records.

BACKGROUND

Reconciliation is a key part of accounting that compares two sets of data to make sure that they match each other. If differences are identified, they are investigated, the difference is documented, and if necessary corrected. The reconciliation process ensures the accuracy and validity of financial information as well as ensuring that unauthorized changes do not occur during processing.

Many types of reconciliations exist, with the most common being a bank reconciliation. Any errors or discrepancies noted during a reconciliation should be investigated and corrected in a timely manner. Reconciliation is a key monitoring control for any organization because they can catch and correct material misstatements before the external auditor.

Reconciliations should be documented, performed by someone who understands their responsibilities, and should be approved by an appropriate individual to verify the reconciliation has been completed properly. We looked at the following reconciliations: bank, payroll to general ledger, student finance to general ledger, and QuickBooks to student finance.

ConnectND is the primary accounting system for the state. Mayville also uses QuickBooks to help account for the child development program and perform billing functions.

Since it is not their main accounting software, it should be reconciled to the ConnectND system.

FINDING
2021-03

Inadequate Monthly Bank Reconciliations

WHAT HAPPENED

MASU did not take the time to reconcile the bank statements to the general ledger cash balance to a zero-dollar difference. If cash is not reconciled fully and reviewed every month, errors or misappropriations may occur and may not be detected in a timely manner. The general ledger and ultimately the financial statements may also be misstated. This issue was first identified in the 2019 audit.

We found Mayville State University is continuing to not properly approve bank reconciliations, properly support and correct reconciling items, and reconciling bank reconciliations to a zero dollar difference. In the four months we tested in fiscal year 2021, we noted unreconciled amounts ranging from \$975 to \$162,690.



Mayville State University is continuing to improperly prepare and approve bank reconciliations. Recent **unreconciled amounts** ranged from **\$975 to \$162,690**.

The Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control - Integrated Framework states control activities include approvals and reconciliations.

Proper internal control reduces the risk of asset loss and helps ensure the reliability of the financial statements. To adequately safeguard cash and ensure the reliability of the financial statements, monthly reconciliations of bank balances to the general ledger are imperative.

RECOMMENDATION

We recommend that Mayville State University approve reconciliations in a timely manner, support and correct reconciling items, and reconcile the bank statements and general ledger balances to a zero-dollar difference on a monthly basis.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. MASU personnel acknowledge the ongoing issue and were in the process of investigating the unreconciled balances during the audit. As a result, the campus leadership is fully committed to resolving this issue moving forward.

Since the completion of the audit, all unreconciled balances are being investigated with an anticipated completion date by September 1, 2022, and MASU is now completing bank reconciliations monthly and has implemented an approval process for bank reconciliations.

Inadequate Controls Surrounding System Reconciliations

WHAT HAPPENED

MASU did not take the time to investigate differences and document all system reconciliations. This could cause the general ledger or subsidiary ledgers to be misstated.

We found:

- There was no documentation to show that a QuickBooks to student finance reconciliation was performed for all six of the reconciliations we tested.
- The student finance to the general ledger reconciliation was not reconciled to a zero dollar difference, there was no documentation of who performed the reconciliation, and no approval of the reconciliation. In three out of the six months we tested, we noted that the unreconciled difference ranged from \$150 to \$10,100.
- In the eight payroll to general ledger reconciliations we tested, there was no documentation of who performed the reconciliation, approval of the reconciliation, and no date as to when the reconciliation was performed for all eight reconciliations.



In three out of the six months we tested, we noted that the **unreconciled difference** from student finance to the general ledger ranged from approximately **\$150 to \$10,100**.

BACKGROUND

The Committee of Sponsoring Organizations of the Treadway Commission's (COSO) publication Internal Control - Integrated Framework states reconciliations compare two or more data elements and if differences are identified, action is taken to bring the data into agreement. Reconciliations generally address the completeness or accuracy of processing transactions.

COSO also states supervisory controls assess whether other transaction control activities are being performed completely, accurately, and according to policy and procedures. Additionally, it states that management selects, develops and performs a mix of monitoring activities usually including both ongoing and separate evaluations, to ascertain whether each of the five components of internal control is present and functioning.

RECOMMENDATION

We recommend that Mayville State University:

- Perform and document a QuickBooks to student finance reconciliation.
- Reconcile student finance to the general ledger to a zero-dollar difference, document who performed the reconciliation and who approved the reconciliation.
- Document who performed the payroll to general ledger reconciliation, who approved the reconciliation, and when it was performed.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. MASU controls surrounding system reconciliations have been reviewed and appropriate procedures have been implemented. Reconciliations are being performed and formal approvals are documented.

Primary Objective

OBJECTIVE

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

CONCLUSION

We noted internal control weaknesses and noncompliance in Findings 2021-05, 2021-06, and 2021-07 relating to our objective.

FINDING
2021-05

Inadequate Controls Surrounding Journal Entries

WHAT HAPPENED

MASU did not maintain proper documentation for journal entries and were approving entries through work flow on ConnectND without any attached support, which is not a proper approval. Unauthorized or improper journal entries may be made if adequate controls are not in place.

We tested 32 journal entries and noted the following:

- Four did not have any support (13%).
- Eight lacked proper approval (25%).
- Six were not coded properly (19%).



18 of 32 journal entries tested didn't have support, approval, or proper coding.

BACKGROUND

The Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control - Integrated Framework states control activities include approvals. It also states effective documentation assists in capturing the design of internal control and communicating the who, what, when, where, and why of internal control execution.

The North Dakota University System Accounting Manual states, all journal entries should be properly documented and recorded in the general ledger. For non-system generated journal entries, proper and sufficient supporting documentation and approval should be retained with the journal entry.

RECOMMENDATION

We recommend that Mayville State University implement proper controls surrounding journal entries to ensure that they are properly supported, approved, and coded.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. MASU controls surrounding journal entries have been reviewed and appropriate procedures have been implemented.

Inadequate Controls Surrounding Purchase Cards

WHAT HAPPENED

Cardholders are not properly ensuring that proper signatures are documented on their monthly purchase card reconciliation. There are also not adequate controls to ensure approvals are being obtained. Because of this, MASU is not in compliance with State Board of Higher Education policies as well as North Dakota University System procedures.

Organizations use purchase cards (p-cards) so that employees with those cards can purchase goods or services. They are a credit card that employees can use to purchase items for their organization.

MASU does not have adequate controls surrounding purchase cards. Without proper controls, there could be improper purchase card purchases made by the cardholders.



Without adequate controls surrounding p-cards, there could be **improper or unapproved purchases** made by cardholders.

In our test of purchase cards, we noted that:

- Four out of 32 (13%) purchase card reconciliations sampled did not have a properly signed reconciliation by the cardholder.
- Four out of 32 (13%) purchase card reconciliations sampled were not properly approved by the cardholder's supervisor.

- Five out of 32 (16%) purchase card transactions were not in compliance with State Board of Higher Education policy 803.4 and North Dakota University System procedure 803.4. Specifically, three of the transactions had sales tax charged, one purchase had no support for the purchase, and one purchase did not have an itemized receipt.

BACKGROUND

North Dakota University System procedure 803.4(2)h states that cardholders should document the reconciliation by signing and dating the statement. The designated approver will document the review and approval by signing and dating the statement. It also states that purchases made by p-card holders are exempt from paying North Dakota sales tax. This applies to purchases made within the boundaries of the State of North Dakota or purchases shipped to North Dakota from an out of state vendor.

Card holders are responsible for informing merchants of the tax-exempt status before initiating a transaction and taking reasonable and documented efforts to avoid the charging of sales tax.

Procedure 803.4(2)d states that detailed documentation means the original and detailed documentation of the purchase include an itemized description of goods or services purchases.

The Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control - Integrated Framework states control activities include approvals and reconciliations.

RECOMMENDATION

We recommend that Mayville State University implement proper controls surrounding purchase cards to ensure that the purchase card reconciliations are properly signed by the cardholder, reconciliations are approved, and purchases are in compliance with State Board of Higher Education policy and North Dakota University System procedure 803.4.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. MASU will continue to provide training and review for all purchasing card transactions to ensure controls compliance.

eligibility, application process, selection criteria, awarding process, and monitoring.

RECOMMENDATION

We recommend Mayville State University develop documented procedures and retain adequate support for properly awarding student waivers to ensure compliance with State Board of Higher Education policy.

MAYVILLE STATE UNIVERSITY RESPONSE

Mayville State University agrees with the recommendation. Scholarship & waiver requirements have been updated and reviewed with the Financial Aid committee to ensure compliance.

FINDING
2021-07

Improper Awarding of Waivers

WHAT HAPPENED

MASU has inadequate procedures to ensure that tuition waiver requirements are met, and proper documentation is maintained. Without proper procedures in place, tuition waivers could be awarded to ineligible students. This is a reoccurring issue found in the 2019 audit.

We found MASU is still not properly developing criteria for tuition waivers, awarding waivers based on criteria, nor retaining adequate documentation that students have met stated waiver criteria.

We reviewed 32 scholarships or waivers, and noted the following:

- Two tuition waivers (6%) did not have documented criteria. The total dollar amount waived was \$4,260.
- Five housing waivers (16%) did not meet criteria, and did not have support for all criteria. All five were for the Birkelo room waiver. The total dollar amount waived was \$1,700.



Tuition waivers could be given to **ineligible** students if they **do not have documented support.**

BACKGROUND

State Board of Higher Education policy 820 states institutions must adopt procedures for all waivers offered. At a minimum, institutional procedures must address



Audit Procedures

Employee Earnings 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 employee's additional pay was approved.
- Ensured changes and deletions to an employee's additional pay is approved.
- Verified the authorization for employment and the current salary or wage rate.
- Verified approval for hourly employees' time cards.
- Verified the payroll register is reviewed and approved by an appropriate individual in a timely manner.

The deficiency was identified in Finding 2021-01.

SCOPE

MASU has its main location in Mayville and six regional child development locations. All the locations were included in the scope of this audit.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population. When applicable,

populations were stratified to ensure that an appropriate sample was obtained.

- Interviewed appropriate agency personnel.
- Observed MASU's processes and procedures.
- Inspected documentary evidence.
- Analyzed financial data in ConnectND to determine areas of risk.
- Selected a judgmental sample of additional pay earnings to verify that proper amount was paid and it agreed to the supporting documentation and proper start and end dates that were entered into ConnectND.
- Selected a judgmental sample of changes and deletions to additional pays to verify the change and/or deletion was proper and supported.
- Selected a random sample of regular earnings to verify the proper amount was paid, hourly employees' time cards agreed to hours paid, payroll checks agreed to the payroll register, and payroll register is being reviewed and certified (N.D.C.C. 54-44.3-16).
- Tested overpayments to the 15 employees identified by MASU to verify the employees were overpaid and the amount reported is correct.

Reconciliations 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 reconciliations were performed by an appropriate individual.
- Ensured reconciliations were dated and performed timely.
- Verified reconciliations were approved by an appropriate individual.

The deficiencies were identified in Findings 2021-03 and 2021-04.

SCOPE

Mayville State University has its main location in Mayville and six regional child development locations. All the locations were included in the scope of this audit.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population. When applicable, populations were stratified to ensure that an appropriate sample was obtained.
- Interviewed appropriate agency personnel.
- Observed MASU's processes and procedures.
- Inspected documentary evidence.

- Analyzed financial data in ConnectND to determine areas of risk.
- Selected a random sample of monthly bank reconciliations to ensure they were reconciled to a zero-dollar difference.
- Selected a random sample of payroll to the general ledger reconciliations to ensure they were reconciled to a zero-dollar difference.
- Selected a random sample of student finance to the general ledger reconciliations to ensure they were reconciled to a zero-dollar difference.
- Selected a random sample of QuickBooks to student finance reconciliations to ensure they were reconciled to a zero-dollar difference.

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 that expense vouchers were approved.
- Ensured that journal entries were prepared by an appropriate individual and were properly approved.
- Verified that journal vouchers were prepared by an appropriate individual and were properly approved.
- Verified that scholarships and waivers were properly approved.
- Verified that a timely reconciliation was performed between the purchasing card statements and the receipts.
- Verified that the purchasing card reconciliation was approved and signed in a timely manner.

The deficiencies were identified in Findings 2021-05 and 2021-06.

SCOPE

Mayville State University has its main location in Mayville and six regional child development locations. All the locations were included in the scope of this audit.

METHODOLOGY

To meet this objective, we:

- Used non-statistical sampling and the results were projected to the population. When applicable,

populations were stratified to ensure that an appropriate sample was obtained.

- Interviewed appropriate agency personnel.
- Observed Mayville State University's processes and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.
- Tested compliance with appropriation laws and regulations (2019 House Bill 1003, Chapter 3, Sections 2, 10, 18).
- Selected a random sample of expense vouchers to ensure that expenses were properly coded and made for lawful and official purposes (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 random sample of scholarships and waivers to ensure that the scholarship or waiver was properly coded and was in compliance with the scholarship or waiver criteria (N.D.C.C. 15-10-12, 15-10-18.2, 15-10-18.3, 15-10-18.4, 15-10-18.5, 54-12-35, 37-07.1, and State Board of Higher Education policy 820).
- Selected a random sample of other student finance expenses to ensure proper account coding and proper support.
- Selected a judgmental sample of purchases subject to procurement rules to ensure they were properly coded and in compliance with State Board of Higher Education policies, North Dakota University System procedures, and procurement laws (N.D.C.C. 54-44.4, N.D.C.C. 48-01.2).

- Selected a random sample of tuition and fees revenue to ensure proper account coding and compliance with the approved rates.
- Selected a random sample of sales and services and auxiliary revenues to ensure proper account coding.
- Selected a random sample of gifts to ensure proper account coding.
- Selected a random sample of journal vouchers to ensure proper account coding.
- Selected a random sample of journal entries to ensure proper account coding.
- Reviewed 100% of accounts receivable and loans receivable balances to determine propriety of the account balance and that the allowance amount was recorded properly.

AUTHORITY AND STANDARDS

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



Responses to LAFRC Audit Questions

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

The financial statements for Mayville State University 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 2021-01, 2021-02, and 2021-07 in this report, Mayville State University 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?

Other than Findings 2021-01, 2021-03, 2021-04, 2021-05, and 2021-06 in this report, 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?

Other than the findings of this report there were no indications of lack of efficiency in financial operations and management of Mayville State University.

5. HAS ACTION BEEN TAKEN ON FINDINGS AND RECOMMENDATIONS INCLUDED IN PRIOR AUDIT REPORTS?

Except for Findings 2021-03 and 2021-07, Mayville 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.

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 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 Mayville State University include the useful lives of capital assets, allowance for doubtful accounts, scholarship allowance, net pension liability and OPEB 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 OPEB 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, 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 Resource Management System (HRMS) and Campus Solutions are high-risk information technology systems critical to Mayville State University. None of the exceptions identified in the six audit report questions are directly related to these systems.

Financials

Revenues, Expenses, and Changes in Net Position

REVENUES AND OTHER ADDITIONS	JUNE 30, 2021	JUNE 30, 2020
State Appropriations	\$ 8,352,044	\$ 7,709,580
Federal Grants and Contracts	6,267,780	5,502,187
Student Tuition and Fees	5,793,973	5,652,030
Federal Grants and Contracts Stimulus	2,561,455	42,985
Auxiliary Enterprises	2,013,903	1,756,332
Sales and Services of Educational Departments	1,501,889	1,626,071
Gifts	646,339	482,323
State and Local Grants and Contracts	371,310	553,477
Endowment and Investment Income	351,303	346,182
Tax Revenues	243,784	213,883
State Appropriations - Capital Assets	46,055	54,020
Other	17,839	28,500
Insurance Proceeds	6,058	-
Total Revenues and Other Additions	\$ 28,173,732	\$ 23,967,570

Source: North Dakota University System Annual Financial Report

Continued on following page

Financials

Revenues, Expenses, and Changes in Net Position

EXPENSES AND OTHER DEDUCTIONS	JUNE 30, 2021	JUNE 30, 2020
Salaries and Wages	\$ 18,638,085	\$ 17,210,136
Operating Expenses	5,133,531	4,509,089
Depreciation	1,818,819	1,805,338
Scholarships and Fellowships	693,899	860,304
Data Processing	678,000	188,756
Costs of Sales and Services	438,782	564,781
HEERF Act Aid to Students	276,660	42,000
Interest on Capital Asset-Related Debt	149,660	213,964
Other	127,460	153,800
Loss on Capital Assets	9,880	1,242
Total Expenses and Other Deductions	\$ 27,964,776	\$ 25,549,410
Revenue Over (Under) Expenses	\$ 208,956	\$ (1,581,840)

NET POSITION	JUNE 30, 2021	JUNE 30, 2020
Net Position — Beginning of the Year, as restated	\$ 19,941,120	\$ 21,382,090
Net Position — End of the Year	\$ 20,120,076	\$ 19,800,250

Source: North Dakota University System Annual Financial Report

Financials

Changes in Fiduciary Net Position

ADDITIONS		JUNE 30, 2021
Sales and Services of Educational Departments		\$ 60,800
Total Additions		\$ 60,800

DEDUCTIONS		JUNE 30, 2021
Operating Expenses		\$ 55,774
Data Processing		4,222
Total Deductions		\$ 59,996
Operating Income		\$ 804
Increase in Net Position		\$ 804

NET POSITION		JUNE 30, 2021
Net Position — Beginning of the Year, as restated		\$ 80,281
Net Position — End of the Year		\$ 81,085

Source: North Dakota University System Annual Financial Report

Appropriations

For the Biennium Ended June 30, 2021

EXPENSES BY LINE ITEM	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Operating Expenses	\$ 55,577,464	\$ 55,577,464	\$ -
Capital Assets	1,958,992	-	1,958,992
Capital Assets-Carryover	206,781	199,344	\$7,437
Capital Building Fund	480,058	-	\$480,058
Totals	\$ 58,223,295	\$ 55,776,808	\$ 2,446,487

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General	\$ 18,227,397	\$ 16,260,968	\$ 1,966,429
Special	37,789,242	37,702,471	86,771
Federal	2,206,656	1,813,369	393,287
Totals	\$ 58,223,295	\$ 55,776,808	\$ 2,446,487

Source: ConnectND Financials

Status of Prior Recommendations

Definition of Terms

Implemented

The University 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

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



Status of Prior Recommendations

Review of Allowance for Doubtful Accounts (Finding 2019-01)

Implemented

Recommendation: We recommend Mayville State University evaluate the allowance for doubtful accounts to determine if the estimate is relevant, sufficient, and reliable.

Status: Implemented.

Noncompliance with Procurement Rules (Finding 2019-02)

Implemented

Recommendation: We recommend that Mayville State University properly procure commodities in compliance with N.D.C.C. and North Dakota University System procurement requirements.

Status: Implemented.

Improper Accounting for Loans Receivable and Allowance for Loans Receivable (Finding 2019-03)

Implemented

Recommendation: We recommend that Mayville State University properly record current and long-term loans receivable and the corresponding allowance amounts.

Status: Implemented.

Inadequate Monthly Bank Reconciliations (Finding 2019-04)

Not Implemented

Recommendation: We recommend that Mayville State University approve reconciliations in a timely manner, support reconciling items, and reconcile the bank statements and general ledger balances to a zero-dollar difference on a monthly basis.

Status: Not implemented. See Finding 2021-03.



Status of Prior Recommendations

Noncompliance and Lack of Approval Over Student Scholarships and Waivers (Finding 2019-05)

Partially Implemented

Recommendation: We recommend Mayville State University properly approve, develop documented policies and retain adequate support for awarding students' scholarship/waivers to ensure compliance with N.D.C.C. and the State Board of Higher Education policy.

Status: Partially Implemented. See Finding 2021-07.



Office of the
State Auditor

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