



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Williston State College

Audit Report for the Biennium Ended June 30, 2021

Client Code 229





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

Inadequate Bank Reconciliations



We found that the college is not reconciling bank statements to the general ledger.

Read more on page 5

Improper Awarding and Approval of Scholarships



Williston State College is not following scholarship awarding and approval requirements.

Read more on page 6

Not Following State Procurement Rules



The college is not following procurement rules for some large purchases.

Read more on page 7

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HAVE QUESTIONS? ASK US.

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Introduction



May 12, 2022

We are pleased to submit this audit of Williston State College 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 Williston State College 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 or high-risk functions of the agency?

CONCLUSION

Except for the findings identified in this report, no errors, internal control weaknesses, or potential violations of law were identified.

Inadequate Monthly Bank Reconciliations

CONCLUSION

Williston State College is not reconciling bank statements to the general ledger to a zero-dollar difference and is also not approving bank reconciliations on a monthly basis. In the four months of bank reconciliations we reviewed in fiscal year 2021, we found unreconciled balances ranging from approximately \$98,000 to \$239,000.

BACKGROUND

Bank statements need to be reconciled on a monthly basis. If this does not happen, there is potential for cash to be misreported and not detected timely. This is a standard practice with all organizations to make sure that dollars do not go missing. Williston State College has not been taking the time during the reconciliation process to investigate all differences.

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



In the four months of bank reconciliations we reviewed, we found **unreconciled balances** ranging from **\$98,000 to \$239,000.**

RECOMMENDATION

We recommend that Williston State College reconcile the bank statements to the general ledger cash balances to a zero-dollar difference and properly approve the bank reconciliation monthly.

WILLISTON STATE COLLEGE RESPONSE

Williston State College agrees with the recommendation. There was significant turnover in key WSC Business Office personnel in the fourth quarter of calendar year 2021. The new personnel identified the issue upon their arrival and were in the process of investigating the unreconciled balances during the course of the audit. It was found that proper bank reconciliations had not been completed since July 2019 and that this audit finding has been ongoing for over 10 years. As a result, the new leadership is fully committed to resolving this issue moving forward.

Since the completion of the audit, all unreconciled balances are being investigated and WSC is now completing bank reconciliations monthly and have implemented an approval process for bank reconciliations.

Improper Awarding and Approval of Scholarships

CONCLUSION

Our team pulled a random sample of 32 scholarships that were awarded during the audit period. Of the 32 scholarships that we reviewed, we found the following:

- Six were not in compliance with scholarship requirements. Each scholarship lists specific requirements that students need to meet in order to receive the scholarship. These requirements are not being followed.
- Three scholarships did not have documentation surrounding the approval of the scholarship. To ensure that requirements are met and the process is fair for all students, it's important for someone to approve the scholarship being awarded.

BACKGROUND

State law (N.D.C.C. 15-10-12) states that all money coming into the hands of the board as donations, gifts, grants, and bequests must be used for the specific purpose for which they are donated or given.

The Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control – Integrated Framework states in part that an authorization affirms that a transaction is valid (i.e., it represents an actual economic event or is within an entity's policy). An authorization is typically approved by management.



Each **scholarship lists requirements** for students to receive them. Without following the requirements, the scholarship **process is not fair** for all students.

RECOMMENDATION

We recommend that Williston State College properly award scholarships and maintain proper documentation of the approval for the student to receive the scholarship.

WILLISTON STATE COLLEGE RESPONSE

Williston State College agrees with the recommendation. Scholarship requirements have been updated and reviewed with the Financial Aid staff to ensure compliance. The scholarship approval process was also reviewed with the Financial Aid staff and the scholarships lacking approvals are no longer awarded by WSC.

Not Following State Procurement Rules

CONCLUSION

Williston State College is not following procurement rules when purchasing commodities and services. State law and the North Dakota University System require at least three bids for large purchases to make sure the best price and service is received. This concern was also identified in the 2017 and 2019 biennium audits.

In a sample of 10 procurement transactions that our team reviewed, we found that seven out of 10 procurement transactions totaling \$404,146 were not correctly procured.

BACKGROUND

State law (N.D.C.C. 15-10-17) states that the State Board of Higher Education may determine policy for purchasing by the 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 3 requires documentation of informal quotes/bids solicited from at least three vendors or a post on SPO Online with the appropriate state bidders list for commodity purchases greater than \$10,000 but less than \$50,000. If quotes are not received from at least three vendors, the Alternate Procurement Request form is required.

RECOMMENDATION

We recommend that Williston State College properly procure commodities in compliance with N.D.C.C. and North Dakota University System procurement procedures.

WILLISTON STATE COLLEGE RESPONSE

Williston State College agrees with the recommendation. There has been turnover in WSC personnel responsible for overseeing procurement compliance since the audit period. Since the beginning of calendar year 2022, WSC has significantly increased procurement training. All purchase card holders as well as other individuals who make purchases on behalf of the institution have taken the NDUS Procurement Certification Training. Additionally, several employees have taken advanced-level procurement training offered by the North Dakota Office of Management Budget.



Williston State is **not following** procurement rules for some **large purchases**.



Audit Procedures

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 segregated preparation and approval of expenses, journal entries, accounts payable journal vouchers, and bank reconciliations.
- Verified proper approval of scholarships and waivers.
- Verified proper approval and timely reconciliation between purchase card statements and receipts.
- Ensured that receipts were properly coded, reconciled to the daily summary by an independent individual, and deposits of cash and checks were made timely.

The deficiencies were identified in findings 2021-01 and 2021-02.

SCOPE

Williston State College's sole location is its Williston 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. When applicable, populations were stratified to ensure that an appropriate sample was obtained.

- Interviewed appropriate Williston State College personnel.
- Analyzed financial data in ConnectND to determine areas of risk.
- Inspected documentary evidence.
- Reviewed Williston State College's policies and procedures.
- Tested compliance with appropriation laws and regulations (2019 House Bill 1003, Chapter 3, Sections 2, 5, 10, 18, 25, 29, 30, and 31).
- Selected a random sample of vouchers to ensure expenses were properly coded and made for a lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a random sample of journal entries to ensure supporting documentation was valid and properly coded.
- Selected a random sample of tuition and fees charged to students to ensure the approved rate was charged and that it was properly coded.
- Selected a random sample of sales and services and auxiliary enterprises revenue to ensure it was properly coded and the proper rate was charged.
- 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 purchase card expenses to ensure the expense was properly coded, the expense was charged to the proper fiscal year, and made for a lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a random sample of receipts to ensure the daily cash proof sheet agrees to the receipt register, the deposit

ticket agrees to the actual deposit per the bank statement, any differences were properly supported, the amount received at the Bank of North Dakota agrees to the daily summary and the clearing account is properly transferred to the Bank of North Dakota monthly (N.D.C.C. 54-06-08.1).

- 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).
- Reviewed loans receivable and loans allowances balances to ensure they were properly recorded.
- Selected a random sample of bank reconciliations and student finance to general ledger reconciliations to ensure the reconciliations were properly performed.

AUTHORITY AND STANDARDS

This biennial audit of Williston State College 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 Williston State College 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 Finding 2021-03 in this report, Williston State College 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 and 2021-02 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?

No.

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

Except for finding 2021-03 in this report, Williston State College 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 used by Williston State College include useful lives of capital assets, allowance for uncollectible receivables, 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 for uncollectible receivables is based on aging categories and past history. 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 are based on the actuary's calculation based on plan provisions and census data for plan participants. We evaluated the key factors and assumptions used to develop the estimated useful lives, allowances, 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 Williston State College.

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 SOURCES	JUNE 30, 2021	JUNE 30, 2020
Student Tuition and Fees	\$ 1,487,493	\$ 1,308,357
Federal Grants and Contracts	1,396,707	1,608,739
State Grants and Contracts	601,101	422,297
Nongovernmental Grants and Contracts	79,133	33,426
Sales and Services of Educational Departments	1,657,449	3,276,656
Auxiliary Enterprises	1,754,784	1,903,210
Other	26,216	23,795
State Appropriations	5,284,971	5,284,471
Federal Grants and Contracts Stimulus	2,844,172	532,556
Gifts	2,749,392	3,167,554
Endowment and Investment Income	5,109	-
State Appropriations - Capital Assets	-	1,135,783
Capital Grants and Gifts	1,700,000	242,581
Total Revenue and Other Sources	\$ 19,586,527	\$ 18,939,425

Source: North Dakota University System Annual Financial Report

Continued on the following page

Financials

Revenues, Expenses, and Changes in Net Position

EXPENSES AND OTHER USES	JUNE 30, 2021	JUNE 30, 2020
Salaries and Wages	\$ 9,786,363	\$ 10,198,167
Operating Expenses	4,123,461	3,733,232
Data Processing	591,026	339,531
Depreciation	2,747,543	2,302,561
Scholarships and Fellowships	931,136	1,063,637
HEERF Act Aid to Students	182,291	159,802
Cost of Sales and Services	486,842	409,816
Endowment and Investment Income	-	511,696
Interest on Capital Asset-Related Debt	690,995	707,329
Loss on Disposal of Capital Assets	26,441	-
Other Nonoperating Expenses	58,839	4,378
Total Expenses and Other Uses	19,624,937	19,430,149
Revenue Under Expenses	\$ (38,410)	\$ (490,742)

NET POSITION	JUNE 30, 2021	JUNE 30, 2020
Net Position-beginning of the year, as restated	\$ 41,472,815	\$ 41,792,273
Net Position-end of the year	\$ 41,434,405	\$ 41,301,549

Source: North Dakota University System Annual Financial Report

Financials

Changes in Fiduciary Net Position

ADDITIONS		JUNE 30, 2021
Student Tuition and Fees		\$ 12,069
Sales and Services of Educational Departments		11,605
Gifts		5,617
Other Nonoperating Revenues		479
Total Additions		\$ 29,770

DEDUCTIONS		JUNE 30, 2021
Operating Expenses		\$ 19,876
Total Deductions		19,876
Operating Income		9,894
Increase in Net Position		\$ 9,894

NET POSITION		JUNE 30, 2021
Net Position-beginning of the year, as restated		\$ 55,952
Net Position-end of the year		\$ 65,846

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	\$ 45,414,346	\$ 45,414,346	\$ -
Capital Assets	1,657,570	593,403	1,064,167
Plant Improve-Carryover	301,046	300,036	1,010
Capital Assets - Off System	12,100,072	9,481,526	2,618,546
Capital Building Fund	1,775,894	1,111,111	664,783
Biennium Carryover	700,000	700,000	-
Totals	\$ 61,948,928	\$ 57,600,422	\$ 4,348,506

EXPENSES BY SOURCE	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
General	\$ 11,179,900	\$ 11,178,890	\$ 1,010
Special	49,056,664	44,709,169	4,347,495
Federal	1,712,364	1,712,363	1
Totals	\$ 61,948,928	\$ 57,600,422	\$ 4,348,506

Source: ConnectND Financials



Status of Prior Recommendations

Lack of Controls Surrounding Cash and Revenues (Finding 2019-01)

Implemented

Recommendation: We recommend Williston State College implement controls to ensure:

- o Adequate reconciliations are performed to completely reconcile student finance to the general ledger and the bank statements
- o The reconciliation of receipts to the daily summary is performed and completed by an independent individual.

Status: Implemented.

Not Following State Procurement Rules (Finding 2019-02)

Not Implemented

Recommendation: We recommend Williston State College properly procure commodities in compliance with N.D.C.C. and North Dakota University System procurement procedures.

Status: Not Implemented. See Finding 2021-03.



NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION

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