



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Dakota College at Bottineau

Audit Report for the Two-Year Period Ended June 30, 2022

Client Code 243





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

Improper Verification for Veteran Dependent Tuition Waivers



Dakota College at Bottineau is not verifying student eligibility for the veteran dependent tuition waiver.

Read more on page 4

Not Following State Procurement Rules



The college is not competitively seeking bids for various services and athletic clothing.

Read more on page 5

Inadequate Journal Entry Approval



Due to staffing shortages, we found three journal entries were not reviewed by a second staff member.

Read more on page 6

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HAVE QUESTIONS? ASK US.

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Introduction

▀ Dakota College at Bottineau

July 17, 2023

We are pleased to submit this audit of Dakota College at Bottineau for the two-year period ended June 30, 2022. 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 Dakota College at Bottineau's 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.

Construction Management at-Risk (CMaR): A construction manager who provides advice to the college during the planning and design phases of a public improvement and negotiates a contract with the college for the general construction bid package of the public improvement.

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?

specific criteria that a student is required to meet to be eligible for the North Dakota veteran dependent tuition waiver. Additionally, State Board of Higher Education policy 820 states in part that institutions must adopt procedures for all waivers offered. At a minimum, institutional procedures must address eligibility, the application process, selection criteria, awarding process, and monitoring.

RECOMMENDATION

We recommend Dakota College at Bottineau verify and retain support for awarding veteran dependent tuition waivers to ensure compliance with state law and State Board of Higher Education policy.

FINDING
2022-01

Improper Verification for Veteran Dependent Tuition Waivers

WHAT HAPPENED

The college is not verifying student eligibility for the veteran dependent tuition waiver. Because the verification process is not being followed, the waiver could have been awarded to ineligible students.

DAKOTA COLLEGE AT BOTTINEAU RESPONSE

Agree. DCB will implement procedures to verify and retain support for awarding veteran dependent tuition waivers.



Dakota College at Bottineau is **not verifying student eligibility** for the veteran dependent tuition waiver.

BACKGROUND

This has been an identified issue since the 2018 audit. Dakota College at Bottineau is continuing to not address this issue by not properly verifying and maintaining adequate support for the students who received the veteran dependent waiver. Our team found the veteran dependent waiver was awarded to three different students during this audit period, totaling \$5,082. There was inadequate support to substantiate the waivers awarded.

State law (N.D.C.C. 15-10-18.2 and 15-10-18.3) has

Not Following State Procurement Rules

WHAT HAPPENED

State law and University System procedures require colleges and universities to obtain bids for certain items. Bids are required to make sure the state is getting competitively priced items.

Our team found that the college is not competitively seeking bids for various services and athletic clothing.



The college is **not competitively seeking bids** for various services and athletic clothing.

BACKGROUND

Our team found the college did not follow the procurement rules for four of the 13 purchases that we checked, including:

- Two different purchases of buses for sports team travel, totaling \$28,175, were made without informal solicitations being performed.
- The college entered a four-year agreement for athletic clothing without performing formal solicitations. The total spent for the first two years was \$175,150.
- A request for qualifications (RFQ) was not properly established for renovations in the Knudson Student Center (a building for student activities and dining). Entities use a Construction Manager at Risk (CMaR) to give advice during improvement projects, negotiate

contracts with contractors, and ensure the guaranteed maximum price of the project is followed. RFQ's are required to compare qualifications to obtain the best services for the project.

North Dakota University System procedure 803.1, section 3a, states in part that reasonable estimated value must be assigned to a purchase to ensure that the proper level of authority, competition, and documentation is achieved.

North Dakota University System procedure 803.1, section 4, states in part that purchases between \$10,000 and \$50,000 require informal quotes/bids or proposals from at least three vendors. Purchases \$100,000 and over must utilize formal sealed bids or request for proposal.

State law (N.D.C.C. 48-01.2-20, section 3) states in part that the selection committee shall establish the content of the request for qualifications, which must include the qualifications evaluation criteria, the relative weighting of each, and the number of persons to be included in the final list.

RECOMMENDATION

We recommend Dakota College at Bottineau properly procure commodities and services in compliance with N.D.C.C. and North Dakota University System procurement procedures.

DAKOTA COLLEGE AT BOTTINEAU RESPONSE

Agree. DCB will properly procure commodities and service to ensure compliance with N.D.C.C. and the NDUS procurement procedures.

Inadequate Journal Entry Approval

WHAT HAPPENED

Without proper approval, incorrect entries could be made to the general ledger. It's important to keep correct entries in the general ledger as it serves as the main accounting record of an organization.

BACKGROUND

Dakota College at Bottineau was short-staffed after the retirement of an employee. Our team found that three of the 32 journal entries we reviewed were approved by the same person. It's important to have two people checking those journal entries to verify the information is correct.

The Committee of Sponsoring Organizations (COSO) of the Treadway Commission's Internal Control - Integrated Framework states that control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals.

The North Dakota University System accounting manual states in part that the basic principles of internal control include a review of journal entries and should be documented with the initials or signature of the reviewer and the date reviewed.



Without proper approval, **incorrect entries** could be made to the general ledger.

RECOMMENDATION

We recommend that Dakota College at Bottineau ensure journal entries are reviewed and properly approved by a person other than the person who entered it, and that the approval is documented.

DAKOTA COLLEGE AT BOTTINEAU RESPONSE

Agree. DCB will obtain the necessary signatures required for journal entries.

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 that expenses were properly approved.
- Verified that journal entries were prepared by an appropriate individual using proper support.
- Verified that journal entries were properly approved.
- Verified that scholarships and waivers were properly approved.

A deficiency was identified surrounding proper approval of journal entries, see Finding 2022-03.

SCOPE

Dakota College at Bottineau's sole location is its Bottineau campus, which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate Dakota College at Bottineau personnel.
- 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.

- Inspected documentary evidence.
- Reviewed Dakota College at Bottineau's policies and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Tested compliance with appropriation laws and regulations (2019 House Bill 1003, Chapter 3, Sections 2, 10, 25, 29, 31 and 2021 Senate Bill 2003, Chapter 31, Sections 2, 15).
- Judgmentally selected a sample of purchases subject to procurement rules to ensure they were properly coded and in compliance with procurement laws and procedures (N.D.C.C. 48-01.2, 54-44.4, 54-44.7, State Board of Higher Education policy 803.1, and North Dakota University System procedure 803.1).
- Selected a random sample of journal entries to ensure proper coding.
- Selected a random sample of scholarship and waiver expenses to ensure proper coding and compliance with the scholarship or waiver criteria (N.D.C.C. 15-10-12, 15-15-18.2-18.5, 37-07.1, and 54-12-35, and State Board of Higher Education policy 820).
- Selected a random sample of sales and service, auxiliary services, and gift revenues to ensure proper coding and the proper amount was charged.
- Selected a random sample of vouchers to ensure the expenses were properly coded, had adequate support, and were made for a lawful purpose (N.D.C.C. 44-08-05.1).
- Selected a random sample of tuition and fees to ensure proper coding and the correct amounts were charged (State Board of Higher Education policy 805.1, 805.3, and 805.6 and North Dakota University System procedure 805.1).

AUTHORITY AND STANDARDS

This biennial audit of Dakota College at Bottineau 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).

Financials

Revenues, Expenses, and Changes in Net Position

| REVENUES AND OTHER ADDITIONS | JUNE 30, 2022 | JUNE 30, 2021 |
|---|----------------------|----------------------|
| State Appropriations | \$ 4,411,927 | \$ 3,813,410 |
| Federal Grants and Contracts | 3,123,025 | 2,730,233 |
| Student Tuition and Fees | 2,768,788 | 2,416,251 |
| Auxiliary Enterprises | 1,442,029 | 1,315,297 |
| State Appropriations - Capital Assets | 457,939 | 603,895 |
| State Grants and Contracts | 332,832 | 434,736 |
| Gifts | 300,515 | 480,974 |
| Sales and Services of Educational Departments | 240,135 | 307,192 |
| Endowment and Investment Income | 144,405 | 124,348 |
| Capital Grants and Gifts | 130,744 | 82,860 |
| Nongovernmental Grants and Contracts | 110,684 | 265,638 |
| Other | 5,291 | 5,797 |
| Total Revenue and Other Additions | \$ 13,468,314 | \$ 12,580,631 |

Source: North Dakota University System Annual Financial Report

Continued on the following page

Financials

Revenues, Expenses, and Changes in Net Position

| EXPENSES AND OTHER DEDUCTIONS | JUNE 30, 2022 | JUNE 30, 2021 |
|--|----------------------|----------------------|
| Salaries and Wages | \$ 6,992,199 | \$ 7,011,311 |
| Operating Expenses | 3,556,825 | 3,641,527 |
| HEERF Act Aid to Students | 678,707 | 167,850 |
| Depreciation | 518,255 | 444,001 |
| Scholarships and Fellowships | 466,643 | 652,060 |
| Costs of Sales and Services | 389,694 | 357,042 |
| Data Processing | 199,226 | 226,137 |
| Other Nonoperating Expenses | 114,677 | 55,094 |
| Interest on Capital Asset-Related Debt | 64,106 | 68,582 |
| Loss on Disposal of Capital Assets | 5,475 | - |
| Total Expenses and Other Deductions | \$ 12,985,807 | \$ 12,623,604 |
| Revenue Over (Under) Expenses | \$ 482,507 | \$ (42,973) |

| NET POSITION | JUNE 30, 2022 | JUNE 30, 2021 |
|---|----------------------|---------------------|
| Net Position-Beginning of the Year, as Restated | \$ 9,719,780 | \$ 8,533,447 |
| Net Position-End of the Year | \$ 10,202,287 | \$ 8,490,474 |

Source: North Dakota University System Annual Financial Report

Financials

Changes in Fiduciary Net Position

| ADDITIONS | JUNE 30, 2022 | JUNE 30, 2021 |
|--|------------------|------------------|
| Sales and Service of Educational Departments | \$ 25,631 | \$ 37,167 |
| Gifts | 500 | 500 |
| Total Additions | \$ 26,131 | \$ 37,667 |

| DEDUCTIONS | JUNE 30, 2022 | JUNE 30, 2021 |
|---------------------------------|------------------|------------------|
| Operating Expenses | \$ 22,806 | \$ 33,810 |
| Salaries & Wages | 2,321 | 2,592 |
| Total Deductions | \$ 25,127 | \$ 36,402 |
| Operating Income | 1,004 | 1,265 |
| Increase in Net Position | \$ 1,004 | \$ 1,265 |

| NET POSITION | JUNE 30, 2022 | JUNE 30, 2021 |
|---|------------------|------------------|
| Net Position-beginning of the year, as restated | \$ 11,992 | \$ 10,727 |
| Net Position-end of the year | \$ 12,996 | \$ 11,992 |

Source: North Dakota University System Annual Financial Report

Appropriations

For the Biennium Ended June 30, 2021

| | FINAL APPROPRIATION | EXPENSES | UNEXPENDED APPROPRIATIONS |
|------------------------------|------------------------|----------------------|------------------------------|
| Expenses by Line Item | | | |
| Operating Expenses | \$ 27,127,073 | \$ 27,127,073 | \$ - |
| Capital Assets | 5,414,007 | 149,020 | 5,264,987 |
| Capital Asset Carryover | 1,147,106 | 912,708 | 234,398 |
| Capital Building Fund | 212,128 | - | 212,128 |
| Totals | \$ 33,900,314 | \$ 28,188,801 | \$ 5,711,513 |
| Expenses by Source | | | |
| General | \$ 8,887,932 | \$ 8,581,459 | \$ 306,473 |
| Special | 24,207,751 | 18,819,806 | 5,387,945 |
| Federal | 804,631 | 787,536 | 17,095 |
| Totals | \$ 33,900,314 | \$ 28,188,801 | \$ 5,711,513 |

Source: ConnectND Financials

Continued on the following page

Appropriations

For the Year Ended June 30, 2022

| | FINAL APPROPRIATION | EXPENSES | UNEXPENDED APPROPRIATIONS |
|------------------------------|------------------------|----------------------|------------------------------|
| Expenses by Line Item | | | |
| Operating Expenses | \$ 23,640,055 | \$ 13,568,614 | \$ 10,071,441 |
| Capital Assets | 4,114,007 | 270,004 | 3,844,003 |
| Capital Asset Carryover | 306,474 | 267,978 | 38,496 |
| Capital Assets Off System | 2,500,000 | 2,037,456 | 462,544 |
| Biennium Carryover | 17,095 | 17,095 | - |
| Totals | \$ 30,577,631 | \$ 16,161,147 | \$ 14,416,484 |
| Expenses by Source | | | |
| General | \$ 9,844,336 | \$ 4,821,791 | \$ 5,022,545 |
| Special | 20,716,200 | 11,322,261 | 9,393,939 |
| Federal | 17,095 | 17,095 | - |
| Totals | \$ 30,577,631 | \$ 16,161,147 | \$ 14,416,484 |

Source: ConnectND Financials



Status of Prior Recommendations

Improper Verification for Veteran Dependent Tuition Waivers (Finding 2020-01)

Not Implemented

Recommendation: We recommend Dakota College at Bottineau verify and retain support for awarding veteran dependent tuition waivers to ensure compliance with N.D.C.C. and State Board of Higher Education policy.

Status: Not Implemented. See Finding 2022-01.

Procurement Documentation Not Maintained (Finding 2020-02)

Implemented

Recommendation: We recommend Dakota College at Bottineau retain records as required to ensure compliance with the N.D.C.C.

Status: Implemented. Dakota College at Bottineau retained records to support procurement purchases as required by N.D.C.C.



Office of the
State Auditor


NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION


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