



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

Dickinson State University

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

Client Code 239





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

Procurement Documentation Not Maintained



Dickinson State University was not documenting procurement bids, which is required by state law.

Read more on page 4

Inadequate Support for Auxiliary Services



The University was missing \$12,312 in documentation for student housing contracts.

Read more on page 6

Insufficient Monthly Bank Reconciliations



They were not preparing and approving monthly bank reconciliations in a timely manner.

Read more on page 7

Improper Account Coding



Two accounts at the University were incorrectly recorded on the financial statements.

Read more on page 8

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HAVE QUESTIONS? ASK US.

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Introduction

Dickinson State University

July 24, 2023

We are pleased to submit this audit of Dickinson State University 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 Dickinson State University'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.

Auxiliary Services: Self-supporting operations at a university that exist to provide goods and services to students and staff and charge a fee directly related to the cost of those services. This could include housing, dining, and parking.

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.

FINDING
2022-01

Procurement Documentation Not Maintained

WHAT HAPPENED

State law and North Dakota University System procedures require a procurement process that must be followed when obtaining goods or services. A procurement process helps make sure a vendor is selected that best meets the needs of the entity and it also evaluates the value between competitors from bids.



Dickinson State University was **not documenting procurement bids.**

This is required by state law and the North Dakota University System

Dickinson State University is not documenting these bids. Because of that, our team was not able to determine that goods and services purchased were in compliance with

N.D.C.C., North Dakota University System procedures, and Dickinson State University policy.

BACKGROUND

Since 2017, we have noted Dickinson State University has not been following the procurement process. Dickinson State University is still not maintaining documentation of utilizing the procurement process. Our team found the University spent \$35,605 on a camera and audio system for the nursing program and without adequate procurement documentation we were unable to tell if procurement rules were followed.

The University was also using incomparable informal quotes to order \$28,129 worth of supplies including PPE supplies such as mask, gowns, and gloves. Because the quotes were not identical in the bid request, it was impossible to tell if the purchase was made competitively.

N.D.C.C. 54-44.4-11 part 2, states in part that small purchases must be made with competition that is practical under the circumstances.

North Dakota University System procedure 803.1 part 4 and Dickinson State University's purchasing policy 803.1, requires purchases from \$10,000-\$49,000 to solicit informal bids/quotes from three or more vendors and that documentation is required.

RECOMMENDATION

We recommend that Dickinson State University maintain documentation of the procurement of goods and services and comparable quotes are obtained to ensure purchases are made with the correct vendor in accordance with N.D.C.C., North Dakota University System procedures, and Dickinson State University's policy.

DICKINSON STATE UNIVERSITY RESPONSE

Management agrees with this recommendation. Management agrees that all appropriate documentation related to the procurement system needs to be maintained

in order to demonstrate that appropriate processes were followed. Since the time that the two (2) findings noted occurred, DSU has changed its procurement process to include Core Technology Services when the product exceeds \$10,000 and to also include the Assistant Attorney General when a contract or other agreement is also a part of the procurement. The review of procurement processes is an ongoing activity at DSU.

Inadequate Support for Auxiliary Services

WHAT HAPPENED

Without maintaining proper documentation for room and board contracts, students' accounts could have incorrect charges or credits posted to them.



The total amount in **missing documentation** was **\$12,312** for housing contracts.

BACKGROUND

Our team reviewed 32 auxiliary service transactions. Auxiliary services include services such as housing, the bookstore, and parking. Out of the sample we reviewed, six room and board transactions did not have adequate documentation to verify the charge or credit posted to the student's account. The total amount missing documentation was \$12,312. Dickinson State University was unable to locate copies of student-signed housing contracts.

The Dickinson State University Student Handbook states, in part, students will be required to sign a legally binding Room and Board Contract with Dickinson State University, prior to occupying their student residence.

Dickinson State University's policy 311.0.001 states, in part, that Dickinson State University acknowledges compliance with the current North Dakota Colleges/Universities General Records Retention Schedule.

RECOMMENDATION

We recommend that Dickinson State University maintain adequate support and adhere to the record retention policy, to substantiate charges and credits posted to student accounts.

DICKINSON STATE UNIVERSITY RESPONSE

Management agrees with the recommendation. At the time that these instances occurred, DSU was using a combination of paper and electronic agreements. Since then, DSU has implemented a fully electronic system for handling student room and meal plan contracts. Since the date of these transactions, DSU hired a new Director of Campus Life and a Housing Coordinator. These positions will be responsible for managing these transactions. DSU management has met with representatives from Residence Life and Business Affairs to ensure that the new process will address this recommendation.

Insufficient Monthly Bank Reconciliations

WHAT HAPPENED

In accounting, reconciliation is a way to double check bookkeeping. Reconciliations are important because they make sure the records that are being kept are correct. Entities perform reconciliations by comparing recorded financial amounts with the financial amounts shown on bank statements.

If this does not happen on a regular basis, there is opportunity for errors or fraud. There is also a risk of the general ledger and ultimately the financial statements being misstated. Dickinson State University is not preparing and approving monthly bank reconciliations in a timely manner.



Dickinson State University was **not preparing and approving** monthly bank reconciliations in a timely manner.

BACKGROUND

Our team found that from February 2022 through June 2022, Dickinson State University is not reconciling monthly bank statements to the general ledger cash balance.

The Committee of Sponsoring Organizations of the Treadway Commission publication Internal Control - Integrated Framework states in part, control activities are those actions that help ensure that responses to assessed risk are carried out properly and in a timely manner. Control activities include reconciliations and approvals.

North Dakota University System Accounting Manual

states in part, a monthly reconciliation between the balance per the financial institution's bank statement(s) and the balance per the general ledger must be completed. The account(s) must be reconciled to zero on a monthly basis with reconciling items identified and resolved in a timely manner. The reconciliations are to be reviewed by a designated campus finance official in a timely manner.

RECOMMENDATION

We recommend that Dickinson State University prepare and approve monthly bank reconciliations in a timely manner.

DICKINSON STATE UNIVERSITY RESPONSE

Management agrees with this recommendation. With the changeover in financial leadership during the 2022-2023 Academic Year and with the assistance of a previous Controller, the bank reconciliation process has now been worked through June 2023. As a result of the timing of the 2022-2023 Year End close, some of the entries needed to complete the reconciliation process will be posted in early part of the 2023-2024 Academic Year. None of the entries should have a material impact on the financial statements for either fiscal year. Current staff have been trained on the steps that should be followed when completing the reconciliation process.

Improper Account Coding

WHAT HAPPENED

Two accounts were incorrectly recorded on the financial statements. These items were:

- Nongovernmental grants and contract revenues
- Federal grants and contract revenues



Two accounts were **incorrectly recorded** on the financial statements.

BACKGROUND

Dickinson State University improperly coded one journal entry for the two accounts listed above. Our team found that nongovernmental grants and contract revenues was understated by \$3,764,800. And federal grants and contract revenues was overstated by \$3,764,800.

This was an oversight made by Dickinson State University when coding the grant and contract revenue.

North Dakota University System Accounting Manual states in part, grants and contracts should be classified to identify the source (federal, state or private) of the entity making the award to the institution for financial statement purposes. At year-end all grants and contracts need to be reviewed for proper year-end balances in the general ledger.

RECOMMENDATION

We recommend Dickinson State University properly code grant and contract revenues and review year-end balances to ensure financial statements are accurate.

DICKINSON STATE UNIVERSITY RESPONSE

Management agrees with this recommendation. DSU acknowledges that the account coding led to a misclassification of federal and private grant income, but not an understatement or overstatement of overall revenue. The original adjustment was made to move an appropriation to unearned revenue, however, in this process the incorrect revenue account was debited. The error was not found until the general ledger for the 2021-2022 Academic Year had been closed. With the general ledger closed, a correcting entry could not be made. This entry has since been corrected through the Prior Period adjustment process.



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.
- Verified that bank reconciliations were performed by an appropriate individual.
- Ensured that bank reconciliations were approved by appropriate individual.
- Verified that bank reconciliations were dated and performed in a timely manner.

A deficiency was identified surrounding insufficient monthly bank reconciliations, see Finding 2022-03.

SCOPE

Dickinson State University's sole location is its Dickinson campus, which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate Dickinson State University 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 Dickinson State University's processes, 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 4, 5, 25, 29, 30, 31, and 2021 Senate Bill 2003, Chapter 31, Sections 3 and 15).
- Selected a judgmental 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, North Dakota University System procedure 803.1, and Dickinson State University policy 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 (Dickinson State University's student handbook and Dickinson State University policy 311.0.001).
- 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 Dickinson 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).

Financials

Revenues, Expenses, and Changes in Net Position

REVENUE AND OTHER ADDITIONS	JUNE 30, 2022	JUNE 30, 2021
State Appropriations	\$ 9,687,564	\$ 10,214,040
Federal Grants and Contracts	8,746,198	5,417,244
Student Tuition and Fees	7,602,659	7,871,546
Auxiliary Enterprises	1,866,507	1,521,763
Gifts	1,673,429	1,386,294
State Appropriations - Capital Assets	1,588,461	3,553,232
Sales and Services of Educational Departments	550,363	458,624
Capital Grants and Gifts	272,757	78,593
Endowment and Investment Income	155,705	144,294
Other	92,372	90,844
State Grants and Contracts	5,450	38,290
Insurance Proceeds	-	1,240
Nongovernmental Grants and Contracts	(3,818,584)	(6,888)
Total Revenue and Other Additions	\$ 28,422,881	\$ 30,769,116

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	\$ 15,655,467	\$ 17,050,484
Operating Expenses	5,569,317	6,054,071
Depreciation	2,288,327	1,659,971
Data Processing	1,443,582	1,566,660
HEERF Act Aid to Students	1,080,000	627,550
Scholarships and Fellowships	885,152	763,396
Interest on Capital Asset-Related Debt	349,583	183,494
Other Nonoperating Expenses	103,944	166,169
Loss on Disposal of Capital Assets	-	10,665
Total Expenses and Other Deductions	\$ 27,375,372	\$ 28,082,460
Revenue Over Expenses	\$ 1,047,509	\$ 2,686,656

NET POSITION	JUNE 30, 2022	JUNE 30, 2021
Net Position-Beginning of the Year, as Restated	\$ 44,301,193	\$ 34,890,845
Net Position-End of the Year	\$ 45,348,702	\$ 37,577,501

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	\$ 16,760	\$ 19,916
Gifts	4,837	3,448
Other Nonoperating Revenues	-	315
Total Additions	\$ 21,597	\$ 23,679

DEDUCTIONS	JUNE 30, 2022	JUNE 30, 2021
Operating Expenses	\$ 27,302	\$ 24,152
Salaries & Wages	-	(1,329)
Total Deductions	\$ 27,302	\$ 22,823
Operating Income (Loss)	(5,705)	856
Increase (Decrease) in Net Position	\$ (5,705)	\$ 856

NET POSITION	JUNE 30, 2022	JUNE 30, 2021
Net Position-beginning of the year, as restated	\$ 54,258	\$ 53,403
Net Position - end of the year	\$ 48,553	\$ 54,259

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	\$ 55,883,234	\$ 55,571,494	\$ 311,740
Capital Assets	1,169,503	1,169,503	-
Capital Improvements - Off System	537,724	373,342	164,382
Capital Building Fund	4,000,000	3,427,763	572,237
Teddy Roosevelt Digitization	750,000	745,411	4,589
Biennium Carryover	1,000,000	1,000,000	-
Totals	\$ 63,340,461	\$ 62,287,513	\$ 1,052,948
Expenses by Source			
General	\$ 20,143,063	\$ 19,654,173	\$ 488,890
Special	40,851,159	40,851,159	-
Federal	2,346,239	1,782,181	564,058
Totals	\$ 63,340,461	\$ 62,287,513	\$ 1,052,948

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	\$ 50,826,060	\$ 26,831,199	\$ 23,994,861
Capital Assets	5,022,830	4,000,000	1,022,830
Capital Building Fund	4,474,674	-	4,474,674
Teddy Roosevelt Digitization	4,589	4,589	-
Biennium Carryover	1,048,359	1,048,359	-
Totals	\$ 61,376,512	\$ 31,884,147	\$ 29,492,365
Expenses by Source			
General	\$ 20,731,621	\$ 10,207,381	\$ 10,524,240
Special	36,080,834	17,112,709	18,968,125
Federal	4,564,057	4,564,057	-
Totals	\$ 61,376,512	\$ 31,884,147	\$ 29,492,365

Source: ConnectND Financials



Status of Prior Recommendations

Procurement Documentation Not Maintained (Finding 2020-01)

Not Implemented

Recommendation: We recommend that Dickinson State University maintain documentation of the procurement of goods and services in accordance with N.D.C.C., North Dakota University System procedures, and Dickinson State University policy.

Status: Not Implemented. See Finding 2022-01.



Office of the
State Auditor


NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION


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