



NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota University System Office

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

Client Code 215





WHAT WE LOOKED AT AND WHY

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

WHAT WE FOUND

This audit did not identify any areas of concern.



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HAVE QUESTIONS? ASK US.

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AUDITOR'S OFFICE**

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Introduction

North Dakota University System Office

June 6, 2023

We are pleased to submit this audit of the North Dakota University System Office 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 the North Dakota University System Office 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

No areas of concern were identified.



Audit Procedures

Primary Objective

INTERNAL CONTROL

We obtained an understanding of internal control through inquiries, observations, and inspection of documentation 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 general and special grant expenses were properly approved.
- Verified that journal entries were prepared by an appropriate individual using proper support.
- Verified that journal entries were properly approved.

There were no deficiencies identified.

SCOPE

The North Dakota University System Office has operations in the following locations. Each location was included in the audit scope.

- Bismarck office in the State Capitol.
- Core Technology Services in Fargo and Grand Forks.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Inspected documentary evidence.
- Analyzed financial data in ConnectND to determine areas of risk.
- 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.
- Reviewed the North Dakota University System Office's processes and procedures.
- Tested compliance with appropriation laws and regulations. (2021 Senate Bill 2003, Chapter 31, Sections 2 and 15 and 2021 Senate Bill 2345, Chapter 550, Section 1, #18).
- Selected a random sample of expenses to ensure that the supporting documentation was valid and that the expense was properly coded and made for a lawful and official purpose. (N.D.C.C. 44-08-05.1).
- Selected a judgemental sample of purchases subject to procurement rules to ensure 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, and North Dakota University System Procedure 803.1).
- Selected a random sample of journal entries to ensure supporting documentation was valid and properly coded.
- Selected a random sample of general and special grant expenses to determine whether the transaction was properly coded and in compliance with the grant for eligibility, purpose, and restrictions.

- Selected a random sample of rates charged to entities and verified that they were properly coded and billed for the proper amount.

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota University System Office 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
Student Tuition and Fees	\$ 4,510,997	\$ 5,089,955
Federal Grants and Contracts	2,489,193	1,692,018
Non-Governmental Grants and Contracts	5,000	-
Sales and Services of Educational Departments	1,690,993	1,657,018
State Appropriations	69,231,042	54,990,127
Gifts	353,500	379,360
Endowment and Investment Income	(131,335)	14,015
Other Non-Operating Revenues	25,332,721	17,838,828
Total Revenue and Other Additions	\$ 103,482,111	\$ 81,661,321

EXPENSES AND OTHER DEDUCTIONS	JUNE 30, 2022	JUNE 30, 2021
Salaries and Wages	\$ 18,141,252	\$ 18,524,528
Operating Expenses	13,108,463	13,057,736
Data Processing	2,780,101	2,663,849
Depreciation	397,826	452,647
Scholarships and Fellowships	18,068,956	17,557,008
General and Special Grant Expenses	32,242,660	28,483,506
Transfer to Industrial Commission	7,266,607	2,471,809
Total Expenses and Other Deductions	\$ 92,005,865	\$ 83,211,083
Revenue Over (Under) Expenses	\$ 11,476,246	\$ (1,549,762)

Source: North Dakota University System Office Annual Financial Report

Continued on the following page

Financials

Revenues, Expenses, and Changes in Net Position

NET POSITION	JUNE 30, 2022	JUNE 30, 2021
Net Position - Beginning of the Year, as Restated	\$ 8,013,130	\$ 9,562,891
Net Position - End of the Year	\$ 19,489,376	\$ 8,013,129

Source: North Dakota University System Office Annual Financial Report

Financials

Changes in Fiduciary Net Position

ADDITIONS	JUNE 30, 2022	JUNE 30, 2021
Sales and Services of Educational Departments	-	\$ 21
Total Additions	-	\$ 21

DEDUCTIONS	JUNE 30, 2022	JUNE 30, 2021
Operating Expenses	-	\$ 109
Total Deductions	-	\$ 109
Operating Loss	-	(88)
Decrease in Net Position	-	\$ (88)

NET POSITION		
Net Position - Beginning of the Year, as Restated	-	\$ 88
Net Position - End of the Year	-	-

Source: North Dakota University System Office Annual Financial Report

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATION
Expenses by Line Item			
Capital Assets	\$ 4,959,448	\$ 4,959,448	-
Tier III Capital Building Fund	2,415,945	-	2,415,945
Student Financial Assistance Grants	24,411,233	23,454,448	956,785
Veterans Assistance Programs	277,875	277,875	-
Scholars Program	2,186,330	1,716,060	470,270
Native American Scholarships	566,451	543,354	23,097
Technology	63,601,515	59,507,134	4,094,381
Education Challenge Fund	9,400,000	9,400,000	-
Education Incentive Program	510,000	510,000	-
Tribal Community College Grants	1,000,000	1,000,000	-
Academic and Technical Education Scholarships	15,260,278	14,838,000	422,278
Student Exchange	4,732,369	3,221,991	1,510,378
NASA EPSCOR	342,000	342,000	-
Student Mental Health	421,657	352,183	69,474
Competitive Research Program	5,685,750	5,685,750	-
Biennium Carryover	313,640	227,679	85,961
System Governance	11,280,867	7,885,130	3,395,737
Shared Campus Services	535,500	514,786	20,714
Totals	\$ 147,900,858	\$ 134,435,838	\$ 13,465,020

Source: ConnectND Financials

Continued on the following page

Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
Expenses by Source			
General	\$ 118,069,475	\$ 113,211,498	\$ 4,857,977
Federal	3,968,787	1,608,537	2,360,250
Special	25,862,596	19,615,803	6,246,793
Totals	\$ 147,900,858	\$ 134,435,838	\$ 13,465,020

Source: ConnectND Financials

Appropriations

For the Year Ended June 30, 2022

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATION
Expenses by Line Item			
Capital Assets	\$ 13,385,264	\$ 7,266,607	\$ 6,118,657
Tier III Capital Building Fund	555,556	555,556	-
Student Financial Assistance Grants	24,874,091	12,354,212	12,519,879
Veterans Assistance Programs	277,875	277,875	-
Scholars Program	2,277,384	890,765	1,386,619
Nursing Education Consortium	1,356,000	1,356,000	-
Native American Scholarships	578,420	288,965	289,455
Math Pathways	150,000	32,508	117,492
Technology	63,132,975	27,739,714	35,393,261
Education Challenge Fund	11,150,000	9,508,159	1,641,841
Education Incentive Program	260,000	260,000	-
Tribal Community College Grants	1,000,000	500,000	500,000
Academic and Technical Education Scholarships	16,639,027	7,652,500	8,986,527
Student Exchange	5,209,720	1,953,387	3,256,333
NASA EPSCoR	342,000	171,000	171,000
Student Mental Health	353,874	107,448	246,426
Competitive Research Program	5,685,750	2,842,875	2,842,875
Biennium Carryover	866,849	258,349	608,500
Dual-Credit Program	1,500,000	900,000	600,000

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			
System Governance	11,705,661	5,944,915	5,760,746
Shared Campus Services	820,715	295,675	525,040
Totals	\$ 162,121,160	\$ 81,156,510	\$ 80,964,650
Expenses by Source			
General	\$ 133,056,454	\$ 69,786,598	\$ 63,269,856
Federal	3,307,671	2,487,496	820,175
Special	25,757,035	8,882,416	16,874,619
Totals	\$ 162,121,160	\$ 81,156,510	\$ 80,964,650

Source: ConnectND Financials



Status of Prior Recommendations

Lack of Appropriation Carryover Reporting (Finding 20-01)

Implemented

Recommendation: We recommend the North Dakota University System Office comply with the N.D.C.C. and report all appropriation carryovers to the subsequent appropriations committee of the legislative assembly.

Status: Implemented. The North Dakota University System Office properly reported all appropriation carryover funds to the subsequent appropriations committee of the legislative assembly.



Office of the
State Auditor


NORTH DAKOTA STATE AUDITOR
JOSHUA C. GALLION


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