



# NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

## University of North Dakota

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

Client Code 230





## WHAT WE LOOKED AT AND WHY

North Dakota state law requires that our team perform an audit once every two years. This included 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.

Another area our audit team looked at was the University of North Dakota School of Medicine and Health Science's process of admitting students into the Medical Doctor program, based on their admission policies.

## WHAT WE FOUND

This audit did not identify any areas of concern.



# TABLE OF CONTENTS

## INTRODUCTION

Terms Used in Report . . . . . 3

## AUDIT RESULTS

Primary Objective . . . . . 4  
    Conclusion . . . . . 4  
Medical Doctor Admission Objective . . . . . 5  
    Conclusion . . . . . 5

## AUDIT PROCEDURES

Primary Objective . . . . . 6  
Medical Doctor Admission Objective . . . . . 8  
Authority and Standards . . . . . 8

## FINANCIALS

Revenues, Expenses, and Changes in Net Position . . . . . 9  
Changes in Fiduciary Net Position . . . . . 11  
Appropriations . . . . . 12  
Appropriations for Univeristy of North Dakota Medical School . . . . . 14

## STATUS OF PRIOR RECOMMENDATIONS







All Recommendations . . . . . 15



## HAVE QUESTIONS? ASK US.

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# Introduction

## University of North Dakota

August 7, 2023

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

**Admission:** The process of fact of entering or being allowed to enter an institution.

**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.

**Matriculate:** To be enrolled at a college or university.

**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 errors, internal control weaknesses, or potential violations of law were identified.



# Audit Results

## ▼ MEDICAL DOCTOR ADMISSION OBJECTIVE

Is the University of North Dakota School of Medicine and Health Sciences admitting students into the Medical Doctor program based on their admission policy?

## CONCLUSION

No findings were identified for matriculated students admitted into the Medical Doctor program as their admission policies were followed, according to our audit work.

# 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 expenses were properly approved.
- Verified that additional pay earnings were properly approved.
- Verified North Dakota State Board Higher Education approval was obtained for renovation/remodel or construction of a new building.
- Verified the Jaggaer e-procurement system controls were functioning as designed.

There were no deficiencies identified.

### SCOPE

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

- The main campus in Grand Forks, North Dakota.
- The School of Medicine & Health Science campus office in Grand Forks, Fargo, Bismarck, and Minot, North Dakota.

### METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency 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.
- Observed the University of North Dakota'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 2, 25, 29, 30, 31 and 2021 Senate Bill 2003, Chapter 31, Sections 3, 15, 16 (3), 20).
- Ensure the proper amounts and uses of capital building funds was reported to the appropriation committee (N.D.C.C. 15-54.1-02 -.04).
- Selected a random sample of private and state grant and contract awards to ensure expenses were made in line with the specific purpose of the grant/contract award (N.D.C.C. 15-10-12).
- Selected a random sample of gift revenues to ensure proper account coding and compliance with the gift agreement.
- Selected a random sample of expense vouchers to ensure supporting documentation was valid, expense was properly coded and made for lawful and official purpose (N.D.C.C. 44-08-05.1).
- Selected a judgmental sample of capital construction projects to ensure compliance with procurement laws and procedures (N.D.C.C. 15-10-12.1, N.D.C.C. 48-01.2, N.D.C.C. 54-44.7 and North Dakota University System procedure 902).
- Selected a judgmental sample of additional pay earnings to verify that proper amount was paid, it agreed to the



supporting documentation and proper start and end dates were entered into ConnectND.

- Verified that an annual inventory of fixed assets took place on selected departments (N.D.C.C. 44-04-07).
- Reviewed the journal entry approval process for Central Finance to see if the institution was in compliance with State Board Higher Education Policy 1202.1 Section 4. Part B. Paragraph V.

## Medical Doctor Admission Objective

### SCOPE

The scope for this objective was admissions of North Dakota School of Medicine and Health Science Medical Doctor program during fiscal years 2022 and 2021, which are the 2021 and 2020 classes, respectively.

The School of Medicine and Health Science Medical Doctor program admissions office is solely located at the School of Medicine and Health Science main campus in Grand Forks, North Dakota which was included in the audit scope.

### METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the Medical Doctors (MD) program admission's processes and procedures.
- Analyzed application data in the MedApp software (for 2020 class) and the WebAdMIT software (for 2021 class) to determine certain admission policy requirements were being met.
- Inspected documentary evidence.
- Selected a random sample of 40 MD program matriculated students to ensure compliance with admission policies and procedures:
  - Verified students meet coursework requirements and/or completion of bachelor's degree.
  - Verified successful completion of the Medical College Admission Test (MCAT).
  - Verified a primary application was submitted by the students.
  - Verified a second application was submitted by the students with the experience & attribute portfolio elements properly included.
  - Verified students was properly put into correct residency pool (North Dakota, Minnesota – Western Interstate Commission for Higher Education (MN/WICHE), Indians Into Medicine (INMED)).

- Verified students paid \$50 secondary application fee before being admitted.
- Verified students submitted the proper amount of Letters of Recommendation (LOR).
- Verified the proper amount of points were awarded on residency preference based on residency scoring scale.
- Verified the Admission Officer review was properly completed and totals were calculated correctly (pre-screen).
- Verified the Admission Committee (Electronic Vote Assessment) review was properly completed.
- Verified the applicant participated in the regular 3-person interview committee and was scored within the interview's rubric.
- Verified the applicant received full committee scoring within full-committee rubric and was properly placed in respective residence pool along with correct ranking associated with final score.
- Verified the applicant completed the Computer-Based Assessment for Sampling Personal Characteristics (CASPER) testing and score was on file.

### AUTHORITY AND STANDARDS

This biennial audit of the University of North Dakota 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	\$ 188,709,679	\$ 179,461,038
Federal Grants and Contracts	124,006,605	116,127,543
State Appropriations	106,497,912	104,987,673
Sales and Services of Educational Departments	47,443,182	36,267,345
Auxiliary Enterprises	31,027,051	23,934,266
State Grants and Contracts	30,517,029	36,732,556
Capital Grants and Gifts	27,674,766	8,479,106
Nongovernmental Grants and Contracts	26,082,124	20,131,515
Gifts	14,461,522	14,455,074
State Appropriations - Capital Assets	9,774,566	20,622,942
Tax Revenues	5,381,766	5,260,141
Endowment and Investment Income	2,444,877	8,236,232
Insurance Proceeds	609,018	(25,572)
Other	285,440	414,948
<b>Total Revenue and Other Sources</b>	<b>\$ 614,915,537</b>	<b>\$ 575,084,807</b>

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	\$ 327,663,470	\$ 331,095,472
Operating Expenses	138,629,764	136,825,878
Depreciation	29,952,206	27,243,925
Interest on Capital Asset-Related Debt	15,850,692	11,833,408
Scholarships and Fellowships	11,602,945	9,803,948
HEERF Act Aid to Students	10,200,800	2,589,400
Data Processing	9,723,656	12,497,768
Costs of Sales and Services	6,713,546	8,156,864
Loss on Disposal of Capital Assets	3,960,547	3,180,369
Other Nonoperating Expenses	3,719,330	3,204,525
<b>Total Expenses and Other Deductions</b>	<b>\$ 558,016,956</b>	<b>\$ 546,431,557</b>
<b>Revenue Over Expenses</b>	<b>\$ 56,898,581</b>	<b>\$ 28,653,250</b>

NET POSITION	JUNE 30, 2022	JUNE 30, 2021
Net Position-Beginning of the Year, as Restated	\$ 624,402,563	\$ 591,922,113
<b>Net Position-End of the Year</b>	<b>\$ 681,301,144</b>	<b>\$ 620,575,363</b>

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	\$ 160,065	\$ 54,250
Gifts	-	95
<b>Total Additions</b>	<b>\$ 160,065</b>	<b>\$ 54,345</b>

DEDUCTIONS	JUNE 30, 2022	JUNE 30, 2021
Salaries & Wages	\$ (703)	\$ 703
Operating Expenses	123,193	37,925
Data Processing	-	1,529
<b>Total Deductions</b>	<b>\$ 122,490</b>	<b>\$ 40,157</b>
Operating Income	37,575	14,188
<b>Increase in Net Position</b>	<b>\$ 37,575</b>	<b>\$ 14,188</b>

NET POSITION	JUNE 30, 2022	JUNE 30, 2021
Net Position - Beginning of the Year, as Restated	\$ 293,677	\$ 279,490
<b>Net Position - End of the Year</b>	<b>\$ 331,252</b>	<b>\$ 293,678</b>

Source: North Dakota University System Annual Financial Report

# Appropriations

For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
<b>Expenses by Line Item</b>			
Operating Expenses	\$ 957,271,825	\$ 957,271,825	\$ -
Capital Assets	4,411,566	4,395,084	16,482
Capital Asset-Carryover	9,807,792	9,807,792	-
Capital Asset - Off System	203,078,778	91,424,640	111,654,138
Capital-Off System-Carryover	21,611,434	6,222,325	15,389,109
Capital Building Fund	15,473,602	15,473,602	-
<b>Totals</b>	<b>\$ 1,211,654,997</b>	<b>\$ 1,084,595,268</b>	<b>\$ 127,059,729</b>
<b>Expenses by Source</b>			
General	\$ 158,639,947	\$ 158,623,465	\$ 16,482
Special	1,032,030,284	905,042,313	126,987,971
Federal	20,984,766	20,929,490	55,276
<b>Totals</b>	<b>\$ 1,211,654,997</b>	<b>\$ 1,084,595,268</b>	<b>\$ 127,059,729</b>

Source: ConnectND Financials

# Appropriations

## For the Year Ended June 30, 2022

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
<b>Expenses by Line Item</b>			
Operating Expenses	\$ 902,173,330	\$ 566,712,862	\$ 335,460,468
Capital Assets	73,411,566	4,767,245	68,644,321
Capital Asset-Carryover	16,482	16,482	-
Capital-Off System-Carryover	105,025,726	43,237,093	61,788,633
Capital Building Fund	15,473,602	3,874,437	11,599,165
<b>Totals</b>	<b>\$ 1,096,100,706</b>	<b>\$ 618,608,119</b>	<b>\$ 477,492,587</b>
<b>Expenses by Source</b>			
General	\$ 154,943,607	\$ 74,808,880	\$ 80,134,727
Special	876,157,099	542,123,000	334,034,099
Federal	65,000,000	1,676,239	63,323,761
<b>Totals</b>	<b>\$ 1,096,100,706</b>	<b>\$ 618,608,119</b>	<b>\$ 477,492,587</b>

Source: ConnectND Financials

Continued on the following page

# Appropriations

## University of North Dakota Medical School For the Biennium Ended June 30, 2021

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
<b>Expenses by Line Item</b>			
Operating Expenses	\$ 213,244,364	\$ 186,827,715	\$ 26,416,649
Health Care Workforce	10,676,150	10,676,150	-
<b>Totals</b>	<b>\$ 223,920,514</b>	<b>\$ 197,503,865</b>	<b>\$ 26,416,649</b>
<b>Expenses by Source</b>			
General	\$ 64,883,503	\$ 64,883,503	\$ -
Special	159,037,011	132,620,362	26,416,649
<b>Totals</b>	<b>\$ 223,920,514</b>	<b>\$ 197,503,865</b>	<b>\$ 26,416,649</b>

## For the Year Ended June 30, 2022

	FINAL APPROPRIATION	EXPENSES	UNEXPENDED APPROPRIATIONS
<b>Expenses by Line Item</b>			
Operating Expenses	\$ 220,357,179	\$ 102,220,232	\$ 118,136,947
Health Care Workforce	10,676,150	5,338,075	5,338,075
<b>Totals</b>	<b>\$ 231,033,329</b>	<b>\$ 107,558,307</b>	<b>\$ 123,475,022</b>
<b>Expenses by Source</b>			
General	\$ 68,122,959	\$ 33,887,146	\$ 34,235,813
Special	162,910,370	73,671,161	89,239,209
<b>Totals</b>	<b>\$ 231,033,329</b>	<b>\$ 107,558,307</b>	<b>\$ 123,475,022</b>

Source: ConnectND Financials





# Status of Prior Recommendations

## Lack of Departmental Fixed Asset Inventory (Finding 2020-01)

Implemented

**Recommendation:** We recommend the University of North Dakota ensure that fixed asset inventory is done on an annual basis in order to be in compliance with N.D.C.C. 44-04-07 and to help safeguard fixed assets.

**Status:** Implemented. The University provided sufficient and appropriate evidence to support all elements of the recommendation.

## Lack of Official Personnel File for Faculty (Finding 2020-02)

Implemented

**Recommendation:** We recommend that the University of North Dakota maintain a centrally located, official personnel file to ensure compliance with N.D.C.C. and the University of North Dakota's faculty handbook.

**Status:** Implemented. The University provided sufficient and appropriate evidence to support all elements of the recommendation.

## Improper Construction Management at-Risk Selection Process (Finding 2020-03)

Implemented

**Recommendation:** We recommend that the University of North Dakota review the construction management at-risk selection process to ensure compliance with the N.D.C.C.

**Status:** Implemented. The University provided sufficient and appropriate evidence to support all elements of the recommendation.



Office of the  
State Auditor


NORTH DAKOTA STATE AUDITOR  
JOSHUA C. GALLION


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