

DICKINSON STATE  
UNIVERSITY

DICKINSON, NORTH DAKOTA

**Audit Report**

For the Biennium Ended  
June 30, 2013

ROBERT R. PETERSON  
STATE AUDITOR



Office of the State Auditor  
Division of State Audit

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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

## ***Transmittal Letter***

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March 26, 2014

The Honorable Jack Dalrymple, Governor  
Members of the North Dakota Legislative Assembly  
North Dakota State Board of Higher Education  
Dr. D.C. Coston, President, Dickinson State University

We are pleased to submit this audit of Dickinson State University for the biennium ended June 30, 2013. 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.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Cory Wigdahl, CFE. John Grettum, CPA was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7289. We wish to express our appreciation to President Coston and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Peterson".

Robert R. Peterson  
State Auditor

# ***Executive Summary***

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## ***Introduction***

Dickinson Normal School was created in 1916 by a constitutional amendment approved by North Dakota voters. Classes began in 1918 with a two-year program designed to train elementary and secondary teachers. In 1931, four-year degrees were offered for the first time under the school's new name, Dickinson State Teachers College. In recognition of the institution's broadened curriculum, Dickinson State Teachers College became Dickinson State College in 1963. University status was granted in 1987 as the progression of education in the West River region was recognized by the State Board of Higher Education.

The Legislative Audit and Fiscal Review Committee (LAFRC) requests certain items be addressed by auditors performing audits of state agencies. Those items and the Office of the State Auditor's responses are noted below.

## ***Responses to LAFRC Audit Questions***

### *1. What type of opinion was issued on the financial statements?*

The financial statements for Dickinson State University were included in the Annual Financial Report of the North Dakota University System, 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?*

Yes.

### *3. Was internal control adequate and functioning effectively?*

Yes.

### *4. Were there any indications of lack of efficiency in financial operations and management of the agency?*

Yes, there were indications of a lack of efficiency in financial operations and management of Dickinson State University that included "Inadequate Controls for Student Residency Determinations" (page 13), and "Inadequate Controls Surrounding Student Enrollment Reporting" (page 14).

### *5. Has action been taken on findings and recommendations included in prior audit reports?*

Yes, all recommendations have been implemented.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter containing two findings addressing cash and non-cash adjustment segregation of duties and tuition waiver controls was issued and is included on page 16 of this report, along with management's positive response.

### **LAFRC Audit Communications**

7. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

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 Dickinson State University include: useful lives of capital assets, and allowance for uncollectible receivables. 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. We evaluated the key factors and assumptions used to develop the estimated useful lives and allowances in determining that it is 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.

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 Resource Management System (HRMS), and Campus Solutions are high-risk information technology systems critical to Dickinson State University. No exceptions related to the operations of an information technology system were noted.

# ***Audit Objectives, Scope, and Methodology***

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## ***Audit Objectives***

The objectives of this audit of Dickinson State University for the biennium ended June 30, 2013 were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of Dickinson State University's operations and is internal control adequately designed in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to Dickinson State University and are they in compliance with these laws?
3. Are there areas of Dickinson State University's operations where we can help to improve efficiency or effectiveness?

## ***Audit Scope***

This audit of Dickinson State University is for the biennium ended June 30, 2013. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## ***Audit Methodology***

To meet the objectives outlined above, we:

- Prepared condensed financial statements from the fiscal years 2013 and 2012 annual financial reports of the North Dakota University System and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures including computer-assisted auditing techniques. These procedures were used to identify high-risk transactions and potential problem areas for additional testing.
- Tested compliance with laws and regulations which included selecting representative samples to determine if laws were being followed consistently. Non-statistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Tested potential improvements to operations.
- Reviewed segregation of duties in all program areas.
- Performed walkthroughs in all program areas documenting client procedures.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) system. Significant evidence was obtained from ConnectND.
- Observed Dickinson State University's processes and procedures.

In aggregate there were no significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.



## ***Discussion and Analysis***

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The accompanying financial statements have been prepared in a condensed form to present Dickinson State University's financial position and results of operations in a manner similar to that used for financial reporting in the private sector. Also, the related note disclosures have not been included in this report. Accordingly, the accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

### ***Financial Summary***

Assets decreased at Dickinson State University \$2.4 million in fiscal year 2013. The decrease was due to changes in due from state general fund (\$745,000) and capital assets (\$1.2 million). Due from state general fund decrease was due to timing of state appropriations and the capital assets decreased because there were no capital assets added in fiscal year 2013 to balance reduction for depreciation.

In fiscal year 2013 liabilities decreased \$1.3 million mainly due to a decrease in accounts payable and due to others. Accounts payable decrease was mainly due to less capital projects in fiscal year 2013. Due to others decrease resulted from the University calling the Student Center Renovation Bonds and paying the remaining principal.

In fiscal year 2013 revenues decreased \$4.5 million primarily in student tuition and fees, auxiliary enterprises, sales and services of educational departments, federal grants, and contracts and auxiliary enterprises. Student tuition and fees decreased \$1.7 million due to a drop in enrollment of approximately 500 students and a decrease in the non-resident rate. Auxiliary revenues decreased \$1.1 million from a reduction in resident hall revenue, dining services contracts and bookstore revenue also from the decrease in enrollment. A decrease in federal grants and contracts of \$864,000 is primarily due to a decrease in Pell grants. A decrease in sales and services of \$625,000 is due to reduced institutional collections also directly related to a drop in enrollment.

All expenditures decreased in fiscal year 2013 with the most significant being salaries and wages and operating expenses. Salaries and wages decreased \$712,000 primarily due a reduction in staff resulting from the decrease in enrollment. The operating expense decrease of \$1.5 million was due to a reduction in dining service expenses (\$533,000) due to less students, recruiting contracts decreased (\$524,000) as DSU eliminated the special international programs which also triggered a decrease in other insurance costs (\$309,000) as the university was paying health insurance costs on behalf of international students.

### ***Analysis of Significant Changes in Operations***

During fiscal year 2012 DSU changed the on-campus non-resident tuition rate from 267% of the North Dakota resident rate to 150% of the North Dakota resident rate for all newly enrolled students. Newly enrolled non-resident students will only receive tuition waivers for very limited purposes including those as provided for in statute.

DSU added new programs with a minor in Geographic Information Systems (GIS) and a Minor in Soil Science.

DSU terminated the following programs:

- B.A. in Business Administration
- P.C. in Entrepreneurship (16 hours)
- Institutional Organizational Termination: China Center at Sichuan International Studies University
- Entrepreneurship Leadership
- Forensic Accounting
- Manufacturing Technology

Institutional Organizational Termination:

- China Center at Sichuan International Studies University
- Confucius Institute

DSU received program approval and distance learning activities:

- Minor in Equine Science

### ***Analysis of Significant Variances - Budgeted and Actual Expenditures***

Dickinson State University had no significant variances of budgeted to actual expenditures.

# Financial Statements

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## Statement of Net Position

	June 30, 2013	June 30, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,867,129	\$ 5,261,260
Investments	9,655,000	9,655,000
Accounts receivable, net	441,326	378,236
Due from component units		5,051
Due from other NDUS	65,689	
Due from state general fund	103,918	848,459
Grants and contracts receivable, net	303,115	404,268
Inventories	388,969	425,222
Notes receivable, net	1,046,310	1,014,680
Other assets	98,665	173,853
Unamortized bond discount and cost of issuance		13,663
Capital assets, net	32,926,037	34,137,077
Total assets	<u>\$ 49,896,158</u>	<u>\$ 52,316,769</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,059,527	\$ 1,552,069
Accrued payroll	972,982	1,054,263
Unearned revenue	24,984	
Deposits	(14,994)	132,705
Due to Others	602,043	1,131,857
Other noncurrent liabilities	41,195	70,134
Total liabilities	<u>\$ 2,685,737</u>	<u>\$ 3,941,028</u>
<b>NET POSITION</b>		
Invested in capital assets	\$ 32,915,088	\$ 33,653,065
Restricted for:		
Expendable:		
Scholarships and fellowships	9,993	19,190
Institutional	77,663	241,033
Loans	1,231,013	1,225,382
Debt service		85,461
Unrestricted	12,976,665	13,151,610
Total net position	<u>\$ 47,210,422</u>	<u>\$ 48,375,741</u>

## Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2013	June 30, 2012
<b>REVENUES AND OTHER ADDITIONS</b>		
State appropriations	\$ 12,163,592	\$ 12,359,500
Student tuition and fees	7,190,994	8,865,206
Auxiliary enterprises	3,285,640	4,445,706
Federal grants and contracts	2,810,165	3,674,600
Gifts	930,899	745,410
Sales and services of educational departments	488,869	1,113,985
State and local grants and contracts	151,036	278,169
Other	82,722	65,517
Investments income	36,445	54,185
Capital grants and gifts	32,483	3,060
Gain on capital assets	26,300	
Insurance proceeds	14,953	
Other nonoperating revenues	91	45
Nongovernmental grants and contracts		77,055
Total revenues and other additions	<u>\$ 27,214,189</u>	<u>\$ 31,682,438</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>		
Salaries and wages	\$ 17,751,096	\$ 18,462,910
Operating expenses	7,440,203	8,978,113
Depreciation	1,594,850	1,667,471
Cost of sales and services	639,686	668,057
Scholarships and fellowships	607,054	870,194
Data processing	343,455	434,344
Interest on capital asset-related debt	3,162	26,219
Total expenses and other deductions	<u>\$ 28,379,506</u>	<u>\$ 31,107,308</u>
Revenue over/(under) expenses	\$ (1,165,317)	\$ 575,130
<b>NET POSITION</b>		
Net position - beginning of year	\$ 48,375,741	\$ 47,800,611
Net position - end of year	<u>\$ 47,210,424</u>	<u>\$ 48,375,741</u>

## Statement of Appropriations

### For The Biennium Ended June 30, 2013

Expenses by line item	Original Appropriation	Adjustments	Final Appropriation	Expenses	Unexpended Appropriation
Operating Expenses	\$ 22,806,376	\$ 477,163	\$ 23,283,539	\$ 23,283,539	
Capital Assets	409,078		409,078	20,755	\$ 388,323
Capital Assets-Carryover		1,218,798	1,218,798	1,218,798	
Capital Proj-Off System - Carryover					
Badlands Activity Center		136,921	136,921	67,870	69,051
<b>Totals</b>	<b>\$ 23,215,454</b>	<b>\$ 1,832,882</b>	<b>\$ 25,048,336</b>	<b>\$ 24,590,962</b>	<b>\$ 457,374</b>

  

<b>Expenses by source</b>					
General fund	\$ 23,215,454	\$ 1,695,961	\$ 24,911,415	\$ 24,523,092	\$ 388,323
Special fund		136,921	136,921	67,870	69,051
<b>Totals</b>	<b>\$ 23,215,454</b>	<b>\$ 1,832,882</b>	<b>\$ 25,048,336</b>	<b>\$ 24,590,962</b>	<b>\$ 457,374</b>

### Appropriation Adjustments:

#### Operating Expenses

The increase of \$477,163 was an equity transfer from the NDUS pursuant to 2011 HB 1003, section 6.

#### Capital Assets-Carryover

The increase of \$1,218,798 was unspent general funds from the prior biennium carried over pursuant to NDCC 54-44.1-11.

#### Capital Project-Off System Carryover

The increase of \$136,921 is unspent special fund authority from the prior biennium for the Badlands Activity Center. These funds were carried over pursuant to NDCC 54-44.1-11.

## ***Internal Control***

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In our audit for the biennium ended June 30, 2013, we identified the following areas of Dickinson State University's internal control as being the highest risk:

### ***Internal Controls Subjected Review or Testing:***

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent.
- Controls surrounding the ConnectND (PeopleSoft) system.

The criteria used to evaluate internal control is published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded internal control was adequate.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect: (1) misstatements in financial or performance information; (2) violations of laws and regulations; or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we did not identify any significant deficiencies in internal control.

## *Compliance With Legislative Intent*

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In our audit for the two-year period ended June 30, 2013, we identified and tested Dickinson State University's compliance with legislative intent for the following areas we determined to be significant and of higher risk of noncompliance:

- North Dakota University System reported to the appropriations committees of the sixty-third legislative assembly on the use of one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013 [11 HB 1003, chapter 3, section 2].
- Proper use/approval of clearing account and petty cash/till funds (NDCC 54-06-08.1, Attorney General's letter dated September 11, 1987 and Article X, Section 12, part 1 of ND constitution).
- BND used as credit card processing depository (NDCC 54-06-08.2).
- Being within budgeted amounts (NDCC 54-44.1-09 and Article X, Section 12 of North Dakota Constitution).
- Carryover of unexpended appropriations (NDCC 54-44.1-11).
- Adequate blanket bond coverage (NDCC 26.1-21-08).

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

*Government Auditing Standards* require auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that has occurred or is likely to have occurred.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. Thus, we concluded there was compliance with the legislative intent identified above.

## *Operations*

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Our audit of Dickinson State University identified the following areas of potential improvements to operations, as expressed by our operational objectives surrounding residency determinations and enrollment reporting:

- Is the supporting documentation adequate?
- Are policies and procedures developed and maintained?
- Is segregation of duties adequate?
- Are reporting requirements sufficient?
- Are independent verifications made?

We also noted other matters involving operations that we have reported to management of Dickinson State University in a management letter dated March 26, 2014.

### ***Inadequate Controls for Student Residency Determinations (Finding 13-1)***

#### **Condition:**

Proper controls have not been established for student residency determinations and subsequent changes to student residency status. Consequently, initial student residency determinations could be inaccurate or unauthorized changes could be recorded without detection. Specifically, we noted the following conditions:

- Policies have not been developed and documented to include required supporting documentation and periodic assessment of residency reports.
- Proper proof of residency status is not required for older than average students and students that obtained a general equivalency diploma.
- Residency reports are not reviewed by an independent individual to identify data errors or other anomalies such as in-state residency with out-of-state addresses.

#### **Criteria:**

The criteria for determination of residency for tuition purposes is governed by the State Board of Higher Education policy 504 and NDCC 15-10-19.1.

The Committee of Sponsoring Organizations (COSO) of the Treadway Commission publication Internal Control- Integrated Framework: Proper design and implementation of internal control policies and procedures for performance measures, segregation of duties, approval, monitoring, and verification methods are necessary to ensure management objectives are effectively achieved.

#### **Cause:**

Dickinson State University has not seen it necessary to develop policies and procedures surrounding student residency including documentation requirements and verification methods for initial determinations of residency status.

#### **Effect or Potential Effect:**

Accurate student residency status determinations are critical because of differences between in-state and out-of-state tuition rates. For the 2012-2013 academic year, Dickinson State University tuition and fees for a 12 credit semester totaled \$5,718 for residents and \$7,980 for non-residents.



Further, reports are submitted to federal and state officials which delineate between resident and nonresident students and current policies and procedures do not provide for accurate and reliable reporting.

**Operational Improvement 13-1:**

We recommend Dickinson State University strengthen student residence controls to:

- Develop documented policies for student residency determination and changes;
- Require, obtain, and compare proof of residency status for all students; and
- Review of residency reports by an independent individual to identify data errors or other anomalies.

**Dickinson State University Response:**

*DSU agrees that processes to determine and verify residency are important. DSU has developed processes for the initial determination of student residency. Beginning fall 2013, the NDUS common application included 15 questions utilized to determine residency and a specific statement regarding consequences of falsifying residency information. NDUS procedure 504 states that the application for admission is "sufficient guarantee that the information in the application is accurate." DSU has documented processes for reviewing applications and determining initial residency. Both the coordinator of admissions and the associate director of admissions verify information prior to initial coding. All applicants are assumed to be non-resident for initial residency unless sufficient evidence is provided on the application for admission. Residency audit reports are run by academic records each semester prior to the 4th week census report.*

**Inadequate Controls Surrounding Student Enrollment Reporting (Finding 13-2)****Condition:**

Proper controls have not been developed surrounding student enrollment. Specifically, we noted the following conditions:

- Policies and procedures have not been developed and documented to include course exclusions, student admissions, and enrollment reporting.
- Segregation of duties have not been developed to ensure:
  - the course exclusion table is reviewed by an individual independent of notifying the University System technical specialists of revisions to the table and knowledgeable of course setup; and
  - enrollment reporting to the SBHE and IPEDS is reviewed by an individual independent of preparation.

**Criteria:**

Committee of Sponsoring Organizations (COSO) of the Treadway Commission publication Internal Control-Integrated Framework: proper design and implementation of internal control policies and procedures for performance measures, segregation of duties, approval, monitoring, and verification methods are necessary to ensure management objectives are effectively achieved.

**Cause:**

Dickinson State University has not considered it necessary to adequately review the student enrollment reporting process and develop proper policies and procedures.

**Effect or Potential Effect:**

Possible inaccurate or inconsistent enrollment reporting to the State Board of Higher Education (SBHE) and Integrated Postsecondary Education Data System (IPEDS).

**Operational Improvement 13-2:**

We recommend Dickinson State University strengthen controls surrounding student enrollment reporting to:

- Develop documented policies and procedures including course exclusions, student admissions, and enrollment reporting.
- Segregate duties to ensure:
  - the course exclusion table is reviewed by an individual knowledgeable of course setup and independent of notifying the University System of revisions; and
  - enrollment reporting to the SBHE and IPEDS is reviewed by an individual independent of preparation.

**Dickinson State University Response:**

*DSU agrees that it is important to review student enrollment reporting process and to have documented processes for reporting as well as independent review of information reported to SBHE and IPEDS. Effective fall 2013, DSU implemented controls to ensure that enrollment statistics reported to both state and federal agencies were correct. The process is two step. Initial reports are run by departments (i.e., enrollment services or academic records); reports are then submitted to the Office of Institutional Research who independently verifies data prior to submission.*

*Effective fall 2013, Campus Solutions personnel modified the fourth week census report to identify students that are enrolled in only developmental courses, such courses are indicated on DSU's course exclusion table in Campus Connection. Students enrolled in only developmental courses are identified and are not counted into the census total. As a secondary analysis beginning fall 2014, academic records staff will contact Campus Solutions personnel once each term, prior to the census date to verify that courses are correctly identified on the course exclusion table.*

## ***Management Letter (Informal Recommendations)***

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March 26, 2014

Mr. Mark Lowe  
Vice President for Business Affairs  
Dickinson State University  
291 Campus Drive  
Dickinson, North Dakota 58601-4896

Dear Mr. Lowe:

We have performed an audit of Dickinson State University for the biennium ended June 30, 2013, and have issued a report thereon. As part of our audit, we gained an understanding of Dickinson State University's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of state or federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

### **LACK OF SEGREGATION OF DUTIES SURROUNDING ENTRY OF NON-CASH CREDITS AND ACCESS TO CASH**

#### **Condition:**

Dickinson State University has not developed proper procedures to ensure non-cash credit adjustments are posted to student accounts by an individual that does not have access to cash. Student Finance Coordinator records adjustments to student accounts and has access to cash.

#### **Criteria:**

Committee of Sponsoring Organizations (COSO) of the Treadway Commission publication Internal Control - Integrated Framework: Proper design and implementation of internal control

policies and procedures for performance measures, segregation of duties, approval, monitoring, and verification methods are necessary to ensure objectives are effectively achieved.

**Cause:**

Dickinson State University has not adequately evaluated policies and procedures for non-cash credits to student accounts.

**Effect or Potential Effect:**

Dickinson State University lacks assurance regarding the propriety of cash collections and non-cash credit adjustments recorded to student accounts. Unauthorized and improper credits could be applied to student accounts. During fiscal year 2012 and 2013 (through March 2013), non-cash credit adjustments recorded to student accounts totaled approximately \$1.9 million.

**Informal Recommendation 13-1:**

We recommend Dickinson State University strengthen controls to ensure non-cash credit adjustments are recorded to student accounts by an individual independent of access to handle cash.

***Dickinson State University Response:***

*DSU agrees. We have developed a procedure outlining the approval process prior to applying a credit memorandum to a student's account. If the account balance is under \$5 or upon a rare occasion an account will not calculate correctly due to PeopleSoft setup issues, a credit memorandum may be applied; however will be approved by the Controller.*

*Other accounts that are being disputed, uncollectable after one year with a collection agency, or balances less than \$200 shall be written off. Write-offs will be approved by the Vice President for Finance and Administration.*

## **INADEQUATE CONTROLS SURROUNDING TUITION AND FEE WAIVERS**

**Condition:**

Control procedures surrounding the awarding of the Veteran Spouse/Dependent waivers are not adequate. Specifically, we noted the following conditions:

- Segregation of duties have not been developed to ensure the individual responsible for approving Veteran Spouse/Dependent waivers does not apply credits to student accounts.

**Criteria:**

State Board of Higher Education Policy 820, Tuition Waivers, directs each institution may adopt procedures providing for waivers of tuition and fees in addition to waivers provided under subsection 2 of this policy.

Committee of Sponsoring Organizations (COSO) of the Treadway Commission Internal Control – Integrated Framework: Proper design and implementation of internal control policies and procedures for performance measures, segregation of duties, approval, monitoring and verification methods are necessary to ensure objectives are effectively achieved.

**Cause:**

Dickinson State University has not developed proper award procedures for Veteran Spouse/Dependent student waivers.

**Effect or Potential Effect:**

Possible improper waivers granted to students. Tuition waivers granted to Veteran Spouse/Dependent students for the fall 2011 term through March 2013 totaled approximately \$41 thousand.

**Informal Recommendation 13-2:**

We recommend Dickinson State University strengthen controls surrounding tuition waivers by:

- Ensuring approval of waivers is not completed by an individual responsible for applying credits to student accounts.

***Dickinson State University Response:***

*DSU agrees. Effective summer 2014, statutory waivers will be approved/awarded by the Office of Financial Aid.*

*Effective Fall 2012, the Office of Financial Aid awards all Institutional waivers, including Cultural Diversity waivers base on DSU Institutional Aid Policy 820.001. If the required documentation is not supplied upon initial notification, the Financial Aid office does not award the waiver.*

I encourage you to call myself or an audit manager at 701-239-7289 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,



Cory Wigdahl, CFE  
Auditor in-charge

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