

Dakota College
at Bottineau
BOTTINEAU, 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
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Transmittal Letter

March 25, 2014

The Honorable Jack Dalrymple, Governor
Members of the North Dakota Legislative Assembly
North Dakota State Board of Higher Education
Dr. Ken Grosz, Campus Dean, Dakota College at Bottineau

We are pleased to submit this audit of Dakota College at Bottineau 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 Mary Feltman, CPA. 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 Dr. Grosz 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

Introduction

A referendum in 1894 stated that a school of forestry should be located in Bottineau, North Dakota, to provide, in addition to forestry, comprehensive junior college curricula. Additional one and two-year programs were continually developed, expanding the educational base. The North Dakota Century Code identified the role of Dakota College at Bottineau as offering programs in agriculture, forestry, and horticulture. This, in turn, encouraged the institution to specialize and expand upon its offerings in the natural resources.

The relationship between the School of Forestry and North Dakota State University was first established in 1968 when the Board of Higher Education approved the "administrative attachment" of the two institutions. The School of Forestry became known as North Dakota State University-Bottineau Branch and Institute of Forestry at that time. In 1987, the name was again modified to North Dakota State University-Bottineau.

In April of 1996, the North Dakota State Board of Higher Education affiliated the college with Minot State University. The name of the school was changed to Minot State University-Bottineau Campus at that time. In August 2009, while still maintaining the affiliation with Minot State University, the name was again changed to Dakota College at Bottineau.

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 Dakota College at Bottineau 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 Dakota College at Bottineau "Inadequate Controls for Credit Adjustments to Student Accounts" (page 12); "Inadequate Controls for Waiver Adjustments to Student Accounts" (page 13); "Inadequate Controls for Student Residency Determinations" (page 14);

"Inadequate Controls Surrounding Student Enrollment Reporting" (page 15); and "IPEDS Report Inaccurately Completed" (page 16).

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

There were no recommendations included in the prior audit report.

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

Yes, a management letter was issued containing one recommendation involving a lack of segregation of duties surrounding credit adjustments to student accounts and is included on page 18 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.

None.

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 Dakota College at Bottineau 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 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 they are 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 Student Administration are high-risk information technology systems critical to Dakota College at Bottineau. No exceptions related to the operations of an information technology system were noted.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of Dakota College at Bottineau 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 Dakota College at Bottineau'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 Dakota College at Bottineau and are they in compliance with these laws?
3. Are there areas of Dakota College at Bottineau's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of Dakota College at Bottineau is for the biennium ended June 30, 2013. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require 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.

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

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 NDUS 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 that 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 in selected areas.
- Reviewed segregation of duties in 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 Dakota College at Bottineau'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

The accompanying financial statements have been prepared in a condensed form to present Dakota College at Bottineau's financial position and results of operations in a manner similar to that used for financial reporting in the private sector and do not include notes. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

Financial Summary

On the Statement of Net Position, Cash & cash equivalents decreased \$690,000 primarily due to normal operating activities. Grants and contracts receivable increased \$458,000 primarily due to the timing of receivables. In fiscal year 2012 they had one receivable and in fiscal year 2013 they had nine ranging from \$1,000 to \$131,000. Capital assets increased \$552,000 and Invested in capital assets increased \$579,000 primarily due to the increase of infrastructure/land improvements, primarily \$564,000 for the paving project. The College received \$700,000 from the Legislature for campus improvements during the biennium.

There were no other significant changes between the June 30, 2013 and June 30, 2012 balances and activity as shown on Dakota College at Bottineau's condensed financial statements.

Analysis of Significant Changes in Operations

There is a new Entrepreneurial Center for Horticulture and Dakota College at Bottineau began offering an A.A.S. in photography.

Analysis of Significant Variances - Budgeted and Actual Expenditures

Dakota College at Bottineau did not have any significant variances for the general fund expenses as reflected on the statement of appropriations.

Financial Statements

Statement of Net Position

	June 30, 2013	June 30, 2012
ASSETS		
Cash & cash equivalents	\$ 1,187,313	\$ 1,873,878
Accounts receivable, net	291,919	382,295
Grants and contracts receivable, net	486,704	28,862
Inventories	168,562	174,489
Notes receivable, net	204,959	234,286
Other Assets	39,512	13,311
Capital assets, net	5,772,103	5,220,076
Total Assets	<u>\$ 8,151,072</u>	<u>\$ 7,927,197</u>
LIABILITIES		
Accounts payable	\$ 25,723	\$ 68,118
Accrued payroll	209,742	209,472
Deferred revenue	45,868	19,307
Deposits	(74,558)	(48,418)
Other noncurrent liabilities	(105)	
Due to Others	297,181	297,123
Total Liabilities	<u>\$ 503,851</u>	<u>\$ 545,602</u>
NET POSITION		
Invested in capital assets	\$ 5,637,000	\$ 5,058,186
Restricted For:		
Expendable:		
Scholarships and fellowships	13,757	10,216
Instructional department uses	419,348	519,091
Loans	249,750	268,368
Debt service		(8,507)
Unrestricted	1,327,366	1,534,241
Total Net Position	<u>\$ 7,647,221</u>	<u>\$ 7,381,595</u>

Statement of Revenues, Expenses, and Changes in Net Position

	June 30, 2013	June 30, 2012
REVENUES AND OTHER ADDITIONS:		
State appropriations	\$ 3,925,257	\$ 3,336,516
Student tuition and fees	1,269,331	1,337,065
Auxiliary enterprises	1,123,340	1,248,001
Federal grants and contracts	1,279,418	1,510,394
State and local grants and contracts	332,377	520,828
Gifts	217,781	205,111
Sales and services of educational departments	163,020	184,973
Endowment investments income	17,515	18,382
Nongovernmental grants and contracts	6,243	6,900
Other revenue	6,217	1,588
Total revenues and other additions	<u>\$ 8,340,499</u>	<u>\$ 8,369,758</u>
EXPENSES AND OTHER DEDUCTIONS:		
Salaries and wages	\$ 5,081,739	\$ 4,942,402
Operating expenses	1,997,046	2,181,014
Data processing	107,479	112,282
Depreciation	294,541	250,177
Scholarships and fellowships	381,613	348,105
Cost of sales and services	198,132	204,790
Interest on capital asset-related debt	8,272	9,929
Other expense	6,051	46,728
Total expenses and other deductions	<u>\$ 8,074,873</u>	<u>\$ 8,095,427</u>
Revenue over expenses	\$ 265,626	\$ 274,331
NET POSITION		
Net Assets-beginning of the year	\$ 7,381,595	\$ 7,107,264
Net Assets-end of the year	<u><u>\$ 7,647,221</u></u>	<u><u>\$ 7,381,595</u></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	\$ 6,240,435	\$ 249,315	\$ 6,489,750	\$ 6,489,750	
Capital Assets	815,507		815,507	758,230	\$ 57,277
Capital Assets-Carryover		13,793	13,793	13,793	
Capital Proj-Off System - Carryover					
Entrepreneurial Center for Horticulture		675,300	675,300	220,349	454,951
Totals	<u>\$ 7,055,942</u>	<u>\$ 938,408</u>	<u>\$ 7,994,350</u>	<u>\$ 7,482,122</u>	<u>\$ 512,228</u>
Expenses by source					
General fund	\$ 7,055,942	\$ 263,108	\$ 7,319,050	\$ 7,261,773	\$ 57,277
Special fund		675,300	675,300	220,349	454,951
Totals	<u>\$ 7,055,942</u>	<u>\$ 938,408</u>	<u>\$ 7,994,350</u>	<u>\$ 7,482,122</u>	<u>\$ 512,228</u>

Appropriation Adjustments:

Operating Expenses

The appropriation increase of \$249,315 was an equity transfer from the North Dakota University System pursuant to 11 HB 1003, section 6.

Capital Asset – Carryover

The appropriation increase of \$13,793 is unspent general fund carried over from the prior biennium pursuant to NDCC 54-44.1-11. The expenditures for this line item will be abstracted through the state.

Capital Project – Off System - Carryover

The appropriation increase of \$675,300 was special fund authority carried over from the prior biennium for the Entrepreneurial Center for Horticulture. Expenditures for this project will not be abstracted through the state but will be spent off system and reported separately.

Internal Control

In our audit for the biennium ended June 30, 2013, we identified the following areas of Dakota College at Bottineau'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

In our audit for the biennium ended June 30, 2013, we identified and tested Dakota College at Bottineau'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].
- 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).
- Expenses 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

Our audit of Dakota College at Bottineau identified the following areas of potential improvements to operations, as expressed by our operational objectives surrounding non-cash adjustments, tuition/fee waivers, 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 another matter involving operations we have reported to management of Dakota College at Bottineau in a management letter dated March 25, 2014.

Inadequate Controls for Credit Adjustments to Student Accounts (Finding 13-1)

Condition:

Controls surrounding non-cash credit adjustments and student refunds are inadequate. Specifically, we noted the following conditions:

- Processing and monitoring policies for bookstore credits are not documented.
- Review and approval of bookstore credits is not performed by an appropriate individual. All bookstore employees including students process and approve bookstore returns by taking the credit receipts to the business office.
- Reconciliation of bookstore and housing credits posted to student accounts is not performed to ensure amounts are proper.

Criteria:

State Board of Higher Education Policy 830.2, Refund Policy, directs each institution to adopt written procedures for institutional charges to comply with requirements of federal law and implementing regulations and the refund policy concerning refunds to students. Institutional charges is defined in the refund policy as tuition, fees, room, board and other education-related charges assessed the student by the institution.

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:

Dakota College at Bottineau has not adequately developed and implemented policies and procedures for processing bookstore and housing credits to student accounts.

Effect or Potential Effect:

Dakota College at Bottineau lacks assurance regarding the propriety of housing credit adjustments recorded to student accounts and erroneous adjustments could be recorded without detection. Also, unauthorized and improper bookstore refund payments could be processed without detection. During fiscal year 2012 and 2013 through March 2013, bookstore credit adjustments recorded to student accounts totaled approximately \$15,000 and housing credit adjustments totaled \$325,000.

Operational Improvement:

We recommend Dakota College at Bottineau strengthen controls surrounding non-cash credit adjustments posted to student accounts to:

- Develop documented processing and monitoring policies for bookstore credits.
- Ensure review and approval of bookstore credits by an appropriate individual.
- Perform a reconciliation of bookstore and housing credits posted to student accounts to ensure amounts are proper.

Dakota College at Bottineau Response:

DCB agrees with findings. We are currently developing documented processes for the Bookstore credits including the review and approval of charges and credits. Reconciliation of bookstore student charges and credits began in July of 2013 with the implementation of the new cash register system in the bookstore. The new system's capabilities and built-in internal controls have improved the review, approval and reconciliation processes. The housing system charges and credits are reviewed in the Business Office using a process similar to the one implemented for the Bookstore.

Inadequate Controls for Waiver Adjustments to Student Accounts (Finding 13-2)**Condition:**

Dakota College at Bottineau grants various waivers including waivers for Employees, Veteran Spouse/Dependents, Athletics, Cultural Diversity and International students. Control procedures surrounding the awarding of these waivers are not adequate. Specifically, we noted the following conditions:

- Policies for Veteran Spouse/Dependent waivers have not been developed. Cultural, International, and Canadian Institutional waivers have generic and insufficient documented policies.
- International waiver form used was generic and did not contain information related to specific requirements for eligibility.
- Tracking procedures to monitor limitations for Vet Spouse/Dependent or Employee waivers awarded have not been developed.
- The selection process for Athletic Cultural Diversity Waivers is completed by the coaches without written documentation on the selection process.
- Reconciliation of approved waivers to credit adjustments on student accounts is not being performed.

Criteria:

State Board of Higher Education Policy 820, Tuition Waivers, directs each institution may adopt procedures providing for waivers of tuition and fees.

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:

Dakota College at Bottineau has not developed proper policies and procedures for awarding Veteran Spouses/Dependent, Cultural Diversity, Canadian Institutional and International student waivers.

Effect or Potential Effect:

Possible improper waivers granted to students. Tuition waivers granted for Vet Spouse/Dependent, Cultural Diversity, Canadian Institutional and International Student waivers for the Fall 2011 term through March 2013 totaled approximately \$169,000.

Operational Improvement:

We recommend Dakota College at Bottineau strengthen controls surrounding tuition waivers by:

- Developing documented policies for awarding tuition waivers to Veteran Spouse/Dependent, Cultural, International and Canadian Institutional students.
- Developing an international waiver form that contains information related to specific eligibility requirements.
- Monitoring limitations for Vet Spouse/Dependent and Employee waivers awarded.
- Requiring written documentation showing the selection process of individual athletes awarded the Athletic Cultural Diversity Waiver.
- Reconciling approved waivers to credit adjustments on student accounts.

Dakota College at Bottineau Response:

DCB agrees with the findings. DCB is developing policies/procedures for the aforementioned waivers, monitoring limitations for Vet Spouse/Dependent and Employee waivers, selection process for awarded waivers and reconciliations.

Inadequate Controls for Student Residency Determinations (Finding 13-3)**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 transfers, older than average students and students that obtained a general equivalency diploma.
- Proper proof of residency redetermination is not required.
- Verification of residency changes to supporting documents is not assigned to or performed by an independent individual.
- 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:

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.

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:

Dakota College at Bottineau has not considered it necessary to develop policies and procedures surrounding residency including documentation requirements, independent approval procedures, and verification methods for both initial and redeterminations of student residency.

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, Dakota College at Bottineau tuition and fees for a 12 credit semester totaled \$4,019.72 for residents and \$5,630.72 for non-residents.

Further resident and nonresident enrollment numbers are reported to federal and state officials and under current circumstances the risk of the numbers being incorrect is high.

Operational Improvement:

We recommend Dakota College at Bottineau strengthen student residency controls to:

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

Dakota College at Bottineau Response:

DCB agrees with the findings. DCB followed the SBHE policy regarding Student Residency Determinations to collect information and supporting documentation when determining student residency. DCB will create policies for student residency determination and changes including documenting criteria for supporting residency determination, independent verification of reports, supporting documentation and data errors.

Inadequate Controls Surrounding Student Enrollment Reporting (Finding 13-4)

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.
- Tracking procedures have not been developed to ensure all applicable enrollment documentation has been received for all students.
- Matriculation criteria have not been developed to ensure required enrollment documents are received prior to allowing the student to register for classes.

- Procedures have not been implemented to review enrollment error and anomaly reports.
- Segregation of duties has not been developed to ensure the enrollment reports are 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 objectives are effectively achieved.

Cause:

Dakota College at Bottineau has not adequately reviewed the student enrollment reporting process and developed 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:

We recommend Dakota College at Bottineau strengthen controls surrounding student enrollment reporting to:

- Develop documented policies and procedures including course exclusions, student admissions, and enrollment reporting.
- Require and develop tracking procedures to ensure all applicable enrollment documentation has been received for all students.
- Develop matriculation criteria to ensure all enrollment documents are received prior to allowing the student to register for classes.
- Utilize the error and anomaly reports to ensure that all students are properly enrolled.
- Segregate duties to ensure the enrollment reporting to the SBHE and IPEDS is reviewed by an individual independent of preparation.

Dakota College at Bottineau Response:

DCB agrees with the findings except for the recommended anomaly and error reports (queries). The recommended queries are not available at DCB; however, DCB is using the error reports available in the PeopleSoft system. DCB is developing policies/procedures to ensure proper tracking, reporting enrollment documentation, and segregation of duties in relation to proper reporting to SBHE and IPEDS.

IPEDS Report Inaccurately Completed (Finding 13-5)

Condition:

The Integrated Postsecondary Education Data System (IPEDS) report submitted to the federal government had errors in the enrollment information submitted. The errors identified during testing included the following: number of men of two or more races; total number of men; number of white women; and total number of women.

Criteria:

Committee of Sponsoring Organizations (COSO) of the Treadway Commission Internal Control - Integrated Framework states: Management ensures effective external communication occur with groups that can have a serious impact on programs, projects, operations, and other activities, including budget/finance.

The IPEDS report is a report required by the National Center of Education Statistics (NCES). NCES is authorized to require this report by law under Section 153 of the Education Sciences Reform Act of 2002 (P.L. 107-279).

Cause:

Dakota College at Bottineau did not have proper policies and procedures in place to ensure the enrollment information reported on the IPEDS report was accurate.

Effect or Potential Effect:

Enrollment information used by the Federal Government from the IPEDS report from Dakota College at Bottineau is incorrect.

Operational Improvement:

We recommend Dakota College at Bottineau develop policies and procedures to ensure the enrollment information reported on the IPEDS report is accurate.

Dakota College at Bottineau Response:

DCB agrees with findings and is developing policies and procedures to ensure enrollment information is accurately reported to IPEDS.

Management Letter (Informal Recommendations)

March 25, 2014

Ms. Kara Bowen
Director of Financial Affairs
Dakota College at Bottineau
105 Simrall Blvd.
Bottineau, ND 58318

Dear Ms. Bowen:

We have performed an audit of Dakota College at Bottineau for the biennium ended June 30, 2013, and have issued a report thereon. As part of our audit, we gained an understanding of Dakota College at Bottineau'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 presents is our informal recommendation.

LACK OF SEGREGATION OF DUTIES SURROUNDING CREDIT ADJUSTMENTS

Condition:

Dakota College at Bottineau 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. The individual in the Business Office responsible for posting to student accounts has access to cash.

Criteria:

State Board of Higher Education Policy 830.2, Refund Policy, directs each institution to adopt written procedures for institutional charges to comply with requirements of federal law and implementing regulations and the refund policy concerning refunds to students. Institutional charges is defined in the refund policy as tuition, fees, room, board, and other education-related charges assessed the student by the institution.

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:

Dakota College at Bottineau has not adequately developed and implemented policies and procedures for non-cash credits to student accounts.

Effect or Potential Effect:

Dakota College at Bottineau 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 \$345,000.

Informal Recommendation 13-1:

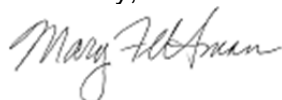
We recommend Dakota College at Bottineau strengthen controls to ensure non-cash credit adjustments are recorded to student accounts by an individual independent of access to handle cash.

Dakota College at Bottineau Response:

DCB agrees with the recommendation and has adjusted roles and processes to separate the non-cash credit adjustments function from the cash handling process.

I encourage you to call myself at 701-239-7290 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,



Mary Feltman, CPA
Auditor in-charge

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