

OFFICE OF THE STATE AUDITOR

PERFORMANCE AUDIT FOLLOW-UP

Status of Recommendations

Fees Charged at NDSU and UND

Report No. 3032-1

May 1, 2017



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May 1, 2017

Members of the North Dakota Legislative Assembly

North Dakota State Board of Higher Education

Dean L. Bresciani, President, North Dakota State University

Mark R. Kennedy, President, University of North Dakota

A fundamental objective of the Office of the State Auditor's work is to bring about improvements through recommendations. The Legislative Audit and Fiscal Review Committee has requested the Office of the State Auditor to perform follow-up work after presentation of performance audit reports to the Committee.

The Office of the State Auditor conducted an audit follow-up on the performance audit entitled *Fees Charged at NDSU and UND (report #3032) dated June 5, 2012*. The audit scope of the original performance audit related to a review of fees at NDSU and UND from July 1, 2007 through December 31, 2010. The objective of this follow-up was to determine the status of the 24 recommendations included in the performance audit report. The period for the follow-up was July 1, 2014 through June 30, 2016.

Included in the report is a summary of the status of the recommendations and comments from the State Board of Higher Education regarding the future direction of fees. We want to extend our appreciation to the personnel of the North Dakota University System for their assistance and cooperation during the follow-up audit.

Sincerely,

A handwritten signature in black ink that reads "Joshua C. Gallion".

Joshua C. Gallion
State Auditor



OFFICE OF THE STATE AUDITOR

Performance Audit Follow-Up Fees Charged at NDSU and UND Summary of Recommendations

The objective of the performance audit conducted on North Dakota State University and University of North Dakota was to answer the following question:

“Are fees appropriately established and used by North Dakota State University and the University of North Dakota?”

The following three recommendations were made to the State Board of Higher Education. Our review of actions taken by the State Board of Higher Education identified an approved action plan in 2012, which included the implementation of a new tuition model. Under the new tuition model, the intention was to merge program and course fees with (into) tuition. The implementation of the new tuition model has been delayed several times and is currently scheduled for Fall 2019. We will allow the State Board of Higher Education to comment on the future direction planned for these three recommendations.

Recommendation 1-1 Improving Fee Process

Recommendation 3-5 Improve SBHE Program Fee Requirements

Recommendation 4-6 Improve SBHE Course Fee Requirements

State Board of Higher Education's Comments:

The State Board of Higher Education (SBHE) approved modifications to the tuition model with a full implementation goal of Fall 2019. Earlier implementation of all or part of the model is allowable with SBHE approval.

Of the five principles in the model, two relate directly to fees. First, the model will blend tuition and non-mandatory fees (which include course fees) to the greatest extent possible. Second, discontinuation / phase-out of the distance education fee will be considered after Fall 2019 implementation. Each of the ND institutions operates in a unique market and geographic locations. Enrollment considerations and cost of academic programs also vary by institution. To address these issues, the Chancellor and SBHE will consider limited exceptions to the above principles, on a case-by-case basis, as outlined in a documented business case.

Currently, campuses are developing implementation plans that will be submitted to the Chancellor's Office by no later than March 1, 2018. Plans will be analyzed by the System Office and presented to the SBHE for consideration upon receipt.

The following recommendation to NDSU was determined to be fully implemented:

Recommendation 2-1 Improving Monitoring of Technology Fund

The following recommendation to UND was determined to be fully implemented:

Recommendation 4-5 UND Course Fee Monitoring

The following recommendations to NDSU are no longer applicable since the program fees were merged with tuition:

- Recommendation 3-2 Eliminating the Retention of Program Fees
- Recommendation 3-3 Ending Payments for Graduate Research Assistants

NDSU disagreed with all six recommendations addressed to them in the original audit. We performed limited testing to see if changes had been made and found that NDSU has merged certain program fees into tuition under their new tuition model but many course and program fees remain. NDSU had one department try to use ConnectND to improve accounting for fees but the project was discontinued. To the extent course and program fees remain our testing found that the concerns identified in the original audit remain at NDSU.

- Recommendation 1-2 Making Improvements with Cash Balances at NDSU
- Recommendation 1-4 Improving the Accounting Procedures for Fees at NDSU
- Recommendation 3-1 Improving how NDSU Program Fees are Used
- Recommendation 4-1 Establishing Appropriate Course Fees
- Recommendation 4-2 Improve how Course Fee Moneys are Used at NDSU
- Recommendation 5-1 Improve the Use of Other Fees at NDSU

UND agreed with two and disagreed with four recommendations addressed to them in the original audit. We performed limited testing to see if changes had been made and found that UND sent a memo in September 2012 regarding the action plan approved by the State Board of Higher Education in response to the original audit. We view the memo and efforts resulting from it as positive steps to addressing the concerns in the original audit. However, our testing found that the concerns identified in the original audit remain at UND.

UND Agreed:

- Recommendation 1-3 Making Improvements with Cash Balances at UND
- Recommendation 4-3 Establishing Appropriate Course Fees

UND Disagreed:

- Recommendation 1-5 Improving the Accounting Procedures for Fees at UND
- Recommendation 3-4 Improving how UND Program Fees are Used
- Recommendation 4-4 Improve how Course Fee Moneys are Used at UND
- Recommendation 5-2 Improve the Use of Other Fees at UND

The following recommendations are incidental issues that arose during testing. These matters will be reviewed as necessary during the operational audit conducted every two years on each college and university.

- Recommendation 6-1 Comply with Procurement Requirements
- Recommendation 6-2 Making Improvements with the Use of Personal Vehicles
- Recommendation 6-3 Being Good Stewards of Public Funds
- Recommendation 6-4 Reimbursing Employee Meals
- Recommendation 6-5 Safeguarding State Resources