

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Thursday, July 26, 2012
Harvest Room, State Capitol
Bismarck, North Dakota

Representative Dan Ruby, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Dan Ruby, Patrick Hatlestad, RaeAnn G. Kelsch, Gary Kreidt, Joe Kroeber, Andrew Maragos, Corey Mock, Chet Pollert, Bob Skarphol, Lonny B. Winrich, Dwight Wrangham; Senators Randel Christmann, Joan Heckaman, Jerry Klein, Judy Lee

Members absent: Representatives Dick Anderson, Tracy Boe, Keith Kempenich, David Monson; Senator Terry M. Wanzek

Others present: See [Appendix A](#)

It was moved by Representative Maragos, seconded by Representative Pollert, and carried on a voice vote that the minutes of the June 21, 2012, meeting be approved as distributed.

FEES CHARGED AT NORTH DAKOTA STATE UNIVERSITY AND UNIVERSITY OF NORTH DAKOTA PERFORMANCE AUDIT

Mr. Gordy Smith, Audit Manager, State Auditor's office, presented the report on the performance audit of fees charged at North Dakota State University (NDSU) and the University of North Dakota (UND). He said the objective of the performance audit was to determine if fees are appropriately established and used by NDSU and UND.

Mr. Smith said the performance audit contains 24 recommendations ([Appendix B](#)). Based on the performance audit, he said, the State Auditor's office determined NDSU and UND have inappropriately used fee money. He said improvements are needed with the establishment of fees, and the State Board of Higher Education should ensure an effective process for fee establishment, monitoring, and use of fee money.

In response to a question from Representative Skarphol, Mr. Smith said he would provide information to the committee regarding the capability in PeopleSoft to identify the source of funding for an expenditure when several revenue sources have been commingled into one fund.

Representative Skarphol asked the Legislative Council staff for information on any language included in the appropriation bill for establishing the PeopleSoft system that prohibits the use of "shadow" systems for monitoring revenues and expenditures.

In response to a question from Senator Heckaman, Mr. Randall Thursby, Chief Information Officer, North Dakota University System, Fargo, said a technology fee of \$81 is charged to all students each semester for support of the ConnectND system. He said approximately \$22 of the fee is transferred to the University System office for loan payments on the ConnectND system. He said the remaining \$59 is used for salaries, software licensing, maintenance, and equipment replacement. He said once the loan is repaid in fiscal year 2014, the State Board of Higher Education will review the fee to determine if it can be reduced or if the fee may need to continue to provide funding for other technology projects.

In response to a question from Representative Skarphol, Mr. Smith said the State Auditor's office will consider reviewing, during the followup audit, the level of expenditures from the funds noted in the performance audit as having significant fund balances.

Dr. Hamid Shirvani, Chancellor, North Dakota University System, said the fee system for the entire University System will be reviewed over the next three months. After the review, he said, a proposal will be submitted to the State Board of Higher Education regarding the fee structure.

Dr. Dean L. Bresciani, President, North Dakota State University, Fargo, presented testimony ([Appendix C](#)) regarding the performance audit. He said the university has created a student fee advisory board for review and approval of mandatory student fees. He said the university is planning to simplify and bring more transparency to the collection and use of tuition and student fees. He said the university has received approval from the State Board of Higher Education to initiate a student success tuition model that will encourage students to take full 15-credit course loads. He said the tuition model will also eliminate most program and course fees by consolidating them into a single tuition charge.

Mr. Luke Brodeur, Student Body President, North Dakota State University, Fargo, presented testimony ([Appendix D](#)) regarding the student fee advisory board. He said the advisory board is actively involved in evaluating and monitoring fees charged to students. He said the Student Senate supports the student success tuition model being proposed at the university.

In response to a question from Representative Ruby, Mr. Bruce Bollinger, Vice President for Finance

and Administration, North Dakota State University, Fargo, said the university uses "shadow" systems to monitor revenues and expenditures. He said the university is in the process of eliminating these systems to the extent possible.

Representative Skarphol suggested the committee receive information at a future meeting on all "shadow" systems being used in the University System.

Representative Mock expressed concern that the student fee advisory board votes on fee increases or decreases but does not monitor related expenditures.

Dr. Robert Kelley, President, University of North Dakota, Grand Forks, presented testimony ([Appendix E](#)) regarding the performance audit. He said the university will continue to review, clarify, and improve campus policies and practices relating to the use of fees. He said the university is planning to address the recommendations identified in the performance audit report as follows:

- Strengthen the process for documenting travel expenses.
- Establish written guidelines requiring departments to file reports annually within the budget office on program and course fee cash balances.
- Conduct a comprehensive review of all course and program fees to identify areas where improvement can be made to ensure appropriate tracking of fees.
- Upgrade training of administrative staff in all university departments and units on issues related to management of student fees.

It was moved by Representative Skarphol, seconded by Representative Pollert, and carried on a voice vote that pursuant to North Dakota Century Code Section 54-35-02.2 the committee accept the performance audit report on fees charged at North Dakota State University and the University of North Dakota.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

It was moved by Representative Skarphol, seconded by Representative Hatlestad, and carried on a voice vote that the committee encourage the University System to develop a policy that requires the identification of the source of funds used for any expenditure made from a fund containing revenues from multiple sources.

No further business appearing, Chairman Ruby adjourned the meeting at 12:15 p.m.

Becky Keller
Senior Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:5