



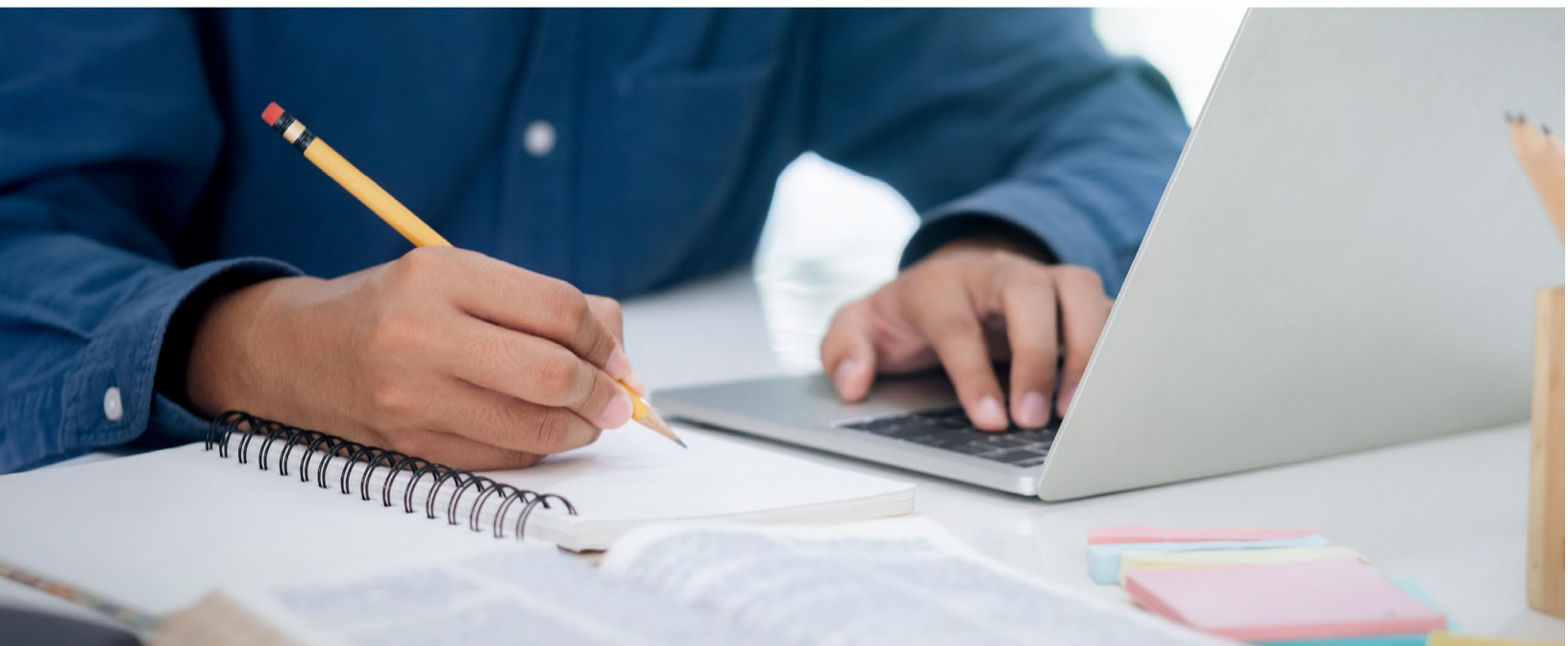
NORTH DAKOTA OFFICE OF THE STATE AUDITOR

State Auditor Joshua C. Gallion

North Dakota Center for Distance Education

Audit Report for the Biennium Ended June 30, 2025

Client Code 204





WHAT WE LOOKED AT AND WHY

North Dakota state law requires that our team perform an audit once every two to four years. This included a review of financial transactions and determining that expenditures 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.

WHAT WE FOUND

This audit did not identify any areas of concern

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HAVE QUESTIONS? ASK US.

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Introduction

North Dakota Center for Distance Education

December 29, 2025

We are pleased to submit this audit of the North Dakota Center for Distance Education for the biennium that ended June 30, 2025. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two to four 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.

Michael Schmitcke, CPA, was the audit manager on this engagement. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2241. We wish to express our appreciation to the North Dakota Center for Distance Education 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

Appropriation: An amount authorized by the North Dakota Legislative Assembly to be spent for a specific purpose.

ConnectND: The accounting system for North Dakota.

Emergency Commission: Group of elected officials that have the authority to transfer or expend money appropriated by the North Dakota Legislative Assembly. Additional information can be found in N.D.C.C. Chapter 54-16.

Internal Control: Policies and procedures that ensure reliable financial reporting, safeguard assets, promote accountability and efficiency, and prevent fraud.

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.

Sessions 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 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:

- Segregated AP approval is tested in the ACFR.
- Individuals had the appropriate level of procurement training.
- Receipts are being reconciled to individual purchase card statements.
- Purchase card expenditures and related receipts are reviewed and approved by appropriate individuals.
- Bank reconciliation approval and preparation duties are appropriately segregated.
- Access roles related to refund processing in the Microsoft Dynamics Information System were properly restricted.
- Monthly bank reconciliations are performed by the business manager to ensure all receipts are deposited.
- Part-time payroll is properly calculated using a tracking spreadsheet.

There were no deficiencies identified.

SCOPE

The North Dakota Center for Distance Education's sole location is its Fargo office which was included in the audit scope.

METHODOLOGY

To meet this objective, we:

- Interviewed appropriate agency personnel.
- Observed the Department's processes and procedures.
- Analyzed financial data in ConnectND to determine areas of risk.
- Selected a random sample of AP Expenditures to determine proper coding was used and that appropriate vendors were paid in correct amounts. (N.D.C.C. 54-44.1-10, N.D.C.C. 54-44.1-09, N.D.C.C. 54-12, State Constitution article 10, Section 12).
- Selected a random sample of Purchase Card Transactions to determine proper coding was used, receipts were present to support charges, and purchases were reasonable and necessary. (OMB Purchasing Card Manual).
- Performed Revenue analytics to ensure Refunds, Deposits, Correcting Entries, and Inter-Department Billings appeared appropriate.
- Performed Payroll analytics to ensure Hourly pay, Overtime pay, and Bonuses paid were appropriate. (N.D.C.C. 54-06-30, N.D.C.C. 54-06-31, N.D.C.C. 54-44.3-15, N.D.C.C. 54-44.3-16).
- Selected a sample of hourly employee payments to ensure payments were appropriate and agreed to supporting documentation.
- Determined that expenditures coded to legislatively restricted funds for the Special Operating Fund were

in accordance with the funds' restrictions. (N.D.C.C. 15-19-06).

- Determined compliance with the intent of requests for funds from the Emergency Commission. (N.D.C.C. 54-10-01.1, N.D.C.C. 54-16-03).
- Analyzed expenditures charged to each appropriation class to determine that expenditures were not charged to an inappropriate class to circumvent appropriation spending authority. (N.D.C.C. 54-16-03).
- End of the biennium overspending of source authority and/or appropriation lines is tested in the State of North Dakota Annual Comprehensive Financial Report.

AUTHORITY AND STANDARDS

This biennial audit of the North Dakota Center for Distance Education 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 published in the publication Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States (Green Book, GAO-14- 704G).

Financials

Revenues and Expenditures

REVENUES AND OTHER SOURCES		JUNE 30, 2025		JUNE 30, 2024	
Student Fees	\$	4,541,089	\$	3,178,599	
Transfers In		-		1,310,452	
Total Revenue and Other Sources	\$	4,541,089	\$	4,489,051	

EXPENDITURES AND OTHER USES		JUNE 30, 2025		JUNE 30, 2024	
Salaries and Benefits	\$	5,604,835	\$	4,613,940	
Resale Supplies		1,404,417		1,303,785	
IT Data Processing, Equipment & Supplies		552,693		243,360	
Professional Fees and Services		123,048		100,916	
Rent of Building Space		111,318		94,192	
Operating Fees and Services		64,125		47,102	
Credit Card Costs		50,732		30,355	
Travel		43,767		42,901	
Supplies		28,001		9,548	
Total Expenditures and Other Uses	\$	7,982,936	\$	6,486,099	

Source: ConnectND Financials

Appropriations

For the Biennium Ended June 30, 2025

		FINAL APPROPRIATION		EXPENDITURES		UNEXPENDED APPROPRIATIONS
Expenditures by Line Item						
Center for Distance Education	\$	14,767,642	\$	14,469,035	\$	298,607
Totals	\$	14,767,642	\$	14,469,035	\$	298,607
Expenditures by Source						
General	\$	7,467,642	\$	7,467,642	\$	-
Other		7,300,000		7,001,393	\$	298,607
Totals	\$	14,767,642	\$	14,469,035	\$	298,607

Source: ConnectND Financials



Office of the
State Auditor

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