

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Tuesday, April 21, 2015
 Roughrider Room, State Capitol
 Bismarck, North Dakota

Representative Gary Kreidt, Chairman, called the meeting to order at 3:00 p.m.

Members present: Representatives Gary Kreidt, Wesley R. Belter, Ron Guggisberg, Patrick R. Hatlestad, Jerry Kelsh, Keith Kempenich, Andrew G. Maragos, Corey Mock, Marvin E. Nelson, Chet Pollert, Dan Ruby, Robert J. Skarphol, Wayne Trottier; Senators Ralph Kilzer, Judy Lee

Members absent: Representatives Jeff Delzer, Bob Martinson, Jim Schmidt; Senators David O'Connell, Terry M. Wanzek

Others present: See [Appendix A](#)

It was moved by Representative Mock, seconded by Representative Skarphol, and carried on a voice vote that the minutes of the October 2, 2014, and the January 29, 2015, meetings be approved as distributed.

NORTH DAKOTA UNIVERSITY SYSTEM INSTITUTIONS TUITION WAIVERS AND STUDENT STIPENDS PERFORMANCE AUDIT

At the request of Chairman Kreidt, Mr. Jason Wahl, State Auditor's office, presented information ([Appendix B](#)) regarding the performance audit of the use of tuition waivers and student stipends at the North Dakota University System institutions. He said the audit included a review of the four academic years. He said for the 2010-11 through 2013-14 academic years, the University System institutions granted approximately \$420 million of discounts and \$130 million of tuition waivers. He said discounts were available to individuals from 20 different states and 2 Canadian Provinces. He said tuition waivers granted were equivalent to 12 percent of the total tuition charged.

Mr. Wahl said the institutions use inconsistent terminology relating to tuition waivers and discounts; therefore, he said, the State Auditor's office established, for purposes of the audit, definitions for the following:

- Discount - A reduction in the tuition rate prior to the charge being applied to a student's account.
- Waiver - A reduction in the tuition charged after being applied to a student's account and no money is received or transferred.
- Stipend - A payment made to a graduate student for work performed in the field of study.
- Internship - Any practical or work experience related to the student program which a student may receive academic credit and takes place outside the normal classroom setting.

Mr. Wahl said the three types of waivers include:

- Statutory tuition waivers, which are granted to students pursuant to state law.
- Board tuition waivers, which are provided to students pursuant to State Board of Higher Education policies.
- Institutional tuition waivers, which are given to students at the discretion of each institution.

Mr. Wahl said the audit includes 10 recommendations, which provide the State Board of Higher Education:

1. Establish common definitions within the University System for discounts, waivers, and stipends and review coding of discounts, waivers, and stipends.
2. Require institutions to establish policies and procedures for institutional tuition waivers, which should include eligibility, application process, selection criteria, awarding process, and monitoring.

3. Ensure all criteria are clearly defined for tuition waivers established in Board policy.
4. Establish a waiver policy for institution employee spouse or dependents and University System personnel.
5. Establish policies for cultural diversity, international, graduate, and other common institutional tuition waiver types.
6. Establish limits on the tuition waivers institutions can award.
7. Identify and define the relevant student information required and expected for reporting purposes.
8. Provide authority to an individual to identify the necessary student data to be obtained, which includes:
 - Authorizing the individual to establish standards related to consistent student data entry for the entire University System.
 - Requiring all institutions to follow the established standards.
9. Adequately monitor institutions for compliance with policies, procedures, and standards.
10. Define internship for the entire University System and require a reporting method to readily identify internships at institutions.

In response to a question from Representative Kempenich, Mr. Wahl said the State Auditor's office will conduct a follow-up audit relating to the recommendations provided for the performance audit within the next 18 to 24 months to ensure audit recommendations have been implemented.

Senator Lee commented on the importance of providing internship opportunities to students in areas where there is a workforce shortage.

Representative Skarphol expressed concerns regarding the Legislative Assembly's ability to make good decisions if there is a lack of accurate data relating to internships.

COMMENTS BY UNIVERSITY SYSTEM REPRESENTATIVES

At the request of Chairman Kreidt, Ms. Laura Glatt, Vice Chancellor for Administrative Affairs, North Dakota University System, provided comments regarding the use of tuition waivers and student stipends at University System institutions. She said the State Board of Higher Education has recommended the University System implement the recommendations provided in the audit report as outlined.

Representative Skarphol suggested because of the limited time available to the committee for hearing the performance audit presentation, the Legislative Audit and Fiscal Review Committee consider continuing discussion of the performance audit at its next meeting.

PROPOSED PERFORMANCE AUDIT OF UNIVERSITY FOUNDATIONS

Representative Skarphol proposed that the State Auditor's office conduct a performance audit of the foundations at the University of North Dakota, North Dakota State University, and Dickinson State University for fiscal years 2012, 2013, and 2014. He said language included in 2015 Senate Bill No. 2004, which was recently passed by the 64th Legislative Assembly, allows the State Auditor's office to conduct a performance audit of the foundations.

In response to a question from Senator Lee, Mr. Wahl said the Performance Audit Division of the State Auditor's office does not bill an agency for a performance audit, unless an outside consultant must be hired to assist with the audit.

Senator Lee said she does not support requesting a performance audit of the foundations.

It was moved by Representative Skarphol, seconded by Representative Trottier, and carried on a roll call vote that, when North Dakota Century Code Section 54-10-01, as amended by Senate Bill No. 2004, as approved by the sixty-fourth Legislative Assembly, becomes effective, the Performance Audit Division of the State Auditor's office conduct a performance audit of the foundations at the University of North Dakota, North Dakota State University, and Dickinson State University for fiscal years 2012, 2013, and 2014. Representatives Kreidt, Belter, Hatlestad, Kempenich, Pollert, Ruby, Skarphol, and Trottier and Senator Kilzer voted "aye." Representatives Guggisberg, Kelsh, Mock, and Nelson and Senator Lee voted "nay."

PROPOSED PERFORMANCE AUDIT OF SPACE UTILIZATION STUDY

Representative Skarphol proposed that the State Auditor's office conduct a performance audit of the space utilization study completed for the State Board of Higher Education during the 2013-15 biennium. He said because of the complexity of the space utilization study and the results provided in the report, further analysis of the results should be conducted by an independent third party.

Representative Guggisberg suggested either the University System or the Legislative Council could provide additional information on the results of the study.

It was moved by Representative Skarphol, seconded by Representative Kempenich, and carried on a roll call vote that, pursuant to Section 54-10-01, the Performance Audit Division of the State Auditor's office conduct a performance audit of the space utilization study completed for the State Board of Higher Education during the 2013-15 biennium. The audit must include a review of the involvement of board members, board office staff, and campus personnel in the study, the comprehensiveness of the study, the contractor's compliance with terms of the contract, and State Board of Higher Education actions as a result of the study. The State Auditor shall present the audit report to the Legislative Audit and Fiscal Review Committee and to the 65th Legislative Assembly. Representatives Kreidt, Belter, Hatlestad, Kempenich, Mock, Pollert, Ruby, Skarphol, and Trottier and Senator Kilzer voted "aye." Representatives Guggisberg, Kelsh, and Nelson and Senator Lee voted "nay."

PROPOSED PERFORMANCE AUDIT OF RULES AND POLICIES RELATED TO OIL AND GAS DEVELOPMENT

Representative Hatlestad proposed that the State Auditor's office conduct a performance audit of the Oil and Gas Division of the Industrial Commission related to a review of all rules and policies of the Oil and Gas Division and the enforcement of those rules and policies, and the State Department of Health related to a review of all rules and policies of the department relating to waste created from oil and gas development and the enforcement of those rules and policies.

Representative Kempenich expressed concern that the scope of the performance audit may be too broad.

Representative Nelson expressed support for the audit. He said the Oil and Gas Division and the State Department of Health have not been adequately enforcing violations of the agencies' rules and policies.

It was moved by Representative Hatlestad, seconded by Representative Mock, and failed on a roll call vote that the State Auditor's office conduct a performance audit of the Oil and Gas Division of the Industrial Commission to review all rules and policies of the Oil and Gas Division of the Industrial Commission and the enforcement of the rules and policies, and the State Auditor's office conduct a performance audit of the State Department of Health to review all rules and policies of the department relating to waste created from oil and gas development, and the enforcement of the rules and policies. Representatives Hatlestad, Kelsh, Mock, and Nelson voted "aye." Representatives Kreidt, Belter, Kempenich, Pollert, Ruby, Skarphol, and Trottier and Senators Kilzer and Lee voted "nay."

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

No further business appearing, Chairman Kreidt adjourned the Legislative Audit and Fiscal Review Committee meeting at 4:15 p.m.

Michael C. Johnson
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:2