



## **HB1508**

House Political Subdivisions Committee

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Chair Longmuir and members of the House Political Subdivisions Committee. My name is David Krebsbach, and I serve as the Vice Chancellor for Administrative Affairs & Chief Financial Officer of the North Dakota University System (NDUS). I am here today on behalf of the NDUS and its eleven institutions to testify in support of HB1508.

The North Dakota University System (NDUS) recently reviewed the systemwide audit fees charged to each institution by the State Auditor's Office (SAO) over the last several fiscal years (FY) and the funding sources used by each institution to pay for the audit fees. Non-general fund sources available to the institutions include federal funds and other funds, which are derived from tuition paid by students & their families. These non-general fund dollars are considered "other funds" in each institution's appropriation and are a part of the non-general funds used to calculate audit fees per NDCC 54-10-01.

Federal funds are generally not ongoing, open-ended funding sources. In many cases the administrative limits are fully expended and finalized with the federal awarding agency prior to SAO audits being conducted. Therefore, institutions are unable to charge the prorated audit fees back to federal grants. As a result, 100% of the audit fees are being paid with tuition dollars provided by students who attend the institution.

Audit billings to the System Office and Core Technology Services (CTS) include charges for contracted IT audit services as well as the billings calculated using other fund appropriations. These other funds in the CTS budget consist of mandatory fees charged to students. Other funds in the System Office are comprised of shared services initiated in the System Office and billed back to the

institutions on a pro-rata basis. Institutions indicate that tuition dollars are used to pay for these shared services.

While it is within the statute for the SAO to bill NDUS institutions and entities, the practice raises tuition rates paid by students who attend the institutions. The following table shows audit fees paid to the SAO by NDUS institutions and entities for FY2018 through FY2023:

NDUS Entity	FY18	FY19	FY20	FY21	FY22	FY23	Grand Total
BSC	\$10,098	\$19,784	\$13,289	\$ 35,857	\$ 9,987		\$ 89,015
CTS				286,335	5,499		291,835
DCB	988	12,987	6,553	6,576	22,919		50,024
DSU	9,807	11,698	10,902	22,634	5,127		60,167
LRSC	1,342	14,014	17,418	7,435	3,354	\$15,539	59,102
MaSU	1,970	15,750	3,788	25,956	5,112	28,471	81,047
MiSU	12,060	16,799	14,998	14,590	25,198		83,646
NDSCS	11,388	20,963	7,322	29,516	9,902	17,422	96,513
NDSU	37,213	86,481	102,093	171,190	145,170		542,147
NDUSO	1,071	1,073	10,599	6,712			19,455
UND	43,203	90,744	67,193	201,655	124,733	17,380	544,908
VCSU	7,874	10,631	20,453	8,135	5,452		52,545
WSC	1,249	13,814	17,289	5,609	20,836		58,797
<b>Grand Total</b>	<b>\$138,263</b>	<b>\$314,739</b>	<b>\$291,897</b>	<b>\$ 822,200</b>	<b>\$383,289</b>	<b>\$78,812</b>	<b>\$2,029,200</b>

It is our understanding that higher education audit fees are currently being transferred back to the State's general fund because the SAO general fund appropriation covers operational costs.

**Section 1** of the bill (page 3 lines 25-27) would eliminate SAO audit fees being charged to the higher education institutions and entities, such as CTS and the System Office, thereby reducing expenses that must be paid with students' tuition dollars. **Section 4** would refund institutions for audit fees paid during the current biennium. As of today, this equates to \$462,101 in savings for ND higher education students and the institutions they attend.

This concludes my testimony. I will stand for questions from Committee members.