

North Dakota Legislative Audit and Fiscal Review Committee

July 26, 2012 Testimony by Dr. Dean Bresciani

President, North Dakota State University

Chairman Dan Ruby and Committee Members:

For the record I am Dr. Dean Bresciani, the President of North Dakota State University. As a matter of introduction, it may be helpful for me to provide some context regarding my background and perspective on auditing.

I am a career higher education professional with 30 years of experience spanning nine public institutions. I've served in graduate and undergraduate faculty, research, and administrative roles in university settings around the nation, including five institutions in the Midwest. My educational background is in higher education finance, with a doctoral minor in economics, and I've taught finance, business management, and higher education administration coursework at doctoral, masters, and undergraduate levels. In light of that I believe I have a strong understanding of good business management, common practices in our nation's best universities, and of auditing therein. In fact, I value and appreciate auditing as one of the most important management tools leaders have at their disposal and I'll highlight that point in my following remarks.

I'd like to also introduce our Provost Dr. Bruce Rafert, who joined NDSU last year after serving for seven years as Vice Provost at Clemson University. He has over 40 years of academic experience as a teacher, researcher, research institute director, physics department chair, dean, and vice provost in both private and doctoral public national research universities. Dr. Rafert has been recognized as both teacher of the year and researcher of the year, and received the CSGS outstanding contributions award in graduate education in 2010-- essentially, the graduate dean of the year. He has served on the US Army Science Board, founded three research institutes, and developed the world's first Ph.D. program in Space Sciences. His scientific contributions span physics pedagogy, autonomous astronomical observatories, stellar astrophysics of binary star systems, and remote sensing physics where he was the scientific and technical founder of the U.S. Air Force hyper spectral imaging effort, and designed the optical payload of the world's first orbiting hyper spectral system. In short, he literally "is" a rocket scientist.

I could go on and on introducing the senior leadership of NDSU. But my point is only to suggest that our University benefits from a collective breadth of higher education leadership experience of nationally respected expertise and perspective.

That all said, while the audit before you seems to often draw from past audit findings dating back some five years ago to 2007, I obviously can't "undo" concerns from well before the arrival of current NDSU leadership. However, the record will show and in fact the auditors have noted in their report that soon after arrival at NDSU some two years ago I immediately undertook efforts to reorganize our internal auditing function, bolster and substantially improve adherence to state and campus operational policies, and create a culture of accountability that set a high expectation for compliance. Many of those efforts were well covered by the media, which added helpful attention to our compliance initiatives. I believe we've come a long way in the past two years, and we are proud of the fact that our most recent objective-type operational audit was very positive, although we note from their report that our state auditors assert that observation is irrelevant and misleading.

Complementing the efforts just highlight, NDSU has also for some time utilized a variety of student advisory groups to approve initiation of and annually review student fee policies within our academic and student affairs areas. Additionally, last year we created an umbrella "Student Fee Advisory Board" for review and approval of mandatory student fees. That Board is chaired by the Student Body President, who is here today to confirm the substantial involvement and satisfaction of students with the current environment of student fee review at NDSU.

I recognize, though, that we are an exceptionally large and complex organization involving an over \$300 million dollar annual operating budget, thousands of staff many of which turn over on a regular basis, and likely millions of business transactions every year. We would be kidding ourselves if, even under the best of circumstances, we imagined no mistakes are ever made. That said, when such mistakes are made and discovered they are addressed—and in situations where those mistakes were the result of careless work or willful disregard of policies, disciplinary action up to and including separation from the university now takes place.

Toward the same end and pertinent to the performance audit in front of you, NDSU has in the past two years aggressively worked to simplify and bring more transparency

to our collection and use of tuition and student fees. As you may know, the SBHE unanimously approved and this fall NDSU will initiate the “Student Success Tuition Model.” That model (in Phase I) encourages students to take full 15 credit course loads leading to better retention and graduation in four years and also eliminates most of the confusing array of program fees and (in Phase II) course fees which we are discussing today, by consolidating them in a single “tuition” charge.

In other words...by this time next year, many if not most of the areas of concern identified in the auditor's report will be moot at NDSU.

Both the State Board of Higher Education, and our state auditors in their report, have recognized and applauded this initiative. Our hope is that it will prove a helpful model for other System schools; we understand that several out of state institutions are studying it as well.

As we turn now to the subjective performance audit at hand, we'd like to thank the State Auditor's office for the 8-10 months and estimated thousands of hours of work put in to the review; we can only imagine the challenge of the situation for them. As highlighted above, major research universities are much larger and more complex than typical state agencies. Understanding the nuanced complexities necessary to administer universities, and the expertise-driven discretion requisitely afforded to higher education professionals doing so, no doubt seems unfathomable to those not coming from a higher education background. It would certainly be much easier if there was a policy manual for all aspects and contingencies involved with running a university—but anyone experienced with them or for that matter any large highly complex organization would appreciate the impracticality of that notion. What universities require is a balance of experience, expertise, and judgment with reasonable policy expectations.

We also want to thank the auditors for their ongoing willingness, up to the last possible minute, to discuss and learn more about common operational practices we know to be virtually ubiquitous in higher education—and particularly major research universities. Their willingness to after discussion remove several NDSU audit issues suggests an openness that is appreciated and respected. And in spite of the auditors various concluding remarks still challenging many common knowledge practices in higher education, with more time to continue those discussions we believe most if not all of

the few remaining issues at NDSU might have been resolved. We're also pleased that in the two circumstances where NDSU agrees that policies were not adhered to, they involve only the bulk purchase of toner cartridges and lab animal food (which the auditors refer to as pet food) and are from 2009 – which was two audit periods ago and prior to the current administration. We'll note nonetheless that the individuals involved in both circumstances are no longer with the university.

At the end of the day, and although the auditor's framing of it may not illuminate this critical point, we're pleased to note that with the exceptions just mentioned, on a strictly objective basis NDSU was found in this audit to be complying with policies and procedures as they are currently stated. Our intent is to continue doing so, and in coordination with the Chancellor, also continue both reviewing and improving our practices. That will remain the case if and when policies evolve more specifics in the future. We will also continue working with state auditors to develop "shared" subjective definitions of compliance; optimally and ostensibly those will reflect common higher education business practices nationwide.

One final clarification we'd like to offer is that NDSU adhered very strictly to the definitions of "agree" and "disagree" provided to us by the Office of the State Auditor. The auditor's definitions required complete and absolute agreement both with their entire finding, and as was often challenging--how those findings were framed. Unfortunately, if following their directions, we had no choice but to disagree even when on some points within an item we found common ground.

With the chair's permission I'd like to briefly turn the podium over to Mr. Luke Brodeur, the Student Body President at NDSU.

Thank you for your consideration of this introduction. I'd like to now turn to your comments and any questions you may have. Depending on the specificity required Provost Bruce Rafert, Vice President for Student Affairs Prakash Mathew, Vice President for Finance and Administration Bruce Bollinger, Mr. Brodeur, and our internal auditor Mr. Eric Miller will provide assistance in responding.