

**Financial Audit – Scope of Work**  
**Centers of Excellence**  
**Centers of Excellence Enhancement Grants**  
**Centers of Research Excellence**  
**Base Realignment Grants**  
**Limited Deployment Cooperative Airspace Project**

**Introduction**

The Centers of (Research) Excellence (COE/CORE) programs are built on the concept of partnering the capacities found in our public colleges and universities with private-sector companies. The COE/COREs are hubs of research and development in the fields of energy, agriculture, life sciences, electronics, aerospace, and manufacturing. Objectives of the COE/CORE programs include commercializing new products and services, and generating new jobs and business opportunities.

Centers of Excellence Enhancement Grants have been made available to the state’s research universities for use in infrastructure projects or enhancement of economic development and employment opportunities.

Base Realignment Grants are available to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base.

Limited Deployment-Cooperative Airspace Project (LD-CAP) have been made available to the state’s research universities for use in research, development and demonstration projects involving Automatic Dependent Surveillance-Broadcast (ADS-B) and ADS-B based “sense and avoid” technologies.

The Centers of Excellence Commission (“Commission”), with assistance from the North Dakota Department of Commerce (“Commerce”), provides oversight of the COE, Enhancement Grant and Base Realignment Grant programs. The six member Commission is comprised of representatives from the North Dakota Economic Development Foundation (“Foundation”) and the State Board of Higher Education.

**Background**

North Dakota Century Code (“NDCC”) 15-69-05 and NDCC 54-65-03 stipulate that centers and recipients of Enhancement Grants and Base Realignment Grants shall agree to provide the Commission with the information necessary to monitor their postaward activities. Provisions in NDCC 15-69-05 and NDCC 54-65-03 call for centers and grant recipients to provide audits on all state funds distributed to the center under NDCC 15-69 and NDCC 54-65 after the second full fiscal year of the postaward monitoring and after all award funds have been expended.

A center or grant recipient that has, as of June 30, 2016, completed two full fiscal years of its postaward monitoring or has expended all of its award funds may be subject to a financial audit.

## **Audit Guidelines**

### **Mandatory Minimum Qualifications**

1. Internal auditors **cannot** be used for the audit.
2. The CPA firm and partner in-charge of the audit must be properly licensed to practice in the State of North Dakota.
3. The CPA firm and audit team members must be independent in accordance with:
  - a. Government Auditing Standards, issued by the Comptroller General of the United States, and;
  - b. American Institute of Certified Public Accountants (AICPA) standards.

### **Scope of the Audit**

The auditor shall express an opinion on whether center or grant recipient expenditures of award funds are in compliance with NDCC 15-69-05.1 NDCC 54-65-03.1 and applicable university purchasing requirements. The auditor shall also express opinions on whether: 1) expenditures of award funds are consistent with the scope of the project; and 2) the center or grant recipient is appropriately administering award funds.

### **Description of Funds to be Audited**

The audit shall cover all funds distributed to a center under NDCC 15-69 and NDCC 54-65.

### **Period to be Audited**

The audit shall range from the date a center received its first disbursement of award funds through June 30, 2016 or until the date when the center expended all award funds.

### **Audit Protocol**

This audit shall be done in accordance with: generally accepted auditing standards; applicable Government Auditing Standards issued by the Comptroller General of the United States; and any applicable AICPA audit and accounting guides.

### **Compliance Testing**

The engaged CPA firm will be expected to test for compliance with NDCC 15-69-05.1, NDCC 54-65-03.1 and with university purchasing requirements. It is important to note that NDCC 15-69-05.1 has changed over time. A center is to be compliant with the version that was effective during the biennium in which the center was approved.

### **Other Tests**

The CPA firm will also perform each of the following tests:

1. Examine a sample of expenditures of award funds to verify expenses were approved, and supported with documentation.
2. Verify a sample of labor charged to the grant and trace it to supporting effort-reporting documentation. Examine the sample to determine the reasonableness of salaries paid with award funds.
3. Determine that no direct or indirect subgrants of award funds or assets were made to a private sector company.
  - a. A center may establish a subcontract or vendor relationship with a private sector entity.

4. Compare actual expenditures of award funds to the budget in the application for funding or the Commission-approved revised budget, if applicable, to determine if award funds were spent accordingly.
5. If a center wishes to combine reports, perform agreed upon procedures tasks 1-6 and 11-13 in addition to the procedures laid out in the financial audit.

### **Audit Report Contents**

The audit report should be addressed to Commerce, the State Board of Higher Education, the Budget Section of legislative management, the Commission, and the Foundation in addition to the center or grant recipient.

The audit report must include the following:

- Findings, recommendations, and center response.
- Instances of fraud, waste and illegal acts, or indications of such, including all questioned costs.
- Schedule of findings and questioned costs.
- Comparison of actual expenditures of award funds to the application budget or Commission-approved revised budget.

### **Submittal of Final Audit Report**

The final audit report will be provided in a PDF compatible file to Commerce, the State Board of Higher Education; and the Budget Section of the legislative management. Commerce will provide the final audit report to the Commission and the Foundation. The center may specify the format in which it receives the final audit report.

### **Schedule**

The financial audit is to be completed with the final audit report issued **no later than close of business on September 16, 2016.**

### **Contact**

Christopher Kalash  
Commercialization Manager  
North Dakota Department of Commerce  
1600 East Century Avenue, Suite 2  
Bismarck, ND 58503  
(701) 328-5322  
[ckalash@nd.gov](mailto:ckalash@nd.gov)