

**North Dakota State Board of Higher Education**  
February 16, 2022, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met February 16<sup>th</sup> at 11:00 a.m. CT, via Teams/conf.

Committee Chair Hacker called the meeting at 11:00 a.m. CT.

SBHE Audit Committee members participating:

Mr. Nick Hacker (Chair)  
Mr. Tim Mihalick  
Mr. Jeffry Volk

NDUS staff participating:

Ms. Terry Meyer  
Ms. Dina Cashman  
Ms. Kristie Hetzler  
Ms. Karol Riedman  
Mr. Jerry Rostad  
Ms. Mindy Sturn  
Ms. Jamie Wilke

Others participating:

Mr. Kent Anderson, DSU  
Dean Migler, DCB  
Ms. Charlene Glur, NDSU  
Ms. Cynthia Beiswenger, UND  
Mr. Steve Benson, MaSU  
Mr. Corry Kenner LRSC  
Mr. Brent Winiger, MiSU  
Mr. Harvey Link, NDSCS  
Mr. Tyler Hess, WSC  
Ms. Sonya Koble, BSC  
Ms. Kim Dressler, DSU  
Mr. Eric Olson, AG's Office

1. **Agenda**

Mihalick moved, Volk seconded, to approve the agenda.

Mihalick, Volk, and Hacker voted yes.

2. **January 19, 2022, Meeting Minutes**

Volk moved, Mihalick seconded, to approve the January 19, 2022, meeting minutes.

Volk, Mihalick, and Hacker voted yes.

3. **Discuss NDUS Internal Audit Independent Validation of the Quality Assessment**

Committee Chair Hacker opened the discussion, stating the focus will be on the independent assessment. He stated the assessment is an external work product and that the self-assessment that Ms. Cashman completed was not part of the assessment, and requested the discussion remain with the independent validation assessment.

Ms. Dina Cashman explained that the SBHE Audit Committee reviewed the NDUS Internal Audit [Independent Validation of the Quality Assessment](#) at their January 19<sup>th</sup> meeting, however, there was a modification made prior to the full Board meeting/review on January 27<sup>th</sup>. At the Jan. 27<sup>th</sup> full Board meeting, member Volk requested the independent quality assessment report return to the Audit Committee for further discussion/follow-up. Ms. Cashman stated that on January 19<sup>th</sup> the report the Audit Committee received, reviewed, and recommended to the full Board for approval included the following language in the last paragraph of page 8, but was removed prior to forwarding to the full Board:

The campus-based audit offices' practices are also not aligned with IIA Standards. The leads of these offices lack truly independent reporting lines as discussed in IIA Standard 1110 – Organizational Independence (included in the strengths section above) because the lead auditors report both functionally and administrative to their respective campus presidents. Based on our discussions with audit committee members, it appears that they have a lack of insight into the campus-based auditors' work because the audit committee has not been receiving campus-based audit plans **or updates on their completed audits**. This keeps the audit committee from being able to determine if campus auditors are providing value to the system by identifying higher risks and evaluating the related controls. Finally, neither of the campus-based audit offices has conducted external quality assessments as required by IIA Standards.

After the committee meeting on the 19<sup>th</sup>, she followed up with concerns from NDSU and UND, after discussing, she contacted the independent agent that conducted the assessment. Ms. Cashman requested the language, highlighted in green, be removed from the report. She explained that NDSU and UND do provide her updates that she includes in her quarterly updates to the SBHE Audit Committee. The report has been updated by the independent agent.

Chair Hacker requested that the discussion regarding the current governance and/or reporting structures be held for a future meeting.

Ms. Charlene Glur provided her response to the Independent Quality Assessment done on NDUS IA as it pertains to UND and NDSU:

- On page 8 under the 3rd Opportunity for Improvement it states institutional offices lack independence due to our reporting structure. While NDSU and UND auditors do report functionally and administratively to our President(s), we also do in fact have a dotted line to the Audit Committee and the NDUS CAE. This is evidenced in NDUS Policy 306.2, the [Internal Audit Charter](#) (see 5.c and e). As per Ms. Glur, this is an inaccurate statement in the report. IIA Standards indicate that independence can be achieved through a dual reporting relationship. Both UND and NDSU have this and have the direct and unrestricted access to senior management and their institutions and the NDUS Audit Committee. There is no threat to the internal audit activity to carry out internal audit responsibilities in an unbiased manner. There is no interference in determining the scope of IA, the work performed, or how it communicates. I have attached NDUS Policy 306.2 and a copy of the International Standards for the Professional Practice of Internal Auditing.
- Another inaccuracy is that we do not supply our audit plans or audit reports with the NDUS IA office. Ms. Cashman receives both of these from our offices. I do see that the

line about not receiving our audit reports has been removed, but the verbiage about the audit plans remains.

- The last line of page 8 states that “neither of the campus-based audit offices has conducted external quality assessments as required by IIA Standards.” This is from IIA Standard 1312 and it states this should be done every 5 years. IA at NDSU is less than 5 years old, so it is not appropriate to say we are out of that compliance.

Mr. Hacker clarified that Ms. Glur was hired less than 5 years ago, however, NDSU Internal Audit has been operating more than 5 years.

#### 4. **Review NDUS Internal Audit Recommendations' Tracking Process**

Ms. Dina Cashman Review [NDUS Internal Audit Recommendations' Tracking Process](#). Tracking helps maintain accountability and have clear expectations. The purpose is to document our internal process to make sure everyone is aware of it and what steps to follow. Ms. Cashman noted that feedback from NDSU/UND internal auditors, and the system office was received for the preparation process of the flowchart.

Chair Hacker noted that currently there is a shortage in NDUSO IA staff, and it will be important to work closely and collaboratively with the State Auditor's Office (SAO) to avoid duplicated audits. Mr. Hacker has had discussions with the SAO regarding planning audits going forward. The SAO must maintain absolute and complete independence; however, they are willing to review the NDUSO annual audit plan to consider their potential areas of their internal audit within the NDUS. Mr. Hacker stated the committee is appreciative that the SAO and NDUS have a positive and growing relationship. The tracking process was created to ensure everyone involved follow the process and steps that are laid out in process.

The committee acknowledged the IA workload and limited resources on both the campuses and the NDUSO. Members noted the purpose of the audit plan, tracking process, and working with the SAO, is to assist and create efficiencies throughout the entire system. They will continue to involve institution presidents, executive cabinets, and internal audit staff in the planning process, noting that the audit plan is tentative. The committee requested that all involved maintain open communicate with the committee in any area(s) of potential risk so they can assist.

#### 5. **Update on Compliance**

Ms. Karol Riedman provided an update on policies moving forward, training, and hotline. The more complex policies have moved back for more council and/or committee work and others needing minor updates are currently being reviewed to move forward. Ms. Riedman will continue to work on current and new incoming reports to review with the committee at a future meeting. The hotline process is currently under review and a proposal to streamline and make the process more efficient will be presented at a future meeting.

Ms. Riedman stated it is her responsibility to monitor the system wide required mandatory training for employees. Internal control training will be deployed soon, and she ensures it is completed by all the institutions and the required employees in a timely manner. The Pcard training also effects many employees and that one will be closing for this fiscal year soon. Fraud training for employees is under review and possible changes may be made to that process and expanding to a larger group(s) of employees. Chair Hacker requested that Ms. Riedman work with the NDUS Human Resource Council prior to moving forward with a change in policy and/or process.

#### 6. **Update on NDUS Hotline Administration**

Ms. Karol Riedman explained the complexity and large workload in monitoring and resolving hotline complaints over the last couple years. She explained that the current hotline solution is a simple one contracted with Eide Bailey. Eide Bailey takes a phone or an online form approach, then they transcribe them into a report form, and email a PDF to me and/or to the appropriate institution named in the report. Ms. Riedman stated the reports are increasing and the current system is difficult to track and monitor. She informed the committee she has researched other resources and found that a case management system that many of her counterparts utilize provides several advantages and opportunities for efficiencies. One of the advantages would be more routes for individuals to make reports on a 24/7 basis and all reports/complaints go directly into a portal with a management system. The system can prioritize risk, several individuals can have access to the portal to review cases and automate analytics. The committee agreed that a management system could save time, provide accountability, and provide a more efficient end product. Ms. Riedman will work with the appropriate NDUS staff for options in the procurement process and report to the committee at their next meeting.

The meeting adjourned at 12:20 p.m. CT.

Approved March 16, 2022.