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

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

SBHE Audit Committee members participating:

Mr. Nick Hacker
Mr. Tim Mihalick
Mr. Jeffry Volk

NDUS staff participating:

Chancellor Hagerott
Ms. Terry Meyer
Ms. Dina Cashman
Mr. David Krebsbach
Ms. Kristie Hetzler
Ms. Karol Riedman
Mr. Jerry Rostad
Mr. Darin King
Ms. Mindy Sturn
Ms. Robin Putnam

Others participating:

Ms. Sonja Koble, BSC
President Easton and Mr. Kent Anderson, DSU
Dean Migler, DCB
Mr. Steve Benson, MaSU
President Darling and Mr. Corry Kenner, LRSC
Ms. Janell Watson, MiSU
Interim President Link, NDSCS
Ms. Loretta Forsberg, Forest Svc
Mr. Bruce Bollinger, NDSU
Ms. Lisa Ripplinger, NDSU
Ms. Erica Buchholz and Ms. Krista Lambrecht, WSC
Ms. Robyn Hoffman, SAO
Mr. Eric Olson, AG's Office

1. **Agenda**

Mihalick moved, Volk seconded, to approve the agenda as presented.

Volk, Mihalick, and Hacker voted yes.

2. **Meeting Minutes**

Volk moved, Mihalick seconded, to approve the February 16, 2022, meeting minutes.

Mihalick, Volk, and Hacker voted yes.

3. **Executive Session** (11:05 a.m. CT.)

Mihalick moved, Volk seconded, to enter Executive Session to consider (1) the State Auditor's Draft operational audit report for the North Dakota Forest Service for the biennium ended June 30, 2021, and Draft operational audit report for the Upper Great Plains Transportation Institute for the biennium ended June 30, 2021, and (2) any response from the institutions/entities to the draft report and associated recommendations. The executive session shall be limited to members of the Committee, the Chancellor and staff, Board counsel, representatives of the State Auditor's office, and invited campus officials.

The legal authority for closing this portion of the meeting is North Dakota Century Code sections 44-04-19.2 and 54-10-26.

Volk moved, Mihalick seconded, to adjourn executive session at 11:18 a.m. CT.

Volk, Mihalick, and Hacker voted yes.

Open Session roll call 11:19 a.m. CT:

Committee Chair Hacker

Mr. Mihalick

Mr. Volk

Mihalick moved, Volk seconded, to accept the State Auditor's draft operational audit report for the North Dakota Forest Service for the biennium ended June 30, 2021, and draft operational audit report for the Upper Great Plains Transportation Institute for the biennium ended June 30, 2021, and (2) any response from the institutions/entities to the draft report and associated recommendations.

Mihalick, Volk, and Hacker voted yes.

4. **Internal Audit Executive Survey**

Ms. Dina Cashman reviewed the [Internal Audit Executive Survey](#). The survey is a tool utilized to create a tentative 2022-23 Audit Plan, identify effective and efficient internal audit is, identify opportunities for further improvement, as well as high risk areas that we should include in the audit plan. The survey is anonymous and sent to SBHE Audit Committee members, the Chancellor, Vice Chancellors, campus Presidents, and campus VPs of Finance. Once responses are received, they will be presented to the committee.

Chair Hacker stated the survey is a tool to help guide the annual audit plan and set priorities. He noted the importance of collaboration, coordination, and communication between internal audit, all 11 campuses, the system office and the State Auditor's office, to minimize duplication of similar audits. The system office will share the NDUS audit plan with the SAO and continue to communicate changes and adjust accordingly.

Mihalick moved, Volk seconded, to adopt the internal Audit Executive Survey.

Volk, Mihalick, and Hacker voted yes.

5. **Internal Audit Update**

Ms. Dina Cashman provided an update on the internal audit functions.

6. **Compliance Update**

Ms. Karol Riedman informed the committee that she is currently working through hotline reports, the new hotline case management system, and the theft and fraud training.

There have been three informal bids reviewed for the hotline case management system and an intent to award sent out. The cost is less than what we are currently spending annually and there will be no additional costs to the campuses.

At last month's committee meeting, Committee Chair Hacker requested the policy regarding theft and fraud training policy be discussed at the Human Resource Council meeting for their input, prior to the committee consideration. The policy currently states the training is only required by benefited employees, rather than all employees. The HR council's concerns are primarily the additional workload and complexity in tracking/documenting (administrative burden) if all employees are required to take the training. Ms. Riedman will follow-up on whether the training could be easily automated, or other options are available to address the administrative concerns. Committee Chair Hacker requested that any proposed changes to policy and/or if additional employees will be required to do the training, it will be brought back to Audit Committee to discuss.

7. **Fraud Hotline Enhancement Project**

Ms. Karol Riedman provided an update on the [Fraud Hotline Enhancement Project](#). The committee members discussed the following, but not limited to:

- Approval process
- Potentially increased number of fraud, theft, complaints with new system
 - 24/7 service
 - System has the capability to filter varies levels of complaints/reports
 - Basic work complaint vs. a viable fraud/theft complaint
 - 24/7 service
- Costs, including to campuses
- Length/terms of the contract
- Governance structure for compliance

Mr. Eric Olson stated the hotline is a system function, not a State Board of higher education function, therefore the Chancellor had the authority to approve the new hotline system. The committee members noted that compliance is currently a function of the SBHE Audit Committee and transitioning to a new hotline software for the system should receive committee input/direction. The Chancellor inquired if the Committee members need more time to review and clearly understand how and why the transition process to the new management system has taken place. Ms. Riedman stated that the procurement amount is less than the amount that requires Board approval. Mr. Olson stated there is only a 30-day window to accept the bid at the price quoted, if more time is requested by the committee, it is possible they would no longer honor their price. He also indicated that the current vendor's contract expires in April, so moving forward is time sensitive.

Chair Hacker requested a discussion on the reporting structure of compliance be placed on a future agenda. There needs to be clarification on the duties and roles of compliance and if it is more appropriate for compliance to have a direct report to the Chancellor rather than the SBHE Audit Committee.

He stated the concept and intent for the new management system is reasonable and if the committee doesn't have the decision-making authority, the Chief Compliance Officer,

Chancellor, and legal counsel should proceed as needed. Committee members can contact Mr. Olson or Ms. Riedman if there are any further questions/concerns.

8. Strategic Priorities for SBHE Retreat

Chancellor Hagerott reviewed components of the [strategic priorities](#) for SBHE May retreat; he requested the committee members contact him if there are items that pertain to the audit function that could be incorporated.

The meeting adjourned at 12:00 p.m. CT.

Approved April 18, 2022.