

**North Dakota State Board of Higher Education**  
June 22, 2022, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met June 22<sup>nd</sup>, at 1:00 p.m. CT., via Teams/conf.

Chair Hacker called the meeting to order at 1:00 p.m. CT.

SBHE Audit Committee members participating:

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

NDUS staff participating:

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

Others participating:

Ms. Sonja Koble, BSC  
President Easton, DSU  
Dean Migler, DCB  
President Van Horn, Mr. Steve Bensen, MaSU  
President Darling, Mr. Corry Kenner, LRSC  
Mr. Brent Winiger, MiSU  
Mr. Keith Johnson, NDSCS  
Ms. Sharon Loiland, UND  
President Cook, Mr. Bruce Bollinger, Ms. Lisa Ripplinger, & Karin Hegstad NDSU  
Ms. Lisa Ripplinger, NDSU  
Ms. Erica Buchholz, VCSU  
President Hirning, Ms. Krista Lambrecht, WSC  
Ms. Robyn Hoffman, State Auditor's Office  
Mr. Chris Pieske, Assistant Attorney General

1. **Agenda**

And;

2. **Meeting Minutes**

Mihalick moved, Volk seconded, to approve the agenda, as presented and the May 18, 2022, meeting minutes, as presented.

Volk, Mihalick, and Hacker voted yes.

3. **Executive session** 1:04 p.m. CT

Volk moved, Mihalick seconded, to enter Executive Session to consider (1) the State Auditor's draft operational audit reports for North Dakota State University, and North Dakota State College of Science, and Williston State College, for the biennium ending June 30, 2021, (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.

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

Mihalick, Volk, and Hacker voted yes.

Executive session began at 1:05 p.m. CT.

Present during all executive sessions from 1:05 p.m. – 1:35 p.m.

Mr. Nick Hacker, SBHE  
Mr. Tim Mihalick, SBHE  
Mr. Jeffry Volk, SBHE  
Chancellor Hagerott, NDUS  
Ms. Terry Meyer, NDUS  
Ms. Dina Cashman, NDUS  
Mr. David Krebsbach, NDUS  
Ms. Kristie Hetzler, NDUS  
Ms. Karol Riedman, NDUS  
Mr. Jerry Rostad, NDUS  
Ms. Robyn Hoffman, SAO  
Mr. Chris Pieske, AG Office

Present during NDSU executive session beginning at 1:08 – 1:38 p.m. CT.:

President Cook  
Mr. Bruce Bollinger  
Ms. Lisa Ripplinger  
Ms. Karin Hegstad  
Mr. Chris Pieske, AG Office  
Ms. Robyn Hoffman, SAO

Present during NDSCS executive session beginning at 1:13 – 1:15 p.m. CT.:

Mr. Keith Johnson  
Mr. Chris Pieske, AG Office  
Ms. Robyn Hoffman, SAO

Present during WSC executive session beginning at 1:16 – 1:30 p.m. CT.:

President Hirning  
Ms. Krista Lambrecht  
Mr. Chris Pieske, AG Office  
Ms. Robyn Hoffman, SAO

Volk moved, Mihalick seconded, to adjourn executive session at 1:38 p.m. CT.

Volk, Mihalick, and Hacker voted yes.

**Open Session** roll call 1:40 p.m. CT:  
Committee Chair Hacker  
Mr. Mihalick  
Mr. Volk

Open meeting reconvened at 1:41 p.m. CT.

5. **NDUS FY23 Internal audit plan**

Ms. Dina Cashman reviewed the proposed [draft of the internal audit plan for fiscal year 2023](#). The attached plan is based on a fully staffed Internal Audit department, however, there is a vacant position that is currently in a search process.

SBHE policy 306.2 states that, the Chief Audit Executive (CAE) will submit an annual audit plan to the Chancellor, institutional chief executive officers, and the SBHE. This draft audit plan is risk-based and takes into consideration industry-specific risk areas and current events; input from the institutions and executive leaders is also considered, along with any other identified risk factor.

Ms. Cashman provided a breakdown of the internal audit components for 2023:

- Approximately 62% of internal audit time is scheduled to be spent on actual internal audits, a combination of follow-ups, system-wide and regular audits.
- Approximately 26% of internal audit time will be spent on follow-up audits and reviews and prior not implemented recommendations, which is a significant decrease from the last audit plan which included 42% of our time. Follow-up audits were transferred from FY22 audit plan
- 26% of internal audit time is spent on system-wide audits. Due to recent events, safety and security system-wide audit is on this plan. Another system wide audit is Procurement of large capital projects to the ND Institutions
- Under System wide audits, I am requesting to cancel the following audits from FY 21 that were transferred to FY 23 audits. These audits will be added to the future audit area to consider:
  - ✓ Large Purchase Procurement (Excl. Cap. Project)
  - ✓ Dual Credit Tuition Subsidy
  - ✓ Revenue Audit (Fees/Fines/Other)
  - ✓ Donated Leave
- 10% of internal audit time is spent on entity-specific audits. I would like to note consulting services were requested by BSC and MaSU Presidents and management
- Approximately 38% of internal audit time is scheduled to be spent on a combination of:
  - ✓ Data-driven regular reporting (10%), including purchase cards review, access deprovisioning, vendor reporting, negative leave review, etc.as well as data analytics
  - ✓ Other audit responsibilities (22%), including the Enterprise Risk Management, update of the annual Internal Control training, audit planning, quality assurance review. We are including NDUS risk assessment project that will be completed. Note: the SBHE self-evaluation process is not on the audit plan, that will be determined by the Research and Governance Committee. If they recommend that the audit committee complete it next year, then it would be added to the NDUS internal audit.
  - ✓ Administrative responsibilities (6%), including professional development and support for council, committee and board meetings and new staff training.

Mihalick moved, Volk seconded, to approve the [NDUS FY23 Internal Audit Plan](#), as presented.

Volk, Mihalick, and Hacker voted yes.

The committee noted that the plan can be amended at the Board's discretion, as needed.

The committee members discussed utilizing independent consultants for specific tasks/audits and costs that may be associated with those options. They noted that will take some time to discuss and may affect the independence of the audit function/reporting structure and agreed it will be future discussion and may be more appropriate with the Governance Committee.

**6. Internal Audit and Compliance 2022 Annual Independence Confirmations**

Ms. Dina Cashman and Ms. Karol Riedman proposed 2022 organizational independence confirmations, as required annually by SBHE Policy. Organizational independence is effectively achieved when the Board is directly reported to functionally; the confirmation document(s) outline examples of functional reporting.

Mihalick moved, Volk seconded, to approve the [Internal Audit](#) and [Compliance](#) 2022 Annual Independence Confirmations, as presented.

Mihalick, Volk, and Hacker voted yes.

The committee noted that clarification in the charters regarding the functional and operational reporting structure(s) and authority will be discussed under agenda item nine.

**7. NDSU FY23 Internal Audit Plan**

Ms. Charlene Glur was unavailable to report the [NDSU FY23 Internal Audit Plan](#).

**8. UND FY23 Internal Audit Plan**

Mr. Tim Rerick was unavailable to report the [UND FY23 Internal Audit Plan](#).

**9. SBHE Policy 306.2 Internal audit charter and SBHE Policy 302.2 Audit Committee Charter**

Ms. Dina Cashman requested the committee discuss and provide direction regarding [SBHE Policy 306.2, Internal Audit Charter](#) and Policy [302.2, Audit Committee Charter](#). The committee can review the most current version of the IA standards as a model to amend SHBE Policy/Charters to align with best practices. The IA standards identify seven key areas that support the overall strength and effectiveness of the internal audit activity. The committee members agreed to provide their feedback to Ms. Cashman and requested the feedback be incorporated into a draft proposal as a baseline to start discussions.

The committee identified items to be discussed at a future meeting:

- Scope and duties of the SBHE audit function
- Relationship/reporting between the SBHE Audit Committee and the SBHE
- NDSU and UND internal auditor structure and reporting
- Removal of Board Self-Assessment from the audit function to Governance

The committee agreed that the various components of internal audit and compliance should be reviewed individually and then proceed with an overall review, prior to making any final decisions.

**10. Compliance Office charter**

Ms. Riedman explained that the initial scope and duties as Chief Compliance Officer were large system-wide projects such as addressing inconsistencies, fraud hotline/investigations regarding fraud/complaints, organizing the development and amendment of policies, administrating

mandatory employee training. She stated the compliance should be more proactive and an outreach role; in 2019/2020 one of the roles was to coordinate and have a compliance champions identified at each institution. That effort was to have a more a compliance program in place that would be managed at a system level, then the COVID pandemic occurred and diverted the compliance from its normal function(s).

She further explained that the [current compliance charter](#) is aligned with IA standards, however, she suggested the committee review the Department of Justice federal guidelines. Those guidelines include seven required elements of federally required components for effective compliance functions. She stated the compliance and ethics organizations that she is certified through, also have a separate code of ethics with three principles and seventeen rules. She also recently attended a national conference for higher education compliance officers and could brief the committee on what is being done on a national level.

The committee requested she begin amending the Compliance Charter as a starting point for them to begin their review at their next committee meeting. The committee noted future discussion will include how to handle anonymous complaints and how draft reports are handled. The committee stated that the compliance role needs to be well defined, proactive, transparent, and communication/collaboration; it should be an outreach and have consulting nature.

#### 11. **Reporting Structure Options for Compliance**

Ms. Karol Riedman provided the committee some options to consider for the compliance [reporting structure](#):

- Chief Compliance Officer being independent of management
- Direct and functional report to the Chancellor or a campus President with the indirect report to the Audit Committee. This would include the Compliance Officer who is part of the executive management team and plays a role in strategy discussions. The compliance office would indirectly report to the Audit Committee.

The committee agreed that the first step is to determine the reporting structure for the NDUS compliance officer, then review and consider amendments to the charter to ensure they alignment. They also discussed some training opportunities for board members; Ms. Riedman stated she will provide some materials regarding best practices in the governance of the compliance function and specifically in higher education governance systems. Chair Hacker requested the Chancellor discuss the compliance function and the needs of the campuses with the Presidents and report any feedback to the committee; the committee will continue discussions at their August meeting.

The meeting adjourned at 2:40 p.m. CT.

Approved August 19, 2022.