

**North Dakota State Board of Higher Education**  
February 15, 2023, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met on February 15<sup>th</sup> at 11:00 a.m. CT.

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

**Audit Committee Members Participating:**

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

**NDUS/Other Staff Participating:**

Chancellor Hagerott  
Ms. Terry Meyer  
Ms. Dina Cashman  
Mr. David Krebsbach  
Ms. Robin Putnam  
Mr. Darin King  
Mr. Dustin Walcker  
Ms. Mindy Sturn  
Ms. Sharon Schwartzbauer  
Ms. Maryann Olson  
Ms. Robyn Hoffman, State Auditor's Office  
Ms. Meredith Larson, Legal Counsel

**Others participating:**

Dean Simone, DCB  
President Easton, Les Wietstock, DSU  
President Van Horn, Ms. Amber Hill, and Ms. Kate Ehnert MaSU  
President Shirley, Mr. Brent Winiger, MiSU  
President Flanigan, NDSCS  
Bruce Bollinger, Karin Hegstad, Lisa Ripplinger, NDSU  
President Armacost, Sharon Loiland, Tim Rerrick, UND  
President LaFave, VCSU  
President Hirning, Ms. Krista Lambrecht, WSC

1. Agenda

Volk moved, Mihalick seconded the motion to approve the agenda. Mihalick, Volk, and Hacker voted yes.

2. Meeting Minutes

[January 18, 2023](#), Meeting Minutes

Mihalick moved, Volk seconded the motion to approve the January 18, 2023, meeting minutes as presented. Volk, Mihalick and Hacker voted yes.

The regular meeting adjourned at 11:05 a.m. to enter into Executive Session.

### 3. Executive Session

Volk moved, Mihalick seconded the motion to enter into Executive Session to consider (1) The NDUS Governance Communication including the Report on Internal Control, Compliance, and other matters, dated June 30, 2022; (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, and invited campus officials. The legal authority for closing this portion of the meeting is North Dakota Century Code Sections 44-04-18(9) and 44-04-19.2.

Mihalick, Volk, and Hacker voted yes.

The Executive Session was called to order at 11:06 a.m.

Roll call taken to affirm there was a quorum. There was a quorum. Present were Hacker, Volk, Mihalick.

The Executive Session meeting adjourned at 11:19 a.m.

The regular meeting resumed at 11:20 a.m.

### Discussion Items

4. [Annual Internal Audit Key Performance Indicator Report](#) presented by Ms. Dina Cashman. Ms. Cashman provided the results of the annual key performance indicators report for FY22. . The report is designed to evaluate effectiveness and efficiency of ternal Audit Department. The results came from the 2022 Executive survey, client satisfaction survey sent after each audit, time spent on audits and staff continuing education. The system-wide transfer audit is included in the results of this report even though the audit results were distributed in fiscal year 2023 as the transfer to FY23 was not authorized.. In the fiscal year 2022, the target measurements were achieved wherein the previous report indicated some of the measurements were lower than the target. This is the third year reporting this report and our goal is to continuously improve our services and add value to the organization.

5. [Internal Audit Plan Update](#) presented by Ms. Dina Cashman. Ms. Cashman stated that the Internal Audit Department progress report was provided to Committee members with the agenda documentation. As reported at the last meeting, the Internal Audit Department is not fully staffed. The report in the agenda shows the estimated project hours from February to the end of June. The Internal Audit will have about 1,400 hours for two FTEs to complete the projects, however, about 1,800 hours will be needed. The projects that are highlighted in the report in orange are the ones in progress. The two projects highlighted in yellow are estimated to take about 400 hours each. As of now, we will not be able to complete both projects. The informal quote received for these system wide procurement of capital project ranged from \$35,000 up to \$90,000. After reviewing the budget, the estimated that there would be approximately \$28,000 in General Fund dollars available and approximately \$52,000 of approved assessments to the institutions that will not be assessed. Ms. Cashman asked the Committee to provide directions as to how to address the two projects that the Internal Audit Department will not be able to complete.

Chair Hacker summarized the report stating there are about 400 hours internally available and there is some money in the General Fund and that any approvals for campus assessments should be revisited. There are two very high priority projects, one of them being the Safety and Security project, of utmost priority, and should not be tabled into the future. The Procurement project was bid on previously however the Safety and Security project was not. Mr. Mihalick and Mr. Volk concurred with Chair Hacker.

Chair Hacker inquired of Ms. Cashman which project the Internal Audit Department office would prefer to audit internally, should this Committee determine which of the two projects would be outsourced and assessed back to the campuses to cover the outsourced project? Ms. Cashman stated that the Safety and Security (Active Shooter) project is a priority. She clarified that they are short 400 hours in her department which means they cannot complete both projects. They have received quotes from firms that specialize in capital projects which were estimates and not formal bid processes. Her preference would be for her department to focus on the Safety and Security audit. Further she said she would agree with the Committee if they decided that one of the audits should be transferred to the next audit cycle. Chair Hacker summarized the issue that the Internal Audit Department would be able to complete the Safety and Security audit and it was suggested to seek outside expertise help for the Procurement audit. Ms. Cashman replied that is correct adding that the formal Procurement process will need to be followed. Mr. Bollinger, NDSU, brought the State Auditor's Office (SAO) audit on Emergency Preparedness completed in 2018 for NDSU and asked if the Safety and Security audit would be a duplication. Ms. Cashman stated she will review previous audits completed by the SAO to ensure that any similar type of Safety and Security audits are not duplicated. Regarding transferring one of the audits to the next audit cycle, she clarified that when the Internal Audit Department budget was approved in June 2022, it had the General Fund money and approved assessments to the institutions for the deficit which was about \$52,000. Because her office is understaffed, they will have \$28,000 in the General Fund and the \$52,000 that will not be assessed. If the procurement would happen for any of the projects, anything over the \$28,000 would be assessed to the institutions. Mr. Volk commented that his preference is to not assess campuses since they must deal with their own budget issues, thus, the Procurement audit could wait until the next fiscal year. Ms. Cashman stated she will review the State Auditor's Report completed in 2018 as discussed above to see if the Safety and Security with the focus of an active shooter was included in the SAO report.

Chair Hacker recommended this topic be revisited in March after Ms. Cashman has an opportunity to review the State Auditor records as outlined above. He said he would like to see what discussions were held at that time with local law enforcement regarding what an active shooter exercise would look like, and if there was an active shooter episode, what the plan would be. Secondly, he stated that he would approve of capital projects being delayed until the next budget cycle, reiterating that procurement citing's have continued and that's the purpose that audit is listed. Committee members agreed with Chair Hacker's recommendation as stated.

#### 6. Compliance Update – Mr. Chris Pieske

Mr. Pieske stated that the compliance reports under review dated back to May 19, 2022, to February 8, 2023. As of December 31, 2022, there were forty-six (46) total reports of which forty-two (42) were open and four (4) were closed. As of February 14, 2023, there were sixty-four (64) total reports, fifty-two (52) are closed and twelve (12) are still open wherein ten (10) of those cases have been assigned to campus investigators and the other two (2) have been assigned to him. He has or will be meeting with all the compliance contacts and the presidents at each campus to discuss revisions to the Compliance Charter and to discuss areas of concern on campuses or areas where additional resources of training may be useful. Going forward, his plan will be to

present a list of Compliance Office priorities at which time he will ask for feedback on that process from this Committee. Committee members concurred with the plan moving forward outlined by Mr. Pieske, with Chair Hacker noting the importance of the Compliance Office not taking on the role as one of “police authority”.

7. SBHE Efficiency and Opportunity Committee, discuss [Priority 1: Input 1.1](#)

Chair Hacker stated this group was previously referred to as the Red Tape Reduction Task Force which name has been changed to the Efficiency and Opportunity Committee. When they met, the Committee started a process to establish a prioritization procedure when looking at different issues that need to be addressed. For example, anytime an issue that was discussed that was not related to the role of that Committee, the issue was reassigned to other entities who would appropriately handle such issues in their jurisdiction (i.e., Budget Committee, Audit Committee, etc.). One of the goals of this Committee is to not duplicate efforts of addressing an issue thus another entity having more expertise and resources available than this committee has, will be requested to investigate the issue and then provide a recommendation back to this Committee for resolution if a resolution is required.

A follow up from a previous Efficiency and Opportunity Committee meeting, Ms. Cashman was requested to investigate an issue having to do with the timing of the scheduling of internal audits. She stated that the suggestion received was to have all audits conducted by the Internal Audit Office scheduled at least one year prior to the beginning of the audit of the institution. She explained the current Internal Audit process. She stated that the Audit Plan is prepared one year in advance wherein it is scheduled for presentation in May with the Audit Committee approving it in June for the upcoming fiscal year. The audit is based on the risk assessment, research and survey data information collected. The Audit Plan will be available in June of every year. <sup>†</sup> Prior to starting an audit, Internal Audit reaches out to the institution regarding the timing and availability before sending notification letter, then schedule an entrance meeting and send the engagement letter. For the system-wide audit, meetings are scheduled with the Chancellors and meetings are held with the cabinet before the audit is started. If the Audit Committee has any special requests, those requests will be placed as a top priority. She informed the Committee members that the audit process is also outlined on the NDUS website and is available for anyone to review.

Chair Hacker inquired if the scheduled audit plans for the institutions could be presented earlier in the year so they could be scheduled to start as soon as July 1 of every year? Ms. Cashman stated that if the audits on the annual audit plan have a scheduled time, then any changes to the audit plan throughout the year must be approved by the Audit Committee, which would not be efficient. Mr. Mihalick suggested the internal audit process be as flexible as possible and give the institutions as much notice as possible. Mr. Volk suggested that the Internal Audit Office coordinate with the institutions to schedule it out as a type of audit, rather than a calendar audit, thereby allowing flexibility by the Internal Audit Office. Ms. Cashman stated that the Internal Audit Department will modify the scheduling process to include regular communications to the institutions with flexibility of time for their projects and they will welcome feedback from the institutions throughout the fiscal year. Mr. Krebsbach suggested that accommodations could be made through the Administrative Affairs Council meetings as a quarterly update for the institutions audit plans and that would notify all the VPs of Finance and that would open another avenue of communication for that group. Committee members along with Ms. Cashman agreed to coordinate with the institutions the suggestion brought forward by Mr. Krebsbach. There being no further business to discuss the meeting adjourned at 12:08 p.m.

Approved March 22, 2023.