

North Dakota State Board of Higher Education
August 16, 2023, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met August 16th at 11:30 a.m. CT., via Teams.

Chair Volk called the meeting to order at 11:30 a.m. CT.

Audit Committee Members Participating:

Mr. Jeffrey Volk (Chair)
Mr. Tim Mihalick
Dr. Casey Ryan

NDUS/Other Staff Participating:

Chancellor Hagerott
Ms. Terry Meyer
Ms. Dina Cashman
Mr. Dustin Walcker
Mr. Chris Pieske
Mr. David Krebsbach
Ms. Robin Putnam
Mr. Darin King

Others participating:

President Jensen, Ms. Rebecca Collins, Ms. Sonya Koble, BSC
President Darling, LRSC
Dean Simone, Ms. Lisa Mock, DCB
President Easton, DSU
Ms. Amber Hill, MaSU
President Shirley, Mr. Brent Winiger, Ms. Jonelle Watson, MiSU
President Cook, Mr. Bruce Bollinger, Ms. Charlene Glur, Ms. Karin Hegstad, Mr. Chris Wilson, NDSU
President Armacost, Ms. Karla Stewart, UND
President LaFave, Ms. Erica Buchholz, VCSU
President Hirning, Ms. Krista Lambrecht, WSC
Ms. Meredith Larson, Legal Counsel
Ms. Robyn Hoffman, State Auditor's Office

1. Agenda

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

Ryan, Mihalick, and Volk voted yes.

2. June 21, 2023, Meeting Minutes

Volk moved, Mihalick seconded, to approve the June 21, 2023, meeting minutes, as presented.

Mihalick, Ryan, and Volk voted yes.

3. **Executive Session** (11:35 a.m. CT)

Mihalick move, Ryan seconded to enter Executive Session to consider (1) the State Auditor's draft operational audit reports for North Dakota University System Office, Minot State University, Dakota College of Bottineau, and Bismarck State College, for fiscal years 2021 and 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, representatives of the State Auditor's office, and invited campus officials.

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

Mihalick, Ryan, and Volk voted yes.

Present During Executive Session:

Audit Committee Members Participating:

Mr. Jeffrey Volk (Chair)

Mr. Tim Mihalick

Dr. Casey Ryan

NDUS/Other Staff Participating:

Chancellor Hagerott

Ms. Terry Meyer

Ms. Kristie Hetzler

Ms. Dina Cashman

Mr. David Krebsbach

Ms. Robin Putnam

Mr. Darin King, CTS

Ms. Meredith Larson, Legal Counsel

Ms. Robyn Hoffman, State Auditor's Office

Start – Adjourn

(11:37 – 11:42 a.m. CT) North Dakota University System Office

Participants listed above remained in the executive session for all the State Auditor's draft audit reports (NDUS, DCB, MiSU, and BSC).

(11:42 – 11:46 a.m. CT) Minot State University

Participants joined: President Shirley, Mr. Brent Winiger, Ms. Jonelle Watson

(11:46 – 11:55 a.m. CT) Dakota College of Bottineau

Participants joined: Dean Simone, Ms. Lisa Mock, President Shirley, Mr. Brent Winiger (MiSU), Ms. Jonelle Watson (MiSU)

(11:58 – 12:15 p.m. CT) Bismarck State College

Participants joined: President Jensen, Ms. Rebecca Collins, Ms. Sonya Koble, BSC

Ryan moved, Mihalick seconded, to adjourn executive session at 12:15 p.m. CT; the committee reconvened in the open meeting, no action needed.

4. **Quarterly Report**

Mr. David Krebsbach provided the committee with a quarterly management report; the committee had no concerns.

5. **Quarterly (Q4 FY23) Audit Plan Progress Update**

Ms. Dina Cashman provided the committee with an update on the Quarterly (Q4 FY23) Audit Plan Progress; the committee had no concerns.

6. **Quarterly (Q4 FY23) Continuous Review Update**

Mr. Dustin Walcker provided the committee with an update on Quarterly (Q4 FY23) Continuous Review; the committee had no concerns.

7. **SBHE 306.2, Internal Audit Charter (Part B, NDUS, UND)**

Committee Chair Volk requested SBHE Policy 306.2 (part B), be moved to the September SBHE Audit Committee meeting. He stated that more time is needed to review and vet through various stakeholders; the committee members agreed. President Armacost noted that he is holding on UND's internal auditor vacancy until the committee acts on part B of Policy 306.2.

8. **NDUS Internal audit update**

Ms. Dina Cashman informed the committee that the NDUSO Internal Auditor position is still vacant and will be re-advertised.

Committee Chair Volk adjourned the meeting at 12:40 p.m. CT.

Approved October 9, 2023.



Audit Recommendation Tracking as of 6/30/2023 Management Update

Overview

The NDUS system; eleven campuses, the System Office, and Core Technology Services (CTS), are subject to audit by the North Dakota State Auditor’s Office as well as NDUS, UND and NDSU Internal Audit. Audits can be financial, operational or performance. The System Office works with the campuses on the tracking, update, and follow-up of the audit recommendations.

Summary

There were three new issues added last quarter from North Dakota University System Internal Audits (NDUS IA) and eighteen were closed. There were seven new issues added from University of North Dakota Internal Audits (UND IA), and seventeen issues were closed. North Dakota State University Internal Audits (NDSU IA) added six new issues and closed five issues. Overall, there were fourteen open audit issues at the time of this report.

There were two Prior Not Implemented (PNI) findings closed from UND IA this last quarter and one closed from NDUS IA. There are currently no PNI findings open this quarter.

State Auditor’s Office Management Update as of 06/30/2023

Type of Finding	Open 3/31/2023	New Added	Closed	Open 06/30/2023
Formal (SAO)	0	0	0	0
Informal (SAO)	0	0	0	0
Totals	0	0	0	0

University of North Dakota Internal Auditing Management Update as of 06/30/2023

Type of Finding	Open 3/31/2023	New Added	Closed	Open 06/30/2023
Prior Not Implemented	2	0	2	0
High Risk	0	1	0	1
Moderate Risk	13	3	13	3
Low Risk	2	3	2	3
Totals	17	7	17	7

**North Dakota State University Internal Auditing
Management Update as of 06/30/2023**

Type of Finding	Open 3/31/2023	New Added	Closed	Open 06/30/2023
Prior Not Implemented	0	0	0	0
High Risk	1	0	1	0
Moderate Risk	0	0	0	0
Low Risk	0	6	4	2
Totals	1	6	5	2

**NDUS Internal Auditor Office
Management Update as of 06/30/2023**

Type of Finding	Open 3/31/2023	New Added	Closed	Open 06/30/2023
Prior Not Implemented	1	0	1	0
High Risk	11	0	10	1
Moderate Risk	3	1	3	1
Low Risk	5	2	4	3
Totals	20	3	18	5

**All Audit Recommendations Aging Report in Days
by Campus as of 06/30/2023.**

Campus	0-60	61-120	121-240	241-500	501-750	751-1,000	1,001-1,500+	Total
CTS				1				1
NDSU	2			1				3
NDUSO					1			1
UND	7							7
WSC				2				2
Grand Total	9	0	0	4	1	0	0	14

Closed PNI findings that were open at the start of quarter, but have since closed. They will be removed from the next quarter's report.

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Priority	Date of Report	Recommendation	Response	Last Comment Entered	Date of Last Comment
0112-0002	Cash Receipts, H: Combination to Hyslop pool office safe has not been changed	100	Closed	UND	UND Internal	UND-Athletics Follow-Up Audit	6/20/2022	Prior Not Implemented	High	6/20/2022	Recommendation as Provided in Audit Report: The combination to the Hyslop pool office safe should be changed at least every two years or whenever anyone who knows the combination terminates employment. This was a prior audit recommendation.	Campus Response: During the new fiscal year (FY23), the combination will be changed in August 2022. This will be followed up on.	Implemented: The combination to the Hyslop pool office safe has now been changed	4/11/2023
0129-0005	Cash Receipts: The deposit receipts (Peoplesoft extract reports) were not reconciled to the source cash receipt documents. They were not reconciled to the prenumbered receipt books or the electronic receipt book (mail log).	100	Closed	UND	UND Internal	UND IA-Energy & Environmental Research Center Audit	11/17/2022	Prior Not Implemented	Medium	11/17/2022	Recommendation as Provided in Audit Report: To help ensure that all monies received are deposited, the deposit receipts should be reconciled to both the prenumbered receipt books and the electronic receipt book (mail log). This was a prior audit recommendation.	Campus Response: This recommendation will be implemented.	To help ensure that all monies received are deposited, the deposit receipts are now being reconciled to both the prenumbered receipt books and the electronic receipt book (mail log).	5/22/2023
0127-0001	Improper Completion of I-9 forms	100	Closed	WSC	NDUS Internal	WSC-Follow-Up Audit of Human Resources and Payroll Follow-Up Dated December 27, 2019	10/7/2022	Prior Not Implemented	Medium	10/7/2022	Recommendation as provided in Audit Report: We recommend WSC ensure proper and timely completion of the federally required I-9 form for every employee and verify employee data in the PS HRMS system matches the information on the completed I-9 form.	Campus Response: At the October 17, 2022, Executive Cabinet meeting WSC President requested that managers ensure all new hires, as the first action of employment on their first day of employment, complete the I9 process. WSC HR Director will monitor for compliance on a quarterly basis.	WSC has had significant turnover in the HR position but has hired a new HR Director to start in late July 2023. Currently, I-9s are being properly completed by the interim HR Director and these processes will continue under the new HR Director.	6/30/2023

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
0117-0001	CTS-Ineffective safeguards surrounding Peoplesoft generic accounts	80	Open	CTS	NDUS Internal	NDUS CTS-Internal Audit-Peoplesoft Generic Accounts Audit	07/08/2022	High Risk	357	This items is 80% complete. All items have been completed except for: -Transition and configure remaining generic accounts to be protected and management by HPUM. Some campuses have transitioned but not all. Progress is being made with the hope to have this completed in July 2023.	6/29/2023
0126-0025	NDSU-Inconsistency Among NDUS Institutions	50	Open	NDSU	NDUS Internal	System-Wide Transfer of NDUS Coursework Audit-NDUS Internal Audit Report, August 19, 2022	10/19/2022	Low Risk	256	The Provost has made progress with his conversations. A final review from the curriculum committees will occur in the fall with the intention of implementing the decision on January 1st, 2024.	6/30/2023
0140-0001	NDSU-The custody of cash and separation of duties after the closing of a day are not within best practices. The unlocked bank bags are being delivered to a different building and put in unlocked, open cubby style mailboxes in Ag Budget.	25	Open	NDSU	NDSU Internal	NDSU IA-NDSU Meat Lab Petty Cash-Cash on Hand Audit	06/30/2023	Low Risk	7	The department is meeting to evaluate their processes to ensure the custody of cash is secure.	6/30/2023

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
0140-0002	NDSU-: Deposits are not being made in accordance with the timelines of NDSU Policy 501 and 503	25	Open	NDSU	NDSU Internal	NDSU IA-NDSU Meat Lab Petty Cash-Cash on Hand Audit	06/30/2023	Low Risk	7	The department is meeting to discuss and update their procedures to ensure deposits are made in a timely manner.	6/30/2023
0096-0022	NDUSO-Universal immunization form	90	Open	NDUSO	NDUS Internal	NDUS SYSTEM-WIDE IMMUNIZATION AUDIT	06/30/2021	Low Risk	732	<p>Lisa Johnson comment 6/15/2023: decision was made to pause on this request until all campuses were on TargetX;</p> <p>Lisa Johnson comment 06/30/2023: CTS requested additional information from the campuses related to the individual workflow sequence at each campus. This topic has been placed on the agendas of the next sceduled meetings (July/August) of the Admissions User Group and the Student Records User group to indicate 1)whether a log in is needed or if the waiver form can be open to the public, 2) workflow--who must be notified when a waiver has been submitted, 3)global or campus secured, and 4) the name and contact information of a person at each institution. Once this has been collected, the update should go quickly as all campuses are on TargetX or moving to TargetX shortly.</p>	6/30/2023
0134-0001	UND-The University did not ensure that the monthly commission payments from Follett were for the correct amount	0	Open	UND	UND Internal	UND-Follett University Bookstore Final Audit Report April 19, 2023	04/19/2023	High Risk	73	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
0134-0002	UND-Textbook scholarships provided from Follett University were not recorded on the University General Ledger for fiscal years 2020, 2021, and 2022.	0	Open	UND	UND Internal	UND-Follett University Bookstore Final Audit Report April 19, 2023	04/19/2023	Low Risk	73	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023
0134-0003	UND-Timeliness of payments received from Follett	0	Open	UND	UND Internal	UND-Follett University Bookstore Final Audit Report April 19, 2023	04/19/2023	Low Risk	73	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023
0134-0004	UND-Student Finance's written procedures for the Follett gift card scholarships were out of date.	0	Open	UND	UND Internal	UND-Follett University Bookstore Final Audit Report April 19, 2023	04/19/2023	Low Risk	73	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
0136-0001	Cost transfer justification form was not included in the documentation for 18/30 cost transfers in our sample.	0	Open	UND	UND Internal	UND IA-Federal Cost Transfers Final Audit Report	05/24/2023	Moderate Risk	38	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023
0138-0001	UND-Invoices did not consistently direct payers to make their checks payable to the University of North Dakota.	0	Open	UND	UND Internal	UND IA-FINAL AUDIT REPORT UND SCHOOL OF MEDICINE AND HEALTH SCIENCES MEDICAL SERVICE PLAN JUNE 28, 2023	06/28/2023	Moderate Risk	2	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023
0138-0002	UND-Checks received were not always deposited on a timely basis. The time lapse to deposit the checks ranged from 0 - 55 business days, with average of 18 days.	0	Open	UND	UND Internal	UND IA-FINAL AUDIT REPORT UND SCHOOL OF MEDICINE AND HEALTH SCIENCES MEDICAL SERVICE PLAN JUNE 28, 2023	06/28/2023	Moderate Risk	2	This item is part of the UND Internal Audit FY 24 Audit plan for follow up. It will be reviewed in FY 24.	6/30/2023

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
0123-0004	WSC-Lack of institutional policy or procedure regarding criminal background checks for volunteers	50	Open	WSC	NDUS Internal	System-Wide Criminal History and FBI Background Check Follow-Up Audit, August 23, 2022	10/06/2022	Moderate Risk	269	WSC has been completing background checks of volunteers as of September 2022 and an update to WSC procedure is being worked on. A new HR Director has been hired and will be starting in late July 2023. The new HR Director will be tasked with developing a tracking mechanism and ensuring that background checks are completed.	6/30/2023
0126-0028	WSC-Inconsistency Among NDUS Institutions	50	Open	WSC	NDUS Internal	System-Wide Transfer of NDUS Coursework Audit-NDUS Internal Audit Report, August 19, 2022	10/19/2022	Low Risk	256	WSC plans on using an automated transfer setup similar to what UND uses specifically for NDUS schools. The registrar has the documents to get it set up and a meeting is scheduled with UND's Assistant Registrar to review their processes. After that meeting, WSC will begin work on implementing and creating process documents.	6/30/2023

North Dakota University System

Status of FY23 NDUS Internal Audit Plan
As of: June 30, 2023

Approving Entity: SBHE Audit Committee
Contact: Dina Cashman, Chief Audit Executive, NDUS

Executive Summary

On a regular basis, data is gathered from NDUS audit functions to provide an update on planned or added audits, and the status of same. This report does not include other responsibilities of the internal audit function, including continuous review and reporting, ERM, special projects, training updates, board meeting prep, etcetera.

Fiscal Year 2023 Audit Plan Progress

		BSC	DCB	DSU	LRSC	MaSU	MiSU	NDSCS	VCSU	WSC	NDUSO	CTS	System	NDUS IA Total	Completion %	UND	Completion %	NDSU	Completion %	System IA Total
<i>Audits or Assessments</i>	Originally Planned	1	0	0	1	1	0	0	0	0	0	0	0	2	5		8		2	15
	Added during the Year	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0		1	1
	Total	1	0	0	1	1	0	0	0	0	0	0	0	2	5		8		3	16
	Current Status:																			
	Completed	1	0	0	1	1	0	0	0	0	0	0	1	4		8		2		14
	In Progress	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Still Planned	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Deferred	0	0	0	0	0	0	0	0	0	0	0	1	1		0		1		2
	Cancelled	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Total	1	0	0	1	1	0	0	0	0	0	0	2	5	100%	8	100%	3	100%	16
<i>Follow-up Audits, Reviews or PNI</i>	Originally Planned	0	2	2	0	1	1	1	1	2	0	0	2	12		6		1		19
	Added during the Year	0	0	0	0	0	0	0	0	0	0	0	0	0		4		0		4
	Total	0	2	2	0	1	1	1	1	2	0	0	2	12		10		1		23
	Current Status:																			
	Completed	0	2	2	0	1	1	1	1	2	0	0	2	12		10		1		23
	In Progress	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Still Planned	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Deferred	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Cancelled	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Total	0	2	2	0	1	1	1	1	2	0	0	2	12	100%	10	100%	1	100%	23
<i>Other 1, 2 (shared service, external assist, ad hoc review, investigations, analysis, other)</i>	Originally Planned	0	0	0	0	0	0	0	0	0	0	0	1	1		2		32		35
	Added during the Year	0	0	0	0	0	0	0	0	0	1	0	0	1		0		0		1
	Total	0	0	0	0	0	0	0	0	0	1	0	1	2		2		32		36
	Current Status:																			
	Completed	0	0	0	0	0	0	0	0	0	1	0	1	2		2		17		21
	In Progress	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Still Planned	0	0	0	0	0	0	0	0	0	0	0	0	0		0		0		0
	Deferred	0	0	0	0	0	0	0	0	0	0	0	0	0		0		13		13
	Cancelled	0	0	0	0	0	0	0	0	0	0	0	0	0		0		2		2
	Total	0	0	0	0	0	0	0	0	0	1	0	1	2	100%	2	100%	32	100%	36

¹ Fraud investigations are unplanned and handled as they arise. Internal audit staff may investigate or complete assist work.

² NDSU is including cash on hand and petty cash counts.

Fiscal 2023 Audit Plan Progress		<u>NDUS</u>	<u>NDUS IA</u>	<u>UND</u>	<u>UND</u>	<u>NDSU</u>	<u>NDSU</u>	<u>System</u>
		<u>IA</u>	<u>Completion</u>	<u>Completion</u>	<u>Completion</u>	<u>Completion</u>	<u>Completion</u>	<u>IA Total</u>
			%	%	%	%		
<i>Audits or Assessments</i>	Originally Planned	5		8		2		15
	Added during the Year	0		0		1		1
	Total	5		8		3		16
	<u>Current Status:</u>							
	Completed	4		8		2		14
	In Progress	0		0		0		0
	Still Planned	0		0		0		0
	Deferred	1		0		1		2
	Cancelled	0		0		0		0
	Total	5	100%	8	100%	3	100%	16
<i>Follow-up Audits or Reviews</i>	Originally Planned	12		6		1		19
	Added during the Year	0		4		0		4
	Total	12		10		1		23
	<u>Current Status:</u>							
	Completed	12		10		1		23
	In Progress	0		0		0		0
	Still Planned	0		0		0		0
	Deferred	0		0		0		0
	Cancelled	0		0		0		0
	Total	12	100%	10	100%	1	100%	23
<i>Other 1, 2 (shared service, external assist, ad hoc reviews, investigations, analysis, other)</i>	Originally Planned	1		2		32		35
	Added during the Year	1		0		0		1
	Total	2		2		32		36
	<u>Current Status:</u>							
	Completed	2		2		17		21
	In Progress	0		0		0		0
	Still Planned	0		0		0		0
	Deferred	0		0		13		13
	Cancelled	0		0		2		2
	Total	2	100%	2	100%	32	100%	36

IMPORTANT: NDUS Internal Audit plans for FY23 are based on known circumstances and certain areas requiring routine audit coverage. Portions of the plan are unannounced and unplanned to allow internal audit flexibility to respond to events that transpire, and to add, delay or eliminate audits throughout the year.

North Dakota University System

Report of Continuous Review Projects

As of: June 30, 2023

Executive Summary

NDUS Internal Audit performs a continuous review on a number of areas within the NDUS. The areas to be regularly reviewed can come from audit recommendations or known risk areas. Below are the details for the current continuous reviews.

P-Card Transaction Review

Initiated: 1/1/2020
 Frequency: Monthly
 Population: System-wide
 Note: As of 7/1/2020 UND and NDSU Internal Audit Dept. complete P-Card reviews for their respective campuses. Their results are included with NDUS results below.

<u>Review</u>	<u>Transactions Reviewed</u>	<u>Amount of Transactions Reviewed</u>	<u>Unsatisfactory Transactions</u>	<u>Amount of Unsatisfactory Transactions</u>
1/1/2020 - 4/30/2020	82	\$63,122	1	\$38
5/1/2020 - 7/31/2020	56	\$31,860	1	\$44
8/1/2020 - 10/31/2020	72	\$15,882	3	\$463
11/1/2020 - 1/31/2021	84	\$32,228	6	\$5,220
2/1/2021 - 4/30/2021	89	\$51,922	13	\$3,602
5/1/2021 - 7/31/2021	94	\$39,951	1	\$500
8/1/2021 - 10/31/2021	105	\$47,745	0	\$0
11/1/2021 - 1/31/2022	94	\$51,241	1	\$2,567
2/1/2022 - 4/30/2022	87	\$49,409	4	\$757
5/1/2022 - 7/31/2022	50	\$39,246	0	\$0
8/1/2022 - 10/31/2022	61	\$39,237	0	\$0
11/1/2022 - 1/31/2023	105	\$44,250	1	\$320
2/1/2023 - 4/30/2023	99	\$30,573	2	\$1,177

Note: NDUS IA will no longer be reviewing PCard transactions after this month.

Vendor Continuous Review

Initiated: 9/30/2018
 Frequency: Annually
 Population: System-wide
 Note: Vendor review will be done July 2024 for FY24

<u>Review</u>	<u>Vendors with multiple SID</u>	<u>Vendors with multiple TIN</u>	<u>Vendors without TIN</u>
7/31/2020	0	0	0
8/31/2020	2	0	0
9/30/2020	0	1	0
10/30/2020	0	1	0
11/30/2020	0	1	0
12/31/2020	0	2	0
Q3 2021	2	3	1
Q4 2021	2	1	0
Q1 2022	0	0	0
Q2 2022	2	0	0
Q3 2022	1	1	1
6/30/2023	5	6	2

Negative Comp Time Review

Initiated: 6/30/2019
 Frequency: Annually
 Population: System-wide
 Note: Negative Comp Time review will be done July 2024 for FY24

<u>Review</u>	<u>Employees</u>	<u>Total # of hours</u>
Q3 2020	11	68.15
Q4 2020	11	65.66
Q1 2021	11	70.28
Q2 2021	16	263.51
Q3 2021	9	58.23
Q4 2021	8	52.85
Q1 2022	10	61.97
Q2 2022	4	7.88
Q3 2022	1	4.65
6/30/2023	7	65.61

**NORTH DAKOTA
STATE BOARD OF HIGHER EDUCATION
Policy Manual**

Policy: 306.2 Internal Audit Charter

Effective: May 30, 2019

North Dakota University System Internal Audit Charter.

A. This Charter applies to the North Dakota University System Internal Audit.

1. IntroductionINTRODUCTION:

- ~~a. Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the North Dakota University System (NDUS). It assists NDUS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.~~
- a. Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the North Dakota University System (NDUS). It assists NDUS in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.
- b. The internal audit activity is established by the State Board of Higher Education (Board). The internal audit activity's responsibilities are defined by the Board and the Audit Committee as part of their oversight role.

2. ROLE AND OBLIGATION:

~~The internal audit activity is established by the State Board of Higher Education (Board). The internal audit activity's responsibilities are defined by the Board and the Audit Committee as part of their oversight role.~~

The internal audit activity of NDUS is responsible for conducting system wide audits as well as institution specific audits, including the NDUSO and CTS, for those institutions that do not directly employ internal audit staff. Each research institution shall directly employ its own internal audit staff.

2. Standards for the Professional Practice of Internal Auditing:

3. PROFESSIONALISM:

- a. The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Formatted: Font: Bold

Formatted: List Paragraph, Indent: Left: 0", Numbered + Level: 1 + Numbering Style: A, B, C, ... + Start at: 1 + Alignment: Left + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: Bold

Formatted: Font: (Default) Times New Roman

Formatted: Font: Not Bold

Formatted: Font: (Default) Times New Roman

Formatted: List Paragraph, Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Font: (Default) Times New Roman

Formatted: List Paragraph, Indent: Left: 0.25"

Formatted: Indent: Left: 0.25", No bullets or numbering

Formatted: Indent: Left: 0.25", No bullets or numbering

Formatted: Font: Not Bold

Formatted: Font: Not Bold

- b. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to relevant Board policies and procedures and the internal audit activity's standard operating procedures manual.

3. Organization**AUTHORITY:**

- e. The internal audit activity of NDUS will consist of the NDUS chief audit executive (CAE) and any internal audit staff or consultants hired by the system office.
 - a.
 - d. The NDUS Internal Audit CAE will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the NDUS Chancellor.
 - b.
 - c. NDSU and UND directly employ their own internal audit staff. The NDSU and UND internal auditors follow the North Dakota Institutions' internal audit charter.

4. Authority:

- 4. The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all NDUS (and affiliated organizations) records, physical properties, and personnel pertinent to carrying out any engagement. All NDUS (and affiliated organizations) employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board and Audit Committee.

• ORGANIZATION:

- 1. ~~The internal audit activity of NDUS will consist of the NDUS chief audit executive (CAE) and any internal audit staff or consultants hired by the system office or any of the institutions which comprise the NDUS system.~~
 - a. ~~The CAE will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the NDUS Chancellor.~~
 - b. ~~Institutionally based internal audit activity will report functionally and administratively to the institutional chief executive officer and if warranted, to the Audit Committee.~~
 - c. ~~In the event that institutionally based internal audit activity is performed at other than a home institution, said internal audit activity will report functionally to the institutional chief executive officer of the institution where the work is being performed. Administrative reporting is unchanged.~~
 - d. ~~All internal audit activity, regardless of location, have an indirect report to the CAE and the Audit Committee.~~
 - e.a. ~~The Board and Audit Committee will shall:~~

Formatted: Font: Not Bold

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman

Formatted: Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman

Formatted: Font: (Default) Times New Roman, Bold

Formatted: Indent: Left: 0.5", Line spacing: Multiple 1.15 li, No bullets or numbering

Formatted: Font: (Default) Times New Roman

Formatted: List Paragraph, Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0" + Indent at: 0.25"

Formatted: Indent: Left: 0.25", No bullets or numbering

Formatted: Indent: Left: 0", Numbered + Level: 1 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

- i. ~~Review and a~~Approve the internal audit charter.
- ii. Approve the risk based internal audit plan.
- iii. Approve the internal audit budget and resource plan for the CAE.
- iv. Receive communications from the CAE on the NDUS internal audit staffactivity's performance relative to its plan and other matters.
- v. ~~Approve Make~~decisions regarding the appointment and removal of the CAE.
- vi. ~~Recommend and a~~Approve the remuneration of the CAE.
- vii. Make appropriate inquiries of managementNDUS senior staff and the CAE to determine whether there is inappropriate scope or resource limitations.
- viii. Make recommendations to the SBHE to take actions based on reports received from the CAE; and
- ix. Review disputes regarding investigations, reports, or recommendations issued by the CAE.

b. ~~g.~~The CAE will communicate and interact directly with the Board and Audit Committee, including in executive sessions and between Board meetings as appropriate.

Formatted: Font: (Default) Times New Roman

Formatted: List Paragraph, Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Font: Not Bold

5. Independence and ObjectivityINDEPENDENCE AND OBJECTIVITY:

~~The CAE shall ensure that~~the internal audit activity will remain free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an independent and unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAE determines that independence or objectivity may be impaired in fact or appearance, the details of any such impairment will be disclosed to the Chancellor and the Audit Committee.

a. ~~interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.~~

Formatted: Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

b. ~~The NDUS Internal Audit shall maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.~~

Formatted: Indent: Left: 0.75", No bullets or numbering

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

Formatted: Indent: Left: 0"

c. ~~The NDUS~~internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:

- i. Assessing specific operations for which they had responsibility within the previous year;
- ii. Performing any operational duties for the SBHE, the NDUS, or the institutions;
- iii. Initiating or approving transactions external to the NDUS internal audit activity;
or
- iv. Directing the activities of any NDUS or institutional employee not employed by the NDUS Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Formatted: Indent: Left: 1.25", No bullets or numbering

a. would normally be subject to review. However, Internal Audit may be consulted when new systems or procedures are designed to ensure they adequately address internal controls.

— If the CAE is assigned duties or responsibilities that fall outside of this Charter, safeguards will be established to avoid potential impairment to independence or objectivity.

d.

c. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. NDUS Internal auditors shall:

i. Disclose any actual or apparent impairment of independence or objectivity to the appropriate party.

ii. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

iii. Make balanced assessments of all available and relevant facts and circumstances.

iv. Take necessary precautions to avoid being unduly influenced by personal interests or by others in forming judgments.

f. The CAE shall disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

b.g. The CAE will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

6. Scope of Internal Audit Authority RESPONSIBILITY:

a. Assurance Services. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of evidence for the purpose of providing independent assessments to the SBHE and management on the of the adequacy and effectiveness of the organization's governance, risk management, and internal control processes for NDUS, as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes evaluating whether:

i. Evaluating Risk exposure relating to achievement of the organization's strategic objectives are appropriately identified and managed.

ii. Whether the actions of SBHE and NDUS officers, directors, employees, and contractors are in compliance with SBHE policies, NDUS procedures, and applicable laws, regulations, and governance standards;

iii. Whether the results of operations or programs are consistent with established goals and objectives;

iv. The adequacy and effectiveness of the organization's governance, risk management, and internal controls, as well as the quality of performance in

Formatted: List Paragraph, Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Indent: Left: 1.25", No bullets or numbering

Formatted: Indent: Left: 0", Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: List Paragraph

Formatted: Font: Not Bold

Formatted: Underline

Formatted: Font: (Default) Times New Roman

Formatted: List Paragraph, Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Indent: Left: 1.13", Hanging: 0.25", Numbered + Level: 3 + Numbering Style: i, ii, iii, ... + Start at: 1 + Alignment: Right + Aligned at: 1.38" + Indent at: 1.5"

- carrying out assigned responsibilities to achieve the organization's stated goals and objectives.
- v. Whether operations or programs are being carried out effectively and efficiently.
 - vi. The processes and systems that enable compliance with policies, procedures, laws, and regulations;
 - vii. Whether information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
 - ~~±viii.~~ Whether resources and assets are acquired economically, used efficiently, and protected adequately.
- b. The CAE shall report periodically to the NDUS Chancellor and the Audit Committee regarding:
- i. NDUS Internal Audit's purpose, authority, and responsibility;
 - ii. NDUS Internal Audit's audit plan and performance relative to the audit plan;
 - iii. NDUS Internal Audit's conformance with The Institute of Internal Audit's Code of Ethics and Standards, and action plans to address any significant conformance issues.
 - iv. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the SBHE.
 - v. Results of audit engagements or other activities;
 - vi. Resource requirements; or
 - ~~±vii.~~ Any response to risk by management that may be high risk.
- c. The CAE shall coordinate the activities of and may rely on the work of other internal and external assurance and consulting service providers as engaged on consultation with the SBHE.
- d. The NDUS Internal Audit may identify opportunities to improve the efficiency of governance, risk management, and control processes ~~may be identified~~ during audit engagements. To the extent appropriate, such opportunities shall be communicated to the appropriate level of management.
- e. Consulting Services: NDUS Internal Audit provides consulting services in an advisory capacity, and are generally performed at the specific request of the Chancellor or NDUS institutional chief executive officers. The nature and scope of the consulting engagement are subject to agreement with management. Consulting may range from formal engagements with defined scopes and objectives to advisory activities such as providing informal guidance in response to general inquiries. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.
- ~~a.~~
- b. ~~Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information.~~
- e. ~~Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the~~

Formatted: Not Highlight

Formatted: Underline

~~organization.~~

- ~~d. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.~~
- ~~e. Evaluating the effectiveness and efficiency with which resources are employed.~~
- ~~f. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.~~
- ~~g. Follow-up, as needed, on the implementation of planned corrective action by auditees on issued internal audit recommendations.~~
- ~~h. Monitoring and evaluating governance processes.~~
- ~~i. Monitoring and evaluating the effectiveness of the organization's risk management processes.~~
- ~~j. Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.~~
- ~~k. Performing consulting and advisory services related to governance, risk management and internal control as appropriate for the organization.~~
- ~~l. Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.~~
- ~~m. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.~~
- ~~n. Evaluating specific operations at the request of the Board or Chancellor, or institutional chief executive officers, as appropriate.~~

7. Responsibility~~INTERNAL AUDIT PLAN:~~

- a. The NDUS internal audit staff is responsible for conducting system-wide audits, including the NDUS system office and NDUS Core Technology Services (CTS). It will also conduct internal audits and consulting services for institutions that do not directly employ internal audit staff. The two research institutions, UND and NDSU, shall directly employ ~~it~~their own internal audit staff. ~~†~~Those auditors shall have primary responsibility for conducting audit activities on their employing campus.
- b. The CAE has the responsibility to:
 - i. Submit, at least annually, to the Chancellor and the Audit Committee a risk-based internal audit plan for review and approval;
 - ii. Communicate to the Chancellor and Audit Committee the impact of resource limitations on the internal audit plan;

Formatted: Not Highlight

- iii. Review and adjust the internal audit plan, in consultation with the Audit Committee as necessary, in response to changes in NDUS's business, risks, operations, programs, systems, and controls;
- iv. Communicate to the Chancellor and the Audit Committee any significant interim changes to the internal audit plan.
- v. Ensure that each engagement of the internal audit plan is executed, including: the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- vi. Follow up on engagement findings and corrective actions, and reports periodically to the Chancellor and the Audit Committee any corrective actions or recommendations not effectively implemented;
- vii. Ensure the NDUS Internal Audit applies and upholds the principles of integrity, objectivity, confidentiality, and competency;
- viii. Maintain a professional audit staff that collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the this Charter;
- ix. Remain current on trends and emerging issues that could impact NDUS and communicate the same to the Chancellor and Audit Committee as appropriate;
- x. Consider adopting emerging trends and successful practices in internal auditing
- xi. Establish and ensure adherence to SBHE policies and NDUS procedures designed to guide the NDUS Internal Audit;
- xii. Ensure that the NDUS Internal Audit adheres to relevant SBHE policies and NDUS procedures. Any conflicts between this Charter and SBHE policies and NDUS procedures shall be resolved in consultation with the Audit Committee and the Chancellor;
- xiii. Review and update the NDUS Internal Audit Charter at least every three years, or more if changes are warranted, and provide the updated Internal Audit Charter to the Audit Committee for review and approval.
- xiv. Ensure that the NDUS Internal Audit conforms with the Institute of Internal Audit Standards, with the following qualifications:
 - 1. If the NDUS Internal Audit is prohibited by law or regulation from conformance with certain parts of the Institute of Internal Audit Standards, the CAE will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - 2. If the Institute of Internal Audit Standards are used in conjunction with requirements issued by other authoritative bodies, the CAE shall ensure that the NDUS Internal Audit conforms with the Institute of Internal Audit Standards, even if the NDUS Internal Audit also conforms with the more restrictive requirements of other authoritative bodies.

c. The majority of audits are planned, however that does not preclude Internal Audit from conducting unplanned audits, following the same standards of engagement and reporting as planned audits. As unplanned projects are required, they are included in the overall

plan for the year. Any significant deviation from the approved internal audit plan will be communicated to the Chancellor, institutional chief executive officers, the Board, and Audit Committee through periodic activity reports.

At least annually, the CAE will submit to the Chancellor, institutional chief executive officers, and the Board an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The CAE will communicate the impact of resource limitations and significant interim changes to the Chancellor, institutional chief executive officers, the Board, and Audit Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of the Chancellor, institutional chief executive officers, and the Board. The CAE will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls.

Formatted: Normal, Indent: Left: 0'

7. REPORTING AND MONITORING:

- a. A written report will be prepared and issued by the CAE, designee, or institutional internal audit staff or designee following the conclusion of each internal audit engagement and will be provided to the Chancellor and appropriate institutional chief executive officer(s).
- b. Internal audit reports issued by any institutional internal audit activity will be submitted to the CAE in a timely manner.
- c. Internal audit results will also be communicated to the Board and Audit Committee.
- d. The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
- e. The internal audit activity will be responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.
- f. The CAE will periodically report to the Chancellor, institutional chief executive officers, the Board, and Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Chancellor, institutional chief executive officers, the Board, and Audit Committee.

8. Quality Assurance and Improvement program ~~QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:~~

Formatted: Font: Not Bold

- a. The NDUS internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- b. The CAE will communicate to the Chancellor, institutional chief executive officers, ~~the Board, and~~ Audit Committee and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

B. ~~B.~~ North Dakota Institutions' Internal Audit Charter:

Formatted: Font: 12 pt, Not Bold

Formatted: Indent: Left: 0", Hanging: 0.25"

This Charter applies to ~~North Dakota~~ Institutions that employ internal auditors.

1. ~~PURPOSE~~Purpose: The role of internal audit is to provide independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the respective campus. -It assists in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the institution's governance, risk management, and internal controls.

Formatted: Font: (Default) Times New Roman

Formatted: Font: Not Bold

Formatted: Font: (Default) Times New Roman

Formatted: Indent: Left: 0.25", No bullets or numbering

2. Role: The internal audit department is established by the ND State Board of Higher Education and the respective campus. -The internal audit activity will adhere to relevant Board, NDUS, and institutional (NDSU/UND) policies and procedures.

3. Professionalism: The ~~institutions'~~ internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Core Principles and International Standards for the Professional Practice of Internal Auditing, and to the recommended guidance including the Practice Guides and Implementation Guidance.

Formatted: Font: (Default) Times New Roman

Formatted: Indent: Left: 0.5", No bullets or numbering

4. Authority: The institutions' internal audit departments are authorized full, free, and unrestricted access to all of the institutions' records, physical properties, and personnel pertinent to carrying out any engagement. Internal audit will maintain strict accountability for confidentiality and safeguarding records and information which is obtained. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

Formatted: Font: (Default) Times New Roman

Formatted: Indent: Left: 0.5", No bullets or numbering

5. Organization:

Formatted: Font: (Default) Times New Roman

Formatted: Indent: Left: 0.5", No bullets or numbering

- a. The institutional audit activity employed by the individual campuses will report administratively and functionally to the respective campus ~~P~~presidents and indirectly to the Audit Committee.
- b. The Directors of Internal Audit at the campuses will communicate and interact directly with the SBHE Audit Committee.
- c. The Audit Committee will:

- i. Approve the internal audit charter;
- i.
- ii. Receive copies of the President's approved internal audit plans;
- iii. Receive institutions' internal audit reports and follow-up reports;
- iv. Make appropriate inquiries of management and the Directors of Internal Audit to determine whether there are inappropriate scope or resource limitations; and
The North Dakota Institutions' (Institutions) internal auditing function is an independent and objective assurance and consulting activity designed to add value and improve the operations of the North Dakota Institutions. It helps the Institutions accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes;
- v. Have unrestricted access to all institutional audit staff.

Formatted: Font: (Default) Times New Roman
Formatted: Numbered + Level: 3 + Numbering Style: i, ii, iii, ... + Start at: 1 + Alignment: Right + Aligned at: 1.13" + Indent at: 1.38"

6. Independence and objectivity:

- a. The institutions' internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
- b. The institutions' internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.
- c. The Institutions' internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Institutions' internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Formatted: Indent: Left: 1.38", No bullets or numbering

7. Responsibility:

- a. The scope of the Institutions' internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:
 - i. Evaluating risk exposure relating to achievement of the organization's strategic objectives;
 - ii. Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
 - iii. Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on the organization;
 - iv. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
 - v. Evaluating the effectiveness and efficiency with which resources are employed;

Formatted: Indent: Left: 0.75", No bullets or numbering

- vi. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- vii. Follow-up, as needed, on the implementation of planned corrective action by auditees on issued internal audit recommendations;
- viii. Monitoring and evaluating governance processes;
- ix. Monitoring and evaluating the effectiveness of the organization's risk management processes;
- x. Performing consulting and advisory services related to governance, risk management and internal control as appropriate for the organization;
- xi. Reporting periodically to the Institutions' chief executive officers on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- xii. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the institutions' chief executive officers; and
- xiii. Evaluating specific operations at the request of the institutions' chief executive officers, as appropriate.

← Formatted: Indent: Left: 1.38", No bullets or numbering

8. Internal audit plan:

- a. At least annually, the internal auditors for the institutions will prepare their campus internal audit plans for approval by their institution's president, who will provide informational copies to the Audit Committee Chair. The institutions' internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of the institution's president and senior management. The Institution's Directors of Internal Audit will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Each Director of Internal Audit will also provide adjusted plans to the Audit Committee.
- b. The majority of audits are planned, however that does not preclude institutions' internal auditors from conducting unplanned audits, following the same standards of engagement and reporting as planned audits. As unplanned projects are required, they are included in the overall plan for the year. Any significant deviation from the approved internal audit plan will be communicated to the respective campus president and updated on the audit plan shared with the Audit Committee.

← Formatted: Indent: Left: 0.75", No bullets or numbering

9. Reporting and monitoring:

- a. A written report will be prepared and issued by the institutions' internal audit staff following the conclusion of each internal audit engagement and will be provided to their respective campus president and senior management over the area under review.
- b. Internal audit reports issued by the institutions' internal auditors will be provided to the Audit Committee.
- c. The institutions' internal audit reports may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area,

should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

- d. The institutions' internal auditors will be responsible for appropriate follow-up on engagement findings and recommendations. Audit follow-up reports will be provided to the CAE and Audit Committee. -All significant findings will remain in an open issues file until cleared.
- e. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the institutions' president or the Audit Committee.

Formatted: List Paragraph, Numbered + Level: 2 + Numbering Style: a, b, c, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75"

The role of internal audit is to provide independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the respective campus. It assists in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the institution's governance, risk management, and internal controls.

Formatted: Indent: Left: 0"

ROLE AND OBLIGATION:

The Institutions' internal audit activity is established by the State Board of Higher Education.

Formatted: Font: (Default) Times New Roman, 12 pt, Bold

Formatted: Normal, Indent: Left: 0"

ROLE:

The internal audit department is established by the ND State Board of Higher Education and the respective campus. The internal audit activity will adhere to relevant NDUS and institutional (NDSU/UND) policies and procedures.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, Indent: Left: 0"

Formatted: Font: (Default) Times New Roman, 12 pt

PROFESSIONALISM:

The Institutions' internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Core Principles and International Standards for the Professional Practice of Internal Auditing, and to the recommended guidance including the Practice Guides and Implementation Guidance.

Formatted: Font: (Default) Times New Roman, 12 pt, Bold

Formatted: Normal, Indent: Left: 0"

Formatted: Font: (Default) Times New Roman, 12 pt

AUTHORITY:

The Institutions' internal auditors, internal audit departments with strict accountability for confidentiality and safeguarding records and information, have are authorized full, free, and unrestricted access to all Institutions' records, physical properties, and personnel pertinent to carrying out any engagement. Departments or activities under review are expected to render every possible assistance that will facilitate the progress of the audit. The Institutions' internal audit activity will also have free and unrestricted access to the Audit Committee. Internal audit will maintain strict accountability for confidentiality and safeguarding records and information which is obtained. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities.

Formatted: Font: (Default) Times New Roman, 12 pt, Bold

Formatted: Normal, Indent: Left: 0"

ORGANIZATION:

The institutional audit activity employed by the individual campuses will report administratively and functionally to the respective campus Presidents and indirectly to the Audit Committee.

Formatted: Indent: Left: 0"

The Directors of Internal Audit at the campuses will communicate and interact directly with the SBHE Audit Committee.

Formatted: Indent: Left: 0"

The Audit Committee will:

Formatted: Indent: Left: 0"

- Approve the internal audit charter.
- Receive copies of the President’s approved internal audit plans.
- Make appropriate inquiries of management and the Directors of Internal Audit to determine whether there are inappropriate scope or resource limitations.
- Have unrestricted access to all institutional audit staff.

Formatted: List Paragraph, Bulleted + Level: 1 + Aligned at: 0.5" + Indent at: 0.75"

Formatted: Font: Not Bold

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, Indent: Left: 0.5", No bullets or numbering

Internal audit staff at the North Dakota Institutions will report functionally and administratively to the Institutions’ chief executive officers and indirectly to the Audit Committee.

Formatted: Normal, No bullets or numbering

— The Audit Committee will:

- Review and approve the internal audit charter.
- Have the final approval on the removal of the Institutions’ internal auditors.
- Review the risk based internal audit plans developed by the internal audit staff of the Institutions.
- Receive communications from the Institutions’ chief executive officers on the internal audit staffs’ performance relative to their plans and other matters.

e. The Institutions’ internal auditors and their chief executives will interact, as requested, with the Audit Committee.

INDEPENDENCE AND OBJECTIVITY:

Formatted: Indent: Left: 0"

The Institutions’ internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Formatted: Font: (Default) Times New Roman, 12 pt

The Institutions’ internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that would normally be subject to review. However, the Institutions’ internal auditors may be consulted when new systems or procedures are designed to ensure they adequately address internal controls that may impair internal auditor’s judgment.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, Indent: Left: 0.25", No bullets or numbering

Formatted: Indent: Left: 0"

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

The Institutions’ internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Institutions’ internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

RESPONSIBILITY:

Formatted: Font: (Default) Times New Roman, 12 pt, Bold

Formatted: Normal, Indent: Left: 0"

~~The scope of the Institutions' internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:~~

- ~~— Evaluating risk exposure relating to achievement of the organization's strategic objectives.~~
- ~~— Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.~~
- ~~— Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, which could have a significant impact on the organization.~~
- ~~— Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.~~
- ~~— Evaluating the effectiveness and efficiency with which resources are employed.~~
- ~~— Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.~~
- ~~— Follow up, as needed, on the implementation of planned corrective action by auditees on issued internal audit recommendations.~~
- ~~— Monitoring and evaluating governance processes.~~
- ~~— Monitoring and evaluating the effectiveness of the organization's risk management processes.~~
- ~~— Performing consulting and advisory services related to governance, risk management and internal control as appropriate for the organization.~~
- ~~— Reporting periodically to the Institutions' chief executive officers on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.~~
- ~~— Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Institutions' chief executive officers.~~
- ~~— Evaluating specific operations at the request of the Institutions' chief executive officers, as appropriate.~~

INTERNAL AUDIT PLAN:

Formatted: Font: (Default) Times New Roman, 12 pt, Bold

Formatted: Normal, Indent: Left: 0"

At least annually, the internal auditors for the Institutions will prepare their campus internal audit plans for approval by their Institution's chief executives/presidents who will provide informational copies to the Audit Committee Chair and the CAE.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

The Institutions' internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of the Institutions' chief executive officers president and senior management. The Institutions' Directors of Internal Audit internal auditors will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. The chief executive officers will also provide adjusted plans to the Audit Committee Chair. The chief executive officers will receive feedback from the Audit Committee Chair and will work with their internal auditors to review and adjust the plan as necessary.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Indent: Left: 0"

Formatted: Normal, No bullets or numbering

The majority of audits are planned, however that does not preclude Institutions' internal auditors from conducting unplanned audits, following the same standards of engagement and reporting as planned audits. As unplanned projects are required, they are included in the overall plan for the year. Any significant deviation from the approved internal audit plan will be communicated to the Audit Committee by the Institutions' chief executive officers through periodic activity reports, the respective campus President and updated on the audit plan shared with the Audit Committee.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

REPORTING AND MONITORING:

Formatted: Indent: Left: 0"

A written report will be prepared and issued by the Institutions' internal audit staff following the conclusion of each internal audit engagement and will be provided to their Institutions' chief executive officers, respective campus President and senior management over the area under review.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

Internal audit reports issued by the Institutions' internal auditors will be provided to the CAE and Audit Committee.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

The Institutions' internal audit reports may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

The Institutions' internal auditors will be responsible for appropriate follow up on engagement findings and recommendations. Audit follow up reports will be provided to the CAE and Audit Committee. All significant findings will remain in an open issues file until cleared.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Institutions' chief executive officers President or the Audit Committee.

Formatted: Font: (Default) Times New Roman, 12 pt

Formatted: Normal, No bullets or numbering

HISTORY: New policy, SBHE meeting minutes, May 30, 2019.