

State Board of Higher Education

September 20, 2023, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee will meet September 20th 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. Jeffry Volk (Chair)
Mr. Tim Mihalick
Dr. Casey Ryan

NDUS/Other Staff Participating:

Ms. Terry Meyer
Ms. Dina Cashman
Mr. Jerry Rostad
Mr. Chris Pieske
Mr. David Krebsbach
Ms. Robin Putnam
Mr. Darin King
Mr. Dustin Walcker
Ms. Meredith Larson, Legal Counsel

Others participating:

President Darling, Joanne Kitchens, LRSC
Dean Simone, DCB
President Easton, DSU
President Van Horn, MaSU
President Shirley, MiSU
President Flanigan, NDSCS
Bruce Bollinger, Charlene Glur, Karin Hegstad, Lisa Ripplinger, Chris Wilson, NDSU
Mr. Rob Carolin, Sharon Loiland, UND
Ms. Erica Buchholz, VCSU
President Hirning, Ms. Krista Lambrecht, WSC
Ms. Meredith Larson, Legal Counsel, AG Office
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. **Meeting Minutes**

The August 16, 2023, meeting minutes will be placed on the October agenda.

Ryan, Mihalick, and Volk voted yes.

3. Updated FY 24 NDUS internal audit plan

Ms. Dina Cashman reviewed updates to the FY24 NDUS Internal Audit Plan. The committee members had no concerns.

Ryan moved, Mihalick seconded, to recommend approval of the FY24 NDUS Internal Audit Plan, as presented.

Ryan, Mihalick, and Volk voted yes.

4. Executive Session (11:35 a.m. CT)

Mihalick moved, Ryan seconded, to enter Executive Session to consider (1) the State Auditor's draft operational audit reports for Dickinson State University and University of North Dakota 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 portion of the meeting is North Dakota Century Code, sections 44-04-19.2 and 54-10-26.

Ryan, Mihalick, 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

(11:35 a.m. – 12:15 p.m. CT)

Participants listed above remained in the executive session for both the State Auditor's draft audit reports.

(11:40 – 12:05) Dickinson State University

Participants joined: President Easton and Leslie Wietstock.

(12:08 – 12:15) University of North Dakota

Participants joined: Rob Carolin, Sharond Loiland, and Odella Fuqua.

No action required.

Open meeting reconvened at 12:20 p.m. CT.

5. **Procurement updates**

Mr. Dirk Huggett provided an update regarding how Core Technology Services is working collaboratively with the State Procurement Office and the individual campuses to improve audit processes, more specifically the procurement system/process.

He explained that public procurement is complex and many of the NDUS institutions don't have the staffing, funding, or the need for a full-time procurement specialist. There are multiple components to track, such as, ND Century Code, Administrative Codes, State Board policies, and NDUS Procedures related to procurement and if you don't do this work on a consistent basis, it is very hard to get it right.

During last Legislative Session, several laws were changed related to procurement and new training has been developed. New templates have also been created and institutions can customize them to their specific needs. Contract language has been updated and will continue to go through legal review. The training includes some refresher material and focuses on areas where changes were made. There will be two training sessions for NDUS and we will have a recording for those that are unable to attend either of the trainings. Institutions are collaborating with the State Procurement Office on the development of the NDUS specific training.

A Microsoft Team has been set up for the State Procurement Office and University System to collaborate and hold monthly meetings. The group includes representatives from all the institutions and input into some of those things that they're doing and provide an open forum for discussion and to clarify procurement concerns.

Mr. Huggett also explained that NDUS have been working with the State Procurement Office to deploy an enterprise procurement system. There are two initial modules under consideration, the first one is the solicitation module, which would replace the current SPO-Online system; all campuses currently use that system for any procurements over \$50,000. The new solicitation system will be more modernized, simpler to use, and provide more functionality and features in that process, including in how evaluations are done. The second module is a contract management system to assist with drafting, reviewing, and finalizing a contract. There is not a definite timeline in the various stages, however the target to start the implementation project is January of 2024, and begin doing discovery work in the spring.

The Committee inquired what the cost is to the institutions. Mr. Huggett stated that when Office of Management and Budget (OMB) funded it, the system budget was already approved, so as of now the base system costs are in OMB's budget, however, the institutions can add customizations, such as, specific formats, settings, workflows, etc. It is up to the individual institutions how much they invest in those features. This system should help the smaller institutions have struggled with having adequate staff and/or staff with specific expertise in audit and compliance by having multiple factors in place can

assist those that need it. CTS can help support additional workflows so that more staff can assist in the process without having a high level of expertise in the audit function.

Mr. Chris Pieske added that he has started a project to review the last ten years of audits for the institutions to identify common findings and frequency of training that is related to procurement. He will work with CTS on types of solutions to improve compliance.

The committee will continue to receive updates and have discussions, as needed.

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

Chair Volk stated that NDUS Chief Internal Auditor, Ms. Dina Cashman has been working with NDSU and UND representatives on the structure of individual campus internal audit functions. In Policy 306.2, Internal Audit Charter (part A), the NDUSO portion of the policy has been completed, the remaining portion, part B, currently relates to the NDSU and UND internal audit functions. The committee discussed what that portion is responsible for and the reporting structure as it relates to the SBHE Audit Committee and their campus Presidents. The committee members discussed and agreed that there needs to be a structure that involves the SBHE Audit Committee oversight, however, acknowledged confidence in the campus Presidents that ultimately must report to the Chancellor and the Board, including the Audit Committee. Committee Chair Volk stated that a solid line from the campus internal auditors to their Presidents and then a dotted line to the Audit Committee seems appropriate and will ensure that NDSU and UND Internal auditors have an alternative path to report any conflicts, if needed. The committee would like a quarterly update from UND and NDSU internal audit and committee members can also have individual meetings periodically to ensure there are no issues, concerns, or conflicts of interest.

Mr. Chris Wilson, NDSU Chief of Staff, indicated a dotted line to the SBHE Audit Committee is reasonable and offers a way forward if improper influence is being exercised on an internal auditor. He also noted that additional language could be built into the charters that states campus Presidents must have the approval of the Chancellor to remove an internal auditor for cause. President Armacost, UND, agreed that a dual reporting structure, with a direct line to a campus executive and a dotted line to the SBHE Audit Committee would be appropriate. He noted that Presidents should maintain the role in the campus's strategic direction, including the annual audit plan. He agreed that there should be collaboration with the other NDUSO internal auditors to avoid duplication and that the plans move forward for Board approval. President Armacost would like the charter to have clear language stating that campus internal auditors report functionally and administratively to the campus President and then also have a functional line up to the SBHE Audit committee.

President Armacost stated that it is his understanding that dual reporting for internal audit functions are acceptable in the IA Standards and recommends any campus internal auditors report directly to the President/CEO and have a dotted line to the SBHE Audit Committee. The Audit Charter should include clear language as to the expected roles and responsibilities of NDUSO internal auditors, campus internal auditors, Presidents, and the SBHE Audit Committee. He stated that it is the direction piece that is more than just administrative; it relates directly to strategic planning, reinforcement, and accountability, that the Presidents are responsible for at the campus level. He agreed that the SBHE Audit Committee should review and approve all internal audit plans and that the campus internal auditors maintain communication and reporting to the committee. President Armacost also stated that as campus President he does not want to be delegated to simply having administrative control over the institution, it is important that the President have a significant role in the strategic direction of their annual audit plan. He suggested that campus internal audit report to the President functionally and administratively

and then also have a functional line up to the SBHE Audit committee. He agrees that the annual internal audit plans go to the SBHE Audit Committee for approval and that all internal auditors provide a periodic report to the committee.

Ms. Dina Cashman, NDUSO Chief Internal Auditor, reemphasized again that when the internal audit reports directly to the President and not the Audit Committee, that would not be called an independent internal audit. It is also the Audit Committee's responsibility to ensure the internal audit reports directly to the Audit Committee. She also asked to add the Quality Assurance Program to the charter so the institution's internal auditors will participate in the quality assurance improvement program. The program allows independent (outside of NDUS) internal auditors to come in and review how the internal audit function is operating and provides recommendations for improvements, if needed. She also stated that the reporting structure at NDUS internal audit is directly to the Audit Committee and indirectly to the Chancellor. Ms. Cashman also advised the committee to review [SBHE Policy 302.2, Audit Committee](#), and the audit committee responsibilities.

Ms. Meredith Larson, NDUSO Legal Counsel, clarified that the current language in the Internal Audit Charter requires the SBHE Audit Committee to approve the audit charters and plans, and that aligns with internal audit standards and practices.

Chair Volk asked NDSU and UND to prepare the joint proposed policy.

Approved October 9, 2023.