

**North Dakota State Board of Higher Education  
Audit Committee**

June 25, 2019, Meeting Minutes

The State Board of Higher Education Audit Committee met Tuesday, June 25<sup>th</sup>, at 4:00 p.m. CT, via conference call originating from the State Capitol, 10<sup>th</sup> Floor Conference room, 600 East Boulevard Avenue, Bismarck, ND, 58505.

Chair Neset called the meeting to order at 4:00 p.m. CT.

SBHE Audit Committee members participating:

- Ms. Kathleen Neset, Committee Chair
- Mr. Nick Hacker
- Ms. Jill Louters

NDUS staff participating:

- Chancellor Hagerott
- Ms. Laura Schratt, Chief Audit Executive
- Ms. Karol Riedman, Compliance Officer
- Mr. Phil Wisecup, VC of Strategy & Strategic Engagement
- Ms. Kristie Hetzler, Executive Assistant to the State Board of Higher Education
- Ms. Terry Meyer, Chief of Staff
- Ms. Billie Jo Lorus, Director of Communication/Media Relations
- Ms. Patty Schock, Accounting Specialist
- Ms. Dina Cashman, Senior Internal Auditor
- Ms. Robin Putnam, Dir of Financial Reporting

Other Attendees:

- Mr. Don Morton, SBHE Chair Non-voting
- Ms. Becky Collins, BSC
- Mr. Lloyd Halvorson, LRSC
- Ms. Joanne Kitchens, LRSC
- President Shirley, MiSU
- Ms. Sharon Loiland, UND
- Mr. Dennis Gladen, NDSCS
- President Richman, NDSCS
- Ms. Jane Vangsness Frisch, NDSCS
- Mr. Bruce Bollinger, NDSU
- President Bresciani, NDSU
- Mr. Riley Yadon, WSC
- Mr. Chris Pieske, AG Office

1. **Agenda**

Louters moved, Hacker seconded, to approve the agenda.

Hacker, Louters, and Neseet voted yes.

2. **May 29, 2019, Meeting Minutes**

Louters moved, Hacker seconded, to approve the May 29, 2019, meeting minutes.

Louters, Hacker and Neseet voted yes.

3. **2<sup>nd</sup> Reading 2019-2021 Draft Internal Audit Plan**

Ms. Laura Schraft reviewed the proposed [Internal Audit Plan](#).

Hacker moved, Louters seconded, to approve the 2019-2021 Internal Audit Plan.

Louters, Hacker, and Neseet voted yes.

4. **State Auditor's Performance Audit of NDSCS**

Committee Chair Neseet thanked the State Auditor and his team's efforts to ensure good stewardship of the resources of the state and our institutions of higher education.

She gave an overview of the process and timeline of the [State Auditor's Performance Audit of NDSCS](#) since the May 29<sup>th</sup> audit committee meeting and the full Board meeting on May 30<sup>th</sup>. Chair Neseet requested the Chancellor's office draft a temporary oversight letter, it was sent to President Richman, he rejected the temporary oversight and requested the SBHE Audit Committee and SBHE allow NDSCS to create their own action plan to address the audit findings. The Chancellor and President Richman continued to discuss, and another oversight letter was sent to President Richman, which was also rejected with his response indicating his preference is to put in place an action plan. The Chancellor and President Richman further continued to discuss a way forward. President Richman re-iterated an action plan, along with regular reporting to the Chancellor is a viable solution that will effectively respond to the audit recommendations. He noted the temporary oversight included areas such as HR that were not part of the audit.

The committee discussed possible claims and/or litigation and whether an executive session can take place during the full Board meeting to discuss further. Legal counsel indicated no current liability issues have been brought to his attention; therefore, it would not meet the requirements to be discussed in an executive session.

The committee did not limit, but also discussed the following:

- How clear the State Auditor's request was and if NDSCS's responses were adequate or was the information withheld;
- Responsibilities of the Board to support, provide oversight, and hold institutions accountable for results;
- Importance to have measurable and concrete outcomes;
- Conflict of interest issue in the case of the FLINT group;
- Whether NDSCS was put in an unjust position;

- The highly unusual decision from the auditors to not accept responses from the NDSCS administration and if it reflected a loss of confidence in NDSCS leadership on the part of the State Auditor's office.

Overall, it was agreed the audit findings were serious, especially in regards to the performance of TrainND SE and the conflict of interest with the FLINT group; however, the committee members did not come to a consensus on how to proceed and/or what action(s) to take. Committee Chair Neset indicated she will request the NDSCS Performance Audit be added as an action item on the full Board agenda for June 27<sup>th</sup>.

#### 5. **Year End Compliance Report**

Ms. Karol Riedman provided the [year end compliance report](#) to the committee.

The meeting adjourned at 4:52 p.m. CT.

Approved September 24, 2019.