

North Dakota State Board of Higher Education
January 24, 2019, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met January 24, at 8:30 a.m. CT, at Bismarck State College, National Energy Center of Excellence, room 335, 1200 Schafer Street, Bismarck, ND 58501.

Committee Chair Neseet called the meeting to order at 8:30 a.m. CT.

SBHE Audit Committee members participating:

Ms. Kathleen Neseet, Committee Chair
Mr. Nick Hacker
Ms. Jill Louters

NDUS staff participating:

Chancellor Hagerott
Ms. Tammy Dolan, Vice Chancellor for Admin/CFO
Ms. Laura Schratt, Chief Audit Executive
Ms. Karol Riedman, Compliance Officer
Ms. Patty Schock, Accounting Specialist
Ms. Kristie Hetzler, Executive Assistant to the State Board of Higher Education
Ms. Billie Jo Lorus, Director of Communication/Media Relations
Mr. Mandeep Mishra, Internal Auditor
Ms. Robin Putnam, Director of Financial Reporting
Ms. Terry Meyer, Deputy Chief of Staff
Ms. Kristie Hetzler, Executive Assistant to the SBHE

Others participating:

President Darling, LRSC
Dean Migler, DCB
Ms. Lisa Mock, DCB
Mr. Brent Winigar, NDSCS
President Miller, WSC
Mr. Riley Yaden, WSC
Mr. Chris Pieske, AG Office
Mr. Eric Olson, AG Office
Ms. Donal Hewitt, SAO
Ms. Beverly Hirn, SAO
Ms. Robyn Hoffman, SO

1. **Agenda**

Louters moved, Hacker seconded, to approve the agenda.

Hacker, Louters, and Neseet voted yes.

2. **Meeting Minutes**

Louters moved, Hacker seconded, to approve the November 2, 2018, meeting minutes.

Louters, Hacker, and Neseet voted yes.

3. **Executive Session - NDUS Online Education Performance**

Hacker moved at 8:34 a.m., Louters seconded, to enter Executive Session to consider (1) the State Auditor's draft NDUS Online Education performance audit and (2) any response from the institution or system 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.

Hacker, Louters, and Neset voted yes.

Executive session began at 8:38 a.m.

SBHE Audit Committee members participating:

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

NDUS staff participating:

Chancellor Hagerott
Ms. Tammy Dolan, Vice Chancellor for Admin/CFO
Ms. Laura Schratt, Chief Audit Executive
Ms. Karol Riedman, Compliance Officer
Ms. Patty Schock, Accounting Specialist
Ms. Kristie Hetzler, Executive Assistant to the State Board of Higher Education
Ms. Billie Jo Lorus, Director of Communication/Media Relations
Mr. Mandeep Mishra, Internal Auditor
Ms. Robin Putnam, Director of Financial Reporting
Ms. Terry Meyer, Deputy Chief of Staff
Ms. Kristie Hetzler, Executive Assistant to the SBHE

Others participating:

President Darling, LRSC
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Mr. Chris Pieske, AG Office
Mr. Eric Olson, AG Office
Ms. Donal Hewitt, SAO
Ms. Beverly Hirn, SAO
Ms. Robyn Hoffman, SO

Hacker moved, Louters seconded, to adjourn executive session at 9:17 a.m.

Louters, Hacker and Neset voted yes.

4. **Reconvene in Open Meeting** 9:20 a.m.

Hacker moved, Louters seconded, to request further information to include national best practices from the State Auditor's regarding online education as discussed in executive session.

Louters, Hacker, and Neset voted yes.

5. **Executive Session - DCB Emergency Preparedness Performance**

Hacker moved at 9:22 a.m., Louters seconded, to enter Executive Session to consider (1) the State Auditor's draft DCB Emergency Preparedness performance report dated June 7, 2018, and (2) any response from the institution or system 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 DCB representative(s).

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

Hacker, Louters, and Neset voted yes.

Executive session began at 9:24 a.m. CT.

SBHE Audit Committee members participating:

Ms. Kathleen Neset
Mr. Nick Hacker
Ms. Jill Louters

NDUS staff participating:

Chancellor Hagerott
Ms. Tammy Dolan, Vice Chancellor for Admin/CFO
Ms. Laura Schratt, Chief Audit Executive
Ms. Karol Riedman, Compliance Officer
Ms. Patty Schock, Accounting Specialist
Ms. Kristie Hetzler, Executive Assistant to the State Board of Higher Education
Ms. Billie Jo Lorus, Director of Communication/Media Relations
Mr. Mandeep Mishra, Internal Auditor
Ms. Robin Putnam, Director of Financial Reporting
Ms. Terry Meyer, Deputy Chief of Staff
Ms. Kristie Hetzler, Executive Assistant to the SBHE

Others participating:

Dean Migler, DCB
Ms. Lisa Mock, DCB
Mr. Chris Pieske, AG Office
Mr. Eric Olson, AG Office
Ms. Donal Hewitt, SAO
Ms. Beverly Hirn, SAO
Ms. Robyn Hoffman, SO

Louters moved, Hacker seconded, to adjourn executive session at 9:41 a.m.

Louters, Hacker and Neset voted yes.

6. **Reconvene in Open Meeting** 9:43 a.m.

7. **Executive Session - NDUS Governance Communication including the Report on Internal Control, Compliance and Other Matters for the financial audit**

Hacker moved at 9:44 a.m., Louters seconded, to enter Executive Session to consider (1) the State Auditor's draft FY18 NDUS Governance Communication including the Report on Internal Control, Compliance and Other Matters for the financial audit of the NDUS (1) the State Auditor's draft and (2) any responses from the institution or system 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.

Hacker, Louters, and Neset voted yes.

Executive session began at 9:48 a.m.

SBHE Audit Committee members participating:

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

NDUS staff participating:

Chancellor Hagerott
Ms. Tammy Dolan, Vice Chancellor for Admin/CFO
Ms. Laura Schratt, Chief Audit Executive
Ms. Karol Riedman, Compliance Officer
Ms. Patty Schock, Accounting Specialist
Ms. Kristie Hetzler, Executive Assistant to the State Board of Higher Education
Ms. Billie Jo Lorius, Director of Communication/Media Relations
Mr. Mandeep Mishra, Internal Auditor
Ms. Robin Putnam
Ms. Terry Meyer
Ms. Kristie Hetzler

Others participating:

President Darling, LRSC
Mr. Dennis Gladden, NDSCS
Mr. Chris Pieske, AG Office
Mr. Eric Olson, AG Office
Ms. Donal Hewitt, SAO
Ms. Robyn Hoffman, SO

Louters moved, Hacker seconded, to adjourn executive session at 10:10 a.m. CT.

Hacker and Neset voted yes.

8. **Reconvene in Open Meeting** 10:17 a.m.

Hacker moved, Louters seconded, requesting the system office to provide an update and/or a summary to the Audit Committee every three months with a working spreadsheet by institution and foundation, indicating outstanding recommendations regarding operating agreements, as discussed in executive session.

Louters, Hacker, and Neset voted yes.

9. **Internal Audit Fiscal Year Q2 Audit Plan Progress Update**

Ms. Laura Schratt reviewed the [quarterly \(as of 12/31/18\) progress report](#) on the approved FY19 audit plan. Two have been deferred due to the loss of internal audit staff (Mandeep Mishra submitted his resignation), and two have been cancelled (MiSU required audit replaced with scheduled follow-up audit, and TrainND system audit cancelled as SAO is completing a similar review).

10. Communication Process Update

Ms. Karol Riedman reviewed the updated [communication document](#) which expanded upon the notifications and communications in the event the potential need for an external firm was identified, including required communication with the Chancellor. Additional communication/notification box for Chancellor update will be added to the High Priority/Sensitive Information flowchart. The committee inquired what process that Eide Bailly Hotline reports are followed and other direct contact reports/complaints, specifically how we differentiate reports that indicate potential fraud or other serious complaints from minor complaint and those that are not a System or Board issue. Ms. Riedman reviewed the "triaging" process used to appropriately route complaints and reports received and noted that every effort is made to solve issues at the lowest level, (such as, referring campus issues to the relevant campus) whenever possible.

11. Audit Tracking

Ms. Tammy Dolan informed the members that the system office has purchased new software to use for [audit tracking](#). The software will help identify duplication and other concerns the campuses have expressed.

12. 2018 Q3 Management Report

Ms. Patty Schock reviewed the [2018 Q3 Management Report](#).

13. Follow-up of Identified Concerns

Ms. Laura Schrott and Ms. Karol Riedman summarized the follow-up process that is in place for SAO audits, Internal Audits and Investigations. They requested the committee consider how/if they would like to be updated on the progress or response to internal audits and investigations to [enhance the current process](#), including consideration of the disposition of or responses to findings and recommendations to demonstrate greater accountability for these concerns. The committee briefly discussed and requested it be brought back to their next meeting for further consideration.

14. Options for Internal Audit

Ms. Laura Schrott presented [options for internal audit](#) for the committee to discuss/consider related to the focus and frequency of internal audits, as planning for the 19-21 biennial audit plan will begin soon. Options include maintaining the current requirements of 802.8, decreasing the amount of required campus-specific audits, and/or switching to a more system-wide focus. The committee briefly discussed and indicated support for less audits, but more follow-up. The committee requested it be brought back to their next meeting for further consideration.

The meeting adjourned at 10:50 a.m. CT.

Approved February 20, 2019.