Administrative Affairs Council Minutes
May 8, 2007 Conference Call

Participants
Dave Clark, Greg Ross and Mary Eisenbraun – BSC
Corry Kenner – LRSC
Brenda Wigness – WSC
Robert Gallager, Peggy Lucke, and Rick Tonder – UND
Broc Lietz and Karin Hegstad – NDSU
Mike Renk and Keith Johnson – NDSCS
Alvin Binstock and Mark Lowe – DSU
Ron Dorn and Jonelle Watson – MiSU
Trudy Collins – VCSU
Jim Borkowski – MiSU-BC
Randall Thursby, Cathy McDonald, Tamara Barber, Pat Seaworth, Laura Glatt and Deanna Dailey – NDUS

Approve the Agreed Upon Procedures for the Centers of Excellence
Ms. Barber pointed out that at the April 10, 2007 Council meeting, this group discussed the need for all Centers of Excellences to undergo an audit in order to comply with state statute. Ms. Barber has worked with UND and NDSU internal auditors to develop a set of standard procedures to follow when performing these audits, as well as instructions for those procedures. Ms. Barber said she has one additional suggestion revision to procedure #3. She said it should read “interest earned on Centers of Excellence funds should be accrued back to the project” and those that follow #3 will then need to be renumbered. In response to a question, Ms. Barber said that procedure #9 (as originally numbered) will only have to be performed in FY06 and FY07 due to change in Century Code.

Mr. Gallager asked if all of the Centers of Excellences have been made aware that they will be audited. Ms. Barber responded that although this requirement is in statute, she is not certain that the foundations are aware of the need for an audit. Mr. Gallager said he will notify the UND foundation; however, it is his opinion that this directive would be most appropriate coming from the System office. Ms. Barber agreed to send the procedures/instructions directly to the foundations with a copy of that information to each campus.

There were no suggested changes and as a result, the COE-Agreed Upon Procedures are considered approved, with the change noted above by Ms. Barber. The procedures to be followed and reported on by an independent auditor identified by the campus or foundation are outlined below. Audits must be performed each year for all funds distributed to each center until the completion of four fiscal years following final distribution of funds. The audits are to be completed by October 31st and the audit fees must be paid from some source of funding other than COE funds.

1. Procedures Performed: From the disbursement letter the Center received from OMB, we traced the amount of funding to the receipt of funds in the Center’s accounting records.

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2. Procedures Performed: From the annual Functional Review, we reviewed the Cash Match declared in application for COE funding and traced them to supporting documentation and to the accounting records.

3. Procedures Performed: From the annual Functional Review, we reviewed the Contributions in Lieu of Cash and In-Kind Contributions declared in application for COE funding and traced them to documents supporting the value.

4. Procedures Performed: From the annual Functional Review, we reviewed the private sector jobs created and traced them to supporting documentation.

5. Procedures Performed: From the Center’s accounting records, we reviewed supporting documentation to determine that interest earned on the award proceeds was retained by the Center.

6. Procedures Performed: From the Center’s accounting records, we reviewed a sample of expenditures to report any noted instances of noncompliance with NDCC 15-69-05.1 (use of funds) and to ensure funds were approved, supported with documentation and spent according to the purposes identified in the application for funding.

7. Procedures Performed: We reviewed a sample of labor charged to the grant and traced it to supporting effort-reporting documentation.

8. Procedures Performed: We reviewed the timelines that were provided with the application and discussed the actual timeline with management to ensure the center has properly disclosed material timeline changes in Objective #6 of the Functional Review.

9. Procedures Performed: We reviewed the scope of the grant that was provided with the application and discussed the actual scope with management to ensure the center has properly disclosed material scope changes in Objective #9 of the Functional Review.

The following procedure is for center’s that received distributions in FY06 and FY07 only. Centers were exempt from NDCC 54-60.1-01 with a change to the statute in 2007-09.

10. Procedures Performed: We reviewed business incentive agreements (as defined in NDCC Chapter 54-60.1-01(2) provided to a business and valued at $25,000 or more to report any noted instances of noncompliance with NDCC 54-60.1.

Review Draft of Administrative Affairs Council Code of Ethics

In August 2006, Ms. Barber reviewed NACUBO’s best practices information with the Council and it was agreed that this group should adopt a Code of Ethics. Mr. Binstock asked what the objective is for having a Code of Ethics. Ms. Barber replied that it will serve as a guide as to how the Council carries out their responsibilities and suggested that it be reviewed annually as a reminder. Mr. Binstock added he believes this should be a System-wide document rather than only for the Administrative Affairs Council, to which Ms. Barber responded the intent was first for this Council to adopt a Code of Ethics, with others perhaps following suit.

Mr. Gallager asked if the statement contained in the fourth bullet under the heading “Integrity” (“Assuring responsible use of and control over all assets and resources to which one has been entrusted”) is included because of auditor requirements. In response, Ms. Barber said no, and added NACUBO reviewed and recommended some best practices and the Code of Ethics is one of the NACUBO recommendations that the Council previously agreed to pursue. Ms. Barber
went on to say there is no defined process to make sure the Code is being followed, either internally or from the state auditor’s office, but Ms. Barber indicated that since this is not a board policy, we are not required to monitor its use and therefore, she does not anticipate any concerns in this regard.

The Council agreed to accept the Code of Ethics as presented and it will be reviewed annually as a reminder for the group.

Deferred Maintenance Calculation
Ms. Barber reviewed NDSCS, LRSC, MiSU and UND’s recalculation of deferred maintenance based on the proposed new calculation model. With the exception of MiSU, the amount of deferred maintenance under the new model was higher. Mr. Tonder said there is a different method of calculating the age of structures that can bring those amounts closer to those which had been reported earlier. Mr. Tonder went on to say that the need for mechanical upgrades will greatly impact cost, as older systems would require a significant amount of work and/or funding to bring them up to code. It was agreed that Ms. Barber would send the new model to all campuses and they would update it to see how it impacts their deferred maintenance valuation. This information will be returned to Ms. Barber. She said the master plan guidelines are almost complete, with deferred maintenance being the last item to be finalized before the new instructions are complete.

SAS 112 Summary
Ms. Barber reviewed the AICPA Statement on Auditing Standards (SAS) No. 112 Summary with the group. Based upon her conversations with the auditors in Fargo, Ms. Barber does not feel there will be any significant change to their operation due to the SAS 112 as they have previously imposed more stringent reporting requirements. However, the Bismarck State Auditor’s Office does anticipate an increase in the number of control issues that will be put into writing in the report and in the management letter. Ms. Barber stressed the importance of taking great care in the year-end closing process and in financial statement preparation to avoid audit adjustments.

TouchNet
Last month, the Council discussed TouchNet and the System-wide need for a secure solution (PCI compliant) for constituents paying via on-line with a credit card. At the last meeting, the Council agreed to proceed with a subscriber service to take care of on-line credit card processing on student accounts; however, this does not address the demand to accept credit card payments from others, as part of accounts receivable. This would also include housing, parking, continuing education, campus departments, etc. Peggy indicated that Jennifer Kuntz is working with TouchNet to provide a demonstration on MarketPlace Suite, which is a product to meet this additional need.

In response to a question from Ms. Glatt, Ms. Lucke said it is not mandatory that all 11 campuses utilize the product. However, Ms. Lucke warned that the pricing of the product may be affected with fewer participants. Karin Hegstad encouraged everyone to consider the value of MarketPlace beyond that of housing and parking needs. Ms. Lucke added that both the UND and NDSU continuing education departments have expressed an interest in the product. Other
campuses expressing initial interest were: MiSU-BC, NDSCS, and WSC. Following the demonstration, campuses will need to let Ms. Lucke know if they are interested in proceeding with a subscription to MarketPlace Suite for their campus. The estimated cost is $244,020 one-time and $76,573 annual for a purchase or $40,670 one-time and $88,437 annual for a lease agreement. The cost would be prorated among the campuses. The model presented for the cost distribution was based on headcount enrollment, as was the original TouchNet cost allocation model. Some concern was expressed about using headcount enrollment. Ms. Glatt questioned what TouchNet used as the basis to determine system-wide pricing (e.g. enrollment, budget size, number of transactions, etc.) since that may be the most appropriate model to use to distribute the costs. Ms. Lucke said she was not sure what TouchNet used but would consult with them. She also encouraged campuses to send her alternative suggests for the distribution of costs.

Ms. Glatt asked if the ConnectND staff are able to assist with the implementation. Ms. Lucke said she was not sure, but she would visit with Mr. Thursby about this.

Dave Clark asked if it was possible to pick and choose the departments or activities which would use MarketPlace Suite since they are already PCI compliant in their continuing education department and bookstore. Ms. Lucke replied that she will do some research on that issue and provide the AAC with that answer as soon as possible. Ms. Hegstad added that even though NDSU is PCI compliant in some areas, they still may be interested in converting to TouchNet, as it will integrate with their existing software.

Travel/Credit Cards
Ron Dorn said that he asked for this to be on today’s agenda in order to determine how other campuses deal with the issue of staff members who use credit cards for work-related travel, but do not have the credit history to obtain one in their own name. However, Mr. Dorn said that he was able to get the information he needed by making individual telephone calls.

Approve Revisions to SBHE Policy 302.7 – Budget and Finance Committee
Ms. Barber reviewed the suggested revisions to SBHE Policy 302.7, which resulted from an August 2006 discussion regarding NACUBO best practices guidance. The revisions to this policy were designed to clarify the Budget and Finance Committee’s (BFC) role within the board.

The AAC unanimously agreed to recommend the BFC accept the revisions as presented.

Review of 2007 Legislation
Ms. Glatt and Mr. Seaworth referred to the bills that had been included in the agenda packet. HB1003 and other appropriation bills were not distributed as part of this packet nor included in this discussion.

HB1033 – Rewrite of public bids and contracts. Mr. Seaworth said that the changes resulting from this legislation are essentially updating and modernizing the language previously in this chapter of the century code. In response to Ms. Glatt’s question, Mr. Seaworth indicated he does not anticipate the NDUS will have to modify SBHE policy.
HB1099 – Relates to confidentiality of trade secret, proprietary, commercial, and financial information. This legislation provides for greater flexibility when entering into contracts with others, thus allowing us to protect confidentiality of trade secrets. According to Mr. Seaworth, SBHE policy on intellectual property will need to be updated.

HB1101 – Removes “process color” from the list of prohibited in-plant print shop activities. Four campuses (NDSCS, UND, NDSU, and VCSU) are specifically exempted from this provision of law.

HB1102 – Increases fee for architect and engineer services from $10,000 to $25,000.

HB1107 – Effective August 1, 2007, mileage reimbursement rate increases to 45 cents per mile.

HB1302 – This legislation increases the dollar amount that can be collected as a security deposit to the greater of $2,500 or an amount equivalent to two months’ rent.

HB1322 – Relating to indemnification and insurance provisions in state contracts. Effective August 1, 2007, this legislation mandates the default provision for indemnity coverage, which makes each party responsible for its own negligence, in other words, you cannot transfer risk to the contractor. Mr. Seaworth said the State Risk Manager will be designating NDSU, UND and the NDUS legal counsel to permit them to impose more stringent language.

HB1454 – Provides for an increase in the state’s minimum wage. According to Ms. Glatt, this legislation ties the state minimum wage to the federal minimum wage. In other words, if the federal government increases the minimum wage, North Dakota is required to increase ours accordingly within 60 days after the federal bill has been signed. Federal minimum wage is currently $5.85 per hour. Increases to this rate have already been identified; however, that legislation has not yet passed.

SB2047 – Requires automatic enrollment of employees, with the exception of TIAA-CREF participants, in the deferred compensation program under the public employees retirement system (PERS). Laura said the Human Resources Committee (HRC) discussed implementation of this legislation at their meeting last week. (Note: This bill was later vetoed by the Governor)

SB2093 – Provides for reimbursement of travel expenses in advance under limited circumstances and limits the use of purchasing cards. Ms. Glatt will need to check with OMB for clarification on some of the changes.

SB2094 – To amend and reenact sections 46-02-15 and 46-02-20 of the NDCC, relating to resident bidder preference for public printing and services provided by in-plant print shops. This legislation amends the same bill as did HB110. Mr. Seaworth will determine which bill was enacted later, as that is the one that will become law. In addition, SB2094 provides resident bidder preference. When asked how we define “practicable,” Mr. Seaworth responded he believes this language refers to border cities (Fargo/Moorhead, Grand Forks/East Grand Forks, etc.)
SB2160 – Records of nonprofit organizations providing support for higher education institutions. This bill expands the definition of the exemption of open records and extends that exemption to foundations as well as institution officers. Mr. Seaworth said that if a foundation performs a government function, they are subject to the open records law, but that the donor records would be exempt from public records.

SB2246 – Increases the lodging rate from $50 to $55, effective August 1st.

SB2260 – Allows the NDUS to gather criminal history and FBI records checks for certain positions and students in designated programs as identified by the chancellor. In response to Ms. Glatt’s question, Mr. Seaworth suggested that the Student Affairs Council, Academic Affairs Council, and the Human Resource Council be given the responsibility to determine what positions and students should fall into this group. This bill states that the NDUS MAY gather background checks, not that they MUST do so. Mr. Seaworth suggested that we could identify additional positions where a background check would be appropriate in the board policies. He added we already have the authority to do statewide checks, but this bill now authorizes us to gather federal checks for those identified positions. Mr. Seaworth also said we will need to give the AG’s office some indication as to how many background check requests they can expect to receive from our office.

SB2344 – To amend and reenact sections 15-10-17.4 and 15.1-35-08 of the NDCC, relating to the provision of food and catering services by institutions of higher education and school districts. This bill includes additional restrictions and clarifies existing ones regarding catering services by NDUS campuses. When no private sector entity located in the same city as the institution is capable and willing to meet the facility or personnel requirements necessary to prepare and provide food services for a specific event or provide catering services for a specific event, the limitations described in section 1 do not apply. Additionally, this legislation is not intended to limit the activities of a private sector entity that provides meals, snacks, or other food services to an institution of higher education under the provisions of a contract.

SB2360 – To amend and reenact section 39-04-10.13 of the NDCC, relating to non-profit organization number plates.

Other
Alvin Binstock raised concern about the need to require students to update their name and address information in ConnectND. Ms. Lucke said CND continues to work on this issue, with the latest proposal not appearing to be acceptable. She said they are continuing to look at alternatives, but understands that in PeopleSoft there is not way to require students to update their records. Ms. Lucke added that she feels more interaction with individual campuses will be helpful in the development of a solution.

Dave Clark asked whether as a result of the $6 million in funding provided to CND in 07-09, campuses would no longer be required to transfer the student fee collections from the retired ’96 campus networking bonds to CND. Laura indicated that it was her understanding that this transfer would be discontinued and furthermore this would be confirmed with CND.
Meeting adjourned at 11:33 a.m.

Future Meetings:
June 5, 2007
July 17, 2007
Sept. 11, 2007
October 16, 2007
November 6, 2007
December 4, 2007