Ms. Glatt convened the meeting and asked if there are additional items to discuss, none were added.

**Common Chart of Accounts and Data Definitions**

Ms. Glatt invited Mr. Carlson, NDUS Chief Auditor, to address his observations to the SBHE Audit Committee at their meetings on July 9 and August 21, under the topic of common data definitions. At those meetings, financial reporting and a common GL chart of accounts were discussed. Ms. Glatt also asked Mr. Carlson to share with the Council any areas of concern that he has identified, as well as feedback he has received from SBHE members or other senior officials that might help the Council address any issues of concern.

Mr. Carlson said one of the things he has been focused on working with the Board, specifically the Audit Committee, is to help them understand their role and responsibilities when it comes to financial reporting. The most recent release of COSO 2013 makes it clear that the responsibility with regard to reporting of financial and non-financial data rests with the Board. Mr. Carlson said that during these conversations with the Board, he talked about interim financial reporting, the timeliness of that reporting, and ability to use financial statements to help with accountability. The SBHE Audit Committee is interested in all of these areas. He said based on his previous experience working with business and industry, when an organization starts moving toward a consolidated systematic financial reporting process, where they are blending multiple organizations into one consolidated or consolidating financial statement, one of the biggest challenges to address is whether or not a common standardized chart of accounts is in place and being consistently used. Furthermore, whether or not there is a clearly defined set of common data definitions for each one of those accounts in the chart of accounts. Mr. Carlson said he recognizes that the NDUS has a standardized chart of accounts and data definitions in place. The bigger question is whether they being used uniformly by all of the institutions. And, if not, what needs to be done over the next nine months in order to bridge
any particular gaps that may exist. The Audit Committee members, of which, two of the three committee members are from business and industry, are accustomed to seeing monthly financial statements. Mr. Carlson said he doesn’t believe a monthly financial statement is necessary, possibly a quarterly financial report of some form would be adequate. He doesn’t believe that the Audit Committee has reached any final conclusions on how frequently or exactly what financial information they would like to see. What they have offered is to take the time between now and June 30 to re-evaluate and stress test the common chart of accounts and related data definitions.

Ms. Lucke pointed out that a common chart of accounts and data definitions have been in place for a number of years and they continue to be a work in progress. Periodically, the State Auditors have brought forward suggestions for improvement as part of audits, and these have been addressed. She pointed out that monthly or quarterly reporting may not be appropriate, since the higher education revenue stream is not spread over a 12-month period, like it is in many industries. She said the more appropriate question is what are the relevant pieces of information are needed to inform the NDUS Office and the SBHE on the financial position of the campuses. She doesn’t anticipate that it looks like a standard revenue and expense statement that board members in the business world would be accustomed to; but, certainly this group could develop a format with relevant information and appropriate timing for development of that information.

Mr. Carlson agreed, and said at this point the Audit Committee doesn’t have any firm concept as to what financial data they would like to see. They have expressed an interest in seeing some that would help them assess if we are working toward and achieving the strategic plan goals that have been established. This obviously will be a work in progress given the strategic plan was adopted by the board October 2. And, included in that document is an indicator of some dashboard information to help the board oversee and govern. At this point, the Audit Committee, as a conduit back to the board, is open to suggestions as far as what are some of the key indicators that they should be looking at. He would reach out to this group as to suggestions on six to twelve indicators that are most representative of whether we are achieving our goals.

Ms. Loiland said it would be helpful as you communicate with the Board, to provide them an understanding what are the important higher education indicators, which are much different than what is done in business and industry.

Mr. Carlson said he could very easily work with the Board to identify key time periods, and maybe this is three to four times throughout the year, that makes the most sense to provide the Audit Committee financial information.

Ms. Brekke said that perhaps a working group be assembled to help identify what are some of those key indicators that could be provided to the Audit Committee. Ms. Lucke suggested that a communication piece be put together that can be shared with the Board and Audit Committee
members on higher education finances. Ms. Brekke pointed out that she and Ms. Glatt provided something similar to the Interim Higher Education Finance Committee this past year.

Mr. Carlson said the Audit Committee is charged with how interim and annual financial data is gathered. And what Ms. Brekke pointed out is a key piece to help committee members gain that kind of an understanding.

Ms. Putnam asked for clarification on what Mr. Carlson is envisioning on interim or quarterly close, since this could run range from a soft close to a full blown hard close. Mr. Carlson said he would envision an interim close, as a soft close, just to give us a general idea on where we are at. Certainly, an interim financial reporting process is not going to go through the same degree of detail that the annual financial report does. And, he would envision working closely with this group, and determine, what is reasonable during each one of those closes so that we can get relatively solid information to the Audit Committee without creating an additional workload increase for the campuses.

Ms. Brekke suggested that before we jump into details of accruals, closes, reports, etc. that we take the time to have a conversation to see what we actually are trying to accomplish, what could be proposed and then figure out the details to get that executed.

Ms. Barber supports the idea of creating a small working group so discussions can be had to provide Mr. Carlson an understanding of some of the issues that have arisen over the years and how they have been addressed. Mr. Carlson said that right now the board probably doesn’t know what is currently available.

Ms. Glatt said that one of things we are struggling with is that the Audit Committee now separate from the Budget and Finance Committee. The Budget and Finance Committee, has and continues to see, a lot of financial information. A bit of our challenge is trying to figure out who should receive the information, without creating duplication of effort.

Ms. Glatt noted that the Admin. Affairs Council has already discussed possible changes to the semi-annual budget and variance report, which is now provided twice a year to the Budget and Finance Committee. This project was placed on hold pending completion of other more immediate projects, including ACA implementation. Further, the Chancellor has asked for a set of financial dashboards be developed to accompany the recent strategic plan dashboards. All of these efforts will need to move forward together to limit the number of reports/information that must be created and maintained, while focusing of information that is most necessary for the Board and other decision makers. Ms. Glatt said the Council will be engaged in this development effort and we will want to bring audit into that conversation. Work will resume on this project once Administrative staff time is available to provide leadership and coordination.

Ms. Glatt, said before we conclude this conversation, I want to come back to the motion that was on the board agenda last week, with the motion to approve common data definitions and chart of accounts and system-wide implementation by July 1, 2015. In Mr. Carlson’s opening
comments, you talked about over the next nine months doing a stress test on common chart of accounts and definitions. She asked Mr. Carlson, what is it this Council needs to do, as opposed to what audit needs to do, over the next nine months, to comply with the Board motion. Mr. Carlson said the timing is perfect, since we are going through the external audit process now, closing the books, etc. He thinks it is an ideal time for a self-assessment by each of the institutions regarding their individual compliance with the chart of accounts and data definitions. The time period between now and June 30, really was a suggestion he had in order for each institution to go through that self-evaluation and just make sure that we are definitely following the guidelines. If the answer is just that we are doing it, and we are following them to the letter, then we are in good shape. Eventually where this is going to head will be with data warehousing, and data analytics from a centralized data warehouse. And at that point, it definitely will be critical that all of our data be as clean as possible. Ms. Glatt said that while an individual institution(s) may look internally and determine they are complying, the larger issue is consistency across the NDUS. Even though common accounts and definitions are in place, with 11+ individuals applying them there is still some subjective application, which may lead to differences. However, most of those differences are classification differences in expenses or revenues and do not necessarily lead to overall differences at the statement level. Ms. Lucke said internal assessment is part of their daily jobs. And, on an annual basis, through the external audit process, there is external verification on whether or not we are being consistent with the system-wide data definitions and chart of accounts. She said that unless she is missing something, I think we are there already. Ms. Barber said the accounting manual has been updated recently and that manual contains a lot of information. She agrees with Ms. Lucke that this has been done. Ms. Lucke said hopefully the conversation today is helpful to Tim, since he is the connection to the Audit Committee, and if Mr. Carlson is satisfied with the discussion, then we can move on. Mr. Carlson said if we institute the small work group, he said as we reflect back on previous annual audit reports from the State Auditor’s Office, as well as the report that they are currently working on, it may help Audit gain comfort that we are in a good place. What he didn’t want the audit committee to do was to put a motion out there that said, tomorrow we want you to comply with X number of items. What he wanted them to do was to leave a reasonable about of time in the event there are questions and issues that need to be resolved, so we have time to work through that and reach resolution. If we are already there, then we are ahead of the game.

Ms. Glatt invited Mr. Carlson to meet periodically with the Council to brief on issues or concerns he might have, things he has heard from others, etc. so that all have accurate and complete information and the issues can be vetted and addressed, so they don’t become issues of the Board and its committees, unless that is ultimately deemed necessary. Mr. Carlson said he is certainly open to that.

**Purchasing Policy 830.1**

Mr. Lowe said that as part of the State Auditor’s follow-up work on the February 2012 DSU Performance Audit they pulled five purchases under $25,000 and in their review they asked for copies of the informal quotes for those purchases. While DSU employees confirmed that informal quotes, the SAO noted they must be documented. The SAO also pulled an invoice for
a $2,500 print job asking to see the printing contract. The SAO considered the $2,500 print job a “service” and not a “commodity.”

Ms. Glatt said Ms. Wagner Goulet is interested in what other campus practices are on obtaining informal quotes. Following a brief discussion, Ms. Glatt said she would send out a survey in which campuses can provide their procedures for this process.

It was suggested that Ms. Wagner Goulet provide documentation on what is laid out in North Dakota Century Code and SBHE Policy and steps that need to be followed to make sure campuses are in compliance. Ms. Wagner Goulet said this is something that isn’t addressed in state law nor thoroughly addressed in SBHE policy. Under Administrative Code, state agencies that are subject to the directives of OMB are required to use a one-page form logging their phone calls, etc. for gathering informal quotes. She would dispute that there is a policy or state law that requires the NDUS to document a telephone quote, but, questioned whether this is a reasonable practice. By law, the SBHE is in charge of purchasing policies for our institutions, thus, we are not required to follow OMB policies and directives.

Ms. Glatt will follow-up with council members on purchasing practices and based on campus responses, proposed policy and/or procedure changes will be drafted and added to a future Council agenda for consideration. During the review it was also suggested that definition of services versus commodities need to be better clarified.

**HR Policy 23 Resignations**
Ms. Glatt said this policy revision came from HRC and will be presented to the Oct. 15 Cabinet agenda, which adds definition for job abandonment. No concerns were expressed.

**Appropriated Reserve Balance**
The calculation of the appropriated reserve balance was already resolved through e-mail.

**Tuition waiver policy 820**
Ms. Barber said changes to SBHE Policy 820 were recently approved by the Board. As discussed during the Council retreat it will be that future policy considerations address whether spending limits/budget limits can be imposed or not.

Ms. Barber said BSC previously had a tuition assistance program, and under that program, they were paying for not only NDUS institutions, but other institutions as approved for employees to take courses. As board policy is written, it only addresses NDUS accredited institutions, so should the policy be revised to address other accredited institutions. She went onto to say, there currently is language in the policy that said no more than three academic classes during each calendar year for undergraduate and graduate courses, and there is no concern with that. However, if we are establishing a budget, we would like to be able to indicate that it is three credits per term rather than three credits per year.
Ms. Brekke said the first question is, whether the policy can be revised to enable an institution to establish a budget for any given fiscal year for this purpose.

Ms. Glatt said that as discussed previously, the challenge will be defining what is a reasonable budget? The current policy permits campuses to establish implementing procedures which could limit the kind of courses an institutional will pay for.

Ms. Barber said in BSC’s tuition assistance policy that deals with forfeiture of the assistance if the employee leaves 12 months from the date of their class, is this something that can be included in campus procedures? Ms. Glatt said this is something that will be considered as we look at any policy changes prospectively.

Ms. Glatt said the soonest any policy changes will be made and implemented will be Fall 2015, which might leave a few campuses having to dealing with these issues internally until policy has been finalized.

Ms. Goulet said there isn’t anything in policy that would prohibit an arrangement wherein an employee who leaves employment, would have to reimburse the campus. If we pursue this, there are a number of issues that will need to be addressed.

**State Fleet Rate Increases**
Ms. Brekke said we have received notice that State Fleet will increase rates for FY16. UND reviewed FY14 activity and applied FY16 rates and there was a 30% cost increase. Ms. Lucke said when State Fleet was on campus in Sept, the question was raised, and State Fleet said the campuses wouldn’t experience any significant increases. Currently State Fleet is charging a per mile operating fee, a replacement fee and depreciation. Now, depreciation will be a fixed amount instead of a per mile cost, which could range from $300 to $1,500 per month, and this is just for the assigned vehicles. UND has asked State Fleet to provide their analysis information with them to review.

Ms. Glatt said campuses would have an opportunity this week to bring it up in their budget hearings with OMB. Ms. Brekke said her intent today was to bring it to others attention. And if the change is as significant as they think it will be, it might make sense to do an analysis to determine if we are paying more for these assigned vehicles then it would be for the campus owning their own vehicles.

**Funding Model – implications of 0% tuition increase, OMB Meetings, and 3% retention rate article**
Ms. Brekke said campuses have budget hearings scheduled this week with OMB, and she asked if there are any targeted or consistent points that should be made across all institutions. Ms. Glatt said OMB had no specific direction for campus presentations. Ms. Brekke asked if awareness needs to be made on how the board’s 0% tuition increase will affect the funding model and formula and the per credit rate under certain scenarios. Ms. Glatt said she will share a few slides from the Chancellor’s presentations with Council members.
Ms. Brekke said the 3% retention rate article that was shared with Council members has been peaking legislator interests.

**NDUS Strategic Plan/Pathways Update**
Ms. Glatt reviewed the e-mail she sent to Council members Oct. 3 indicating that we can move forward on recommendations related to the tuition model that were presented to the SBHE in June 2014. There were a number of items that we recommended for fine-tuning, with one of them being to move away from the expectation that we would have common rates by tiers, and the other being that full implementation not be required until Fall 2017.

The document suggests that campuses are to submit their individual tuition model plans by March 2015. She suggested a special meeting of the Council to discuss preliminary plans so operational and IT considerations can be addressed in a timely manner, recognizing that some campuses want to start implementation Fall 2014.

**Affordable Care Act Update**
Ms. Glatt said based on discussions with an external law firm, there’s been yet another recent change in direction on how we account for part-time faculty. If we adopt the federal safe harbor (2.25 + outside hours) we will have to track actual outside hours. This is not practical or feasible. So, we will be considering a different approach. We are also waiting for approval from outside legal counsel on definition on how we are going to account for hours for RA’s. We are also working through technology solutions on special queries for ACA implementation. The challenge is that the new measurement period starts Nov. 1, 2014, and additional training needs to be provided before that time. A special training meeting is being planned for late October, once technology solutions are available and we have legal sign off of the eligibility criteria.

The meeting adjourned at 10:56 a.m.

**Upcoming meetings:**
November 4, 2014
December 2, 2014

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