

SPECIAL MEETING

BOARD OF REGENTS and its AUDIT AND COMPLIANCE COMMITTEE NEVADA SYSTEM OF HIGHER EDUCATION

System Administration, Las Vegas
4300 S. Maryland Parkway, Board Room
Wednesday, December 19, 2018

Video Conference Connection from the Meeting Site to:
System Administration, Reno
2601 Enterprise Road, Conference Room
and
Great Basin College, Elko
1500 College Parkway, Berg Hall Conference Room

Members Present:

Ms. Allison Stephens, Chair
Dr. Patrick R. Carter, Vice Chair
Dr. Mark W. Doubrava
Mr. Sam Lieberman
Mrs. Cathy McAdoo
Mr. John T. Moran

Other Regents Present:

Mr. Kevin J. Page, Chairman
Dr. Jason Geddes, Vice Chairman
Dr. Andrea Anderson
Mrs. Carol Del Carlo
Mr. Trevor Hayes
Mr. Rick Trachok
Mr. Anthony L. Williams

Others Present:

Dr. Thom Reilly, Chancellor
Ms. Crystal Abba, Vice Chancellor, Academic and Student Affairs
Ms. Renee Davis, Director, Student Affairs
Ms. Mistee A. Galicia, Director, Compliance
Mr. Dean J. Gould, Chief of Staff and Special Counsel to the Board
Mr. Vic Redding, Acting Chief Financial Officer
Mr. Joe Reynolds, Chief General Counsel
Mr. Joe Sunbury, Chief Internal Auditor
Mr. Michael Flores, Chief of Staff to the Chancellor
Mr. Bart J. Patterson, President, NSC
Dr. Marta Meana, President, UNLV

Faculty senate chairs in attendance were: Mr. Mike Holmes, TMCC; and Mr. Douglas Unger, UNLV.

The following institution business officers were also in attendance: Ms. Mary Kaye Bailey, Vice President, Finance and Administration, CSN; Mr. P. Sheldon Flom, Vice President, Finance and Business, DRI; Ms. Sonja Sibert, Vice President, Business Affairs, GBC; Mr. Kevin Butler, Vice President, Finance and Business Operations, NSC; Mr. Jim New, Vice President, Finance and Administrative Services, TMCC; Ms. Jean Vock, Vice President, Finance and Business, UNLV; and Ms. Sheri Mendez, Associate Vice President, Business and Finance, UNR (sitting in for Mr. Vic Redding, Vice President, Administration and Finance, UNR).

For others present please see the attendance roster on file in the Board Office.

Chair Stephens called the meeting to order at 9:00 a.m. with all members present.

1. Information Only – Public Comment – None.
2. Approved – Uniform Guidance Audit Report, NSHE – The Committee recommended approval of the NSHE Uniform Guidance Audit Report for the year ended June 30, 2018. *(Supplemental material on file in the Board Office.)*

Ms. Kim McCormick, Audit Partner, Grant Thornton, reported a Uniform Guidance Audit is an audit of compliance for federal awards. Ms. McCormick reviewed the *supplemental material*, directing the Committee to page 215 for a list of major programs identified for audit. Grant Thornton issued an unmodified opinion. However, there were eight significant deficiencies identified: six in the Student Financial Assistance Cluster; and two in the Research and Development Cluster. Findings begin on page 216 and the NSHE's corrective action plan begins on page 230.

Chair Stephens reiterated the findings in the Student Financial Assistance Cluster are repeat findings.

In response to a question from Chair Stephens, Director Renee Davis, Student Affairs, stated the financial aid directors meet quarterly, but are extremely collaborative and stay in constant communication to troubleshoot issues as they arise. Director Davis added there has been an increase in the number of staff members attending training.

Vice Chair Carter moved approval of the NSHE Uniform Guidance Audit Report for the year ended June 30, 2018. Regent Lieberman seconded. Motion carried.

3. Approved – Financial Statements, University of Nevada, Las Vegas Medicine
 - 3a. Approved – Financial Statements, UNLV Medicine – The Committee recommended approval of the UNLV Medicine Financial Statements for the year ended June 30, 2018. *(Ref. A-3a on file in the Board Office.)*

Ms. McCormick stated this is UNLV Medicine's inaugural year, first formal financial statement, and first formal financial statement audit. As a medical practice plan, the areas of focus and testing are patient revenue cycles, receivables, and the allowances set against the receivables. Another area of focus was the related party transactions that gave rise to the creation of the entity.

3. Approved – Financial Statements, University of Nevada, Las Vegas Medicine –
(Continued)

3a. Approved – Financial Statements, UNLV Medicine – *(Continued)*

In terms of the audit, Grant Thornton did find errors in the financial statements that were reported to management. Twelve adjustments needed to be made in order for Grant Thornton to render an opinion that the financial statements were fairly stated. It was difficult to navigate through the adjustments, but management ultimately agreed to post the adjustments.

Grant Thornton provided an unmodified opinion and believes the financial statements are fairly stated. The financial statements reflect the twelve adjustments requested.

One material weakness related to net patient service revenue and receivables was found. One significant deficiency related to non-exchange transaction revenue was found.

Regent Moran left the meeting.

In response to a question from Vice Chair Carter, Ms. McCormick stated the reports are a 12-month rolling report showing the original charges versus what was collected. Dr. Michael Gardner, Vice Dean, Clinical Affairs, UNLV Medicine, stated when report estimations are made, they would normally be based on the prior 12 months. Because there was not a prior 12-month period, the estimations were based on the old structure. There were significant challenges as a first-year organization. Now there is a full year of data for the report going forward.

In response to a question from Chair Stephens, Dr. Gardner reported they did not have complete access to all of the data. Some data was estimated. Chair Stephens asked why the ICS historical data was not used to prepare the estimates. Dr. Gardner stated the data used was a mixture of ICS data and a model of what they thought would happen based on changes in contracts.

Vice Chair Carter clarified the estimates were not based on a Board report, and were instead based on internally generated estimates.

Regent Moran entered the meeting.

Regent Lieberman moved approval of the UNLV Medicine Financial Statements for the year ended June 30, 2018. Vice Chair Carter seconded. Motion carried.

The meeting recessed at 9:42 a.m. and reconvened at 10:00 a.m. with all members present.

3. Approved – Financial Statements, University of Nevada, Las Vegas Medicine – (Continued)

3a. Approved – Financial Statements, UNLV Medicine – (Continued)

Ms. Joann Strobbe, Chief Financial Officer, UNLV School of Medicine, reported the data needed to be a mixture of ICS and UNLV Practice Plan data. The UNLV data included new information that was not in the historical data. The previous Chief Financial Officer has indicated there were no barriers in obtaining the historical data, but it was based on the full universe of doctors and the contracts that were negotiated under the Reno environment. UNLV negotiated new contractual adjustment rates. It needed to be a mixture of the data in order to have a more accurate estimate. There were areas identified that needed improvement and based on the recommendations they were incorporated into the model.

Dr. Thomas Schwenk, Dean, UNR School of Medicine (UNR Med), reported UNR was responsive to all requests and provided full reports of anything that was legally permissible.

Regent Doubrava noted that the Chief Financial Officer of UNR Med did leave abruptly. Regent Doubrava heard that there might have been some reluctance to provide timely and accurate data during the transition. He offered a reminder that no other state has done this. He applauded all those involved. This was a learning lesson, as many on the Health Sciences System Committee warned to not overestimate figures.

Dr. Schwenk stated the Chief Financial Officer did leave abruptly but prior to the transition. The Interim Chief Financial Officer was responsive to all requests.

3b. Approved – Findings and Responses, UNLV Medicine – The Committee recommended approval of the detailed responses to the schedule of findings within the financial statement audit report of UNLV Medicine for the year ended June 30, 2018, and that the Health Sciences System Committee follow-up on the item. (Refs. A-3b(1) and A-3b(2) on file in the Board Office.)

President Meana stated UNLV takes the findings very seriously. Leadership and staff learned a lot in the first year. Despite initial differences between auditors and management, UNLV ultimately agreed with the findings and made the appropriate changes in the financial statements and enclosures. In addition, UNLV has an action plan to ensure a more positive outcome going forward. The organizational chart will now include a reporting line to the Chief Financial Officer. UNLV Medicine has also expanded its Audit Committee to include UNLV's Chief Financial Officer, UNLV Medicine's Chief Financial Officer and UNLV's Associate Vice President for Financial Services. Going forward they will assist UNLV Medicine with the financial statements and oversee the process. Additionally, UNLV senior leadership will provide additional training and professional development to the finance team to address knowledge gaps in generally accepted accounting principles. UNLV Medicine leadership has also identified changes in operational practices to strengthen internal controls, develop more effective procedures and to prevent future occurrences of the same findings.

3. Approved – Financial Statements, University of Nevada, Las Vegas Medicine – (Continued)

3b. Approved – Findings and Responses, UNLV Medicine – (Continued)

Regent Lieberman moved approval and acceptance of the detailed responses to the schedule of findings within the financial statement audit report of UNLV Medicine for the year ended June 30, 2018, and that the Health Sciences System Committee follow-up on the item. Vice Chair Carter seconded. Motion carried.

3c. Approved – Updated Quarterly Financial Statements, UNLV Medicine – The Committee recommended approval of the updated quarterly financial statement information based on the adjustments reflected in the UNLV Medicine Financial Statements for the year ended June 30, 2018. (Ref. A-3c on file in the Board Office.)

President Meana reported at the request of the Board, UNLV went through each of the quarterly statements and provided the original and the revised with adjustments noted as a result of the audit.

Regent Lieberman moved approval and acceptance of the updated quarterly financial statement information based on the adjustments reflected in the UNLV Medicine Financial Statements for the year ended June 30, 2018. Vice Chair Carter seconded. Motion carried.

4. Approved – Handbook Revision, Internal Audit Department Charter – The Committee recommended approval of policy revisions to the Internal Audit Department Charter (Handbook Title 4, Chapter 9.A) to incorporate direction and action from the Board at its November 16, 2018, Special Meeting and that the Audit and Compliance Committee should serve as the Search Committee in any future search for the Chief Internal Auditor. (Ref. A-4 on file in the Board Office.)

Chief General Counsel Joe Reynolds provided a brief overview of the policy changes.

In response to a question from Regent McAdoo, Chief General Counsel Reynolds stated the intent in section 4 was for the Chief Internal Auditor position to receive direction and oversight from the Board Chairman and the Audit and Compliance Committee Chair. Chief General Counsel Reynolds added he did not expand the dual reporting role in other provision changes in the section.

Chief Internal Auditor Joe Sunbury stated in his current setting his functional reporting is to the Audit and Compliance Committee Chair with simultaneous discussions with the Chief Financial Officer. Essentially, he will continue to have the simultaneous discussions but now with the Board Chairman and the Audit and Compliance Committee Chair.

4. Approved – Handbook Revision, Internal Audit Department Charter – (Continued)

Regent Moran stated he would not support the proposed revision. He felt the language in section 3.2c was vague and ambiguous. Chair Stephens stated this was the specific language approved by the Board of Regents at its November 16, 2018, Special Meeting.

Regent Moran believed the language should be easy to understand. Regent Moran also found section 4 problematic. He believed if the goal was to maximize accountability and maintain independence, he did not think what is provided is the preferred methodology. No member of the Board should be advising staff on what to do or not to do.

Vice Chair Carter agreed that it is problematic to have one Regent making administrative hiring decisions. Chair Stephens did not think employment meant hiring. She indicated the Chief Internal Auditor reports to her as the Audit and Compliance Committee Chair but administratively someone else is handling the personnel functions.

Chief General Counsel Reynolds stated the intent was to make the Chief Internal Auditor truly independent from the Chancellor's Office thus the duties had to be placed with someone.

Chancellor Reilly stated this was a good transparent move and makes it a clear and concise move towards independence.

In response to a question from Chair Stephens, Chief General Counsel Reynolds stated at the November 16, 2018, Special Meeting he was directed to make the Chief Internal Auditor position independent from the Chancellor's Office and a clearinghouse for investigatory matters. If the Committee is not satisfied with the policy changes the Committee may offer new directions. Chief of Staff Dean J. Gould added the Board already made the decision at the November 16, 2018, Special Meeting. After this meeting, the Board will decide to approve the language as presented or provide guidance on language changes.

Chair Stephens stated that if the Committee would like to make language changes this is its opportunity.

Chief General Counsel Reynolds provided clarity as to how he arrived at the language that is being discussed with today's agenda. He stated that because of Open Meeting Law (OML) concerns he cannot approach each individual Regent and discuss an item that the entire Board will vote on. He circulated the changes to the Chancellor's Cabinet, consulted with Chair Stephens, Chairman Page, Vice Chairman Geddes, and Regent Trachok who made the motion at the November 16, 2018, Special Board meeting. He also worked closely with Chief Internal Auditor Sunbury and Chief of Staff Gould.

In response to a question from Regent Moran, Chief General Counsel Reynolds answered he had not spoken to any additional Regents besides those mentioned.

Chief of Staff Gould stated it is appropriate to talk to the Regent who made the motion for clarification purposes. If Counsel starts talking to individual Regents, he runs the risk of violating the OML. This is the time and place for comments to be discussed and proposed.

4. Approved – Handbook Revision, Internal Audit Department Charter – (Continued)

Chair Stephens acknowledged she preferred that this item be placed on the agenda in the public forum to provide full transparency and gather the agreement of all those involved.

Vice Chair Carter moved approval of the policy revisions to the Internal Audit Department Charter (*Handbook* Title 4, Chapter 9.A) to incorporate direction and action from the Board at its November 16, 2018, Special Meeting and that the Audit and Compliance Committee should serve as the Search Committee in any future search for the Chief Internal Auditor. Regent Moran seconded.

Chief Internal Auditor Sunbury clarified it is best practice to annually review the Internal Audit Department Charter.

Motion carried.

Regent McAdoo stated she appreciated Chief General Counsel Reynolds' work on this item.

5. Information Only – University of Nevada, Las Vegas Medicine Working Group –
Director of Compliance Mistee Galicia presented a PowerPoint titled “UNLV School of Medicine Practice Plan” and provided general remarks related to a collaborative working group focused on service level agreements between UNLV Medicine and UNLV, as well as UNLV Medicine governing documents and healthcare compliance policies. (*Ref. A-5 on file in the Board Office.*)

Regent Doubrava thanked Chair Stephens for bringing the item forward to the meeting.

6. Approved – Discussion of Handbook, NSHE and Affiliated Entities – The Committee recommended approval of directing the Chancellor's office to review *Handbook* (Title 4, Chapter 10, Section 10) and returning to the Committee with amendments and revisions that will clarify relationship obligations between NSHE and its Foundations, affiliated entities, and medical practice plans. (*Ref. A-6 on file in the Board Office.*)

Chief General Counsel Reynolds provided general remarks regarding current policy related to NSHE and Member Institution Foundations and Affiliated Groups Administrative and Accounting Policies (*Handbook* Title 4, Chapter 10, Section 10). He stated the current language is ambiguous and difficult to interpret.

Chair Stephens stated that conversations related to Foundations, affiliated entities, and medical practice plans would be easier if the Board had a clear policy.

6. Approved – Discussion of Handbook, NSHE and Affiliated Entities – (Continued)

Regent Moran moved approval to direct the Chancellor's office to review *Handbook* (Title 4, Chapter 10, Section 10) and return to the Committee with amendments and revisions that will clarify relationship obligations between NSHE and its Foundations, affiliated entities, and medical practice plans. Regent Lieberman seconded. Motion carried.

7. Approved – External Audit Contract, NSHE – The Committee recommended approval of immediately beginning a search for an external auditor, issuing the RFP, and issuing a termination notice for the current agreement with Grant Thornton, LLP. (Ref. A-7 on file in the Board Office.)

Acting Chief Financial Officer Redding reported he was asked to review NSHE's current contracted services for external audit and particularly how the contracts were impacted by the implementation of Workday. The first set of financials have been created utilizing Workday. Work for the Fiscal Year 2019 financial audits will begin in March 2019 with a presentation to the Audit and Compliance Committee in November 2019. If the Board would like to change external audit firms this is the time to begin the request for proposal (RFP) process.

Acting Chief Financial Officer Redding stated it has been 10 years since the contract was bid. The Audit and Compliance Committee has three options:

1. Do nothing. Grant Thornton, LLP will provide services for an additional two years.
2. Begin the RFP process immediately in order for an external audit firm to begin in March 2019.
3. Utilize Grant Thornton, LLP for one more audit cycle.

Chief Internal Auditor Sunbury provided a historical timeline related to past external audit services.

Regent Lieberman did not believe this was the appropriate time for this item. He preferred the third option.

Chief Internal Auditor Sunbury discussed the timeline in order to have the external auditors begin their work in March 2019.

Vice President Kevin Butler, Finance and Business Operations, NSC, stated it is healthy for the NSHE to be looking at an RFP. The same firm has been auditing the NSHE for a long period of time. He stated great thought was put into the RFP.

In response to a question from Regent Moran, Acting Chief Financial Officer Redding stated the NSHE is in the final stages of the 2018 audit. Nothing that is being discussed today will alter the Grant Thornton relationship for the current cycle. Acting Chief Financial Officer Redding recommended the NSHE begin the bid process.

7. Approved – External Audit Contract, NSHE – (Continued)

Chair Stephens stated historical data has shown the NSHE has gone to bid every ten years. This contract, along with other financial contracts were extended to get through the implementation of Workday. This is a public process to make sure the NSHE has current documentation in hand. Chair Stephens stated there is a draft RFP, tentative review committee, and a tentative schedule, which is not in any way meant to guide or presume action of the Committee.

Vice Chair Carter moved approval to immediately begin a search for an external auditor and issue the RFP. Regent Moran seconded.

Chief General Counsel Reynolds stated pursuant to Grant Thornton's contract 30 days written notice is required to be provided before termination if effectuated. Chief of Staff Gould stated that if this is the will of the Committee the motion should include a direction to issue the termination notice.

In response to a question from Vice Chair Carter, Chief General Counsel Reynolds stated the Board is free to solicit an RFP irrespective of the existing contract.

Vice Chair Carter provided a friendly amendment to immediately begin a search for an external auditor, issue the RFP, and issue a termination notice for the current agreement with Grant Thornton, LLP.

Regent Moran accepted the friendly amendment.

Motion carried.

3. Approved – Financial Statements, University of Nevada, Las Vegas Medicine – (Continued)

Regent Lieberman stated the NSHE has a great deal to be proud of. Changes need to be made and he looks forward to a more positive and cleaner dialogue in the future.

8. Information Only – New Business – Regent Moran asked whether his requested ethics training had been placed on the calendar. Chief of Staff Gould stated it will be a part of the new Regent orientation in January 2019.

9. Information Only – Public Comment – None.

The meeting adjourned at 11:24 a.m.

Prepared by:

Angela R. Palmer
Special Assistant and Coordinator
to the Board of Regents

Submitted for approval by:

Dean J. Gould
Chief of Staff and Special Counsel
to the Board of Regents