

SPECIAL MEETING

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

System Administration, Las Vegas
4300 S. Maryland Parkway, Board Room
Friday, February 15, 2019

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: Dr. Patrick R. Carter, Chair
Mr. Trevor Hayes, Vice Chair
Mrs. Carol Del Carlo
Mr. Sam Lieberman
Mr. Donald Sylvantee McMichael Sr.
Ms. Laura E. Perkins

Other Regents Present: Ms. Amy J. Carvalho
Mrs. Cathy McAdoo

Others Present: Mr. Andrew Clinger, Chief Financial Officer
Ms. Mistee A. Galicia, Deputy General Counsel, Healthcare Compliance
Mr. Dean J. Gould, Chief of Staff and Special Counsel to the Board
Mr. Joe Reynolds, Chief General Counsel
Mr. Joe Sunbury, Chief Internal Auditor
Dr. Marc A. Johnson, President, UNR

Faculty senate chairs in attendance were: Dr. Abby Peters, NSC; and Mr. Douglas Unger, UNLV. UNLV CSUN President Mr. Christopher Roys was also in attendance.

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

Chair Carter called the meeting to order at 10:00 a.m. with all members present.

1. Information Only – Public Comment – None.

2. Information Only – Committee Orientation and Background – Chief Internal Auditor Sunbury reported the Committee held a special meeting on December 19, 2018, with a number of agenda items, one of which was a discussion on the existing external audit contract. It was noted that despite a relatively recent renewal, it had been a decade since the contract had been bid. The Committee voted to issue a Request for Proposal (RFP) for external audit services. The incumbent firm was invited to bid. The System immediately issued an RFP. The former Committee chair identified members of a scanning committee, consisting of an appropriate cross-section of NSHE institutions, staff, and others that interface with the external auditors. The group reviewed the initial bids, identifying three well-qualified, viable, capable external audit firms to include Grant Thornton, CliftonLarsonAllen, and Eide Bailly.

The firms presenting were asked to provide external audit services in the following four distinct areas:

- 1) NSHE’s Consolidated Financial Statement Audit – What does that mean? NSHE prepares and owns its financial statements. The external auditor performs procedures within certain standards and expresses an opinion on the financial statements as to whether they are presented fairly.
- 2) NSHE’s Uniform Guidance Audit – NSHE is responsible to maintain compliance with statutes and regulations that apply to the System’s federal programs. The external auditors provide an opinion on compliance over major federal programs and related internal controls. Student financial aid is the area most commonly in scope for this type of review.
- 3) Audits of Medical School Practice Plans – The practice plans are set up as separate, not-for-profit corporations. A separate audit, in an industry with different significant risks and processes to understand, requires a different kind of expertise.
- 4) Agreed-Upon Procedures for the Two NCAA Institutions – NCAA member institutions are required to submit annual financial data detailing operating revenues and expenses related to intercollegiate athletic programs. The data is subject to “agreed-upon procedures” that must be performed by a qualified independent accountant. Historically, the external auditor has provided this service.

A duty of the Audit, Compliance and Title IX Committee is to “recommend to the Board independent certified public accountants to audit the financial books and records of the Nevada System of Higher Education and review and evaluate reports of such independent certified public accountants.”

3. Approved – External Audit Services – Interviews – The Committee recommended approval of Grant Thornton LLP as NSHE’s external auditor for the years ending June 30, 2019, 2020, and 2021.

The Committee heard presentations from finalist firms as noted in Request for Proposal #8524. Consistent with *Board of Regents’ Handbook*, Title 1, Article VI, Section 3a, the Committee interviewed each external audit firm.

3. Approved – External Audit Services – Interviews – (Continued)

- a. Presentation / Q&A for Grant Thornton LLP. *(Refs. A-3a(1), A-3a(2) and A-3a(3) on file in the Board Office.)*

Ms. Kim McCormick, Lead Partner, presented Grant Thornton LLP's proposal with the assistance of Ms. Elise Parker, Senior Partner; Mr. Mark Oster, National Managing Partner; and Mr. Steve Dioguardi, Audit Senior Manager.

In response to a question from Regent Perkins, Mr. Oster responded student recruitment is one element of commitment to the NSHE and the state of Nevada.

Vice Chair Hayes asked what Grant Thornton LLP will do differently in the future. Ms. McCormick stated this is the opportunity to bring in a new team with a deeper depth to improve quality.

In response to a question from Regent Perkins, Ms. McCormick stated the audit world is changing at a fast pace and includes more technology and tools that result in better, faster, quality audits. Mr. Oster stated Grant Thornton LLP has hired experts to bring better technologies into the firm.

In response to a question from Regent Del Carlo, Ms. Parker stated the new analytics were piloted three audit cycles ago. The analytics have been released to the entire firm and are actively being used.

- b. Presentation / Q&A for CliftonLarsonAllen LLP. *(Refs. A-3b(1), A-3b(2) and A-3b(3) on file in the Board Office.)*

Ms. Jean Bushong, Principal, presented CliftonLarsonAllen LLP's proposal with the assistance of Mr. Bill LeClaire; Mr. Darryn McGarvey; Ms. Caroline Boyer; Mr. David Robydek; Ms. Brenda Scherer; and Mr. Daniel Persaud.

In response to a question from Vice Chair Hayes, Ms. Bushong stated CliftonLarsonAllen LLP will make sure it has the national and local expertise needed for the engagement. Mr. LeClaire responded CliftonLarsonAllen LLP has estimated 900 hours for the engagement because it has spent a large amount of time to make sure it is efficient as possible. CliftonLarsonAllen LLP is proud of the work it has done to minimize the amount of time needed for the engagement.

In response to Chair Carter, Ms. Scherer stated CliftonLarsonAllen LLP invests in its clients by training its staff. CliftonLarsonAllen LLP wants to hit the ground running. Hours may increase as additional programs are audited.

Chief Internal Auditor Sunbury stated the areas of the audit will vary each year, but it is appropriate to anticipate a certain number of programs each year.

In response to a question from Regent Del Carlo, Ms. Boyer responded CliftonLarsonAllen LLP has a large amount of technology to address risk and the changing environment.

3. Approved – External Audit Services – Interviews – (Continued)

- c. Presentation / Q&A for Eide Bailly LLP. (Refs. A-3c(1), A-3c(2) and A-3c(3) on file in the Board Office.)

Mr. Dan Carter presented Eide Bailly LLP's proposal with the assistance of Ms. Tamara Miramontes; Ms. Renee Gravalin; Mr. Anders Erickson; and Ms. Jodi Daugherty.

In response to a question from Regent McMichael, Mr. Anders stated Eide Bailly LLP has put the appropriate security measures in place. Eide Bailly LLP undergoes penetration testing as well as vulnerability and risk assessments annually. All employees receive training, so they do not fall victim to the threats.

In response to a question from Vice Chair Hayes, Chief Internal Auditor Sunbury stated a local presence is important to aid in speedy response time.

Mr. Carter stated the use of NSHE staff will help reduce auditing time and historically no additional fees are added.

- d. Discussion and recommendation of selected firm by the Committee.

In response to a question from Regent Carvalho, Chief Internal Auditor Sunbury stated NSHE familiarity is important which is why the current external auditor was allowed to bid. The NSHE wants everyone to have a fair shot which is why the NSHE decided to go to bid.

Vice Chair Hayes moved approval of CliftonLarsonAllen LLP as NSHE's external auditor for the years ending June 30, 2019, 2020, and 2021.

Motion failed for lack of a second.

In response to a question from Regent Del Carlo, Chief Internal Auditor Sunbury responded it is the first time in 10 years this contract has gone to bid. He added institutional business officers were included on the eight-member scanning committee.

Vice Chair Hayes asked how many firms were reviewed to arrive at the three presenting firms with Chief Internal Auditor Sunbury responding five qualified firms.

Regent McMichael believed the NSHE should continue with Grant Thornton LLP.

Vice Chair Hayes stated all three firms are qualified. He was concerned Grant Thornton LLP waited to make a shift in team members until the contract was rebid. He believed CliftonLarsonAllen LLP had the best mix of national size and experience.

3. Approved – External Audit Services – Interviews – (Continued)

d. Discussion and recommendation of selected firm by the Committee – (Continued)

Regent Del Carlo stated a 10-year relationship is tough to walk away from. She was impressed with Eide Bailly LLP and familiar enough with the firm to know that they are on the ground in Nevada. All three firms are well qualified. She added that Eide Bailly LLP is her first choice.

Regent Lieberman liked that one of the firms has a statewide presence, but was not impressed with its presentation. He added he is comfortable staying with Grant Thornton LLP.

Regent Perkins believed that since the NSHE had not had a problem with Grant Thornton LLP she would vote to remain with them. All three companies were worthy of consideration.

Chair Carter stated he liked all three firms. He was concerned that CliftonLarsonAllen LLP's numbers were so far from the other proposals. He believed Eide Bailly LLP's presentation was least effective of the three.

Regent Perkins moved approval of Grant Thornton LLP as NSHE's external auditor for the years ending June 30, 2019, 2020, and 2021. Regent Liberman seconded. Motion carried via a unanimous roll call vote.

Regent Lieberman asked that NSHE not let this contract go another 10 years before it is bid again.

Vice Chair Hayes thanked all three firms for participating.

Chair Carter reiterated that all three firms were well qualified and would have done a good job for the NSHE.

4. Information Only – New Business – None.

5. Information Only – Public Comment – None.

The meeting adjourned at 11:58 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

Approved by the Board of Regents at its June 6 & 7, 2019, meeting.