

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

University of Nevada, Las Vegas  
Student Union, Ballroom  
4505 S. Maryland Parkway, Las Vegas

Thursday, December 1, 2022

Video Telephone 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  
Mrs. Carol Del Carlo, Vice Chair  
Mr. Joseph C. Arrascada  
Dr. Mark W. Doubrava  
Dr. Jason Geddes

Other Regents Present:

Mrs. Cathy McAadoo, Board Chair  
Ms. Amy J. Carvalho, Board Vice Chair  
Mr. Patrick J. Boylan  
Mr. Donald Sylvantee McMichael Sr.  
Ms. Laura E. Perkins  
Dr. Lois Tarkanian

Others Present:

Mr. Dale A.R. Erquiaga, Acting Chancellor  
Mr. Andrew Clinger, Chief Financial Officer  
Ms. Renee Davis, Interim Vice Chancellor, Academic and Student Affairs  
Mr. James J. Martines, Chief General Counsel  
Ms. Keri Nikolajewski, Interim Chief of Staff to the Board  
Mr. Alejandro Rodriguez, Director of Government Relations  
Mr. Joe Sunbury, Chief Internal Auditor  
Dr. Federico Zaragoza, President, CSN  
Dr. Kumud Acharya, President, DRI  
Ms. Joyce M. Helens, President, GBC  
Dr. DeRionne Pollard, President, NSC  
Dr. Karin M. Hilgersom, President, TMCC  
Dr. Keith E. Whitfield, President, UNLV  
Mr. Brian Sandoval, President, UNR  
Dr. J. Kyle Dalpe, Interim President, WNC

Faculty senate chairs in attendance were Ms. Tracy Sherman, CSN (*Chair, Council of Faculty Senate Chairs*); Dr. Brittany Kruger, DRI; Mr. Kevin Seipp, GBC; Dr. Christine Beaudry, NSC; Mr. Ed Boog, SA; Dr. Rhonda Montgomery, UNLV; Dr. Eric Marchand, UNR; and Mr. Jim Strange, WNC. Student body presidents in attendance were Ms. Yvette Machado, ASCSN President, CSN; Ms. Tessa Espinosa, NSSA President, NSC; Mr. John Fenton, SGA President, TMCC; Ms. Nicole Thomas, GPSA President, UNLV; Ms. Dionne Stanfill, ASUN President, UNR (*Chair, Nevada Student Alliance*); Mr. Matthew Hawn, GSA President, UNR; and Ms. Suzanna Stankute, ASWN President, WNC.

Deputy Attorney General Rosalie Bordelove was also in attendance.

Regents-elect in attendance were Heather Brown, District 6, and Jeffrey Downs, District 11.

Chair Carter called the meeting to order at 12:30 p.m. with all members present except Regent Geddes.

1. Information Only – Public Comment – None.
2. Approved – Consent Items – The Committee recommended approval of the Consent Items.
  - 2a. Approved – Minutes – The Committee recommended approval of the September 8, 2022, meeting minutes. (*Ref. A-2a on file in the Board Office.*)
  - 2b. Approved – Follow-Up: Grants and Contracts, TMCC – The Committee recommended approval of the follow-up response to the audit report of TMCC Grants and Contracts for the period July 1, 2020, through June 30, 2021. (*Ref. A-2b on file in the Board Office.*)
  - 2c. Approved – Follow-Up: Disability Resource Center, NSC – The Committee recommended approval of the follow-up response to the audit report of NSC Disability Resource Center for the period July 1, 2020, through August 31, 2021. (*Ref. A-2c on file in the Board Office.*)
  - 2d. Approved – Follow-Up: Social Media, NSHE System Office – The Committee recommended approval of the follow-up response to the audit report of NSHE System Office Social Media for the period of Spring 2022. (*Ref. A-2d on file in the Board Office.*)

Regent Arrascada moved approval of the consent items. Vice Chair Del Carlo seconded.

Chair Carter pointed out the follow-up audit for NSHE System Office Social Media. These are good recommendations, but it has been six months. Chief Internal Auditor Sunbury stated it is Internal Audit's role to monitor the status of any audits that have open findings after six months. Acting Chancellor Erquiaga said NSHE does not have the staff referenced in the audit. The search failed, so NSHE is outsourcing the public information function. He committed to a better report in March 2023.

Motion carried. Regent Geddes was absent.

3. Information Only – Chair’s Report – Chair Patrick R. Carter stated this was his last meeting and wanted to acknowledge Chief Internal Auditor Sunbury and his team for their hard work and effort. Internal Audit took over compliance in the previous six years, and substantial institutional growth has occurred. There have also been many Title IX conversations and many exciting times. Chief Internal Auditor Sunbury thanked Chair Carter for his comments.

*(Audit Summary on file in the Board Office.)*

4. Approved – Change in Leadership, WNC – The Committee recommended approval of the report and institutional response to the WNC Change in Leadership audit for the period July 1, 2020, through December 31, 2021. *(Ref. A-4 on file in the Board Office.)*

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-4* and recommended the following control improvements:

- Documentation
- Contract management
- Equipment inventory
- Capital projects communications

Vice Chair Del Carlo moved approval of the report and institutional response to the WNC Change in Leadership audit for the period July 1, 2020, through December 31, 2021. Regent Arrascada seconded. Motion carried. Regent Geddes was absent.

5. Approved – Recharge Centers, DRI – The Committee recommended approval of the report and institutional response to the DRI Recharge Centers audit for the period July 1, 2020, through June 30, 2022. *(Ref. A-5 on file in the Board Office.)*

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-5* and recommended the following control improvements:

- Rate calculation reviews
- Account balance reviews
- Supporting document for surplus transfers

Vice Chair Del Carlo moved approval of the report and institutional response to the DRI Recharge Centers audit for the period July 1, 2020, through June 30, 2022. Regent Arrascada seconded. Motion carried. Regent Geddes was absent.

6. Information Only – Sierra Nevada University Fiscal Year 2022 Audit Status Update – University of Nevada, Reno Vice President for Administration and Finance Vic Redding provided a report on the status of the Sierra Nevada University (SNU) FY 22 Financial Statement and Federal Awards Program Audit as it relates to the acquisition of the institution.

The FY 22 audit for Sierra Nevada University will be the closeout audit as an independent degree-granting entity and reflects activity through midnight June 30, 2022. The closure

6. Information Only – Sierra Nevada University Fiscal Year 2022 Audit Status Update – (Continued)

acquisition occurred immediately on July 1, 2022. Any activity from that moment forward will be reflected on NSHE's Financial Statements. The SNU 501(c)(3) will continue to exist for several years. It will be a part of NSHE and treated as a blended component unit in FY23. The FY22 audit is a work in progress. UNR anticipates completion around the end of January 2023. It is a lengthy audit process for all involved. He has personally monitored the audit, and he reports no surprises to date. The last two remaining items are the valuation of the jointly occupied Tahoe Center for Environmental Sciences and a reconciliation of the land coverage units with the Tahoe Regional Planning Agency.

Vice President Redding reported he has reviewed the preliminary findings of the single audit and is happy they are as expected. The primary finding is in student financial aid, similar to NSHE's experience in this program area. However, he is anticipating a material weakness finding related to the financial statements. The former SNU Board decided, due to a shortage of personnel with expertise in the ability to prepare full-disclosure financial statements, to contract with Eide Bailey to prepare its financial statements and related disclosures. In this model, the formal preparation of statements is prepared by an external CPA, not internal staff, with the management of the University reviewing the financial statements. This allowed for more timely completion and outweighed the need to hire staff specifically for this job. He added he was consulted on this and wholeheartedly supported this approach. The tradeoff, as expected, will be a finding over the process.

Regent Geddes entered the meeting.

A number of the closeout activities have been completed, but many are still in process. Student loan discharge is one of the most significant operational issues in contingent liability. The loan discharge requirement came from the Department of Education late last June. It involves former SNU students who may be eligible for discharging some or all of their federal loan balances due to the institution's closure and acquisition. The loan discharge process has several moving parts, including the student must completely stop out of post-secondary education and essentially lose any credits they have earned should they pursue a discharge. The vast majority of students did continue their education, but of those that have not, 17 identified may be eligible for discharge. This number may decrease in the spring as students enroll. The process is not automatic, and only credits associated with the degree program the student was enrolled in at the time of SNU's closure are eligible. One more critical impact that they still do not have clarity on is the federal forgiveness loan program currently being discussed in Washington. Because of this, it will be several years before UNR can close the books, and the primary reason they will keep the 501(c)(3) for the foreseeable future. Vice President Redding advised that UNR has earmarked a safety net of \$550,000, representing a worst-case scenario. The corporation has \$1.2 million cash on hand, and ultimately any remaining money will be reinvested in the campus physical plant consistent with the transition plan.

Chief Internal Auditor Sunbury thanked Vice President Redding for this report.

6. Information Only – Sierra Nevada University Fiscal Year 2022 Audit Status Update – (Continued)

In response to a question from Chair Carter asking whether this will come back to the Committee, Vice President Redding responded the financial statements would be a part of the NSHE Financial Statement in FY23. Still, it doesn't preclude the opportunity for further reports on the transition.

Vice Chair Del Carlo asked for an approximate amount for the student loan discharge. Vice President Redding responded with 17 undergraduates and likely a similar number of graduate students, there are several factors within the process are difficult to put a precise dollar amount to. But he is comfortable that the \$550,000 earmark will be sufficient.

7. Information Only – Internal Audit, Compliance and Title IX Updates, NSHE – Chief Internal Auditor Joe Sunbury shared that Senior Auditor Stefania Pacheco, who had been with the Internal Audit Department for 10 years, is now the Senior Budget Coordinator within the System Office. He thanked Ms. Pacheco for her service.

Chief Internal Auditor Sunbury reported an increase in incident hotline activity. There were 120 submissions from January 2019 through May 2022. Since May 10, 2022, through yesterday, there have been fifty-nine new submissions. Sixty-eight percent of the submissions are anonymous. The hotline aims to direct employees to appropriate resources and provide an early warning of issues or problem areas within an organization. Over two-thirds of what comes through the hotline can be triaged and referred to an appropriate resource within the institution. The other one-third will result in some collaborative efforts or an internal audit project. It is essential to note the three lines of the defense model regarding managing risk and internal controls. Many of the referrals are heading to other assurance-providing functions, which is the second line of offense. The breakdown is one quarter to the institutional president or provost; one quarter to NSHE or institutional legal counsel; a little over a quarter are referred to the Title IX coordinator; and the rest are split among subject matter experts.

Chair Carter stated the Legislative audit findings are due in January 2023, and some of the institutions have been bombarded with auditors, and his concern is the materiality. Chief Internal Auditor Sunbury pledged auditor time to coordinate efforts related to any findings and responses.

8. Information Only – Communications with Those Charged with Governance, NSHE – Ms. Kim McCormick, Partner, Grant Thornton, LLP presented a report on Communications with Those Charged with Governance for the Nevada System of Higher Education for the year ended June 30, 2022. This is a report on communications related to the consolidated audit of the System and is required for compliance with the professional standards for CPA firms. (*Ref. A-8*)

Ms. McCormick reviewed *Ref. A-8* highlighting audit timeline and scope; responsibilities; governance and management responsibilities; financial reporting for NSHE; significant risks; significant risks and other areas of focus; major programs for Uniform Guidance Audit; areas of focus for Uniform Guidance Audit; technology support; summary of

8. Information Only – Communications with Those Charged with Governance, NSHE – (Continued)

misstatements; other required communications; quality of accounting practices; internal control matters; use of the work of other auditors; use of the work of others; commitment and technical updates-GASB.

9. Approved – Uniform Guidance Audit Report and Financial Statements, NSHE – The Committee recommended approval of the NSHE Uniform Guidance Audit Report and Financial Statements for the year ended June 30, 2022. (Ref. A-9 on file in the Board Office.)

Ms. McCormick reported NSHE adopted a new accounting pronouncement for leases, and System and the institutions did a great job coordinating the effort. Earlier in the year, medical practice plan operations moved to Renown. The minimal activity that is left was blended into the Financial Statements.

Last year there were two findings, one related to the preparation of a schedule of expenditures and federal awards and another related to the accounting of investments. The findings were remediated and not repeated this year.

Ms. McCormick recalled that there had been Student Financial Aid findings for years, with repeat findings this year, related to segregation of duties issues in the Information Technology application, and the second is the return of Title IV.

The number of overall findings continues to decrease.

Ms. McCormick stated she would report with official results once an opinion is rendered.

Vice Chair Del Carlo moved approval of the NSHE Uniform Guidance Audit Report and Financial Statements for the year ended June 30, 2022. Regent Arrascada seconded. Motion carried.

10. Information Only – Communications with Those Charged with Governance, University of Nevada Las Vegas Medicine, Inc. – Ms. Kim McCormick, Partner, Grant Thornton, LLP presented a report on Communications with Those Charged with Governance for the UNLV Medicine, Inc. for the year ended June 30, 2022, in line with requirements for compliance with the professional standards for CPA firms. (Ref. A-10 on file in the Board Office.)

Ms. McCormick reviewed *Ref. A-10* highlighting values; responsibilities; governance and management responsibilities; audit timeline and scope; materiality; significant risks and other areas of focus; summary of misstatements; other required communications; quality of accounting practices; internal control matters; related parties and related party transactions; commitment to promote ethical and professional excellence; technical updates-GASB; pronouncements-GASB; and 2022 OMB Compliance Supplement.

11. Approved – Financial Statements, University of Nevada Las Vegas Medicine, Inc. – The Committee recommended approval of the UNLV Medicine, Inc. Financial Statements for the year ended June 30, 2022. *(Ref. A-11 on file in the Board Office.)*

Ms. McCormick stated the financial statements are clearly stated, and an unmodified clean opinion was issued.

In the last audit, a material weakness related to mathematical errors was issued, but Ms. McCormick was happy to report that the finding did not repeat.

Ms. McCormick noted one new finding related to the supplemental schedule of federal expenditures. There were quite a few errors when the schedule was presented, so they recommended enhanced controls to ensure the schedule is prepared accurately in the future.

Vice Chair Del Carlo moved approval of the UNLV Medicine, Inc. Financial Statements for the year ended June 30, 2022. Regent Arrascada seconded.

In response to a question from Chair Carter related to PEBP, Ms. McCormick responded the individual standalone practice plan does not participate in the PEBP program so it does not impact the financial statements like the broader NSHE.

Vice Chair Del Carlo asked why there was \$17,766,270 in right-of-use assets in 2022 but nothing in 2021. Ms. McCormick stated that similar to NSHE adopting the new lease accounting rules, UNLV Medicine had to do the same.

Motion carried.

Ms. McCormick thanked Chair Carter for his leadership over the last several years.

12. Information Only – New Business – None.

Regent Del Carlo thanked Chair Carter for his consistency and stellar job.

13. Information Only – Public Comment

Kent Ervin suggested that a large percentage of anonymous hotline submissions is due to a perception that complaints are referred back to the institutional administrators or legal counsels. If the institutions are incentivized to make complaints disappear, they can be covered up or, worse, result in retaliation or other negative consequences. The general counsels have incentives to reduce liability for their institutions. There was no report on how or whether the complaints have ultimately been resolved. The NFA is hesitant to recommend to its members that they use the hotline because they cannot, in good faith, state that the complaint will remain confidential, especially if the complaint requires divulging information that could identify the source. Regents should ask for reports on how complaints are ultimately resolved.

The meeting adjourned at 1:21 p.m.

Prepared by:

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

Submitted for approval by:

Keri D. Nikolajewski  
Interim Chief of Staff  
to the Board of Regents

***Approved by the Board of Regents at its March 10, 2023, meeting.***