

Minutes approved by the Board of Regents at the June 6 & 7, 2024, 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 16, 2024

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:

Mr. Joseph C. Arrascada, Chair
Dr. Michelee Cruz-Crawford, Vice Chair
Mr. Patrick J. Boylan
Mrs. Susan Brager
Mrs. Carol Del Carlo

Other Regents Present:

Mrs. Amy J. Carvalho, Board Chair
Dr. Jeffrey S. Downs, Board Vice Chair
Mr. Donald Sylvantee McMichael Sr.

Others Present:

Ms. Patricia Charlton, Interim Chancellor
Dr. Daniel Archer, Vice Chancellor for Academic and Student
Affairs
Ms. Elizabeth Callahan, Public Information Officer
Ms. Lynda P. King, Associate General Counsel
Ms. Keri D. Nikolajewski, Chief of Staff to the Board of Regents
Mr. Alejandro Rodriguez, Director of Government Relations
Ms. Lauren Tripp, Interim Chief Internal Auditor
Mr. Rhett Vertrees, Assistant Chief Financial Officer
Mr. Chris Viton, Vice Chancellor, Budget and Finance and Chief
Financial Officer
Mr. Michael B. Wixom, Special Counsel to the Board of Regents
Dr. Federico Zaragoza, President, CSN
Dr. Kumud Acharya, President, DRI
Ms. Joyce M. Helens, President, GBC
Dr. DeRionne Pollard, President, NSU
Dr. Karin M. Hilgersom, President, TMCC

Faculty senate chair in attendance included the following: Mr. Patrick Villa, CSN. Classified council chair in attendance included the following: Ms. Stacy Wallace, NSU, ex-officio.

Land Acknowledgment

Before beginning, we take a moment to recognize that here in Nevada we stand on the land of the Wa She Shu – Washoe; Numu – Northern Paiute; Nuwe – Western Shoshone; and Nuwu – Southern Paiute. We take a moment to recognize and honor their stewardship that continues into today. With this recognition, we state an intention to rightfully include their voice and respect them as the 27 sovereign tribal nations of Nevada.

Chair Arrascada called the meeting to order at 9:00 a.m. with all members present. Board Vice Chair Downs led the Pledge of Allegiance and Committee Chair Arrascada read the Land Acknowledgement.

1. Information Only – Public Comment – None.
2. Information Only – Committee Orientation and Background – Interim Chief Internal Auditor Lauren Tripp provided brief remarks to frame the meeting, and to give background on the RFP process, which has led to the two firms presenting today. Additionally, Interim Chief Internal Auditor Tripp reviewed the high-level framework of the services the external auditors would provide to NSHE. The Committee’s responsibility is to recommend independent, certified public accountants to the Board to audit the financial books and records of NSHE.
3. Approved – External Audit Services – The Committee recommended approval of Eide Bailly LLP as NSHE’s external auditor for the fiscal years ending June 30, 2024, 2025, and 2026, and should there be any impediment to securing a contract with Eide Bailly LLP, the System Administration staff follow NSHE’s purchasing policies to engage Grant Thornton LLP.

The Committee heard presentations from finalist external audit firms, as noted in Request for Proposal #8937. Consistent with the Board of Regents *Handbook* Title 1, Article VI, Section 3a, the Committee interviewed each external audit firm.

- a. Grant Thornton LLP provided its presentation, technical proposal, and fees.
(Refs. A-3a(1), A-3a(2), and A-3a(3) on file in the Board Office.)

Regent Del Carlo asked what proactive approach Grant Thornton will be able to provide the NSHE to ensure adequate communication and status updates to individual campus representatives. Ms. Kim McCormick, Audit Partner, Grant Thornton, responded that a good quality audit involves excellent communication, with expectations defined upfront with all parties involved for all stages of work.

Regent Boylan asked for clarification as to how audit entries are checked. Ms. McCormick stated Grant Thornton has a proprietary system for reviewing journal entries. Every journal entry is run through a routine to look for relationships and whether they make sense in the transaction. The idea is that the process pulls out those journal entries that might stick out for one reason or another, and then the auditor will focus their efforts on those entries. It is a process that uses technology to make processes more efficient and effective and share better insight.

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

a. Grant Thornton LLP – *(Continued)*

In response to a question from Regent Boylan related to student financial aid getting better, Ms. McCormick responded that stripping data out of the student financial aid system is time-consuming and cumbersome. Grant Thornton has a new tool to pull the data out faster and recalculate. The system is about efficiency and accuracy.

Regent Boylan asked how Grant Thornton would save NSHE money. Ms. McCormick stated Grant Thornton's estimate of fees is based on what they have learned about working with NSHE. One way they have reduced hours is to take 200 hours out and have NSHE Internal Audit complete the work under Grant Thornton's supervision. There is a benefit of savings, cross-training, and collaboration between the organizations.

Vice Chair Cruz-Crawford stated she appreciated the presentation. Auditing is essential for oversight to make sure NSHE is doing what it needs to do by way of the institutions, faculty, students, and staff.

Vice Chair Cruz-Crawford asked whether any online auditing programs would reduce some of the billable hours. Ms. McCormick stated that most of the new tools that Grant Thornton is implementing help streamline efforts and are built into the audit proposal. The tools are good quality, save money, and deliver client insights.

Vice Chair Cruz-Crawford stated she always keeps an eye on diversity within the staff because of the diverse institutions within NSHE. She did not see a lot of diversity within the staff and asked if Grant Thornton has diversity initiatives or hiring practices within the organization. Ms. McCormick stated within the proposal Grant Thornton devoted time to and provided a link to the firm's Diversity, Equity and Inclusion Report. They report to the community and clients about their efforts and how they are doing with their goals. Grant Thornton just elected its first woman president to the firm's Board of Directors, and many women serve in leadership positions.

In response to a question from Regent Brager related to the different levels of fees, Ms. McCormick responded that the cost differential is not significant. Grant Thornton is in the relationship business with professional service providers. The ability to look people in the eye, to have a conversation and see the operation benefits the audit understanding. She stated she is a fan of onsite work, but it depends on how much the NSHE wants because all scenarios will work.

3. Approved – External Audit Services – (Continued)

a. Grant Thornton LLP – (Continued)

Concerning the third proposal, Regent Brager asked how many people would be onsite. Ms. McCormick responded that Grant Thornton has a team of approximately 40 members, and the reality is that team members will be staggered during different audit stages.

In response to a question from Regent Brager related to fees, Ms. McCormick responded that Grant Thornton is always in a position to negotiate fees.

Chair Arrascada asked if the proposal was cumulative because no travel expenditures were listed. Ms. McCormick stated that one of the three spreadsheets assumed no travel.

In response to a question from Chair Arrascada related to technology, Ms. McCormick stated tools and technology have increased in use. All the tools mentioned in the last proposal cycle are in play. Grant Thornton develops tools quickly, and all applicable to a financial and compliance audit are used.

Chair Arrascada stated Grant Thornton has been the System's external auditor for an extended time and asked what they will provide this time that NSHE has not received in the past. Ms. McCormick stated that their goal is to find what is important to NSHE and make it important to them. The beginning of an audit is a time to refresh expectations to deliver a better product.

In response to a question from Chair Arrascada related to the level of involvement of NSHE internal auditors, Ms. McCormick stated that 200 hours of NSHE auditor time is built into the fees. The number of hours can vary, but it is a fantastic opportunity that works well.

Regent Brager asked how many hours are spent on the NSHE audit. Ms. McCormick stated that 7,560 hours are approximated, which tracks well with Grant Thornton's experience and past efforts.

Regent Del Carlo noted that the bids are almost double the amount of the previous contract and asked, besides inflation, what other items contribute to the price disparity. Ms. McCormick stated it is a different world compared to five years ago. The economy has changed, and hiring great people is a part of those costs.

In response to a question from Vice Chair Cruz-Crawford related to the total cost of the engagement, Ms. McCormick responded that the total cost over the five-year contract is \$6.4 million.

The meeting recessed at 9:53 a.m. and reconvened at 9:59 a.m. with all members present.

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

- b. Eide Bailly LLP provided its presentation, technical proposal, and fees.
(Refs. A-3b(1), A-3b(2), and A-3b(3) on file in the Board Office.)

Regent Del Carlo asked what proactive approach Eide Bailly LLP will be able to provide the NSHE to ensure adequate communication and status updates to individual campus representatives. Mr. Kurt Schlicker, Audit Partner, Eide Bailly LLP, responded they schedule in-person meetings with management throughout the year to review how things are progressing.

In response to a question from Regent Brager related to the total number of hours, Mr. Schlicker responded the engagement is a little over 6,800 total hours. The fewer hours reflect Eide Bailly's high leverage model by staffing the job with more partner and senior manager time, which leads to audit efficiencies.

Regent Brager asked what the difference was between the lower and higher fees. Mr. Schlicker states there is the original fee and other fees that are added to the total inclusive fee. He stated they anticipate the audit taking over 6,800 hours. If, for whatever reason, it takes less, Eide Bailly will work with management to adjust the bill accordingly. Regent Brager asked what would happen if they needed more hours or if more NSHE internal auditor hours were used. Mr. Schlicker responded they would work with NSHE Internal Audit to develop a plan and adjust accordingly.

In response to a question from Regent Brager related to the team, Mr. Schlicker responded that over 6,000 proposal hours would be staffed from the Las Vegas, Reno, and Elko offices. Local professionals supported by industry experts will staff the audit.

Regent Boylan asked how technology is used concerning student financial aid. Mr. Schlicker stated that student financial aid used to be a very manual process, taking the student records to populate and compare to many data points. The use of technology has allowed for technology matching between the records, lessening the manual process.

Vice Chair Cruz-Crawford appreciated their comments about diversity and how they work toward it.

In response to a question from Vice Chair Cruz-Crawford related to the overall cost, Mr. Schlicker responded that the overall cost for the five years is \$7.2 million. They understand that it is higher than the previous firm. This is due to the higher leverage model. Eide Bailly believes managers and partners should work onsite with management at a higher participation rate. Vice Chair Cruz-Crawford liked that the firm is in Nevada and the money would be added back to the state.

3. Approved – External Audit Services – (Continued)

b. Eide Bailly LLP – (Continued)

Chair Arrascada clarified that the \$800,000 differential in expenses did not include a reduction if NSHE internal auditors were utilized. Mr. Schlicker responded that it sounds like NSHE internal auditors are actively involved, so the number of hours that internal audit reduces Eide Bailly's workload would reduce the overall total appropriately.

Chair Arrascada asked what Eide Bailly can provide that NSHE has not received. Mr. Schlicker stated Eide Bailly would act as a bridge between the State Controller's Office and NSHE. This is a way to bring everyone together for a common goal.

Associate General Counsel Lynda King reminded Committee members that in terms of costs, as the Committee is evaluating the proposals, the Committee may evaluate the pricing options in the firms' proposals but not any perceived future reduction in negotiated costs. She also asked that the Committee include in the motion language that if the purchasing department cannot negotiate a contract with the first firm, they can move on to the second firm without coming back to the Committee or Board for further action.

- c. The Committee discussed the presentations and recommended Eide Bailly LLP as NSHE's external auditor for the fiscal years ending June 30, 2024, 2025, and 2026. The Board of Regents will consider the recommendation at a special meeting on February 16, 2024.

Interim Chief Internal Auditor Tripp mentioned that there was an RFP sub-committee comprised of individuals who work directly with the external auditors yearly. They unanimously agreed that both proposals included well-qualified key team members. Valuable takeaways from their discussions comparing the two firms are as follows:

Grant Thornton LLP

- They are the incumbent firm.
- They have experience working with larger institutions and systems of higher education.
- They have a strong profile of large governmental and educational clients.
- Past performance and experience in similar projects are vast.
- They have significant experience and engagements with large government agencies outside of Nevada.
- The partners and managers involved in the engagement have many years of experience in higher education and are familiar with NSHE.

3. Approved – External Audit Services – (Continued)

c. Committee Discussion – (Continued)

Grant Thornton LLP – (Continued)

- They have a slightly lower fee proposal and multiple fee structures.
- They have a high national exposure. Although they have no physical presence in Nevada, they have a strong presence in the western region.
- Partner-level engagement yields positive results, but staffing/fieldwork communication could be improved.
- There was feedback that improvements could be made related to the timeliness of the single audit completion, extended/reopened testing windows, and late requests.
- The firm is familiar with NSHE, which adds value to the audit and risk assessment processes. However, the proposal lacked a commitment to communication, which has been identified as a key value for NSHE teams.

Eide Bailly LLP

- They outlined distinct approaches for each audit type, and there was an emphasis on risk-based approach and communication.
- They have long-standing, ongoing experience with the State of Nevada and other large entities in the state.
- They serve as the state's auditors, which could lead to some economies of scale or efficiencies.
- They have extensive experience in higher education, good past performance, and knowledge of similar recent projects based on their client base.
- Several team members have been involved in the NSHE audit in the past, which may help gain quick familiarity as a new client.
- They have audited components of NSHE and provided good service.
- The bid is slightly higher but within 10 percent of the other competitive bid. One proposed set of fees was provided, so there are questions on whether there would be the possibility of inclusion for things NSHE currently receives, such as internal audit work credit.
- Partners seem to have a good amount of experience. More partner hours have been allocated, essential to a well-planned, efficient audit. The managers and associates seemed to have less experience.
- Hours seemed higher for NCAA and lower for UNLV Health, but they are within range as a new client.

Interim Chief Internal Auditor Tripp stated it is important that whoever is selected works together with NSHE to ensure that the data collection form for the single audit and the financial statements are submitted in a timely manner.

3. Approved – External Audit Services – (Continued)

c. Committee Discussion – (Continued)

NSHE is familiar with one firm and how it operates. They have a background that has led to efficiencies over the years. It is always difficult to switch audit firms, but there are benefits to having a different perspective.

Interim Chief Internal Auditor Tripp noted she has had great experiences with individuals from both firms and appreciated the time to provide comments.

In response to a question from Regent Brager related to the contract term, Interim Chief Internal Auditor Tripp responded that the contract is three years, with two one-year options to extend.

Board Chair Amy J. Carvalho asked what the current contract says about pricing. Interim Chief Internal Auditor Tripp asked for a moment to gather the information.

Vice Chair Cruz-Crawford shared her thoughts regarding the two firms related to pricing, what they bring to the table, how they treat their employees, and their relationships with NSHE. She added she did her own research utilizing great resources and reported that both firms have high ratings from their employees. Vice Chair Cruz-Crawford liked that Eide Bailly is located in Nevada because of access and the relationship they can provide by being so close.

Interim Chief Internal Auditor Tripp responded to Board Chair Carvalho's question and noted the current contract is \$685,000, but there may have been additional hours throughout the year. Chief Financial Officer Chris Viton reiterated that \$685,000 is correct. Still, there were additional charges for work in excess of the anticipated scope of the audit related to significant federal awards associated with COVID relief and UNLV Health's single audit.

Regent Del Carlo stated that NSHE would be well served by both groups. She felt that a firm in the state was a benefit, and it was always nice to have a change.

Regent Del Carlo moved approval of Eide Bailly LLP as NSHE's external auditor for the fiscal years ending June 30, 2024, 2025, and 2026, and should there be any impediment to securing a contract with Eide Bailly LLP, the System Administration staff follow NSHE's purchasing policies to engage Grant Thornton LLP. Regent Boylan seconded.

Regent Brager asked whether the Committee would get to ask questions at the three-year contract point or if the contract would automatically renew. Associate General Counsel King stated it typically goes through the purchasing

3. Approved – External Audit Services – (Continued)

c. Committee Discussion – (Continued)

department, but the Committee could request that any renewal come back to the Committee first. Regent Brager asked if the maker of the motion would withdraw the motion and include a three-year review.

Regent Del Carlo did not think including a three-year review in the motion was necessary.

Motion carried by unanimous roll call vote. Chair Arrascada, Vice Chair Cruz-Crawford, and Regents Boylan, Brager, and Del Carlo voted yes.

Chair Arrascada thanked both firms for their presentations. He thanked Grant Thornton for its representation of NSHE over the past 15 years.

4. Information Only – New Business

Chair Arrascada requested that NSHE initiate a search for a Chief Internal Auditor. He further asked for the formation of a search committee to initiate the process as the current Interim Chief Internal Auditor contract expires July 31, 2024.

Vice Chair Cruz-Crawford requested a presentation and review of the new Title IX procedures.

5. Information Only – Public Comment – None.

The meeting adjourned at 11:04 a.m.

Prepared by:

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

Submitted for approval by:

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