

Minutes are intended to note: (a) the date, time and place of the meeting; (b) those members of the public body who were present and those who were absent; and (c) the substance of all matters proposed, discussed and/or action was taken on. Minutes are not intended to be a verbatim report of a meeting. An audiotape recording of the meeting is available for inspection by any member of the public interested in a verbatim report of the meeting. These minutes are not final until approved by the Board of Regents at the November/December 2017 meeting.

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

Fitness Center  
Great Basin College  
1500 College Parkway, Elko  
Thursday, September 7, 2017

Video Conference Connection from the Meeting Site to:

System Administration, Las Vegas  
4300 South Maryland Parkway, Board Room  
and  
System Administration, Reno  
2601 Enterprise Road, Conference Room

Members Present:

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

Other Regents Present:

Mr. Kevin J. Page, Chairman  
Dr. Jason Geddes, Vice Chairman  
Mrs. Carol Del Carlo

Others Present:

Mr. Thom Reilly, Chancellor  
Ms. Crystal Abba, Vice Chancellor, Academic and Student Affairs  
Mr. Nicholas Vaskov, Vice Chancellor, Legal Affairs  
Mr. Chester Burton, Chief Financial Officer  
Mr. Joe Sunbury, Chief Internal Auditor  
Mr. Dean J. Gould, Chief of Staff and Special Counsel to the Board  
Dr. Kristen Averyt, President, DRI  
Mr. Bart J. Patterson, President, NSC  
Dr. Karin M. Hilgersom, President, TMCC  
Dr. Len Jessup, President, UNLV  
Dr. Marc A. Johnson, President, UNR  
Mr. Mark Ghan, Officer in Charge, WNC

Ms. Kanani Espinoza, GPSA President, UNLV, was in attendance.

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

Chair Stephens called the meeting to order at 3:30 p.m. with all members present.

1. Information Only – Public Comment – None.

2. Information Only – Audit and Compliance Committee Orientation – A Committee orientation was presented to provide a framework for new members for their future work within the Committee. The orientation also served as a refresher for returning Committee members. Chief Internal Auditor Joe Sunbury provided general remarks on the Committee’s purview based on its charge outlined in the Board of Regents’ Bylaws, the state of the Internal Audit Department, and a summary of the cadence and coverage within each meeting.

Chief Internal Auditor Sunbury reported there is a unique setup in the Internal Audit Department. The position of Chief Internal Auditor reports functionally to the Audit Committee and dually reports administratively to the Chief Financial Officer. This dual reporting structure allows the Internal Audit Department to maintain independence and maximize public accountability. The Department can perform independent assessments, as well as consult and investigate activities without bias while carrying out the main duties of the Audit and Compliance Committee.

Chief Internal Auditor Sunbury noted the Audit and Compliance Committee duties are listed in Title 1, Article VI, Section 3 of the Board of Regents’ *Handbook* and highlighted the following:

- Review and evaluate internal audit reports, compliance reports, and follow-up reports – Any number of reports are presented at each meeting. The reports are presented in the meeting’s public setting, with recommendations and the institution’s action plans already embedded into the report to expedite discussion.
- Recommend to the Board and independent certified public accountant (CPA) to audit the financial books and records of the Nevada System of Higher Education (NSHE) and review and evaluate the reports of such CPAs – At the December meeting the Committee can expect that the external auditors will present the results of the financial statement audit and the audit of federal student aid. The financial statements are the responsibility of management but the external auditors will present their opinion and other required communications which includes a report on any deficiencies noted.
- Provide centralized oversight of programs for compliance with policies, procedures and other requirements – The Bylaws were updated to include a compliance component and the Committee will be talking about this later in the meeting.

Chief Internal Auditor Sunbury offered his perspective on how Internal Audit will help the Audit and Compliance Committee in the oversight role of compliance. Internal Audit helps the Committee by balancing infinite risk against finite resources. The Internal Audit Department uses a risk-based approach and attempts to align the audit plan with key risks that matter to the NSHE and the stakeholders. An annual audit plan is presented for the Committee’s approval that has agility and flexibility built into it to address emerging issues in real-time. To ensure maximum coverage, Internal Audit emphasizes training and professional development to keep competencies current, allow for collaboration and efficiently use resources which leads to more informed decision-making.

2. Information Only – Audit and Compliance Committee Orientation – (Continued)

Chief Internal Auditor Sunbury stated Internal Audit hires traditional and non-traditional auditors. Non-traditional auditors may have a talent or industry expertise in an area such as information technology.

Chief Financial Officer Chester Burton stated Chief Internal Auditor Sunbury did an excellent job of defining the critical role Internal Audit plays.

3. Approved – Consent Items – The Committee recommended approval of the consent items.

3a. Approved – Minutes – The Committee recommended approval of the June 8, 2017, meeting minutes. (Ref. A-3a on file in the Board Office.)

3b. Approved – Follow-Up: Human Resources, NSC – The Committee recommended approval and acceptance of the follow-up response to the audit report of NSC Human Resources for the period July 1, 2014, through September 30, 2015. (Ref. A-3b on file in the Board Office.)

3c. Approved – Follow-Up: Travel, DRI – The Committee recommended approval and acceptance of the follow-up response to the audit report of DRI Travel for the period July 1, 2015, through June 30, 2016. (Ref. A-3c on file in the Board Office.)

3d. Approved – Follow-Up: Host, NSHE System Office – The Committee recommended approval and acceptance of the follow-up response to the audit report of NSHE System Office Host for the period July 1, 2015, through June 30, 2016. (Ref. A-3d on file in the Board Office.)

3e. Approved – Follow-Up: Change in Leadership, NSHE – The Committee recommended approval and acceptance of the follow-up response to the audit report of NSHE Change in Leadership for the period of July 1, 2015, through June 30, 2016. (Ref. A-3e on file in the Board Office.)

Regent Doubrava moved approval of the consent items. Regent Carter seconded. Motion carried.

(Audit Summary on file in the Board Office.)

4. Approved – Intercollegiate Athletics Closeout, WNC – The Committee recommended approval of the report and institutional response to the WNC Intercollegiate Athletics Closeout audit for the period July 1, 2015, through June 30, 2016. (Ref. A-4 on file in the Board Office.)

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

- Purchasing card transactions best practices.
- Ensure relevant information is included in agreements/contracts.

4. Approved – Intercollegiate Athletics Closeout, WNC – (Continued)

Regent Carter moved approval of the WNC Intercollegiate Athletics Closeout audit report and institutional response. Regent Moran seconded. Motion carried.

Regent Lieberman left the meeting.

5. Approved – Excess Credit Fee, CSN – The Committee recommended approval of the report and institutional response to the CSN Excess Credit Fee audit for the period January 1, 2016, through December 31, 2016. (Ref. A-5 on file in the Board Office.)

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

- Expenses used in accordance with guidelines; however, there was a balance as of audit end date.
- Process improvements related to appeals.
- Technical changes to the query to capture the appropriate credits for the calculation.

Regent Moran moved approval of the CSN Excess Credit Fee audit report and institutional response. Regent Carter seconded. Motion carried. Regent Lieberman was absent.

6. Approved – Excess Credit Fee, TMCC – The Committee recommended approval of the report and institutional response to the TMCC Excess Credit Fee audit for the Fall 2016 Semester. (Ref. A-6 on file in the Board Office.)

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-6* and noted the following:

- Calculation of threshold is in accordance with Board policy.
- Update appeal procedures to include required information per Board policy.
- Spending of excess fees in accordance with Board policy.

Regent Carter moved approval of the TMCC Excess Credit Fee audit report and institutional response. Regent Moran seconded. Motion carried. Regent Lieberman was absent.

7. Approved – Audit Exception Report – The Committee recommended approval of the Audit Exception Report for the six months ended June 30, 2017. The Audit Exception Report is a compilation and status of the audit findings and activities of the Audit and Compliance Committee for the six-month period. (Ref. A-7 on file in the Board Office.)

Chief Internal Auditor Sunbury reviewed *Ref. A-7* and noted the outstanding findings are the lowest in history at nineteen. He thanked the institutions for the hard work.

7. Approved – Audit Exception Report – (Continued)

Chief Internal Auditor Sunbury reported there are three periods included in the report to provide a history of the trends. Chief Internal Auditor Sunbury pointed out the current audit cycle time has decreased to under six months.

In response to a question from Regent Carter, Chief Internal Auditor Sunbury stated audits begin with the scope time of the previous audit, but once it is scoped again and other risk areas are added to be audited the scope time must increase. Regent Carter asked if an increase in scope time is discussed with the Chair of the Committee. Chief Internal Auditor Sunbury reported he did not have that discussion with the Chair of the Committee, but instead with his team internally. He would consult with the Chair if an audit was to be abandoned or if it needed to be revamped.

In response to a question from Regent Doubrava, Chief Internal Auditor Sunbury stated this report represents the results of the audits from Internal Audit to this Committee. If an audit was generated from a different Committee it would not necessarily reflect on this report. This would show an area of improvement is needed which may be an appendix that shows other exceptions or sources.

Regent Doubrava moved approval of the Audit Exception Report. Vice Chair McAdoo seconded. Motion carried. Regent Lieberman was absent.

8. Approved – Internal Audit Department Work Plan, NSHE – The Committee recommended approval of the Internal Audit Department Work Schedule for the year ending June 30, 2018. (*Ref. A-8 on file in the Board Office.*)

Chief Internal Auditor Sunbury reported that building the plan in this manner is a great way to show the Department's evolution from strict assurance provider to a group that is well-positioned to anticipate new risks.

Chief Internal Auditor Sunbury reviewed *Ref. A-8* and noted the following:

- Training hours have been included to show the team's commitment to continuing education. The number is increasing due to Workday training.
- Auditing new areas due to evolving risk assessments.
- External audit assistance to provide cost savings.

Regent Moran moved approval of the NSHE Internal Audit Department Work Plan. Regent Doubrava seconded. Motion carried. Regent Lieberman was absent.

9. Information Only – Internal Audit Departmental Updates and Emerging Risks, NSHE – Chief Internal Auditor Joe Sunbury provided general remarks regarding departmental initiatives and alignment related to on-going risk assessments.

Chief Internal Auditor Sunbury noted that even though the person hired into the iNtegrate position did take on a position within the project, he felt it was a success for Internal

9. Information Only – Internal Audit Departmental Updates and Emerging Risks, NSHE – (Continued)

Audit. Anytime someone can gain knowledge within the System as an auditor and then utilize that skill set in a different capacity beyond audit, it shows potential for Internal Audit to be a breeding ground for talent and something he will encourage his auditors to consider.

Chief Internal Auditor Sunbury reported the Athletics NCAA Consistency review is almost complete. Clarifications on a short list of items still need to be made. Several areas have been identified to provide consistency between the departments. He thanked both Athletic Departments for their help.

10. Approved – Handbook Revision, Compliance Department Charter – The Committee recommended approval of the new Board of Regents policy, *Handbook* Title 4, Chapter 9, Section E, to incorporate changes in line with recent revisions to the charge of the Audit and Compliance Committee, which incorporates a compliance component providing centralized oversight including, but not limited to, medical and healthcare compliance. (Ref. A-10 on file in the Board Office.)

Vice Chancellor for Legal Affairs Nicholas Vaskov provided background on the item. In March, the Audit Committee recommended and the full Board of Regents approved a change in the Bylaws to make this the Audit and Compliance Committee. The primary reason was to help ensure robust compliance oversight with the idea that the System was mainly concerned about clinical and healthcare activities. That issue was timely and acute with the impending transition of the two medical schools with the potential risk doubling. The policy establishes the NSHE Compliance Charter, which is intended to be a companion to the Audit Charter. It also establishes the NSHE Compliance Department, which is charged with providing System-level oversight and support services for institutional compliance efforts. The policy focuses on healthcare compliance because of the unique risks to protect health information and billing information. Under the policy, the primary compliance responsibility remains with the institution. The policy does not dictate a form of compliance. The policy requires the institutions to have an effective compliance program and set basic expectations related to those efforts. This is intended to be collaborative in nature and serve as a resource to the institutions. In June, the Committee first considered and recommended approval of the policy. However, during the Committee report questions were raised by the Board. The Board directed the policy be sent back to the Committee for further consideration. The policy was reviewed by Vice Chancellor Vaskov, the institutional General Counsels, the Chief Internal Auditor, and the Business Officers. Written comments and general feedback were requested. Revisions have been made based on the comments and conversations. The changes are intended to clarify and are shown in the redline version of the reference material. The policy calls for the hiring of a System-level Director of Compliance and provides that one-half of the position cost be paid by the institutions. The policy is adaptable through the annual NSHE compliance plan. The compliance program will serve as a bridge between Legal and Internal Audit and will allow for more collaboration and the sharing of information to leverage resources.

10. Approved – Handbook Revision, Compliance Department Charter – (Continued)

President Patterson stated historically Internal Audit would make a recommendation but would not get involved in operational decision-making. He also asked how this would fit into the current risk management offices. Vice Chancellor Vaskov stated risk management is not included in the policy but it is a large area that can be leveraged. The role is to provide oversight, and is intended to be advisory and collaborative in nature. The policy will require an annual healthcare compliance plan if the institution is engaged in healthcare clinical activities. The Compliance Officer will report to the institution President, along with a direct reporting line to the Director of Compliance. The Director of Compliance will have a dual report to the Vice Chancellor for Legal Affairs and the Chief Internal Auditor and to the Audit and Compliance Committee.

Regent Carter thanked Vice Chancellor Vaskov and Chief Internal Auditor Sunbury for providing feedback and helping him understand the process. He feels much more comfortable.

Regent Moran moved approval of the Compliance Department Charter *Handbook* Revision. Vice Chair McAdoo seconded.

Regent Carter asked how the performance/metrics would be measured for the new position. Chair Stephens stated it will be included on future agendas as departmental updates.

Chief Internal Auditor Sunbury noted that at the last meeting Regent Doubrava suggested this item be reviewed in one year. Chair Stephens clarified it will appear on future agendas to allow the Committee to see the continual process and provide feedback.

Motion carried. Regent Lieberman was absent.

11. Information Only – New Business – None.

12. Information Only – Public Comment – None.

The meeting adjourned at 4:22 p.m.

Prepared by:

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