

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 June 2018 meeting.

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

Frank H. Rogers Science & Technology Building, Rotunda
Desert Research Institute
755 East Flamingo Road, Las Vegas
Thursday, March 1, 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
Mrs. Cathy McAdoo, Vice Chair
Dr. Patrick R. Carter
Dr. Mark W. Doubrava
Mr. Sam Lieberman
Mr. John T. Moran

Others Present: Dr. Thom Reilly, Chancellor
Ms. Crystal Abba, Vice Chancellor, Academic & Student Affairs
Mr. Chet O. Burton, Chief Financial Officer
Ms. Mistee A. Galicia, Director of Compliance
Mr. James Martines, System Counsel
Mr. Joe Sunbury, Chief Internal Auditor
Mr. Nicholas Vaskov, System General Counsel
Mr. Michael Flores, Chief of Staff to the Chancellor
Dr. Kristen Averyt, President, DRI
Mr. Bart J. Patterson, President, NSC
Dr. Karin Hilgersom, President, TMCC
Dr. Marc A. Johnson, President, UNR
Mr. Mark Ghan, Acting President, WNC

Student body presidents in attendance were: Ms. Alicia Contreras, NSSA President, NSC; Ms. Kanani Espinoza, GPSA President, UNLV; and Mr. Sandesh Kannan, GSA President, UNR.

The following institution business officers were also in attendance: Ms. Mary Kaye Bailey, CSN; Mr. Steve Salaber, DRI; Ms. Sonja Sibert, GBC; Mr. Kevin Butler, NSC; Mr. Jim New, TMCC; Ms. Jean Vock, UNLV; Mr. Vic Redding, UNR; and Ms. Darla Dodge, WNC.

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

Chair Stephens called the meeting to order at 4:08 p.m. with all members present except Regent Lieberman.

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 November 30, 2017, meeting minutes. *(Ref. A-2a on file in the Board Office.)*
 - 2b. Approved – Follow-Up: Excess Credit Fee, CSN – The Committee recommended approval and acceptance of the follow-up response to the audit report of CSN Excess Credit Fee for the period January 1, 2016, through December 31, 2016. *(Ref. A-2b on file in the Board Office.)*
 - 2c. Approved – Follow-Up: Excess Credit Fee, TMCC – The Committee recommended approval and acceptance of the follow-up response to the audit report of TMCC Excess Credit Fee for the period Fall 2016 semester. *(Ref. A-2c on file in the Board Office.)*
 - 2d. Approved – Follow-Up: Intercollegiate Athletics Closeout, WNC – The Committee recommended approval and acceptance of the follow-up response to the audit report of WNC Intercollegiate Athletics Closeout for the period of July 1, 2015, through June 30, 2016. *(Ref. A-2d on file in the Board Office.)*

Regent Doubrava moved approval of the consent items. Regent McAdoo seconded. Motion carried. Regent Lieberman was absent.

3. Information Only – Audit and Compliance Committee Development – Chief Internal Auditor Joe Sunbury and Director of Compliance Mistee A. Galicia provided general remarks related to recent industry and professional articles. *(Ref. A-3 on file in the Board Office.)*

Chief Internal Auditor Sunbury led a discussion of risk, risk trends, and how this relates to NSHE with input from the business officers.

Regent Lieberman entered the meeting.

Director of Compliance Galicia presented a PowerPoint titled “Discussion of Protiviti’s Survey Results” including: Executive Perspectives on Top Risks in 2018; Top Risks in 2018, Relationship to NSHE; Culture of Compliance; and Financial Costs of Non-Compliance Regulatory Scrutiny.

Chair Stephens stated the examples in the PowerPoint show the risks and how they relate to the NSHE.

Regent Moran left the meeting.

3. Information Only – Audit and Compliance Committee Development – (Continued)

Mr. Vic Redding, UNR Business Officer, reported the topics listed have been discussed at UNR. As new systems are instituted on the campus there is always a lot of data, but it is harder to translate that data into a manageable subset. UNR has dealt with reputational risks as a result of not paying attention to compliance, which impacts a variety of things across the campus.

Ms. Sonja Sibert, GBC Business Officer, stated GBC does not have the financial resources to keep up with emerging technology and the risks associated which is why 75 percent of the one-time distribution of funds from NSHE will go towards improving technology infrastructure. Another risk is the concerns related to GBC's succession. GBC has a new President and several other positions that remain vacant.

Regent Moran entered the meeting.

Ms. Darla Dodge, WNC Business Officer, stated being a smaller institution there are funding issues which affect staffing, infrastructure, technology, capital projects, and maintenance.

Regent Carter requested a System-wide policy for enterprise security. Regent Carter noted he had a tour on the UNR campus and was told about regular electrical issues, which causes concerns for the expensive equipment that may be operating at the time.

Mr. Jim New, TMCC Business Officer, agreed that information security is an area of concern at all the institutions. There are regulations to maintain the security of student information. Another risk is deferred maintenance which can create significant safety issues across the campuses.

Mr. Steve Salaber, DRI Acting Business Officer, reported changes in state environmental policies will affect revenue flow and research.

Ms. Jean Vock, UNLV Business Officer, stated there is always a level of risk. The System should determine strategies for the top risks at the institutions and a way to be more proactive in addressing the risks.

Chief Internal Auditor Sunbury reported a key to managing risk is to find a balance because having too many controls in place can hinder the process.

Mr. Kevin Butler, NSC Business Officer, reported campuses face political risk and many of the students are being impacted by the political environment.

Ms. Mary Kaye Bailey, CSN Business Officer, reported student safety is a risk that is currently in the news. Regulatory changes are also affecting financial aid rules which are difficult to respond to and subject to human error. CSN does not have a lot of capital improvement fees to address deferred maintenance which only continues to increase.

3. Information Only – Audit and Compliance Committee Development – (*Continued*)

Chief Internal Auditor Sunbury reported this type of discussion provides a tremendous amount of insight and is a way to leverage the collective knowledge of the business officers.

(See reference document: *Audit Summary*)

Chief Internal Auditor Sunbury stated risk can come from any number of sources and includes the times when there is a change in process, system or key personnel. The next two agenda items are change in leadership audits and review standard areas to assure the new leadership that processes are operating as intended or understand the areas that must be reviewed by independent personnel.

Chief Internal Auditor Sunbury reported in the next agenda item the former President of WNC now is the System Chief Financial Officer (CFO) and administratively the Internal Audit Department reports to the CFO. Chief Internal Auditor Sunbury reminded the Committee of the dual reporting relationship which is established by the Audit Department charter. The structure allows internal auditors to audit any aspect of the NSHE.

Chair Stephens reported that even though the Audit Department administratively reports to the CFO, there is also a reporting relationship to the Chair of the Audit and Compliance Committee. This is an example of how this dual reporting relationship works.

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, 2016, through August 31, 2017. (*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:

- Proper notifications and process for transactions related to capital projects.
- Proper classification of expenditures.

Regent Doubrava moved approval of the report and institutional response to the WNC Change in Leadership audit for the period July 1, 2016, through August 31, 2017. Regent Carter seconded. Motion carried.

5. Approved – Change in Leadership, GBC – The Committee recommended approval of the report and institutional response to the GBC Change in Leadership audit for the period July 1, 2016, through June 30, 2017. (*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:

- Inclusion of proper documents for hosting and travel expenditures.

5. Approved – Change in Leadership, GBC – (Continued)

Vice Chair McAdoo moved approval of the report and institutional response to the GBC Change in Leadership audit for the period July 1, 2016, through June 30, 2017. Regent Carter seconded. Motion carried.

6. Approved – Hosting, TMCC – The Committee recommended approval of the report and institutional response to the TMCC Hosting audit for the period July 1, 2016, through August 31, 2017. (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:

- Expenditures incorrectly changed as non-hosting transactions.
- Updates to the institution's hosting policy.

Regent Liberman moved approval of the report and institutional response to the TMCC Hosting audit for the period July 1, 2016, through August 31, 2017. Regent Doubrava seconded.

In response to a question from Regent Carter, Chief Internal Auditor Sunbury stated the number of exceptions is slightly higher. As the auditor investigated it did relate to the misclassification of hosting transactions that showed the guide provided to employees needed to be updated with more relevant examples.

Motion carried.

7. Approved – Hosting, DRI – The Committee recommended approval of the report and institutional response to the DRI Hosting audit for the period July 1, 2016, through September 30, 2017. (Ref. A-7 on file in the Board Office.)

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-7* and noted the following:

- Expenditures incorrectly changed as non-hosting transactions.
- Ensuring proper approvals.

Regent Moran moved approval of the report and institutional response to the DRI Hosting audit for the period July 1, 2016, through September 30, 2017. Regent Carter seconded. Motion carried.

8. Approved – Audit Exception Report – The Committee recommended approval of the Audit Exception Report for the six months ended December 31, 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-8 on file in the Board Office.*)

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

- 30 unresolved items at the institutions, which is higher than the past two years.
- A reason for the increase is that many of the items were held until after Workday was implemented. The number is expected to decrease in the next report.
- This report includes internal audit team metrics.

Chair Stephens added that training for the internal auditors is a focus. There is a group of auditors that are making strides to becoming more advanced and obtaining training in the areas of risk.

Regent Doubrava moved approval of the Audit Exception Report for the six months ended December 31, 2017. Vice Chair McAdoo seconded. Motion carried.

Regent Doubrava left the meeting.

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 reported he was invited to the last standing Financial Aid Directors' meeting. In the spirit of efficiency, the Directors will have a more in-depth discussion at the next standing meeting related to financial aid audit findings. Anticipated discussion items include: root causes; shared and best practices; software use and modifications; staffing levels; and training opportunities.

Chief Internal Auditor Sunbury introduced Ms. Sharon Wurm, TMCC Financial Aid Director. Ms. Wurm stated the Directors meet quarterly and discuss compliance at each meeting. They look forward to formalizing the processes.

Regent Carter stated at the last meeting two institutions had similar findings, so the Committee asked to understand how the information is shared with the other institutions. Chief Internal Auditor Sunbury reported if an institution receives a finding and then another institution receives the same finding a year later it is considered a repeat finding because all the institutions use the same federal tax identification number. The Financial Aid Directors do discuss the audit results, but at the upcoming meeting they will take a deeper look at the repeat findings. Ms. Wurm stated that it is also an issue of timing depending on when the audit is complete. Mr. Butler added that people must understand that they are very broad categories. The actions taken at one institution may be at one end of the spectrum while another institution takes a different action.

10. Information Only – Compliance Department Updates, NSHE – Director of Compliance Mistee A. Galicia provided an overview of data collected during campus visits, an update on the NSHE Compliance web-page and general remarks regarding on-going healthcare-related compliance issues at various institutions.

Director of Compliance Galicia reported on her campus visits. She is impressed with the variety of compliance needs and the professionalism within the compliance group. Within an institutional setting, there are many regulations, policies and internal governance issues to comply with. Besides healthcare related compliance issues, she spoke with compliance officers about other areas of compliance. During the campus visits, she compiled a list of follow-up items to work with the campuses on in the next three months. Director of Compliance Galicia said she is also collaborating with information technology as it relates to an NSHE Compliance web-page. She also has reviewed where the campuses keep compliance related information on institutional web-pages.

In response to a question from Regent Carter, Chair Stephens stated this will be a standing item in the future. Director of Compliance Galicia stated she welcomed the Committee's input as to what information would be useful to discuss at the meetings.

Mr. James Epperson, UNR Med Compliance Officer, reported there are State of Nevada compliance regulations and many people have been working very hard in compliance for a long time. Mr. Epperson stated UNR does have a compliance hotline and it would be a good thing to have a centralized line within the System so issues can be addressed.

Ms. Nancy Rapoport, UNLV Special Counsel to the President, stated she is responsible for oversight of the Office of Compliance and its activities.

11. Information Only – New Business – Chief Internal Auditor Sunbury suggested formalizing and updating Internal Audit's charter.
12. Information Only – Public Comment – None.

The meeting adjourned at 5:09 p.m.

Prepared by:

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Submitted for approval by:

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