

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 March 2015 meeting.

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

Student Union, Ballrooms B & C
University of Nevada, Las Vegas
4505 S. Maryland Parkway, Las Vegas
Thursday, December 4, 2014

Video or 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. Andrea Anderson, Chair
 Ms. Allison Stephens, Vice Chair
 Mr. Cedric Crear
 Mr. Ron Knecht

Members Absent: Mr. Robert J. Blakely
 Dr. Jack Lund Schofield

Others Present: Mr. Daniel J. Klaich, Chancellor
 Mr. Scott Anderson, Director of Internal Audit
 Ms. Brooke Nielsen, Vice Chancellor, Legal Affairs
 Mr. Vic Redding, Vice Chancellor, Administration & Finance
 Dr. Steven Zink, Vice Chancellor, Information Technology

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

Chair Andrea Anderson called the meeting to order at 3:48 p.m. with all members present except Regents Robert J. Blakely and Jack Lund Schofield.

1. Information Only – Public Comment (Agenda Item #1) – None.

2. Approved – Communications with Those Charged with Governance, NSHE (Agenda Item #3) – The Committee recommended approval of a report on Communications with Those Charged with Governance for the Nevada System of Higher Education for the year ended June 30, 2014. (*Ref. A-3 on file in the Board Office.*)

Ms. Kim McCormick, Audit Partner, Grant Thornton, reviewed *Ref. A-3* highlighting responsibilities, accounting updates, audit scope and results, quality of accounting practices and alternative treatments, other matters and technical updates. Ms. McCormick reported three unrecorded adjustments with a change in net position of \$11 million or a \$1.9 million change to the overall net position. Ms. McCormick noted the Financial Statements, the Research and Development cluster, the Federal TRIO cluster

2. Approved – Communications with Those Charged with Governance, NSHE (Agenda Item #3) – (Continued)

and GearUp were clearly stated and received an unqualified “clean” opinion. The Student Financial Aid cluster had two areas, special tests and provisions and enrollment reporting, which received a qualified modified opinion.

Regent Ron Knecht asked how many of the repeat findings were from 2012, with Ms. McCormick noting she didn’t have the exact number but she believed a majority of them were. Regent Knecht asked if any of the four new findings were very serious. Ms. McCormick stated none of the four were material non-compliance or indicative of material weaknesses in internal controls.

Regent Knecht moved approval of the report on Communications with Those Charged with Governance, NSHE for the year ended June 30, 2014. Regent Cedric Crear seconded. Motion carried. Regents Blakely and Schofield were absent.

3. Approved - OMB Circular A-133 Audit Report & Financial Statements, NSHE (Agenda Item #4) – The Committee recommended approval of the NSHE Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2014. (Ref. A-4 on file in the Board Office.)

Ms. McCormick stated *Ref. A-4* covers the Financial Statement Audit Report and the A-133 Audit Report. The Financial Statements Audit Report is clearly stated and received an unqualified “clean” opinion. The management’s discussion and analysis begins on page 14. The schedule of findings and questioned costs begin on page 162.

Regent Knecht moved approval of the NSHE Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2014. Vice Chair Allison Stephens seconded. Motion carried. Regents Blakely and Schofield were absent.

4. Approved – Communications with Those Charged with Governance, University of Nevada School of Medicine Integrated Clinical Services, Inc. (Agenda Item #5) – The Committee recommended approval of the report on Communications with Those Charged with Governance for the UNSOM Integrated Clinical Services, Inc. for the year ended June 30, 2014. (Ref. A-5 on file in the Board Office.)

Ms. McCormick reviewed *Ref. A-5* highlighting responsibilities, audit scope and results, quality of accounting practices and alternative treatments, other matters and technical updates. Ms. McCormick reported unrecorded adjustments with a change in net income of \$126,000.

4. Approved – Communications with Those Charged with Governance, University of Nevada School of Medicine Integrated Clinical Services, Inc. (Agenda Item #5) – (Continued)

Regent Knecht moved approval of the report on Communications with Those Charged with Governance for the UNSOM Integrated Clinical Services, Inc. for the year ended June 30, 2014. Vice Chair Stephens seconded. Motion carried. Regents Blakely and Schofield were absent.

5. Approved - OMB Circular A-133 Audit Report & Financial Statements, UNSOM Integrated Clinical Services, Inc. (Agenda Item #6) – The Committee recommended approval of the UNSOM Integrated Clinical Services, Inc. Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2014. (Ref. A-6 on file in the Board Office.)

Ms. McCormick reviewed *Ref. A-6* highlighting an unmodified opinion, management's discussion and analysis and findings. Three general and specific matters were associated with the conversion to a new patient billing system.

Vice Chair Stephens felt management's response to develop and implement a tracking system sounded vague. Dr. Thomas Schwenk, Dean, School of Medicine, stated tracking hospital charges requires very detailed linkage between the billing system and registration and the system is still lacking. It also requires the ability to influence physician behavior with regard to capturing billing tickets and forms. There has to be some ability to reward physician productivity and they are working on those compensation systems. It is a complicated process, but more details still have to be worked out. Vice Chair Stephens clarified this was inherent in the health care system so there would always be some sort of disconnect. Dean Schwenk stated it was dependent on the day-to-day performance of hospital registration clerks to accurately record insurance, patient contact information, and other details on a manual basis and how the information then finds its way to the School of Medicine. Vice Chair Stephens also clarified a performance based system for the practitioners and electronic medical health records was needed.

Regent Crear asked if they were continuing to audit the physicians as it relates to part of their salary being paid by the practice plan to determine if they were covering their expenses. Dean Schwenk reported they absolutely were and there have been significant adjustments made to some of the salaries. They are working towards a formula to allow the physician the knowledge and ability to change their behavior to become more productive. They intend to have the new plans launched by the end of Fiscal Year 2016. Dean Schwenk added there are physician specialties that can generate their market salary and teach, but there are others that cannot. Vice Chair Stephens stated they should not be sacrificing quality of care.

Chair Anderson clarified there are specialties that cannot pay for themselves. Dean Schwenk stated there are areas where the benchmark salaries are difficult to support in a clinical practice and teaching environment.

5. Approved - OMB Circular A-133 Audit Report & Financial Statements, UNSOM Integrated Clinical Services, Inc. (Agenda Item #6) – (Continued)

Regent Knecht moved approval of the UNSOM Integrated Clinical Services, Inc. Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2014. Vice Chair Stephens seconded. Motion carried. Regents Blakely and Schofield were absent.

6. Approved – Internal Control Matters, UNSOM Integrated Clinical Services, Inc. (Agenda Item #7) – The Committee recommended approval of the UNSOM Integrated Clinical Services, Inc. Report on Internal Control Matters for the year ended June 30, 2014. (Ref. A-7 on file in the Board Office.)

Ms. McCormick did not have any additional information for this item.

Regent Knecht moved approval of the UNSOM Integrated Clinical Services, Inc. Report on Internal Control Matters for the year ended June 30, 2014. Regent Crear seconded. Motion carried. Regents Blakely and Schofield were absent.

Ms. McCormick thanked Vice Chancellor Vic Redding, his team, and the controllers at the various institutions for their hard work.

7. Approved – Consent Items (Agenda Item #2) – The Committee recommended approval of the Consent Items.

7a. Approved – Minutes – The Committee recommended approval of the September 4, 2014, meeting minutes. (Ref. A-2a on file in the Board Office.)

7b. Approved – Follow-Up: Department of Parking and Transportation Services, UNR – The Committee recommended approval of the follow-up response to the audit report of UNR Parking and Transportation Services for the period July 1, 2011, through June 30, 2013. (Ref. A-2b on file in the Board Office.)

7c. Approved – Follow-Up: Housing, UNR – The Committee recommended approval of the follow-up response to the audit report of UNR Housing for the period July 1, 2012, through September 30, 2013. (Ref. A-2c on file in the Board Office.)

7d. Approved – Follow-Up: Continuing Education, UNLV – The Committee recommended approval of the follow-up response to the audit report of UNLV Continuing Education for the period July 1, 2012, through September 30, 2013. (Ref. A-2d on file in the Board Office.)

7e. Approved – Follow-Up: School of Dental Medicine Residency Determinations, UNLV – The Committee recommended approval of the follow-up response to the audit report of UNLV School of Dental Medicine Residency Determinations for the period January 1, 2013, through December 31, 2013. (Ref. A-2e on file in the Board Office.)

7. Approved – Consent Items (Agenda Item #2) – (Continued)

- 7f. Approved – Follow-Up: Boyd School of Law Residency Determinations, UNLV – The Committee recommended approval of the follow-up response to the audit report of UNLV Boyd School of Law Residency Determinations for the period January 1, 2013, through December 31, 2013. (Ref. A-2f on file in the Board Office.)
- 7g. Approved – Follow-Up: Account Balance Analysis, NSHE System Office – The Committee recommended approval of the follow-up response to the audit report of NSHE System Office Account Balance Analysis for the period July 1, 2008, through June 30, 2013. (Ref. A-2g on file in the Board Office.)
- 7h. Approved – Follow-Up: Student Financial Aid, NSC – The Committee recommended approval of the follow-up response to the audit report of NSC Student Financial Aid for the period July 1, 2012, through June 30, 2013. (Ref. A-2h on file in the Board Office.)
- 7i. Approved – Follow-Up: Student Government Association, TMCC – The Committee recommended approval of the follow-up response to the audit report of TMCC Student Government Association for the period July 1, 2012, through June 30, 2013. (Ref. A-2i on file in the Board Office.)
- 7j. Approved – Follow-Up: PeopleSoft Security, WNC – The Committee recommended approval of the follow-up response to the audit report of WNC PeopleSoft Security for the period September 1, 2013, through November 30, 2013. (Ref. A-2j on file in the Board Office.)
- 7k. Approved – Follow-Up: PeopleSoft Security, GBC – The Committee recommended approval of the follow-up response to the audit report of GBC PeopleSoft Security for the period July 2, 2013, through September 30, 2013. (Ref. A-2k on file in the Board Office.)
- 7l. Approved – Handbook Revision, Internal Audit Department Charter, Director of Internal Audit Position Description, NSHE – The Committee recommended approval of the revision to Board policy concerning the Internal Audit Department Charter (*Title 4, Chapter 9, Section A*) to incorporate the recommendations included in the reports prepared by consultant Goldstein and Associates regarding the NSHE Internal Audit Department. The consultant's recommendations contained a revised position description for the Director of Internal Audit. The Committee requested revisions to the position description at the September 4, 2014, meeting and directed staff to bring the proposed charter revision and the newly revised position description back to the Committee. Those revisions have been made and are reflected in the reference materials. (Ref. A-2l)

Regent Crear moved approval of the Consent Items.
Regent Knecht seconded. Motion carried. Regents
Blakely and Schofield were absent.

Chancellor Dan Klaich thanked the Committee for their hard work and suggestions in regards to the audit charter. It is an important change and they look forward to moving forward with the search.

(Audit Summary on file in the Board Office.)

8. Approved – PeopleSoft Security, UNR – The Committee recommended approval of the report and institutional response to the UNR PeopleSoft Security audit for the period December 1, 2013, through April 30, 2014. *(Ref. A-8 on file in the Board Office.)*

Mr. Scott Anderson, Director of Internal Audit, reviewed the *Audit Summary* and *Ref. A-8* recommending narrative descriptions and permission lists be developed, and UNR adjust the access provided to users and conduct regular reviews of user roles to ensure role assignments and authorization levels are correct.

Regent Knecht asked if he was concerned with the non-compliance level. Mr. Anderson stated this was the first audit of this type and they had a better ratio than the other PeopleSoft audits performed.

Regent Knecht moved approval of the report and institutional response to the UNR PeopleSoft Security audit for the period December 1, 2013, through April 30, 2014. Vice Chair Stephens seconded. Motion carried. Regents Blakely and Schofield were absent.

9. Approved – Host, UNLV – The Committee recommended approval of the report and institutional response to the UNLV Host audit for the period January 1, 2013, through March 31, 2014. *(Ref. A-9 on file in the Board Office.)*

Mr. Anderson reviewed the *Audit Summary* and *Ref. A-9* recommending required signature approvals be obtained and greater care be taken to ensure host transactions are properly classified and supporting documentation maintained.

Regent Crear asked when they find documents that are not correctly signed can they say there was no malfeasance. Mr. Anderson stated signatures were mostly an oversight and the transactions were not large amounts.

Vice Chair Stephens clarified the institution had been notified of these findings and it is then the institutions responsibility to take action as they see fit to include in their follow-up audit presented to the Committee at a later date.

Mr. Rhett Vertrees, Associate Vice President, Financial Services and Audit, UNLV, reported the deans gave verbal approval to their assistants for the transactions but at the time there was a failure to get the proper documentation. They did follow-up and all documentation has now been completed.

Vice Chair Stephens stated acquiring actual signatures is an antiquated system and policies need to be updated as they progress through iNtegrate.

Regent Knecht moved approval of the report and institutional response to the UNLV Host audit for the period January 1, 2013, through March 31, 2014. Regent Crear seconded. Motion carried. Regents Blakely and Schofield were absent.

10. Approved – Presidential Exit, UNLV – The Committee recommended approval of the report and institutional response to the UNLV Presidential Exit audit for the period July 1, 2012, through January 31, 2014. (*Ref. A-10 on file in the Board Office.*)

Mr. Anderson reviewed the *Audit Summary* and *Ref. A-10* recommending annual and furlough leave be approved in advance and sick leave be approved in a timely manner upon returning to work.

Regent Crear moved approval of the report and institutional response to the UNLV Presidential Exit audit for the period July 1, 2012, through January 31, 2014. Vice Chair Stephens seconded. Motion carried. Regents Blakely and Schofield were absent.

11. Approved – Intercollegiate Athletics, WNC – The Committee recommended approval of the report and institutional response to the WNC Intercollegiate Athletics audit for the period July 1, 2012, through March 31, 2014. (*Ref. A-11 on file in the Board Office.*)

Mr. Anderson reviewed the *Audit Summary* and *Ref. A-11* recommending timesheets be maintained as required, volunteer agreement forms be completed prior to work beginning and the forms submitted to the Business Center North (BCN) Worker's Compensation Office as required, and purchase orders be completed in advanced as required.

Regent Knecht stated this rate of non-compliance caused him to pause. Did the students work the time and someone forgot to fill out the time sheet? Mr. Anderson stated the time sheet was filled out, but it was not maintained.

Mr. John Kinkella, Dean, Student Services, WNC, reported they had discontinued the paper time sheets and will use Unity, an electronic workflow system, to process student time sheets going forward.

Regent Knecht moved approval of the report and institutional response to the WNC Intercollegiate Athletics audit for the period July 1, 2012, through March 31, 2014. Vice Chair Stephens seconded. Motion carried. Regents Blakely and Schofield were absent.

12. Approved – Mark H. Dawson Child and Family Center, GBC – The Committee recommended approval of the report and institutional response to the GBC Mark H. Dawson Child and Family Center audit for the period July 1, 2013, through June 30, 2014. (*Ref. A-12 on file in the Board Office.*)

Mr. Anderson reviewed the *Audit Summary* and *Ref. A-12* recommending a lunch break be given to employees who work in excess of six hours, employees be appropriately compensated for overtime, in accordance with federal guidelines, the distribution of the time reported reflect all employee activities, not just those spent on the grant, and deposits be made in accordance with the GBC policy.

12. Approved – Mark H. Dawson Child and Family Center, GBC – (Continued)

Regent Knecht moved approval of the report and institutional response to the GBC Mark H. Dawson Child and Family Center audit for the period July 1, 2013, through June 30, 2014. Vice Chair Stephens seconded.

Ms. Sonja Sibert, Vice President, Business Affairs, WNC, stated Human Resources did a review and found many of the employees were just forgetting to “clock out” when they took their lunch breaks. They have eliminated the use of the time clock and have gone to an electronic timesheet that provides for an automatic calculation to record lunch breaks.

Motion carried. Regents Blakely and Schofield were absent.

13. Information Only – Timesheet Approval, DRI - At the September 4, 2014, meeting the Committee requested additional information regarding the review and approval of timesheets at DRI as the result of an audit finding noted in the DRI Libraries audit for the period of July 1, 2012, through December 31, 2013. (*Ref. A-13 on file in the Board Office.*)

Mr. Anderson reviewed *Ref. A-13* and reported they had met and discussed the issue with DRI and both came to an agreement because the timesheets act as effort reporting documents which require they have to be completed and certified after the fact, that it is in the best interest of the Institute to complete after the last work hours are entered.

14. Information Only – Internal Audit Department Audit Cycles - At the September 4, 2014, meeting the Committee requested additional information regarding the length of time since specific audits identified on the Internal Audit Department work plan, for the year ending June 30, 2015, were last audited. Director of Internal Audit Scott Anderson provided information to the Committee regarding the risk factors used to select audits and reasons for the length of audit cycles. (*Ref. A-14 on file in the Board Office.*)

Mr. Anderson provided information to the Committee regarding the risk factors used to select audits and reasons for the length of audit cycles. Mr. Anderson noted the Committee was questioning why one audit had not been completed in over 10 years, and he did find that some of the risk scores were not input correctly causing the audit to not have a high enough score, thus an audit was not completed.

15. Information Only – New Business – Chair Anderson asked for a review of the host policy and how it is implemented.

16. Information Only – Public Comment – None.

The meeting adjourned at 5:03 p.m.

Prepared by:

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

Submitted for approval by:

R. Scott Young
Deputy Chief of Staff
to the Board of Regents