

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 2016 meeting.

**BOARD OF REGENTS* and its
AUDIT COMMITTEE
NEVADA SYSTEM OF HIGHER EDUCATION**
Rogers Student Center, Ballroom
Nevada State College
1021 East Paradise Hills Drive, Henderson
Friday, March 4, 2016

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
Dr. Andrea Anderson, Vice Chair
Dr. Mark W. Doubrava
Mr. James Dean Leavitt
Mr. Sam Lieberman

Members Absent: Mr. Kevin J. Page

Other Regents Present: Mr. Rick Trachok, Chairman
Mr. Michael B. Wixom, Vice Chairman
Mr. Cedric Crear
Mr. Robert Davidson
Dr. Jason Geddes
Mr. Trevor Hayes
Mr. Kevin C. Melcher

Others Present: Mr. Daniel J. Klaich, Chancellor
Ms. Crystal Abba, Vice Chancellor, Academic and Student Affairs
Ms. Brooke A. Nielsen, Vice Chancellor, Legal Affairs
Mr. Vic Redding, Vice Chancellor, Finance & Administration
Dr. Steven Zink, Vice Chancellor, Information Technology
Mr. Dean J. Gould, Chief of Staff & Special Counsel to the Board of Regents
Mr. Joe Sunbury, Chief Internal Auditor
Mr. Frank R. Woodbeck, Executive Director, Nevada College Collaborative
Dr. Michael D. Richards, President, CSN
Dr. Stephen G. Wells, President, DRI
Dr. Mark A. Curtis, President, GBC
Dr. J. Kyle Dalpe, President, TMCC
Dr. Marc Johnson, President, UNR

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

Chair Allison Stephens called the meeting to order at 8:10 a.m. with all members present except Regent Kevin J. Page.

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 December 3, 2015, meeting minutes. (*Ref. A-2a on file in the Board Office.*)
 - 2b. Approved – Follow-Up: Cashier’s Office, University of Nevada, Reno (UNR) – The Committee recommended approval and acceptance of the follow-up response to the audit report of the UNR Cashier’s Office for the period July 1, 2013, through October 31, 2014. (*Ref. A-2b on file in the Board Office.*)
 - 2c. Approved – Follow-Up: Bookstore Contract, Western Nevada College (WNC) - The Committee recommended approval and acceptance of the follow-up response to the audit report of the WNC Bookstore Contract for the period July 1, 2013, through December 31, 2014. (*Ref. A-2c on file in the Board Office.*)

Regent James Dean Leavitt moved approval of the Consent Items. Regent Mark W. Doubrava seconded. Motion carried. Regent Page was absent.

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

3. Approved – Consolidated Student of University of Nevada (CSUN) Preschool, University of Nevada, Las Vegas (UNLV) – The Committee recommended approval of the report and institutional response to the UNLV CSUN Preschool audit for the period July 1, 2013, through December 31, 2014. (*Ref. A-3 on file in the Board Office.*)

Mr. Joe Sunbury, Chief Internal Auditor, reviewed the *Audit Summary* and *Ref. A-3* noting the following:

- Three employees did not have an active tuberculin (TB) skin test on file.
- Contract compliance issues.

Regent Leavitt moved approval of the report and institutional response to the UNLV CSUN Preschool audit for the period July 1, 2013, through December 31, 2014. Regent Sam Lieberman seconded. Motion carried. Regent Page was absent.

4. Approved – Child & Family Research Center, University of Nevada, Reno (UNR) – The Committee recommended approval of the report and institutional response to the UNR Child & Family Research Center audit for the period July 1, 2013, through May 31, 2015. (*Ref. A-4 on file in the Board Office.*)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-4* noting the following:

- One volunteer did not have a current background investigation on file.

4. Approved – Child & Family Research Center, University of Nevada, Reno (UNR) –
(Continued)

- Recommendations for control improvements surrounding:
 - Segregation of duty issues.
 - Deposit procedure issues.
 - Monitoring of past due account issues.

Regent Leavitt moved approval of the report and institutional response to the UNR Child & Family Research Center audit for the period July 1, 2013, through May 31, 2015. Regent Lieberman seconded.

Chair Stephens asked if there needed to be separate due diligence since children are involved and on-campus. Mr. Sunbury stated child care does have an elevated risk, but when the recommendations were made there were mitigating controls in place and those have been made stronger. Preventative controls should be strengthened.

Motion carried. Regent Page was absent.

5. Approved – Facilities Maintenance Services, UNR – The Committee recommended approval of the report and institutional response to the UNR Facilities Maintenance Services audit for the period July 1, 2013, through February 28, 2015. (Ref. A-5 on file in the Board Office.)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-5* noting the following:

- The need for increased monitoring/tracking of tool inventory.
- Continued pursuit of centralized function for supply inventory.
- Staff training regarding policies and procedures.

Regent Doubrava moved approval of the report and institutional response to the UNR Facilities Maintenance Services audit for the period July 1, 2013, through February 28, 2015. Regent Leavitt seconded. Motion carried. Regent Page was absent.

6. Approved – Fleischmann Planetarium, UNR – The Committee recommended approval of the report and institutional response to the UNR Fleischmann Planetarium audit for the period July 1, 2014, through June 30, 2015. (Ref. A-6 on file in the Board Office.)

Mr. Sunbury reviewed the *Audit Summary* and *Ref. A-6* noting the following:

- Recommendations for control improvements surrounding:
 - Contract compliance.
 - Deposit procedures.
 - Establishment of change fund.
 - Monitoring of voids/returns.

6. Approved – Fleischmann Planetarium, UNR – (Continued)

Regent Doubrava moved approval of the report and institutional response to the UNR Fleischmann Planetarium audit for the period July 1, 2014, through June 30, 2015. Regent Andrea Anderson seconded. Motion carried. Regent Page was absent.

7. Approved – Audit Exception Report – The Committee recommended approval of the Audit Exception Report for the six months ended December 31, 2015. The Audit Exception Report is a compilation and status of the audit findings of the Audit Committee for the six month period. (Ref. A-7 on file in the Board Office.)

Mr. Sunbury summarized Ref. A-7, highlighting seven reports were brought to the Committee and 32 unresolved items remain.

Regent Lieberman moved approval of the Audit Exception Report for the six months ended December 31, 2015. Regent Leavitt seconded. Motion carried. Regent Page was absent.

8. No Action Taken – Student Financial Aid, College of Southern Nevada (CSN) – The Committee heard a report on the CSN Student Financial Aid resolution from the 2011-2012 Award Year, including estimated amount to be repaid versus the actual amount and the sources of funding used. (Ref. A-8 on file in the Board Office.)

President Michael D. Richards, CSN, presented an update on the CSN Student Financial Aid Resolution from the 2011-2012 Award Year. CSN has awarded approximately 15,000 students in Fiscal Year (FY) 2015-2016, over \$72 million. CSN anticipates by year end approximately 18,500 students will have received aid for over \$75 million. In preparing for the 2016-2017 year approximately 14,000 individual student records have been entered, which they believe will enhance customer service to students. President Richards also updated the Committee on processing, staffing, training and customer service which all enhance and improve operations.

Chancellor Daniel J. Klaich stated early in the process it had been noted staff was attending the needed training but upon their arrival back to campus the information was not being shared with the rest of the staff. President Richards stated the training was not reflected in the individual training plans.

Regents Kevin C. Melcher and Robert Davidson entered the meeting.

Ms. Patricia Charlton, Senior Vice President, Strategic Initiatives and Administrative Services, CSN, stated one of the challenges was the intensity of training and who was attending. CSN is now sending comprehensive groups of individuals to the regional training, but also to the national conferences. The office physically closes at least five times a year, to engage all of the Financial Aid Department in the training including student workers. Ms. Victoria Goeke, Assistant Vice President, Financial Aid, CSN, noted training has been intensified.

8. No Action Taken – Student Financial Aid, College of Southern Nevada (CSN) –
(Continued)

Chair Stephens asked if the best practices CSN has implemented have been shared with the other institutions. Ms. Goeke stated all the institutions meet on a quarterly basis and to discuss best practices, experiences, and insights.

Chair Stephens wanted to see something more specific because of the experiences CSN has been through in the past year. Ms. Charlton stated they are planning to share this experience with the other institutions. Ms. Charlton added the other institutions have all been helpful and the more they all share the more they will all learn from CSN's experience.

Regent Lieberman asked how CSN is monitoring the feedback being received thus far from the families related to the changes that have already been made. President Richards stated the response from students has been very positive and they are better prepared to file the required documentation when applying for Financial Aid. He has also noticed complaints have decreased.

Ms. Goeke emphasized the Financial Aid Department staff has increased so they are better prepared to work directly with the students and families.

Vice Chairman Michael B. Wixom entered the meeting.

Chancellor Klaich asked if CSN was tracking complaints and whether CSN has a way to look back on the data. President Richards stated CSN has been vigilant with customer service; tracking complaints, reviewing audits, looking at antidotal information, and figuring out better ways to serve students based on the information being tracked. Chancellor Klaich believed CSN's customer service was the highest priority and it was a good thing to hear.

Chair Stephens stated she heard very innovative approaches and great work in reaching the students and families. She stated she would be interested in hearing how the information is being shared with the other institutions.

Ms. Charlton added CSN receives daily trend reports as well as monthly reports from the external Financial Aid Call Center.

Chair Stephens asked if CSN was anticipating anything else showing up on the Office of Management and Budget (OMB) A-133 Audit Report. Ms. Charlton stated because it is such a complex area she could not guarantee there wouldn't be additional findings, but the staff is working hard to alleviate any future findings.

9. Information Only – Internal Audit Department Staffing and Work Plan Updates, Nevada System of Higher Education (NSHE) - Chair Allison Stephens updated Committee members regarding initiatives to align the Internal Audit Department staffing and work plan closely with System risks, including those identified in the FY 2015 Single Audit relating to Financial Aid.

Chair Stephens stated based on recommendations from the Goldstein Consultants Report that was presented to the Audit Committee in December 2014 which identified trends in the internal audit profession and suggestions for the next steps of the Internal Audit

9. Information Only – Internal Audit Department Staffing and Work Plan Updates, Nevada System of Higher Education (NSHE) – (Continued)

Department's evolution, NSHE is embarking on the process of identifying an auditor with the Financial Aid skill set and then training him or her on the audit pieces. This is the beginning of a shift in the way NSHE is approaching audits. There needs to be an appropriate mix of auditors on the team who have skill sets in high-risk areas that required specialized expertise.

Regent Trevor Hayes entered the meeting.

Mr. Sunbury concurred with Chair Stephen's comments. This puts the department on a great path and helps align the System with high-risk areas. Internal Audit has always been well positioned within the System. One of the residual benefits of doing this will be the concept of knowledge sharing and seeing different things at different institutions because of the way they are positioned will give greater opportunity to share best practices.

Chancellor Klaich stated a benefit of having this expertise will be better developed and enhanced policies in the different areas.

Vice Chancellor Vic Redding, Finance and Administration, stated the most exciting part of this initiative is the ability to formalize the sharing of resources, shared services and best practices across the System. Vice Chancellor Redding added as it relates to the single audit the calendar is not the System's friend. For example, the System audits every fall for the prior fiscal year. If a change is implemented in the spring it most likely will trigger a finding the following year. There were nine finding in FY15 related to Financial Aid with a little over two-thirds being repeat findings.

Regent Cedric Crear entered the meeting

Vice Chancellor Redding stated this type of feedback loop at the Committee level will give the ability to see what is working and implement those changes on a different cycle that will have the downstream impacts on the single audit.

10. 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.

Mr. Sunbury noted the iNtegrate II project has a lot of strategic risks. He was pleased to report the System now has an auditor who is fully immersed in the iNtegrate II project and will continue to be involved through implementation. Mr. Sunbury stated he had a chance to sit down with the iNtegrate II project director and Vice Chancellor Redding to determine Internal Audit's best entry point into the project and he was happy to report the auditor has been in the role for just over four months. The feedback has been positive. The auditor focuses on business processes and internal control assurance which benefits the project but simultaneously gives the audit team a head start into Workday knowledge so the auditors can better understand how this will change the way the department audits.

11. Information Only – New Business – Chair Stephens noted the Committee will follow up on strategic initiative risks mentioned at the January Special Board of Regents’ meeting. Chancellor Klaich stated Regent Page had asked him how the System will handle cyber risk. Mr. Sunbury stated he has had conversations related to cyber security risk governance and it would be appropriate for discussion at this level.
12. Information Only – Public Comment – None.

The meeting adjourned at 8:53 a.m.

Prepared by:

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Submitted for approval by:

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