

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 2017 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 1, 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

Others Present: Mr. Bob Moulton, Vice Chancellor, Information Technology  
Mr. James Martines, System Counsel  
Mr. Joe Sunbury, Chief Internal Auditor  
Mr. Frank R. Woodbeck, Executive Director, Nevada College Collaborative  
Dr. Michael D. Richards, President, CSN  
Dr. Marc A. Johnson, President, UNR  
Mr. Chet Burton, President, WNC

Faculty senate chairs in attendance were Mr. Eric March, SA; Ms. Cheryl Cardoza, TMCC; Dr. Bill Robinson, UNLV; and Mr. Jeffrey Downs, WNC. Student body presidents in attendance were Ms. Jill Robinson, ASCSN President, CSN; Mr. David Turner II, SGA President, TMCC; Ms. Meghan Pierce, GPSA President, UNLV; Mr. Brandon Boone, ASUN President, UNR; Mr. Sandesh Kannan, GSA President, UNR; and Ms. Diana Gurrola, ASWN President, WNC.

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

Chair Allison Stephens called the meeting to order at 4:04 p.m. with all members present except Regent 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 September 8, 2016, meeting minutes. (*Ref. A-2a on file in the Board Office.*)
  - 2b. Approved – Follow-Up: Social Media, NSHE System Office – The Committee recommended approval and acceptance of the follow-up response to the audit report of the Nevada System of Higher Education (*NSHE*) System Office Social Media for the period of Fall 2015. (*Ref. A-2b on file in the Board Office.*)

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

3. Approved – Communications with Those Charged With Governance, NSHE – The Committee recommended approval of the report on Communications with Those Charged with Governance for the Nevada System of Higher Education for the year ended June 30, 2016. (*Ref. A-3 on file in the Board Office.*)

Ms. Kim McCormick, Grant Thornton audit partner, reviewed *Ref. A-3* highlighting: responsibilities; accounting updates; audit scope and results; quality of accounting practices and alternative treatments; other matters; and technical updates. This is a report on communications related to the consolidated audit of the System and is required for compliance with the professional standards for Certified Public Accounting firms.

Ms. McCormick stated this year's areas of focus included: Student Financial Aid; Substance Abuse and Mental Health Service; and Career and Technical Education-Basic Grants to States.

Ms. McCormick reported there were six findings with four related to Student Financial Aid and two related to other programs. Four findings were repeat issues.

One unrecorded adjustment was noted by the University of Nevada, Reno (*UNR*) but was not substantial.

Regent Leavitt moved approval of the report on Communications with Those Charged with Governance for the Nevada System of Higher Education for the year ended June 30, 2016. Regent Lieberman seconded. Motion carried. Regent Page was absent.

4. Approved – OMB Circular A-133 Audit Report & Financial Statements, NSHE – 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, 2016. (*Ref. A-4 on file in the Board Office.*)

Ms. McCormick stated *Ref. A-4* covers the NSHE Financial Statement and the OMB A-133 Audit Report. The management's discussion and analysis is a summary of the financial highlights of the organization. The Financial Statements Audit Report is clearly stated and received an unmodified opinion.

4. Approved – OMB Circular A-133 Audit Report & Financial Statements, NSHE – (Continued)

Vice Chair Anderson moved approval of the NSHE Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2016. Regent Leavitt seconded. Motion carried. Regent Page was absent.

5. Approved – Communications with Those Charged with Governance, University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc. – The Committee recommended approval of the report on Communications with Those Charged with Governance for the University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc. for the year ended June 30, 2016. (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. This is a report on communications related to the consolidated audit of the System and is required for compliance with the professional standards for CPA firms.

Ms. McCormick reported unrecorded adjustments totaled \$320,000 and management believes they are immaterial to the financial statements.

Regent Lieberman moved approval of the report on Communications with Those Charged with Governance for the University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc. for the year ended June 30, 2016. Regent Doubrava seconded. Motion carried. Regent Page was absent.

6. Approved – OMB Circular A-133 Audit Report & Financial Statements, University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc. – The Committee recommended approval of the University of Nevada Reno, School of Medicine Integrated Clinical Services, Inc. Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2016. (Ref. A-6 on file in the Board Office.)

Ms. McCormick reviewed *Ref. A-6* highlighting management's discussion and analysis and no findings. The management's discussion and analysis is a summary of the financial highlights of the organization. The Financial Statements Audit Report is clearly stated and received an unmodified opinion.

Ms. McCormick reported an area of concern related to patient revenue and receivables, which Grant Thornton believes is indicative of an internal control issue. There was the incorrect coding of receivables and while it was corrected, it was corrected in the wrong year. There is also an elevated lag when services are performed versus when the collection is made.

6. Approved – OMB Circular A-133 Audit Report & Financial Statements, University of Nevada, Reno School of Medicine Integrated Clinical Services, Inc. – (Continued)

Regent Leavitt asked for the process when there is a dissolution of the southern practices. Ms. McCormick understood this will still be a combined group until June 2017, and then on July 1, 2017, will become stand-alone units that will be audited separately.

In response to a question from Regent Leavitt, Dean Thomas Schwenk, UNR School of Medicine, stated the corporate operational structure will continue and, in part, will be a transactional corporation due to various contracts.

Regent Doubrava asked for clarification of the bad debt expense. Dean Schwenk stated it is a reflection of what the School of Medicine does and a difficulty it has had since its inception. The School of Medicine has an obligation to serve all patients in all instances.

Vice Chair Anderson moved approval of the University of Nevada Reno, School of Medicine Integrated Clinical Services, Inc. Office of Management and Budget (OMB) A-133 Audit Report and Financial Statements for the year ended June 30, 2016. Regent Doubrava seconded. Motion carried. Regent Page was absent.

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

7. Approved – Cloud Computing Management, NSHE System Computing Services – The Committee recommended approval of the report and institutional response to the NSHE System Computing Services Cloud Computing Management audit for the period January 1, 2016, through June 30, 2016. (Ref. A-7 on file in the Board Office.)

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

- Selection and implementation of a comprehensive governance model for information technology (IT) projects that include representation across the System.
- Development of Cloud Computing policies that address guidelines and best practices when establishing Cloud Computing contracts.

Regent Leavitt moved approval of the report and institutional response to the NSHE System Computing Services Cloud Computing Management audit for the period January 1, 2016, through June 30, 2016. Regent Doubrava seconded. Motion carried. Regent Page was absent.

8. Approved – Rental Properties, UNR – The Committee recommended approval of the report and institutional response to the UNR Rental Properties audit for the period July 1, 2014, through October 31, 2015. (Ref. A-8 on file in the Board Office.)

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-8* noting the following:

8. Approved – Rental Properties, UNR – (*Continued*)

- UNR General Counsel review of lease application and agreement forms to determine the necessity of sensitive information being collected.
- Strengthening of cash controls via segregation of duties and improved security measures.
- Improvements to maintenance and safety inspection process.

Regent Leavitt moved approval of the report and institutional response to the UNR Rental Properties audit for the period July 1, 2014, through October 31, 2015. Vice Chair Anderson seconded. Motion carried. Regent Page was absent.

9. Approved – Purchasing Card Program, DRI – The Committee recommended approval of the report and institutional response to the DRI Purchasing Card Program audit for the period July 1, 2015, through June 30, 2016. (*Ref. A-9 on file in the Board Office.*)

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-9* noting the following:

- Employee education related to compliance with established procedures.
- Need for review of Merchant Category Codes (*MCC*) and *MCC* groups to determine the appropriateness of vendors.

Regent Leavitt moved approval of the report and institutional response to the DRI Purchasing Card Program audit for the period July 1, 2015, through June 30, 2016. Regent Doubrava seconded. Motion carried. Regent Page was absent.

10. Approved – Travel, NSHE System Office – The Committee recommended approval of the report and institutional response to the NSHE System Office Travel audit for the period January 1, 2015, through March 31, 2016. (*Ref. A-10 on file in the Board Office.*)

Chief Internal Auditor Sunbury reviewed the *Audit Summary* and *Ref. A-10* noting the following:

- Review of (*and adjustments to*) travel claims and supporting documentation to ensure accurate, consistent reporting.
- Updates to *NSHE Procedures and Guidelines Manual* to promote compliance System-wide with State travel policies.

Regent Leavitt moved approval of the report and institutional response to the NSHE System Office Travel audit for the period January 1, 2015, through March 31, 2016. Regent Lieberman seconded. Motion carried. Regent Page was absent.

11. Approved – Handbook Revision, Internal Audit Department Charter – The Committee recommended approval of the revisions to Board policy concerning the Internal Audit Department Charter (*Handbook* Title 4, Chapter 9, Section A) to incorporate changes to the International Standards for the Professional Practice of Internal Auditing announced in October 2016. The proposed changes to the Standards were discussed at the June 2016 Audit Committee meeting. (*Ref. A-11 on file in the Board Office.*)

Chief Internal Auditor Joe Sunbury reviewed *Ref. A-11* and highlighted the following requested changes:

- Independence – Internal Audit is moving toward more advisory and consulting-type projects and that can be accomplished with safeguards in place.
- To be more collaborative and coordinate with other functions around the System.

Regent Doubrava moved approval of the revisions to Board policy concerning the Internal Audit Department Charter (*Handbook* Title 4, Chapter 9, Section A) to incorporate changes to the International Standards for the Professional Practice of Internal Auditing announced in October 2016. Regent Leavitt seconded.

Chair Stephens stated this was exactly the direction Internal Audit should be moving in and it is consistent with industry standards.

Motion carried. Regent Page was absent.

12. Information Only – Bylaw Revision, Audit Committee Charge – The Committee heard a proposed amendment to *Handbook* Title 1, Article VI, Section 3, revising the charge for the Audit Committee by incorporating a compliance component to provide centralized oversight to the renamed Audit and Compliance Committee. This is the first reading of a proposed Bylaw revision and is presented at this meeting for information only. Final approval may be requested at the March 2-3, 2017, meeting. (*Ref. A-12 and handouts on file in the Board Office.*)

Chair Stephens stated that as Chair she has tried to make sure Internal Audit is approaching compliance differently, such as when there is an audit finding, it should be shared across all institutions.

13. 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 the Financial Aid Specialist began employment and he is being orientated with audit methodology.

Chair Stephens added Chief Internal Auditor Sunbury has been working to make sure it is clear when an audit is required.

14. Information Only – New Business – None.
15. Information Only – Public Comment – None.

The meeting adjourned at 4:46 p.m.

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

Submitted for approval by: Dean J. Gould  
Chief of Staff and Special Counsel  
to the Board of Regents