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May 17, 2023, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met May 17th at 11:00 a.m. CT., via Teams.

Chair Hacker called the meeting to order at 11:00 a.m. CT.

Audit Committee Members Participating:

Mr. Nick Hacker (Chair)

Mr. Tim Mihalick

Mr. Jeffry Volk

NDUS/Other Staff Participating:

Chancellor Hagerott

Ms. Terry Meyer

Ms. Dina Cashman

Mr. Jerry Rostad

Mr. Chris Pieske

Mr. David Krebsbach

Ms. Robin Putnam

Mr. Darin King

Mr. Dustin Walcker

Ms. Meredith Larson, Legal Counsel

Others participating:

Dean Smone, DOB

President Easton, Les Wietstock, DSJ

President Van Horn, Ms. Amber Hill, and Ms. Kate Ehnert MaSU

President Shirley, Mr. Brent Winiger, MiSU

President Flanigan, NDSCS

Bruce Bollinger, Karin Hegstad, Lisa Ripplinger, NDSU

President Armacost, Sharon Loiland, Tim Rerrick, UND

President LaFave, VCSU

President Hirning, Ms. Krista Lambrecht, WSC

1.

And,

2.

Volk moved, Mihalick seconded, to approve the agenda and April 19, 2023, meeting minutes.

Volk, Mihalick, and Hacker voted yes.

Ms. Dina Cashman stated the attached draft internal audit plan is for fiscal year 2024. The Institu	te of

areas that process/practices do not align with policy. The attached charter has some changes in tracking mode. She requested direction from the committee with the language that is highlighted.

The committee discussed conflict of interest (policy 308.4) and the intention of how specific language is written in the current version. Ms. Larson explained that Policy 308.4 is adequately detailed, and the language is written to align with best practices for internal audit charters. It provides an additional layer that ensures that individuals remain independent and without conflicts and/or bias when serving on an audit committee. The committee continued to discuss, requested Ms. Cashman make some of the amendments as discussed, specifically to sections 3, 6, and 7; and bring it back at their June meeting.

6.

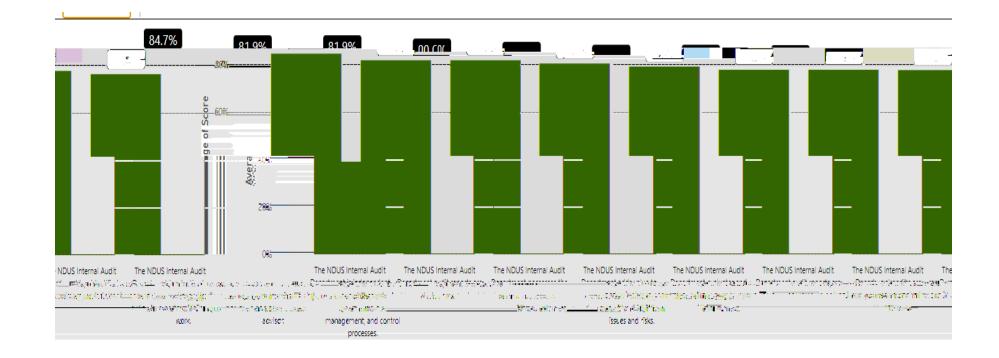
Mr. Chris Pieske provided an update to the committee; he explained that the current case management system for the fraud hotline has been reworked, the port will appear to the company, but it is the same company. He stated he is currently working on various projects and ongoing tasks, such as, but not limited to the SBHE self-assessment surthey, Chancellor's

On an annual basis, data is gathered from NDUS institutions, industry best practices and emerging risks to create the internal audit plan.

FY24 General description of Audit Engagements or Follow-up	Est. Hours	Approximate % of Total	Comments
Follow-Up Reviews and Prior Not Implemented (PNI)			
PSFT Generic accounts LRSC Admissions	40 40		



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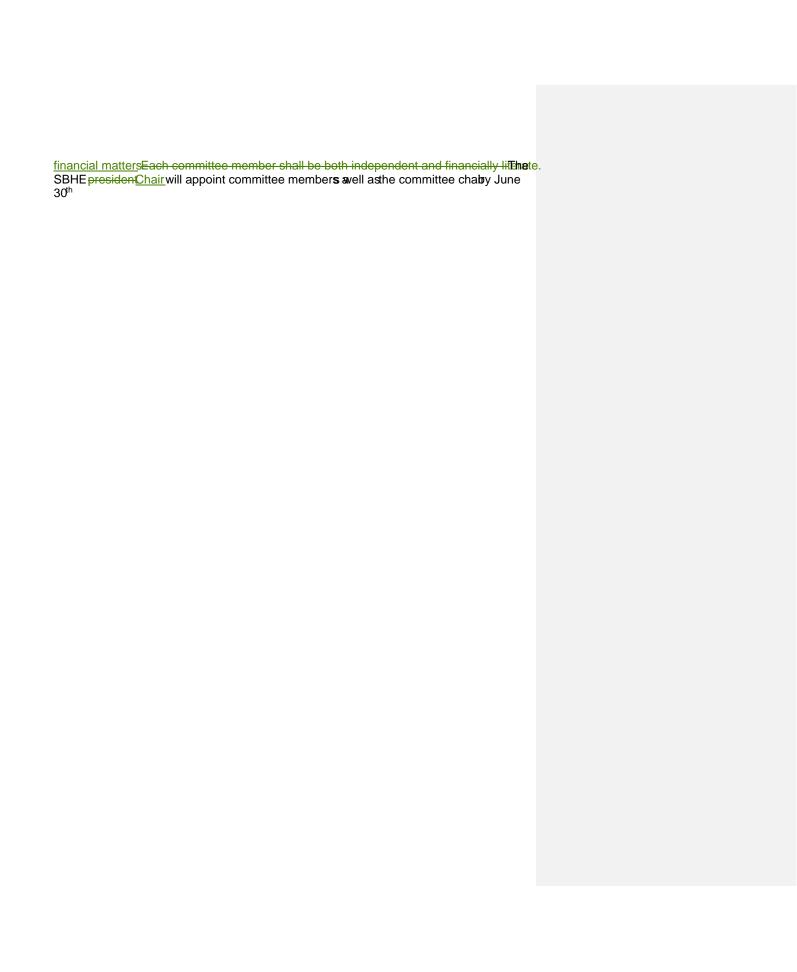


NORTH DAKOTA STATE BOARD OF HIGHER EDUCATION Policy Manual

Policy: 302.2 Audit Committee Effective: May 29, 2020

1. The SBHE shall establish an audit committee to fulfilloversight responsibilities for the financial reporting process, the system of internal control, the audit process, and be process for monitoring compliance with laws, policies, regulations and the code of conduct. The audit committeen as authority to conduct or authorize investigations into any matters within its scope of responsibilityncluding

a. Appoint, compensate, and oversee the work of any registered public accounting firm



c. Organization:

- i. The NDUS chief audit executive executive reports functionally to the Audit committee and administratively to the NDUS Chancellor
- i-ii. , and The NDUS complianceofficer (officer), reportreports directly to the Vice Chancellor for Administrative Affairs with an indirect reporting line to the Audit committee
- <u>iii.</u> The <u>Audit</u> committee <u>will or shallensure that there are no unjustified</u>
 restrictions or limitation in the course of performing auding agements
 including restrictions on the scope of work and access to required information
- ii.iv. Approve the decisions regarding review and concur the appointmented removal replacement or dismissal the executive or theofficer.
- <u>iii.v.</u> Obtain regular updates from the ecutive and the officer, management, the SBHE, and the attorney general regarding relevant matters.
- iv.vi. Review with theexecutive or the officer the internal audior compliance budget resource plan activities and organizational structure.
- ★-vii. At least once per year, review the performance of the cutive and the officer and recommend the annual compensation and sædiarytment.

d. Internalaudit:

- i. Approve an internal audit charter.
- ii. Approve the internalew the internalew the internal audit plan and all major changes to the plan. Review the internal we the internal audit plan and all major changes to the plan.

1.	IntroductionINTRODUCTION: Internal Auditing is an independent and objective assurance and consulting activity that is	

- b. The NDUS Internal Audit CAEvill report functionally to the Audit Committee and administratively (i.e. day to day operations) to the NDUS Chancellor.
- c. NDSU and UND directly employ their own internal audit staff. The NDSU and UND internal auditors follow the North Dakota Institutioninsternal auditcharter.

4. Authority

The internal adit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all NDUS (and affiliated organizations) cords, physical properties, and personnel pertinent to carrying out any engagement. All NDUS (and affiliated organizations) employeess quested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Boost Audit Committee.

5. ORGANIZATION:

- a. The internal audit activity of NDUS will consist of the NDUS and audit executive (CAE) and any internal audit staff or consultants hired by the systieme or any of theinstitutions which comprise the NDUS system.
 - b. The CAEwill report functionally to the Audit Committee and administratively (i.e. day to day operations) to the NDUS@leellor
 - e. Institutionally based internal audit activity will report functionally and administrativelyto the institutional chief executive officand if warranted, to the Audit Committee
 - d. In the event that institutionally based internal audit activity is performedw.[(g (th)2)-4d-2(e)4(m)-2(he)4(15.2541809412.58

organization.

d. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

e.

i. Submit, at least annually, to the Chancellor and the Audit Committee a risk

shall ensure that the 8

carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

a. Evaluating risk exposure relating to achievement of the organization's strategic

objectives.

b.

- c. The Institutions' internal audit plan will be developed based on a prioritization of the audit universe using a riskased methodology, including input of the Institutions' chief executive officers. The Institutions' internal auditors will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. The chief executive officers will provide adjusted plans to the Audit Committee Chair. The chief executive officers will receive feedback from the Audit Committee Chair and will work with their internal auditors to review and adjust the plan as necessary.
- d. The majority of audits are planned, however that does not preclude Institutions' internal auditors from conducting unplanned audits, following the same standards of engagement and reporting as planned audits. As unplanned projects are required, they are included in the overall plan for the year. Any significant deviation from the approved internal audit plan will be communicated to knedit Committee by the Institutions' chief executive officets rough periodic activity reports.

REPORTING AND MONITORING:

- a. A written report will be prepared and issued by the Institutioner audit staff following the conclusion of each internal audit engagement and will be provided to their Institutions' chief executive officers.
- Internal audit reports issued by the Institutioinsernal auditors will be provided to the CAE and Audit Committee.
- c. The Institutions' internal audit repsitinay include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Managementesponse, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any correctivaction that will not be implemented.
- d. The Institutions' internal auditors will be responsible for appropriate fellpwon engagement findings and recommendations. Audit fellpweports will be provided to the CAE and Audit CommitteeAll significant findings will remain in an open issues file until cleared.
- e. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Institutions' chief executive officers or the Audit Committee.