State Capitol – 600 E Boulevard Ave – Dept. 215
Bismarck ND 58505-0230
Phone: 701.328.2960   Fax: 701.328.2961
E-mail: ndus.inquiry@ndus.edu   Web: ndus.edu

North Dakota State Board of Higher Education
August 16, 2023, Audit Committee Meeting Minutes

The State Board of Higher Education Audit Committee met August 16th at 11:30 a.m. CT., via Teams.

Chair Volk called the meeting to order at 11:30 a.m. CT.

Audit Committee Members Participating:

Mr.

Audit Recommendation Tracking as of 6/30/2023 Management Update

Overview

The NDUS system; eleven campuses, the System Office, and Core Technology Services (CTS), are subject to audit by the North Dakota State Auditor's Office as well as NDUS, UND and NDSU Internal Audit. Audits can be financial, operational or performance. The System Office works with the campuses on the tracking, update, and follow-up of the audit recommendations.

Summary

There were three new issues added last quarter from North Dakota University System.fd /TT8 1 Tf .2

Prior Not Implemented	2	0	2	0
High Risk	0	1	0	1
Moderate Risk	13	3	13	3
Low Risk	2	3	2	3
Totals	17	7	17	7

IssueID	Issue Name	% Complete	Status	Campus	Auditor								
	combination to the Hyslop pool office safe should be changed at least every two years or whenever anyone who knows the combination terminates employment. This was a prior audit recommendation.			Campus Response: During the new fiscal year (FY23), the combination will be changed in August 2022. This will be followed up on.								Impl... comb... Hyslop... has now...	4/11/2...
0129 0005	Cash Receipts: The deposit receipts (Peoplesoft extract reports) were not reconciled to the source cash receipt documents. They were not reconciled to the prenumbered receipt books or the electronic receipt book (mail log).	100	Closed	UND	UND Internal	UNDIA Ene... & Environm... Research... Aud...	Prior Not Implemented	Medium	11/17/2022	in Audit Repo... that all mon... deposited, th... should be re... the prenumb... and the elec... (mail log)... audit r...	Campus Response: This recommendation will be implemented.	To help ... monie... deposi... receipt... reconc... prenum... books a... receipt...	5/22/2023
0127 0001	Improper Completion of I 9 forms	100	Closed	WSC	NDUS Internal	WSC Follow Up				to provided in Audit Report: We recommend WSC ensure proper and timely completion of the federally required I 9 form for every employee and verify employee data in the PS HRMS system matches the information on the completed I 9 form.	...se: At ...2022, ...net meeting WSC President requested that managers ensure all new hires, as the first action of employment on their first day of employment, complete the I9 process. WSC HR Director will monitor for compliance on a quarterly basis.	WSC ha... turnover in the HR position but has hired a new HR Director to start in late	

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
01401-0002	NDSU - Deposits are not being made in accordance with the timelines of NDSU Policy 501 and 503	25	Open	NDSU	NDSU Internal	NDSU IA - NDSU Meat Lab Petty Cash - Cash on Hand Audit	06/30/2023	Low Risk	7	The department is meeting to discuss and update their procedures to ensure deposits are made in a timely manner.	6/30/2023
00961-0022	NDUSO - Universal immunization form	90	Open	NDUSO	NDUS Internal	NDUS SYSTEMWIDE IMMUNIZATION AUDIT	06/30/2021	Low Risk	732	NDSU	

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment

Issue ID	Issue Name	% Complete	Status	Region	Auditor	Audit Name	Audit Date	Type of Finding	Age	Last Comment Entered	Date of Last Comment
01231-0004	WSC Lack of institutional policy or procedure regarding criminal background checks for volunteers	50	Open	WSC	NDUS Internal	System Wide Criminal History and FBI Background Check Follow Up Audit, August 23, 2022	10/06/2022	Moderate Risk	269	WSC has been completing background checks of volunteers as of September 2022 and an update to WSC procedure is being worked on. A new HR Director has been hired and will be starting in late July 2023. The new HR Director will be tasked with developing a tracking mechanism and ensuring that background checks are completed.	6/30/2023
01261-0028	WSC Inconsistency Among NDUS Institutions	50	Open	WSC	NDUS Internal	System Wide Transfer of NDUS Coursework Audit NDUS Internal Audit					

North Dakota University System
Status of FY23 NDUS Internal Audit Plan

Approving Entity: SBHE Audit Committee

															100%	10	100%	1	100%	23
Other [1/, 2]	Originally Planned	0	0	0	0	0	0	0	0	0	0	0	1	1		2		32		35
(shared service,	Added during the Year	0																		

Fiscal 2023 Audit Plan Progress		NDUS IA	NDUS IA Completion %	UND	UND Completion %	NDSU	NDSU Completion %	System IA Total
Audits or Assessments	Originally Planned	5		8		2		15
	Added during the Year	0		0		1		1
	Total	5		8		3		16
	Current Status:							
	Completed	4		8		2		14
	In Progress	0		0		0		0
	Still Planned	0		0		0		0
	Deferred	1		0		1		2
	Cancelled	0		0		0		0
	Total	5	100%	8	100%	3	100%	16
Follow-up Audits or Reviews	Originally Planned	12		6		1		19
	Added during the Year	0		4		0		4
	Total	12		10		1		23
	Current Status:							
	Completed	12		10		1		23
	In Progress	0		0		0		0
	Still Planned	0		0		0		0
	Deferred	0		0		0		0
	Cancelled	0		0		0		0
	Total	12	100%	10	100%	1	100%	23
Other 1/ , 2 (shared service, external assist, ad hoc reviews, investigations, analysis, other)	Originally Planned	1		2		32		35
	Added during the Year	1		0		0		1
	Total	2		2		32		36
	Current Status:							
	Completed	2		2		17		21
	In Progress	0		0		0		0
	Still Planned	0		0		0		0
	Deferred	0		0		13		13
	Cancelled	0		0		2		2
	Total	2	100%	2	100%	32	100%	36

IMPORTANT: NDUS Internal Audit plans for FY23 are based on known circumstances and certain areas requiring routine audit coverage. Portions of the plan are unannounced and unplanned to allow internal audit flexibility to respond to events that transpire, and to add, delay or eliminate audits throughout the year.

NORTH DAKOTA
STATE BOARD OF HIGHER EDUCATION
Policy Manual

Policy: 306.2 Internal Audit Charter
Effective: ~~May 30, 2019~~

North Dakota University System Internal Audit Charter.

b. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to relevant Board policies and procedures and the internal audit activity's standard operating procedures manual.

3. Organization~~AUTHORITY~~:

~~c.~~ The internal audit activity of NDUS will consist of the NDUS chief audit executive (CAE) and any internal audit staff or consultants hired by the system office.

a.

~~d.~~ The NDUS Internal Audit CAE will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the NDUS Chancellor.

b.

c. NDSU and UND directly employ their own internal audit staff. The NDSU and UND internal auditors follow the North Dakota Institutions' internal audit charter.

~~4.~~ Authority:

4. The internal audit activity, with strict account

i. ~~Review and a~~approve the internal audit charter.
ii.

a. ~~would normally be subject to review. However, Internal Audit may be consulted when new systems or procedures are designed to ensure they adequately address~~ internal ~~controls~~.

If the CAE is assigned duties or responsibilities that fall outside of this Charter, safeguards will be established to avoid potential impairment to independence or objectivity.

d.

e. ~~Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments~~NDUS Internal auditors shall:

i. Disclose any actual or apparent impairment of independence or objectivity to the appropriate party.
ii. Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
iii. Make balanced assessments of all available and relevant facts and circumstances.
iv. Take necessary precautions to avoid being unduly influenced by personal interests or by others in forming judgments.

f. The CAE shall disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

~~o~~ .

~~b.~~g. The CAE will confirm to the Board, at least annually, the organizational independence of the internal audit activity.

6. Scope of Internal Audit Authority ~~RESPONSIBILITY~~

a. Assurance Services: The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of evidence for the purpose of providing independent assessments to the SBHE and management ~~on the~~ adequacy and effectiveness of the organization's governance, risk management, ~~and internal~~ control processes for NDUS.~~s as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.~~ This includes evaluating whether:

i. ~~Evaluating r~~Risk ~~exposure~~ relating to achievement of the organization's strategic objectives are appropriately identified and managed.
ii. Whether the actions of SBHE and NDUS officers, directors, employees, and contractors are in compliance with SBHE policies, NDUS procedures, and applicable laws, regulations, and governance standards;
iii. Whether the results of operations or programs are consistent with established goals and objectives;
iv. The adequacy and effectiveness of the organization's governance, risk management, and internal controls, as well as the quality of performance in

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v. Whether operations or programs are being carried out effectively and efficiently.

vi. The processes and systems that enable compliance with policies, procedures, laws, and regulations;

vii. Whether information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.

~~i.~~viii. Whether resources and assets are acquired economically, used efficiently, and protected adequately.

b. The CAE shall report periodically to the NDUS Chancellor and the Audit Committee regarding:

i. NDUS Internal Audit's purpose, authority, and responsibility;

ii. NDUS Internal Audit's audit plan and performance relative to the audit plan;

iii. NDUS Internal Audit's conformance with The Institute of Internal Audit's Code of Ethics and Standards, and action plans to address any significant conformance issues.

iv. Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the SBHE.

v. Results of audit engagements or other activities;

vi. Resource requirements; or

~~i.~~vii. Any response to risk by management that may be high risk.

c. The CAE shall coordinate the activities of and may rely on the work of other internal and external assurance and consulting service providers as engaged on consultation with the SBHE.

d. The NDUS Internal Audit may identify opportunities to improve the efficiency of governance, risk management, and control processes ~~may be identified~~ during audit engagements. To the extent appropriate, such opportunities shall be communicated to the appropriate level of management.

e. Consulting Services: NDUS Internal Audit provides consulting services in an advisory capacity, and are generally performed at the specific request of the Chancellor or NDUS institutional chief executive officers. The nature and scope of the consulting engagement are subject to agreement with management. Consulting may range from formal engagements with defined scopes and objectives to advisory activities such as providing informal guidance in response to general inquiries. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

~~a.~~

~~b. Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information.~~

~~c. Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the~~

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organization.

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

e. Evaluating the effectiveness and efficiency with which resources are employed.

f. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

g. Follow-up, as needed, on the implementation of planned corrective action by auditees on issued internal audit recommendations.

h. Monitoring and evaluating governance processes.

i. Monitoring and evaluating the effectiveness of the organization's risk management processes.

j. Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.

k. Performing consulting and advisory services related to governance, risk management and internal control as appropriate for the organization.

l. Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.

m. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board.

n. Evaluating specific operations at the request of the Board or Chancellor, or institutional chief executive officers, as appropriate.

7. Responsibility ~~INTERNAL AUDIT PLAN~~

a. The NDUS internal audit staff is responsible for conducting system-wide audits, including the NDUS system office and NDUS Core Technology Services (CTS). It will also conduct internal audits and consulting services for institutions that do not directly employ internal audit staff. The two research institutions, UND and NDSU, shall directly employ ~~its~~ their own internal audit staff. ~~t~~Those auditors shall have primary responsibility for conducting audit activities on their employing campus.

b. The CAE has the responsibility to:
   i. Submit, at least annually, to the Chancellor and the Audit Committee a risk-based internal audit plan for review and approval;
   ii. Communicate to the Chancellor and Audit Committee the impact of resource limitations on the internal audit plan;

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iii. Review and adjust the internal audit plan, in consultation with the Audit Committee as necessary, in response to changes in NDUS's business, risks, operations, programs, systems, and controls;

iv.

~~i.~~ Approve the internal audit charter;

i.

ii. Receive copies of the Presidents' approved internal audit plans;

iii. Receive institutions' internal audit reports and follow-up reports;

iv. Make appropriate inquiries of management and the Directors of Internal Audit to determine whether there are inappropriate scope or resource limitations; and~~The North Dakota Institutions' (Institutions) internal auditing function~~ is an ~~independent and objective assurance and consulting activity designed~~ to add

vi. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;

vii. Follow-up, as needed, on the implementation of planned corrective action by auditees on issued internal audit recommendations;

viii. Monitoring and evaluating governance processes;

ix. Monitoring and evaluating the effectiveness of the organization's risk management processes;

x. Performing consulting and advisory services related to governance, risk management and internal control as appropriate for the organization;

xi. Reporting periodically to the Institutions' chief executive officers on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;

xii. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the institutions' chief executive officers; and

xiii. Evaluating specific operations at the request of the institutions' chief executive officers, as appropriate.

8. Internal audit plan:

a. At least annually, the internal auditors for the institutions will prepare their campus internal audit plans for approval by their institution's president, who will provide informational copies to the Audit Committee Chair. The institutions' internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of the institution's president and senior management. The Institution's Directors of Internal Audit will should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented

d. The i~~I~~nstitutions' internal auditors will be responsible for appropriate follow-up on engagement findings and recommendations. tAollow-up reports will be provided to the CAE and Audit Committee. All significant findings will remain in an open issues file

~~The Directors of Internal Audit at the campuses will communicate and interact directly~~ with the ~~SBHE Audit Committee~~.

~~The Audit Committee will~~:

- ~~Approve the internal audit char~~ter.
- ~~Receive copies of the President's approved internal audit~~ plans.
- ~~Make appropriate inquiries of management and the Directors of Internal Audit~~ to ~~determine whether there are inappropriate scope or resource limi~~tations.
- ~~Have unrestricted access to all institutional audit~~ staff.

~~Internal audit staff at the North Dakota Institutions will report functionally~~ and ~~administratively to the Institutions' chief executive officers and indirectly to the Au~~dit ~~Committee~~.

~~The Audit Committee will~~:

Review and approve the internal audit charter.

The scope of the Institutions' internal auditing en