

System Administration, Las Vegas
4300 South Maryland Parkway, Board Room

Wednesday, January 18, 2023

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: Mr. Byron Brooks, Chair
Mr. Joseph C. Arrascada, Vice Chair
Mr. Patrick J. Boylan
Mrs. Susan Brager
Ms. Heather Brown
Mrs. Amy J. Carvalho
Mrs. Michelee Cruz Crawford
Mrs. Carol Del Carlo
Mr. Jeffrey S. Downs
Ms. Stephanie Goodman
Mr. Donald Sylvantee McMichael Sr.
Ms. Laura E. Perkins

Members Absent: Dr. Lois Tarkanian

Others Present: Mr. Dale A.R. Erquiaga, Acting Chancellor
Mr. Andrew Clinger, Chief Financial Officer
Ms. Renee Davis, Interim Vice Chancellor, Academic and Student Affairs
and Community Colleges
Mr. James J. Martines, Chief General Counsel
Ms. Keri Nikolajewski, Interim Chief of Staff to the Board
Mr. Alejandro Rodriguez, Director of Government Relations
Mr. Joe Sunbury, Chief Internal Auditor
Mr. Rhett Vertrees, Assistant Chief Financial Officer
Ms. Lindsey Session (sitting in for Dr. Kumud Acharya, President, DRI)
Ms. Joyce M. Helens, President, GBC
Dr. DeRionne Pollard, President, NSC

Others Present: (Continued)

Ms. Jean Vock (sitting in for Dr. Keith E. Whitfield, President, UNLV)
Mr. Brian Sandoval, President, UNR
Dr. J. Kyle Dalpe, Interim President, WNC

2. Information Only – Legislative Audit Findings – (Continued)

a) Self-Supporting and Reserve Accounts – (Continued)

$\frac{3}{4}$ Reserves not adequately managed

- x Reserves lack structure from minimal policy
 - f Create Board policy to define targets, how to use funds from reserves, and what level of reserves is appropriate
- x Some sources and uses of reserves may not be appropriate
 - f Monitoring of reserves and contingency accounts
- x Student fees are not utilized timely
 - f Evaluate high balance accounts and determine whether fees should be reduced or funds redirected
- x Board policy is needed to ensure other funds are used timely
 - f Define selfsupporting programs
 - f Monitor and report on nonstudent funded programs with high balances

Regent Boyle clarified that NSHE could move funds to help faculty and students with expenses. Chief Financial Officer Clinger stated NSHE move funds around, and they do. The auditors specifically looked at the movement of funds between self-supporting and state funds.

In response to a question from Regent Boyle related to systemwide monitoring, Chief Financial Officer Clinger responded it comes down to resources. The staff in Finance have specific jobs and do not have the resources to oversee what the institutions are doing.

Regent Brage asked if the outside auditors present to the Audit, Compliance and Title IX committee. Chief Financial Officer Clinger stated they typically present in December.

Regent Cruz Crawford asked how the Board creates the requested policies and next steps. Chair Brooks stated the Board would have to examine and reassess policies. Chief Financial Officer Clinger noted the audit requires a 60-day report due April 10, 2023, and then a final six-month report due October 10, 2023. The 60-day plan will be presented in March, outlining NSHE's next steps.

Chair Brooks asked why some transactions were not reported to the Board. Chief Financial Officer Clinger stated the particular section discusses the May 1 report for which System Administration sends out a request to the institutions and asks them for their transactions that meet the criteria. All are combined and submitted to the Board. System Administration does not have the resources or ability to run the reports at the System level. System Administration relies on the institutions provide complete and accurate information.

2. Information Only – Legislative Audit Findings – (Continued)

b) Capital Construction Projects – (Continued)

- f* Clarify that state appropriated funds are not used for capital construction
 - f* Develop controls to ensure compliance
- ¾ Solicitation and management of state funded projects did not comply with law and policy
 - x State law requires NSHE projects funded by at least 25 percent of state appropriations are required to utilize construction management services of the State Public Works Division (SPWD)
 - f* Develop procedures to ensure the involvement of SPWD when required
 - f* Ensure compliance with state law
- ¾ Project costs exceeded funding
 - x Completed construction projects exceeded funding and carried a deficit
 - f* Monitor construction accounts, identify potential shortfalls, and ensure project scope and modifications
- ¾ Change order review not adequate
 - x Lack of supporting documentation
 - x Unallowed costs
 - x Lease purchase agreements lacked controls for change orders
 - x Change order terms not always followed
 - x Change order process did not follow NSHE policy
 - f* Develop standardized construction contracts that define allowed overhead and markup profit fees
 - f* Implement proper controls to ensure institution personnel

2. Information Only – Legislative Audit Findings – (Continued)

2. Information Only – Legislative Audit Findings – (Continued)

c) Institution Foundations

$\frac{3}{4}$ Were donations appropriately recorded by the Foundations

- x Ensure the Foundations have adequate policies and related practices governing the issuance and retention of acknowledgment letters or receipts for donor gifts
- x Encourage the Foundation Board, when applicable, to verify key control processes are occurring, including reconciliation of donor management systems to financial software and retention of adequate supporting documentation
- x Develop a policy requiring institutions to routinely review inactive gift accounts and identify opportunities to repurpose funds to utilize accounts when appropriate

Vice Chair Arrascada stated the report has good suggestions that are reasonable. However, the self-supporting summary seems to be written to look egregious. Chief Financial Officer Clinger stated the auditors had highlighted areas where policies either don't exist or are vague. There are opportunities for improvement. He did not think the institutions were doing anything intentionally to skirt the law. Chief Internal Auditor Sunbury added that all auditors will have a slightly different interpretation and policy enhancements will only make future audits smoother.

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2. Information Only – Legislative Audit Findings – (Continued)

Acting Chancellor Erquiaga noted that the ~~BO~~ plan must be submitted to LCB on or before April 10, 2023. Preliminary recommendw 3.38 0 Td [(, 2021 Tf [(49m9y (ef)-1 (o(r) (p)-8

