

Legislative Audit and Fiscal Review Committee Update

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Gold standard

- Definition of *unqualified opinion*¹
 - Independent auditor's judgment on financial records and statements
 - Fairly and appropriately presented in accordance (GAAP)
 - Independent auditor believes are sound and free from material misstatements
 - Qualified opinion finds something of major concern
- NDUS has always received an unqualified opinion

¹source: *Investopedia.com*

Prior Audit Recommendations Not Implemented – FY12

Should be noted that although the heading changes, specific audit recommendations may change

Internal Control and Risk Assessment

Steps taken to date

- Annual controller training, which includes internal control training; 50 attendees in FY13
- Monthly controller meetings, including an annual face-to-face meeting
- SAO reps asked to present to controller's group
- Meetings with SAO to discuss audit recommendations/solutions

Internal Control and Risk Assessment

Steps taken to date

- Shared campus templates; use of Sharepoint for document updates
- Accounting manual updated March 2012, with continuous updates, when needed
- Part-time NDUS financial statement assistance added in FY13
- Formal mentoring program for new controllers implemented in FY13
- Senior management alerted to potential issues



Internal Control and Risk Assessment

Steps taken to date

- High level entity-wide risk assessment completed in FY12
- In addition to existing annual employee fraud training, added internal control training module in FY13
- Internal control/fraud risk questionnaire implemented in spring of 2013; continue to improve
- Added NDUS Chief Compliance position in FY13



Internal Control and Risk Assessment

Steps taken to date

- UND and NDSU internal audit staff transferred to NDUS on July 1, 2013
- New Chief Auditor hired in December, 2013
- Annually, internal audit staff prepare risk assessment to set internal audit plan



Internal Control and Risk Assessment

Next Steps

- Chancellor Skogen appoint inter-disciplinary team to develop multi-year internal control and risk assessment implementation plan
- Will require additional staff resources; yet to be identified
- Start with high risk areas and expand
- Implementation of electronic workflow for on-boarding and termination will require review/modification of processes



Internal Control and Risk Assessment

Ongoing Challenges

- Staff turnover
- Complex, changing standards
- Condensed timeframes
- Inadequate staff—financial and audit
- Thousands of processes across 11 campuses



Internal Audit Training and Peer Review

Next Steps

- Beginning in CY14, 40 hours of CPE will be required for each auditor consistent with IIA standards
- Completion part of annual evaluation process
- Training will need to be appropriately budgeted



Internal Audit Training and Peer Review

Next Steps

- New Audit Charter to be considered by SBHE in January 2014 consistent with IIA Standards
- 5 year window for peer review of internal audit begins with adoption of audit charter



Internal Audit Training and Peer Review

Ongoing Challenges

- Audit staffing levels
- Tool set for documentation



WSC Classification; Coding; Reconciling; and Training

Steps taken to date

- WSC senior leadership made fiscal accountability a priority
- Contract with retired VCSU VP for Finance for assistance
- Full-time WSC controller hired in spring 2013
- Part-time CPA hired as WSC Chief Financial Officer in summer 2013
- Director of Finance hired in Spring 2013 to bring reconcilements current



WSC Classification; Coding; Reconciling; and Training

Steps taken to date

- Additional controls put in place
 - ❖ Segregation of duty
 - ❖ Approvals
 - ❖ Review
- Cash reconcilements
 - ❖ adjusting entries posted through FY12
 - ❖ FY13 reconciled, adjusting entries underway
 - ❖ Beginning on FY14 reconcilements, to be completed by June 30, 2014
 - ❖ monthly thereafter



WSC Classification; Coding; Reconciling; and Training

Steps taken to date

- CND staff provide training at WSC
- Experienced BSC staff partnered with WSC staff as mentor
- Regular meetings between WSC and NDUS to discuss status/options



Classification/coding/reconciling WSC

Ongoing challenges

- Difficult to recruit and retain highly qualified staff in all areas
- Limited staffing creates challenges for segregation of duties
- Playing catch-up
- Budget challenges



GASB 40 risk disclosures: LRSC, MiSU, NDSCS, VCSU, & WSC

Status

- Implemented; removed in FY13 audit