

Title 4 - Codification of Board Policy Statements

Chapter 9

NEVADA SYSTEM OF HIGHER EDUCATION INTERNAL AUDIT, FINANCE AND ADMINISTRATION POLICIES

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A. Internal Audit Department Charter

Section 1. Purpose

The purpose of the Internal Audit Department is to strengthen the Nevada System of Higher Education's (NSHE) ability to create, protect, and sustain value by providing the Board of Regents and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Department enhances the NSHE's successful achievement of its objectives, governance risk management, and control processes, decision-making and oversight, reputation and credibility with its stakeholders, and ability to service the public interest.

The NSHE's Internal Audit Department is most effective when internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors' Global Internal Audit Standards (which are set in the public interest), the internal audit function is independently positioned with direct accountability to the Board of Regents, and internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The NSHE's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Internal Auditor will report periodically to the Board of Regents and executive management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

(B/R 6/24)

Section 2. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of the NSHE's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board of Regents and management on the adequacy and effectiveness of governance, risk management, and control processes for the NSHE.

The nature and scope of advisory services may be agreed upon with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

The Internal Audit Department is concerned with any phase of activity where it can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. Internal audit engagements may include:

1. Reviewing and appraising the soundness, adequacy, and efficient application of accounting, financial, and operational controls at executive and staff levels. This includes the actions of the NSHE's officers, management, employees, and contractors complying with the NSHE's policies, procedures, and applicable laws, regulations, and governance standards.
2. Determining the extent established processes and systems enable compliance with policies, laws, regulations and procedures that could significantly impact the NSHE.
3. Determining whether significant risks relating to the achievement of the NSHE's strategic objectives are appropriately identified and managed.
4. Ascertaining the integrity and reliability of information and data provided by management and the means used to identify, measure, analyze, classify, and report such information within the NSHE.
5. Evaluating whether operations and programs are being carried out effectively and efficiently by recommending appropriate improvements in internal accounting and operations where controls have been found to be inefficient/ineffective, or where controls should be instituted, and none exist. This includes appraising the effectiveness of procedures, as modified, to ensure that deficiencies are satisfactorily resolved.
6. Recommending appropriate improvements to systems, processes, and organizational structures to provide accurate, timely and reliable financial and operational information. This includes evaluating whether the results of operations and programs are consistent with established objectives.
7. Fostering quality and continuous improvement in the NSHE's risk management and control processes. Additionally, the results of examinations and corrective actions will be reported in a timely manner to remain relevant.
8. Confirming information technology and data governance supports the NSHE's strategies and objectives.
9. Ascertaining whether information security practices adequately safeguard the NSHE data assets and comply with applicable policies and regulations.
10. Sharing information and coordinating activities with other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
11. Designing, installing, and operating systems are not audit functions; however, the internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented.

(B/R 6/24)

Section 3. Mandate

Authority

The internal audit activity is established by the Board of Regents. The internal audit activity's responsibilities are defined by the Board of Regents as part of its oversight role. The Board of Regents grants the Internal Audit Department the mandate to provide the Board of Regents and executive management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the Audit, Compliance and Title IX Committee. Such authority allows for unrestricted access to the Board of Regents.

The Board of Regents authorizes the Internal Audit Department to:

- Have full and unrestricted access to all the NSHE functions, data, records, information, properties, and personnel relevant to carrying out internal audit responsibilities. The Department is free to review and appraise policies, plans, procedures, and records. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from personnel of the NSHE and other specialized services from within or outside the NSHE to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The Chief Internal Auditor shall be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management (See "Mandate – Authority" section above), thereby establishing the independence of the internal audit function. The Chief Internal Auditor shall report functionally to the Chair of the Audit, Compliance and Title IX Committee and administratively (for example, day-to-day operations) to the Chief Financial Officer. This positioning provides the organizational authority and status to bring matters directly to executive management and escalate matters to the Board of Regents, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity. In cases where there could be impairments to objectivity or independence, such as reviewing an area that reports directly to the Chief Financial Officer, administrative reporting for these engagements shall be to the Chancellor.

The Chief Internal Auditor will confirm to the Board of Regents, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the Chief Internal Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Internal Auditor will disclose to the Board of Regents any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate. The Audit, Compliance and Title IX Committee should evaluate whether the Chief Internal Auditor remains impartial and not unduly influenced by the administrative reporting line.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Chief Internal Auditor, Board of Regents, and executive management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- Significant changes in the Global Internal Audit Standards.
- Significant acquisition or reorganization within the organization.
- Significant changes in the Chief Internal Auditor, Board of Regents, and/or executive management.
- Significant changes to the NSHE's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

(B/R 6/24)

Section 4. Roles and Responsibilities

Board of Regents Oversight

To establish and protect the NSHE internal audit function's independence and qualifications, the Board of Regents shall:

- Approve the roles and responsibilities of the Chief Internal Auditor and identify the necessary qualifications, experience, and competencies to carry out these roles and responsibilities.
- Authorize the Chair of the Board of Regents and members of the Audit, Compliance and Title IX Committee to jointly conduct any search for Chief Internal Auditor, including approving the job description, reviewing candidates' resumes, and participating in interviews before a candidate is selected.
- Authorize the appointment and removal of the Chief Internal Auditor.
- Establish remuneration for the Chief Internal Auditor.
- Provide input into the performance evaluation of the Chief Internal Auditor.

To establish, maintain, and ensure that the NSHE's internal audit function has sufficient authority to fulfill its duties, the Audit, Compliance and Title IX Committee shall:

- Discuss with the Chief Internal Auditor and executive management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Chief Internal Auditor has unrestricted access to and communicates and interacts directly with the Audit, Compliance and Title IX Committee.
- Participate in discussions with the Chief Internal Auditor and executive management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Identify with the Chief Internal Auditor when changes affecting the organization, such as the employment of a new Chief Internal Auditor or changes in the type, severity, and interdependencies of risks to the organization, would require updates to the Internal Audit Charter.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit Department's human resources and audit budgets.

- Receive communications from the Chief Internal Auditor about the internal audit function, including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results of the quality assurance and improvement program annually.
- Make appropriate inquiries of management and the Chief Internal Auditor to determine whether scope or resource limitations are appropriate.

Note: Additional standing committee duties of the Audit, Compliance and Title IX Committee are stated in Title 1, Article VI, Section 3.a.

Chief Internal Auditor

Ethics and Professionalism

The Chief Internal Auditor will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Chief Internal Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Internal Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Where the Internal Audit Department is expected to have roles or responsibilities that fall outside of internal auditing, safeguards will be in place to limit impairments to independence or objectivity. The Internal Audit Department may provide assurance services where it has previously performed advisory services, provided the nature of the services does not impair objectivity, and provided individual objectivity is managed when assigning resources to an engagement.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance. Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the NSHE or its affiliates.
- Initiating or approving transactions external to the internal audit function.

- Directing the activities of any NSHE employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Chief Internal Auditor, Audit, Compliance, and Title IX Chair, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Recommend changes to policy or required practices to sustain an effective balance between the magnitude of risk, the materiality of failed control, and the cost of compliance.
- Coordinate all activities of the Department with others so as to best achieve the audit objectives and the objectives of the NSHE, including spreading adoption of effective practices and consideration of trends and emerging issues that could impact the NSHE.
- Maintain the capacity to:
 - Perform audits to independently assess governance, risk management and control processes throughout the NSHE.
 - Provide advisory services, with the mutual agreement of the “client,” to improve the NSHE governance, risk management, and control processes.
 - Investigate, as necessary, allegations of improper activities, including fraud, misuse of resources, and unethical behavior or actions. The Chief Internal Auditor serves as the clearinghouse for matters requiring his or her investigatory activity and shall establish a mechanism for incident management.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

In performing these functions, the internal auditors neither have direct responsibility for, nor authority over, any of the activities that are reviewed. Therefore, the review and appraisal activity does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Managing the Internal Audit Function

The Chief Internal Auditor has the responsibility to:

- At least annually, develop a risk-based internal audit plan that will include evaluation of the effectiveness of financial and related operational controls and review of compliance by the NSHE personnel with the NSHE policies and procedures. This plan will be discussed with the Audit, Compliance, and Title IX Committee and executive management and submitted to the Audit, Compliance, and Title IX Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit, Compliance, and Title IX Committee and executive management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the NSHE’s business, risks, operations, programs, systems, and controls.
- Communicate with the Audit, Compliance, and Title IX Committee and executive management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.

- Periodically measure and continually improve the efficiency of internal audit activity by means of a quality control program, effective use of technology, and proactive performance management. Appropriate budgetary and cost control over the auditing program should be considered.
- Institute controls to ensure that audit findings have been reviewed with the management responsible for operations of the functions examined; see that findings are presented to management at various levels so as to motivate corrective actions; and arrange for the development of appropriate comments and recommendations for inclusion in periodic condensed reports to be presented to the Audit, Compliance and Title IX Committee.
- Make available to the independent public accountants working papers, copies of audit reports, and pertinent analyses to aid them in determining the scope of their examination. Inform the independent public accountants and other outside audit agencies of the internal audit schedule to avoid duplication of effort and to maximize the benefits of the total investment in audit activities, if possible.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit, Compliance and Title IX Committee and executive management during quarterly meetings and for each engagement as appropriate.
- Maintain a staff that collectively possesses or obtains the skills, experience and professional certifications to meet the Department's scope of responsibilities and ensure alignment with the NSHE's risks.
- Identify and consider trends and emerging issues that could impact the NSHE and communicate to the Audit, Compliance and Title IX Committee and executive management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the NSHE's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit, Compliance and Title IX Committee and executive management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Internal Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to executive management and, if necessary, escalated to the Audit, Compliance and Title IX Committee.

Communication with the Audit, Compliance and Title IX Committee and Executive Management

The Chief Internal Auditor will report at least annually to the Audit, Compliance and Title IX Committee and executive management regarding:

- The internal audit function's mandate.
- A written report will be prepared and issued by the Chief Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results and institution responses will be communicated to the CFO and the Audit, Compliance and Title IX Committee.
- The internal audit plan will be communicated at least biannually. This includes budgeted hours and performance relative to its plan.
- Any significant deviations from the approved internal audit plan and budget.

- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit, Compliance and Title IX Committee.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the NSHE's risk appetite.

(B/R 6/24)

Section 5. Audit Requests

The Chief Internal Auditor may determine during the year that an unscheduled audit should be performed. The Chief Internal Auditor will inform the Chair of the Audit, Compliance and Title IX Committee of special audits.

The Chair of the Audit, Compliance and Title IX Committee may request an audit be performed based upon specific information provided to the Chief Internal Auditor. If the Chief Internal Auditor is in agreement that the audit should be performed, the audit will be added to the audit schedule. If the Chief Internal Auditor is not in agreement that the audit should be performed, the Chair of the Audit, Compliance and Title IX Committee may place the item on the next Audit, Compliance and Title IX Committee agenda for review and action by the Audit, Compliance and Title IX Committee.

Any member of the Board of Regents may request that the Chair of the Audit, Compliance and Title IX Committee Chair place a request for an audit on the Audit, Compliance and Title IX Committee agenda. The Chief Internal Auditor will make a recommendation to the Audit, Compliance and Title IX Committee regarding the audit request.

The policy of the Audit, Compliance and Title IX Committee is to only perform special audits based on specific factual information and assessment of risk that would justify an audit.

(B/R 12/18)

Section 6. Quality Assurance and Improvement Program

The Chief Internal Auditor will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of opportunities for improvement.

The Chief Internal Auditor will communicate to executive management and the Audit, Compliance and Title IX Committee on the internal audit activity's quality assurance and improvement program, including results of external assessments conducted at least every five years.

(B/R 6/24)

Section 7. Institution Audit Response Requirements

1. Time Period for Response. In response to audit findings, institutions at times must adopt new institution policies or amend existing institution policies to address the issues identified in the audit. The adoption of new policies or amendment of existing policies in response to an audit finding must be completed within 150 calendar days after the audit and institutional response have been discussed at a Board of Regents Audit, Compliance and Title IX Committee meeting.
2. Expedited Procedure and Consultation with Faculty Senate. Each institution shall develop a procedure for the expedited adoption of new policy and for the amendment of existing policy to comply with the 150 calendar day requirement set forth above. The institution procedure must include an expedited process for consultation with the Faculty Senate.

(B/R 6/24)

B. Finance and Administration Charter

Section 1. Objectives and Scope

1. Finance and Administration is a part of System Administration. The Chancellor, as Chief Executive Officer and Treasurer of the NSHE, has delegated certain of the financial duties of his or her office, as prescribed by the Board of Regents at Article VII, Section 3, of the By-Laws, to the Chief Financial Officer. The Senior Budget Officer and Director for Banking and Investments for the NSHE report to the Chief Financial Officer.
2. While the primary financial accounting and control functions are maintained at the institutional level, the System through the Chief Financial Officer is responsible for the accurate and timely development and reporting of financial information. The System will ensure the adherence of the institutions to the most recent national financial accounting standards and support continuing internal and external audit reviews of programs and funding.

(B/R 10/96)

Section 2. Budget Director: Authority and Responsibility

Reporting to the Chief Financial Officer, the NSHE Senior Budget Officer is provided with the authority and responsibility for establishing policies and procedures under which the budgetary administration will be conducted.

The NSHE Senior Budget Officer's specific duties will include, but not be limited to, the following:

1. PROMOTE AND COORDINATE INTEGRATED NSHE FINANCIAL PLANNING

Working with institutional officers, coordinates and assists in the development of a system-wide financial planning process.

- Serves on appropriate committees, coordinates development of the database for planning, and maintains communication with and assures cooperation between all institutional budgetary officials.

2. ASSURES PROPER AND TIMELY BUDGET DEVELOPMENT

Coordinates and develops system-wide budget development policy, procedure, and budget calendar.

- Budget Policy and Procedures
Develops and maintains the system-wide budget policy and procedures section of the *University of Nevada Policy and Procedure Manual* for financial accounting.
- Budget Calendar
Develops and communicates the budget calendar and monitors adherence to calendar deadlines.
- Budget Preparation
Reviews all budget preparation documents to assure consistency and adherence to State standards. Prepares combined budget request for submittal to State of Nevada officials.

3. PROMOTES COORDINATION AND COMMUNICATION WITH STATE OF NEVADA

Promotes coordination and communication with Governor's Office and Legislature concerning budgetary matters.

- Serves as a budget advisor to institutional officials regarding state budget requirements and provides budgetary expertise during budgetary sessions.
- Establishes with State of Nevada budgetary officials a good working relationship and lines of communication.

4. ASSURES EFFICIENT AND EFFECTIVE BUDGET CONTROL

Coordinates and develops system-wide budget control policy and procedures.

- Develops and maintains system-wide budget control policy and procedures.
- Assures budget revisions and other actions are in accordance with Board of Regents and State policies.
- Reviews financial accounting information and system to insure system provides adequate budgetary control and timely and relevant information.

5. PROVIDE TIMELY BUDGET EVALUATION

Provides budgetary evaluation and assessment to Board of Regents and institutional officers for future NSHE planning.

- Performs post performance review which involves critical analysis of institutional budgets, both quarterly and annually, focusing on the following elements:
 1. Budget versus actual expenditures and revenues.
 2. Identify variances and reasons for variances.

3. Recommend corrective actions where potential problems are identified.
 4. Inform the Board of Regents of any exceptions that require discussion and further monitoring.
- The institutional business officers will comprise a review committee chaired by the Chief Financial Officer and charged to analyze and advise the Chancellor and other institutional officials on fiscal issues highlighted through the quarterly analysis of budgets.

(B/R 1/95)

Section 3. NSHE Director of Banking and Investments

1. The Director of Banking and Investments for the NSHE is charged with the oversight of a system-wide cash management program and the Board of Regents' Permanent Endowment Funds. Included in the responsibilities are consolidation of the NSHE cash resources, bank relationships, and the placement of cash balances with investment managers in accordance with the Board of Regents operating fund investment policy. A primary responsibility of the Director of Banking and Investments is to preserve the liquidity and safeguard the principal of operating cash while enforcing the Board of Regents Operating Fund Investment Policies. The director will establish a process to assess the performance of investments relative to appropriate standards in both the operating and endowment funds.
2. Operating cash fund investment income is distributed to the institutions based on their respective daily cash balances. The Director of Banking and Investments therefore has responsibility for maintaining accountability for all cash balances so that each institution receives its share of the investment income. However, the institutions remain responsible for identifying their respective cash balances with the identifiable fund groups for the purpose of complying with State and federal Law requiring the distribution of investment income to these funds.
3. All investments of the Board of Regents are required to be held by one or more custodial banks. The Director of Banking and Investments reconciles and accounts for investment assets held by the Board of Regents' custodial bank that includes operating and endowment fund investments. Enforcement of donor restrictions is a matter of trust law and therefore permanent records of all Board of Regents Endowment Fund gifts must be preserved for posterity by the Office of the Director of Banking and Investment.
4. The Director of Banking and Investments assumes responsibility for custody of bond files and reporting restrictive covenants. The NSHE debt policy guidelines covering institutional loans, bonds, leases, and other debt will be administered through the Banking and Investment Office.
5. Title 4, Chapter 10, Sections 5 and 6 define the operating and endowment funds policies and procedures that are monitored by the director of Banking and Investments under the direction/oversight of the Investment Committee of the Board of Regents.

(B/R 12/18)

Section 4. Business Officers Council Charter

1. Purpose

The NSHE Business Officers Council (BOC) provides strategic guidance for finance, human capital (HCM), payroll, system-wide financial and administrative shared services, and their supporting applications across the eight institutions and System Administration comprising the Nevada System of Higher Education. The BOC shall provide strategic guidance by establishing goals, policies, procedures and setting priorities for NSHE finance and administrative functions.

2. Roles and Responsibilities

- a. Recommend to the Chancellor, Presidents, and the Board of Regents proposed guidelines, policies, procedures, and priorities for NSHE finance and administrative functions.
- b. Establish annual goals, provide strategic direction, and set priorities for the finance, HCM, payroll, and shared service advisory committees.
- c. Define the committees and their charters that support NSHE business operations.
- d. Review existing goals, policies, procedures, reports, and priorities for NSHE finance and administrative functions to identify areas for improvement and implementation of best practices.
- e. Provide direction for implementing legislative mandates, reporting protocols, and policy changes from the Board of Regents, state, and other external governing bodies.
- f. Provide strategic guidance and ensure coordination of NSHE system-wide financial and administrative shared services, including NSHE Payroll Services, Business Center North, Business Center South, and System Computing Services.
- g. Encourage collaboration and coordination between and among Chief Business Officers and their respective institutions.
- h. Communicate and reinforce guidelines, policies, procedures, goals and priorities for NSHE finance and administrative functions.
- i. Resolve implementation issues that may escalate from finance, payroll, HCM, and system-wide financial and administrative shared service business functions.
- j. Receive and review progress updates, escalation, and input from NSHE finance and administrative advisory committees.
- k. Periodically review finance and administrative functions across NSHE institutions, including centralized and system-wide shared services, to increase quality, efficiency, and transparency of business operations.
- l. Review requests for information and ad-hoc reports from the Chancellor, Board of Regents, state, and other governing bodies and develop uniform guidance to ensure consistent reporting across NSHE institutions.
- m. Lead through modeling organization effectiveness; Implement and monitor industry best practices related to higher education finance and administrative functions.

(B/R 6/22)

C. Financial Policies: Operating Budgets

Section 1. Authority

1. The Board of Regents shall approve annual and biennial state and self-supporting budgets, including associated registration fees, tuition rates, and student fees. They will review budget recommendations made by the Business, Finance and Facilities Committee. Once the budget is approved, responsibility and authority for all adjustments is delegated as indicated in the following sections.
2. The Board of Regents delegates to its Business, Finance and Facilities Committee responsibility and authority for:
 - a. Initial review and endorsement to the Board of proposed annual and biennial state and self-supporting budgets, including assessment of Board priorities, student and state revenue, enrollments, and other key components as defined through Board and gubernatorial guidelines, and
 - b. Year-end review of major current year budget revisions and/or transfers, including use of reserves (*unappropriated fund balances*) and excess income over budget.
3. The Board of Regents delegates to the Chancellor responsibility and authority for oversight and management of funds and other resources in accordance with policies stated below – including approval of transfers among funds and budget adjustments within specified parameters. Further, the Chancellor is charged with preparing documents in an appropriate and timely manner that require committee review and/or approval.
4. The Chancellor, in turn, delegates to the President of each System institution responsibility and authority for:
 - a. Ensuring that units function with proper internal control procedures such that all budgets remain balanced and within authorized limits;
 - b. Ensuring that any and all transactions requiring higher level review and/or approval are identified and forwarded in an appropriate and timely manner; and
 - c. Ensuring explanations and documentation of authorized adjustments, transfers, and/or revenue/expense patterns be provided in an appropriate and timely manner to officials for reporting purposes.

(B/R 12/18)

Section 2. Financial Policies

1. Uniform Accounting Policies and Procedures
 - a. The NSHE institutions will implement uniform accounting and administrative policies and procedures as defined by the NSHE. Revisions to the policies and procedures will be considered by all institutions through the Business Officers Council to the Presidents' Council for recommendation to the Chancellor.

- b. Definitions for all reporting categories will be in accordance with the nationally accepted National Association of College and University Business Officers (*NACUBO*) classification system. Policies concerning review and approval of annual operating budget adjustments are applicable to and will vary within each of the three primary groupings (1) State Operating Budget; (2) Self-Supporting Budgets, and (3) other funds, consisting primarily of federal grants and contracts.

2. Reporting

Consistent and uniform quarterly reporting of financial activity is an obligation of the System units and institutions to the Chancellor's office. Reporting of fiscal exceptions for self-supporting programs and capital project accounts to the Business, Finance and Facilities Committee will be determined by the Chancellor. The quarterly fiscal exception report for System units and institutions will include a plan for resolving any reported program or project funding shortfall.

3. Self-Supporting Budget Review

- a. Definition. A self-supporting activity is a course, program, or affiliated entity that generates its own revenue through tuition and fees or other sources of revenues, rather than state or federal appropriations. Self-supporting activities are designed to be self-sufficient, cover their own costs, and do not require additional funding from the institution or external sources.
- b. Reporting. All self-supporting accounts exceeding \$250,000 of projected annual expenditure activity will be included in the annual budget process. Fund transfers will not be included in determining whether a self-supporting budget meets the \$250,000 threshold for inclusion in the annual budget process. Excluded from this requirement are grants and contracts and plant, loan, endowment, clearing, fiduciary, student fees, and scholarship funds. The annual report shall include the funds being carried over from the prior year.

4. Budget Revisions

- a. The principle governing the review and approval structure for budget revision shall be that the Chancellor and President of each System institution have authority and responsibility for proper and effective management, thereby enabling and enhancing efficient utilization of institutional resources.
- b. Revisions of self-supporting budgets, excluding revisions between object codes, exceeding twenty-five percent of expenditures for budgets up to \$400,000; or revisions of \$100,000 or greater for budgets exceeding \$400,000 must be approved by the institution President or designee. Institutions must provide plans regarding:
 - 1. The impacts of the revisions on the affected programs, particularly noting how reductions in personnel and operating expenses will be accommodated for the remainder of the fiscal year; and
 - 2. What the fiscal and program implications are for subsequent years. The Chancellor will submit to the Board of Regents an annual report detailing the number and type of revisions by institutions that were approved by the President or designee.

5. Transfers

- a. When both non-state and state-resources are allocated for a functional purpose, and an institution expends resources from non-state accounts that are in compliance with state regulatory requirements, they may transfer expenditures from the non-state account to the state account.
- b. Expenditures transferred from non-state accounts to state accounts must meet the intent of the state appropriation and have a similar operating purpose and function. Transfers must be reviewed and approved by authorized budget personnel within the institutional finance department, as designated by the institutional business officer, and must be properly documented to ensure transparency and accountability. The transfer of expenses from non-state to state budgets must be reviewed and approved by the institution President with appropriate supporting justification and reported in an annual summary to the Board of Regents as outlined in subsection d.
- c. The Presidents have authority to transfer funds into or out of each budget subject to policy guidelines of Title 4, Chapter 9(c), Section 2, Subsections 4 and 10, and state appropriation restrictions.
- d. Budget transfers between functions of more than \$500,000 of State Appropriated or Self-Supporting Budget Funds must be reviewed and approved by the institution President or designee and reported to System Administration with justification, including how the transfer met the intent of the state appropriation or funding source. A budget transfer must maintain the original function. A quarterly report will be provided to the Board of Regents for transfers across functions when the total accumulated budget transferred exceeds \$500,000 for the fiscal year.
- e. Documentation Requirements. All transfers must be properly documented, including detailed information about the purpose of the transfer, amounts involved, and any restrictions or requirements associated with the transfer.
- f. Compliance with State and Federal Regulations. Transfers must comply with all applicable state and federal laws and regulations, including those related to accounting, financial management, and grant administration.

6. Use of State Operating Funds

Each NSHE institution with a State-Operating Budget must utilize state appropriated funds to the greatest extent possible in support of the purpose the funds were appropriated. NSHE institutions that provide student instruction and derive instructional funding through the State-Operating Budget must utilize those resources to the greatest extent possible in support of student credit-based instruction. Funds provided through the State-Operating Budget for facilities maintenance must be utilized to the greatest extent possible in support of facilities operation and maintenance, which may include remodeling projects and deferred maintenance. The State-Operating Budget supports several institutional functions and to the greatest extent possible the funds should be used to support the institution function approved as part of the State-Operating Budget request. The use of state operating funds for functional purposes outside of the approved function must follow the procedures for transfers in Title 4, Chapter 9, Section 2 (5). The use of instruction funds for noninstructional purposes must be certified by the institution's President and approved by the Chancellor and Board of Regents prior to budgetary commitment. Approval should be only under the most unusual conditions.

In addition, the State separately funds deferred maintenance and capital projects. Funds appropriated by the State for deferred maintenance and capital projects must be used for those purposes. The use of State funds appropriated for deferred maintenance and capital projects for other purposes is strictly prohibited.

7. Scholarship Function

Amounts budgeted by each NSHE institution in the scholarship function shall be approved annually by the Board of Regents as part of the institution's operating budget; provided, however, that in the event that the amount budgeted by the institution is less than the amount funded by the Nevada State Legislature in the scholarship function such amount shall be considered separately by the Board and shall be accompanied by the President's justification for such variance. This provision does not preclude an institution from augmenting the budgeted amounts of the Scholarship function. Any supplemental amounts transferred into the Scholarship function are not subject to the student access guidelines established in Title 4, Chapter 18, and may be reallocated to other functions without restriction.

8. Overrides

The controller or equivalent official at each NSHE institution is responsible for the control of override activities within their financial organizations. Overrides of financial transactions are restricted to the controller and those who report directly to the controller. Authority for other personnel can be given on a case-by-case basis. All "level five" financial overrides will be monitored through a System override report. Payroll entries will be monitored on an after-the-fact-basis. Exceptions in specific grant and contracts accounts and non-state budgets may be approved by System Administration.

9. Reconciliation of Bank Accounts

Each NSHE institution must have documented procedures detailing the processes regarding reconciliation of bank accounts. Bank reconciliations must be completed and submitted to the Office of Banking and Investments within sixty days of the close of the month.

10. Account Control

Each institution should review annually all budget accounts and eliminate those that have been inactive for an extended period of time and where it is unlikely that they will have any future activity. Consolidation of similar accounts should be undertaken to reduce further the number of overlapping and unnecessary accounts. The Board of Regents will review annually a report of the number of accounts that are consolidated or eliminated by institution.

11. Budget to Actual Report

The System Administration will develop annually a report that compares the original budget to actual revenues and expenditures for Self-Supporting Budgets as defined under Policy 3 the review will include all self-supporting budgets that exceed annually \$250,000 in projected annual expenditure activity. The report will summarize and highlight those activities that vary from the original budget by the greater of \$250,000 or 10%.

12. Capitalization Threshold

Capital equipment is defined as 1) those items having an acquisition cost of \$10,000 or more, having a useful life of greater than one year, and be an individual, stand-alone, moveable, tangible item; or 2) a bulk purchase which is defined as assets whose individual acquisition cost is less than \$10,000 but purchased in bulk and the aggregated total cost of the identical units purchased on a single requisition and for a single project has a total value greater than

\$25,000,000 and above per Institution, are capitalized. Computers, classroom furniture, and communication equipment are some of the assets that may not meet the capitalization policy on an individual cost basis but might meet the threshold in the aggregate.
(B/R 6/25)

D. Fiscal Impact Policy

Before any proposal before the Board of Regents or any of its committees may be acted upon, a fiscal impact statement must be provided if the proposal is likely to increase any fiscal cost or reduce any revenue to the System in excess of \$25,000 per fiscal year. The fiscal impact statement must be prepared by the institution making the proposal or by System Administration for its proposals or those of the members of the Board of Regents. The fiscal impact statement must be factual and concise in nature and must provide a reliable estimate of the financial effect of the proposal in the current fiscal period as well as future fiscal years.

(B/R 11/00)

E. Compliance Department Charter

Section 1. Preamble

Higher education is subject to a myriad of compliance obligations. The sources of these obligations include not only federal, state and local laws, rules and regulations, but also industry standards, self-regulating organizations, and internal policies, procedures and control systems. The failure of institutions of higher education to meet this increasingly complex web of compliance obligations can have significant consequences - including administrative fines and penalties, suspension and disbarment from government programs, civil damages, criminal penalties, and general reputational harm. In recognition of these risks, Title 1, Article VI, Section 3 of the *Handbook* provides that the Board of Regents, through the Audit, Compliance and Title IX Committee, shall (i) formulate an effective compliance function, (ii) provide centralized oversight of a program for compliance, (iii) review and evaluate compliance reports, and (iv) make recommendations as necessary for the correction of non-compliance. Therefore, the Board does hereby establish the following Compliance Department Charter setting forth policies and expectations with respect to compliance.

(B/R 12/18)

Section 2. Compliance Defined

Compliance means conforming to applicable federal, state, and local laws, rules, and regulations (sometimes referred to as “regulatory compliance”). Compliance also means and includes conformance with industry standards, self-regulating organizations, and internal policies, procedures and control systems (often referred to as “industry compliance”). Compliance also describes the awareness of, and efforts taken to ensure, regulatory and industry compliance. Compliance is an essential function of every institution, unit, and program of NSHE, and is a communal responsibility shared by all employees and stakeholders. The Board of Regents provides oversight of System and institutional compliance efforts and activities through the Audit, Compliance and Title IX Committee.

(B/R 12/18)

Section 3. NSHE Compliance Department

The Compliance Department is hereby established as part of System Administration. The Compliance Department is responsible for the operation of the NSHE Compliance Program. The Compliance Department shall be administered by a Compliance Coordinator, who shall report to the Audit, Compliance and Title IX Committee. The Compliance Coordinator shall be supervised on a day-to-day basis by the Chief Internal Auditor, and shall work on System wide compliance matters as directed by the Chief Internal Auditor and in consultation with the NSHE Chief General Counsel.

(B/R 12/19)

Section 4. NSHE Compliance Program

Each institution has primary responsibility for ensuring compliance relative to its activities and for operating an effective compliance program that meets the needs and obligations of the institution. The NSHE Compliance Department through the Compliance Coordinator shall support and supplement institutional compliance efforts and is tasked with the following roles and responsibilities:

1. secondary System level oversight of institutional compliance efforts and programs;
2. development of appropriate System level compliance policies, procedures and controls;
3. provide technical assistance as necessary and facilitate the efficient utilization of compliance resources on a System wide basis;
4. review and periodic audits of compliance controls to determine the effectiveness of System and institutional compliance programs;
5. education and training on compliance issues and obligations;
6. communication on compliance issues and risks including providing an independent reporting line through which System and institutional employees and stakeholders can report compliance concerns.

(B/R 12/19)

Section 5. Annual NSHE Compliance Plan

1. The Compliance Coordinator shall, prior to the beginning of each fiscal year, prepare a plan detailing System and institution activities and areas that will be the focus of the NSHE Compliance Program for the upcoming year (each an "Annual Compliance Plan"). The Annual Compliance Plan will identify areas of potential or emerging compliance risk and identify priorities and goals for the NSHE Compliance Program in the upcoming year. The Annual Compliance Plan will be developed in consultation with the institutions.
2. The Annual Compliance Plan is subject to review and approval by the Audit, Compliance and Title IX Committee. Amendments and significant deviations to the Annual Compliance Plan must be approved by the Audit, Compliance and Title IX Committee. However, the Compliance Coordinator may conduct unscheduled compliance reviews of System and institution activities outside of the Annual Compliance Plan based on specific compliance concerns that he or she learns about or are otherwise brought to his or her attention.

(B/R 12/19)

Section 6. Institutional Compliance Program

Each institution or unit is responsible for compliance relating to its activities and endeavors and for establishing and maintaining an effective compliance program (each an “Institutional Compliance Program”). No particular form or structure is mandated, however, the following elements of an effective Institutional Compliance Program must be included:

1. integration of compliance considerations and controls into operational policies and procedures;
2. periodic audits or reviews of compliance controls, policies and procedures, and development of corrective action plans, where necessary;
3. compliance training and support provided in a manner that is appropriate and accessible;
4. periodic risk assessments aimed at identifying areas of potential or emerging compliance risk;
5. designation of individuals or committees to provide direction and support on compliance issues, where appropriate;
6. processes that encourage institution employees and stakeholders to report compliance issues and that ensure non-retaliation for those who do so in good faith.

(B/R 9/17)

Section 7. Medical and Healthcare Compliance

1. The healthcare industry is highly regulated and is subject to an increasing complex array of regulatory and industrial compliance obligations. Penalties for non-compliance can be severe and include exclusion of reimbursement from Medicare/Medicaid and private insurers. A robust compliance program is critically important in clinical practice activities in order to avoid erroneous billing and conflicts between patient care and business operations. Therefore, NSHE institutions, units and programs (including affiliated entities, programs, and practice plans) engaged in the clinical practice of medicine or allied healthcare must develop and maintain a written compliance plan for such activities (a “Healthcare Activity Compliance Plan”).
2. Each Healthcare Activity Compliance Plan shall address each of the elements described in Section 5 above and designate a person responsible for managing and administering the Healthcare Activity Compliance Plan (a “Healthcare Activity Compliance Officer”). In addition to any line of reporting that exists within the institution, the Healthcare Activity Compliance Officer shall also have a direct line of reporting to the institution President and the Compliance Coordinator in order to ensure independence, impartiality, and accountability.
3. Each Healthcare Compliance Plan is subject to review and must receive initial approval by the Audit, Compliance and Title IX Committee. After initial approval by the Audit, Compliance and Title IX Committee, a Healthcare Activity Compliance Plan may be amended or updated as necessary to conform to applicable compliance obligations, subject to review and approval by the Compliance Coordinator.

(B/R 12/19)

Section 8. NSHE Compliance Department Funding

1. The NSHE Compliance Department receives funding from a cost allocation model and is based upon the budget approved by the Chancellor and the Chair of the Audit, Compliance and Title IX Committee. The cost allocation model shall be developed in consultation with the Business Officers Council and should reflect an allocation based on the activities and relative compliance risks of each institution, and the priorities and goals identified in the Annual Compliance Plan.
2. NSHE Compliance Department Funds shall be accounted for separately and are available for expenditure on compliance-related expenditures which include:
 - a. salaries, wages and benefits for appropriate staffing of individuals directly employed in or providing services by the department;
 - b. operating expenses, including travel, directly related to the Compliance Department. This may include expenses that support the administration of the Compliance function (e.g. expenses related to office supplies, software program, membership dues, training and certifications);
 - d. equipment purchases directly related to the Compliance Department;
 - e. professional fees and expenses including consulting costs directly related to compliance activities;
 - f. transfers between NSHE institutions or budget areas for shared Compliance resources or programs.

(B/R 12/18)