



such as security and access controls, equipment inventories, and credit cards. Asmussen added that he had committed to augmenting the legislative auditor coverage with internal audit resources to ensure that all colleges were reviewed.

Mr. Asmussen reminded members that the Office of the Legislative Auditor had autonomous statutory authority to select colleges that had expressed interest in auditing some of the larger institutions, particularly the state universities. He stated that the legislative auditor had reserved the prerogative to go to one or more of the state universities this year.

Trustee Thiss asked if the legislative auditor would use a targeted approach to avoid a duplicative process to the work of the external auditors. Mr. Asmussen assured members that the legislative auditor would start by looking at the external auditor's working papers and build from there.

Trustee Van Houten stated that CFI ratings ought to be taken into consideration in the selection of colleges for the legislative auditor to review. He added that colleges with the weakest CFI ratings ought to get some sort of an annual review, until they worked their way up.

Ms. Laura King, Chief Financial Officer, stated that there would be occasion to discuss how colleges were selected for audit when the committee discussed the fiscal 2011 audit strategy and audit plan. She added that it had never been an objective in the five year audit strategy plan to target financial condition, but rather to target institutions from an internal control cycle standpoint. She questioned whether the legislative auditor would have the staff support to do the kind of work around financial condition, but she added that it would be a great conversation about audit strategy objectives going forward. Trustee Van Houten added that at a minimum the three campuses with negative unrestricted net assets ought to be on the audit list.

Trustee Van Houten made the motion, Trustee McElroy seconded. The Audit Committee recommends that the Board of Trustees approve the following motion:

#### RECOMMENDED COMMITTEE ACTION:

The Audit Committee has reviewed this proposal for audit coverage of the six colleges during fiscal year 2010. The committee recommends that the Board of Trustees adopt the following motion:

#### RECOMMENDED MOTION:

Based on the review and recommendation of the Audit Committee, the Board of Trustees approves the Executive Director of Internal Auditing and Vice Chancellor for Finance making arrangements with the Office of the Legislative Auditor to conduct financial audits of Central Lakes College, Inver Hills Community College, Pine Technical College, Ridgewater College, Riverland College, and, if resources permit, St. Cloud Technical College during fiscal year 2010. To the extent that the Office of the Legislative Auditor will not have sufficient time to audit St. Cloud

Technical College, the Office of Internal Auditing shall perform equivalent audit procedures on the college.

3. Review and Approve Release of the Audited Financial Statements (Action Item)

Mr. Asmussen explained the contents of the four documents that were handed out to the committee. The documents included summaries of the fiscal 2009 audit and financial audits, the annual financial report for the system, the supplement to the annual financial report and finally the required communications letter from Kern, DeWenter, Viere. He explained that the objective for the committee would be to identify any issues that should be referred to other policy committees, and decide if it

Mr. Wischmann reviewed the significant deficiencies

- Systemwide Information Technology – A process to adequately address prior year Information Technology comments that were essential to data security and business continuity in a timely manner had not been fully developed. Adequate user level security over current web application environments had not been implemented
- Reconciliation of Campus Local Bank Accounts– Four campus local bank accounts were not reconciled or not timely reconciled at June 30, 2009. Failure to accurately reconcile all local bank accounts increased the risk of misstatements of financial statement amounts.

Trustee Van Houten noted that some of the same information technology comments had carried forward from prior years. Trustee Thiss added that the prior year security comments should be forwarded to the finance, facilities, and technology committee to be resolved. Mr. Wischmann noted that the comments had risen to a new level of reporting because they had not been fully addressed, but that the significance of the comments had stayed relatively constant. He added that the majority of the user level security issues had already been addressed by the information technology staff

had staffing turnover, there had not been backup plan for closing the local bank accounts and keeping them up to date, and a backlog was created that took new staff some time to reconcile. He added that the challenge was to set up a system that would allow other staff to keep up with the daily work load as well with the monthly reconciliations, even when turnover occurred.

Trustee England asked if reconciliations would be simpler if the accounts were under one banking structure as opposed to numerous local banks. Ms. King stated that it would not necessarily be simpler to have one bank account. She









Trustee Thiss asked if there were possible systemic issues related to journal entry findings. Ms. King stated that the problems resulted primarily from turnover. Trustee Thiss stated that staffing turnover would always occur. Ms. King agreed and one of the projects that the financial reporting group undertook was to work with the campuses to document control cycles. Ensuring that procedures were in writing would create a routine process that would alleviate some of the risk associated with staffing turnover.

Trustee Dickson asked if the turnover reported at the colleges and universities would indicate that there may be a shortage of accounting programs to meet the needs. Mr. Wischmann noted that although things had changed over the years, he thought there was an ample supply of graduates for the accounting needs. Ms. King added that many of the positions available were in entry level career positions, which meant that after staff gained experience they would move on to other career options.

Trustee Van Houten commented that one of the issues that ought to be on the agenda at the system level was whether or not certain financial duties could be consolidated in larger campuses on a partnership basis. Ms. King stated that shared services was one of the six profile projects that would be reviewed in the upcoming year as a part of Students First.

Trustee Thiss congratulated Mr. Stoddard, Ms. King and the staff for their good work. Ms. King thanked her staff and the auditors for all their hard work. She added that there had been a lot of work in a tight window of time, and she was very pleased with the results.

Trustee Van Houten made the motion, Trustee Englund seconded. The Audit Committee recommends that the Board of Trustees approve the following motion:

**RECOMMENDED COMMITTEE ACTION:**

The Audit Committee has reviewed the fiscal year 2009 audited financial statements and discussed them with representatives of management and the external auditing firms. The committee recommends that the Board of Trustees adopt the following motion:

**RECOMMENDED MOTION:**

Based on the review and recommendation of the Audit Committee, the Board of Trustees approves the release of the fiscal year 2009 audited financial statements as submitted.

The meeting adjourned at 10:00 am.

Respectfully submitted,  
Darla Senn, Recorder