

MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES
June 15, 2010

Audit Committee Members Present:

committees and working groups, including Students First and the Office of the Chancellor Diversity Committee. Prior to this, she worked as Senior System Development Auditor with Norwest Audit Services and Audit Director with the Minnesota Office of the Legislative Auditor. Ms. Busch has a Bachelor of Science Degree in Accounting from St. Cloud State University and was Certified Public Accountant as well as a Certified Information System Auditor, a Certified Internal Auditor, and held a Global Information Assurance Certification – Security Essentials Certification. Ms. Busch was a member of the current Luoma Leadership Academy Cohort. She had been a leader in professional organizations, most notably as the past president of the Twin Cities Chapter of Information Systems Audit and Control Association and she has been an active member of EDUCAUSE, Higher Education Information Security Council Governance, Risk, and Compliance Working Group.

Trustees setting its own standards or auditing to the standard of perfection. He added that the issue of materiality needed further discussion. Mr. Nobles stated that the Board made a policy choice to invest resources to have institutions develop financial statements and to have those financial statements audited. He added that the system did not bring the system to an adequate level of controls.

Trustee McElroy stated that the committee appreciated the work of the Office of the Legislative Auditor in identifying findings and areas of concern, but he expressed concern about the system requiring a standard of internal controls that was higher than those set by other bodies. Mr. Nobles stated that all agencies of state government, through the Minnesota Commissioner of Management and Budget were required to meet standards, internal controls that went beyond what would be required from a financial statement audit.

Trustee Van Houten stated that the Office of the Legislative Auditor had audited the system in the past and there had never been criticism of the process in terms of external auditors reviewing the twelve largest campuses and choosing to identify systemic issues. He added that the audit period at St. Cloud State University overlapped other audits by external auditors. Those audits were given a charge, were carried out, and were accepted by the Audit Committee. The Office of the Legislative Auditor had not criticized those audits when the system level audit was conducted. Trustee Van Houten asked how the guidance provided by the Office of the Legislative Auditor would change the system charge to the external auditors. He stated that it was important to understand the standards suggested by the Office of the Legislative Auditor. Mr. Nobles stated that there had been no criticism in the past because the external auditors auditing the financial statements had done a fully competent job. But he added that the objectives were different. He stated that a complete adequate audit plan would contain both audit strategies, if that was what the Audit Committee wanted to do, but he suggested that the committee should consider reviewing the value in continuing to do financial statement audits. Trustee Van Houten stated that the system has had both types of audits cited past comments by external auditors about credit card errors and concerns. Trustee Van Houten stated that there was still uncertainty about the implications of the audit charge to the external auditors and he suggested that the committee further discuss the topic. Trustee Thiss agreed.

Dr. Asmussen agreed with Mr. Nobles assertion that auditing to the financial statements was not adequate and stated that the Office of Internal Auditing has never been satisfied simply auditing to the financial statements. He stated that as part of the annual audit plan the system has hired the Office of the Legislative Auditor to audit on a cyclical basis, a number of small colleges that were not material to the system financial statements. In addition, the work of the Office of the Internal Auditing and the work of the Finance Department had elements that went far beyond the base requirement. He stated that the committee would need to decide how far the audit plan should extend to be satisfied with the level of assurance.

Dr. Asmussen stated that the large comprehensive universities introduce a different set of challenges. He added that it was not as easy to simply select additional areas to audit based on a financial materiality standpoint. He stated that there may be other techniques

beyond risk assessment, such as training and self assessment techniques.

Ms. Laura King, Chief Financial Officer, agreed with Dr. Amussen and stated that with the Audit Committee's guidance, a risk management environment had been designed in the past, and she suggested that there might be value in looking at that environment to understand all the elements. She also stated that it had not been the Board's desire to rely solely on audited financial statements, nor had it been the strategy that was deployed. Trustee Thiss agreed and stated that the report provided great material to encourage the committee to reexamine, make some decisions and move forward.

Trustee Van Houten stated that he would welcome more deliberation on the topic and expressed concerns about the cost benefit relationship with doing more in depth audits at the larger institutions.

Mr. Nobles complimented the Minnesota State Colleges and Universities for the seriousness to which it took accountability and financial management. He stated that the Board did an outstanding job and consistently demonstrated commitment. He further stated that the Office of the Legislative Auditor had jurisdiction, responsibility and authority to audit the Minnesota State Colleges and Universities in any way decided, aside from whatever the Board decided. Trustee Thiss acknowledged that jurisdiction and stated that audit reports continue to be viewed as opportunities for continuous improvement. He added that the committee would continue the discussion.

Mr. Nobles presented finding three; St. Cloud State University and the Office of the Chancellor did not promptly intervene when the St. Cloud State University Foundation

before the other agreement was entered into. She added that the parties thought that this university agreement was imminent and that was what caused the delay and actually taking action with the foundation. It turned out to be a longer negotiation process than anyone anticipated. But it was something all of the parties involved see that they should have been more attentive to at the time.

Mr. Nobles introduced Mr. Dave Polisenio who was the Audit Manager for the St. Cloud State University Audit. Mr. Polisenio recognized Mr. Tim Rekow who was the auditor in charge. Mr. Polisenio reviewed finding number four; the university did not adequately restrict employees' use of university issued credit cards.

Trustee Van Houten asked if the exceptions stated in the report were the same errors that had been identified in prior audits which had resulted in training and communication, or was the audit reporting only on errors that had been made since the training and communication took place. Mr. Polisenio stated that transactions had been tested during from July 2007 through December 2009 and that the errors had been fairly consistent throughout the whole time. Trustee Van Houten stated that the committee would need to understand that more clearly in order to understand the scope of the continuing credit card problem.

Dr. Asmussen agreed and stated that it was an important question. He added that after the most recent comprehensive audit in September of 2009, the Audit Committee made it clear that they expected the lessons from the audit to go out across the system and expected all presidents to pay attention to those findings. The Chancellor sent a memorandum to all presidents shortly thereafter, and internal auditing committed to following up with each of the colleges and universities. Dr. Asmussen stated that the follow-up process was underway. He added that this issue had been incorporated into the presidential evaluation process for the year, and that he would bring back to the committee final status update in July.

Mr. Polisenio reviewed finding number seven regarding incorrect and unauthorized tuition rates and course fees charged to students by the university. He stated that St. Cloud State University had assessed over a million dollars to students for unauthorized fees or erroneous fees. He stated that the colleges and universities needed to receive Board approval prior to accessing fees to the students.

Dr. Asmussen stated that the amount of overpayment was relatively narrow and the prospect of refunds was very unlikely. He added that Ms. Buse had done further analysis. Ms. Buse stated that during the two and a half year audit period, the university collected abos. Bu(i)-2(o)-6(a)4(m)-t Tw Tdgyhaeouse that u, .ed (ect)-6taing bac-6(i)-6(o)--28.62-2(oud S)

