

MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
AUDIT COMMITTEE MEETING MINUTES  
April 16, 2013

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Audit Committee Members Present: Trustees Philip Krinkie, Chair; Ann Anaya, Brett Anderson, Alfredo Oliveira, and Michael Vekich.

Audit Committee Members Absent: none

Others Present: Chancellor Steven Rosenstock, Trustee Clarence Hightower, Chair; Trustee Duane Benson, Trustee Alexander Cirillo, Jr., and Trustee Louise Sundin.

The Minnesota State Colleges and Universities Audit Committee held its meeting on April 16, 2013, 4<sup>th</sup> Floor McCormick Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Krinkie called the meeting to order at 2:04 p.m. and reviewed the agenda.

1. Approval of the Audit Committee Meeting Minutes

Trustee Krinkie called for a motion to approve the January 15, 2013 Audit Committee meeting minutes. There was no dissent and the motion carried.

Ms. Beth Buse, Executive Director of Internal Auditing, began by giving a brief internal audit update. The State Treasury account balance was the finalization of the Audited Financial Statements report by a couple of months. Committee Chair Krinkie had asked for an update on the extra costs that were incurred because of a delay that was imposed on the internal auditing firms. Ms. Buse reported that contracts with the external auditors had already been amended to include an additional \$40,000 for the delay.

Ms. Buse briefly reviewed the external Quality Assessment report that committee members received in late March. She explained that external auditing standards require that internal audit divisions undergo an external quality assessment once every five years, and the report meets those requirements. She noted that the external assessment results were favorable. The Office of Internal Auditing generally conforms with auditing standards. There were a few minor continuous improvement opportunities noted, and Ms. Buse stated that she would return to the committee later in the year with some technical changes that were recommended to the audit charter. Trustee Krinkie stated that he had met with the external assessor prior to the review and then again at the exit interview. He thanked Ms. Buse and her staff for their work and for the results of the excellent report.

Finally, Ms. Buse updated the committee on the fiscal year 2013 audit plan. The plan was approved in June 2012. She noted that the office was somewhat behind on the plan but that all approved projects would be underway by the end of the fiscal year and would be concluded in 2013.

would be at full staff. She noted that a number of her staff were present. Trustee Krinkie encouraged the staff to stand and be recognized by the committee.

2. Review Results of Financial Aid Audits

Ms. Buse, introduced Mr. Craig Popenhagen, Clifton Larson Allen and Mr. Callie, System Director of Financial Aid for the system

Ms. Buse presented overview material and explained that this was an annual report that was required by federal law and focused on major federal programs. The Office of the Legislative Auditor identified student federal financial aid as the only major federal program for the system in fiscal year 2012. The audit work, which was performed by Clifton Larson Allen was compiled into a State of Minnesota Single Audit report. Due to the delay that the state experienced in

Chancellor Rosenstone stated that the students who graduated in 2012 with a certificate roughly half of them graduated with no debt. He added that a third of the students who graduated with an associate's degree had no debt, and a quarter of the students who graduated with a baccalaureate degree had no debt. He further added that the median debt for all graduates at the certificate level was about \$3,000, at the associate's level the median debt was about \$8,000, and at the baccalaureate degree level the median was about \$18,000.

Chancellor Rosenstone stated that although borrowing had gone up, the level of indebtedness at MnSCU's colleges and universities was nowhere close to the levels being reported in the newspaper. He added that the measures the system had taken in response to the legislative request to control costs, the investments made toward improving completion rates, which was another way of ensuring affordability, and the steps taken to align colleges and universities better with high schools around the state, that more students were getting college credit before they left high school, were all measures that will help with affordability. Finally, he added that the board's position on access to the state grant for working part time students could also have a tremendous impact on reducing the indebtedness of students as they graduate.

Trustee Krinkie asked if it would be possible to have the Chancellor's comments condensed into pocket notes that the trustees could use when discussing the financial aid issue. Chancellor Rosenstone agreed and added that in addition, he would include that of the other higher education alternatives in the state of Minnesota. MnSCU also has the lowest debt of graduating students.

Mr. Popenhagen discussed the results of the audit. He stated that overall it had been a very good audit. They issued a clean opinion on compliance. He reviewed the audit comments and stated they were fairly minor housekeeping findings. Finally, he reported that prior year findings were resolved. Ms. Buse stated that these were fantastic results for the board to receive. She added that the financial aid offices at the colleges and universities had done a great job.

Trustee Krinkie stated that higher enrollments meant more money going through the system, more applications, and more paperwork, so it really speaks to the success of all the staff who were doing an outstanding job.

Mr. Halling added his own acknowledgement of the tremendous work done by the financial aid directors and their staffs. He thanked the presidents and their administrators for making resources available and acknowledged the assistance from information technology management over the last couple of years to automate some processes that were otherwise risky because of the volume of manual entries. Finally, Mr. Halling acknowledged an aura of helpfulness from one financial office to another. Particularly he recognized David Vikande, the financial aid director at Southwest Minnesota State University and his staff, who voluntarily stepped in last year with two institutions who were having issues due to staff turnover. Mr. Halling noted that the Campus Service Cooperative made that sort of cooperation possible between colleges and universities.

Trustee Krinkie stated that great audit results don't just happen because of the hard work,

due diligence by everyone on the campuses from the president to the people who are administering the programs. He thanked everyone again for their commitment.

Ms. Buse continued with a brief background on the financial aid work that was done by the Minnesota Office of Higher Education. The work of the Minnesota Office of Higher Education was done at an individual college or university level. She stated that the Office of Internal Auditing did followup work on all findings.

### 3. Review Results of Internal Control and Compliance Audit of Banking Controls

Ms. Buse began by providing background information. The project was approved by the audit committee in the audit plan for fiscal year 2013 as a horizontal audit, which means that it looks at a specific process across all colleges and universities. The work was led by Ms. Melissa Primus, Audit Project Manager.

Each college and university is responsible for internal controls related to local banking and

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Vice Chancellor King thanked Trustee Anaya for her comments. She added that the question about whether the system had become inefficient in its banking practices, in large part

also work with Vice Chancellor King and her staff to determine an approach to resolve the broader recommendations.

Ms. King added that work had already begun on some of these recommendations and those were noted in her response to the audit. She noted that in some cases, there would need to be conversations at the campus level before there was an understanding of what solutions should be instituted. Finally she noted that legal relationships with the banks would take some time to come to a new model on, but that she planned to roll it into their work plan for the upcoming year.

Trustee Hightower asked if it would be possible to have a categorized list of the recommendations, so that the board would understand which issues they should expect to see coming back before their committees. Ms. King agreed.

Trustee Vekich asked if there was someone who would be looking into the investment piece of the strategy in order to capitalize on some of the opportunities that were noted in some of the recommendations. Ms. King stated that she planned to have conversations within the Chief Financial Officer community. She added that the State Board of Investment might be able to act as an investment manager on behalf of the Minnesota State Colleges and Universities but that would require a statutory amendment to give them that authority.

The meeting adjourned at 3:08 p.m