

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: June 19, 2013

Agenda Item: Approval of FY 2014 Internal Auditing Annual Audit Plan

Proposed
Policy Change

Approvals
Required by
Policy

Other
Approvals

Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

Board Policy 1D.1, part 6, requires the Executive Director of Internal Auditing to present an Audit Plan for each fiscal year. Internal auditing standards require that the Board approve the annual plan.

Presenter at the Audit Committee meeting:

Beth Buse, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- The audit plan presents an overview of how the Office of Internal Auditing plans to use its resources in fiscal year 2014.
- Internal audit plans to maintain flexibility in the audit plan.
- Plan updates will be brought to the Audit Committee throughout fiscal year 2014.

Minnesota State Colleges and Universities
Office of Internal Auditing
Fiscal Year 2014 Annual Audit Plan

This document outlines the Office of Internal Auditing annual audit plan for fiscal year 2014. It includes all internal and external audit activities planned for the ensuing fiscal year, as required by Board Policy 1D.1, Part 6. This document contains four sections and one appendix:

Section I – Audit risk assessment results

Section II - Internal Auditing technical resources

Section III - Other monitoring activities.

Section IV – Administrative activities.

Section I: Audit Risk Assessment Results

The International Standards for the Professional Practice of Internal Auditing state the chief audit executive (CAE) is responsible for developing a risk-based plan to determine the priorities of the internal audit activity, consistent with the organizations goals. The standards state the plan must be based on a documented risk assessment, undertaken at least annually. The risk assessment should take into account the organization’s risk management framework and input from senior management and the board.

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The three commitments of the framework are: to ensure access to an extraordinary education for all Minnesotans; be the partner of choice to meet Minnesota's workforce and community needs; and deliver to students, employers, communities and taxpayers the highest value/most affordable higher education option.

Three strategic workgroups began work in fiscal year 2013; Future of Higher Education, System of the Future, and Workforce of the Future. The strategies and recommendations from these three workgroups may impact internal audit projects in the coming years.

Operational Risks

Through our discussions and research we summarized common themes of operational risks:

- **Human Resources** – system leaders were concerned about the ability to retain and recruit qualified employees. Presidents in particular, also discussed, concerns with employee behavior. In addition, leaders discussed the number of leadership transitions at both the system office and at colleges and universities.
- **Facilities (Safety and security)** – with recent events on leaders minds, the ability to keep employees and students safe has intensified. In addition, a common discussion point was the ability to effectively respond to emergencies.
- **Regulatory Compliance** – common areas of risk within higher education are compliance over: Cleary Act, American with Disabilities Act (ADA), Payment Card Industry Data Security Standards (PCI), Title IX, and requirements over record retention.
- **Technology** – we did do some specific focus work in this area with technology leaders, there were some two areas that were brought up more commonly among all leaders, including knowing the IT security posture of colleges and universities and concerns about ISRS.
- **Academic** – system leaders wondered about best practices and increases in international studies programs and expressed some concerns about the completeness of the implementation of DARS systemwide.
- **Change Management** – the work of the Campus Services Cooperative will be bringing significant change to the system. Along with this are many questions by leaders and employees across the system.

Several questions and concerns were raised about the clarity of roles and responsibilities of the system office. With the significant reductions in staffing as well as leadership turnover, employees are uncertain what is done and what is not done now.

- **System Branding** – questions were raised at the study session in May about the branding of the system.

Financial Risks

Internal audit assessed fiscal risk factors at each college and university, using several risk metrics outlined below:

Metric Category	Factors Measured
Audit	

requirements, and past audit history. We determined the following functional areas to have high risk:

- Grant Management
- Employee business expenses
- Tuition and fees
- Financial aid
- Bookstore operations
- Equipment inventory
- Student activity funds
- Academic resale activities
- Capital project administration
- Banking and cash controls
- Purchasing cards

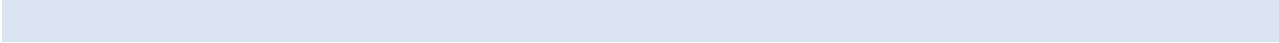
A future consideration for looking at financial risk will be the overall change to business processes and utilization of the Campus Services Cooperative (CSC).

Information Technology Risks

Internal audit gathered information from a variety of sources to help identify and assess information technology risks. We held discussions with IT professionals, attended the annual

MSU ITS Conference (and periodically attended 2007 and 2008) and the 2011 (advised as 23(o) i

It was also determined that the System Office restricts access to the Data Warehouse by only allowing a specific computer or two at each college and institution to access the system. Employees must first access the designated computer before they can subsequently access the Data Warehouse. Each college and university is responsible for properly managing and securing those designated computers. In addition, each college and university manages their own data centers, local area networks, and unique applications.



Fiscal Year 2014

Study with System-wide Interest

In past years, Internal Auditing has scheduled a study of a topic of major system-wide interest. Past studies have focused on undergraduate student credit transfer, auxiliary and supplemental revenues, affiliated foundations and implementation of student success systems.

It is anticipated that the Audit Committee will select the next systemwide study topic in November 2013.

Advisory Services

The Institute of Internal Auditing allows internal auditors to provide advice and guidance to management through consulting or advisory services. These services can be invaluable to management when transforming an area to help ensure that appropriate risks and controls are built in up front rather than waiting until an assurance service engagement. In providing these services, it is important that management is responsible for decisions or actions that are taken as a result of the advice or guidance provided.

One specific area that the Office of Internal Auditing plans to be actively engaged from an advisory services function is with the Campus Services Cooperative.

In addition, the Office of Internal Auditing provides ongoing professional advice to colleges and universities and the system office.

Section III: Monitoring Other External Audits, Evaluations, and Reviews

In addition to the audit activities discussed in the previous sections, a variety of other external audits, evaluations, and reviews occur. Accordingly, Internal Auditing will monitor the results from the following activities and recommend corrective actions to the Chancellor, presidents, or the Board of Trustees, as warranted.

Other Required Audits – Some special grants and other funding sources have certain audit requirements that must be satisfied. State law requires that the Legislative Auditor review any audit contracts prior to their execution. Examples of required audits include:

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Reviews Conducted by State and Federal Student Financial Aid Authorities – The Minnesota Office of Higher Education conducts periodic reviews of state financial aid programs administered by colleges and universities. Most colleges and universities are examined once every three years as part of that process. Internal Auditing reviews these reports to determine whether findings indicate more systemic issues needing attention. Internal Auditing will summarize and report on the results of these audits in April 2014.

Also, the U.S. Department of Education conducts ad-hoc program reviews and investigations of federal financial aid programs. The department schedules its reviews based on a risk assessment process and does not schedule routine reviews of each college and university. We are not aware of any scheduled reviews for fiscal year 2014.

Audits of Affiliated and Associated Organizations – Board Policy 8.3 requires periodic financial audits of affiliated foundations. Also, other related organizations, such as the statewide student associations submit annual audited financial statements to the system office. Internal Auditing will review these audit reports and determine the need to recommend any action by the Chancellor, presidents, or Board of Trustees.

Section IV: Administrative Items

In addition to conducting and monitoring audits, there are a several administrative activities the Office of Internal Auditing needs to complete during fiscal year 2014. These include:

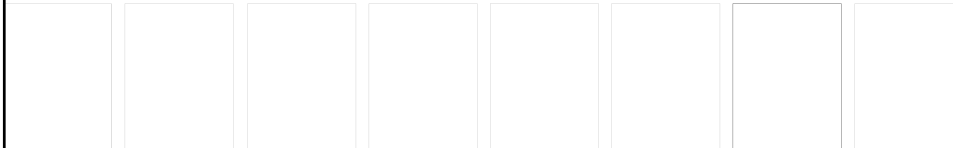
Replacement of Office of Internal Auditing Administrative Systems – Applications used for recording and

Fiscal Year 2014 Internal Auditing Annual Audit Plan

Appendix A: Available Technical Resources

Minnesota State Colleges and Universities

Fiscal Year 2014 Audit Plan



Beth Buse, Executive Director, Internal Auditing

June 19, 2013

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.

Overview

f Summary of external audit activity

f Need to maintain flexibility

f Limited internal audit resources

External Audit Activity

f Financial Statement Audits

f Systemwide and Revenue Fund

f 13 colleges and universities

f Financial Aid Audits

f Finalize Capital Construction Audit Pilot

f OLA Audit:

f General Obligation Bond Proceeds

f No known college and university specific audits

f Other Required Audits

f Minnesota Job Skills Partnership grants

f ISEEK

f Radio Stations

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Internal Audit Resources

f As of May 2013, internal audit at full staff complement

f IT Audit: one time use of consultants

f Increased demand for investigative services

f Delays in FY13 Audit Plan

f Purchasing Card Audit: planning phase

f IT Audit of ImageNow: planning phase

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FY14 Audit Projects

f Advisory Projects

f Campus Services Cooperative

f Professional Advice

f Information Gathering Projects

f Campus Cards

f HIPAA (Health Insurance Portability and Accountability Act)

f Identity and Access Management System (IAM) research

f Administrative Projects

f Fraud policy update and review of roles and responsibilities

f Internal Audit administrative system replacement

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Future Projects for Consideration

f Clery Act Compliance

f Emergency Operations Planning

f International Studies Program

f PCI compliance

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Board Action

f The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2014.