

MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
June 18, 2014

Audit Committee Members Present: Trustees Phil Krinkie, Elise Rista, Michael Vekich, and David Paskach (by phone).

Audit Committee Members Absent: Trustee Ann Anayieieieieieien A TADOT (by phone) (State of Minnesota) but she stated that she had the coordination assistance complete.

significant increase in the last several years in the office's internal auditing resources regards to conducting fraud investigations and inquiry work.

She didn't have an answer as to why there had been an increase, but she felt that it was related to the number of transitions at the colleges and universities. She thought that some increase could be attributed to more awareness of the requirements to bring issues forward. She stated that her office spends well over a position's time in a year. With the addition of the new manager of investigations position, she hoped to build more consistency in approaches, become more efficient in how issues were reported, and work consistently with General Council and Vice Chancellor Mark Carlson and the labor relations staff. Ms. Buse stated that she was working with human resources and was hopeful to have the position classified within the next month and would look to fill the position shortly thereafter.

operations, and the various contract methods. He stated that they would take advantage of the results of this work and would be incorporating them into the regular update process.

Trustee Vekich asked what management's role had been in the selection of the projects and their involvement with the audit process. Mr. Yolitz explained that Ms. Heidi Myers, System Director for Design & Construction, had significant input in selecting the two projects for the pilot. He added that throughout the process, the program manager at the system office as well as the project managers at the cases were involved in a dialog and the follow up of individual findings and clarifications as well as reviewing the contract documents. Mr. Yolitz stated that he was pleased with the amount of management involvement and he anticipated that they would continue to be involved as a strategy for the future developed.

Trustee Vekich wanted a better understanding of the cost benefit of the two pilot projects. He asked if the negotiations were finalized. Mr. Gardner stated that negotiations between the institutions and respective general contracts are still in progress. Miss Buse noted that for the project at Hennepin Technical College there was a retainage in excess of \$200,000 withheld as negotiations were ongoing. She further noted that for the project at Minneapolis Community and Technical College, there were phases to the work that Mr. Gardner and his team performed. A certain percentage of identified opportunities were listed at the end of the first phase, and they had just wrapped up work in the last couple months in the second half, so those negotiations were ongoing.

Trustee Sundin asked if the audit looked at the requirement of minority women contractors and subcontractors. Mr. Gardner stated that during the payment applications testing, which was done on an ample basis, they were able to verify and validate that the montis wch wan