



6/21/22

Office of Internal Auditing

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# Audit Committee

MINNESOTA STATE

# **Proposed Fiscal Year 2023 Internal Auditing Plan**



# Internal Audit (IA) Plan

- IA's Charter requires the Executive Director to present and seek approval of an annual internal audit plan (required by IA standards)
- Plan presents an overview of how IA plans to use its resources
  - Part 1 – Ongoing Activities
  - Part 2 – Multi-Year Projects
  - Part 3 – New Projects
- Plan updates, including suggested changes, will be discussed with Audit Committee throughout the year
- Audit Committee is to also review the internal audit budget, resource plan, activities and organizational structure

# The Office of Internal Auditing



# Internal Auditing Team



Supporting managers, seniors, and staff

Local resources determined based on project needs and skill requirements



# Fiscal Year 2022 in Review

## Internal Audit Operational Updates

- Annual Financial Statement Audits
- Federal Compliance Testing Over Student Financial Assistance and Higher Education Emergency Relief Fund Programs
- Office of Internal Auditing Charter Revision
- Annual Auditor Independence Form Revision

## Internal Audit Program Development

- System-Level Enterprise Risk Management Activities
- Institution-Level Enterprise Risk Management Approach

## Executed Projects

- Quarterly Board of Trustee Expense Audits
- NextGen Project Risk Review #7 and #8
- NextGen Workday Implementation Advisory Project
- Financial Controls Assessments (7)
- HR Shared Services (HR-TSM) Advisory Project
- Enterprise Identity Management System Audit (In Progress)

## Fraud Investigations

- Received 10 allegations
- Issued 3 Investigation Reports; 2 In Progress

# Fiscal Year 2023 IA Plan Development Process



# Part 1 – Ongoing Activities

## Committee Participation and Advisory Services

- NextGen Steering Committee
- Enterprise Risk Management Steering Committee
- Chancellor’s Cabinet and Leadership Committee
- Other Committee and Work Group Participation
- Ongoing Ad-Hoc Risk & Control Inquiries and Advice

## Assurance Services

- Quarterly Audits of Board Expenses and Trustee Expense Reimbursements
- Monitoring Progress on Outstanding Audit Findings

## External Audit Coordination

- Annual Financial Statement Audits
- Annual Federal Student Financial Aid Compliance Audit
- NCAA Compliance Audits (every 3 years)
- Other External Party Audits

## Fraud Inquiry and Investigation Services



# Part 2 – Multi-Year Projects

## NextGen Project Risk Review Checkpoints #9, #10, & #11 (assurance/advisory)

- Perform checkpoints aligned with the project plan, focused on key project milestones. Participate in the ERP Steering Committee, provide professional advice, and assist as requested. Participate in status meetings with the Chancellor and Trustees.

## NextGen Workday Implementation (advisory)

- Advise on key processes, risks, and controls surrounding the implementation, data governance, and other key project factors as they arise. Provide real-time recommendations and input during project meetings.
- Conduct finance and HCM process reviews to identify high risk areas. Collaborate with the project team and management to further refine the scope and develop specific activities to be performed by the internal audit team to advise or provide assurance on the NextGen implementation process and control development.

## Financial Controls Assessment (assurance)

- Execute year three of a five-year rotational plan and facilitate 6-9 college and university internal control assessments each year. Fiscal Year 2023 will include assessments at 4 colleges: Century College, Normandale Community College, Minneapolis Community and Technical College and Hennepin Technical College.



# Part 3 – New Projects

## Equity 2030 Status Assessment (advisory)

- Review the current status of the six strategic dimensions of Equity 2030: enhanced access, academic success, student engagement, evidenced based decision making, financial resources, and workforce and talent diversity. Review the monitoring and evaluation framework that was created to track and calibrate progress, and evaluate the activities completed relative to the timeline and plan. Advise on areas for improvement to further progress the initiative and accomplish the goal.

## Academic Program Process Review (Part 1 of 3) – Transfer Pathways (assurance/advisory)

- Assess impacts of and needed enhancements to the transfer pathway program. Evaluate performance of the program against it's original goals. Review the performance metrics and ensure coverage across all key categories i.e., student success (completions, degree attainment), institutional performance (enrollment, retention, completions, graduation), academic program performance. Determine the extent to which campuses are honoring transfer pathways. Evaluate enrollment opportunities within the program.



# Part 3 – New Projects Cont'd

## Controlled Use of Admin Privileges (assurance)

- Review the colleges' and universities' controls and use of system administrative privileges, part of the Information Security Top 5 Security Domains. Evaluate whether appropriate processes and controls are in place to ensure system administration access and privileges are appropriately controlled in a manner that only allows the administrator to conduct the activities needed to complete assigned tasks. The previous "Top 5" internal audits included reviewing data classification and vulnerability management.

## Ethics, Employee Conduct, and Fraud Review (assurance/advisory)

- Minnesota State's Employee Code of Conduct and Fraud Policy and benchmark against similar systems to provide best practice recommendations. Advise on how to implement a proactive approach to fraud management. Review how Minnesota State is complying with the state ethics requirements and internal ethics policies. Evaluate the monitoring structures in place.

# Internal Projects

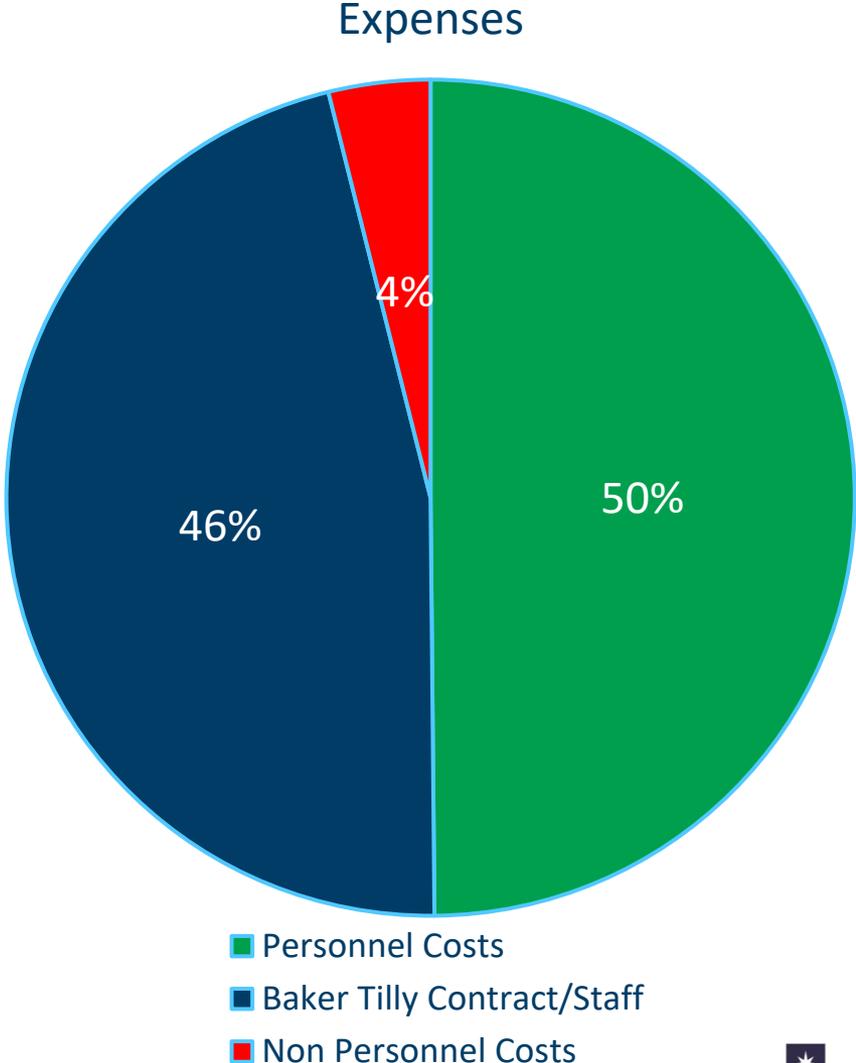
## Address recommendations for improvement provided as part of the Quality Assessment Review, including:

- Develop a multi-year strategic plan to support the dynamic nature of Minnesota State and guide the Internal Audit function.
- Develop a balanced scorecard to communicate performance.
- Update the Quality Assurance and Improvement Program (QAIP) and Internal Audit Manual to include the recommended modifications.
- Complete an internal assessment annually. Assessment to include an evaluation of the “Core Principles”.

# Internal Auditing Budget

- FY23 system office divisional funding allocation/budget being finalized
- Anticipate budget to be comparable to FY22:

Personnel Costs	\$646,450
Baker Tilly Contract/Staff	\$600,000
Non-Personnel Costs	\$50,250
Total	\$1,296,700



# Recommended Action and Motion

## Recommended Committee Action

- The audit committee recommends that the Board of Trustees adopt the following motion:

## Recommended Board Motion

- The Board of Trustees approves the Office of Internal Auditing's annual internal auditing plan for fiscal year 2023.

# Appendix

# Appendix: Enterprise Risk Management Coverage

Proposed FY23 Projects	Primary ERM Risks Addressed
NextGen Project Risk Review Checkpoints #9, #10, and #11	<ul style="list-style-type: none"> <li>IT Systems</li> <li>NextGen Implementation</li> </ul>
NextGen Implementation Advisory	<ul style="list-style-type: none"> <li>IT Systems</li> <li>NextGen Implementation</li> </ul>
NextGen Controls Assessment	<ul style="list-style-type: none"> <li>Governance &amp; Compliance Structure</li> <li>IT Systems</li> <li>NextGen Implementation</li> </ul>
Financial Controls Assessment	<ul style="list-style-type: none"> <li>Board Policy</li> <li>Governance &amp; Compliance Structure</li> </ul>
Equity 2030 Status Assessment	<ul style="list-style-type: none"> <li>Structural Inequities</li> <li>Reputation Management</li> </ul>
Academic Program Process Review (Part 1 of 3) – Transfer Pathways	<ul style="list-style-type: none"> <li>Program Demand</li> <li>Enrollment Management</li> </ul>
Controlled Use of Admin Privileges	<ul style="list-style-type: none"> <li>Data Governance</li> <li>Cybersecurity/Privacy</li> </ul>
Ethics, Employee Conduct, and Fraud Review	<ul style="list-style-type: none"> <li>Talent Management</li> <li>Governance &amp; Compliance Structure</li> <li>Reputation Management</li> </ul>

# Appendix: Multi Year Projects History

Project	Board Reporting History
<b>NextGen Project Risk Review (PRR) Checkpoints</b>	<ul style="list-style-type: none"> <li>✓ Checkpoint #8 (April 2022)</li> <li>✓ Checkpoint #7 (October 2021)</li> <li>✓ Checkpoint #6 (November 2020)</li> <li>✓ Checkpoint #5 (January 2020)</li> <li>✓ Checkpoint #4 (June 2019)</li> <li>✓ Checkpoint #3 (March 2019)</li> <li>✓ Checkpoint #2 (October 2018)</li> <li>✓ Checkpoint #1 (June 2018)</li> </ul>
<b>Financial Controls Assessment – FY 2022</b>	FY 2022 (June 2022): <ul style="list-style-type: none"> <li>✓ Bemidji State University and Northwest Technical College</li> <li>✓ Metropolitan State University</li> <li>✓ Minnesota State University Moorhead</li> <li>✓ Minnesota State University, Mankato</li> <li>✓ Southwest Minnesota State University</li> <li>✓ St. Cloud State University</li> <li>✓ Winona State University</li> </ul>
<b>Financial Controls Assessment – FY2021</b>	FY 2021 (June 2021): <ul style="list-style-type: none"> <li>✓ Alexandria Technical and Community College</li> <li>✓ Fond du Lac Tribal &amp; Community College</li> <li>✓ Ridgewater College</li> <li>✓ Pine Technical &amp; Community College</li> <li>✓ Minnesota State College Southeast</li> <li>✓ System Office</li> </ul>



# Appendix: Additional Projects Considered (Partial List)

- Data Governance
- IT Governance Review
- System Office's Managed Computing Services (Pine TCC and Minnesota North)
- Campus Security Governance Review
- Comprehensive Workforce Solutions and Centers of Excellence Review
- Market Demand Data Analysis
- Diverse Employee Hiring Practices
- Presidential Transition Reviews Study
- Emergency Planning and Lessons Learned from COVID-19



# MINNESOTA STATE

30 East 7th Street, Suite 350  
St. Paul, MN 55101-7804

651-201-1800  
888-667-2848

[www.MinnState.edu](http://www.MinnState.edu)

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