

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: June 15, 2010

Agenda Item: Office of Internal Auditing Annual Performance Report

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

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

The Office of the Legislative Auditor recommended that the Board of Trustees improve its oversight of the Office of the Chancellor performance.

Scheduled Presenter(s):

John Asmussen, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- The Office of the Legislative Auditor issued the MnSCU System Office report in February, 2010 which recommended that the Board of Trustees improve its oversight of the Office of the Chancellor performance.
- Information is being provided to all committees for the corresponding division for which they have oversight.

Background Information:

- The Executive Committee of the Board of Trustees reviewed a performance reporting template for reporting on budget and staffing, system functions, previous year accomplishments, and upcoming division activities.

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

BOARD INFORMATION
OFFICE OF INTERNAL AUDITING ANNUAL PERFORMANCE REPORT

BACKGROUND

The Office of the Legislative Auditor issued the MnSCU System Office report in February, 2010 which recommended that the Board of Trustees improve its oversight of the Office of the Chancellor performance. Information is being provided to all committees for the corresponding division for which they have oversight.

The Executive Committee of the Board of Trustees reviewed a performance reporting template for reporting on budget and staffing, system functions, previous year accomplishments, and upcoming division activities.

The following represents the performance report for the Office of Internal Auditing.

Date Presented to the Board of Trustee: June 16, 2010

Office of the Chancellor Performance Report

Internal Auditing

I. Multi-year Financial and Personnel Data

Office of Internal Auditing

Cost Category / Financing	2008-09 Biennium		2010-11 Biennium	
	2008 Actual	2009 Actual	2010 Estimate	2011 Projected
Salaries & Benefits	\$1,074,187	\$1,114,179	\$1,019,735	\$1,035,132
Consulting Contracts	0	0	0	0
Other Administrative Costs	49,375	36,601	48,682	50,871
Total Administrative Costs	\$1,123,562	\$1,150,780	\$1,068,417	\$1,086,003
Less: External Funding (1)	0	0	0	0
General Fund Financed Costs	\$1,123,562	\$1,150,780	\$1,068,417	\$1,086,003
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	\$495,043	\$498,362	\$449,273	\$453,345
Systemwide Services	628,519	652,418	619,144	632,658
Division Employee FTE	11.0	11.0	9.5	9.5

Office of the Legislative Auditor

Cost Category / Financing	2008-09 Biennium		2010-11 Biennium	
	2008 Actual	2009 Actual	2010 Estimate	2011 Projected
Consulting Contracts	\$236,130	\$231,017	\$239,000	\$239,000
Total Administrative Costs	\$236,130	\$231,017	\$239,000	\$239,000
Less: External Funding (1)	0	0	0	0
General Fund Financed Costs	\$236,130	\$231,017	\$239,000	\$239,000
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	\$236,130	\$231,017	\$239,000	\$239,000
Systemwide Services	0	0	0	0

Note: Cost of external auditing services from CPA firms is included with the Finance Division data.

II. Explain the structural distribution between the functional duties performed by this division and similar activities performed by the colleges and universities.

All internal auditing services for the system are provided through the Office of Internal Auditing. Five of the 10 internal auditing employees are located on college or university campuses, but report directly to the executive director of Internal Auditing. Board Policy 1D allows the chancellor and presidents to request services from the

Office of the Chancellor Performance Report Internal Auditing

Office of Internal Auditing. Those requests are granted based on available resources, as long as the office independence will not be impaired. Typical services provided to colleges and universities are fraud inquiry and investigation support services and professional advice.

III. Cite any recent or planned redistribution of costs or personnel between this division and colleges/universities for this functional area.

Prior to fiscal year 2010, the Office of Internal Auditing offered consulting services to the chancellor and presidents. Those services were discontinued in fiscal year 2010, as a budget reduction measure. Internal Auditing has assisted former consulting clients with identifying alternative sources for procuring those services. The costs associated with such consulting services must now be paid by the client, rather than provided as part of the Office of Internal Auditing budget.

IV. Cite performance metrics and major accomplishments from the past year (tie to prior year division/committee work plan, if possible).

The office has provided the services anticipated by its annual audit plan (approved by the Board of Trustees in July 2009). Noteworthy accomplishments are completion of a special project to quantify the extent of credit loss experienced by transfer students, leading efforts to hire a new CPA firm to serve as principal audit (with a 20 percent reduction in fees), providing support services for the annual financial statement and federal financial assistance audit (with no material weaknesses noted by the external auditors at the system level), and helping coordinate system cooperation with the performance evaluation conducted by the Office of the Legislative Auditor.

V. Identify major division/committee work plan activities planned for upcoming year.

The system likely faces a major transition in auditing services from the Office of the Legislative Auditor (OLA) in fiscal year 2011 (consulting contract amounts shown in Multi-Year Financial Schedule). The OLA has provided services to Minnesota State Colleges and Universities under contract since 1996. In recent years, these services have focused on the colleges which do not have annual financial statement audits. The OLA has expressed its intention to transition away from this contract so that it is able to redeploy its resources to other priorities. The system must decide how it wishes to fill the resulting void in its audit coverage. Options include hiring additional internal auditing staff, redirecting existing internal audit priorities, or outsourcing the audits to public accounting firms.