

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES
January 19, 2010**

***Audit Committee Members Present:** Trustees Scott Thiss, Chair; Dan McElroy, David Paskach, and James Van Houten.*

***Audit Committee Members Absent:** Jacob Englund.*

***Other Board Members Present:** Trustees Duane Benson, Cheryl Dickson, Christopher Frederick, David Olson, and Tom Renier.*

***Leadership Council Committee Members Present:** John Asmussen, President Pat Johns, Laura King, and Gail Olson.*

The Minnesota State Colleges and Universities audit committee held its meeting on January 19, 2010, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Thiss called the meeting to order at 1:26 p.m.

Approval of the Audit Committee Meeting Minutes

Chair Thiss called for a motion to approve the November 18, 2009, audit committee meeting minutes. There was no dissent and the motion carried.

1. Establish the Search Process for the Executive Director of Internal Auditing Position (Action Item)

Audit Committee Chair Thiss reminded members that Executive Director John Asmussen would be leaving the Minnesota State Colleges and Universities in July, 2010. He stated that there would need to be a search process established to find candidates to fill the executive director of internal auditing position. Trustee Thiss introduced Ms. Lori Lamb, Vice Chancellor for Human Resources.

Ms. Lamb recommended that the Board of Trustees delegate to the chancellor the authority to convene a screening committee. She stated that the committee would likely be chaired by Trustee Thiss as Chair of the audit committee and it would be staffed appropriately with other trustees, campus personnel, Office of the Chancellor staff, and individuals from the audit community. Ms. Lamb stated that the purpose of the committee would be to solicit nominations and applications, screen applications, conduct initial interviews, and then make a recommendation to the board through the audit committee of three individuals to come before the committee for a final interview.

Ms. Lamb stated that there might be a risk of dissuading some interested candidates from applying for consideration if the process were public from an early stage. She added that it was important to preserve the ability to get as broad a pool of candidates as possible. Trustee Van Houten stated that other positions in the state were hired through a public process without a significant loss in candidates.

Trustee Thiss asked what the expected timeline was for the search process. Ms. Lamb stated that the first step would be to review and update the position description in order to generate the position announcements. She stated that there should be a period of thirty to sixty days for recruiting to ensure that there would be the largest pool of applicants possible. She stated that they should expect another thirty to forty-five days for review of resumes and to conduct initial interviews. She stated that the goal would be to come before the board with a recommendation for an appointment in June 2010.

Trustee Van Houten stated that the audit committee should have the opportunity to discuss the qualifications they would like to see in the position before it went out for public posting. Trustee Thiss agreed.

Trustee Paskach asked if a consultant would be employed to conduct the search. Ms. Lamb stated that they were not recommending the use of a national search consultant. She stated that would be a broad enough applicant pool locally and regionally. Trustee Paskach agreed, but added that the membership of the screening committee should be approved by the audit committee. He added that there should be a significant representation of trustees as well as external audit involvement. Trustee Thiss stated that the trustees on the search committee should come from the audit committee initially, and that additional trustees might be utilized for the review of final candidates.

Trustee Thiss stated that they would plan an audit committee in February 2010 for further discussion of the position qualifications as well as the search committee structure.

Trustee Van Houten made the motion, Trustee McElroy seconded. The Audit Committee recommends that the Board of Trustees approve the following motion:

RECOMMENDED COMMITTEE ACTION:

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

RECOMMENDED MOTION:

The Board of Trustees delegates authority to the Chancellor to initiate a search process to hire a new Executive Director of Internal Auditing. The search process should culminate in identifying up to three candidates to fill this position. The Board of Trustees reserves its authority to make the final selection for filling the position.

2. Review Internal Auditing Annual Report (Information Item)

Mr. John Asmussen, Executive Director of the Office of Internal Auditing, stated that the Internal Auditing Annual Report was required under board policy 1D.1.

Mr. Asmussen assured the committee that he was independent in fact and in appearance. He stated that organizationally, the office was structured in a manner that helped to ensure that independence, but added that he personally took great care and pride to

distance himself from the decisions of management.

Mr. Asmussen stated that 78% of prior audit findings from had been fully resolved, and he noted that number was down from 83% last year. He stated that the decline had been driven in part by a late influx of findings from the occupational trades program evaluation and the Office of Internal Auditing was in the process of conducting follow-up on those findings. He further added that there also had been issues that had been unresolved for a period of time, including security related issues in the area of information technology. He stated that interim Vice Chancellor for Information Technology Services had given her assurances that progress was being made on those findings and that monthly reports were going to the Chancellor. Mr. Asmussen assured members that they should see a higher rate of resolved findings in the next report.

Mr. Asmussen stated that the Office of the Legislative Auditor's findings, cited in September to the audit committee, would not have been repeat findings that would have counted against the implementation rate. He noted that the findings had been cited at other colleges previously and had appeared at new colleges this year. He further noted that the Chancellor had made it clear to the presidents that he expected them to study other legislative audit reports to ensure that they didn't repeat similar mistakes. Mr. Asmussen stated that his office was committed to doing an intensive follow-up at all of the colleges and universities to look specifically for those issues that had shown a recurring nature; to try to offer assurance that lessons were being learned and that the same kind of findings would not occur in the future. Mr. Asmussen stated that because of this extensive follow-up project he would not be bringing a list of recommended projects for internal auditing to undertake this year.

Mr. Asmussen pointed out the quality assessment effort that the Office of Internal Auditing underwent this past year. He reminded members that internal auditing standards required an internal self-assessment every couple years to augment the external review.

Mr. Asmussen stated that there were three items that came out of the internal review that would attention in the next year. The first item would be a five-year review of board policy 1D.1. The second item would be to extend the internal audit plan to ensure that there would be adequate audit coverage of the information technology operations. The final item would be to assess the completeness of management's risk assessment process.

Finally, Mr. Asmussen reminded members that the audit contract with Kern DeWenter Viere had come to an end, stating that they have completed six years of service and board policy limits the number of consecutive years that one firm can serve as principal auditor at six years. He stated that an RFP to find a replacement principal auditor had been prepared and would be printed in the Minnesota State Register on Monday, January 25, 2010. Mr. Asmussen stated that they would have a recommendation for a new principal auditor for the audit committee in March.

Chair Thiss agreed that there should not be a special board project this year, and asked that Mr. Asmussen report in March regarding the follow-up work that staff would be conducting. Trustee Paskach agreed as well, stating that he would like to have Mr. Asmussen give a state of the function review before his last day in July 2010. Trustee

Van Houten added that we like to see an orientation program laid out before the new executive director of internal auditing was hired.

Trustee Van Houten expressed his appreciation of the work that Kern, DeWenter, Viere had done as the principal auditor over the past six years. Trustee Thiss concurred. Mr. Asmussen stated that Kern, DeWenter, Viere was still under contract to audit four of the individual campuses and added that he would work closely with the chair through the search process for a new firm.

The meeting adjourned at 1:54 p.m.

Respectfully submitted,
Darla Senn, Recorder