

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES
February 10, 2010**

Audit Committee Members Present: Trustees Scott Thiss, Chair; Jacob Englund (by Phone), Dan McElroy, David Paskach (by Phone), and James Van Houten (by Phone).

Audit Committee Members Absent: none.

Other Board Members Present: Trustees Duane Benson, Cheryl Dickson, Christopher Frederick (by Phone), and Christine Rice.

Leadership Council Committee Members Present: John Asmussen, President Pat Johns, Linda Baer, Laura King, Lori Lamb, Gail Olson, and Carolyn Parnell.

The Minnesota State Colleges and Universities audit committee held its meeting on February 10, 2010, at Wells Fargo Place, 3rd Floor, Conference Room 3309, 30 East 7th Street in St. Paul. Chair Thiss called the meeting to order at 2:30 p.m.

1. Office of the Legislative Auditor's Evaluation Report, *MnSCU System Office* (Information Item)

Audit Committee Chair Thiss began by welcoming Mr. James Nobles, Legislative Auditor; Mr. Joel Alter, Project Manager; and Ms. Valerie Bombach, Program Evaluator. Trustee Thiss explained that Chancellor McCormick and Board Chair David Olson had written a letter to the Legislative Audit Commission last year, requesting a program evaluation on the Office of the Chancellor. The Office of the Legislative Auditor conducted the evaluation and released its report and findings on February 9, 2010. He explained that the findings would be referred to Chair Olson who would refer them out to various policy committees.

Mr. Nobles thanked the committee for inviting them to present the report. He further complimented the Minnesota State Colleges and Universities for their accountability in responding to audit findings and recommendations quickly and seriously. Mr. Nobles stated that legislators should look to the board of trustees to follow-up on the audit findings and recommendations and report back to the legislature about actions that had been taken. He further noted that legislators' primary focus was on students and the assurance that course credits would transfer from one college to another within the system.

Mr. Alter began his presentation by highlighting a couple of overall observations made in the report. He noted first that when the legislature created the Minnesota State Colleges and Universities system, it was intended to be one system rather than a collection of individual colleges and universities, and it was intended to have system-wide direction and system-wide support and coordination. He further noted that while the report cited many positive conclusions, there were some additional steps that needed to be taken to

better assure that the system office was performing functions that were truly essential, efficient and effective, and that the system office was playing a role of fostering at the campus level, efficient and effective administrative services.

Trustee Benson asked for clarification of the percentage of state funds that were spent by the system office. Mr. Alter stated that 12% of the state dollars went to the system office but that overall, the system office represented about 5% of Minnesota State Colleges and Universities total spending. He added that it was difficult to compare systems around the country. The Minnesota State Colleges and Universities was fairly low in terms of its expenditures per student on institutional support spending, but when a broader definition of administrative spending was used, the system was above average.

Chancellor McCormick stated that a number of other systems took money from tuition and the state rather than just from state funding. He also noted that the Minnesota State Colleges and Universities had made the decision to handle information technology at the system office level rather than locally. The majority of the growth in the system office had been in the area of information technology, but Chancellor McCormick added that campuses had testified that to conduct the same information technology work locally would have cost up to three times more.

Trustee Van Houten asked if there were specific issues of strategic importance that presidents felt should have more attention from the board. Mr. Alter stated that there may be a perception that issues like student transfer, which was fundamental to why the Minnesota State Colleges and Universities were created, were lost in the shuffle when there were other things going on.

Trustee Van Houten asked whether the current structure, with a huge span of control for the chancellor, was the best management structure for the system. Mr. Alters stated that the report did not directly address span of control, but he added that it had been raised as an issue of concern. He added that balancing the needs of the system office and that of the campuses and so many direct reports, was a continuing struggle. Mr. Nobles stated that the size of the system alone created an enormous management challenge. He stated that the system could have been designed differently, such as with regional deputy chancellors, but he added that having presidents report directly to the chancellor may have created a more integrated system with fewer barriers between the three different kinds of institutions. Finally, Mr. Nobles stated that Chancellor McCormick would be best able to determine if the burden created by the span of control was too great.

Chancellor McCormick stated that the presidents should be able to report directly to the chancellor and that there was value in the chancellor having individual contacts with the communities and presidents. He added that the vice chancellors played an integral role in preparing for the presidential evaluations. Mr. Nobles agreed and stated that there were probably a lot of presidents who really appreciated that the chancellor came to their campus directly rather than sending someone else.

Trustee McElroy asked if the issue of credit transfer was a greater concern for two-year college presidents. Mr. Alter stated that four-year university presidents expressed the same concerns. Mr. Nobles added that the issue of credit transfer was an important topic for legislators as well. The expectation was that when a student registered at a state college or university, they would be registering into a system, and that there would be no question that their course would be recognized when they chose to transfer to another institution.

Trustee McElroy stated that there were certain national accreditations for state universities with standards that made transfer from a community college, where courses were taught by people without a terminal degree in the field, more challenging. He stated that there needed to be a sense of urgency around addressing the transfer issues and he added that the board needed to send a strong message that they would do anything necessary to solve the problems. He stated that there should be a date set, prior to the chancellor's departure, when they would expect to see the problems resolved. Trustee Thiss agreed that they need to have a clear completion date, and he added that they should then go back to the legislators with assurances that the issues had been resolved.

Trustee McElroy asked if the report addressed the reasons why credits didn't transfer. Mr. Alter stated that at times transfer advisors had not been trained properly or were not giving consistent advice, other times when judgments needed to be made about whether coursework was comparable, students were told that syllabus information was considered to be intellectual property and the faculty wouldn't provide the information. Finally, Mr. Alter stated that in the past, colleges and universities had entered into individual articulation agreements, but he added that the numbers of agreements varied from campus to campus, and it was difficult to locate all of those agreements on the system Web site.

Trustee McElroy asked if there were particular disciplines that seemed to more transfer issues than others. Mr. Alter stated that some disciplines had ongoing discussions about transfer and may have worked through some of the issue.

President Pat Johns, Anoka-Ramsey Community College, cautioned that it also was important to differentiate between fact and fiction. Coursework that received a D grade typically would not transfer, and he stated that in those cases it was more about clarification and counseling with students than making courses transfer. President Johns further stated that in some cases, faculty require that certain courses be taken as upper division and therefore would not accept courses taken as lower division. He cautioned that two-year colleges should review the courses offered at the lower division to avoid "credit creep" into upper division.

Mr. Nobles agreed that the issues were ones of both substance and perception, but he cautioned that perception issues needed to be better communicated and addressed. Ms. Linda Baer, Senior Vice Chancellor for Academic and Student Affairs, agreed. She stated that they had developed an information Web site and established transfer training for counselors, but she added that students didn't always go there first for

information. Dr. Baer added that they had been working with the student associations to determine where students would go for accurate information.

Trustee Thiss asked if charge backs had been taken out of the system office expenditures. Ms. Bombach stated that all dollars had been included in the analysis, in part because they had tried to understand the actual cost associated with the services that were providing.

Trustee Benson asked if the study indicated that presidents generally felt they wanted more decentralization. Mr. Alter stated that the survey had primarily asked for their perceptions on effectiveness and efficiency of the services. Trustee Benson asked if there were some suggestion or finding that would direct the appropriate role for the board of trustees. Mr. Alter stated that board needed to play an oversight role to the Office of the Chancellor which, he added, could be as simple as asking the system office to justify its staffing and expenditure levels. Mr. Nobles stated that the oversight ought to be exercised as a collective body. He stated that the board of trustees had good mechanisms in place, with its committees and subcommittees, for providing the necessary oversight.

Trustee Van Houten stated that the board had a statutory assignment to approve programs of education, but had delegated that responsibility to the chancellor. He further stated that programs had been defined by board policy as a collection of courses. He stated that currently the Minnesota State Colleges and Universities did not review programs at the course level prior to approval. Trustee Van Houten expressed concern that there ought to be some general guidelines to make ensure that the campuses are reviewing the courses within a program of study, which may eliminate the expectation that each professor would have his or her own syllabi.

Trustee Dickson asked if smaller institutions typically answered questions about services like the development office differently than the larger institutions. Mr. Alter stated that they had asked presidents to list the three most essential things that the central office did and the three least essential things. He stated that the majority of the presidents defined development, and the activities of the development office, as being among the least essential functions. He added that this response did not necessarily mean that the presidents wanted to eliminate the development division, but there was a feeling that was quite strong, that the value hadn't been there. Mr. Alter added that the only place in the report that referenced the break out between universities and colleges was the view of the overall size of the central office. More state universities presidents indicated that they would like to see a smaller system office. He added that generally the larger institutions thought they could do some of the centralized services themselves. However, he added that in questions about the effectiveness and efficiency of particular functions, there was less division by type of institution. Ms. King added that larger institutions often share the perception that services provided by the central office do not benefit them, because they are subsidizing the services for smaller colleges.

Trustee Rice noted that 78% of presidents said that they did not believe that the central office had not given sufficient consideration to consolidating institutions. Mr.

Alter stated that there benefits for campuses to jointly administer certain functions. Mr. Nobles added that the consolidations at the campus level had created efficiencies that were both substantive and perception. Ms. King added that presidents were not suggesting that some campuses be closed. Mr. Nobles agreed and stated that there may be efficiencies to be gained by regionalization of services. He further noted that new technology opened up more possibilities.

Trustee McElroy stated that half of the budget for the Office of the Chancellor is information technology. Decentralization of information technology may have cost more, but would have made the Office of the Chancellor appear smaller. Mr. Alter agreed and stated that some other states had no centralized information technology services, while other states like Georgia had an enormous information technology staff. Mr. Nobles stated that information technology may be one of the primary mechanisms to pull the colleges and universities together into a cohesive system with one platform for registrations, student records, and a variety of other functions that tie all colleges and universities together. He added that there was pressure to ensure that that the dollars allocated to information technology was used effectively and efficiently.

Trustee Rice noted that 56% of the presidents rated the board's performance as fair or poor, but then later in the report 84% of the presidents indicated that the board had done an excellent or good job of defining mission and in setting strategy. Mr. Alter stated that presidents indicated that the system leadership had done a good job defining a mission for the system, setting broad goals, and even moving beyond that to identifying strategies for implementing those goals. He added that in some cases the presidents did not agree with the measures against which they would be judged in a given year, and he further stated that there had been some frustrations that the measures and targets were not always finalized until some months into the calendar year. He indicated that issues like that may have driving the responses.

Mr. Asmussen stated that the report contained a list of possible services to be considered for greater centralization and he asked if there were services on the list that should have greater prominence. Mr. Alter stated that the list had been developed from issues that had been brought forth by multiple presidents. He stated that they would need to be further explored to determine the feasibility of each option.

Ms. Gail Olson, General Council, asked if negative viewpoints expressed in the report could have come from the same few people. Mr. Alter stated that that had not been the case. He stated that the variation in ratings by the presidents indicated that they had been thoughtful in their responses about specific services.

Ms. Carolyn Parnell, Chief Operating Officer, asked if the presidents answered the survey on their own if they consulted with their staff for their perspective as well. Mr. Alter stated that presidents had been specifically asked to consult with their staff in responding to the survey. He added that in addition to the presidents survey, the Office of the Legislative Auditor had done some additional surveys that were less

formal in structure, but that reached out to chief academic affairs officers or to chief information officers on the campuses.

Trustee Thiss thanked the Office of the Legislative Auditor for their hard work and he added that the report was valuable and the audit committee would send recommendations to the board chair for specific issues to be sent to the correct committees for further discussion. Trustee Thiss outlined the major categories of findings.

1. Oversight responsibilities – management and board policy
2. Information Technology
3. Organization for efficiency and effectiveness - regionalization, accountability measures, centralized function
4. Easily addressed issues – directed to committees or departments for immediate resolution
5. Student related items – broader concepts that need to be addressed.

Trustee Thiss stated that the role of audit committee would be ongoing, so that by June 2011, meaningful progress would have been made. He added that they would report back to the Legislative Audit Commission as well.

Chancellor McCormick offered assurances that the system was committed to continuous improvement. He assured the committee that work had already begun on some of the ideas and that each of the recommendations would be given careful consideration. He thanked the Office of the Legislative Auditor for their good work.

2. Update on the Search Process for the Executive Director of Internal Auditing Position (Information Item)

Ms. Lori Lamb, Vice Chancellor for Human Resources, presented a draft position posting which outlined a comprehensive list of qualifications for the Executive Director of Internal Auditing position. She stated that a shortened version of this posting would be used to post the position in various publications and websites.

Members of the audit committee discussed the qualifications and suggested changes. Trustee Thiss expressed the need for the candidate to have some strength in the area of information technology as well as some operations experience.

Ms. King stated the importance of having experience with big complex systems or multi-site organizations. Trustee McElroy agreed. Ms. Olson pointed out that there would be advantages to working with an individual who understand how colleges and universities work. Trustee McElroy stated that the interview and selection process would allow for questions about that type of experience.

Trustee Van Houten stated the most important requirement would audit experience at the manger level. Mr. Asmussen stated that ten years of audit experience, or an equivalent experience, would be appropriate, but added that five years of management in some capacity would be sufficient. Trustee McElroy agreed, and

added that there were compliance officers in other organization that were doing similar work.

Ms. Olson stated that it would be important to review resumes with an understanding of related functions such as compliance. Ms. Lamb stated that a manual resume screening tool would be developed to assist in sorting through the criteria and rating the resumes.

Ms. Lamb stated that Chancellor McCormick had asked Trustee Scott Thiss to chair the search committee and two more trustees would be asked to serve on the committee as well. One member would be from the audit committee and one member would be from another committee. The committee discussed other individuals from the system as well as from the audit community who might serve on the search committee. Ms. Lamb asked members to send her names of other individuals they would like to see added to the committee. Trustee Thiss stated that another audit committee member should be part of the final interview process.

Ms. Lamb gave the committee a list of publications and Web sites where the position would be posted. The committee suggested other sites as well, including some national minority publications. Ms. Lamb stated that she would proceed with posting the position. Trustee McElroy stated that he was impressed with the job posting as well as the long list of publications for posting.

Trustee Thiss discussed the timing of the search process, suggesting that the search committee might meet again in mid-March.

The meeting adjourned at 4:51 p.m.

Respectfully submitted,
Darla Senn, Recorder