

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: June 22, 2011

Agenda Item: 2011 Office of the Chancellor Performance Report – Internal Auditing Division

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):

Beth Buse, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- The performance report includes four sections that provide information about the current and projected budget of the division; the functions performed by the division and how they differ or complement those of the institutions; a listing of major goals and accomplishments for FY 11 and preliminary division goals for FY 12.
- Information is being provided to all committees for the corresponding division for which they have oversight.

Background Information:

- This report is part of a larger report on the performance of the Office of the Chancellor for FY 2011. It was developed in response to the Office of Legislative Audit recommendation in the 2010 Office of the Chancellor Evaluation that suggested greater Board oversight of the office.
- This is the second annual report in this format; the first report was presented to the Audit Committee in June 2010.

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

BOARD INFORMATION
2011 OFFICE OF THE CHANCELLOR PERFORMANCE REPORT - INTERNAL AUDITING DIVISION

BACKGROUND

This report is part of a larger report on the performance of the Office of the Chancellor for FY 2011. It was developed in response to the Office of Legislative Audit recommendation in the 2010 Office of the Chancellor Evaluation that suggested greater Board oversight of the office. The first annual report was presented to the Audit Committee in June 2010.

The performance report includes four sections that provide information about the current and projected budget of the division; the functions performed by the division and how they differ or complement those of the institutions; a listing of major goals and accomplishments for FY 11 and preliminary division goals for FY 12.

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

Date Presented to the Board of Trustee: June 22, 2011

Office of the Chancellor Performance Report
Internal Auditing Division

I. Multi-year Financial and Personnel Data

Office of Internal Auditing

Cost Category / Financing	2010-11 Biennium		2012-13 Biennium	
	2010 Actual	2011 Estimate	2012 Projected	2013 Projected
Salaries & Benefits	1,025,074	876,866	1,084,711	1,084,711
Consulting Contracts	0	20,000	120,000	20,000
Other Administrative Costs	51,677	44,000	64,423	64,423
Total Administrative Costs	1,076,751	940,866	1,269,134	1,169,134
Less: External Funding	0	0	0	0
General Fund Financed Costs	1,076,751	940,866	1,269,134	1,169,134
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	454,179	429,167	583,802	537,802
Systemwide Services	622,572	511,697	685,332	631,332
Division Employee FTE	9.5	8	10	10

Note: Fiscal year 2011 was a transition year for the office. Also, for comparative purposes, fiscal year 2011 salaries and benefits were reduced for severance payments to the former executive director.

Office of the Legislative Auditor

Cost Category / Financing	2010-11 Biennium		2012-13 Biennium	
	2010 Actual	2011 Estimate	2012 Projected	2013 Projected
Consulting Contracts	223,522	0	0	0
Total Administrative Costs	223,522	0	0	0
Less: External Funding (1)	0	0	0	0
General Fund Financed Costs	223,522	0	0	0
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	223,522			
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. Four 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 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 performance metrics and major accomplishments from the past year (tie to prior year division/committee work plan, if possible).

Fiscal year 2011 has been a year of transition for the office. The former executive director retired in July after leading the office for nearly thirteen years. A new executive and deputy director were hired. The office also underwent reorganization in order to position itself to build an information technology audit strategy.

The office provided the services anticipated by its annual audit plan (approved by the Board of Trustees in September 2010). Noteworthy accomplishments were:

- Transition to a new principal auditor for the system (LarsonAllen). In addition, the office provided support services for the annual financial statement and federal financial assistance audit. For the first time, no financial statement material weaknesses or significant deficiencies were noted by the external auditors at the system level or any colleges and universities.
- Completion of an initial annual risk assessment for use in prioritizing audit resources that focused on enterprise, financial, and information technology risks,
- Focus on resolution of college and university outstanding audit findings.
- Assistance with the tracking and resolution of numerous fraud inquiries and investigations.

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

The office is continuing conversations with the Audit Committee and senior leadership on evaluating the audit approach for the system to determine audit priorities and resources. Specific areas of discussion include; developing an information technology audit approach and determining the appropriate level of audit coverage for financial internal control and compliance audits.