

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: March 16, 2011

Agenda Item: Status Report on Audit Findings

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

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

Board Policy 1.D.1, Part 4 requires Internal Auditing to follow-up on audit findings generated by either internal or external audits and ensure that findings are satisfactorily resolved.

Scheduled Presenter(s):

Beth Buse, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- A status report as of February 2011 on the resolution of audit findings at colleges and universities.
- Majority of colleges and universities are making satisfactory progress on resolving outstanding audit findings.
- Two institutions have significant outstanding audit findings where satisfactory progress in not being made.

Background Information:

- The Board of Trustees and the Chancellor expect timely resolution of audit findings. Accordingly, Internal Auditing maintains a database of audit findings and tracks their resolution.

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

BOARD INFORMATION
STATUS REPORT ON AUDIT FINDINGS

BACKGROUND

The Board of Trustees and the Chancellor expect timely resolution of audit findings. Accordingly, Internal Auditing maintains a database of audit findings and tracks resolution. The database contains audit findings from many sources, included among these are the Office of the Legislative Auditor, Minnesota Office of Higher Education, other external auditors and findings issued by the Office of Internal Auditing.

Around January of each year, Internal Auditing assesses the status of prior audit findings and provides an update to presidents on the status at their institution. In June, Internal Auditing prepares year-end status reports for presidents. Chancellor McCormick is copied and the reports are used for consideration during his annual performance evaluations of each president.

**Table 1
College and University Audit Finding Activity Summary
As of February 2011**

Unresolved as of June 2010	108
Additions	171
Resolved	(168)
Unresolved	111

Unresolved Status

Satisfactory Progress	52
Unsatisfactory Progress	59

Table 1 contains a summary of college and university audit finding activity from June 2010 through February 2011. Internal Auditing found the majority of colleges and universities were making satisfactory progress toward resolution of outstanding audit findings. There are 111 unresolved audit findings at the colleges and universities, as of February 2011. Of those, colleges and universities are making satisfactory progress on 52 of them. The focus of the remainder of this report will be on the 59 findings reported by internal auditing as not making satisfactory progress.

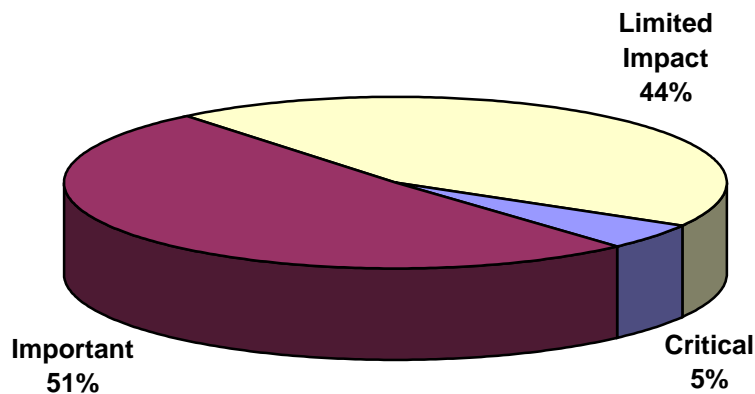
Table 2 breaks out outstanding findings with unsatisfactory progress by type. The most significant type was financial internal control and compliance; many of these issues show a lack of compliance with Board Policy and Procedure, such as proper delegation of authority for purchasing or having formal agreements with banks. In addition, some findings include business office functions with insufficient internal controls, such as budgeting or accounts receivable.

**Table 2: Outstanding Audit Findings with Unsatisfactory Progress
By Finding Type**

Finding Type	Number
Financial Internal Controls and Compliance	24
Segregation of Duties	12
Academic Resale Programs	5
Capital Assets	5
Credit Cards	4
Faculty Leave	3
Other	6
Total	59

Figure 1 breaks out the 59 outstanding findings with unsatisfactory progress by internal auditing classification status.

**Figure 1: Outstanding Audit Findings with Unsatisfactory Progress
By Classification**



Fourteen out of 32 institutions have outstanding audit findings with unsatisfactory progress. Nine of those 14 have only one finding outstanding. Of the five institutions with more than one finding, there are two colleges with a significant number of unresolved audit findings with unsatisfactory progress, they are:

- **Northeast Higher Education District:** This institution has 31 unresolved audit findings with unsatisfactory progress. Internal Auditing classified 15 of these findings as “important” and 16 as “limited impact”.

Contributing to the large number of outstanding findings is that the five member colleges primarily operate their business offices autonomously. With the current structure, each college has been audited separately and in some cases, a similar finding is outstanding at more than one college. The Northeast Higher Education District recently hired a Vice President of Finance to oversee fiscal operations for all of the member colleges. This individual began her position in March; one of the tasks assigned to this individual is to satisfactorily resolve all audit findings.

Audit Finding Classification Descriptions
Critical – Merits immediate attention and remedy. Without prompt corrective action the reliability or integrity of information vital for making significant decisions or having a material impact on external reporting is questionable or a high risk of potential loss exists.
Important – May develop into serious problems, but do not show evidence that immediate adverse consequences currently exist.
Limited Impact – Indicate problems have limited consequences and low risk.

- **Fond du Lac Tribal and Community College:** The college has five unresolved audit finding for which progress towards implementation of corrective action is unsatisfactory. One finding, pertaining to the need for improved purchasing and accounts payable controls is classified as critical. That audit finding was first issued on September 27, 2001. It has been repeated in two subsequent audit reports. While the college has made improvements to some components of the purchasing process, it still has remaining issues to resolve.

The college has a history of unresolved audit findings. In the past couple of years, the new president and chief financial officer have placed significant emphasis on resolving past audit findings. Currently, the college has a plan in place to address these five findings and expects resolution in the next few months.