



MINNESOTA STATE

Board of Trustees

30 East 7th Street
St. Paul, MN 55101

651-201-1705

Board of Trustees Meetings October 17-18, 2017



Minnesota State is an affirmative action, equal opportunity employer and educator.



Board of Trustees Meeting Schedule
Tuesday and Wednesday, October 17-18, 2017

Unless noticed otherwise, all meetings are in the McCormick Room on the fourth floor. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

Tuesday, October 17, 2017

- 2:30 PM Closed Session: Human Resources Committee, Dawn Erlandson, Chair
Pursuant to Minn. Stat. § 13D.03, (2017) Closed Meetings for Labor Negotiations Strategy (Minnesota Open Meeting Law)
- Inter Faculty Organization
 - Minnesota State College Faculty
 - Minnesota State University Association of Administrative and Service Faculty
- 3:30 PM Group Photograph, Atrium
- 4:00 PM Closed Session: Joint Meeting, Audit and Finance and Facilities Committees, Michael Vekich and Jay Cowles, Co-chairs
Pursuant to Minn. Stat. § 13D.05, (2017) Meetings Having Data Classified as Not Public, Subd. 3(d) (Minnesota Open Meeting Law)
- Systemwide Information Technology Security Update
- 5:00 PM Meeting Ends
- 5:30 PM Dinner (social event, not a meeting)

Wednesday, October 18, 2017

- 8:00 AM Academic and Student Affairs Committee, Louise Sundin, Vice Chair
1. **Minutes of May 17, 2017**
 2. Proposed Amendment to Policy 3.32 College Faculty Credentialing (First Reading)
 3. ASA FY18 Work Plan and Committee Agenda Discussion
 4. Teacher Education Overview

- 9:30 AM Audit Committee, Michael Vekich, Chair
1. **Minutes of June 20, 2017**
 2. **FY18 Audit Plan**
 3. Institutional Data Reporting Audit Results
 4. Purchasing Card Audit Follow-up Audit Results
- 11:00 Finance and Facilities Committee, Jay Cowles, Chair
1. **Minutes of June 21, 2017**
 2. Long-Term Financial Sustainability Report Review
 3. **Contracts Exceeding \$1M**
 - a. **D2L Contract Extension**
 - b. **Internal Audit External Services**
 4. Proposed New Policy 6.11 Facilities Operation and Maintenance (First Reading)
 5. Tuition and Fee Policy Guidance
- 1:00 PM Luncheon, 3rd Floor, Conference Rooms 3304/3306
- 1:45 PM Board of Trustees, Michael Vekich, Chair
- 3:00 PM Meeting Ends

Bolded items indicate action is required



APPROVED FY2018 AND FY2019 MEETING CALENDARS

The meeting calendar is subject to change with the approval of the board chair. Changes to the meeting calendar will be publicly noticed.

FY2018 MEETING DATES

Meeting	Date	If agendas require less time, these dates will be cancelled.
Orientation and Board Retreat	September 19-20, 2017	
Cancelled: Executive Committee	October 4, 2017	
Committee / Board Meetings	October 17-18, 2017	October 17, 2017
Executive Committee	November 1, 2017	
Committee / Board Meetings	November 14-15, 2017	November 14, 2017
Executive Committee	January 10, 2018	
Committee / Board Meetings	January 23-24, 2018	January 23, 2018
Executive Committee	March 7, 2018	
Committee / Board Meetings	March 20-21, 2018	March 20, 2018
Executive Committee	April 4, 2018	
Committee / Board Meetings and Awards for Excellence in Teaching	April 17-18, 2018	
Executive Committee	May 2, 2018	
Committee / Board Meetings	May 15-16, 2018	May 15, 2018
Executive Committee	June 6, 2018	
Committee / Annual Board Meetings	June 19-20, 2018	June 19, 2018

FY2019 MEETING DATES

Meeting	Date	If agendas require less time, these dates will be cancelled.
Orientation and Board Retreat	September 18-19, 2018	
Executive Committee	October 3, 2018	
Committee / Board Meetings	October 16-17, 2018	October 16, 2018
Executive Committee	November 7, 2018	
Committee / Board Meetings	November 13-14, 2018	November 13, 2018
Executive Committee	January 2, 2019	
Committee / Board Meetings	January 15-16, 2019	January 15, 2019

Executive Committee	March 6, 2019	
Committee / Board Meetings	March 19-20, 2019	March 19, 2019
Executive Committee	April 3, 2019	
Committee / Board Meetings and Awards for Excellence in Teaching	April 16-17, 2019	
Executive Committee	May 1, 2019	
Committee / Board Meetings	May 21-22, 2019	May 21, 2019
Executive Committee	June 5, 2019	
Committee / Annual Board Meetings	June 18-19, 2019	June 18, 2019



Committee Roster

2017-2018

Executive

Michael Vekich, Chair
Dawn Erlandson, Vice Chair
Jay Cowles, Treasurer
Ann Anaya
Alex Cirillo
Roger Moe
Louise Sundin

Diversity, Equity, and Inclusion

Ann Anaya, Chair
Cheryl Tefer, Vice Chair
Basil Ajuo
Jay Cowles
George Soule
Louise Sundin

Academic and Student Affairs

Alex Cirillo, Chair
Louise Sundin, Vice Chair
Dawn Erlandson
Amanda Fredlund
Jerry Janezich
Rudy Rodriguez
Cheryl Tefer

Finance and Facilities

Jay Cowles, Chair
Roger Moe, Vice Chair
Basil Ajuo
Ann Anaya
Bob Hoffman
Jerry Janezich

Audit

Michael Vekich, Chair
George Soule, Vice Chair
Amanda Fredlund
Bob Hoffman
Jerry Janezich

Human Resources

Dawn Erlandson, Chair
Rudy Rodriguez, Vice Chair
Basil Ajuo
Alex Cirillo
Bob Hoffman
Roger Moe
Cheryl Tefer



MINNESOTA STATE

Human Resources Committee
Closed Session
October 17, 2017
2:30 PM
McCormick Room, Fourth Floor

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

1. Closed session pursuant to Minnesota Statutes §13D.03 (2017)
(Minnesota Open Meeting Law) the Human Resources Committee will meet in Closed Session to discuss labor negotiations strategies with the Inter Faculty Organization, Minnesota State College Faculty, and Minnesota State University Association of Administrative and Service Faculty.
2. Motion to Close the Meeting
3. Motion to End the Closed Session
4. Adjournment

Committee Members:

Dawn Erlandson, Chair
Rudy Rodriguez, Vice Chair
Basil Ajuo
Alexander Cirillo
Robert Hoffman
Roger Moe
Cheryl Tefer



Bolded items indicate action is required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Human Resources Committee

Date: October 17, 2017

Title: Closed Session

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

Status of negotiations and bargaining strategies with:

- Inter Faculty Organization
- Minnesota State College Faculty
- Minnesota State University Association of Administrative and Service Faculty

Scheduled Presenter(s):

Mark Carlson, Vice Chancellor for Human Resources

1 **BOARD OF TRUSTEES**
2 **MINNESOTA STATE COLLEGES AND UNIVERSITIES**
3

INFORMATION ITEM
CLOSED SESSION

4
5 **BACKGROUND**

6
7 In closed session, the Human Resources Committee will hear the current status of
8 negotiations and will discuss bargaining strategies relative to labor contract agreements
9 with the following faculty bargaining units:

- 10
11
 - Inter Faculty Organization (IFO)
 - Minnesota State College Faculty (MSCF)
 - Minnesota State University Association of Administrative and Service Faculty (MSUAASF)

12
13
14
15
16 *Pursuant to Minnesota Statutes § 13D.03, Closed Meetings for Labor Negotiations*
17 *Strategy (Minnesota Open Meeting Law) (2017)*
18

19
20 *Date: October 17, 2017*
21
22
23



MINNESOTA STATE

Closed Session: Joint Audit and Finance and Facilities Committees
October 17, 2017
4:00 p.m.
McCormick Room

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

Committee Co-Chairs Michael Vekich and Jay Cowles call the meeting to order.

Pursuant to Minnesota Statutes § 13D.05, subd.3(d), the Board of Trustees will meet in Closed Session to receive a systemwide information technology security briefing.

- 1.Call to Order (Co-Chairs Michael Vekich and Jay Cowles)
- 2.Motion to close the meeting
- 3.Receive systemwide information technology security briefing
- 4.Motion to end the closed session and return to open session
- 5.Adjournment

Audit Committee Members:

Michael Vekich, Chair
George Soule, Vice Chair
Amanda Fredlund
Bob Hoffman
Jerry Janezich

Finance and Facilities Committee Members:

Jay Cowles, Chair
Roger Moe, Vice Chair
Basil Ajuo
Ann Anaya
Bob Hoffman
Jerry Janezich

Bolded items indicate action is required.



**MINNESOTA STATE
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Closed Session: Joint Audit and
Finance and Facilities Committee

Date: October 17, 2017

Title: Systemwide Information Technology Security Briefing

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

In closed session, the Vice Chancellor for Information Technology will provide a systemwide information technology security briefing.

Scheduled Presenter(s): Ramon Padilla, Vice Chancellor – Chief Information Officer

Handout

**MINNESOTA STATE
BOARD OF TRUSTEES**

INFORMATION ITEM
Systemwide Information Technology Security Briefing

BACKGROUND In closed session, the Vice Chancellor for Information Technology will provide a systemwide information technology security briefing.

Date Presented to the Board of Trustees: October 17, 2017



MINNESOTA STATE

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

OCTOBER 18, 2017

8:00 A.M.

McCORMICK ROOM

30 7TH STREET EAST

SAINT PAUL, MN

Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

1. **Minutes of May 17, 2017 (pp. 1-5)**
2. Proposed Amendment to Policy 3.32 College Faculty Credentialing (First Reading) (pp. 6-9)
3. ASA FY18 Work Plan and Committee Agenda Discussion (pp. 10-11)
4. Teacher Education Overview (pp. 12-56)

ACADEMIC AND STUDENT AFFAIRS COMMITTEE

Alex Cirillo, Chair

Louise Sundin, Vice Chair

Dawn Erlandson

Amanda Fredlund

Jerry Janezich

Rudy Rodriguez

Cheryl Tefer

Bolded items indicate action required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
ACADEMIC AND STUDENT AFFAIRS COMMITTEE
MAY 17, 2017**

Academic and Student Affairs Committee Members Present: Chair Alex Cirillo; Trustees Dawn Erlandson, Amanda Fredlund, Jerry Janezich, Roger Moe, Louise Sundin and Cheryl Tefer.

Other Board Members Present: Trustees Ann Anaya, Elise Bourdeau, Robert Hoffman, George Soule and Michael Vekich.

The Minnesota State Colleges and Universities Academic and Student Affairs Committee held a meeting on May 17, 2017, at Wells Fargo Place, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Alex Cirillo called the meeting to order at 8:02 am.

1. Minutes of March 22, 2017 Academic and Student Affairs Committee meeting

Trustee Erlandson moved and Trustee Tefer seconded that the minutes from the March 22, 2017 meeting be approved as written. Motion carried.

2. Career Technical Education and Workforce Development Update

Presenters:

Ron Anderson, Senior Vice Chancellor for Academic and Student Affairs
Mary Rothchild, Senior System Director, Workforce Development
Jeralyn Jargo, System Director for Career Technical Education
Emily Pilacinski, Alumna, Century College
Mary Davenport, Interim President, Rochester Community and Technical College
Lori Jensen, Associate Dean of Career and Technical Education, Rochester Community and Technical College
Jayne Gibson, Executive Director of Curriculum and Instruction, Rochester Public Schools
Erin Broviak, CTECH and Career Technical Programs Administrator, Rochester Public Schools
Julie Brock, Director of Workforce and Education, Rochester Chamber of Commerce Foundation

This presentation provided Trustees with an overview of Minnesota State's career technical education and workforce development efforts that help students, employers and communities meet workforce needs. Presenters provided examples of innovative partnerships with business and industry that offer high school and college students applied learning opportunities in state-of-the art facilities.

Minnesota State meets the career technical and workforce development needs of students, incumbent workers and employers across the state through nearly 2,500 career and technical education programs, Senior System Director Mary Rothchild said. Programs range from short-term certificates to two-year diplomas and associate

degrees. Career technical education credentials account for 75 percent of the credentials conferred by two-year colleges.

These programs benefit entry-level students, as well as advanced career professionals, by offering varied educational pathways which lead to enhanced skills and higher-paying jobs.

Minnesota State's continuing education and customized training programs served nearly 118,000 students and more than 1,800 business partners in fiscal year 2016, Rothchild said. Learner outcomes included industry certificates, skill attainment and just-in-time learning. Credit for prior learning also was awarded for knowledge and skills obtained outside the classroom, including military training.

One of the most successful approaches to workforce development is through the eight Centers of Excellence which focus on these critical industry sectors: agriculture, energy, healthcare, information technology, manufacturing and engineering and transportation.

Through specialized industry advisory boards, the Centers of Excellence support new program development, apprenticeship education, youth enrichment camps and industry-leading studies. Rothchild said centers focus on access and equity in developing career exploration and pathways to college for underserved youth. For example, 60 percent of high school campers in HealthForce Minnesota's Scrubs camps last year were students from diverse ethnic or racial backgrounds and 30 percent qualified for free or reduced lunch.

There are challenges in career technical education and workforce development, System Director Jeralyn Jargo said. They include:

- Overcoming a public narrative focused on baccalaureate level-education which devalues career technical education and trade occupations;
- Ensuring graduates have both technical and foundational skills;
- Closing the gaps between employee skills and evolving occupational needs;
- Keeping pace with change and innovation;
- Overcoming internal and external competition over continuing education and customized training;
- Meeting resource constraints.

Minnesota State's strategies for addressing these challenges include:

- Increasing outreach to K-12 partners and communities, including youth campus and other early-engagement opportunities;
- Expanding K-12 relationships and exposure to non-traditional career pathways;
- Strengthening and growing college and career readiness through 26 Perkins consortia spanning the state;
- Creating successful partnerships with business and trade associations that grow the student pipeline.

Trustee Sundin noted career and technical education in the state suffered when high school districts cut these programs. While some offerings are being restored through partnerships with Minnesota State colleges and universities, there still are many high schoolers who do not have access to career and technical education.

College career and technical program faculty are encouraged to find real-world, client-based projects for their students, Jargo said. A partnership involving the Filmmaking and Video Production Degree Program at Century College was offered as an example.

Century College graduate Emily Pilacinski described the real-world experience she received by creating a public service announcement for the Minnesota State Patrol. Pilacinski said seeing the final product being aired on TV was amazing. She anticipates this real-world experience will help her stand out when she applies for jobs.

Campus presenters offered information on two applied-learning opportunities that are being offered to students in different regions of the state. Jargo said both partnerships work to meet workforce needs by fostering strong business and community involvement, offering students real-world experiences, relying on strong advisory committee participation and by successfully marrying K-12 and post-secondary educational experiences.

- The Career Technical Education Center at Heintz (CTECH) is a collaboration between Rochester Public Schools, Rochester Community and Technical College, Winona State University and the regional professional community. In 2012, Rochester approved a ½-cent sales tax to create CTECH and the facility opened on the Rochester campus in 2016.

CTECH offers a hands-on program, combining rigorous coursework with active project-based learning in a collaborative setting for students who want to gain a deeper understanding of high-demand professions. The center focuses on seven career pathways: agriculture, construction, engineering, health sciences, manufacturing, hospitality and information technology.

CTECH administrator Erin Broviak said the center is a place for high school students interested in obtaining certificates, diplomas, associate and baccalaureate degrees, as well as those who are interested in entering the workforce right after high school. Students become prepared for industry certificates or can be eligible for college credits through articulation agreements with area post-secondary institutions.

Julie Brock said the Rochester Chamber of Commerce and regional business and industry are active partners with CTECH. Business professionals act as guest instructors and mentors, offer job tours, internships and job shadowing opportunities. Business and industry also donated equipment used by students in the center.

Staff at CTECH are Rochester Public School employees. While funds from the sales-tax increase funded the building construction, it will be sustained through a lease agreement with Rochester Community and Technical College. Interim

President Mary Davenport said student response to the program has been excellent. While they anticipated 500 students would be served during the inaugural 2016-2017 school year, they ended up serving more than 1,600 students.

Trustee Hoffman said the outstanding way the educational entities have collaborated with the Rochester community to create CTECH is an amazing success story.

- The Applied Learning Institute (ALI) is fostering a renewal of secondary technical education in northeastern Minnesota, Northeast Higher Education District (NHED) President Bill Maki said. Created in 2006, the ALI is considered education-based economic development in their region.

The ALI is led by Roy Smith, who has a dual role as Director of Education and Talent Development for NHED and the Iron Range Resources and Rehabilitation Board (IRRRB).

Educational partners include the five higher education colleges in NHED and 24 high schools. The ALI is of great benefit to students in the region since many attend small, rural districts that have disinvested in career and technical programs over time, Smith said. The ALI works to reinvigorate and sustain those programs.

The ALI was formed at a time when the economic landscape was changing, Smith said. An aging workforce and retirements were increasing the need for skilled workers. However, local employers were finding potential employees were not prepared with the skills needed for their industries.

The ALI programs of study focus on high-growth, high demand careers in that part of the state: Industrial technology, engineering, construction trades, transportation/mechanical systems and health care. Industry partners include mining and heavy equipment companies, energy and power companies and medical care facilities.

Students are given the opportunity to take coursework related to these industries and are exposed to equipment used in the trades, Smith said. Students now are leaving high school more confident and prepared to enter the regional workforce or go on to post-secondary education, he said.

The program serves 1,200 to 1,500 students annually and enrollment is steady, even when overall student enrollment has declined, Smith said. Area industries and businesses, as well as parents and students, report a high level of satisfaction with the program, he added.

Maki said they are looking for ways to improve the ALI experience for students and meet the needs of area businesses. School classrooms and shops now are well equipped because of past investments and that is allowing the ALI to shift investments toward professional development for high school and college faculty.

Because of pending changes in credentialing standards for high school faculty, the ALI will be incorporating the Engineering Projects in Community Service curriculum (EPICS). This curriculum, which combines project-based learning and service learning, is well-known and accepted in the engineering industry, Maki said.

Senior Vice Chancellor Ron Anderson said the partnerships and activities showcased are excellent examples of the vital work being done to enhance career and technical education in the state. Robust collaborations between Minnesota State campuses, the K-12 sector, state agencies, private businesses and industries will be needed to meet the workforce needs of the future, he said.

The meeting adjourned at 9:17 am
Respectfully submitted,
Margie Takash, Recorder

**MINNESOTA STATE
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Academic and Student Affairs Committee

Date: October 18, 2017

Title: Proposed Amendment to Policy 3.32 College Faculty Credentialing (First Reading)

Purpose (check one):

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

ASA staff reviewed Policy 3.32 as part of the normal review cycle. The proposed amendment broadens the scope of the policy to include university faculty and changes the name from College Faculty Credentials to Faculty Qualifications. The proposed amendment allows Minnesota State to meet the expectation of the Higher Learning Commission that faculty qualifications be expressed in policy and procedure. The proposed amendment also contains technical edits consisting of updated formatting and writing styles and the replacement of obsolete language with more current terminology.

The proposed amendment was reviewed by the Office of General Counsel, cabinet, then sent out for formal consultation and received support from the presidents, employee representative groups, student associations, and campus leadership groups. All comments received from the consultation were taken into consideration.

Scheduled Presenter(s):

Ron Anderson, Senior Vice Chancellor for Academic and Student Affairs

Kim Lynch, Interim Associate Vice Chancellor for Academic Affairs and Senior System Director
for Educational Innovations

**MINNESOTA STATE
BOARD OF TRUSTEES**

BOARD ACTION
BOARD POLICY 3.32 COLLEGE FACULTY CREDENTIALING (FIRST READING)

1 **BACKGROUND**

2 Board Policy 3.32 College Faculty Credentialing was adopted by the Board of Trustees on
3 December 7, 2005 and implemented on July 1, 2006.

4
5 The policy is being amended to incorporate the Higher Learning Commission expectations that
6 faculty qualifications be located in policy and procedure. The name change to Faculty
7 Qualifications reflects the broader scope of the policy which now includes university faculty.
8 Policy language regarding assigned fields and licensed fields is being proposed for deletion
9 because it is no longer relevant.

10
11
12 **RECOMMENDED COMMITTEE MOTION**
13 The committee recommends the Board of Trustees adopt the proposed amendments to Board
14 Policy 3.32.

15
16
17 **RECOMMENDED BOARD MOTION**
18 The Board of Trustees adopt the proposed amendments to Board Policy 3.32.

19
20
21 *Date Presented to the Board of Trustees:* 10/18/17
22 *Date of Implementation:* xx/xx/xx

**MINNESOTA STATE
BOARD OF TRUSTEES**

BOARD POLICY			
Chapter #.	3	Chapter Name	Educational Policies
Section #.	3.32	Policy Name	College Faculty Credentialing (First Reading)

1 **3.32 College Faculty Credentialing Qualifications**

2
3 **Part 1. Purpose:**

4 ~~The purpose of this policy is to To assure ensure~~ that qualified individuals perform faculty work
5 in the ~~colleges and universities of~~ Minnesota State, ~~colleges through system-established~~
6 ~~minimum qualifications. Credential fields will replace assigned fields and license fields upon~~
7 ~~completion of the conversion process specified in Procedure 3.32.1. Recognizing that full~~
8 ~~conversion of assigned fields and license fields to credential fields must occur field by field, each~~
9 ~~assigned field or license field shall remain in effect only until replaced by a corresponding~~
10 ~~credential field.~~

11
12 **Part 2. Definitions:**

13
14 **Subpart A.** ~~College faculty or college faculty member. College faculty or college faculty~~
15 ~~member means individuals teaching credit-based courses and counselors and librarians at~~
16 ~~system community, technical, and combined community and technical colleges.~~

17
18 **Subpart B.** ~~College faculty credentialing. College faculty credentialing means the process~~
19 ~~for evaluating an individual's education and experience in accordance with system-~~
20 ~~established minimum qualifications for individuals teaching credit-based courses and for~~
21 ~~counselors and librarians.~~

22
23 **Subpart C. Fields.** ~~Fields refers to assigned fields, license fields, and credential fields.~~

24
25 **1. Assigned field.** ~~Assigned field means a defined area of knowledge and skill that is~~
26 ~~specifically related to a program, service, or academic discipline and for which system-~~
27 ~~established minimum qualifications exist. The assigned field is associated with faculty~~
28 ~~positions formerly governed by the Minnesota Community College Faculty Association~~
29 ~~bargaining agreement.~~

30 **2. License field.** ~~License field means a defined area of knowledge and skill that is~~
31 ~~specifically~~
32 ~~related to a program, service, or academic discipline and for which system-established~~
33 ~~minimum qualifications exist. The license field is associated with faculty positions~~
34 ~~formerly~~
35 ~~governed by the United Technical College Educators bargaining agreement.~~

36 ~~3. **Credential field.** Credential field means a defined area of knowledge and skill that is~~
37 ~~specifically related to a program, service, or academic discipline, and for which system-~~
38 ~~established minimum qualifications are created under this policy and related system~~
39 ~~procedures.~~

40
41 **Credential evaluation**

42 The process for evaluating an individual's education and experiences in accordance with
43 established minimum qualifications.

44
45 **Faculty member and faculty work**

46 Individuals who teach credit-based courses, engage in research, and/or provide a variety of
47 academic services for the direct learning benefit of students.

48
49 **Higher Learning Commission (HLC)**

50 One of six regional institutional accreditors in the United States. HLC accredits degree-
51 granting post-secondary educational institutions in the North Central region, which includes
52 Minnesota. The colleges and universities of Minnesota State are members of HLC.

53
54 **Minimum qualifications**

55 The minimum requirements used in credential evaluations.

56
57 ~~**Subpart D. Minimum qualifications.** Minimum qualifications mean system-established~~
58 ~~minimum requirements used to evaluate the credentials of an individual considered for~~
59 ~~college faculty work. The minimum qualifications shall include educational requirements and~~
60 ~~teaching and learning competency requirements; they may also include related occupational~~
61 ~~experience, state and/or national industry licensure/certification, and other requirements as~~
62 ~~appropriate for each assigned field, license field, or credential field.~~

63
64 ~~**Part 3. Applicability.** Policy Statement~~

65 ~~This policy applies to faculty at community, technical, and combined community and technical~~
66 ~~colleges and to other individuals assigned to perform faculty work. An individual offered~~
67 ~~employment as a college faculty member or any individual assigned to perform faculty work~~
68 ~~shall meet system-established faculty minimum qualifications, for the appropriate field except as~~
69 ~~provided for in Procedure 3.32.1. An individual credentialed under this policy and related~~
70 ~~procedures shall be deemed to satisfy the licensure requirement pursuant to Minnesota Statutes~~
71 ~~section 136F.49, as applicable. Minimum qualifications established for faculty work will meet~~
72 ~~the guidelines and assumed practices set forth by HLC.~~

73
74 ~~**Part 4. Transition to Credential Fields.** Each assigned field and license field shall be reviewed~~
75 ~~and converted to a credential field. An existing assigned field and license field with its~~
76 ~~corresponding minimum qualifications shall be maintained until a credential field is established~~
77 ~~in its place. New assigned fields and license fields shall not be established.~~

78
79 ~~**Part 5. Authority to Credential College Faculty.** The chancellor shall develop and implement~~
80 ~~system procedures to credential college faculty and to assure compliance with this policy.~~

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Academic and Student Affairs

Date: October 18, 2017

Title: Academic and Students Affairs FY18 Work Plan and Committee Agenda Discussion

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

The Senior Vice Chancellor for Academic and Student Affairs will provide an overview of the Academic and Student Affairs division priorities for FY18 (as aligned with the work of the Leadership Council and system priorities), and will engage the committee in continued discussion of its agenda priorities for the year.

Scheduled Presenter(s):

Ron Anderson – Senior Vice Chancellor for Academic and Student Affairs

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

INFORMATION ITEM
Report of the Senior Vice Chancellor on the Work of Academic and Student Affairs

BACKGROUND

Each year, the Academic and Student Affairs division aligns its work and priorities with those of the system as a whole, the Leadership Council, and emerging campus needs. In FY18, the ASA division will focus on the following three strategic priorities:

1. Eliminating opportunity gaps,
2. Improving student outcomes, and
3. Collaborating to achieve high quality, sustainable education pathways and programs.

The Senior Vice Chancellor will provide an overview of the work underway to address each of these priorities, and will engage the committee in continued discussion about its agenda priorities for the year.

**MINNESOTA STATE
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Academic and Student Affairs Committee

Date: October 18, 2017

Title: Teacher Education Update

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

The 2017 Minnesota State Legislature incorporated provisions in the education budget bill that will have significant implications for teacher education in Minnesota. This presentation is the first of two scheduled presentations, and is designed to provide an overview of the teacher education landscape as it currently exists, the role of Minnesota State within that domain, and upcoming changes in the structure of teacher education and licensure. A second presentation and discussion in November will address the impact of these changes on Minnesota State teacher preparation programs and our strategic response.

Scheduled Presenter(s):

Ron Anderson – Senior Vice Chancellor for Academic and Student Affairs
Jon Dalager – System Director, Academic Initiatives and Program Support

**MINNESOTA STATE
BOARD OF TRUSTEES**

INFORMATION ITEM

TEACHER EDUCATION UPDATE

BACKGROUND

The 2017 Minnesota State Legislature incorporated provisions in the education budget bill that will have significant implications for teacher education in Minnesota. This presentation is the first of two scheduled presentations, and is designed to provide an overview of the teacher education landscape as it currently exists, the role of Minnesota State within that domain, and upcoming changes in the structure of teacher education and licensure. A second presentation and discussion in November will address the impact of these changes on Minnesota State teacher preparation programs and our strategic response.



October, 2017

Academic and Student Affairs

The Teacher Education Landscape in Minnesota – Part I

Board of Trustees

Academic and Student Affairs Committee

EXECUTIVE SUMMARY

Minnesota State education programs

- More than half (18) of Minnesota State colleges offer pre-education and para-education programs leading to certificates, diplomas, and associate degrees
- All seven Minnesota State universities offer teacher preparation programs leading to teacher licensure
- Enrollments in teacher preparation programs peaked with the great recession in 2011
- Enrollment of students of color and American Indian students as a percent of total enrollments has increased markedly since 2008



EXECUTIVE SUMMARY

Minnesota State education programs (continued)

- Minnesota State universities awarded nearly half of all teacher education bachelor's degrees in the state, and one third of the degrees awarded to students of color and American Indian students
- Placement rates of bachelor's prepared teachers declined during the great recession but rose to 90% by 2013 and have ranged between 90% and 93% in recent years



EXECUTIVE SUMMARY

Oversight structures and teacher licensure

- New oversight and licensing structures will take effect in January 2018, under a single *Professional Educator Licensing and Standards Board*
- A new, four-tiered licensure structure takes effect in July 2018, replacing the existing licensure framework

EXECUTIVE SUMMARY

Alignment of teacher supply, demographics and need

- The number of teachers in Minnesota has increased 5.8% over the past seven years, as compared to a 3.2% increase in student enrollment
- The largest growth in teachers has occurred in the metro, central, and southeast regions of the state, largely mirroring growth in student enrollments
- Teacher race/ethnicity **does not** mirror that of current students

EXECUTIVE SUMMARY

Alignment of teacher supply, demographics and need

- There are significant teacher shortages across the state, with the greatest shortages occurring in special education, select disciplines in the middle and high school grades, and career technical education
- Schools are challenged in not only finding qualified licensed teachers, but also in diversifying the racial/ethnic background of teachers to mirror that of the student body



MINNESOTA STATE

BACKGROUND DATA AND CONTEXT



18 Minnesota State colleges offer pre-education and para-education programs

College	Program Areas
Alexandria Technical and Community College	1
Anoka-Ramsey Community College	1
Central Lakes College	1
Fond du Lac Tribal and Community College	1
Inver Hills Community College	3
Itasca Community College	2
Mesabi Range College	2
Minneapolis Community and Technical College	3
Minnesota State College Southeast	1
Minnesota State Community and Technical College	1
Normandale Community College	2
North Hennepin Community College	2
Northland Community and Technical College	2
Ridgewater College	3
Riverland Community College	1
Rochester Community and Technical College	1
St. Cloud Technical and Community College	2
Vermilion Community College	1

Source: Academic Program Inventory – Academic and Student Affairs



18 Minnesota State colleges offer lower division pre-education and para-professional programs leading to a certificate, diploma, or associate degree.

These programs focus on more than 25 emphasis areas, including agriculture, Anishinaabe and American elementary education, coaching, education paraprofessional/teachers assistant, early childhood education, physical education, and special education to name a few.

A number of the programs articulate to baccalaureate teacher education preparation programs, and provide direct transfer pathways to four-year degrees.

**All 7 Minnesota State universities offer
baccalaureate teacher preparation programs**

University	Program Areas	Emphases
Bemidji State University	9	13
Metropolitan State University	7	7
Minnesota State University Moorhead	15	29
Minnesota State University, Mankato	17	34
Southwest Minnesota State University	15	16
St. Cloud State University	18	27
Winona State University	17	21

Source: Academic Program Inventory – Academic and Student Affairs



All 7 Minnesota State universities offer baccalaureate degree programs leading to teacher licensure.

These programs lead to teacher licensure and focus on the content areas of:

- Agricultural education
- Art
- Biology
- Business
- Chemistry
- Drama and dance
- Early childhood education
- Earth science
- Elementary education
- English

- Family and consumer sciences
- French
- German
- Health education
- Mathematics
- Music
- Physical Education
- Physics
- Science
- Social Studies
- Spanish
- Special education
- Speech
- Teaching English as a second language
- Technology education

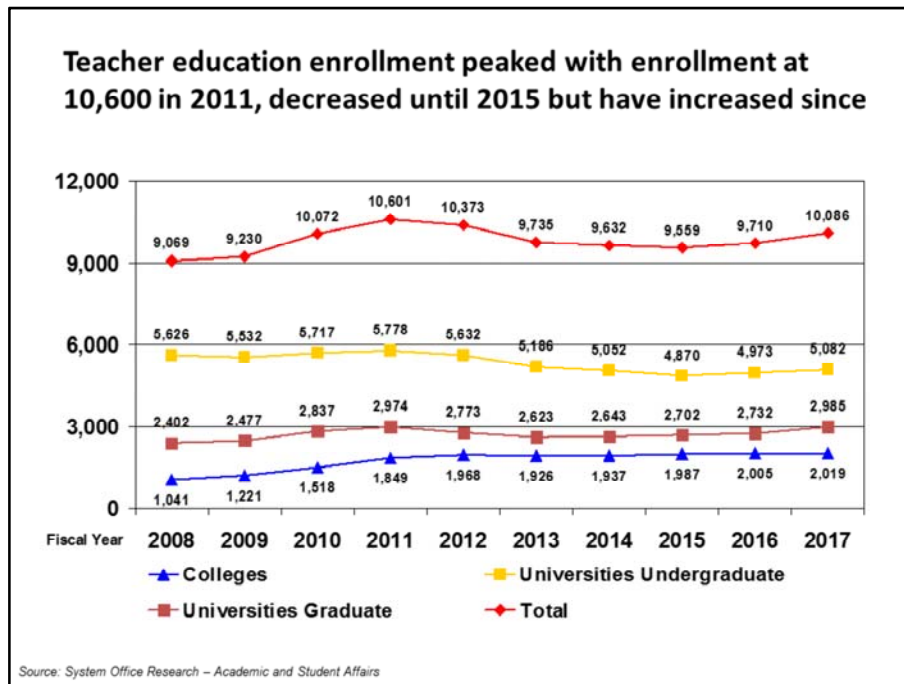
All 7 Minnesota State universities also offer graduate education programs

University	Program Areas	Emphases
Bemidji State University	4	7
Metropolitan State University	1	5
Minnesota State University Moorhead	8	10
Minnesota State University, Mankato	46	67
Southwest Minnesota State University	8	12
St. Cloud State University	34	34
Winona State University	18	19

Source: Academic Program Inventory – Academic and Student Affairs

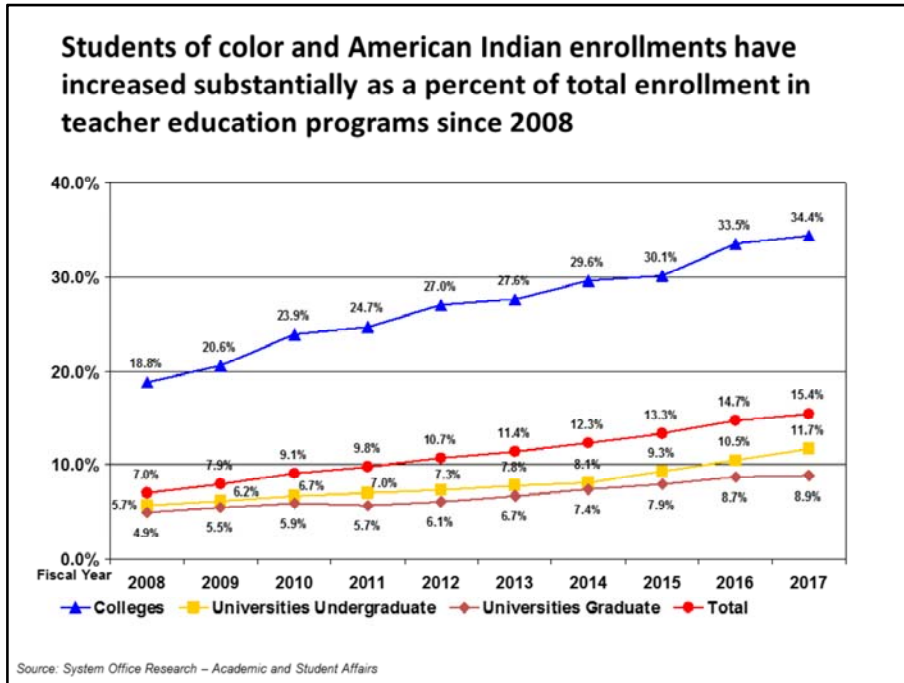


In addition to baccalaureate teacher preparation programs, Minnesota State universities also offer masters degrees in a number of different emphasis areas, as well as post-masters specialist degrees and applied doctorates in educational leadership and administration, higher education, and school counseling.



Key points illustrated by the data above:

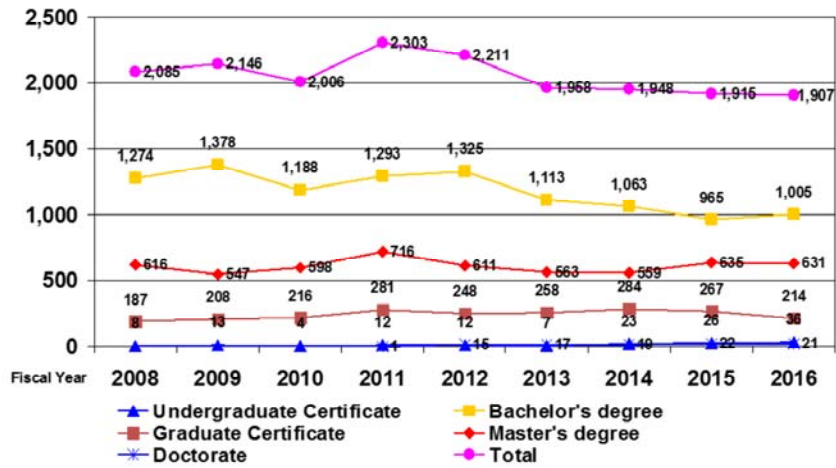
- Undergraduate teacher education enrollments at the state universities include junior and senior students who have been admitted to teacher education majors.
- Teacher education enrollments peaked with systemwide enrollment during the great recession in 2011.
- Undergraduate enrollments decreased between 2011 and 2015 and have risen slightly since.
- Although enrollment in graduate level teacher education programs decreased between 2011 and 2014, 2017 enrollment is at a ten year high.



Key points illustrated by the data above:

- Students of color and American Indian students as a percent of teacher education enrollment at the colleges increased from 18.8% in 2008 to 34.4% in 2017.
- Students of color and American Indian students as a percent of undergraduate teacher education enrollment at the universities increased from 5.7% in 2008 to 11.7% in 2017.
- Students of color and American Indian students as a percent of graduate teacher education enrollment at the universities increased from 4.9% in 2008 to 8.9% in 2017.

Teacher education awards peaked at 2,300 in 2011 and are stable at around 1,900

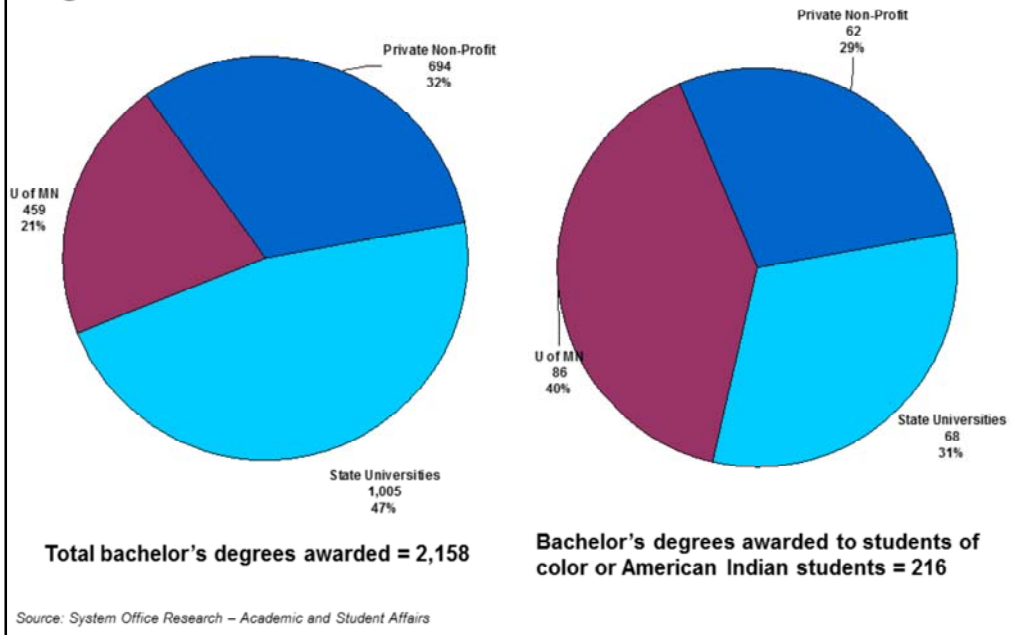


Source: System Office Research – Academic and Student Affairs

Key points illustrated by the data above:

- Teacher education degrees and certificates peaked with enrollment during the great recession in 2011.
- Awards decreased to around 1,900 annually by 2013 and have been stable since.

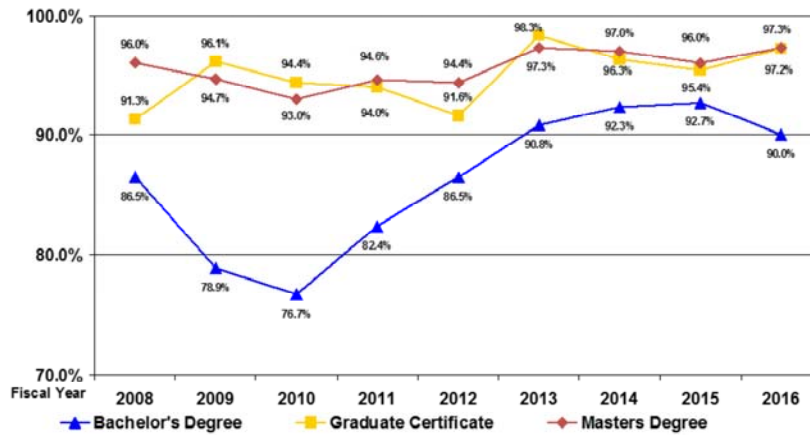
In 2016, Minnesota State universities awarded almost half of all teacher education bachelor's degrees, and almost 1/3 of the degrees awarded to students of color and American Indian students



Key points illustrated by the data above:

- The state universities have awarded almost one-half of the teacher education bachelor's degrees in Minnesota for many years.
- The state universities award almost one-third of the teacher education bachelor's degrees to student of color and American Indian students.

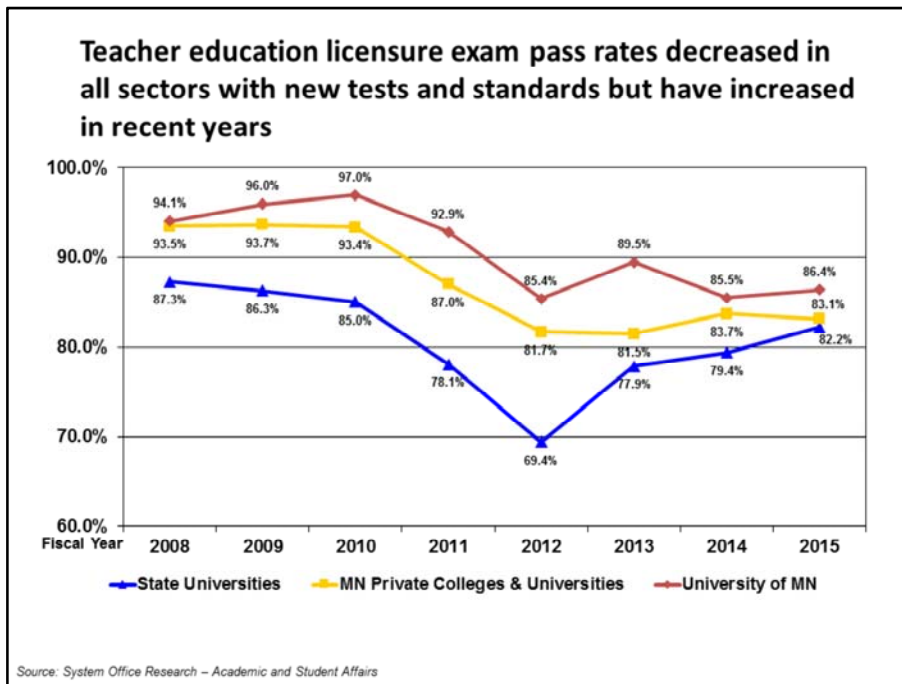
Bachelor's related employment rates decreased during the recession and increased with the recovery, while graduate certificate and Master's employment rates remained high



Source: System Office Research – Academic and Student Affairs

Key points illustrated by the data above:

- Related employment rates for Teacher Education bachelor's graduates decreased from 86 to 76 percent during the Great Recession but increased to 90 percent by 2013.
- Related employment rates for Teacher Education graduate certificates and masters degrees remained high, likely because many graduates are employed in education.



Key points illustrated by the data above:

- Teacher education licensure pass rates decreased between 2010 and 2012.
- The decrease was likely due to changes in the state’s teacher licensure examination and changes in the standards for passing the exam.

TEACHER EDUCATION REGULATORY CONTEXT



Current Structures: Teacher Education Program Approval

- Minnesota Board of Teaching
 - “The purpose of the Board of Teaching is to establish and maintain standards for a quality teacher licensing system for Minnesota public schools”
(Minnesota Board of Teaching By Laws)
 - Reviews and approves all teacher licensure programs offered in the state
 - Monitors district compliance of teacher certification requirements
 - Initially established in 1967 as the *Professional Teaching Practices Commission*



The Board of Teaching collaborates with Minnesota higher education institutions to ensure the highest possible quality for programs offering teacher training.

- Before Minnesota teacher preparation programs can be approved, the institutions/providers themselves must evidence compliance to Board standards.
- Since the early 1970's, institutional review procedures have required Minnesota institutions to prepare and submit for peer review a written self-study report responding to a set of standards adopted by the Board of Teaching in Minnesota Rules Part [8705.1000](#) subpart 2-10.
- The BOT conducts on-site visits to every public, private and for-profit Minnesota teacher preparation institution every 5-7 years to ensure the accuracy and completeness of these self-study reports and to verify the unit's ongoing compliance to the standards of Minnesota

Rules Part [8705.1000](#) subpart 2-10.

Current Structures: Teacher Education Program Approval

- Standards of Educational Practice
 - 125 criteria spread across 10 domains
 - Subject Matter
 - Student Learning
 - Diverse Learners
 - Instructional Strategies
 - Learning Environment
 - Communication
 - Planning Instruction
 - Assessment
 - Reflection and Professional Development
 - Collaboration, Ethics, and Relationships



Minnesota Administrative Rules Section 8710.2000 requires that a candidate for teacher licensure show verification of completing the standards in a teacher preparation program approved by the Board of Teaching. Approved teacher education programs must address the standards within the program curriculum, and are responsible for assessing student achievement of competence in each of the areas.

125 specific criteria are required, distributed across the 10 standard domains of:

1. Standard 1: Subject Matter
2. Standard 2: Student Learning
3. Standard 3: Diverse Learners
4. Standard 4: Instructional Strategies
5. Standard 5: Learning Environment
6. Standard 6: Communication

7. Standard 7: Planning Instruction
8. Standard 8: Assessment
9. Standard 9: Reflection and Professional Development
10. Standard 10: Collaboration, Ethics, and Relationships

Each teacher preparation program must submit evidence that its curriculum addresses the criteria of these standards of effective practice before it can be approved.

Current Structures: Teacher Education Program Approval

- Licensure program pathways
 - Traditional
 - Baccalaureate degree in a Teacher Education Program
 - Student Teaching
 - Licensure
 - Alternative Teacher Preparation
 - Minnesota Statutes §122A.245 enacted in 2011
 - Minnesota State offers 6 alternative programs
 - Alternative Teacher Preparation Grant Program (new)
 - \$750,000 for FY2018



There are two pathways to licensure for teacher preparation students in Minnesota:

- The traditional pathway, requiring a baccalaureate degree in teacher education accompanied by student teaching experience and fulling licensure examination requirements
- The alternative pathway, requiring completion of a Board of Teaching authorized alternative program

Legislature enacted legislation supporting alternative pathways in 2011 and the Board of Teaching authorized alternative and non-conventional programs. As of 2015, Minnesota State universities have approval to offer 6 non-conventional programs. These include:

- Teacher Preparation Collaborative, Winona State University
- FasTrack, Bemidji State University
- DeLite, Bemidji State University

- Mandarin Immersion, St. Cloud State University
- Rochester Elementary Program, Winona State University
- Wyoming Special Education Natrona Program, Bemidji State University

Current Structures: Teacher Licensure

- Minnesota Department of Education
 - Holds primary responsibility for licensing teachers
 - Licensure requirements
 - Completion of an approved teacher preparation program
 - Passing scores on Minnesota Teaching Licensure Examinations
 - Pedagogy and content
 - Essential academic skills
 - Issues 9 types of licenses
- Board of Teaching issued permissions



The Minnesota Department of Education has the primary responsibility for licensing teachers, and currently issues nine types of licenses:

1. Full Professional (5 years, for completers of state approved teacher preparation programs who have met all licensing requirements)
2. Professional (1 year, for completers of state approved teacher preparation programs who have not yet passed required exams and/or completed the Human Relations requirement)
3. Restricted License (1-5 years, for teachers licensed in other states where the scope and/or content of the license isn't directly aligned with Minnesota licensure fields)
4. Temporary Limited (1 year, for individuals who have not completed a teacher preparation program in the licensure area but have met a number of conditions)
5. Lifetime Substitute (for individuals who have held full

- professional licensure and have retired)
6. 5 Year Short Call Substitute (for individuals who completed a teacher preparation program in another jurisdiction)
 7. 2 Year Short Call Substitute (for individuals with a bachelor's degree)
 8. Provisional License (2 years, for licensed teachers to teach in another field, outside that of their licensure)
 9. Nonrenewable License (3 years, for individuals who hold current valid Minnesota entrance of professional license granted by the Board of Teaching and are working to meet Minnesota Department of Education licensure requirements)

Requirements for full licensure from the Minnesota Department of Education include the completion of an approved teacher preparation program, demonstration of competency on a series of tests in reading, writing, math, pedagogy, and licensure field specific content knowledge, and the completion of the Minnesota Human Relations requirement.

Special Permissions

In addition to the nine licensure types issued by the Minnesota Department of Education, the Board of Teaching is empowered to grant special permission to districts, allowing them to employ an unlicensed individual when the district has attempted but been unable to hire a fully licensed teacher. Special permissions are temporary accommodations for districts as they continue to work toward employing fully licensed instructors. Special permissions include:

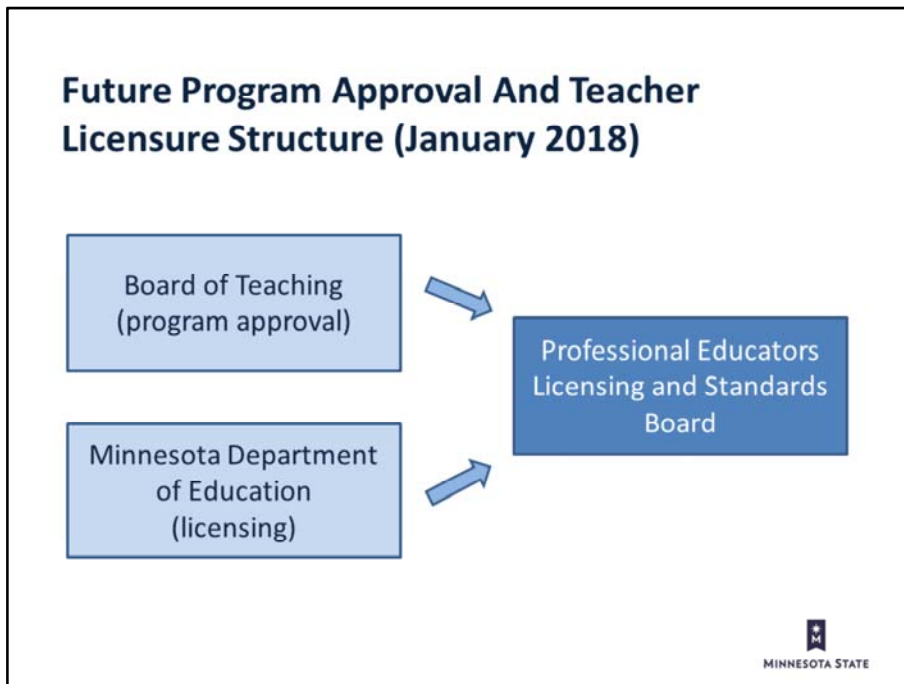
- Non-licensed Community Expert
- Limited Appeal
- Personnel Variance
- Variance Appeal
- Waivers
- Discretionary Variance

Current Structures: Teacher Licensure

- Teacher Licensure areas
 - Art
 - Special Education
 - Early Childhood and Elementary Education
 - Middle Grades
 - High School
 - Languages
 - Related Education
 - Career Technical Education



Teacher licenses are issued in eight broad areas: art, special education, early childhood and elementary education, middle grades, high school, languages, related education, and career technical education.



The 11-member [Professional Educator Licensing and Standards Board](#) will transfer authority from the Board of Teaching (which will dissolve) and the Department of Education. The Board will be responsible for evaluating qualified candidates according to state verification requirements and will report annually on teacher preparation programs and school performance.

Future Program Approval And Teacher Licensure Structure (January 2018)

- Professional Educators Licensing and Standards Board
 - Consists of 11 members: five E-12 teachers, one teacher preparation faculty, one superintendent, one district human resources director, one administrator of a cooperative unit, one principal, and one public member
- Standards of Educational Practice and approval processes for teacher preparation programs will not change
- There will be significant changes in teaching licensure requirements beginning in July 2018



Members of the Professional Educators Licensing and Standards Board are appointed by the governor and were recently announced. They include:

- Maggie Borman, Minneapolis, teacher
- Penelope Duris, Edina, teacher
- Katie Groh de Avina, St. Paul, human resources director
- **Heidi Hahn**, Baxter, cooperative unit administrator
- Amy Hewett-Olatunde, Maplewood, teacher
- Ann Krafthefer, Duluth, teacher
- Anne Lindgren, Maple Grove, teacher
- James Miklausich, Minneapolis, principal
- Brian Rappe, Mendota Heights, teacher
- **Abdi Sabrie**, Mankato, public member - school board
- Loy Woebler, Avoca, superintendent

We are proud to see that two members of the Board have Minnesota State connections:

- The cooperative unit appointee, Heidi Hahn, is an adjunct faculty member at St. Cloud State University. Ms. Hahn teaches in the Educational Leadership and Higher Education graduate program.
- Abdi Sabrie serves as a public member appointee of the board, and is a TRIO academic adviser at South Central College. Mr. Sabrie currently serves on the school board for Mankato Area Public Schools, ISD 77. Elected in 2015, he is the school board's first Somali-American representative.

New Licensing Requirements

What it takes to get a teacher's license

New regulations set to take effect July 2018 that will change the paths to teaching.

Tier 1 license REQUIREMENTS:

A Tier 1 license lasts a year, and may be renewed three times.
The school district must show it couldn't find a more qualified teacher.

5 years work experience, Associate's degree, or professional certificate

or

Bachelor's degree

Tier 2 license REQUIREMENTS:

Enroll in Minnesota teacher training program


Master's degree in subject area

A Tier 2 license lasts 2 years, and may be renewed three times.

Any 2 of these

- Complete teacher training program
- 8 upper-level course credits in the subject area
- Training in subject-specific teaching methods
- Two year's experience in subject area
- Pass state tests in teaching and subject area

Source: Minnesota 2017 Session Law Chapter 5, Article 3
MPR, Jun 14, 2017


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While the impending structural changes in authorizing authority will not bring immediate changes to the Standards of Educational Practice and the approval process for teacher education programs, significant changes in teaching licensure requirements will take effect this coming July.

Effective July 2018, the existing licensure structure will be replaced by a new, 4-tiered structure:

Tier 1 license

Duration: 1 year

Renewal: up to 3 times

Preparation:

Bachelor's degree or Associates degree/professional certificate with 5 years work experience

Tier 2 license

Duration: 2 years

Renewal: up to 3 times

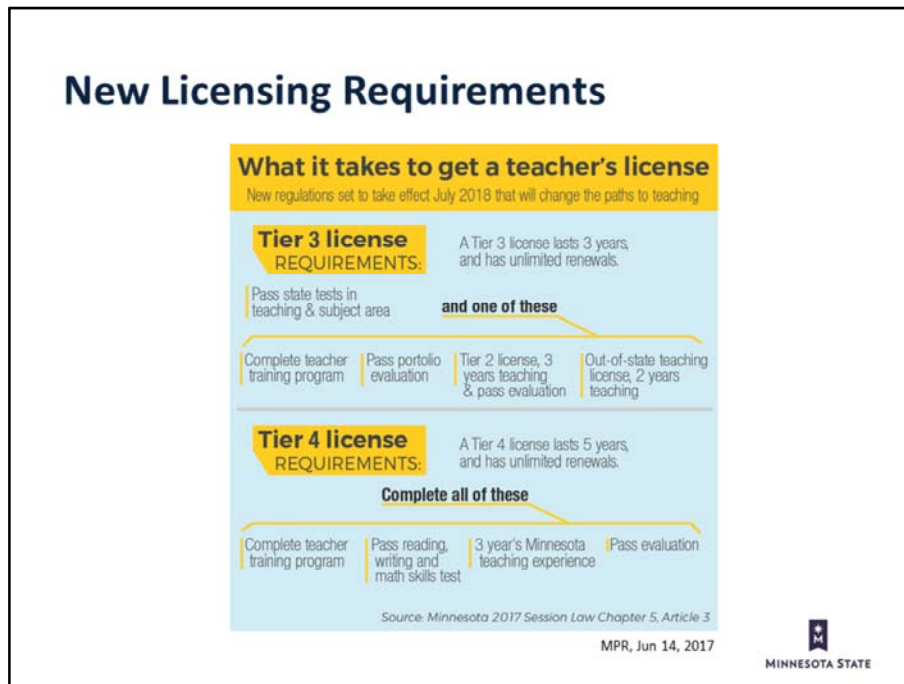
Preparation:

Enrolled in teacher preparation program or holding a Masters degree

-or-

Meet 2 criteria from among 5, directly related to teacher preparation

New Licensing Requirements



Tier 3 license

Duration: 3 years

Renewal: unlimited

Preparation: Pass examinations (in both teaching and content area)

-and-

Meet 1 criteria from among 4 (see above)

Tier 4 license

Duration: 5 years

Renewal: unlimited

Preparation:

- Complete a teacher preparation program
- Pass examinations (reading, writing, and mathematics)
- 3 years teaching experience
- Pass evaluation

The new licensing requirements will have significant impact on teacher preparation programs

- There will likely be an increased need for part-time, non-traditional scheduling, as well as accelerated and innovative ways of delivering teacher education to individuals teaching full-time with Tier 1 & 2 licenses
- The non-traditional pathways for achieving Tier 3 and 4 licensure (via portfolio review, passing licensure exams, etc.) for Tier 1 and 2 teachers who have a bachelor's degree may impact enrollments in traditional programs

TEACHER SUPPLY, DEMAND, AND SHORTAGE AREAS



Statewide teacher supply and student enrollment continues to grow

Number of Teachers and Student Enrollment

Figure 1: Number of Minnesota Teachers



Figure 2: Minnesota Student Enrollment

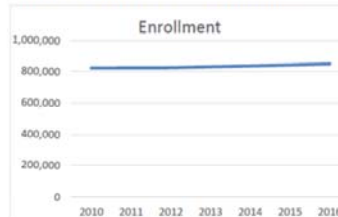


Table 1: Number of Minnesota Teacher and Student Enrollment

	2010	2011	2012	2013	2014	2015	2016
Teachers	56,790	55,388	56,943	57,763	58,211	59,574	60,090
Enrollment	822,697	823,235	824,858	830,482	836,207	842,062	848,742

Note: Information from the MARSS system.

Source: State of Minnesota MARSS system, as reported in the Minnesota Department of Education Teacher Supply and Demand Report, 2017.



Figure 1 above shows the number of teachers employed in Minnesota (also reflected numerically in Table 1). As can be seen, the number of teachers increased from 56,790 in 2009-10 to 60,090 in 2015-16, a 5.8 percent increase across the seven school years.

Figure 2 shows student enrollment for the same time period. As illustrated, public school enrollments increased by 3.2 percent.

These changes resulted in an overall decrease in the student teacher ratio at the aggregate level from 14.4 students per teacher in 2010 to 14.1 students per teacher in 2016.

Teacher supply growth is strongest in the metro, central and southeast regions

Region	2013-14	2014-15	2015-16	3-year headcount change	3-year percent change
Region 1: Northwest	1,122	1,095	1,099	-23	-2.05%
Region 2: Headwaters	1,085	1,092	1,089	4	0.37%
Region 3: Arrowhead	3,071	3,097	3,161	90	2.93%
Region 4: West Central	2,366	2,400	2,442	76	3.21%
Region 5: North Central	1,800	1,895	1,898	98	5.44%
Region 6E: Southwest Central	1,159	1,172	1,168	9	0.78%
Region 6W: Upper MN Valley	530	579	588	58	10.94%
Region 7E: East Central	1,702	1,758	1,781	79	4.64%
Region 7W: Central	4,782	4,911	4,968	186	3.89%
Region 8: Southwest	1,610	1,614	1,622	12	0.75%
Region 9: South Central	2,666	2,428	2,438	-228	-8.55%
Region 10: Southeast	5,337	5,498	5,515	178	3.34%
Region 11: Metro	30,981	32,035	32,321	1340	4.33%
Total Statewide	58,211	59,574	60,090	1879	3.23%

Source: State of Minnesota MARSS system, as reported in the Minnesota Department of Education Teacher Supply and Demand Report, 2017.

Disaggregating teacher supply growth by economic development regions, we see the largest growth in teacher numbers to have occurred in the Twin Cities Metropolitan, Central, and Southeast regions.

The Northwest and South Central regions showed declines, with the great change occurring in the South Central region.

Student growth is strongest in the metro, central, and southwest central regions

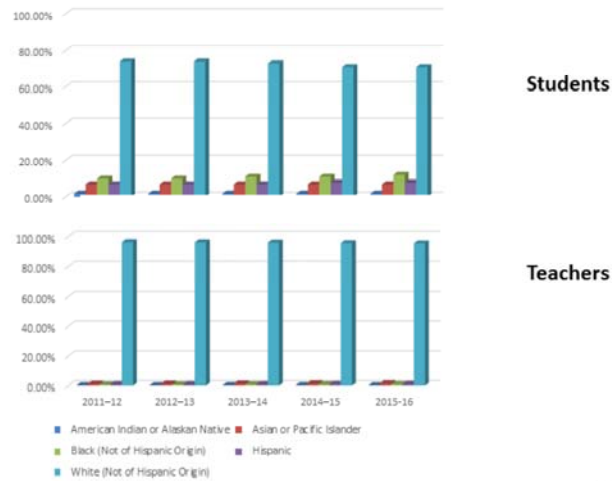
Region	2013-14	2014-15	2015-16	3-year headcount change	3-year percent change
Region 1: Northwest	13,828	13,667	13,797	-31	-0.20%
Region 2: Headwaters	13,389	13,431	13,557	168	1.30%
Region 3: Arrowhead	43,207	43,328	43,134	-73	-0.20%
Region 4: West Central	31,862	32,271	33,006	1,144	3.60%
Region 5: North Central	24,801	24,886	24,996	195	0.80%
Region 6E: Southwest Central	15,974	15,792	15,882	-92	-0.60%
Region 6W: Upper MN Valley	7,116	7,104	7,087	-29	-0.40%
Region 7E: East Central	26,023	25,571	25,361	-662	-2.50%
Region 7W: Central	74,427	75,952	76,926	2,499	3.40%
Region 8: Southwest	18,937	19,161	19,479	542	2.90%
Region 9: South Central	32,428	32,070	32,295	-133	-0.40%
Region 10: Southeast	74,959	75,658	76,185	1,226	1.60%
Region 11: Metro	459,307	463,171	467,037	7,730	1.70%
Total Statewide	836,258	842,062	848,742	12,484	1.49%

Source: State of Minnesota MARSS system, as reported in the Minnesota Department of Education Teacher Supply and Demand Report, 2017.

Although student enrollment patterns vary somewhat from teacher growth at the regional level, high growth in student numbers mirror high growth among teachers in the Twin Cities Metropolitan, Central, and Southeast regions.

Declines in student enrollment numbers have been greatest in the East Central and South Central regions.

Teacher race/ethnicity does not mirror that of current students



Source: State of Minnesota MARSS system, as reported in the Minnesota Department of Education Teacher Supply and Demand Report, 2017.



Racial/ethnic diversity among Minnesota K-12 students continues to exceed that of their teachers. While students of color, American Indian, and Alaskan Native students represent 29% of the overall student body, just slightly more than 4% of all Minnesota teachers are people of color, American Indian, or Alaskan Native.

2015-2106 differences between teacher and student race/ethnicity are stark

	Students	Teachers	Difference
American Indian or Alaskan Native	<1%	2%	1%
Asian or Pacific Islander	2%	7%	5%
Black (Not of Hispanic Origin)	1%	12%	11%
Hispanic	1%	8%	7%
White (Not of Hispanic Origin)	96%	71%	25%

Source: State of Minnesota MARSS system, as reported in the Minnesota Department of Education Teacher Supply and Demand Report, 2017.



In 2015-2016, the gaps in representation are striking, with particularly large gaps in the representation of Black and Hispanic teachers on the one hand, and white teachers on the other hand.

There remains much work to do if we are to create schools where students learn from teachers with similar racial/ethnic backgrounds similar to their own.

Teacher shortages are greatest in the special education, middle and high school grades, and career technical education licensure areas in 2016-2017

Licensure Area	Total Vacancies	Percent vacancies very difficult to fill	Percent vacancies unable to fill	Percent fields within area designated as "shortage"
Art (6 fields)	516	22%	5%	33%
Special Education (13 fields)	1851	50%	14%	85%
Early Childhood and Elementary Education (9 fields)	1032	26%	7%	33%
Middle Grades (13 fields)	1105	31%	8%	69%
High School (16 fields)	1333	38%	10%	63%
Languages (16 fields)	216	42%	19%	6%
Related Education (6 fields)	585	26%	9%	33%
Career and Technical Education (7 fields)	152	42%	28%	57%

Source: State of Minnesota MARSS system, as reported in the Minnesota Department of Education Teacher Supply and Demand Report, 2017.



Also of great concern is the shortage of teachers available in critical areas across the state.

Shortages continue to be greatest in:

- Special education
- Select disciplines within the middle and high school grades (most notably in STEM areas and world languages)
- Career technical education fields

Licensed teacher shortage areas remain consistent and significant

- For the 2016-2017 school year, 30 discipline areas were recognized by United States Department of Education as teacher shortage areas in Minnesota and necessitating licensure through special permission
- The largest gaps fall in the fields of:
 - Special Education – 73.5% special permission
 - Medical Careers – 72.1% special permission
 - Dance and Theater Arts – 40.8% special permission
 - Construction Careers – 38.9% special permission
 - Agriculture Education - 20.9% special permission



Changes in demographics, employment, and district needs bring challenges for both K-12 and higher education

- More teachers of color and American Indian teachers are needed to reflect student demographics
- K-12 and teacher preparation program pedagogy must become culturally relevant if all students are to succeed
- Hiring of teachers prior to the completion of their teacher preparation program leads to downstream issues
- Student interest and a tight employment market continue to exacerbate teacher shortages in key areas





MINNESOTA STATE

Audit Committee
October 18, 2017
9:30 a.m.
McCormick Room

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

1. **Minutes of June 20, 2016 (pages 1-4)**
2. **FY18 Audit Plan (pages 5-17)**
3. Institutional Data Reporting Audit Results (pages 18-33)
4. Purchasing Card Audit Follow-up Audit Results (pages 34-50)

Committee Members:

Michael Vekich, Chair
George Soule, Vice Chair
Amanda Fredlund
Bob Hoffman
Jerry Janezich

Bolded items indicate action is required.



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
June 20, 2017**

Audit Committee Members Present: Trustees Robert Hoffman, Ann Anaya, Jay Cowles, Amanda Fredlund, and George Soule

Audit Committee Members Absent: none.

Others Present: Trustee Basil Ajuo, Elise Bourdeau, Alexander Cirillo, Dawn Erlandson, Jerry Janezich, Rudy Rodriguez, Louise Sundin, and Cheryl Tefer.

The Minnesota State Colleges and Universities Audit Committee held its meeting on June 20, 2017, in the 4th Floor McCormick Room, 30 East 7th Street in St. Paul. Chair Hoffman called the meeting to order at 2:24 p.m.

1. **Audit Committee met in closed session to discuss the performance review of the Executive Director of Internal Auditing.** Performance expectations were discussed and a plan to move forward will be developed.
2. **Minutes of April 18, 2017**
The minutes of the April 18, 2017 audit committee were approved as published.
3. **Fiscal Year 2017 Audit Plan Update**
Mr. Dave Pyland, Executive Director for Internal Auditing, stated that they planned to outline the results for fiscal year 2017, talk about the strategy and goals for 2018, and finally how they planned to measure the progress toward those goals.

Mr. Pyland introduced each staff member on internal audit team. We are committed to supporting the mission of Minnesota State. We bring a lot of Minnesota State experience to the table. Everything we do is based on respect, honesty, integrity, trust, and transparency. Mr. Pyland reviewed the ongoing audit activities that continue to be handled by the internal audit team – assurance services, external audit activity coordination, and advisory services.

As the Office of Internal Auditing teams with Baker Tilly, we bring system insight, knowledge, and relationships to the partnership, while Baker Tilly supplements the team with broad industry experience and a wide range of subject matter experts, primarily in higher education. The result of the partnership is that we are better together.

Ms. Raina Rose Tagle, Baker Tilly Partner, introduced herself. She serves as the consulting leader for higher education across Baker Tilly, and she also serves as the firm-wide leader for risk, internal audit, and cyber security services across multiple industries. Ms. Tagle

stated that they were very excited to be working with Minnesota State, and they view the work with the internal audit team as an integrated team. She noted that they are seeing a move toward integrated teams, where internal audit personnel are reaching out to bring in specialized expertise in key areas, and specialize perspectives across higher education.

Mr. Chris Jeffrey, Baker Tilly Partner, introduced himself. He is located in the Twin Cities office and leads the Midwest audit and cyber security practice.

Mr. Frank Bossle, Director with Baker Tilly, introduced himself. He has been with Baker Tilly for two years and prior to that he was the head of internal audit at Johns Hopkins for fifteen years.

Mr. Eric Wion, Deputy Director, began by reflecting on the past fiscal year and the progress that has been made. He characterized the year as a building year for the Office of Internal Audit and the function. Mr. Wion outlined three major accomplishments. First, the Board of Trustees selected an executive director for the Office of Internal Audit. Mr. Pyland started in August, with a wealth of knowledge and experience, and a fresh perspective. Mr. Pyland has helped to formulate a new vision of internal audit, and we're starting to chart a new course. Second, the Office of Internal Auditing has been reorganized and has begun moving toward a co-sourced internal audit team. Through planned attrition we've downsized from a staff of eleven to a staff of five. Finally, in January we started the RFP process to select an internal audit partner, and chose Baker Tilly. We are extremely excited about the future.

In addition to these three significant accomplishments, internal audit has continued to do day to day work. Internal Auditing coordinates the external audit activity, the largest is the systemwide financial statement audit that occurs every year, as well as the annual student financial aid compliance audit work. There were excellent results from those audits, the financial statement audits got clean or unmodified opinions, and the federal financial aid audit results were also good, with only two minor reportable issues. In addition, internal audit engagements were completed throughout the course of the year. He noted that the Bookstore Internal Control and Compliance Audit was completed last week and members should have received a copy of the report.

Mr. Pyland reviewed the goals for 2018. Trustee Anaya stated that she had read the goals and engagement results for 2017. She asked Mr. Pyland to describe biggest challenge for 2018 and how it will be approached. Mr. Pyland stated that with all the changes within internal audit and with the impending change in system leadership, making sure that we become a team with management on assessing risk, planning audits, analyzing the results of audits and determining how those can best impact improvements in the system will be a continual challenge and a primary focus.

Mr. Pyland continued by discussing the four engagement areas that had been identified as the projects to get started on right away. One was based on prior audit results and doing a

follow up in that area, another was based on a request in the information technology area, another was based on emerging industry risk that was pointed out by Baker Tilly, and the last one is planning to get us properly situated with the NexGen project that's kicking off, to establish our role as part of the project management office, and how that's going to work.

4. Fiscal Year 2018 Annual Audit Planning

Ms. Rose Tagle talked about the first four project areas that were selected for focus while the team moves forward with putting a more comprehensive plan together.

Mr. Pyland talked about the need for a dynamic plan. When things change, whether a special request from the audit committee or a new risk within higher education, internal audit needs to have the ability to step back and reprioritize. Flexibility will require collaboration and communication with the audit committee and management.

Mr. Pyland stated that the next steps would be to complete current projects, and to complete the risk assessment and collaborative plan and bring it for its approval in October. He talked about the possibility of pulling together an audit advisory group made up of a cross section of management. Mr. Pyland thought it could be helpful in analyzing results and interpreting how they might be applied to the system. Finally Mr. Pyland asked the committee for their thoughts and comments on how the internal audit goals and strategy for FY2018 aligned with the Board's priorities.

Trustee Hoffman asked for clarification on what the timeline would be for completing the projects laid out in the plan. Ms. Rose Tagle stated that they would be reporting back substantively on each of the four audit projects when the Audit Committee met again in October. She added that they would provide a status update for the NexGen project. She stated that they also planned to report in October on the more extensive FY18 Plan which will include a timeline for field work and reporting as well as definable results.

Trustee Cowles asked how the audit plan responds to the Enterprise Risk Management strategy as it has been most recently expressed. He also asked how internal audit might anticipate contributing to the board retreat discussion in September as to how the ERM strategy might be further informed or defined either by internal audit work or by the observations that Baker Tilly brings. Ms. Rose Tagle explained that the audit plan links specific enterprise risks directly to the four audit topics that are the initial projects. She stated that they would be considering all those yearend results as they undertake the audit work and they plan to present them back to the committee in that context. The plan for FY18 will be fully informed by and influenced by the latest ERM assessment results. She added that when they bring that FY18 plan back in October, they will be able to show the committee more fully the enterprise risk and the linkage to the plan, and board members will be able to see which ones are not covered as well as the ones that are covered.

Mr. Pyland pointed out that Enterprise Risk Management and Internal Audit Risk Assessment are separate activities, although they should be very closely aligned. Internal audit operates more at a control level, it's a more detailed granular level than the enterprise risk which is a broader statement, but they are connected. He stated that the intent is to connect those dots so that we are talking the same language and using the same process. Mr. Pyland stated that, as the system goes through the chancellor transition, the role that internal audit plays, can be more involved in the ERM process as long as everyone understands where internal auditing's official roles and responsibilities stop. Audit is not a management function, but rather a monitoring function that reports to the audit committee. Trustee Cowles thanked Ms. Rose Tagle and Mr. Pyland.

Trustee Hoffman stated that the audit committee expects leadership from Baker Tilly. They expect Baker Tilly to be able to inform the committee on what they should be doing, and where they can be of the most value to the organization and to the committee, including specifically what they are going to be doing, how they will do it and when it will be done. He stated that being proactive on their part, being specific and showing a sense of urgency is what the committee is looking for from the firm.

Ms. Rose Tagle stated that they could do that. She stated that the committee will find as they begin to have regular conversations going forward, that one report to the audit committee to the next will start to form that foundation of a commitment and they committee will be able to more easily measure the progress.

Mr. Pyland thanked the committee for their time.

The meeting adjourned at 3:03 p.m.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Audit Committee

Date: October 18, 2017

Title: FY18 Audit Plan

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

Board Policy 1D.1, part 6, requires the Executive Director of Internal Auditing to present and seek approval of an audit plan for each fiscal year. Internal auditing standards require that the board approve the annual plan.

The audit plan presents an overview of how the Office of Internal Auditing plans to use its resources in fiscal year 2018.

Plan updates will be brought to the Audit Committee throughout fiscal year 2018.

Scheduled Presenter(s):

Eric Wion, Interim Executive Director of Internal Auditing

Chris Jeffrey, Baker Tilly Partner, Midwest Risk, Internal Audit and Cybersecurity Practice Leader

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

ACTION ITEM
FY18 Audit Plan

BACKGROUND

According to Board Policy 1.D., Part 6, the Office Internal Auditing must submit an annual audit plan to the Audit Committee. Internal auditing standards require that the Board approve the annual plan. The fiscal year 2018 audit plan will be reviewed at the meeting.

RECOMMENDED COMMITTEE ACTION:

On October 18, 2017, the Audit Committee reviewed the Fiscal Year 2018 Internal Audit Plan and recommends that the Board of Trustees adopt the following motion:

RECOMMENDED BOARD MOTION:

The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2018.

Date Presented to the Board of Trustees: October 18, 2017



October 18, 2017
Office of Internal Auditing

Internal Audit Report to the Audit Committee

Today's Agenda

- Internal Auditing Update
- Proposed Fiscal Year (FY) 2018 Audit Plan
- Institutional Data Reporting Audit
- Purchasing Card Follow-up Audit

Internal Auditing Update

Projects in Process

Projects	Related Enterprise Risks	Timing
<p>Follow-up on 2014 purchasing card audit Survey all institutions, assess the current state of action plans from the 2014 audit, review the current processes at three institutions, and recommend best practice improvements that support financial sustainability.</p>	<ul style="list-style-type: none"> Increasing costs/expenses: energy, supplies and materials, disposal Financial sustainability of colleges and universities A culture that fears change and has inadequate capacity to change Outdated legacy systems 	<p>October Audit Committee (slide 8)</p>
<p>Institutional data reporting audit Assess the processes and controls over data collected and reported to state and federal agencies.</p>	<ul style="list-style-type: none"> Federal and state financial support for students 	<p>October Audit Committee (slide 5)</p>
<p>Payment card industry (PCI) risk assessment Survey all institutions and the System Office to determine the System's PCI risk profile and identify risks to the System and institutions. Benchmarking with peer institutions will be performed to provide industry leading best practices.</p>	<ul style="list-style-type: none"> Information security and information management 	<p>In process; Anticipate November Audit Committee</p>

Additional Actions Taken Since June

- Participated in Enterprise Risk Management (ERM) committee meeting, assisted with ERM risk update, and presented at Board Retreat
- Developed the FY 2018 risk-based internal audit plan in collaboration with the Chancellor, Risk Committee, Cabinet, and Audit Committee Chair
 - FY18 Contract amendment is action item in Finance Committee
- Developed the project risk review approach included herein at slide 11

4



Proposed Fiscal Year 2018 Internal Audit Plan

5



Guiding Principles

- Enterprise risk management process/risk assessment informs the internal audit planning process
- Plan includes consulting and assurance projects - approaches and reporting for these projects vary
 - Assurance services provide objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes. Detailed reports are typically provided to both management and the Audit Committee.
 - Consulting and advisory service, the nature and scope of which are agreed with the client, are intended to add value and improve governance, risk management, and control processes without internal audit assuming management responsibility. Detailed reports are typically provided to management and a higher-level summary is provided to the Audit Committee.

6



Proposed Consulting and Advisory Projects

Projects	Related Enterprise Risks
<p>Enrollment initiatives review Assess the institutions' initiatives to increase enrollment and evaluate how institutions recruit and retain successful students in relation to leading practices across higher education.</p>	<ul style="list-style-type: none"> • Enrollment • Low awareness and varied reputation • Growing population of students at risk • Lack of long-term sustainable financial model
<p>Shared services governance framework review Assess the current and planned shared services to provide assurance and confirm criteria for sustainable organizational governance relative to guiding principles and accreditation standards. Assist the System with aligning shared services to individual institutions.</p>	<ul style="list-style-type: none"> • Inadequate capacity to embrace disruptive change • Growing need to address affordability and student debt • Financial sustainability of colleges and universities • Lack of long-term sustainable financial model
<p>Information security consultation Perform a review of a selection of component institutions' information security processes and controls. Evaluate the component institutions' progress on the development and implementation of key controls to safeguard data. This work will develop a roadmap for future IT security audits.</p>	<ul style="list-style-type: none"> • Information security and information management • Inadequate capacity to embrace disruptive change • Out-dated legacy systems

7



Proposed Consulting and Advisory Projects (continued)

Projects	Related Enterprise Risks
<p>Information technology risk assessment phase I Perform an initial review to identify the System's enterprise information technology risk profile and areas for further focus.</p>	<ul style="list-style-type: none"> Information security and information management Inadequate capacity to embrace disruptive change Out-dated legacy systems
<p>Human resources, transactional service model Review the current HR Hub service model to assess the transition, progress to date, and the extent to which the desired project goals and objectives have been achieved. Identify key lessons learned to be applied on future initiatives. Perform an assessment of risks associated with the transition and how to mitigate these risks for future projects.</p>	<ul style="list-style-type: none"> Financial sustainability of colleges and universities Lack of long-term sustainable financial model Inadequate capacity to embrace disruptive change
<p>Compliance practices assessment Inventory key compliance responsibilities and risks for the System, the likelihood and impact of those risks, and parties' roles and responsibilities for compliance and oversight.</p>	<ul style="list-style-type: none"> Regulatory management (ADA, ACA, FLSA, FMLA, Worker's Comp, etc.) Title IX compliance (sexual assault, athletics, etc.) Title IV and state financial aid programs Safe, secure, compliant operations

8



Proposed Assurance Projects

Projects	Related Enterprise Risks
<p>NextGen project risk review (PRR) Establish Internal Audit's role in facilitating periodic checkpoints to provide assurance regarding risks of the NextGen project, designed to replace Minnesota State's primary enterprise systems.</p>	<ul style="list-style-type: none"> Poorly aligned/aging solutions that are not sustainable in their current form and/or hamper the organization's ability to act operationally and strategically to meet current and future needs Out-dated legacy solutions A culture that fears change and has inadequate capacity to change
<p>Procurement audit As an extension of the purchasing card follow-up audit, perform a comprehensive review of the sourcing and procurement processes. Compare the System's procurement approach to industry leading practices and assess risks related to methods of contracting and procurement across the System.</p>	<ul style="list-style-type: none"> Increasing costs/expenses: energy, supplies and materials, disposal Financial sustainability of colleges and universities A culture that fears change and has inadequate capacity to change

9



Proposed Ongoing Activities

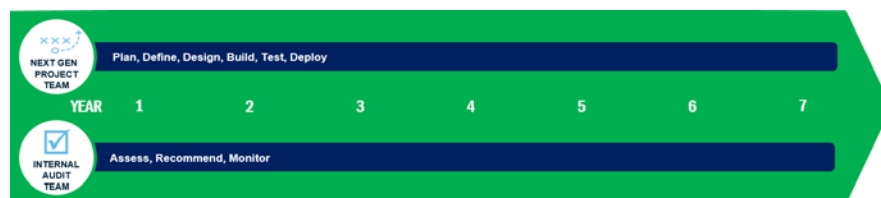
- Consulting and Advisory Services
 - Enterprise Risk Management Committee
 - Chancellor’s cabinet and leadership committee
 - Other committee and work group participation: Information security, ISRS, Finance user’s group, Financial aid directors group
 - Risk and control guidance for key business processes
 - Ongoing ad-hoc inquiries and advice
- Assurance Services
 - Audit of board expenses and trustee expense reimbursements
 - Monitoring progress on outstanding audit findings
 - Continue development of data analytics capabilities
- External Audit Coordination
 - Annual Financial statement audits
 - Annual Federal student financial aid compliance audit
 - Other external party audits
- Fraud Inquiry and Investigation Services

10



Project Risk Review (PRR) Approach

- Goal - increase project success by objectively and proactively identifying risks, issues, and deficiencies, then providing recommendations to reduce their likelihood, while identifying and monitoring any downstream effects
 - IA activities are distinctly different and separate from actual project execution activities
 - IA conducts their activities in collaboration with the project team, positively impacting overall project performance
 - IA activities start as advisory focused (i.e., consult on project and internal controls) during the first half of project and become more assurance focused (i.e., audit of internal controls) during the last half



11



Audit Plan – Coverage by Risk Area

Risk Category	2016 Risk Area	Coverage
Strategic Risks	Enrollment Challenged	√
	Inadequate capacity to embrace disruptive change (fear of change, difficulty anticipating, responding to, or leading disruptive change, limited capacity for change)	√
	Need for a long-term sustainable financial model	√
	Outdated legacy systems	√
Academic and Student Affairs	Growing population of students at risk	√
	Growing racial tensions and student activism	
	Relational risk and effective collaboration	
	Title IX compliance (sexual assault, athletics, etc.)	√
Financial	Title IV and state financial aid programs	√
	Enrollment	√
	Financial sustainability of colleges and universities	√
	Federal and state financial support for students	√
Human Resources	Talent recruitment, retention, and development to address anticipated high turnover in key leadership and staff positions over the next five years	
	Regulatory management (ADA, ACA, FLSA, FMLA, Worker's Comp, etc.)	√
	Title IX compliance (sexual assault, athletics, etc.)	√
Technology	Information security and information management	√
	Poorly aligned/aging and unsustainable systems that hamper the organization's ability to act operationally and strategically to meet current and future needs	√
Facilities	Facility and infrastructure reliability	
	Safe, secure, compliant operations	√
	Increasing costs/expenses: energy, supplies and materials, disposal	√

12



Recommended Action and Motion

- Recommended Committee Action
 - *On October 18, 2017, the Audit Committee reviewed the Fiscal Year 2018 Internal Audit Plan and recommends that the Board of Trustees adopt the following motion:*
- Recommended Board Motion
 - *The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2018*

13



Institutional Data Reporting (IDR) Audit Results

14



Scope, Objectives, and Conclusion

Institutional Data Reporting Audit

- Reviewed internal controls and processes over data reporting to key governmental agencies
 - Integrated Postsecondary Education Data System (“IPEDS”) to the National Center for Education Statistics (within the U.S. Department of Education)
 - Minnesota Office of Higher Education (OHE)

Conclusion: ***Effective*** – No high risk observations related to internal controls were noted

15



Summary Observations – Opportunities

Institutional Data Reporting Audit

Nbr.	Observation(s)	Risk Rating ¹
Policies and Procedures		
1.1	Formal Documentation – Narrative documentation has only been completed for six out the 12 IPEDS surveys	Medium
Publicly Reported Data		
2.1	Data Oversight – Information publicly reported by colleges and universities is not consistent	Low

¹High risk indicates significant likelihood for compliance concerns, reputational risk, legal action against the System, and/or the creation of a significant System liability. Medium risk indicates a moderate possibility of these outcomes occurring. Low risk indicates a slight possibility of these outcomes occurring.

Purchasing Card (Pcard) Follow-up Audit Results

Scope, Objectives, and Conclusion

Purchasing Card Follow-up Audit

- Assessed the status of 2014 audit findings and opportunities
- Surveyed all colleges, universities and System office
- Interviewed System office personnel
- Conducted on-site reviews at three institutions
 - Minnesota State University, Mankato
 - Minnesota State Community and Technical College
 - St. Cloud State University

Conclusion: **“Effective”** – No high risk observations related to internal controls were noted

Summary Observations – Opportunities

Purchasing Card Follow-up Audit

Nbr.	Observation(s)	Risk Rating ¹
Unaddressed Findings from the 2014 Audit		
1.1	Closing Pcard Accounts – Some institutions did not close or freeze Pcards timely when they were no longer needed	Low
1.2	Improvement Opportunities – Opportunities for improvement noted during the 2014 Pcard audit have not been addressed	Medium
Purchasing Card Program Efficiencies		
3.1	Transition to US Bank – Some institutions have not transitioned to US Bank for Pcard administration	Medium
3.2	Use of Automated Workflow Tools – Some institutions do not utilize automated workflow tools for the review and reconciliation of purchase card activity	Low

¹High risk indicates significant likelihood for compliance concerns, reputational risk, legal action against the System, and/or the creation of a significant System liability. Medium risk indicates a moderate possibility of these outcomes occurring. Low risk indicates a slight possibility of these outcomes occurring.

Summary Observations – Opportunities (cont'd)

Purchasing Card Follow-up Audit

Nbr.	Observation(s)	Risk Rating
Overall Sourcing Strategy		
2.1	Communication of Sourcing Strategy – The System does not have a defined sourcing strategy that can be clearly communicated and implemented by each individual institution.	Medium
e-Procurement Implementation		
4.1	Project Management Resources – Some institutions lack the capacity necessary to develop training related to e-Procurement and assist with e-Procurement implementation throughout their specific institution.	Low
4.2	Rebate Program – Institutions receiving rebates could be impacted financially by the implementation of the e-Procurement system.	Low

20



Contact Information

- Eric Wion, Interim Executive Director, Office of Internal Auditing
 - Eric.Wion@MinnState.edu
 - 651-201-1798
- Chris Jeffrey, Baker Tilly Partner, Midwest Risk, Internal Audit and Cybersecurity Practice
 - Chris.Jeffrey@BakerTilly.com
 - 612-876-4679
- Mallory Thomas, Senior Manager, Baker Tilly
 - Mallory.Thomas@BakerTilly.com
 - 612-876-4726

21



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Audit Committee

Date: October 18, 2017

Title: Institutional Data Reporting Audit Results

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

The audit reviewed internal controls and processes over Minnesota State's institutional data reporting function. More specifically, it focused on data reporting via the Integrated Postsecondary Education Data System ("IPEDS") to the National Center for Education Statistics (within the U.S. Department of Education) and the Minnesota Office of Higher Education ("OHE").

The internal audit report presents the results of the audit, including improvement opportunities and related recommendations to management in improving business processes, controls, and accountability.

Scheduled Presenter(s):

Eric Wion, Interim Executive Director of Internal Auditing
Mallory Thomas, Baker Tilly Senior Manager

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

INFORMATION ITEM
Institutional Data Reporting Audit Results

BACKGROUND

The audit scope included internal controls and processes over Minnesota State’s institutional data reporting function as it relates to the governmental agencies institutional data reporting via the Integrated Postsecondary Education Data System (“IPEDS”) to the National Center for Education Statistics (within the U.S. Department of Education) and the Minnesota Office of Higher Education (“OHE”). The purpose of the audit was to evaluate internal controls and processes for institutional data reporting at the Minnesota State System Office. Verification and testing of the controls was performed to assess: whether they were well designed; functioning as designed; complied with Minnesota State policies and procedures; and complied with external agency reporting requirements.

CONCLUSION

Overall, we concluded that the processes and internal controls in place over the institutional data reporting processes are Effective. Individuals involved in the institutional data reporting processes, as it relates to the government agencies, clearly understand their roles and responsibilities and are familiar with industry practices. The processes in place can be enhanced by developing formal documentation so that they may be performed by new individuals.

Date Presented to the Board of Trustees: October 18, 2017



September 28, 2017

Office of Internal Auditing

Institutional Data Reporting

Internal Control Audit

2017-04 Institutional Data Reporting
Report Classification: Public



MINNESOTA STATE

**30 East 7th Street
St. Paul, MN 55101**

**651-201-1800
888-667-2848**

September 28, 2017

Dear Members of the Minnesota State Board of Trustees,
Interim Chancellor Malhotra,
Vice Chancellor Ron Anderson,
and Craig Schoenecker, Senior System Director for Research

This report presents the results of our Institutional Data Reporting Audit.

The audit report contains findings and related recommendations to assist the System Office management in improving business processes, controls, and accountability. The results of the audit were discussed with System Office leadership on August 18, 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*

We appreciate the excellent cooperation and assistance that we received from System Office leadership and employees, as well as college and university employees.

Sincerely,

Eric Wion, CPA, CISA, CISSP
Interim Executive Director

Table of Contents

- Report Summary 1**
 - Audit Scope 1
 - Conclusion..... 1
 - Summary Observations..... 1

- Detailed Report 3**
 - Summary 3
 - Approach..... 3
 - Strengths 5
 - Observations, Recommendations and Management Action Plans 6

- Appendices 8**
 - Appendix A..... 8
 - Appendix B 10

Report Summary

Audit Scope

The audit scope included internal controls and processes over Minnesota State’s institutional data reporting function as it relates to the governmental agencies institutional data reporting via the Integrated Postsecondary Education Data System (“IPEDS”) to the National Center for Education Statistics (within the U.S. Department of Education) and the Minnesota Office of Higher Education (“OHE”). The purpose of the audit was to evaluate internal controls and processes for institutional data reporting at the Minnesota State System Office. Verification and testing of the controls was performed to assess: whether they were well designed; functioning as designed; complied with Minnesota State policies and procedures; and complied with external agency reporting requirements.

Conclusion

Overall, we concluded that the processes and internal controls in place over the institutional data reporting processes are Effective¹. Individuals involved in the institutional data reporting processes, as it relates to the government agencies, clearly understand their roles and responsibilities and are familiar with industry practices. The processes in place can be enhanced by developing formal documentation so that they may be performed by new individuals.

Summary Observations

There are several strengths in the current processes:

- > Automated data entry eliminates error potential
- > The Integrated Statewide Record System (“ISRS”) generates consistent data
- > Statistical Package for the Social Sciences (“SPSS”) coding provides consistent consolidation of data
- > Validation procedures ensure accuracy of reporting
- > The IPEDS Coordinator position at the System office contributes oversight and guidance to each institution
- > IPEDS Keyholder² review and analysis at the institutional level imparts an additional layer of assurance over the accuracy of reporting
- > Overall process maturity, as measured with a maturity model tool, rates at the highest level in six out of the nine elements evaluated

¹ An “Effective” conclusion indicates that no High risk observations related to internal controls were noted as a result of the audit. A “Satisfactory” conclusion indicates that while some High risk observations were noted, internal controls overall are sufficient to achieve objectives and ensure compliance. An “Improvement Needed” conclusion indicates that many High risk observations in internal controls were identified that, in the aggregate, could result in significant errors or irregularities, or significant compliance concerns, that are not detected on a timely basis.

² IPEDS Keyholder is a designated individual at each institution, whose responsibility is to make sure all applicable survey components are submitted accurately and on time. This includes running the edits and resolving all edit issues and errors, and locking each component.



In conjunction with management, we rated opportunities for enhancement as High, Medium, or Low risk observations³. We did not note any High risk observations; we highlighted one Low and one Medium risk observation below. Please refer to the detailed audit report for the Low and Medium risk observations, along with the detailed audit criteria by which we evaluated the institutional data reporting processes.

Observation(s)	Risk Rating
During our audit, we noted that System Office management is currently in the process of preparing formal documentation on the procedures performed for all IPEDS and OHE surveys. Although documentation on input data files and on the syntax coding used for processing the data was complete for all surveys, formal narrative documentation had not been completed for several surveys.	Medium
During our audit, we noted that information related to the data reported on the surveys within college and university websites is not consistent.	Low

Management provided action plans to address each observation; we will track and periodically report on management’s progress.

³ High risk indicates significant likelihood and significant exposure to the System for compliance concerns, reputational risk, legal action against the System, and/or the creation of a significant System liability. Medium risk indicates a moderate possibility of these outcomes occurring and moderate exposure.

Detailed Report

Summary

IPEDS reporting is a system of interrelated surveys conducted annually by the National Center for Education Statistics as part of the Institute for Education Sciences within the U.S. Department of Education. IPEDS consists of twelve survey components that are collected over the course of a year, and all US colleges and universities whose students are eligible for federal student aid must complete them.

The Minnesota State system uses a coordinated model for submission of required federal and state surveys on behalf of its thirty seven colleges and universities. The System Research Office (“SRO”) coordinates completion of all federal and state surveys and prepares and submits information on all surveys that rely on data that are available at the system level. The more common model used for federal and state reporting throughout Higher Education is to have each college and university prepare and submit the required information.

The SRO coordinates completion of all twelve IPEDS surveys and submits data for all thirty seven colleges and universities for eight (Completions, 12-Month Enrollment, Student Financial Aid, Outcome Measures, Graduation Rates, 200% Graduation Rates, Fall Enrollment, and Human Resources) out of the twelve surveys that are based on ISRS data. The System Finance Division prepares and submits data for all colleges and universities for the IPEDS Finance Survey. The remaining three surveys (Institutional Characteristics, Academic Libraries, and Admissions) collect data, most of which is only available at the campus and are completed by staff at each college and university. The Admissions survey is applicable only to the seven state universities that have selective admissions. The community and technical colleges have open admission policies and, consequently, are not required to complete the admission survey.

Office of Higher Education (“OHE”) reporting serves as the state of Minnesota’s clearinghouse for data, research, and analysis on post-secondary enrollment, financial aid, and finance trends. OHE conducts four annual surveys and all colleges and universities in the state whose students are eligible for state student aid must complete them. The surveys include Financial Aid Awarded, Graduate Debt, Student Enrollment, and Awards Conferred. The System Research Office prepares and submits data on all four OHE surveys for all of the colleges and universities.

Approach

We performed the following activities to evaluate Minnesota State’s practices related to the institutional data reporting processes for IPEDS and OHE reporting.

- > Interviewed selected key process owners and stakeholders to assess risks and understand current practices and approaches for compliance with policies and procedures and industry best practices.
- > Reviewed current institutional data reporting policies, procedures, and practices documentation to understand the:
 - o Organizational structure of the SRO
 - o Responsibility for managing and reporting institutional data
 - o Systems involved in data analysis
 - o Quality assurance procedures



- > Performed walkthroughs with key individuals in the SRO to gain an understanding of the processes and controls in place to collect, review, and accurately report data externally. During the walkthroughs, we observed a sample of data being queried for three IPEDS surveys and two OHE surveys. The surveys were selected based upon an assessed level of risk associated with each survey. The surveys that were selected for observation were determined to be the higher risk surveys for both IPEDS and OHE. We verified that the data being queried agreed to the data reported in the following surveys:
 - Fall Enrollment (IPEDS)
 - Graduation Rates (IPEDS)
 - Student Financial Aid (IPEDS)
 - Graduate Debt Survey (OHE)
 - Financial Aid Survey (OHE)
- > Performed walkthroughs with key individuals in the SRO to gain an understanding of the data formatting process within SSPS. During the walkthroughs, we observed queries of data performed within Microsoft Access, along with the specific lines of coding utilized to format the data into reportable formatting. (See **Appendix A** for process flowchart.)
- > Verified that a sample of student records for three institutions (Minnesota State University, Mankato, Pine Technical & Community College, and Saint Paul College), agreed to the data that was recorded at the System Office, and that the students were included in the appropriate sections of the IPEDS surveys noted above.
 - The three institutions were selected based upon their size as Internal Audit intended to verify data at a cross-section of the population: a large institution (Minnesota State University, Mankato); a medium institution (Saint Paul College); and a small institution (Pine Technical & Community College). Further, both a university and one college were selected for testing. We visited each institution to verify student records within their Systems.
- > Performed walkthroughs with campus IPEDS Keyholders at the three institutions noted above to gain an understanding of the procedures performed in regards to IPEDS surveys. During the walkthroughs, we discussed the Keyholder's involvement in reviewing surveys prepared by the SRO, as well as their preparation of applicable campus-reported IPEDS surveys.
- > Performed a maturity model analysis to aid the System in making decisions about the progression of institutional data reporting procedures. (See **Appendix B** for details and results of maturity model analysis.)
 - Overall process maturity, as measured with a maturity model tool, rates at the highest level (Optimized) in six out of the nine elements evaluated as they relate to formalization, awareness, and quality assurance of policies and procedures.
 - The two elements related to the formalization and awareness of policies and procedures were rated at the lower level of Managed, due to the fact that not all procedures for IPEDS and OHE surveys are documented and shared, yet, with institutional research staff at the colleges and universities. Internal Audit believes this to be adequate considering documented procedures are in process and are expected to be completed by mid-October.



- The element related to the formalization of roles within the Organization was rated at the lower level of Defined, as the SRO IPEDS Coordinator coordinates completion of all twelve surveys for each institution, but the SRO and Finance staff only complete nine of the twelve surveys, where they are providing the additional validation and review of data being reported. And while the SRO and research staff from each college and university met initially to develop the standards used for reporting, and meet when there are changes to the required reporting, they do not meet on a regular basis with documentation of those meetings. Internal Audit believes this to be adequate as all changes are communicated.

Strengths

During our audit, we noted the following strengths:

- > Automated data entry, such as electronic student application forms, reduces the amount of manual data entered into the System, thus reducing the potential for human error.
- > The Integrated Statewide Record System (ISRS) provides consistent data across all institutions creating increased efficiencies and accuracy of data collection. Centrally prepared reporting by the SRO using ISRS data also eliminates the need for interpretation of data reporting requirements at the college and university level.
- > The software utilized for data consolidation and processing (SPSS) contains detailed notes and run dates providing enough detail to easily transition the procedures performed from one individual to another.
- > Validation procedures embedded throughout the process provide additional assurance over accurate data being merged and formatted within SPSS. Validation procedures performed include:
 - Internal Checks – Throughout the reporting process, data and reports are compared to source files.
 - Review of Summary Data – IPEDS Coordinator performs a comparison of summary data to prior IPEDS submissions and System reports.
 - Data Validation – If anomalies are identified, they are investigated, and if necessary, corrections and updates are made.
 - Coordinated Review of Automated Edit Checks – Once data is saved, a review of errors and potential errors occurs.
 - Perform Edits Function and Review – Additional edits are run using the edit link within the Surveys page to identify issues.
 - Provide Edit Explanations – Edit checks resulting in errors are discussed with campus Keyholders.
- > The IPEDS Coordinator position in the SRO offers consistent validation over all data received by the thirty seven institutions within the Minnesota State System. This also creates consistency of guidance, support, and communication for IPEDS Keyholders at the institutions within the Minnesota State System.
- > IPEDS Campus Keyholder review and analysis provides another layer of assurance of complete and accurate data being reported in surveys.



Audit Observations, Recommendations, and Management Action Plans

1. Policies and Procedures

Formal Documentation	
Observation	During our procedures, we noted that management does not currently have formally-documented procedures for all of the IPEDS and OHE surveys. We noted that documentation on input data files and on the syntax coding used for processing the data was completed for all of the surveys; however, formal narrative documentation had only been completed for the Fall Enrollment (IPEDS), Graduation Rate (IPEDS), Student Financial Aid (IPEDS), Human Resources (IPEDS), Financial Aid (OHE), and Graduate Debt (OHE) surveys.
Institution(s)	System Office
Risk	Management may have difficulties on-boarding new employees or backfilling roles. Further, in the event of key personnel departures, important knowledge may be lost.
Recommendation	It is recommended that management formally document the processes and procedures performed for all IPEDS and OHE surveys prepared.
Management Action Plan	<p>Risk: Medium</p> <p>Plan: Management is completing development of formal narrative documentation for all IPEDS and OHE surveys that have not been documented thus far. All Survey documentation will be posted on the System’s Institutional Research SharePoint site, where it will be available to college and university institutional research staff.</p> <p>Estimated Completion Date: October 13, 2017</p> <p>Owner: Craig Schoenecker, Senior System Director for Research</p>

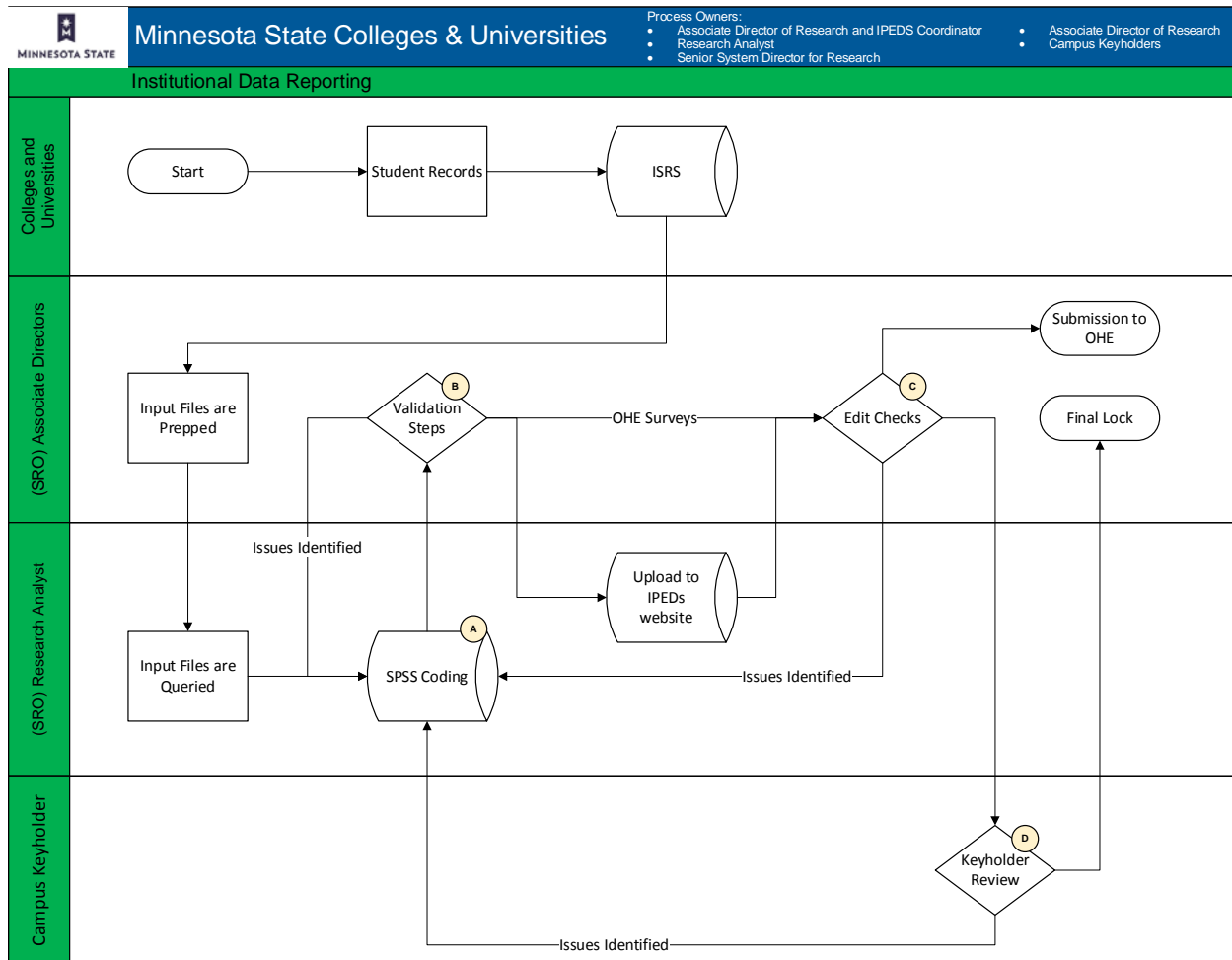
2. Publicly Reported Data

Oversight of Publicly Reported Data by the institutions	
Observation	During our procedures, we noted that SRO management provides some oversight on student right-to-know; however, oversight on IPEDS data reported is not provided. In addition, how the data is reported is not overseen by the SRO. As a result, information publicly reported by colleges and universities on their respective websites is not consistent, some institutions are not providing results or explanation of IPEDS results and some of the Student Right To Know Act (“SRTK”) data was not easily accessible on the institutions’ websites.
Institution(s)	System Office
Risk	Data reported by institutions is inaccurate, insufficient, or difficult to locate.
Recommendation	It is recommended that SRO management provide oversight into what and how data is publicly reported at each institution. In addition, management should ensure that student right-to-know data is easily accessible within the institutions’ websites and should ensure that all data is being accurately reported by each institution. Minnesota State University, Mankato was noted as having a large amount of information published on their website and should be utilized as a model for other websites.
Management Action Plan	<p>Risk: Low</p> <p>Plan: The SRTK requires U.S. colleges and universities, whose students are eligible for federal student aid, to disclose their graduation rates to students and prospective students. The SRO prepares the SRTK disclosure forms and provides them to each college and university. SRO staff will annually verify that the SRTK disclosure is accessible on each college and university website by July 31st of each year.</p> <p>There are no federal or state requirements that colleges and universities must disclose any IPEDS data other than the SRTK graduation rates. Furthermore, IPEDS data for each U.S. college and university are already available on the U.S. Department of Education’s College Navigator website. Finally, college and university staff makes the decisions about website content and investments in staff resources to prepare data and reports for disclosure. Consequently, SRO management does not believe it is necessary to provide oversight into what and how data are publically reported by each college and university.</p> <p>Estimated Completion Date: July 31, 2018</p> <p>Owner: Craig Schoenecker, Senior System Director for Research</p>

Appendices

Appendix A: Process Flow Chart

The following process chart illustrates the institutional data validation and reporting processes that are completed by the colleges and universities, SRO, and campus Keyholders. Additional detail regarding each control is noted on the following page.



Appendix A: Process Flow Chart (Cont.)

Control descriptions

A	Within the SPSS data merging process, there are several validations built in to ensure that data being merged and processed for reporting is accurate. If a validation is not fulfilled, SPSS creates an error identifier which alerts the Research Analyst to errors in the coding. Notes are included amongst the code (Syntax format) to help explain the procedures that are being performed within SPSS.
B	Once data has been merged and processed, there are several validation steps that are performed by the Director and Associate Directors for Research. A high-level analysis is performed for each survey, which involves comparing results against prior year data. Data for the current year is compared against trends and expectations to identify any areas not in line. If items outside of expectations are identified, they are provided to the Research Analyst who re-performs control A to ensure the data is complete and accurate. Once initial validations are completed, the files are uploaded to the IPEDS web-based data collection System. Each survey has a unique format; thus, if an incorrect survey is uploaded, IPEDS will reject the format of the incorrect survey.
C	After surveys for each college and university have been successfully uploaded, edits checks are performed within the IPEDS System, which flag data that appears inconsistent or is outside of IPEDS-defined thresholds for year-to-year variances. For most flagged items an explanation is required in order to clear the flagged variance. When these instances occur, the IPEDS Coordinator works with the Campus Keyholders at the corresponding college or university to explain the variance. If an acceptable explanation is provided, the IPEDS System will clear the flags. Some items may be flagged as "Fatal," which requires an actual change in the data in order to be cleared. Once this process is complete, the data is sent to the individual Campus Keyholder for their review.
D	As part of their review, the Campus Keyholders compare the results of the data received from the System Office against their internal data to ensure that it agrees. Keyholders will meet with specific personnel within their institution to aid in reconciling the data against what is received. If variances are identified, they are noted and discussed with the System Office until a resolution is found. Once all data has been reviewed, it is confirmed for lockdown with the System Office and is locked down within the IPEDS System.



Appendix B: Maturity Model

Institutional Data Reporting Maturity Model Description

Internal Audit (“IA”) developed this maturity model to aid Minnesota State's Colleges and Universities in making decisions about the progression of institutional data reporting processes as it relates to IPEDS and OHE reporting. IA considered the current state of institutional data reporting at Minnesota State along with institutional data reporting policies and procedures noted at other institutions.

The institutional data reporting maturity model is organized in terms of three components and three dimensions:

Components:	Dimensions:
Formalization	People
Awareness	Policies
Quality Assurance	Capabilities

The matrix below provides guiding questions to ask along the stages of the maturity model when the components and dimensions intersect. The maturity model on the following page has measurable standards for each component-dimension at each stage of maturity. Minnesota State should consider which stage of maturity for each component-dimension best aligns with the Organization's strategic plan. Green highlighted cells in the matrix reflect IA’s assessment of Minnesota State's current process maturity for each component-dimension.

Institutional Data Governance Program Maturity Model				
Guiding Questions for each Component-Dimension				
		Dimension		
		People	Policies	Capabilities
Component	Formalization	How developed is the institutional data reporting function and which roles are filled to support institutional data reporting activities?	To what degree are institutional data reporting policies and procedures defined, implemented, and enforced?	What capabilities are implemented to formalize institutional data reporting processes?
	Awareness	What awareness do people have about their role within institutional data reporting processes?	How are institutional data reporting policies, procedures, and best practices communicated?	What awareness is there of institutional data reporting capabilities?
	Quality Assurance	To what degree are quality assurance roles and responsibilities assigned?	What policies and procedures are performed to provide quality assurance?	What quality assurance capabilities are in place?



Appendix B: Maturity Model (Cont.)

		Institutional Data Reporting Maturity Model								
Maturity Level		Formalization			Awareness			Quality Assurance		
		People	Policies	Capabilities	People	Policies	Capabilities	People	Policies	Capabilities
Maturity Level	Ad Hoc	There are no defined roles related to institutional data reporting.	Employees follow historical practices that are passed down verbally.	Institutional data reporting capabilities are not defined.	Limited awareness of purpose or value of institutional data reporting.	Employees are at some point verbally notified of historical practices.	There is a little awareness of institutional data reporting capabilities and technologies.	Individuals perform ad hoc data quality efforts as needed and manually fix data identified as having issues. Identification of data issues is reactive rather than proactive.	Reports are reviewed before they are finalized. Some level of quality control is performed for data collection.	Data quality assurance is done on an ad hoc basis usually using SQL, Access, or Excel. Access to source data by quality assurance personnel is limited.
	Repeatable	Institutional data reporting practices are customarily defined and understood by parties responsible for reporting the data. Reporting roles or responsibilities are secondary to other accountabilities for a designated position.	Procedures and practices for collecting, managing, and reporting institutional data are clear, repeatable, and well-understood. Documentation is limited; it is the data outputs themselves that are the evidence of adequate performance of procedures.	Institutional data reporting capabilities are defined, but not documented, and each institution manages reporting independently. Technical capabilities to manage institutional data vary between institutions.	Senior leaders are aware of the need for operational and efficient reporting activities. Stakeholders are tactically / transactionally focused on quality control within silos of responsibility.	Stakeholders are generally aware of reporting requirements and are familiar with how to process institutional data within the system.	A small subset of the organization understands institutional reporting capabilities, tools, and technologies.	People are assigned to assess and ensure data quality within the scope of each institution's data reporting requirements.	Reviews are designed so that they can be performed consistently each year using the same systems. Quality control and / or process requirements are minimally documented.	Limited data assurance reviews are regularly performed on certain segments of institutional data.
	Defined	Some (specific and critical) roles are filled to support data reporting needs and employees clearly understand responsibilities associated with their roles.	Policies and procedures for collection, management, and reporting of institutional data are documented by the group responsible for overseeing institutional data reporting. Governing committee has a charter in place. <i>SRO is in the process of documenting IPEDS and OHE reporting policies and procedures. There is not a charter in place for a governing committee or group.</i>	Some capabilities are shared and adopted as best practices and made available throughout the organization. Some of these capabilities are captured in tools such as inventories of data reported across the organization, process maturity models, and codebooks.	Senior leaders at the institutions understand how institutional data reporting benefits/impacts their institution, and employees are aware of institutional data reporting. Senior leaders actively promote the importance of institutional data reporting within their institutions and require conformance to organizational standards.	Documented policies and procedures include reporting responsibilities and define a process for managing institutional data requests across the organization. <i>SRO is in the process of documenting IPEDS and OHE reporting policies and procedures.</i>	A small subset (core, subject matter experts, power users, etc.) of the organization is aware of the capabilities and tools developed for the institutional reporting program, e.g., inventories, maturity models, and codebooks.	A small group of specifically designated individuals assess data quality in existing systems. Down stream usage of the data is considered in the issue identification process.	Data gathering and analysis processes are being tracked and documented so that re-performance is consistent and the level of assurance is well-understood. Standards are established for data validation prior to publication. Performance of the validation is in the process of being documented.	Data quality reporting capabilities are implemented and available in some critical systems. Access to source data by quality assurance personnel is not limited.
	Managed	Data reporting roles are consistently designed to support specific data and reporting characteristics across the organization. There is broad (but inconsistent) participation in reporting. <i>SRO IPEDS Coordinator coordinates completion of all 12 IPEDS surveys. SRO and Finance staff complete 9 of 12 IPEDS surveys for all 37 institutions. IPEDS Keyholders are designated at each institution. Roles and responsibilities are clearly understood. SRO and institutional research staff meet initially to develop standards used for IPEDS and OHE reporting and meet when there are changes in IPEDS or OHE reporting.</i>	Documented policies and procedures are reviewed by the System Research Office and updated as needed.	Capabilities required for institutional data reporting are met in documented areas.	Senior leaders understand long-term reporting strategy and their part in it. Employees understand how reporting impacts/benefits their institutions, and the organization as a whole. Senior leaders actively promote the importance of institutional data reporting beyond the Research System Office. The mission and / or annual performance objectives for relevant offices include data quality expectations.	Policies and procedures are available to all stakeholders and are approved and reviewed regularly by the group (SRO) responsible for overseeing institutional data reporting.	A targeted audience has been identified and a significant portion of that audience is aware of the institutional data reporting capabilities that are available. These capabilities or evidence of the capabilities are periodically assessed; corrective action is taken to adjust policy and training as needed.	Data quality experts are identified throughout the organization and are engaged in all data quality improvement projects.	Quality assurance is performed by a party independent of the party that prepared the data. Documented evidence of effective quality controls' and / or quality assurance program's effectiveness is available. Data quality experts use that evidence to confirm compliance with data reporting standards.	Data quality reporting capabilities are implemented and available in all systems and issue remediation is integrated into quality reporting platform.
	Optimized	Data reporting structure is completed as defined, and the SRO along with other System Office personnel and Institutional Research representatives from each institution, meet regularly and documents its activities. There is broad and consistent participation in reporting.	Stakeholders are able to review official policies and procedures for guidance throughout all stages of institutional data reporting processes (e.g., data request, analysis, review).	All institutional data is captured in the inventory and codebooks, and reporting capabilities are mandatory for all areas of data collection, management, and reporting. <i>IPEDS and OHE surveys are inventoried and well-defined SPSS codebooks are maintained by the SRO and IPEDS Keyholders at the Universities.</i>	Both senior leaders and employees understand their role in the long-term evolution of data reporting. Employees actively promote importance of data reporting. Qualitatively, it is understood that reporting meets tactical and strategic needs of individual stakeholders and the organization as a whole.	Stakeholders are made part of the policy development process. Current policies are updated and communicated to the institutions periodically. A relevant policy management life-cycle (criteria for policy creation, review/update, retirement) is established and policy updates are tracked.	The targeted audience (SRO, Human Resources, Finance, IPEDS Keyholders) understands how to utilize relevant data reporting capabilities. Qualitatively, clear and consistent application of institutional data reporting standards is commonly understood to be part of the organization's culture.	A central function is charged with continually assessing and improving institutional data quality outside of the systems being managed by each department or group. <i>IPEDS Keyholders are identified at each institution and are engaged in some data quality assurance. The IPEDS Coordinator, SRO Director and Associate Director are actively engaged in data quality assurance.</i>	Quality assurance is performed by a party independent of the party responsible for preparing the data and can be performed using the source data. Results are used to enhance the effectiveness and efficiency of data collection and quality controls. <i>Research Analysts prepare data, Director and Associate Directors review output. Then Keyholders at the various institutions review. Validation procedures are well documented. IPEDS Coordinator is a data quality expert.</i>	Data quality remediation is implemented on both data at rest (in databases) and data in flight (in extract, transform and load - ETL, and as messages between systems). <i>IPEDS and OHE validation procedures are consistently implemented for all data sets and issue remediation is integrated into the reporting platform.</i>



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Audit Committee

Date: October 18, 2017

Title: Purchasing Card Audit Follow-up Audit Results

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

Internal Auditing completed a follow-up audit of purchasing card processes and controls. The area was originally audited in 2014. The audit report summarizes the results, including improvement opportunities and related recommendations to management in improving business processes, controls, and accountability.

Scheduled Presenter(s):

Eric Wion, Interim Executive Director of Internal Auditing
Mallory Thomas, Baker Tilly Senior Manager

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

INFORMATION ITEM
Purchasing Card Audit Follow-up Audit Results

BACKGROUND

In 2014, the Minnesota State Office of Internal Auditing (“Internal Audit”) completed an internal control and compliance audit of Purchasing Cards (“Pcards”). During this audit, it was noted that the colleges and universities “generally had adequate internal controls over Pcard activities and complied with finance-related legal requirements and applicable policies, procedures, and guidelines.” There were no material weaknesses noted; however, some internal control deficiencies and overall improvement opportunities were noted. As a result, the System Office administration was to work with college and university leaders to respond to the findings and improvement opportunities noted as a result of the 2014 audit.

In order to assess the current status of the management action plans that resulted from the 2014 audit, Internal Audit performed a follow-up audit of the current Pcard policies and procedures, as well as a review of the overall procurement strategy.

Internal Audit noted that the System has Effective internal controls over Pcard activities, and has policies and procedures in place to administer Pcards. During the course of the audit, Internal Audit identified opportunities for improvement related specifically to Pcards, as well as to the System’s overall purchasing and procurement strategy.

Date Presented to the Board of Trustees: October 18, 2017



September 28, 2017

Office of Internal Auditing

Purchasing Card Follow-up Audit

Reference Number: 2017-05 Purchasing Card Audit

Report Classification: Public



MINNESOTA STATE

30 East 7th Street
St. Paul, MN 55101

651-201-1800
888-667-2848

September 28, 2017

Dear Members of the Minnesota State Board of Trustees,
Interim Chancellor Malhotra,
Vice Chancellor Laura King, and
College and University Presidents

This report presents the results of our Purchasing Card Follow-up Internal Audit.

The audit report contains findings and improvement opportunities, as well as the related recommendations to assist college and university management in improving business processes, controls, and accountability. The results of the audit were discussed with college, university, and System Office leadership on September 14, 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the excellent cooperation and assistance that we received from college, university, and System Office employees.

Sincerely,

Eric Wion, CPA, CISA, CISSP
Interim Executive Director

Table of Contents

Report Summary	4
Audit Scope	4
Conclusion.....	4
Summary Observations.....	5
Detailed Report	7
Approach.....	7
Audit Observations, Recommendations, and Management Action Plans.....	7
Appendices	13
Appendix A: 2014 Pcard Audit Findings.....	13
Appendix B: 2014 Opportunities for Improvement.....	14

Report Summary

Audit Scope

In 2014, the Minnesota State Office of Internal Auditing (“Internal Audit”) completed an internal control and compliance audit of Purchasing Cards (“Pcards”). During this audit, it was noted that the colleges and universities “generally had adequate internal controls over Pcard activities and complied with finance-related legal requirements and applicable policies, procedures, and guidelines.” There were no material weaknesses noted; however, some internal control deficiencies and overall improvement opportunities were noted. As a result, the System Office administration was to work with college and university leaders to respond to the findings and improvement opportunities noted as a result of the 2014 audit. Refer to **Appendix A** for the 2014 Pcard Audit findings and **Appendix B** for the 2014 Pcard Audit improvement opportunities.

In order to assess the current status of the management action plans that resulted from the 2014 audit, Internal Audit performed a follow-up audit of the current Pcard policies and procedures, as well as a review of the overall procurement strategy. Internal Audit surveyed all 37 campuses in the Minnesota State System and the Minnesota State System Office (collectively the “System”). Internal Audit completed on-site reviews of the purchasing card processes and procedures at Minnesota State University, Mankato; St. Cloud State University; and Minnesota State Community and Technical College. Further, Internal Audit performed interviews of System Office personnel. Refer to the Detailed Report section for further discussion on the observations noted during the 2017 Pcard follow-up internal audit.

The follow-up audit aligned with the following Enterprise Risk Management (“ERM”) risks identified at Minnesota State:

- > Increasing costs/expenses: energy, supplies and materials, disposal
- > Financial sustainability of colleges and universities
- > A culture that fears change and has inadequate capacity to change
- > Outdated legacy systems

Conclusion

Internal Audit noted that the System has Effective¹ internal controls over Pcard activities, and has policies and procedures in place to administer Pcards. During the course of the audit, Internal Audit identified opportunities for improvement related specifically to Pcards, as well as to the System’s overall purchasing and procurement strategy.

¹ An “Effective” conclusion indicates that no high risk observations related to internal controls were noted as a result of the audit. A “Satisfactory” conclusion indicates that while some high risk observations were noted, internal controls overall are sufficient to achieve objectives and ensure compliance. An “Improvement Needed” conclusion indicates that many high risk observations in internal controls were identified that, in the aggregate, could result in significant errors or irregularities, or significant compliance concerns, that are not detected on a timely basis.

Summary Observations

Internal Audit acknowledged the following strengths and best practices within the existing Pcard program:

- > Institutions are knowledgeable of the requirements outlined in Purchasing Card Procedure 7.3.3 within the System’s overall Board Policies and System Procedures.
- > System and institution finance leaders are focused on maximizing efficiencies within the purchasing and procurement process, as well as ensuring effective use of funds received from the rebate programs.
- > System finance leaders understand the need to develop policies and procedures that mitigate and reduce the risks associated with a System-wide purchasing card program.
- > Minnesota State University, Mankato has a defined process for the review of merchant category code (“MCC”) blocking that is performed and documented on a regular basis, and can be used as a best practice example across other institutions.
- > Minnesota State Community and Technical College has a robust training process for new cardholders that details the required procedures and prohibited uses for Pcard activity, as well as how to use the US Bank Access Online Pcard system, which could be utilized as a best practice for other institutions that utilize US Bank Access Online.

In addition, Internal Audit noted the following observations based on survey responses and our on-site reviews:

- > Overall, the findings from the 2014 Pcard audit have been addressed. However, additional enhancements are needed to the review process and documentation for closing inactive Pcard accounts. In addition, many opportunities for improvement identified during the 2014 Pcard audit remain open.
- > A defined sourcing strategy to outline the integration between Pcards and the e-Procurement system has not been clearly communicated to individual institutions.
- > Some institutions have not migrated to US Bank for their Pcard program, and many institutions do not utilize the automated workflow tools that are available within the Pcard systems.
- > Certain institutions have experienced inefficiencies with the e-Procurement implementation process and have not developed a training process for the e-Procurement system at their respective institution. Further, the implementation of e-Procurement could impact the amount of rebates received based on Pcard spend depending on how Pcards are integrated with e-Procurement.

In conjunction with management, Internal Audit rated these observations as High, Medium, or Low risk observations² within the following table. Please refer to the Detailed Report section for further discussion on each observation, and the associated recommendation and management action plan.

² High risk indicates significant likelihood and significant exposure to the System for compliance concerns, reputational risk, legal action against the System, and/or the creation of a significant System liability. Medium risk indicates a moderate possibility of these outcomes occurring and moderate exposure. Low risk indicates a slight possibility of these outcomes occurring and low exposure.



Observation(s)	Risk Rating ³
Unaddressed Findings from the 2014 Audit	
<ul style="list-style-type: none"> • Closing Pcard Accounts – Some institutions did not close or freeze Pcards timely when they were no longer needed. 	Low
<ul style="list-style-type: none"> • Improvement Opportunities – Opportunities for improvement noted during the 2014 Pcard audit have not been addressed. 	Medium
Overall Sourcing Strategy	
<ul style="list-style-type: none"> • Communication of Sourcing Strategy – The System does not have a defined sourcing strategy that can be clearly communicated and implemented by each individual institution. 	Medium
Purchasing Card Program Efficiencies	
<ul style="list-style-type: none"> • Transition to US Bank – Some institutions have not transitioned to US Bank for Pcard administration. 	Medium
<ul style="list-style-type: none"> • Use of Automated Workflow Tools – The majority of institutions do not utilize the automated workflow tools that are available within the Pcard systems. 	Low
e-Procurement Implementation	
<ul style="list-style-type: none"> • Project Management Resources – Some institutions lack the capacity necessary to develop training related to e-Procurement and assist with e-Procurement implementation throughout their specific institution. 	Low
<ul style="list-style-type: none"> • Rebate Program – Institutions receiving rebates could be impacted financially by the implementation of the e-Procurement system. 	Low

Internal Audit will track the management-provided action plans to address each observation and periodically report on management’s progress.

³ High risk indicates significant likelihood and significant exposure to the System for compliance concerns, reputational risk, legal action against the System, and/or the creation of a significant System liability. Medium risk indicates a moderate possibility of these outcomes occurring and moderate exposure. Low risk indicates a slight possibility of these outcomes occurring and low exposure.

Detailed Report

Approach

We performed the following activities to evaluate the System’s current policies and procedures related to the Pcard program and overall purchasing and procurement strategy:

- > Distributed a survey to each institution and the System Office to understand the current status of the management action plans related to the findings and improvement opportunities reported in the 2014 Purchasing Card Audit.
- > Performed on-site discussions at Minnesota State University, Mankato; St. Cloud State University; and Minnesota State Community and Technical College to further understand the Pcard processes and status of the e-Procurement implementation at these institutions.
- > Held discussions with System Office personnel to understand the interaction between the System Office and individual institutions related to current purchasing and procurement process initiatives.

Audit Observations, Recommendations, and Management Action Plans

I. UNADDRESSED FINDINGS FROM THE 2014 AUDIT

1.1 2014 Audit Finding 4: Some institutions did not close or freeze Pcards timely when they were no longer needed.	
Observation	Based on survey responses, certain institutions either (1) do not have guidelines for closing Pcard accounts after long periods of inactivity, (2) do not define the periods of inactivity that would result in a Pcard being frozen or closed, or (3) do not have a process to ensure that only current employees have purchasing cards.
Institution(s)	Minnesota State System
Risk	Individuals no longer employed by Minnesota State may have open Pcard accounts with access to make unauthorized or fraudulent purchases if an account is not closed or frozen when no longer needed for business purposes.
Recommendation	The System should update Purchasing Card Procedure 7.3.3 to outline the requirements for the review of Pcard holders and Pcard usage to identify Pcards that should be deactivated. Institutions should then develop processes to adhere to the System procedure and perform the review and monitoring of Pcard holders and Pcard usage on a periodic basis.
Management Action Plan	<p>Plan: Management at the respective institutions will work on implementing the recommendation and creating mitigating controls that reduce the risk associated with this finding. The System Office will consider updating Procedure 7.3.3 during the next review phase to allow for the updates made to the e-Procurement system and Minnesota Marketplace during e-Procurement implementation to be incorporated into the updates made to Procedure 7.3.3.</p> <p>Estimated Completion Date: June 30, 2018</p> <p>Owner: Denise Kirkeby and CFOs at the respective institutions</p>

1.2 Opportunities for improvement noted during the 2014 Pcard audit have not been addressed.

Observation	Improvement opportunities identified during the 2014 Pcard audit remain open. Based on the survey responses and on-site walkthroughs at Minnesota State University, Mankato; St. Cloud State University; and Minnesota State Community and Technical College, the current status of each improvement opportunity identified during the 2014 audit is noted in Appendix B .
Institution(s)	Minnesota State System Office
Risk	Identified risks from the 2014 audit are still unaddressed, resulting in purchasing and procurement process inefficiencies and gaps in the internal control framework.
Recommendation	For each improvement opportunity from the 2014 Pcard audit that is outstanding, the System Office should develop a plan to ensure appropriate resolution that is aligned with the System-wide e-Procurement implementation. Regular follow-up should be performed across the System to verify that the improvements are being implemented.
Management Action Plan	<p>Plan: The improvement opportunities listed in Appendix B fall under a general heading of “Enterprise-wide adoption of single provider” for Pcards. These will provide benefits in a number of ways including financial, training, process alignment, best practices, potential for shared services, and potential for automation. Most of the improvement opportunities are also a part of the e-Procurement implementation, which is currently in process. The System Office is evaluating the most effective way to incorporate the use of Pcards with the e-Procurement system, including what will provide the highest overall cost savings and most effective use of resources. The System Office is also reviewing best practices at other similar entities and soliciting guidance from Jaggaer (e-Procurement system provider) and other external partners, as well as collecting and reviewing internal System data to help determine the best approach.</p> <p>Estimated Completion Date: On-going; the System Office will establish a review schedule to monitor progress during fiscal year 2018.</p> <p>Owner: Michael Noble-Olson</p>

II. OVERALL SOURCING STRATEGY

2.1 The System does not have a defined sourcing strategy that can be clearly communicated and implemented by each individual institution.

Observation	<p>During our procedures, certain institutions indicated they do not have a clear understanding of the overall System sourcing strategy and expressed confusion regarding the initiatives that should be pursued for both the current Pcard program as well as the e-Procurement implementation. As such, institutions have continued to operate their own distinct purchasing programs, making it difficult to monitor and administer a System-wide sourcing strategy.</p>
Institution(s)	<p>Minnesota State System Office</p>
Risk	<p>Individual institutions will continue to execute undefined sourcing strategies without communication from the System Office, resulting in purchasing and procurement process inefficiencies and gaps in the internal control framework.</p>
Recommendation	<p>The System Office should continue to develop and clearly communicate the overall sourcing strategy, which could help to address certain institutions' questions, including:</p> <ul style="list-style-type: none"> • Can Pcards continue to be used in conjunction with the e-Procurement system? • Should institutions increase the use of Pcards to maximize rebates? • Do all purchases need to be executed using the e-Procurement system? • When using e-Procurement, are institutions required to use vendors with negotiated marketplace contracts in the e-Procurement system? Or can they also use smaller, local vendors outside of the e-Procurement system? • Are institutions allowed to determine the appropriate allocation of purchases between Pcard and the e-Procurement system based on their individual purchasing requirements?
Management Action Plan	<p>Plan: All colleges and universities, along with the System Office, are to execute all purchases using the Minnesota Marketplace tool within the e-Procurement system once it is fully implemented. It is expected that Pcards will continue to have a role in the purchasing process, and be used in conjunction with e-Procurement. The use of catalog vendors that are established based on negotiated contracts with input from individual institutions will be encouraged. As additional catalogs are added, it is anticipated that their usage will increase. The System Office will also continue exploring alternative ways to use Pcards within the e-Procurement system to more effectively maximize rebates with both catalog and non-catalog vendors.</p> <p>Estimated Completion Date: On-going; the System Office will establish a review schedule to monitor progress during fiscal year 2018.</p> <p>Owner: Michael Noble-Olson</p>

III. PURCHASING CARD PROGRAM EFFICIENCIES

3.1 Some institutions have not transitioned to US Bank for Pcard administration.

Observation	As a result of the 2014 audit, all institutions were to transition to US Bank to utilize their automated Pcard administration solution, which also included more favorable rebates based upon Pcard spend. Based on survey responses, Internal Audit noted that multiple banks, including US Bank, Wells Fargo, and Bremer, are currently being used for Pcards.
Institution(s)	Alexandria Technical and Community College Minnesota State University, Mankato Rainy River Community College St. Cloud State University
Risk	A System-wide set of training, policies, and procedures for Pcards cannot be utilized and the maximum amount of rebates cannot be received.
Recommendation	All institutions not currently utilizing US Bank should migrate to the US Bank system for Pcard administration.
Management Action Plan	Plan: Management at these institutions will review their current Pcard program against the US Bank program and consult with the System Office to fully understand the costs and benefits of either continuing with their current Pcard program or migrating to US Bank. Estimated Completion Date: June 30, 2018 Owner: Michael Noble-Olson and CFOs at the above institutions

3.2 The majority of institutions do not utilize the automated workflow tools that are available within the Pcard systems.

Observation	During our procedures, certain institutions indicated that expectations for using automated workflow tools for purchasing card processes have not been clearly communicated. As such, based on survey responses, Internal Audit noted that many institutions use manual processes for their purchasing card processes and procedures rather than standardized, automated workflow tools that are available within the Pcard systems.
Institution(s)	Minnesota State System
Risk	Institutions not utilizing automated workflows are more susceptible to error, circumventing of internal controls for review and approval of purchases, and may require additional processing time when using manual processes.
Recommendation	The System Office should assess and determine if there is an expectation for all institutions to use standard, automated workflow tools. If so, institutions should migrate to US Bank for Pcard administration and work with US Bank to receive training on the automated workflows within the system. In addition, institutions should develop appropriate processes using the standardized, automated workflow functionality, in accordance with System expectations, to reduce the potential for error and circumventing of internal controls.



Management Action Plan	<p>Plan: The System Office will consult with the individual institutions to evaluate the costs and benefits of using standardized workflow processes.</p> <p>Estimated Completion Date: June 30, 2018</p> <p>Owner: Michael Noble-Olson</p>
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IV. E-PROCUREMENT IMPLEMENTATION

4.1 Some institutions lack the capacity necessary to develop training related to e-Procurement and assist with e-Procurement implementation throughout their specific institution.

Observation	During our procedures, certain institutions indicated they do not have the project management personnel and capacity to develop e-Procurement system training and work through the e-Procurement system implementation at their institution.
Institution(s)	Minnesota State System
Risk	The e-Procurement system is not implemented properly to meet the respective needs of each institution.
Recommendation	Each institution should work to execute the implementation of the e-Procurement system and develop a plan to train all necessary personnel, including identifying additional project management resources as needed. The System Office should continue to provide training and implementation assistance as needed at each institution to support an efficient and effective implementation.
Management Action Plan	<p>Plan: The System Office will continue to work with each institution to monitor and support the implementation of e-Procurement, and provide further training as needed. The e-Procurement Steering Committee will work with individual institutions as necessary to identify other potential options and solutions to support an efficient and effective implementation.</p> <p>Estimated Completion Date: June 30, 2018</p> <p>Owner: Michael Noble-Olson</p>

4.2 Institutions receiving rebates could be impacted financially by the implementation of the e-Procurement system.

Observation	The current Pcard programs offer rebate benefits that provide institutions with cost savings in the form of rebate disbursements from the bank to the System. Adoption of a new e-Procurement system may impact the rebate amounts, depending on how the use of Pcards is integrated with the e-Procurement system.
Institution(s)	Minnesota State System
Risk	Rebates received based on Pcard spend may decrease by an amount that is greater than the cost savings from using the e-Procurement system.

Recommendation	In order to ensure the rebate program is not negatively impacted and ensure alignment with the long-term financial sustainability plan, the System Office should perform an analysis to determine how to effectively utilize Pcards in conjunction with the e-Procurement system.
Management Action Plan	<p>Plan: The System Office will gather and utilize historical data to analyze the efficiencies gained through the implementation of e-Procurement against the costs and benefits of current Pcard usage once the e-Procurement system has been fully implemented. The e-Procurement system includes a new reporting tool (“Spend Radar”), which is expected to assist with this analysis by providing easier access to more usable data.</p> <p>Estimated Completion Date: On-going; the System Office will establish a review schedule to monitor progress during fiscal year 2019.</p> <p>Owner: Michael Noble-Olson</p>

Appendices

Appendix A: 2014 Pcard Audit Findings

No.	2014 Finding Description
1	Many institutions lacked adequate controls related to employee and supervisory reviews of cardholder purchases.
2	Many institutions lacked robust training programs for cardholders and their supervisors.
3	Some institutions did not adequately restrict access to their bank's online Pcard system.
4	Some institutions did not close Pcards timely when they were no longer needed.
5	Written guidance does not address some risky actions such as shipping to home address or making purchases online using personal accounts.
6	Some institutions did not comply with Minnesota State System procedure requirements related to delegation of authority for Pcards.
7	Some institutions did not comply with Minnesota State System procedure requirements related to merchant category code (MCC) blocking or purchasing transaction limits.

Appendix B: 2014 Opportunities for Improvement

The new Pcard contract negotiated with US Bank by the Campus Service Cooperative (“CSC”) and Pcard implementation team prior to the 2014 Pcard audit provided new opportunities for improvement. The project team included broad participation from campus leaders, staff, and private sector companies, and was to develop best practices and a common Pcard procedure. Institutions were strongly encouraged to adopt the CSC procedure and implement the best practices, which included moving to US Bank.

Internal Audit reviewed Section IV of the 2014 Pcard audit report, noting that certain improvement opportunities that were to be offered through the new Pcard program remain outstanding. Based on survey responses and on-site walkthroughs at Minnesota State University, Mankato; St. Cloud State University; and Minnesota State Community and Technical College, the current status of each improvement opportunity is listed below.

2014 Pcard Audit Report: Section IV - Opportunities for Improvement		
No.	Description	Current Status
1	<p>Improved Internal Controls and Operational Efficiencies The new Pcard program includes tools to automate traditionally manual processes and controls that could have been easily circumvented. Notifications and reminders can be sent automatically to supervisors alerting them that purchases have been made that need to be reviewed and approved.</p>	Open – Many institutions have not utilized the automated tools and workflows available within the Pcard systems.
2	<p>New Monitoring Capabilities New tools can be configured to identify potentially fraudulent or non-compliant charges and send automatic alerts to the Pcard supervisor.</p>	Open – Many institutions have not utilized the monitoring tools available within the Pcard systems.
3	<p>Reduced Risk to be Liable for Fraudulent Charges The US Bank contract includes provisions that limit campus liability for fraudulent charges. With proper institution action, this may eliminate the liability entirely.</p>	Open – Some institutions have not yet transitioned to using US Bank for their Pcard program and cannot utilize the US Bank contract provisions.
4	<p>Improved Data Quality A single source of enterprise-wide Pcard data will be available for data analysis and other purposes for institutions that adopt the new Pcard program.</p>	Open – Some institutions have not yet transitioned to using US Bank for their Pcard program, inhibiting the ability to gather enterprise-wide data.
5	<p>Financial Incentives The new Pcard program offers greater financial incentives in the form of increased rebates of almost two percent of total Pcard spend. By identifying and transitioning large, non-Pcard spend categories to Pcards, institutions could maximize rebates.</p>	Open - Some institutions have not yet transitioned to using US Bank for their Pcard program and cannot utilize the US Bank rebate program.



No.	Description	Current Status
6	<p>Automated Cost Allocation to ISRS One tool can provide the opportunity for institutions to allocate Pcard related costs to ISRS via an automated process. Currently, only some institutions use an automated process while others use ISRS purchase orders or enter the allocations manually.</p>	<p>Open – Some institutions do not allocate costs using the ISRS automated cost allocation tools.</p>
7	<p>Shared Services Shared services become more viable when institutions are using common tools and business processes.</p>	<p>Open – Individual institutions are not utilizing common Pcard tools and are executing different business practices related to the Pcard program.</p>
8	<p>Training The CSC and implementation team is developing a single training system that can be shared by all institutions.</p>	<p>Open – A single training system is not shared by all institutions as the individual institutions have developed and implemented their own Pcard training processes.</p>
9	<p>Simplified Procedure Updating and Compliance The use of a common Pcard procedure document allows each institution to maintain compliance without the need to develop an internal program which may expose the institution to new risks. By maintaining and updating a single document, institutions would be able to implement changes more quickly and effectively.</p>	<p>Complete – Purchasing Card Procedure 7.3.3 has been developed to create a common Pcard procedure for the System.</p>



MINNESOTA STATE

Finance and Facilities

October 18, 2017

11:00 A.M.

McCormick Room

Note: Committee/board meeting times are tentative. Committee/board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

Finance and Facilities Committee, Jay Cowles, Chair

1. **Minutes of June 21, 2017 (pp. 1-13)**
2. Long-Term Financial Sustainability Report Review (pp. 14-25)
3. **Contracts Exceeding \$1M (pp. 26-28)**
 - a) **D2L Contract Extension**
 - b) **Internal Audit External Services**
4. Proposed New Policy 6.11 Facilities Operation and Maintenance (First Reading) (pp. 29-35)
5. Tuition and Fee Policy Guidance (pp. 36-45)

Committee Members:

Jay Cowles, Chair

Basil Ajuo

Ann Anaya

Robert Hoffman

Jerry Janezich

Roger Moe

Bolded items indicate action is required.



**MINNESOTA STATE
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
JUNE 21, 2017
McCORMICK ROOM
30 7TH STREET EAST
ST. PAUL, MN**

Finance and Facilities Committee Members Present: Chair Jay Cowles, Vice Chair Elise Bourdeau, Trustees Basil Ajuo, Robert Hoffman, Jerry Janezich, Roger Moe

Committee Members Absent: Ann Anaya

Other Board Members Present: Trustees Cheryl Tefer, Alexander Cirillo, Dawn Erlandson, George Soule, and Michael Vekich

Leadership Council Members Present: Chancellor Steven Rosenstone and Vice Chancellor Laura King

The Minnesota State Finance and Facilities Committee held its meeting on June 21, 2017 in the 4th Floor McCormick Room, 30 East 7th Street in St. Paul, MN.

Chair Cowles called the meeting to order at 8:00 a.m. and stated that rather than having Vice Chancellor King make introductory remarks, updates will be integrated during the agenda item discussions.

1. Minutes of May 16, 2017

Chair Cowles called for a motion to approve the minutes from May 16, 2017. Trustee Bourdeau made the motion, Trustee Hoffman seconded. The motion carried.

2. 2017 Legislative Summary

Vice Chancellor King thanked the trustees, presidents, faculty, staff, students and system office staff who were instrumental in the work at the legislature this past session. A summary document prepared by Government Relations was provided to the committee.

- The report summarized the Higher Education Omnibus bill, the bonding bill and provisions in other bills of interest to the system. The report also included a copy of a letter that the board chair and vice chair sent to congressional leaders on behalf of the board concerning President Trump's FY2018 budget proposal.
- Noteworthy is the Workforce Development Scholarship program was started by Representative Stumpf two years ago and included in the bill with a \$1 million appropriation for FY2019 and \$500,000/year thereafter to provide scholarships for targeted enrollment in certain programs of study.

- The final resolution of the debate around student fees resulted in legislative language that states effective September 2017 post-secondary institutions must not increase mandatory student fees greater than 2% without a majority of the students voting on the campuses. Consultation with the student associations on how to implement this language has begun.

Chair Cowles commented that the engagement with all of the stakeholders, the legislature and the governor's office was remarkably consistent, authentic, thoughtful and adaptable during this year's session. The report testifies to the compelling nature of the system's mission.

3. FY2018 Capital Program Recommendation (Second Reading)

Presenters: Vice Chancellor King, Associate Vice Chancellor Brian Yolitz

Mr. Yolitz reported that the chancellor's FY2018 capital program recommendation totals \$232 million and includes \$130 million for asset preservation through the Higher Education Asset Preservation and Replacement (HEAPR) funding, and \$102 million for fifteen major capital projects.

The recommendation is the result of a rigorous review process which started over a year ago and is consistent with this board's guidelines and expectations. The program would be financed through a bonding bill. If fully executed, the major capital projects would renovate nearly 700,000 square feet of academic space and ultimately eliminate nearly 80,000 square feet of obsolete space.

Governor Dayton signed a \$1.1 billion bonding bill during the final days of the 2017 legislative special session, which included \$92 million for Minnesota State's capital investment needs. The bill included \$25 million for asset preservation work through HEAPR funding and funded seven major capital projects. The state is providing nearly \$70 million for the program with Minnesota State being responsible for \$22 million. It was noted there was no bonding bill in 2016 and the last HEAPR funding was received in 2014.

While public higher education accounts for two-thirds of the state's building space, the higher education sector saw the lowest level of funding as a percentage of the state's total GO investment since before 2000. Minnesota State's portion was the lowest in recent history.

For major capital projects, 11 of the board's 18 priority capital projects from 2016, are left unfunded.

In preparing for the 2018 recommendation, the past preservation funding levels and the condition of academic spaces were reviewed and the HEAPR strategy offered to the state was reassessed. The Board has prioritized asset preservation through HEAPR funding as the number one capital request since the system's beginnings. The goal of the system's strategy was and continues to be a reduction in the backlog of maintenance by 50% over a ten year period and emerging maintenance needs addressed annually through a combination of HEAPR, capital projects, and campus funding.

In recent years, the board has sought \$110 million in HEAPR funding to deliver on this strategy. The campuses spend about \$1.30 per square foot or nearly \$30 million a year out of their operating budgets for regular maintenance and repairs. Those budgets are being asked to absorb more emergency projects as buildings and components age. The major capital projects are taking on more and more asset preservation work within their individual project scopes. Unfortunately, the HEAPR funding necessary to execute this strategy have not kept up.

The two-year capital funding for FY2016-FY2017 is far short of the need. The maintenance backlog has grown by nearly 25% over time. It is expected that the estimated backlog in academic spaces will grow even more. Based on this information and feedback from colleges and universities, the chancellor's recommendation calls for an increase to \$130 million in funding in the HEAPR request. The Leadership Council strongly endorsed the emphasis and push for asset preservation and HEAPR.

Chancellor Rosenstone asked for clarification on whether colleges and universities have invested approximately \$60 million in HEAPR related projects over the biennium. Mr. Yolitz responded yes. The colleges and universities have invested approximately \$30 million annually.

The FY2018 recommendation includes many projects that the board has approved in the past. Specifically ten of the fifteen projects recommended for consideration were part of the board's FY2016-FY2017 request. These projects have been presented to the legislature at least twice. The governor's office and legislative capital investment committees are familiar with each of the projects. The five new projects are based on results of project scoring and honoring institutional priorities campus debt and financial capacity. Three projects have had prior year capital investments for design work and initial phases of construction. These projects are at: Bemidji State University, Rochester Community and Technical College, and MSU Mankato.

In terms of programmatic impact of the recommended projects, improvements to general classrooms, liberal arts and education program spaces occur through projects at Bemidji State University, Rochester Community and Technical College, and MSU Moorhead, Fond du Lac Tribal and Community College and Vermillion Community College. Allied health and science, technology, math and stem programs are the focus of projects at MSU Mankato, Anoka/Ramsey Community College, St. Paul College and Northland Community and Technical College. Enhancements to trades and technical programs will be accomplished by projects at Century College and Riverland Community College. Improved student services is the priority for projects at Normandale Community College, Central Lakes College and three college campuses associate with improving baccalaureate education. Finally, the project at Inver Hills Community College will enrich the business and technology programs.

The debt service associated with this recommendation is within board guidelines at both the system and college/university levels. Taking into account the actual funded program in FY2017 and assuming there will be full funding and execution of 2018 recommendation, the total debt service remains within the board guideline of below 3% of operating revenues.

The board approved program will be submitted to MMB for review along with other capital requests from across the state. A bonding book will be created to outline the priorities as part of a broader marketing strategy.

Campus tours for legislative committees and executive branch staff will begin in August. The committee will seek the board's guidance in shaping the 2020 program later this year.

The recommended board action would:

- Approve the FY2018 projects and priorities.
- Direct the chancellor to provide these projects and priorities to the state's capital budget system via MMB on the way to the legislature and the governor.
- Enable the chancellor, after consultation with the Board, to make any adjustments should a special legislative session impact the projects lists.
- Allow the chancellor to make adjustments, particularly to project costs that may need to be adjusted such as updates due to MMB inflation assumptions.
- Finally, delegate contracting authority to the chancellor when projects are funded.

Chair Cowles commented that this is a significant inflow of details from the legislative session and asked whether the FY2018 proposal adds or removes square footage. Mr. Yolitz responded that if the program is fully executed, 80,000 square feet would be reduced across the system.

Trustee Hoffman asked whether there was a rationale for the low level of FY2017 legislative asset preservation funding and whether this is a trend on the direction. Mr. Yolitz responded that there is a growing need for Minnesota State to invest in the buildings. It appears that there will be some positive support on asset preservation in the next biennium. Trustee Hoffman asked whether it is a deliberate attempt by the legislature to push these costs towards the operating budget. Vice Chancellor King responded that there hasn't been any suggestion from the legislature to use the operating budget. The colleges and universities have done consistent budgeting to support the Capital Program recommendation.

Chancellor Rosenstone added to the conversation while a fairly obvious point which is boilers, roofs and HVAC systems don't have the appeal and glitz of a new building. As Mr. Yolitz said we received very strong recommendation from the governor on HEAPR this session and the previous session. The FY2018 recommendation seeks to really double down on the HEAPR request.

Chair Cowles noted that the HEAPR request increased to \$130 million from the \$110 million approved by the board last six biennium in an effort to reduce backlog. The increased request emphasizes the urgency and priority need.

Chair Cowles invited student unions and associations an opportunity for questions or comments. Kevin Lindstrom, President of Minnesota State College Faculty commented on the shift in philosophy concerning debt service allocations (referencing projects 11 and 12 of the meeting). The projects listed above are small in nature. Chair Cowles responded that the new policy will continue to be monitored.

There were no further questions.

Chair Cowles called for a motion to approve the recommendation. Trustee Hoffman made the motion, Trustee Moe seconded. The motion carried.

3. ISRS NextGen Update

Presenters: Vice Chancellor Ramon Padilla and Vice Chancellor Laura King

Vice Chancellor Padilla provided an update on ISRS and next steps.

The decision to move forward with ISRS was based on 2 years of research which concluded with the lack of functionality with the current system. The current system is 20 years old and uses end of life technologies. The staff who created the system will be retiring in the next 7 to 10 years. It takes time to implement a system of this size/scale. It cannot be implemented in an emergency.

The ISRS replacement is estimated to cost \$150 million dollars. There was a significant amount of work put into determining costs, including engaging an experienced vendor who held listening sessions, conducted research, and completed prep work. A great deal of time was spent preparing to bring a reliable estimate to the Board of Trustees and the Legislature. The funding approach was a 50/50 proposition between the Legislature and Minnesota State. The FY2018-FY2019 budget request was for \$25 million, but only \$8 million was received for the biennium.

Although complete funding was not received, there is enough funding to keep the project on schedule. The recommendation to leadership is to officially launch the project beginning in July 2017. The system should not wait until additional funding is received. Staff is not recommending a campus match in FY2018. The timing and method of the FY2019 contribution will be determined after conversations with leadership in the fall of 2017.

In terms of risk, the current funding level puts the project six to twelve months behind schedule and creates a critical juncture in the project plan in the first quarter of FY2020. Failure to acquire sufficient funding to enter into long term contracts will add significant and critical delay to the project. Any delay increases project risks and the risk of the current system failing. The staff recommends that we continue to move forward and return to the board in the future with a request to the legislature for more funding.

The plan for using the FY2018-FY2019 appropriation over the next two years includes:

- Creating project organization (governance, project management office)
- Beginning the business process review (Finance, HR and students)
- Beginning the finance and human resources process optimization
- Developing requirements for creating the RFP and begin work on legacy technology preparation to extend the current platform life of ISRS.

Chancellor Rosenstone emphasized a few points. The resources are available to get started but there are no resources to finish. It is recommended that the board considers returning to the legislature for a supplemental request in FY2019. It was made clear to the legislature that there was a 50/50 match that will be executed sometime during this biennium. The dollars are not needed in FY2018 to begin the work but will be needed during the biennium and the colleges and universities will honor the pledge made to the legislature. It was communicated to the legislature that this is a heavy lift for the colleges and universities and not a single dollar more can be provided by the colleges and universities.

Trustee Hoffman asked whether it is expected that the legislature will catch up on the 50/50 match. Vice Chancellor King responded that it is a risk. There was strong legislative support

despite only receiving \$8 million. There was wide-spread learning which occurred in the legislature this year about the need for technology investment across state government.

Chair Vekich asked whether there is a plan B or C if additional money is not allocated. Vice Chancellor King responded that the threshold event is to sign the contract with the installer for an amount between \$65-85 million but the system would not move ahead without a full financing contract plan. The contract would start in July of 2019 or July of 2020. Chair Vekich asked what the plan is if the dollars are not available. Vice Chancellor King responded that the plan is to use the money that is available once it is clear what technology is being financed. Vice Chancellor Padilla commented that the \$8 million is a good start. The committee will go forward and do the work to show the legislature that it is worthy of investments.

Chair Vekich responded that the board will need a clear understanding of the enterprise risk and asked that the staff come back with more information on the risks and options for the resources in case the project risk is greater than what's tolerable.

Trustee Cirillo asked whether there is a separate legislative strategy for this project since our partners are the legislators. Vice Chancellor King responded that the legislative work continues in the interim. Trustee Moe asked whether the intent is not to go beyond \$8 million on behalf of the system. Vice Chancellor King responded that the proposal made to the legislature was for \$150 million for the total project, financed 50% with campus and system office contributions and 50% with legislative contributions. The campus and system office match level is tied to the state's contribution.

Chair Cowles suggested that the board be updated prior to the January 2018 committee meeting. Chair Vekich asked for a report at the upcoming retreat. Trustee Sundin asked whether there has been any outreach to the public sector for advice or a partnership. Vice Chancellor Padilla responded that the committee have worked with a fantastic partner to get to where things are today.

Chancellor Rosenstone responded that there are remarkable people in IT at the system office as well as a Vice Chancellor with information technology experience and persistence to lead and drive the project to completion. Chair Vekich thanked the legislature for the \$8 million appropriation.

4. Students United Fee Increase Proposal

Presenter: Joseph Wolf, State Chair, Students United

Chair Cowles stated that the recommendation was not brought forth last month due to legislative discussions around fees. This is an unusual circumstance. It has been 11 years since the state university student association brought forward a fee increase.

Board Policy 3.7 Student Association calls for two readings of this action but due to this unusual circumstance, the committee is asked to consider voting on this recommendation this month and suspend the rules for two readings in this instance and allow consideration after one reading. The vote would allow changes to be processed before the fall semester begins. Otherwise, it would be considered during the fall board meeting for implementation in the spring of 2018.

Board Policy 1A.1 Part 6, Subpart D provides that the board may suspend any provisions of the policies upon a two-thirds vote of the committee

Trustee Bourdeau made the motion to suspend the rules for a second reading, Trustee Hoffman seconded. There motion was adopted.

Students United was previously named MSUSA for the last 48 years. The association developed new mission and vision statements during recent strategic planning session.

The history of the fees started in 1982 with a 3 cent fee and there were three fee increases within a decade. In the 1990s, there were four increases beginning at 9 cents. In the 2000s, the fee was 33 cents with two fee increases and today it is at 43 cents and has remained since 2006.

If approved, the proposal would increase fees for a student taking 30 credits to \$1.20. The per credit fee would go up to 40 cents. During the period of 2008-2012, the Students United board voted and passed a motion to save money for the purchase of an office building for 5 years. In 2012 the Board of Directors decided to spend the money differently and increase student participation and engagement on each campus.

The student association supports Minnesota State with:

- Legislative advocacy supporting funding for the universities
- Legislative advocacy supporting bonding and HEAPR
- Work for retention and sexual violence prevention on each campus
- Provide education leadership opportunities for university students
- Civic engagement through non-partisan voter engagement efforts
- Seven scholarship programs for college & university students
- Select students to serve on system councils and committees

Chair Cowles invited questions on the presentation. Trustee Hoffman asked whether there has been total support on the consultation. Mr. Wolf responded that five votes were needed in order to pass the motion. There was a 5 to 2 confirmation on the vote. Trustee Bourdeau commented that the students involved are very passionate and the organization gives students an opportunity to get together and discuss the issues that colleges and universities are facing.

Vice Chancellor King commented that her involvement with both Students United and Lead Mn has included reviewing the financial statements. The staff has also consulted on internal controls and compliance requirements.

Chair Cowles called for a motion to approve the resolution. Trustee Bourdeau made the motion, Trustee Hoffman seconded. The motion carried.

5. FY2018 Annual Operating Budget (Second Reading)

Vice Chancellor King provided an overview of the proposed fiscal year 2018 operating budget, including tuition and fees.

Trustee Hoffman asked if Vice Chancellor King thought that the legislature was moving toward a commitment to a 50/50 split between student and legislative funding. Vice Chancellor King replied that the legislature has increased its commitment to the system over the last few biennia but that there has not been any formal conversation about this. It would be extremely expensive to 'buy back' the 2/3-1/3 split the students experienced previously, with no measurable gain for the State.

Trustee Soule asked if Vice Chancellor King could offer any insight to the rationale the legislature might have for setting up the biennial funding in the way they did. Vice Chancellor King responded that this situation is a casualty of the larger budget debate for the state—the legislature has other priorities for fiscal year 2019 that requires funding, and this was their strategy for accomplishing those priorities.

Trustee Soule followed up with a question about the fiscal year 2019 legislated tuition freezes—how does that fit with the biennial funding shortfall that year? Vice Chancellor King explained that there is an on-going effort to find the right balance between state support and tuition revenue, in order to maintain affordability while generating sufficient resources. Trustee Soule restated his question to specify his curiosity about why they would provide flexibility in fiscal year 2018 and a freeze in fiscal year 2019. Vice Chancellor King responded that the legislative decision was more about their need to balance resources. Chancellor Rosenstone reminded the board that this structure mirrors that which the legislature had directed the last biennium.

Trustee Hoffman asked how the 4 % increase for universities was arrived at. Vice Chancellor King responded that the system gave guidance to limit university increases to no more than \$274/per year, which works out to be 4% or less on average across the universities. Chancellor Rosenstone added that there had been much conversation about the system's commitment to affordability, and that this level of increase is a management recommendation to the board. The board may choose to raise tuition at universities by more than that, but his recommendation as chancellor is the \$274/per year threshold.

Chair Cowles briefly explained the student consultation process to the committee. Chancellor Rosenstone added that student consultation this year included a caveat that after the legislative session concluded, there might be need for additional consultation within a short window of time. That did occur, and to date, student consultation feedback has been positive. Chair Cowles then asked if either statewide student association or faculty union wish to address the committee. No one stepped forward.

Chancellor Rosenstone expressed the system's gratitude for legislative and gubernatorial support for Minnesota State. It was clear to all involved that there was bi-partisan appreciation for the value of the system and its contribution to solving the critical labor talent needs of the state. However, while appreciating the support, we must also acknowledge that the support falls short of the identified need, resulting in an acute responsibility to respect our budgetary limitations as we move forward to negotiate contracts for the next biennium. We cannot spend what we do not have.

Trustee Janezich expressed concern that the budget before the committee is not what we need. It is his opinion that the business community in Minnesota is benefitting from our work while not contributing to its success. Trustee Hoffman concurred, but also noted that the current reality is the budget before us. Trustee Moe cited an example from Time magazine about a system that has strong business support and the impact that support has made. Trustee Sundin urged the board to start thinking about what Minnesota State could do to replicate what other states are doing.

Chair Cowles called for a motion to approve the recommendation. Trustee Hoffman made the motion, Trustee Bourdeau seconded. The motion carried.

6. Approval of North Dakota Tuition Reciprocity Agreement

Presenter: Vice Chancellor King

This is a pro forma requirement in statute. The Office of Higher Education is the administrator of interstate tuition agreement and it seeks the approval of the Minnesota State Board of Trustees and the University of Minnesota as revisions and amendments are negotiated.

Negotiations are now underway with North Dakota. There are no changes that would impact students but because of the provision in statute, the board has to be consulted before agreements are amended.

The recommended motion would provide for endorsement by the board of the work of the Office of Higher Education to negotiate the agreement with the terms in the recommendation.

Meghan Flores, Manager of State Financial Aid Programs, who oversees the Tuition Reciprocity program and Thomas Sanford, Ph.D. Finance & Accountability Manager were present to answer any questions.

Trustee Erlandson commented that Minnesota tends to have a trade deficit with students in surrounding states and asked if there are reports showing where we stand with North Dakota, South Dakota or Wisconsin. Mr. Sandford responded that the Office of Higher Education does prepares a report which outlines tuition reciprocity. There has also been some research on what percentage of students return to Minnesota upon graduation. Vice Chancellor King commented that colleges and universities that are on the edge of the state are vulnerable to price wars with the neighboring states.

Trustee Cirillo asked what happens if the recommendation is not approved. Mr. Sandford responded that the current agreement would remain or other options would be considered. Chair Cowles asked whether all of the reciprocity agreements are negotiated through the Office of Higher Education. Mr. Sandford responded yes. Trustee Erlandson expressed concerns about price wars among neighboring states. Vice Chancellor King commented that the core principal behind the agreement is to make the price difference between the states invisible to the students. Trustee Moe commented that the first tuition reciprocity agreement was with Wisconsin and had to do with an exchange in income taxes because so many Wisconsin people came to Minnesota to work. The second agreement was with North Dakota. There were a lot of students from the northwest part of the state who took advantage of the 2 biggest institutions in North Dakota – NSU and UND. There is a 40 year agreement so far that has served both states well. A lot of teachers were trained in North Dakota but teach in Minnesota due to salary. These type of factors need to be taken into consideration when thinking about tuition reciprocity negotiations.

Chair Cowles called for a motion to approve the recommendation. Trustee Moe made the motion, Trustee Hoffman seconded. The motion carried.

7. Approval of Contracts Exceeding \$1 Million

Presenter: Vice Chancellor King

Chair Cowles explained that the agenda item will be considered as a single motion. Vice Chancellor King presented the following seven items under the single motion. The first two have system wide benefit and the balance are campus specific.

a. Interagency Agreement with State of Minnesota Office of Information Technology

There is an outstanding relationship the system office Information Technology Division has with the State of Minnesota office of Information technology. This is an inter-agency agreement that is in negotiation with attorneys. It represents a shared interests in the statewide networking which is supported by campuses across the state.

b. Oracle Contract Extension

This is a routine extension of an existing contract in order to allow for a managed transition to a new vendor.

c. Minneapolis Community and Technical College Construction Project

This is a construction project that would be funded by operating funds saved up by the campus for this project.

d. Minnesota State University, Mankato, 7700 France Avenue Lease

This requires authorization to execute a lease to support the graduate center which is housed at this location. The lease would need to be extended and the terms altered.

e. Metropolitan State University Janitorial Services

This is a contract for janitorial and event services.

f. Winona State University Contract for Enrollment Management Services

This is a contract with the Education Advisory Board for enrollment management services. The board recently approved a similar program for St. Cloud State University.

g. Lake Superior College Contract with Vendor in Support of Technical Certification Program with the Minnesota Department of Transportation

This is a customized training contract with a vendor in support of a technical certification program with the Minnesota State Department of Transportation.

Trustee Erlandson asked whether Normandale or someone nearby has space to use instead of giving it to the private sector. Vice Chancellor King responded the university has been in the facility since 2009 and is serving 200 FTEs and 1,600 customized training and continuing education students per year. There is also a presence at Normandale for undergraduate students. President Davenport was invited to speak and stated that under the new contract, the \$3.2 million lease would be reduced to \$2.5 million, and would be a 5 year lease with option to renew. There are currently under 2,000 students enrolled and enrollment is up by

10% since last year. Normandale has 3,100 credit hours and 150 students enrolled in baccalaureate programs. Enrollment is up by 46%. The focus for MSU Mankato is to provide undergraduate programming Normandale and graduate programs at 7700 France. The purpose is to make it convenient for the students.

Trustee Hoffman commented that there are a lot of community driven programs at 7700 France and that is probably where enrollment increase numbers have come from.

Trustee Sundin asked whether there is room at Normandale for the under 2,000 graduate students. President Davenport responded there isn't enough room.

Chair Cowles called for a motion to approve all seven as a single motion. Trustee Hoffman made the motion, Trustee Bourdeau seconded. The motion carried.

The meeting adjourned at 10:30 a.m.

Respectfully submitted
Maureen Braswell, Recorder

MINNESOTA STATE BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date October 18, 2017

Title: Long-term Financial Sustainability Report Review

Purpose (check one):

Proposed
New Policy or
Amendment to
Existing Policy

Approvals
Required by
Policy

Other
Approvals

Monitoring /
Compliance

Information

Brief Description:

The Long Term Financial Sustainability Report and the related Strategic Roadmap were endorsed by the Board of Trustees at its meeting of January 2017. This presentation will update the Board on the work and introduce discussion of system and college and university sustainability characteristics.

Presenters:

Laura M. King, Vice Chancellor- Chief Financial Officer



October 2017

Long Term Financial Sustainability Strategy Roadmap Review

Board of Trustees

Timeline

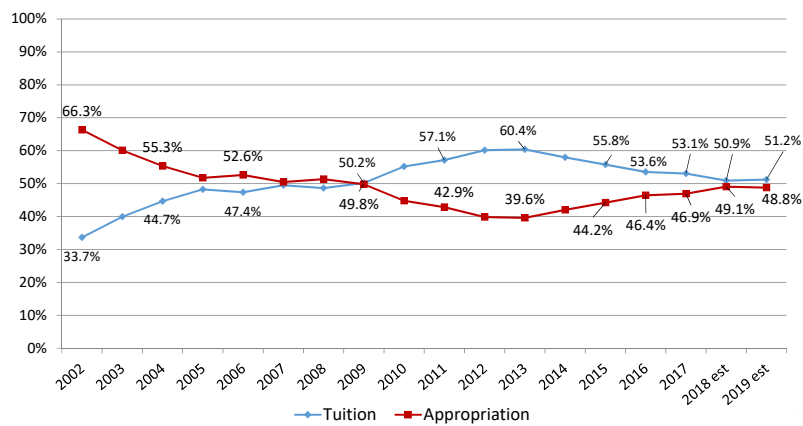
- Workgroup final report released in June 2016
- Chancellor launched consultation process
- Board September 2016 retreat topic and small group discussions
- Board study session in November 2016 to hear constituent feedback and discuss recommended strategy roadmap
- Joint board and Leadership Council meeting in January 2017 to discuss and endorse strategy roadmap
- Executive and legislative presentations
- Work underway since

Workgroup charge

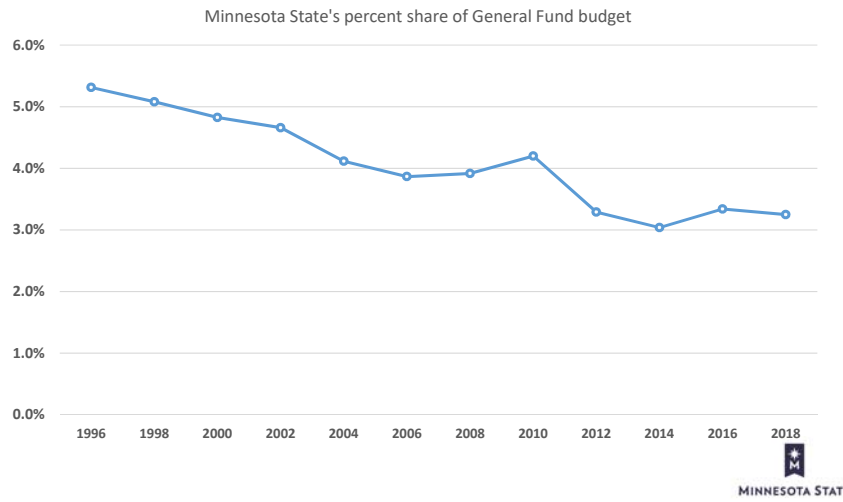
The workgroup was charged with formulating recommendations to the chancellor, the Leadership Council, and the Board of Trustees that will strengthen the long-term financial sustainability of our colleges and universities.



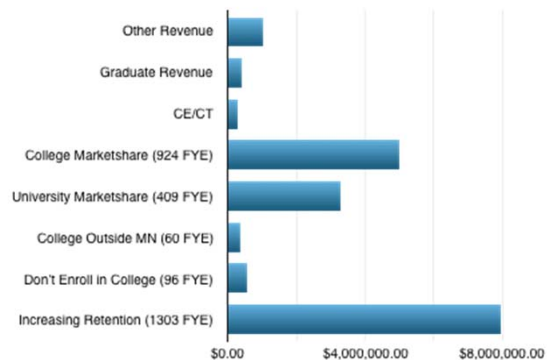
Long-term reductions in state revenue have caused more dependence on tuition revenue



Minnesota State's share of state budget has declined over time



1% increase in select revenue sources would generate about \$19 million



Report - Our financial strategies should ensure:

- Access to an extraordinary education for all Minnesotans
- That we are the partner of choice to meet Minnesota's workforce and community needs
- That we deliver to students, employers, communities, and taxpayers the highest value/most affordable higher education option



Report - Our financial strategies should also:

- Improve student success
- Reduce the educational outcome disparities
- Improve educational quality
- Increase access and affordability
- Deepen collaboration
- Respect academic freedom and the faculty's role in curriculum development and teaching
- Strengthen campus – community partnerships
- Honor the unique contributions and approaches of our colleges and universities



Report - Cost savings strategies:

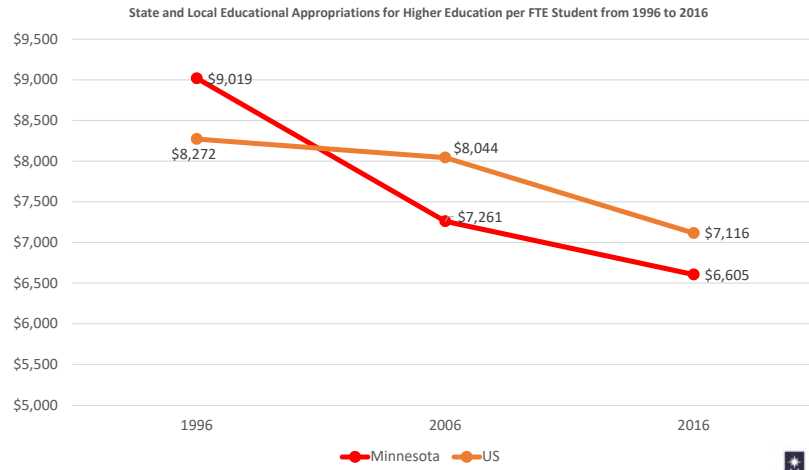
- Improve the efficiency by which we manage the curriculum and academic programs while protecting an appropriate range of student choice and program specialization
- Reduce facilities costs
- Reduce administrative costs
- Hold compensation increases to the increases in new recurring revenue



State of Minnesota Responsibilities



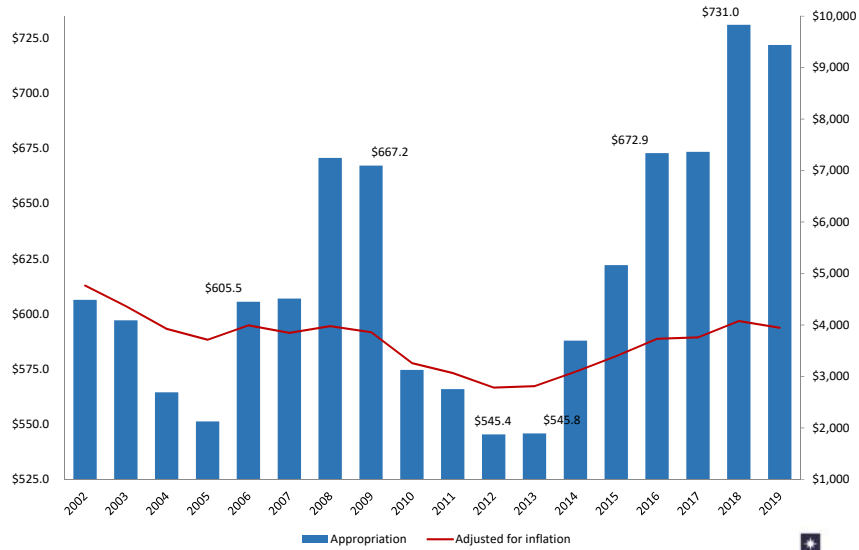
Minnesota's funding of higher education has plummeted and trails the U.S. average



Source: SHEEO (2016). SHEF FY 16. Estimates have been adjusted for inflation.



State Appropriation Revenue (in \$millions)



Report - State of Minnesota responsibilities:

- Restore state investment in higher education to the national average, at least
- Fully fund the recurring cost of compensation increases negotiated by the state
- Provide the HEAPR resources needed to maintain our college and university academic facilities
- Provide the funds and leadership needed to decommission and demolish facilities that are obsolete, that are no longer needed to meet academic program needs, that cannot be effectively repurposed, and that community organizations do not want to use
- Fully fund the direct costs of the Postsecondary Enrollment Options (PSEO) program
- Partner with Minnesota State colleges and universities to identify additional sources of public revenue beyond the general fund



Report - What we learned

Improvements in student success are central to the financial health of our colleges and universities. We must be more nimble and responsive.

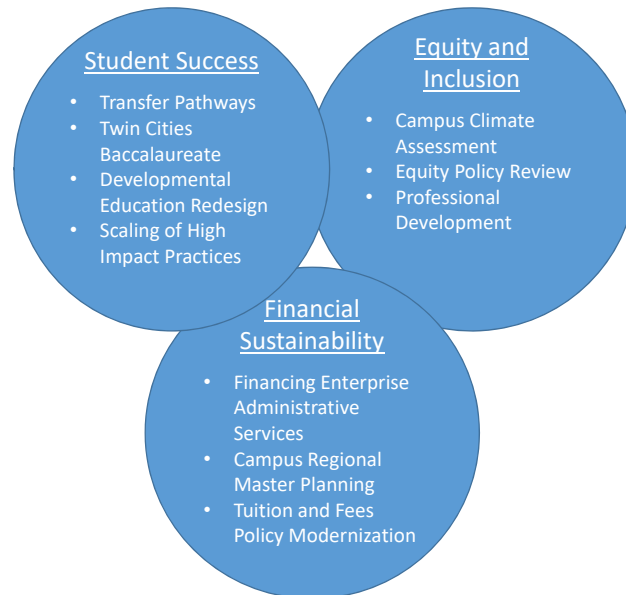
- improve persistence and completion
- close racial and ethnic opportunity/achievement gaps
- make learning environments more culturally, pedagogically, and technologically relevant to students
- continue to employ new teaching, learning and curriculum models

The structural mismatch between revenue and expenses is systemic, abiding, and accelerating. New operating revenue will not fill the fiscal hole.

We can and must improve core administrative and academic support functions on campus and at the system level.



FY2018 Focus of System Workplan



Sustainability is a college and university aspiration

- How do we know when a college or university is or isn't sustainable?
- What steps does system leadership take?
- What steps does college or university leadership take?

System brings foundational advantages

- Establishes data reporting and performance standards
- Facilitates and coordinates flow of information and consultation
- Leads foundational reforms: collaboration approaches, allocation framework incentives, regional administrative and planning approaches, infrastructure IT services



Each college and university is different

But success *always* includes:

- Clear and articulated strategic direction
- Capability, capacity, and culture to execute strategic direction
- Strong performance management
- Short and long term strategies and tactics



College and university performance evaluation

- Mission differentiation leads to unique sustainability outlooks
- Annual chancellor and president performance report and review
- Monthly and quarterly financial monitoring and remediation



23 performance accountability measures tied to:

- Student success trends
- Affordability trends
- Staff and student diversity trends
- Completion rates
- Financial effectiveness and efficiency



Financial accountability measures designed to measure financial health

At least semiannual reporting and monitoring

- General fund balance trends
- Enrollment trends (weekly and monthly)
- Cash trends (monthly)

Annual reporting

- Financial statements
- CFI calculation and reporting
- Repair and replacement and energy improvement spending trends



2018 improvements

- System led enrollment forecasting/data improvement project with all colleges and universities
- Establishment of new performance goals for each president
- Investment in predictive analytics
- Collaboration funding program
- Identify and scale high impact retention and success strategies

MINNESOTA STATE BOARD OF TRUSTEES
Agenda Item Summary Sheet

Name: Finance and Facilities Committee

Date: October 18, 2017

Title: Contracts Exceeding \$1Million

- a) D2L Contract Extension
- b) Internal Audit External Services

Purpose (check one):

- | | | |
|--|--|--|
| <input type="checkbox"/> Proposed New Policy or Amendment to Existing Policy | <input checked="" type="checkbox"/> Approvals Required by Policy | <input type="checkbox"/> Other Approvals |
| <input type="checkbox"/> Monitoring / Compliance | <input type="checkbox"/> Information | |

Brief Description:

Board Policy 5.14, Procurement and Contracts, requires that contracts, including amendments, with values greater than \$1,000,000, must be approved in advance by the Board of Trustees.

D2L Contract extension – The system office is seeking approval to amend an existing contract between Minnesota State and D2L Corporation. The current contract expires August 31, 2022. D2L is the vendor that provides the Minnesota State’s enterprise Learning Management System tool.

Internal Audit External Services - Through a competitive bidding process in fiscal year 2017, Baker Tilly Virchow Krause, LLP was selected to provide internal auditing services for three years with a one-time option to extend it up to an additional three years. To accomplish the internal audit work in the 2018 audit plan, the system office is seeking approval of a \$525,000 amendment to the contract bringing the total contract to \$1 million.

Presenter:
Laura M. King, Vice Chancellor- Chief Financial Officer

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

BOARD ACTION

APPROVAL OF CONTRACTS EXCEEDING \$1 MILLION

- A. D2L CONTRACT EXTENSION
- B. INTERNAL AUDIT EXTERNAL SERVICES

BACKGROUND

Board Policy 5.14, Procurement and Contracts, requires that contracts, including amendments, with values greater than \$1,000,000, must be approved in advance by the Board of Trustees.

D2L Contract extension – The system office is seeking approval to amend an existing contract between Minnesota State and D2L Corporation. The current contract expires August 31, 2022. D2L is the vendor that provides the Minnesota State’s enterprise Learning Management System tool. Minnesota State would like to exercise the option in the contract to move to D2L’s cloud hosting option. Minnesota State re-negotiated pricing and terms and conditions for cloud service and will receive more favorable pricing with a contract an additional year or until August 31, 2023. This will extend the contract to eleven (11) years.

It is to the benefit to the students that Minnesota State move to D2L’s cloud. The current cloud offering will provide Minnesota State students more current features with the tool. D2L learning management tool is funding by both Mn-Online funds and ITS funds. The contract value would increase from a maximum of \$14.5M over ten years to \$16.5M with the additional one year. The increase in costs will be funded by both Mn-Online and the system office ITS operating budget.

Internal Audit External Services - Through a competitive bidding process in fiscal year 2017, Baker Tilly Virchow Krause, LLP was selected, and a master contract was executed, to provide internal auditing services for three years with a one-time option to extend it up to an additional three years. The master contract is funded year-by-year from the Office of Internal Auditing’s budget, requiring a contract amendment each year.

The master contract is not a guarantee of work and the system office is not committed to issuing work orders or spending any money for services. Rather, the system office requests work as needed by completing a work order for each project. The work order formally authorizes Baker Tilly to proceed with work and establishes the terms, duties, and agreed compensation.

To accomplish the internal audit work in the 2018 audit plan, the system office is seeking approval of a \$525,000 amendment to the contract bringing the total contract to \$1 million. The initial contract funding of \$400,000 was provided in fiscal year 2017 to fund a variety of internal auditing

activities and projects. An amendment to increase the contract \$75,000 was necessary to provide a bridge between the start of fiscal year 2018 and the approval of the 2018 audit plan in October 2017. Funds are available in the approved FY2018 Internal Audit department operating budget.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees authorizes the chancellor or the chancellor’s designee to execute an amendment to the D2L contract to extend the contract to August 31, 2023 and increase the total expenditures not to exceed \$16,500,000. The Board directs the chancellor or the chancellor’s designee to execute all necessary documents.

The Board of Trustees authorize the chancellor or the chancellor’s designee to execute an amendment to the Baker Tilly Virchow Krause, LLP contract increasing the total contract to \$1,000,000 for continued internal auditing services. The board directs the chancellor or the chancellor’s designee to execute all necessary documents.

RECOMMENDED BOARD OF TRUSTEES ACTION:

The Board of Trustees authorizes the chancellor or the chancellor’s designee to execute an amendment to the D2L contract to extend the contract to August 31, 2023 and increase the total expenditures not to exceed \$16,500,000. The Board directs the chancellor or the chancellor’s designee to execute all necessary documents.

The Board of Trustees authorize the chancellor or the chancellor’s designee to execute an amendment to the Baker Tilly Virchow Krause, LLP contract increasing the total contract to \$1,000,000 for continued internal auditing services.. The board directs the chancellor or the chancellor’s designee to execute all necessary documents.

Date of Adoption: October 18, 2017

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: October 18, 2017

Title: Proposed Policy 6.11 Facility Management and Operations (First Reading)

Purpose (check one):

- | | | |
|--|---|---|
| <input checked="" type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

An overhaul of Chapter 6 was initiated as part of the FY2017 Finance Division workplan and continues into FY2018. The proposed policy will outline the expectations, duties, and responsibilities associated with the management and operations of the facilities at Minnesota State colleges and universities as outlined in the October 2016 Study Session on Facilities Management. New Board Policy 6.11 *Facility Management and Operations* will ensure that facilities are managed and operated in an effective manner, reflecting sound stewardship and create an appropriate environment for learning, teaching and community service.

Scheduled Presenter(s):

Laura M. King, Vice Chancellor – CFO

Brian Yolitz, Associate Vice Chancellor for Facilities

**BOARD OF TRUSTEES
MINNESOTA STATE**

BOARD ACTION
PROPOSED NEW POLICY 6.11 FACILITIES OPERATION AND MAINTENANCE (FIRST READING)

BACKGROUND

6.11 *Facilities Management and Operations* is a proposed new policy.

Through day-to-day work and as part of periodic reviews of Board Policies and system procedures called for in Board Policy 1A.1, Part 6, opportunities to clarify and streamline guidance and direction while reducing overlaps and redundancies were identified within Chapter 6, *Facilities Management*.

An overhaul of Chapter 6 was initiated as part of the FY2017 Finance Division workplan and continues into FY2018. This proposed policy outlines the expectations, duties, and responsibilities associated with the management and operations of Minnesota State facilities as outlined in the October Study Session on Facilities Management (Attachment A). New Board Policy 6.11 *Facility Management and Operations* (Attachment B) has been reviewed by the Office of General Counsel, and cabinet, and staffed through formal consultation and received support from presidents, employee groups, student associations, and campus leadership groups. All comments received from the consultation process were taken into consideration.

With board approval of policy 6.11 and previously approved policies 6.9 *Capital Planning* and 6.10 *Design and Construction*, the following policies may be rescinded: 6.4 *Facilities Planning*, 6.5 *Capital Program Planning*, and 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities*.

RECOMMENDED COMMITTEE MOTION

The Board of Trustees approves Board Policy 6.11 *Facility Management and Operations* and rescinds Board Polices 6.4 *Facilities Planning*, 6.5 *Capital Program Planning*, and 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities*.

RECOMMENDED BOARD MOTION

The Board of Trustees approves Board Policy 6.11 *Facility Management and Operations* and rescinds Board Policies 6.4 *Facilities Planning*, 6.5 *Capital Program Planning*, and 6.6 *Facilities Maintenance and Repair including Revenue Fund Facilities*.

Date of Adoption: 10/18/2017

Date of Implementation: 10/18/2017

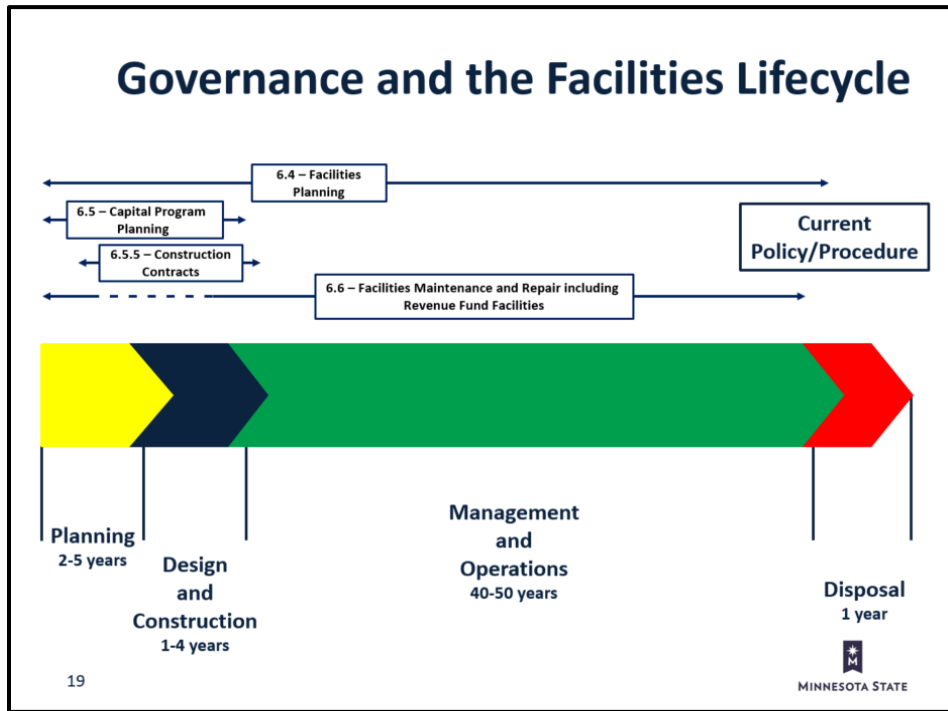


Figure 1 – Original Board Policy Alignment

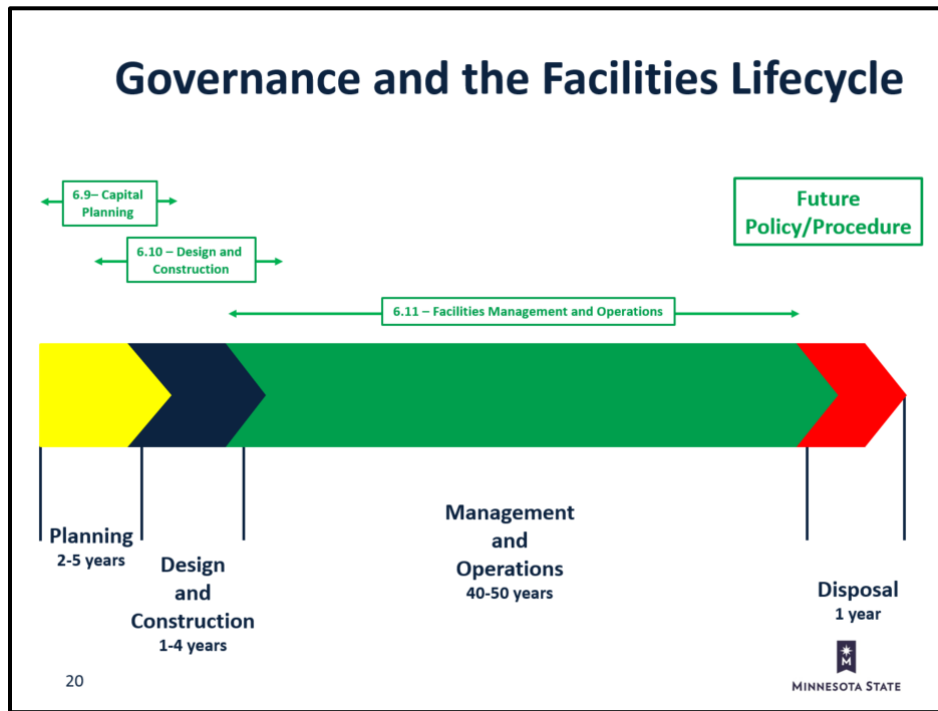


Figure 2 – Future Board Policy Alignment

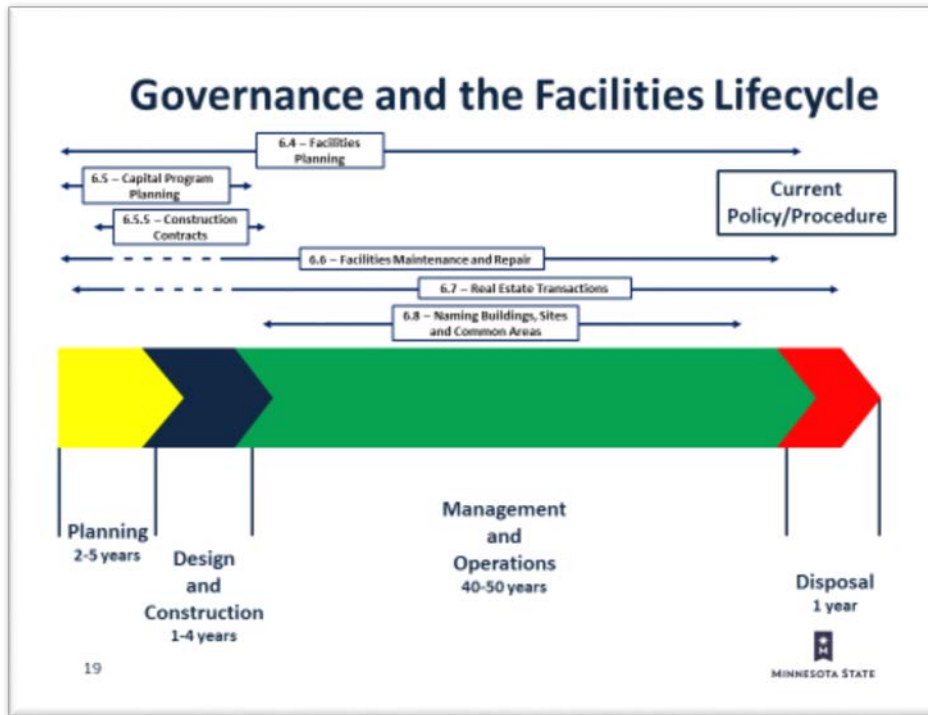


Figure 1 – Current Board Policy Alignment

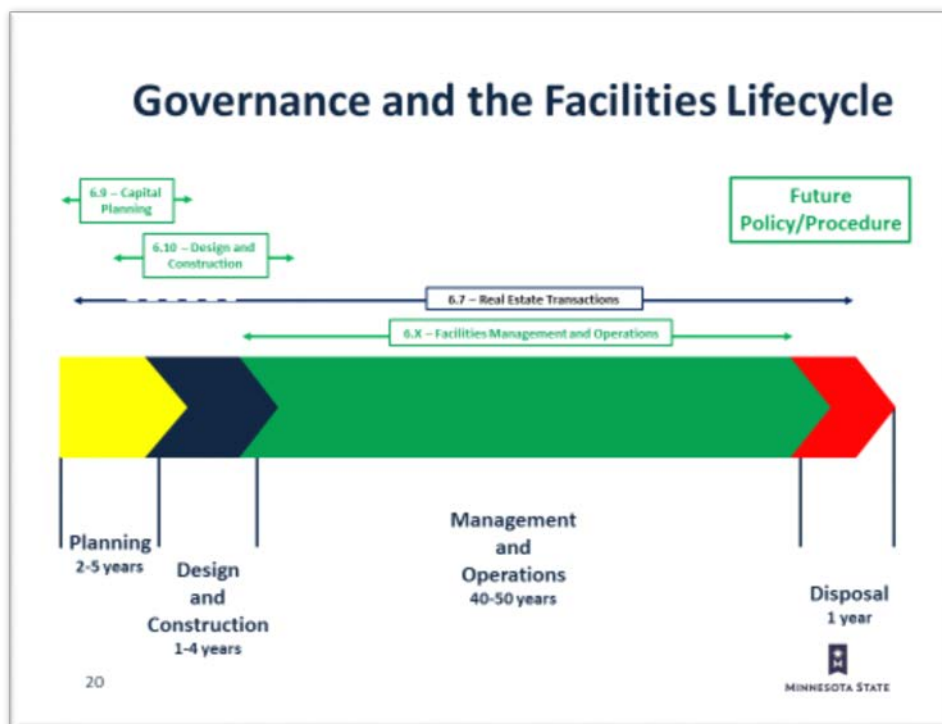


Figure 2 – Future Board Policy Alignment

MINNESOTA STATE NEW BOARD POLICY

PROPOSED NEW POLICY 6.11 FACILITIES OPERATIONS AND MAINTENANCE

CONTENT FORMAT:

Single underlining represents proposed new language.

Strikeouts represent existing language proposed to be eliminated.

6.11 Facility Management and Operations

Part 1. Purpose

This policy outlines the expectations, duties, and responsibilities associated with the management and operations of the facilities at Minnesota State colleges and universities. College and university facilities are to be used for fulfilling their mission of teaching, research, and public service. Facilities must be managed and operated in an effective manner, reflecting sound stewardship and creating accessible, safe, reliable, sustainable and compliant environments for learning, teaching and community service.

Part 2. Responsibilities

Subpart A. Chancellor. The chancellor is responsible for the effective management and operations of Minnesota State facilities. The chancellor shall establish procedures for the effective management and operation of college and university facilities including, but not limited to establishing, assessing, and reporting facility conditions, management and operations standards, and sustainability practices to include energy conservation.

Subpart B. College and university presidents. Presidents are responsible for the efficient and effective management and operation of their campus facilities to fulfill their mission of teaching, research, and public service. They shall exercise sound stewardship and establish processes for maintenance of campus facilities to achieve their fullest potential, and assessing customer or user satisfaction with facilities conditions and services. Presidents are encouraged to pursue operational and cost efficiencies locally and through regional partnerships with other Minnesota State institutions.

Part 3. Accountability and Reporting

Periodic reports will be presented to the board on the status of facilities, which may include facilities management and operations data such as facility condition, energy cost and consumption trends, staffing, preventative maintenance plans or other metrics useful to the board in determining the effectiveness of facilities management and operations.

Related Documents:

- **Policy 6.09 Capital Planning**

36 • Policy 6.10 Design and Construction

37

38

39 **Procedure History:**

40

41 *Date of Adoption:* *xx/xx/xx*

42 *Date of Implementation:* *xx/xx/xx*

43 *Date of last review:* *xx/xx/xx*

44

45 *Date & Subject of Revisions:* *n/a*

46

47 No additional HISTORY

**MINNESOTA STATE
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Name: Finance and Facilities Committee

Date: October 18, 2017

Title: Tuition and Fees Policy Guidance

Purpose (check one):

- | | | |
|---|---|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input checked="" type="checkbox"/> Information | |

Brief Description:

Board policy and procedures governing tuition and fees (5.11 and 5.11.1 et al.) are undergoing a comprehensive review. This agenda item briefs the board on the review process and timeline. Draft policy objectives are presented for the board's consideration. The review process is expected to be completed in February, with the first reading of the revised policy scheduled for March 2018 and final approval for April 2018.

Scheduled Presenter(s):

Laura M. King – Vice Chancellor –Chief Financial Officer
Deb Bednarz –System Director for Financial Planning & Analysis

**BOARD OF TRUSTEES
MINNESOTA STATE**

INFORMATION ITEM
TUITION AND FEES POLICY GUIDANCE

BACKGROUND

The Board of Trustees has statutory authority to set tuition and fee rates charged to students (136F.06). To fulfill this responsibility, the board has established a tuition and fees policy (Board Policy 5.11) that governs how colleges and universities may charge students. In addition, the chancellor has developed system procedure 5.11.1 to implement the policy. The policy was first adopted in 2000, with the last substantial revision occurring in 2011. The current policy and procedure require clarification, simplification, and revision.

TUITION AND FEES POLICY REVIEW PROJECT PLAN

The tuition and fees policy review project is joint effort between the Academic and Student Affairs Division and the Finance Division and is co-sponsored by Vice Chancellors King and Anderson.

The project will:

1. Articulate the policy objectives of an updated tuition and fees policy.
2. Examine how well current policy addresses the objectives.
3. Identify the elements of current policy and procedure that need to be revised, removed, rewritten, or maintained.
4. Obtain input from the Leadership Council and the project advisory group on proposed changes.
5. Use the standard policy/procedure consultation process to obtain additional feedback on the recommendations from all interested parties.
6. Modify the recommended changes based on input received during the consultation process.
7. Seek board approval of the proposed policy changes and chancellor approval of the proposed procedure changes.

Policy Questions to Consider

The tuition and fees policy review process will focus on answering the following questions:

1. What are the policy objectives of Minnesota State’s tuition and fees policy? Are they clearly articulated in the policy?
2. Does the policy align with the objectives?

3. Does the current policy and procedure meet the needs of our students and of our colleges and universities? What works well and what falls short?
4. Are the current tuition and fee classifications correct or should they be modified?
5. Are there compelling interests on behalf of students to provide more systemwide coordination, guidance, and oversight for tuition and fee practices?
6. Under current tuition and fees policy and procedure, what provisions need to be revised, clarified, eliminated, or maintained?

DRAFT TUITION AND FEE POLICY OBJECTIVES FOR BOARD CONSIDERATION

To guide the review process, the following policy objectives have been proposed for the board's consideration. The objectives were developed with input from the project team and college and university chief financial officers.

The tuition and fees policy of Minnesota State seeks to balance five values:

1. **Affordable Access to Higher Education:** Minnesota State seeks to be the most affordable option for higher education in Minnesota.
2. **Sustainability:** Minnesota State seeks to provide sufficient resources for colleges and universities to support quality higher education and long term financial viability.
3. **Equity:** Minnesota State students taking similar academic programs are charged similar rates across Minnesota State colleges and universities.
4. **Transparency:** Minnesota State students will know what they are paying for and how their total tuition and fee charges are calculated.
5. **Flexibility for Innovation and Emerging Markets:** Minnesota State seeks to allow flexibility to be innovative, respond to the marketplace, and address emerging program and course development requirements.

CONCLUSION

Minnesota State's tuition and fee policy is undergoing a comprehensive and inclusive review process. Proposed changes to the policy will be based on policy objectives reviewed and discussed by the board at their October meeting. The advisory group recommending changes to the policy will include representatives from students, campuses, and the system office, and all interested constituencies will have an opportunity to review and comment on proposed changes before revisions to the policy are presented to the board. The board's first reading of proposed policy changes is scheduled for March and the second reading for April.

ATTACHMENT

TUITION AND FEE POLICY REVIEW PROJECT

Policy Review Process

The tuition and fees policy review process is designed to be comprehensive and inclusive. Students, college and university leadership, and system office staff will participate in the review. All interested parties will have the opportunity to comment on proposed changes.

Two groups have been formed to conduct the review and recommend policy changes: the tuition and fees project advisory group and the project drafting team. Subject matter experts have also been identified to support the review process as needed.

The advisory group is charged with reviewing system policy and procedure and recommending changes based on board guidance, best practices, and campus and student feedback.

Advisory group membership includes:

- Associate Vice Chancellor of Student Affairs
- 2 College students (appointed by LeadMN/MSCSA)
- 2 University students (appointed by Students United/MSUSA)
- 2 Chief Financial Officers (1 college and 1 university)
- 2 Chief Student Affairs Officers (1 college and 1 university)
- 2 Chief Academic Officers (1 college and 1 university)

The project drafting team is charged with proposing specific language in response to recommendations received from the project advisory group, the standard review process, Leadership Council, and the board.

Communication and Consultation Plan

The tuition and fees policy review will follow the standard board policy development and review process used for all policy and procedure reviews. However, given the importance of this policy to many constituency groups, additional steps will be taken to obtain feedback and communicate the proposed changes to a broader audience.

Key elements of the communication plan are:

- Inform Leadership Council of the planned policy and procedure review and obtain feedback on policy objectives and proposed changes.
- Share the project plan with project advisory group; obtain and incorporate group's advice in responding to and modifying the policy and procedure proposal.
- Inform key constituency groups of policy and procedure review and brief them on proposed changes. Use standard communication channels to update groups such as regularly scheduled Leadership Council meetings, monthly CFO and CAO/CSAOs

conference calls, statewide student association meetings with the system office, statewide meet and confer meetings, and other similar venues.

- Host two open forums via Adobe Connect to review proposed changes; the sessions will be open to all interested parties.
- Obtain comment and feedback through the standard policy 30-day review process. Incorporate feedback into final draft.

Project Timeline

Fiscal Year 2018 Timeline								
Tuition and Fees Policy Review	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	APR 2018
Project team reviews and prepares draft options	X	X						
Advisory group reviews and prepares recommendations		X	X	X				
Leadership Council reviews		X			X		X	
Standard 30-day policy/procedure review and comment period					X	X		
Project team revises proposed changes based on consultation process			X	X	X	X	X	
First board reading							X	
Second board reading								X



October 18, 2017

Finance Department

Tuition and Fees Policy Guidance

Tuition and Fees Policy Review

- Board policy and system procedures undergoing comprehensive review
- Joint effort between Academic and Student Affairs and Finance
- Recommended changes based on board guidance, best practices, campus and student feedback, and other analysis

Tuition and fees review will:

- Articulate policy objectives
- Examine how well current policy addresses the objectives
- Identify elements of current policy that need to be revised, removed, rewritten, or maintained
- Obtain input from Leadership Council, the project advisory group, and others on proposed changes
- Use the standard policy/procedure consultation process to obtain additional feedback
- Modify recommended changes based on input
- Seek board approval of proposed policy changes



Tuition and fees policy review will focus on the following questions:

- Are the policy objectives clearly articulated?
- Does the policy align with the objectives?
- Does the policy meet the needs of our students and of our colleges and universities?
- Are current tuition and fee classifications correct or should they be modified?
- Are there compelling interests on behalf of students to provide more systemwide coordination, guidance, and oversight for tuition and fee practices?



The review process will be comprehensive and inclusive

- Include students, college and university leadership, and system office staff
- Utilize two groups to conduct review and recommend changes: project advisory group and project drafting team
- Recommend changes based on board guidance, best practices, and campus and student feedback



Multiple channels will be used to communicate changes and obtain input

- Project advisory group and project drafting team
- Leadership Council
- Standing meetings with key constituent groups
- Two web-based forums open to all interested parties
- Standard 30-day policy review comment process

Feedback from all channels will be considered



Project Timeline

	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	APR 2018
Project drafting team reviews and prepares draft options	X	X						
Project advisory group reviews and prepares recommendations		X	X	X				
Leadership Council reviews		X			X		X	
Standard 30-day policy/procedure review and comment period					X	X		
Project drafting team revises proposed changes based on consultation process			X	X	X	X	X	
First board reading							X	
Second board reading								X



DRAFT: Tuition and fee policy seeks to balance five objectives

- 1. Affordable Access to Higher Education:** Minnesota State seeks to be the most affordable option for higher education in Minnesota.
- 2. Sustainability:** Minnesota State seeks to provide sufficient resources for colleges and universities to support quality higher education and long term financial viability.
- 3. Equity:** Minnesota State students taking similar academic programs are charged similar rates across Minnesota State colleges and universities.
- 4. Transparency:** Minnesota State students will know what they are paying for and how their total tuition and fee charges are calculated.
- 5. Flexibility for Innovation and Emerging Markets:** Minnesota State seeks to allow flexibility to be innovative, respond to the marketplace, and address emerging program and course development requirements.



Board Discussion Questions:

- Are these the right policy objectives?
- Are there other policy objectives that should be considered?



End of Presentation





Board of Trustees Meeting

Wednesday, October 18, 2017

1:45 PM

Minnesota State
30 7th Street East
St. Paul, Minnesota

Note: Committee and board meeting times are tentative. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

Call to Order

Chair's Report, Michael Vekich

Chancellor's Report, Devinder Malhotra

Consent Agenda

- 1. Minutes, Human Resources Committee, May 17, 2017**
- 2. Minutes, Human Resources Committee, June 21, 2017**
- 3. Minutes, Board of Trustees Meeting, June 21, 2017**
- 4. Notes, Board of Trustees Retreat, September 19-20, 2017**
- 5. FY18 Audit Plan**
- 6. Approval of Contracts Exceeding \$1 Million**
 - a. D2L Contract Extension**
 - b. Internal Audit External Services**

Student Associations

1. LeadMN
2. Students United



Minnesota State Colleges and Universities' Bargaining Units

1. American Federation of State, County, and Municipal Employees
2. Inter Faculty Organization
3. Middle Management Association
4. Minnesota Association of Professional Employees
5. Minnesota State College Faculty
6. Minnesota State University Association of Administrative and Service Faculty

Board Standing Committee Reports

1. Academic and Student Affairs Committee, Louise Sundin, Vice Chair
 - a. Proposed Amendment to Policy 3.32 College Faculty Credentialing (First Reading)
 - b. ASA FY18 Work Plan and Committee Agenda Discussion
 - c. Teacher Education Overview
2. Audit Committee, Michael Vekich, Chair
 - a. Institutional Data Reporting Audit Results
 - b. Purchasing Card Audit Follow-up Results
3. Finance and Facilities Committee, Jay Cowles, Chair
 - a. Long Term Financial Sustainability Report Review
 - b. Proposed New Policy 6.11 Facilities Operation and Maintenance (First Reading)
 - c. Tuition and Fee Policy Guidance

Trustee Reports

Other Business

Adjournment

Bolded items indicate action is required



Board of Trustees Meeting

Wednesday, October 18, 2017

1:45 PM

Minnesota State

30 7th Street East

St. Paul, Minnesota

Note: Committee and board meeting times are tentative. Meetings may begin up to 45 minutes earlier than the times listed if a committee meeting concludes its business before the end of its allotted time slot. In addition to the board or committee members attending in person, some members may participate by telephone.

Consent Agenda

- 1. Minutes, Human Resources Committee, May 17, 2017 (pp. 1-2)**
- 2. Minutes, Human Resources Committee, June 21, 2017 (p. 3)**
- 3. Minutes, Board of Trustees Meeting, June 21, 2017 (pp. 4-12)**
- 4. Notes, Board of Trustees Retreat, September 19-20, 2017 (pp. 13-16)**
- 5. FY18 Audit Plan (p. 6 of the Audit Committee meeting materials)**
- 6. Approval of Contracts Exceeding \$1 Million (p. 28 of the Finance and Facilities Committee meeting materials)**
 - a. D2L Contract Extension**
 - b. Internal Audit External Services**

Bolded items indicate action is required



**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE
MEETING MINUTES
May 17, 2017**

Human Resources Committee Members Present: Dawn Erlandson, Chair; Elise Bourdeau, Vice Chair; Trustees Alexander Cirillo, Robert Hoffman, Rudy Rodriguez and George Soule.

Human Resources Committee Members Absent: NONE

Other Board Members Present: Ann Anaya, Jay Cowles, Amanda Fredlund, Louise Sundin, Cheryl Tefer, and Michael Vekich.

Leadership Council Members Present: Steven Rosenstone, Chancellor; Mark Carlson, Vice Chancellor for Human Resources.

The Minnesota State Colleges and Universities Human Resources Committee held its meeting on May 17, 2017, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Erlandson called the meeting to order at 10:30 a.m.

1. Minutes of March 22, 2017

Chair Erlandson called for the motion to approve the minutes of the Human Resources Committee on March 22, 2017. The minutes were moved, seconded and passed without dissent.

- 2. Human Resources Transactional Service Model (HR-TSM) Project Update**
Vice Chancellor Carlson provided an overview of the project-what it is, and why we are doing this, project deliverables to-date, and next steps over the coming months. Vice Chancellor reminded the Board of Trustees, the HR-TSM project was born out of the Charting the Future initiative.

Vice Chancellor Carlson said this new service delivery model will address a number of needs at the both the campus and enterprise level. Working together in a shared services environment will significantly mitigate risks and will address a number of open audit findings at many of our institutions.

Vice Chancellor said campus HR teams operate in a highly regulated, complex environment that requires and extraordinary amount of attention to transactional work. Like all of our administrative teams, they work in lean staffing environments and when a campus HR team is suddenly faced with a resignation or retirement, they can easily fall into a state of crisis. Vice Chancellor stated that by moving the transactional component to the regional service centers, campus HR teams will be far less vulnerable and be in a better position to focus on the strategic and transformational needs of their institution.

Vice Chancellor shared that much progress has been made since his last report to the Board-the project is well into Phase 1 implementation. This past academic year has been busy building out the offices for our four service centers at Mesabi Range, Minnesota State College Southeast, Dakota County Technical College, and Hennepin Technical College. The service center managers were hired in December, and they immediately hit the ground running. Service center managers recently hired 12 highly qualified service center staff, three at each service center, who are currently finishing-up their training, and will be well prepared to process faculty transactions over the coming weeks for summer session and the new academic year.

Vice Chancellor said planning Phase 2 implementation is underway, which is moving transactions for all other employee groups, including AFSCME, MAPE, MMA, and Administrators, to the service centers. Phase 3 is anticipated to be the final phase, where we move other HR work such as job classification and workers' compensation administration to the service centers.

Vice Chancellor Carlson stated that the goal is to have this model fully functional in two-three years.

3. Appointment of Interim President of Ridgewater College

Chancellor Rosenstone stated President Doug Allen will conclude his service on June 30, 2017. Chancellor Rosenstone invited nominations and expressions of interest for the position of interim president at Ridgewater College. Applications and nominations have been reviewed by the chancellor, and he has reviewed all input received and consulted as appropriate to develop his recommendation to the board. Chancellor Rosenstone recommended Joe Opatz to serve as the next interim president of Ridgewater College.

The Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoints Joe Opatz as interim president of Ridgewater College effective July 1, 2017, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators.

The motion passed without dissent.

The meeting adjourned at 10:58 a.m.

Respectfully submitted,

Pa Yang, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE
MEETING MINUTES
June 21, 2017**

Human Resources Committee Members Present: Dawn Erlandson, Chair; Elise Bourdeau, Vice Chair; Trustees Alexander Cirillo, Robert Hoffman, Rudy Rodriguez and George Soule.

Human Resources Committee Members Absent: NONE

Other Board Members Present: Basil Ajuo, Jay Cowles, Amanda Fredlund, Jerry Janezich, Roger Moe, Louise Sundin, Cheryl Tefer, and Michael Vekich.

Leadership Council Members Present: Steven Rosenstone, Chancellor; Mark Carlson, Vice Chancellor for Human Resources.

The Minnesota State Colleges and Universities Human Resources Committee held its meeting on June 21, 2017, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Erlandson called the meeting to order at 10:30 a.m.

- 1. Appointment of Interim President of St. Cloud Technical and Community College**
Chancellor Rosenstone stated that following the announcement of President Joyce Helens' resignation, Chancellor Rosenstone invited nominations and expressions of interest for the position of interim president at St. Cloud Technical and Community College. Applications and nominations have been reviewed by the chancellor, and he has reviewed all input received and consulted as appropriate to develop his recommendation to the board. Chancellor Rosenstone recommended Lori Kloos to serve as the next interim president of St. Cloud Technical and Community College.

The Board of Trustees, upon the recommendation of Chancellor Rosenstone, appoints Lori Kloos as president of St. Cloud Technical and Community College effective August 1, 2017, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the MnSCU Personnel Plan for Administrators.

The motion passed without dissent.

The meeting adjourned at 10:50 a.m.
Respectfully submitted,
Pa Yang, Recorder

Minnesota State Colleges and Universities
Board of Trustees Meeting Minutes
June 21, 2017

Present: Chair Michael Vekich, Vice Chair Dawn Erlandson, Treasurer Jay Cowles, and Trustees Basil Ajuo, Ann Anaya, Elise Bourdeau, Alex Cirillo, Bob Hoffman, Jerry Janezich, Roger Moe, Rudy Rodriguez, George Soule, Louise Sundin, Cheryl Tefer, and Chancellor Steven Rosenstone

Absent: Trustee Amanda Fredlund

Call to Order

The meeting was called to order at 11:08 am. Trustee Ann Anaya participated by telephone.

Chair's Report

Chair Vekich announced the following revisions to the Consent Agenda. The FY2018 Capital Budget Program Recommendation, Students United Fee Increase, and the 2018 Annual Operating Budget are removed from the Consent Agenda and will be taken up during the report of the Finance and Facilities Committee by Trustee Jay Cowles, committee chair.

Report of Closed Session Meeting of the Board of Trustees on the Chancellor's Annual Performance Evaluation on June 20, 2017

The Board of Trustees met on June 20, 2017, and reviewed the report of the Chancellor's Performance Review Committee. The members of the committee are Trustees Ann Anaya, Dawn Erlandson, Rudy Rodriguez, and Michael Vekich. The board also met with Chancellor Steven Rosenstone.

Trustee Rodriguez presented the following report on Chancellor Rosenstone's FY 2016-FY2017 Performance Review:

In the fall of 2016, the board agreed to five goals to serve as the priorities for the chancellor's FY2016-2017 work plan. For this final year, the chancellor continued to provide strong leadership during a time of significant change that included the search for a new chancellor and an ambitious work plan. Amidst this time of change, the chancellor stayed focused to deliver his goals and successfully lead the transition to the interim chancellor.

First, Chancellor Rosenstone and his leadership team successfully facilitated the transition in leadership. The transition plan and supporting documents were thoughtfully conceived and leveraged Chancellor Rosenstone's experience and the collective wisdom of the system. The transition included not only the practical knowledge required to lead Minnesota State, but also a clear identification of the ongoing issues, risks, and challenges we face now and in the future. Throughout the transition, the chancellor provided the board with good counsel when requested, maintained morale and confidence, and was clearly invested in the success of the interim chancellor.

Second, Chancellor Rosenstone empowered his team to successfully champion the biennial legislative request and to ensure legislators understood the importance of our colleges and universities to students as well as to our communities across Minnesota. The chancellor led a well-orchestrated campaign that included proactive and strategic communication to champion the needs of Minnesota State that was delivered through social media, a campus grassroots communication effort, and effective influencing from the chancellor and his leadership team with legislators. Because of these efforts, the chancellor and the team secured a majority of the incremental higher education funding. This was accomplished while also protecting the board's priorities and revenue targets.

Third, Chancellor Rosenstone did an outstanding job of developing the Strategic Roadmap for Long Term Financial Stability for Minnesota State. He effectively worked with all key stakeholders and addressed bargaining unit concerns to deliver a recommendation. The chancellor clearly and passionately advocated the case for change starting at the September board retreat and throughout the year, delivering the sobering message that our costs are outpacing revenue and that our financial model is not sustainable. He subsequently developed the implementation strategy and priorities, including the new internal financial model that was adopted by the board in November.

Fourth, Chancellor Rosenstone continued to coach and develop the presidents, cabinet, and Leadership Council. The board recognizes the efforts of the chancellor to further develop his staff while also continuing to drive change with a vision of working as one collaborative enterprise. This was accomplished by ongoing coaching, improved hiring practices, and retention strategies. This year, the chancellor on-boarded six new presidents, two new cabinet members, and led the completion of 360 assessments.

Fifth, we asked Chancellor Rosenstone to complete the implementation of Charting the Future, to implement the metro baccalaureate plan, to continue to make progress on the campus diversity and inclusion plans, to implement the branding initiative, and to develop and implement the federal relations plan. The chancellor successfully implemented these board and systemwide priorities.

- The Charting the Future milestones were met and all 15 initiatives in the 2017 work plan have been completed or are near completion.
- There was progress in the ongoing implementation of the metro baccalaureate plan with fall enrollment increasing 9% versus last year and the addition of 25 new program locations across metro colleges.
- The chancellor and his leadership team continued to advocate and drive results behind the campus diversity plans, including the training of campus chief diversity officers, providing each president feedback on their campus diversity plans, and inclusion of diversity goals and metrics in the annual performance review of every president.
- Progress was made in the rebranding of Minnesota State, including the completion of a brand standard guide.

- Continued to build public trust and momentum through a proactive public relations plan focusing on key messages of affordability, accessibility, and talent development.
- And finally, there was some early progress in the federal relations plan resulting in board member participation in the ACCT National Summit, and meetings with members of Minnesota’s congressional delegation.
- In summary, Chancellor Rosenstone delivered a strong performance on the agreed-upon goals and priorities. He led and empowered his team to make Minnesota State a stronger enterprise to ensure access to an extraordinary education for all Minnesotans.

Chair Vekich concluded the report with the following comments:

The Board of Trustees for Minnesota State thanks and recognizes Chancellor Steven Rosenstone for his vision and significant accomplishments. Minnesota State is in a better position today because the chancellor delivered a vision, ideas, and the case for change to strengthen the organization. Through his leadership, tenacity in the face of headwinds, and a strong passion for diversity, he leaves Minnesota State in a stronger position to deliver on our core value to provide opportunity for all Minnesotans to create a better life for themselves, for their families, and for their communities. Of the many accomplishments during his tenure, Chancellor Rosenstone’s legacy includes the following three hallmarks:

- Chancellor Rosenstone established a strong vision for Minnesota State through the implementation of *Charting the Future* that provides more Minnesotans with access, affordability, and excellence by maximizing the power, talent, and resources of the entire organization.
- Chancellor Rosenstone advanced the long-term financial sustainability of Minnesota State through courageous conversations with the board and all stakeholders about the challenges of our outdated financial model.
- Chancellor Rosenstone championed diversity with double digit increases in student, employee, and system leadership diversity.

The board thanks the chancellor for his six years of extraordinary service to the State of Minnesota and to Minnesota State, and wishes him well in his future endeavors.

Chancellor Report

Chancellor Steven Rosenstone addressed the board:

“Chair Vekich, Trustee Rodriguez, and members of the board, thank you for your kind words both about my performance this past year and about our collective accomplishments over my tenure as chancellor. As you appropriately noted, this has been a team effort and I would like to express my gratitude to all who have contributed to this endeavor. Thank you to the students, faculty, staff, presidents, cabinet members, and trustees who crafted *Charting the Future*. Thank you to the presidents and hundreds of students, faculty

and staff from campuses all over Minnesota who identified the priorities and led the campus-based implementation these past two years.

Together, we have indeed maximized the remarkable talents of faculty and staff across our entire enterprise to better serve students; to meet the needs of communities across Minnesota; and to be better stewards of the state's resources. We are finally realizing many of the opportunities envisioned 25 years ago when our system of colleges and universities was created.

Thank you to the Legislature and Governor Dayton for their unwavering support of our students, colleges, and universities.

There are many things for us all to be proud of, but there is nothing I am more proud of than the collaborative team of leaders we have built over the years. I have had the privilege of working with remarkable – truly remarkable – people. And, I can easily say that in my 44-year career in higher education, I have never worked with a more talented and dedicated team of public servants than the individuals who lead our campuses and this system. Everyone – here in the system office and on our campuses across Minnesota – everyone understands why we are here. This is the most mission-driven organization I have ever been part of. Everyone is committed to serving Minnesota students and Minnesota communities. This shared value permeates our entire enterprise. It's what drives every employee. It's what drives this board.

To our presidents and members of the cabinet, thank you. Thank you for your leadership, your friendship, and your support over the years. I am not only grateful for, but proud of, your leadership and the work we have done together. A special thank you to all the presidents who have served on the Leadership Council's executive committee over the years and to those who have served on the executive committee this past year: Presidents Blackhurst, Ester, Gores, and McDonald.

I would also like to thank those who have provided the day-to-day, often minute-by-minute support that has strived against all odds to keep me on track. To Chief of Staff Nancy Joyer, thank you for being such a strong and generous resource to our presidents; for helping to recruit and onboard great leaders; and for providing the support they have needed to soar. Thank you for helping to orchestrate the strategies required to drive both the priorities that the board has set and the jam-packed work plans that we took on each year. To Vicki Tschida and Kalae Verdeja, thank you for your remarkable administrative support, for doing the seemingly impossible – managing my calendar and ensuring that I left each night with the homework that needed to be completed by the next day. I deeply appreciate your good cheer, generosity of spirit, and great work.

A final thank you to Maria Antonia for her profound generosity and unwavering encouragement through this journey.

The first time I appeared before this board, back on February 2, 2011, as a candidate for chancellor, I said I was standing for this position because I wanted to continue to contribute to the vitality of our state. And, I thought that the most effective way I could do so was to lead Minnesota State Colleges and Universities. I said on that Wednesday morning, that students and their families as well as businesses and communities across Minnesota were counting on us. I said that Minnesota State's future depended upon us because Minnesota would not have the talent it needed to compete globally unless Minnesota State colleges and universities made it happen.

Following an hour of board interrogation, you invited me to offer some closing comments and I did so by reminding us that our campuses are a place of hope and opportunity where we provide an opportunity for all Minnesotans to create a better future for themselves, for their families, and for their communities.

And I pledged that if I were asked to serve as chancellor,

- I would serve as a steward of this system,
- a steward on behalf of our students, and
- a steward to serve the people of Minnesota.

Every day over the past six years, we have worked together to do so. We knew we would face plenty of challenges and when we stood together in the State Capitol's historic rotunda on October 19, 2011, for my installation,

- I spoke of the commitment we needed to make to the people of Minnesota, to each other, and to the state.
- I spoke of the courage we needed to have to do what's needed when it's needed, and,
- I spoke of the creativity we would need to draw upon to make the impossible possible.

By working together, we have kept our commitments to each other and to the people of Minnesota; and together we have acted with courage and creativity. The past six years have been both the most challenging and most rewarding experience of my professional life. I am grateful for the confidence that you and your predecessors placed in me, and I am grateful for the opportunity to serve.

Finally, I would like to thank the board for the opportunity to work on the transition in leadership with Chancellor-designate Devinder Malhotra. Dr. Malhotra will lead with grace, wisdom, and dedication. He shares our core values and is committed to the mission of our colleges and universities. We still have some transition work to complete over the next five and a half weeks, but rest assured, Minnesota State will be in good hands under Chancellor Malhotra's leadership.

Minnesota State is on a steep, and positive trajectory and I look forward to watching great things continue to happen over the years ahead. Thank you.”

Consent Agenda

Chair Vekich called for a motion to approve the revised Consent Agenda. A motion was made by Trustee Hoffman and seconded by Trustee Janezich and carried unanimously.

- 1. Board of Trustees Meeting Minutes of April 19, 2017**
- 2. Board of Trustees Meeting Minutes of May 17, 2017**
- 3. Proposed FY2019 Meeting Calendar (Second Reading)**
- 4. North Dakota Reciprocity Agreement**
- 5. Approval of Contracts Exceeding \$1 Million or Five-Year Length**
 - a. Interagency Agreement with State of Minnesota Office of Information Technology**
 - b. Oracle Contract Extension**
 - c. Minneapolis Community and Technical College Construction Project**
 - d. Minnesota State University, Mankato, 7700 France Avenue Lease**
 - e. Metropolitan State University Janitorial Services**
 - f. Winona State University Contract for Enrollment Management Services**
 - g. Lake Superior College Contract with Vendor in Support of Technical Certification Program with the Minnesota Department of Transportation**

Board Standing Committee Reports

- a. Human Resources Committee, Chair Dawn Erlandson
 - **Appointment of Interim President of St. Cloud Technical and Community College Committee Chair Erlandson offered the following motion that was approved unanimously:**

The Board of Trustees, upon the recommendation of Chancellor Rosenstone appoints Lori Kloos as interim president of St. Cloud Technical and Community College effective August 1, 2017, subject to the completion of an employment agreement. The board authorizes the chancellor, in consultation with the chair of the board and the chair of the Human Resources Committee, to negotiate and execute an employment agreement in accordance with the terms and conditions of the Minnesota State Colleges and Universities Personnel Plan for Administrators.

Student Associations

Minda Nelson, president, LeadMN, addressed the Board of Trustees.

Chair Vekich welcomed the president-elect Isaac Jahraus, a student at Normandale Community College.

Joe Wolf, chair, Students United, addressed the Board of Trustees.

Chair Vekich welcoming the incoming chair Faical Rayani, a student at Minnesota State University, Mankato.

Minnesota State Bargaining Units

There were no comments from the leads of the bargaining units

Board Standing Committee Reports (continued)

b. Joint Meeting, Academic and Student Affairs and Diversity, Equity, and Inclusion

Committees, Co-chairs Alex Cirillo and Ann Anaya

- Closing the Opportunity Gap

Committee Co-chair Cirillo reported that the committees reviewed recent trends, readiness, financial resources, and completion rate of students of color, American Indian students, and white students, and goals for eliminating the opportunity gap. Approximately two-thirds of the opportunity gap can be attributed to gaps in academic preparation and financial resources. The strategies for closing the gap are focused on financial and academic preparedness. The data show that despite our efforts, the gap remains. There was also a discussion around the K-12 feeder system. The expectation of the report is the need to work to deconstruct on some of the structural issues such as poverty and institutional racism.

c. Finance and Facilities Committee, Chair Jay Cowles

Committee Chair Cowles reported on the non-action agenda items before taking up the action items.

1. ISRS NextGen Update

The committee received an update on the plans for the ISRS NextGen. Funding and associated risks for the program's implement were discussed.

2. 2017 Legislative Summary

The committee reviewed the results from the legislative session and were grateful to the legislative leadership and governor's office and to all of the stakeholders who effectively advocated for our requests.

3. FY2018 Capital Program Recommendation

Committee Chair Cowles reported that the committee approved the FY2018 Capital Program Recommendation. Chair Vekich called the question and the following motion was approved unanimously.

The Board of Trustees approves the FY2018 capital program request as presented in Attachment A (located on page 32 of the Finance and Facilities Committee's meeting materials), specifically the projects and priorities for the 2018 legislative session. The chancellor is authorized to make cost and related adjustments to the request as required, and to forward the request through Minnesota Management and Budget to the governor and legislature for consideration in the state's FY2018 capital budget. The chancellor is authorized to make adjustments to Attachment A if warranted as a result of a special session of the legislature after consultation with the Chair of the Board and the Chair of the Finance committee. The chancellor shall advise the board of any subsequent changes in the approved capital program prior to the 2018 legislative session. In addition, as funding is authorized and appropriated by the legislature and approved by

the governor, the chancellor or the chancellor's designee is authorized to execute contracting actions necessary to deliver on the project scope and intent.

4. Students United Fee Increase

Committee Chair Cowles explained that Board Policy 3.7 Student Association requires two readings on the proposed Students United fee increase. The committee suspended the rules and approved the Students United fee increase. The committee recommends board approval.

Committee Chair Cowles moved that the Board of Trustees suspend the rules. The motion was seconded and carried unanimously.

Chair Vekich called the question and the motion carried that the Board of Trustees accepts the increase of the Students United fee from \$.43 to \$.47 per credit hour beginning fall semester 2017.

5. FY2018 Annual Operating Budget

The Board of Trustees adopted the following motion:

Adopted the annual total all funds operating budget for fiscal year 2018 as shown in Table 3 (see page six of the FY2018 Annual Operating Budget located at: http://www.mnscu.edu/board/materials/2017/fin-06-operating_handout.pdf).

Approved the proposed tuition structure recommendations and differential tuition rationale for fiscal year 2018 as detailed in Attachments 1A through 1F (see pp.16-54 of the FY2018 Annual Operating Budget). The approval of the St. Cloud State University banded tuition plan is subject to an implementation plan approved by the chancellor.

Tuition rates are effective summer term or fall term 2017 at the discretion of the president. The chancellor or designee is authorized to approve any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2019 tuition recommendations are presented to the Board of Trustees.

Continued the policy of market-driven tuition for closed enrollment courses, customized training, and non-credit instruction, continuing education, and contract postsecondary enrollment option programs.

Approved the Revenue Fund and related fiscal year 2018 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A through 2E (see pp. 55-62 of the FY2018 Annual Operating Budget), including any housing fees that the campuses may charge for occupancy outside the academic year.

Approved Student Life/Activity fee (\$117.36 per term) for St. Cloud State University.

Authorized the chancellor or designee to enter into an agreement with the Learning Network of Minnesota to provide the funding appropriated to the organization in Minnesota Laws 2017, Chapter 89, Article 1, Section 3, Subdivision 4, in the amount of \$4,115,000.

- d. Audit Committee, Chair Bob Hoffman
 - 1. Fiscal Year 2017 Audit Plan Update
Committee Chair Hoffman provided an update on the FY2017 audit plan.
 - 2. Fiscal Year 2018 Annual Audit Planning
Committee Chair Hoffman remarked that the FY2018 audit plan will be developed in consultation with Baker Tilly.

Trustee Reports

Trustee Ajuo reported that he attended the Association of Community College Trustees Governance Leadership Conference in Washington, D.C.

Trustee Moe commented that he called several legislative leaders to thank them for their support of Minnesota State.

Trustee Bourdeau's Service

Trustee Erlandson acknowledged Trustee Bourdeau and thanked her for her service. Chair Vekich thanked Trustee Bourdeau, adding that she represented students well during the four years she has served on the board. Chancellor Rosenstone thanked Trustee Bourdeau for her service to students and to the system.

Other Business: Election of Chair and Vice Chair

Michael Vekich was re-elected unanimously as chair and Dawn Erlandson was re-elected unanimously as vice chair of the board.

Updates and Adjournment

Chair Vekich announced that the retreat will be on September 19-20, 2017.

The meeting adjourned at 12:20 pm.

Ingeborg K. Chapin, Secretary to the Board

Board of Trustees

Retreat Notes

September 19-20, 2017

Present: Chair Michael Vekich, Vice Chair Dawn Erlandson, Treasurer Jay Cowles, and Trustees Basil Ajuo, Ann Anaya, Alex Cirillo, Amanda Fredlund, Bob Hoffman, Jerry Janezich, Roger Moe, Rudy Rodriguez, George Soule, Louise Sundin, Cheryl Tefer, and Interim Chancellor Devinder Malhotra

Tuesday, September 19

Welcome, Introductions, and Opening Remarks

Chair Michael Vekich convened the retreat at Fitger's Inn in Duluth at 9:50 am. He welcomed everyone and introduced Terrence MacTaggart, who is a senior consultant with the Association of Governing Boards Consulting, and the author of numerous publications including the recently published report: "The 21st-Century Presidency: A Call to Enterprise Leadership." Dr. MacTaggart also facilitated the Leadership Council's retreat on September 11 and 12, 2017. The themes for the retreat will be Minnesota State's innovation, enterprise, and entrepreneurial spirit. The three requirements that Minnesota State needs to succeed are:

1. Clear eye/appraisal of system's position in the marketplace;
2. An entrepreneurial spirit (need to take risks); and
3. Talent to advance enterprise in face of conflicting demands.

Reflections on Campus Visits and the Year Ahead

Interim Chancellor Devinder Malhotra said he was pleased to be here and that he is proud of our system and its open door policy. The campus visits helped him develop three organizing principles that will sharpen the focus in the system office and on the campuses. He will also seek affirmation that Minnesota State is on the right track. The three priorities are: student success, diversity, equity, and inclusion, and financial sustainability. Dr. Malhotra posed several questions for each priority, including asking ourselves if the activities align with the priorities, and whether we have the wherewithal and capacity at the system level and campus level to do all that we need to do.

Dr. Malhotra explained that his approach to leading the system and the colleges and universities is to seek clarity of expectations from the board and to build on the conversations he has had with the trustees, presidents, leaders of the bargaining units, and leaders of the student associations. He will ensure effective modes of consultation and communication. It is important to recognize that conflict and disagreement are inevitable. This is the time to keep talking and to engage in conflict resolution to find common ground.

Charting the Future goals are an imperative. Stage one is complete and we are moving into the execution stage. We will know when we are truly acting as a system once all of us collectively take joint ownership of all our students no matter which college or university they attend.

There is tension between autonomy and system and it is important to recognize that our institutions each have their own unique missions, geographic locations, dreams, and histories. Minnesota State is a network of robust institutions and we need to figure out how to do our work collectively at the systemwide level – it should augment what we ask the colleges and universities to do at their level. The role of the system office is to be a coordinating/facilitating mechanism that augments the work of the colleges and universities.

Interim Chancellor Malhotra introduced Clyde Pickett, the incoming Chief Diversity Officer, who will join the system in the middle of October. Mr. Pickett thanked the board and the chancellor for the opportunity. He spoke of helping students succeed and the importance of supporting faculty, noting that we need to be proactive, intentional, and culturally competent.

Leadership Council Executive Committee

Presidents Joyce Ester, Connie Gores, Faith Hensrud, and Barbara McDonald shared examples of programs, initiatives, and collaborations at specific Minnesota State colleges and universities that support the themes of student success, diversity, equity, inclusion, and sustainability.

The Work Ahead

Ron Anderson, Senior Vice Chancellor for Academic and Student Affairs, and Laura King, Vice Chancellor – Chief Financial Officer provided an update on the campus-based work flowing out from the initiatives in Charting the Future. The work is carried out by campus-based leadership teams. Discussions on capacity and infrastructure, structural changes and education, workforce, and system of the future are included in the work plans.

Eight colleges are on financial plans and their financial outlook has stabilized. Discussions are also occurring on the Campus Service Cooperative and reducing the system's footprint.

Integrated Statewide Records System (ISRS) Next Gen

Ramon Padilla, Vice Chancellor for Information Technology, gave an update on the FY18/19 activities and expenditures in Next Gen planning. The state funded \$8 million over the biennium for the project. System office and campus contributions added another \$8 million for a total of \$16 million. These funds will cover systems integration costs, ISRS platform refresh and maintenance, data integration and data standards, and project management and communication. Several funding scenarios for the future of the project were presented and discussed.

Enterprise Risk Management

Interim Chancellor Malhotra, Eric Wion, Interim Executive Director, and Chris Jeffrey, Partner, Baker Tilly, gave an overview of enterprise risk management. Interim Chancellor Malhotra noted that some of the risks Minnesota State faces are aligning and adapting to changing circumstances, new learners, new changing demographics, and new budget realities. The board oversees the ERM effort while the chancellor and presidents are responsible for effectively managing risks. The ERM effort is led by the ERM Committee comprised of the chancellor, vice chancellors, director of internal audit, chief of staff, and other key cabinet members.

The Executive Committee of the Leadership Council responded to a question about what keeps them awake at night. Some of their concerns included: declining enrollment, containing tuition, succession planning, and the diversity of our students.

Wednesday, September 20

Chair Vekich re-convened the retreat starting at 8:10 am.

Search Updates

Mark Carlson, Vice Chancellor for Human Resources, provided an update on the executive searches. In addition to the chancellor search, there are searches for:

- Vice Chancellor for Human Resources
- Executive Director, Internal Audit
- President, Fond du Lac Tribal and Community College
- President, Minnesota State Community and Technical College
- President, Ridgewater College
- President, Rochester Community and Technical College
- President, St. Cloud State University
- President, St. Cloud Technical and Community College

The position profile for the chancellor search was distributed. The consultant is Wheless Partners out of Alabama. Twenty percent of its business is in higher education. Chair Vekich said that the Search Advisory Committee includes leaders of the bargaining units, student associations, presidents, three trustees, and members of the community/public. The chair of the Search Advisory Committee is Scott Peterson, Executive Vice President and Chief Human Resources Officer, Schwan's. Other public members are: MayKao Hang, President and CEO, Amherst H. Wilder Foundation; Cathy Fraser, Chief Human Resource Officer, Mayo Clinic; Greg Page, retired Chairman and Chief Executive Officer, Cargill. Trustees Dawn Erlandson, Jay Cowles, and Alex Cirillo, and Presidents Faith Hensrud, Bemidji State University and Northwest Technical College, and Rassoul Dastmozd, Saint Paul College, are on the committee.

Vice Chancellor Carlson commented that advertising began effective immediately. The Search Advisory Committee will meet on October 20 for training. Airport interviews are tentatively scheduled on December 19, 2017, and it is anticipated that system office interviews will occur around late January/early February. Trustees will have an opportunity to meet with the finalists. A suggestion was made to develop a consistent approach to the process for asking questions so comparisons can be made between the candidates. A written detailed process will eliminate unconscious bias.

Dr. MacTaggart reviewed the following five reasons why searches fail:

1. Vague consensus
2. Uninspiring job description
3. Leaks lose candidates
4. Dishonesty on both sides
5. Shallow conversations with the candidates

One advantage in recruiting candidates for Minnesota State is that Minnesota is a great state, the legislature has been generous to higher education, and the opportunity to be a major

higher education player will be appealing. Disadvantages include perceptions if the interim chancellor is a candidate and collective bargaining.

There was a discussion about the philosophy of growing our own candidates; especially with respect to presidential searches. Current policy says that interim candidates cannot apply for the position. Chair Vekich commented that there is precedence for appointing an interim. The policy can be, and has been suspended, in at least one instance.

Strategic Priorities for the Board and Committees

Board members met in small groups with their respective Cabinet members to discuss priorities for the year. Student association and bargaining unit leaders were invited to join the table discussions on strategic priorities for the Academic and Student Affairs, Audit, Executive, Diversity, Equity, and Inclusion, Finance and Facilities, and Human Resource Committees.

Reflections and Closing

Trustees were invited to reflect on the past two days. There was enthusiasm for the opportunity to explore together to work on some of the strategic challenges and opportunities. With risk, change, and opportunity, there has to be trust to do the work, and that was evident during the retreat. This is an opportunity to press the reset button in a positive way to strategize how to improve and be better. There is a sense that everyone understands the challenges and that there is a willingness to work collaboratively to get the work done.

Interim Chancellor Malhotra noted that the challenges facing Minnesota State are exactly the same at other systems around the nation. How they respond will either move them ahead or fall behind. Minnesota State can be trail blazers and move forward.

Chair Vekich thanked Dr. MacTaggart, the presidents, senior staff, and leaders of the bargaining units and student associations for their participation.

The retreat ended at 11:40 am

Minnesota State Acronyms

AACC	American Association of Community Colleges
AASCU	American Association of State Colleges and Universities
ACCT	Association of Community College Trustees
ACE	American Council on Education
AFSCME	American Federation of State/County/Municipal Employees
AGB	Association of Governing Boards of Universities and Colleges
API	Application Programming Interface
AQIP	Academic Quality Improvement Program
ASA	Academic and Student Affairs
BPAC	Business Practices Alignment Committee
CAG	Cross-functional Advisory Group
CAS	Course Applicability System
CASE	Council for the Advancement and Support of Education
CCSSE	Community College Survey of Student Engagement
CFI	Composite Financial Index
CIP	Classification of Instructional Programs
COE	Centers of Excellence <ul style="list-style-type: none">• Advance IT Minnesota• 360° Manufacturing and Applied Engineering Center of Excellence• HealthForce Minnesota• Minnesota Center for Engineering and Manufacturing Excellence (MNCEME)• Center for Agriculture - Southern Minnesota• Minnesota Agriculture Center for Excellence – North – AgCentric• Minnesota Energy Center• Minnesota Transportation Center

CRM	Constituent Relationship Management
CSC	Campus Service Cooperative
CST	Collaborative Sourcing Team
CTF	Charting the Future
CTL	Center for Teaching and Learning
CUPA	College and University Personnel Association
DARS	Degree Audit Reporting System
DEED	Department of Employment and Economic Development
DOA	Department of Administration
DOER	Department of Employee Relations (merged with MN Management and Budget)
EEOC	Equal Employment Opportunity Commission
EIC	Enterprise Investment Committee
ERP	Enterprise Resource Planning
FERPA	Family and Educational Rights and Privacy Act
FIN	Finance
FTE	Full Time Equivalent
FUG	Financial User Group
FY	Fiscal Year (July 1 – June 30)
FYE	Full Year Equivalent
HEAC	Higher Education Advisory Council
HEAPR	Higher Education Asset Preservation
HLC	Higher Learning Commission
HR	Human Resources
HR-TSM	Human Resources Transactional Service Model

IAM	Identity and Access Management
IDM	Identity Management (Old term)
IFO	Inter Faculty Organization
iPASS	Integrated Planning and Advising for Student Success
IPEDS	Integrated Postsecondary Education Data System
ISEEK	CareerWise Education
ISRS	Integrated Statewide Records System
IT	Information Technology
ITS	Information Technology Services
LTFS	Long-term Financial Sustainability
MAPE	Minnesota Association of Professional Employees
MDOE	Minnesota Department of Education
MDVA	Minnesota Department of Veterans Affairs
MHEC	Midwestern Higher Education Compact
MMA	Middle Management Association
MMB	Minnesota Management and Budget
MnCCECT	Minnesota Council for Continuing Education and Customized Training
MMEP	Minnesota Minority Education Partnership
MNA	Minnesota Nurses Association
MOU	Memorandum of Understanding
MSCF	Minnesota State College Faculty
MSCSA	Minnesota State College Student Association
MSUAASF	Minnesota State University Association of Administrative and Service Faculty
MSUSA	Students United (previously known as MSUSA or Minnesota State University Student Association)

NASH	National Association of System Heads
NCAA	National Collegiate Athletic Association
NCHEMS	National Center for Higher Education Management Systems
NSSE	National Survey of Student Engagement
OCR	Office for Civil Rights
OET	Office of Enterprise Technology
OHE	Minnesota Office of Higher Education
OLA	Office of the Legislative Auditor
PEAQ	Program to Evaluate and Advance Quality
PM	Project Manager
PSEO	Post-Secondary Enrollment Options
RFP	Request for Proposal
SAG	Services Advisory Group
SCUPPS	State College and University Personnel/Payroll System
SEMA4	Statewide Employee Management System
SER	Subcommittee on Employee Relations
SHEEO	State Higher Education Executive Officers
SME	Subject Matter Experts
USDOE	United States Department of Education
USDOL	United State Department of Labor