

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

Audit Committee Members Present: Trustees Scott Thiss, Chair; Jacob Englund, Dan McElroy, and James Van Houten.

Audit Committee Members Absent: Trustee David Paskach.

Other Board Members Present: Trustees Duane Benson, Cheryl Dickson, Ruth Grendahl, Christopher Frederick, David Olson, Tom Renier, Christine Rice, and Louise Sundin.

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

The Minnesota State Colleges and Universities Audit Committee held its meeting on May 19, 2010, at Wells Fargo Place, 4th Floor Board Room, 30 East 7th Street in St. Paul. Chair Thiss called the meeting to order at 9:30 a.m.

Approval of the Audit Committee Meeting Minutes

Chair Thiss called for a motion to approve the April 21, 2010 Audit Committee meeting minutes. There was no dissent and the motion carried.

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

Audit Committee Chair Scott Thiss updated the committee on the progress of the search committee. Ms. Lori Lamb, Vice Chancellor for Human Resources, stated that the search committee recommendation was to amend the search process to refer three finalists to the Audit Committee. The committee would interview the candidates in an open meeting and then make a recommendation to the full board with regard to who should serve as executive director of internal audit.

Committee members agreed that would be more efficient for the committee to make a final recommendation to the Board of Trustees.

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

RECOMMENDED COMMITTEE ACTION:

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

RECOMMENDED AMENDED MOTION:

The Board of Trustees delegates authority to the Chancellor to initiate a search process to hire a new Executive Director of Internal Auditing. The search process should culminate in identifying up to three candidates who shall be interviewed by the Audit Committee. The Audit Committee shall recommend one candidate to the Board of Trustees. The Board of Trustees reserves its authority to make the final selection for filling the position.

2. Follow-up to the OLA's Evaluation of the System Office (Information Item)

Trustee Thiss stated that the Audit Committee was charged with doing analysis to help focus the student credit transfer discussion and then direct findings to various policy committees and the Office of the Chancellor to work on issues.

Dr. John Asmussen, Executive Director of the Office of Internal Auditing, reminded members that the Office of the Legislative Auditor's report issued in February found that fifty percent of presidents cited problems with credit transfer. Chair David Olson assigned the task of further analysis of the issue to Audit Committee. The student associations were conducting a survey of the credit transfer topic, and the Office of Internal Auditing was able to link its efforts to the student survey.

Dr. Asmussen stated that student credit transfer was a complex process and it could be fine tuned, but he further stated that credit transfer within the Minnesota State Colleges and Universities was not broken, and that credits were transferring successfully at a very high proportion for students in the system.

Dr. Asmussen thanked Vice Chancellor Linda Baer and her staff for making the credit transfer study a priority over the last months. He thanked Dr. Mike Lopez, Dr. Craig Schoenecker, Ms. Louise Hoxworth, and Ms. Laurie Tralle for their work on student transfer. Dr. Asmussen thanked the audit coordinators for their work on the data analysis.

Dr. Asmussen introduced Ms. Beth Buse, Deputy Director for the Office of Internal Auditing, Ms. Jessica Medearis, Director of Public Affairs for the Minnesota State College Student Association, and Ms. Shannah Moore Mulvihill, Director of University & System Relations for the Minnesota State University Student Association,

Ms. Buse explained some of the complexities involved with the transfer process. She stated that it was possible to make student credit transfer easier for students and for the institutions, but because of the complexities, student credit transfer would likely never be simple.

Ms. Buse talked about the Minnesota Transfer Curriculum which was the foundational element for transfer of general education courses within the system. Ms. Buse stated that there were ten goal areas within the Minnesota Transfer Curriculum and that state law required Minnesota Transfer Curriculum courses to transfer into specific goal areas within institutions. The completion of a goal area was defined by the individual

institution. Completion of the entire Minnesota Transfer Curriculum required a minimum of forty credits. Board policy states that each receiving system college and university shall accept a Minnesota Transfer Curriculum course, goal area, or the entire curriculum as determined by the sending system college or university. Ms. Buse stated that the receiving institution had no discretion in accepting the Minnesota Transfer Curriculum.

Ms. Buse explained the context for the quantitative analysis that was done to test student transcripts and degree audits. She stated that in 2009, there were approximately 100,000 new students entering one of the institutions, and that the analysis looked at the 16,000 students who transferred credits from one Minnesota State College and University institution to another Minnesota State College and University institution. She added that of those 16,000 students, there were 21,000 transfer occurrences, which meant that there were roughly 4,000 students that transferred credits from more than one Minnesota State College and University institution. She stated that due to time restraints the analysis had focused on data retrieved from transcripts and degree audits.

Three separate tests were conducted. The first test focused a statistical sample of the 2009 entering student population. The population was broken into sixteen strata, which were based on institution types. There was a 95 % confidence level in determining the sample size, 281 transfer occurrences were tested. The final two tests analyzed transfer credits from 425 accounting graduates and 488 psychology graduates. Some presidents had expressed concerns about credit transfer within the business areas, and specifically in the accounting area.

Ms. Buse stated that the statistical sampling methodology allowed projecting to the population. For the 2009 enrolling students, it was estimated that about 9.4% of students lost some credits. She noted that with the accounting graduates, that credit loss rate was estimated to be at 26.5% versus the psychology graduates for which the loss was estimated at 6.6%.

Ms. Buse reviewed some specific reasons that there was credit loss for some of the students. In the 2009 overall enrolling population sample, about a third of the credits lost were within the Minnesota Transfer Curriculum. She reminded members that there should have been no discretion at the receiving institution for transferring credits, therefore there really should have been zero credit loss in that area.

The next largest reason for credit loss was similar courses not given equivalencies. These credits were often transferred as an elective, but they were counted as an exception if it were a required course for that student's major, and the student was subsequently required to retake the course at the receiving institution.

Ms. Buse stated institutions had different practices on whether they accepted courses where students received a "D" grade but that there were inconsistent practices within their own policies regarding the acceptance of "D" grades. A "D" grade was counted as an exception if the receiving institution's transfer policy said that they would accept "D" grades if the student's overall GPA was 2.0 or over.

Ms. Buse stated that sometimes a course would not transfer because it was deemed to have been taken too long ago. Within the 2009 enrolling population there was one exception where a course was not accepted, but there was nothing in the transfer policy of that institution that explained why it was not accepted. Ms. Buse noted that old credits were a larger issue within the 2009 accounting graduate population.

The final category was for data entry or unknown errors. Ms. Buse stated there were incidents in the 2009 enrolling student population that looked like data entry errors. She noted that information on students transcripts from the 2009 population would have been manually entered. E-transcripts, which had recently been implemented, would automate credit transfer from within the system and should reduce the number errors because there would not be as much manual data entry.

Trustee Van Houten noted that some of the complexity in the transfer process was advantageous to students because it would prevent students from moving on to a more advanced course before they had taken the appropriate prerequisite courses. He asked if the issues were primarily related to the type of major and the complexity of the preparation for that major. Ms. Buse stated that within the 2009 enrolling student population, which included all disciplines, the projected incident rate was 9.4% of students experience some credit loss. The study of accounting graduates versus the psychology graduates indicated that in some disciplines the credit loss was higher than in other disciplines.

Ms. Buse stated that the median credit loss for accounting and psychology graduates was six credits. The average credit loss was more complicated. She stated that within the accounting graduates the mean credit loss was sixteen, but within the psychology graduates, the mean and the medium were the same, at six credits.

Ms. Buse explained that the impact to students could be projected based on 9.4% of students having some credit loss, and a median six credit loss per student, at an average tuition rate of \$180 per credit. She noted that those students paid about \$1,000 more due to credit losses. Ms. Laura King, Chief Financial Officer, asked if those degree completion related lost credits could have been be used as elective credits and therefore void out the dollar loss. Ms. Buse explained that that had been considered as part of the analysis and the real loss to students was about six credits. Dr. Asmussen added that they had been conservative in that estimate, and added that if a psychology degree required 128 credits, those students ended up taking 134 credits because they had to retake some courses. Ms. Buse further noted that six credits might require an additional semester of college, and in addition, it was not possible to know if there were students who left the system because of issues related to transfer.

President Pat Johns, Anoka-Ramsey Community College, asked how much of the credit loss might have been approved if it had been appealed by the student. Ms. Buse stated that they had not gone back to individual institutions to look at student files to see if there had been any appealing, but added that those credits would have shown up on transcripts if the student had appealed and the courses had been equated. She noted that there needed to be better vehicles for students to understand whether

they had completed goal areas or Minnesota Transfer Curriculum courses, so that if an error occurred, it would be easy for them to identify and appeal it. President Johns suggested that the appeals process might catch clerical errors, and added that it might be appropriate to focus on the appeals process to correct some of the credit losses. Chancellor McCormick agreed and noted that many of the incidents could have been caught during a student appeal process.

Ms. Buse continued by explaining the process issues which may or may not have resulted in credit loss. She noted that the largest process issue was in not understanding how the amount that was reported on the student's official transcript at the receiving institution was determined. There were also some inconsistent methods used to convert quarter credits to semester credits.

Chancellor McCormick complimented the study and noted that it provided an opportunity to take a pretty good system and to make it better. Chancellor McCormick noted that there may be an opportunity during new president orientation and professional development to focus on student credit transfer.

Ms. Buse summarized the findings and recommendations around the Minnesota Transfer Curriculum. She noted that the student survey found that the Minnesota Transfer Curriculum courses were the most common type of credits being transferred within the system, but that 29% of respondents did not know whether they had completed the Minnesota Transfer Curriculum. The student survey also showed that those that had completed the Minnesota Transfer Curriculum were more satisfied with their transfer experience. Ms. Buse stated that the quantitative analysis showed that the Minnesota Transfer Curriculum courses and goal areas were the most common incident for credit loss.

Ms. Buse noted that the suggested action for this category was that it be referred to the Academic and Student Affairs committee. She noted that there were two policies that could be addressed within that committee. Consideration should be given to revising Policy 3.29 College and University Transcripts to create more uniformity on recording transfer credits on Minnesota State College and University transcripts. She noted that there were a number of management recommendations regarding the Minnesota Transfer Curriculum, many of which centered on training and advising, to ensure students, as well as faculty and staff, understood the requirements of the Minnesota Transfer Curriculum.

Ms. Medearis summarized the findings and recommendations around course equivalency and acceptance of credit. She noted that the student survey found that student respondents, who reported that their credits did not transfer in the way that they had expected, cited a number of reasons. The most common reasons were that the courses were deemed not to be equivalent to a required course at their receiving institution, that a course transferred in as an elective instead of as a major requirement, or that they didn't have sufficient information from their sending institution to prove whether or not a course was equivalent to a required course at the receiving institution. She also noted that in some cases the age of credits was also a

factor. The quantitative analysis tracked well with what the student survey found, particularly around similar courses not being given equivalency.

Trustee Thiss asked which was the bigger problem, student expectations for course equivalency or the receiving institution deeming a course to not be equivalent. Ms. Medearis noted that the student survey and the quantitative analysis tested the two parallel sides to the issue. She noted that a common thread throughout the recommendations was that transfer, and working toward continuous improvement on transfer, was a dual track. It would be important to address both the perception piece, in terms of the communications and training and ensuring that students had realistic expectations of how transfer should work, while also looking at the transfer process and substantive issues that exist that could pare down the complexity of the transfer process.

President Johns asked how PSEO courses were differentiated. Ms. Buse stated that they were able to determine that the student was transferring a PSEO course from the sending institution. Dr. Asmussen agreed and stated that it could be identified on the sending institution by the admissions status of the student, and sometimes by how it was labeled on the transcript.

Ms. Medearis noted that there were several policies that were implicated around the course equivalency issue and the suggested action would be that those were referred to the Student and Academic Affairs committee. Specifically, Policy 3.5 Post Secondary Enrollment Options (PSEO) should be reviewed to identify how that language might be clarified to address outstanding issues. Ms. Medearis noted that the Student and Academic Affairs committee had recommended approval of an amendment to policy 3.21 Undergraduate Course Credit Transfer, which the student associations felt would be helpful to students, but she noted that there was additional work that could be done. Specifically she stated that it was important to continue to work to align two- and four-year programs to reduce the loss of credits, and to encourage pathways to pare down the complexities of transfer. She added that the treatment of “D” grades and old credits should be consistent across the system. Ms. Medearis stated that policy 3.22 Course Syllabi, should be amended to clarify the use of syllabi, course outlines, or other equivalency documents. Ms. Medearis noted that there were a couple of management recommendations that arose from the course equivalency issue as well, specifically working to ensure that the course equivalency information was accurate and that institutions were in compliance with policies and procedures. Finally she stated that there should be a standardized DARS degree audit template.

Ms. Mulvihill summarized the findings and recommendations around transfer information and resources. She noted that the student survey found that 67% of respondents were not aware that there was an appeals process for transfer credits. However, nearly 90% of the appeals resulted in at least some credits being accepted. She stated that 40% of the students who responded did not seek advice in the transfer process, which was also identified as a problem for students, and that more than 40% did not start planning until their last semester. She stated that college and university Web sites were the primary source of information for students.

Ms. Mulvihill noted that the suggested action for this category was that it be referred to the Academic and Student Affairs committee and the Advancement committee. She added that one further suggestion was to consider creating a credit transfer Ombudsman position to provide students with an independent channel for advice on how to resolve credit transfer problems. Chancellor McCormick stated that the recommendation of an Ombudsman position, who would concentrate specifically on student credit transfer, was an interesting idea. Dr. Asmussen stated that the Ombudsman would be independent from the institutions and could be a channel for students, or parents, or legislators, or the media, to go to if they thought they had a problem.

Ms. Mulvihill noted that there were a number of management recommendations, which included that the Office of the Chancellor work with colleges and universities to make information on campus Web sites more consistent and to ensure that those Web sites were connected to systemwide tools. Trustee Thiss commented that navigation on institution Web sites was often difficult. Dr. Asmussen agreed and stated that student credit transfer should be more prominent on the Web sites. Ms. Mulvihill continued with the management recommendations, stating that knowledge of the appeals process was essential in making transfer better in the system. She added that a part of that would be ensuring that students were aware of how transfer should work, which might include ensuring that students had a place where they could find out how far along they were in completing the Minnesota Transfer Curriculum, or an easier way for them to track their progress so that they were able to assess whether or not something should have transferred.

She added that there were a number of communication pieces; improving communication with students about the transfer process, about the tools that were available, about sources of information, and about the value of early planning for transfer. Finally Ms. Mulvihill stated that the Academic and Student Affairs division could monitor the appeals process at the campus and system level to identify issues that were reoccurring incidents.

Vice Chancellor King noted that for the most part, students seem to be prepared for transfer. She asked if it would make sense to focus effort on early counseling and advising around degree objectives to assist those students who seem less prepared. Ms. Medearis stated that the student survey found that students started planning for transfer at various points in their academic career. She noted that students have overall better satisfaction with the transfer process when they have planning early, so it was important to have those resources available to students early on and to encourage early advising. However, she noted that since students were planning at various times, it may not stem from lack of knowledge early on. The recommendations from the student survey suggest a just-in-time approach to advising, so that transfer credit advising could happen throughout a student's academic career. Providing pathways for students to get advising throughout their career at a college, no matter how they approach transfer, was key.

Ms. Buse summarized the findings and recommendations around transfer tools and data entry. She noted that the suggested action for this category was to refer the action to management, but to monitor progress within the board. Specific recommendations were to Academic and Student Affairs to ensure the implementation of e-transcript at colleges and universities.

Ms. Medearis summarized the findings and recommendations around accountability. She noted that the student associations believe that transfer was a core function of the system. Dr. Asmussen stated that in 2004, transfer was one of the thirty-one measures on the former accountability framework and that there had been extensive board reports in the Academic and Student Affairs committee about transfer. Transfer had been dropped when the decision was made to limit that framework down to the select few. But he added that the Academic and Student Affairs committee was considering adding that measure back to the framework. Dr. Linda Baer, Senior Vice Chancellor for Academic and Student Affairs, pointed out that student transfer had remained part of the student success measure, and the board had received material on how transfer was working with drill downs by categories as part of those reports.

Trustee Dickson asked if the transfer measure would have registered as green on the framework because of how few incidents were being reported. Dr. Asmussen said that it would have depended on what the targets were for each measure. He noted that the target for the Minnesota Transfer Curriculum should be zero incidents since there was no room for discretion on the part of the receiving institution. Therefore, if there were credits that had not transferred, then it should not have been green. Dr. Asmussen stated that determining the targets was something that would require careful consideration and debate in the Academic and Student Affairs committee.

Trustee Dickson stated that the number of incidences within a particular major or a particular area was an important consideration. She stated that it might be important to note particular areas where courses would not transfer, so that students would know from the beginning that a particular course would work for a two-year degree but would not transfer to a university. Dr. Asmussen agreed and stated that many of two-year institution had warnings on their Web sites and catalogs about particular courses not intended to transfer. He noted however, that students would sometimes continue forward with the course for various reasons. He suggested that, in addition to having that warning, there may be times when there should be some intervention with students to encourage them to consider transferring to a four-year program so they would not lose credits. Trustee Dickson expressed concern about adding additional responsibilities to staff at a time when divisions were looking to reduce staff numbers. Trustee Thiss stated that it was part of the board's strategic assignment to decide what the core functions should be and who the customers were.

Ms. Medearis reviewed recommendations specific to transfer accountability. She noted that the suggested action was to refer the issue to the Academic and Student Affairs committee and a recommendation that the board implement systematic monitoring of transfer. Ms. Medearis stated that it was recommended that the board engage in study sessions around other credit transfer mechanisms that were being used across the country.

Ms. Medearis thanked the board and specifically the audit committee, as well as Chancellor McCormick, the Office of Internal Auditing, and Academic and Student Affairs staff for their help. Trustee Thiss thanked the student association for their participation and the Office of Internal Auditing staff and the Academic and Student Affairs staff. He expressed his appreciation for the great work.

Dr. Baer thanked the students for their great survey. She stated that she had recently been asked to present to the multi-state organization because they had chosen the Minnesota State Colleges and Universities as one of the transfer examples that worked. The states were appreciative of the good work that had been done, but they were further impressed with the continuous improvement efforts. Dr. Baer noted that they had been amazed at the student survey and the results, and she noted that not only was this work assisting right here in Minnesota, but there had already been requests for this survey across multiple states.

Trustee Thiss asked if the presidents had perceived the Office of the Legislative Auditor's question regarding transfer correctly, or if there might be other issues that had not been uncovered. President Johns noted that the Office of the Legislative Auditor report was based on the perceptions of the presidents. He suggested that perhaps fifty percent of the presidents had perceived ten percent transfer incidents as being a problem. President Johns stated that there should be a press release that indicated that an internal study reported that there was positive transfer within the Minnesota State Colleges and Universities.

Trustee Thiss stated that e-transcripts and perhaps some better communications and some Web site improvements would reduce that 9.4%, and then it would be possible to start to focus in on whatever issues were left. Dr. Asmussen agreed that e-transcript would fix a good portion of the errors. But he also noted that better integrating DARS and ISRS would further reduce data entry errors. President Johns agreed and stated that it might be important to not overcorrect. The goal with continuous improvement was for 100% transfer, but if a certain percentage of the incidents were clerical errors, he stated that it might make sense to focus on how to fix that problem.

Trustee Sundin commented that there was both good news and bad news in the report. She stated that students had high expectations of the system. She stated that there was room for improvement, and she further noted that between a quarter to a third of the students who responded to the survey indicated that they were not satisfied. She stated that she hoped that the survey could be rerun collaboratively at some point in the future to measure how the system had improved. Trustee Thiss agreed. Ms. Medearis stated that the student associations would welcome the opportunity to disseminate the survey again in the future as well as to look at other survey instruments that could be used with the student population.

Chair Thiss observed that the two reports were complimentary, in terms of how they worked together and had common findings and solutions.

Trustee Van Houten expressed concerns that the study might not have fully identified whether student expectations were being met. He further expressed concerns about the possibility of aligning the two and four-year curriculums. He noted that deciding if students were qualified for their degrees was one of the most important prerogatives of the faculty. Dr. Baer agreed and stated that the two-year faculty determined that certain courses need to be included in order for the two-year degree to be marketable, but the universities believe that upper division courses must be taken at the university. Trustee Van Houten added that often students view transfer within the Minnesota State Colleges and Universities as transferring between branches of the same institution, but in truth the colleges and universities were autonomous.

Trustee Englund expressed a desire to make sure that the topic of student credit transfer remained a priority for the board until student satisfaction was at the highest level. He asked what percentage of students transferred at least some credits. Dr. Asmussen stated that twenty-five to thirty percent of all new entering students transferred credits into their receiving institution. But he added that during the journey in obtaining their degree, students often added courses from other institutions through summer classes, on-line courses, and consortium agreements.

Trustee Englund stated that the appeals process was as challenging as the financial aid process for students. He suggested that some thought be given to how to simplify that process for students. Trustee Englund also noted that he had the opportunity to speak with a number of PSEO graduates who were graduating with their high school diplomas and their associates degree on the same day. He noted however, that those students were not always going into college at Junior status. He suggested that PSEO status should be reviewed in the future.

Trustee Frederick noted that after talking to the student associations and seeing the surveys, he had expected to see a larger credit loss than what was actually out there. He agreed that the recommendations and management suggestions seemed well thought out. And finally, he noted that he was impressed with the results of the student survey and the transfer study.

Chancellor McCormick recognized Trustee Dickson's concern about cutting back on the numbers of people in the Office of the Chancellor, while at the same time adding responsibilities. He stated that there would be a refocusing of priorities, the elimination of certain functions, and the creation of new functions. He agreed with Trustee Englund that student credit transfer was very important and should remain a high priority for the system, and he further agreed with Trustee Sundin that the success of student transfer ought to be evaluated again in the near future.

Trustee Rice stated that it was important to communicate with the legislators that the board and the system took the issue of student transfer seriously, and that there were different findings from the study and the survey, and finally that there had been progress. She suggested that there should be a letter to the legislators from the Chancellor or from the committee chairs. Finally, she suggested that these findings should also be sent to the media to ensure that the facts were out there.

Trustee Dickson stated that the system would need to find a way to manage both transfer and expectations.

Trustee McElroy stated that the Academic and Student Affairs committee looked forward to continuing the work of student transfer related recommendations. He noted that student credit transfer was a national issue and stated that there had been a recent letter to the editor in the Chronicle of Higher Education, lamenting the fact that there was not much data available. Trustee McElroy suggested that the Minnesota State Colleges and Universities may be one of the first states to have real data available.

Trustee Grendahl complimented the student associations and the staff for their hard work and the great information. She asked if a ten percent response rate was sufficient enough to be considered hard data from which to make decisions. Mr. Craig Schoenecker, System Director for Planning and Research, stated that comparisons between student respondents and the whole population of 2009 transfer students found that with respect to demographics, the respondents reflected the same distributions as the population of transfer students. He noted that the respondents had tended to be more experienced transfer students in that they transferred more credits from more institutions. But he further stated that it was important to look at the combination of the work that the Office of Internal Audit had done, which was a very thorough and careful review, quantifying the amount of credit loss as well as the student perspective which came from the survey. Blending those two sources together provided an integrated set of recommendations that could be pursued.

Dr. Baer stated that Academic and Student Affairs was partnering with the students to put together a “smart transfer toolkit.” She stated that they were committed to helping students find the many places where they could go for information and assistance with transfer.

Trustee Thiss stated that the key issue was the board’s response to the Office of the Legislative Auditor’s report. He stated that there seemed to be unanimous support that the recommendations hit on the core issues.

The meeting adjourned at 11:30 a.m.

Respectfully submitted,
Darla Senn, Recorder