

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**  
**BOARD OF TRUSTEES**  
**AUDIT COMMITTEE MEETING MINUTES**  
**April 18, 2012**

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**Audit Committee Members Present:** Trustees James Van Houten, Chair; Philip Krinkie, David Paskach, and Michael Vekich.

**Audit Committee Members Absent:** Trustee Dan McElroy.

**Others Present:** Chancellor Steven Rosenstone, Trustees Scott Thiss, Chair; Brett Anderson and Cheryl Dickson, President Pat Johns and President Edna Szymanski.

The Minnesota State Colleges and Universities Audit Committee held its meeting on April 18, 2012, 4<sup>th</sup> Floor McCormick Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Van Houten called the meeting to order at 8:00 a.m. and reviewed the agenda.

**1. Approval of the Audit Committee Meeting Minutes**

Chair Van Houten reviewed the highlights of the January meeting minutes. He noted that an update on the Audit Committee goal would be given at the May meeting, not at the April meeting as anticipated in the minutes. *Trustee Van Houten called for a motion to approve the January 17, 2012 Audit Committee meeting minutes. There was no dissent and the motion carried.*

**2. Internal Audit Update (Information Item)**

Ms. Beth Buse, Executive Director of Internal Auditing, informed the committee that the Office of Internal Auditing had hired Mr. Roman Potapov as the new Information Technology Audit Manager. She stated that she was working closely with Human Resources so that a search could begin to fill the other vacant position as well.

Ms. Buse gave a brief update on the Audit Plan. She reminded members that the results of the Southwest Minnesota State University audit were presented to the committee in January. She stated that they were just wrapping up fieldwork on the state university payroll and personnel internal control and compliance audit and she hoped to present the results of that audit to the committee in June. Ms. Buse stated that work on the vulnerability management IT audit was underway as well and work on the Information Technology Risk Assessment which would be presented to the committee in May.

Ms. Buse stated that work had not begun on the ISRS Security audit. Because work on that audit would likely be done in fiscal year 2013, she proposed that the project be added back to the list the committee would consider in May as part of the risk assessment discussion for planning for the FY13 audit plan. The committee agreed.

**3. Select External Audit Firms for College and University Financial Statement Audits (Action Item)**

Ms. Buse reminded members that the Board of Trustees had approved a motion in January for the Office of Internal Auditing and the Finance Division to prepare a request for proposal (RFP) to solicit interest from external audit firms for financial statement audits for the two universities and five colleges with expired contracts for fiscal years 2012 and 2013. She stated that three public accounting firms responded to the RFP and submitted proposals for the seven colleges and universities. The proposals were reviewed by the Executive Director and Deputy Director of Internal Auditing, the Vice Chancellor – CFO, other key administrators in the Finance Division. Also, Ms. Buse had discussions with the Chief Financial Officers from the seven institutions.

Ms. Buse reminded members that Board Policy 1A.2, states that “An independent audit firm may not be appointed to a particular engagement for more than six consecutive years.” She added that all three previous external audit firms were eligible to submit proposals. Ms. Buse stated that all three proposals contained competitive bids and the recommendation by Ms. Buse and Vice Chancellor King was to use the same firms each institution had worked with in the past.

Trustee Van Houten asked about the amendment to the principal auditor contract with CliftonLarsonAllen. Ms. Buse reminded members that in January the committee had a motion for Ms. Buse and Vice Chancellor King to work with CliftonLarsonAllen to extend the current contract one year in order to get all contracts to expire within the same period. She stated that they had negotiated with CliftonLarsonAllen on a price but that the contract amendment had not yet been executed.

Trustee Van Houten called for a motion to approve the selection of external audit firms for the college and university financial statement audits. *Trustee Vekich made the motion, Trustee Krinkie seconded and the motion carried.*

*The Board of Trustees approves the appointment of Baker Tilly Virchow Krause, LLP, Kern, DeWenter, Viere, Ltd., and CliftonLarsonAllen, LLP to serve as external auditors for seven colleges and universities. The firm of Baker Tilly Virchow Krause, LLP will serve as external auditor for Century College. The firm of Kern, DeWenter, Viere, Ltd. will serve as external auditor for Hennepin Technical College and Normandale Community College. The firm of CliftonLarsonAllen, LLP will serve as external auditor for Metropolitan State University, Minneapolis Community and Technical College, Rochester Community and Technical College and Southwest Minnesota State University. The scope of these audit services shall include an annual audit of the general financial statements of the above mentioned colleges and universities. The term of these appointments begins upon execution of contracts and shall continue to fulfill external auditing needs for fiscal years 2012 to 2013.*

*The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor - Chief Financial Officer to negotiate contracts with Baker Tilly Virchow Krause, LLP, consistent with the terms contained in its proposal dated March 5, 2012, Kern*

*DeWenter, Viere, Ltd., consistent with the terms contained in its proposal dated February 20, 2012, and CliftonLarsonAllen, LLP consistent with the terms contained in its proposal dated February 29, 2012.*

4. Review Results of Financial Aid Audits (Monitoring Item)

Ms. Buse introduced Mr. Craig Popenhagen and Ms. Brenda Scherer from CliftonLarsonAllen to discuss the work of the fiscal year 2011 Federal Financial Assistance audit. She also introduced Mr. Chris Halling, System Director for Financial Aid.

Ms. Buse presented overview material and explained that the state had identified two major federal programs in fiscal year 2011, Student Financial Aid and the American Recovery and Reinvestment Act (ARRA). That audit work, which was performed by CliftonLarsonAllen was compiled into a State of Minnesota Single Audit report that was issued the end of March and sent to the federal government.

Trustee Krinkie asked how much of the increase to direct student loans was due to the increase in students versus the amount individual loans increased. Vice Chancellor King stated that there were program changes happening to make the overall increase to direct student loans look much larger than they were. She stated that they did have information on how much of the increase was from enrollment versus the increase in the average per student loan. She was not sure that the information was available for 2011 yet but she said that she would try to include it in the May board materials as part of the operating budget.

Mr. Popenhagen discussed the results of the audit. He stated that overall it had been a very good audit. They issued a clean opinion on compliance and noted that there was continuous improvement over prior years. He reviewed the audit comments which were primarily control related. Finally he reviewed the prior year findings. Mr. Popenhagen stated that federal oversight agencies would look for repeat findings, so it was important to work toward correcting those prior findings. He stated that there had been one similar instance identified regarding timeliness of returning Title IV funds, but otherwise the prior year findings had been resolved.

Trustee Van Houten stated that given the size of the operation, having an audit with no questioned costs was truly extraordinary. He congratulated the presidents and Vice Chancellor King and her staff for their work.

Trustee Paskach asked if it was possible to compare these audit results to others in the state that were brought forward to be included in the Single Audit report. Ms. Buse stated that it would be difficult to make comparisons because other major federal programs in the state would have significantly different eligibility requirements. Mr. Popenhagen added, however, that compared to other clients that CliftonLarsonAllen worked with, the Minnesota State Colleges and Universities did seem to be a fairly clean operation. Ms. Brenda Scherer added that one of the things that might trigger an audit by the U.S. Department of Education was an organization that did not have any findings for too many years in a row. She added that the few findings in the report were minor.

Trustee Thiss congratulated everybody for the great work and effort. He stated that the system

drove continuous improvement through all of its operations and he added that this audit was a wonderful example of how the system has responded. Chancellor Rosenstone stated that it was a remarkable accomplishment and congratulated the financial aid staff and everyone who helped to make that possible.

Vice Chancellor King extended her appreciation to Mr. Halling for his leadership and to the presidents and the financial aid directors for their commitment to this work. She added that they would make sure that the staff heard the Board's comments on their fine work.

Trustee Van Houten asked how the Campus Service Cooperative might impact collection of data. Vice Chancellor King stated that there was a tremendous opportunity for the Campus Service Cooperative to bring some solutions to this work. Mr. Halling had been leading a series of work groups in the financial aid community, identifying the transaction opportunities, the procedure opportunities, and the technology investment opportunities that would make it possible to streamline, automate and drive down the labor risk associated with much of this work. She also noted that the financial aid directors were excited and committed to the work.

Ms. Buse continued with a brief background on the financial aid work that was done by the Minnesota Office of Higher Education. She noted that this was the first time the committee would see a summary of the audit results from the Minnesota Office of Higher Education. She stated that the Office of Internal Auditing did follow-up work on all findings.

Ms. Buse explained that the work of CliftonLarsonAllen was a systemwide audit, work was done at individual colleges and universities, but the initial scope was at the system level. The work of the Minnesota Office of Higher Education was done at an individual college or university level.

Trustee Van Houten noted that in terms of oversight, the Audit Committee needed to have more awareness of these other reports. Ms. Buse recommended that the results of these audits should be summarized and brought to the committee annually for their review. She stated that the Minnesota Office of Higher Education did not summarize the audits in any manner, so it was not possible to do a comparison of what they found at the state colleges and universities compared to the University of Minnesota or other for profit institutions.

Trustee Van Houten asked if the state's reports were similar in summary to reports brought to the committee by CliftonLarsonAllen. Mr. Halling stated that the formats of the reports were quite different. He added that the Minnesota Office of Higher Education reports were very detailed, including information on individual students.

Chancellor Rosenstone noted that 99.7% of the time financial aid was being done accurately. Mr. Halling agreed and stated it was a testament to what was happening at the campuses. He added that there were opportunities through the Campus Service Cooperative to automate some labor intensive manual processes that the campuses were going through. Chancellor Rosenstone asked if there were any system issues that came out of the reports. Mr. Halling stated that they had not seen any system problems.

Trustee Paskach agreed that the Audit Committee should review the material annually. He

suggested that staff present the information each year at the same time that committee reviewed the federal financial aid audit. Ms. Buse agreed and stated that if a particular report would stand out, she would consult with the Audit Committee chair about the possibility of bringing it to the committee's attention earlier than the annual report. Trustee Van Houten agreed that approach should work well.

The meeting adjourned at 9:00 a.m.