



**AUDIT COMMITTEE  
MAY 15, 2012  
1:15 P.M.**

**MCCORMICK ROOM  
30 7TH STREET EAST  
SAINT PAUL, MN**

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**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.**

**Committee Chair Van Houten calls the meeting to order.**

- (1) Minutes of April 18, 2012** (pages 1-5)
- (2) Review Results of Audit Risk Assessment, Including Information Technology Audit (pages 6-21)
- (3) Board Committee Goal Update (pages 22-23)

Members

James Van Houten, Chair  
Phil Krinkie, Vice Chair  
Dan McElroy  
David Paskach  
Michael Vekich

**Bolded** items indicate action required.













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

<b>INFORMATION ITEM</b>
<b>REVIEW RESULTS OF AUDIT RISK ASSESSMENT, INCLUDING INFORMATION TECHNOLOGY AUDIT</b>

A three-staged risk assessment identified enterprise, financial, and information technology risk factors. The attached PowerPoint presentation documents the results of this work.

*Date Presented to the Board of Trustee: May 16, 2012*

















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# Financial Risks: Functional Areas

## Risk Assessment

- Internal Audit and Finance staff assessed risk
- Risk considerations included
  - Materiality
  - Transaction volume and complexity
  - Susceptibility to Fraud
  - Compliance requirements
  - Past audit history
- Individual High Risk Areas
  - ✓ Banking and cash controls
  - ✓ Purchasing cards
  - ✓ Employee business expenses
  - ✓ Tuition and fees
  - ✓ Financial Aid
  - ✓ Bookstore Operations
  - ✓ Equipment Inventory
  - ✓ Capital Project Administration
  - ✓ Student Activity Funds
  - ✓ Academic Resale Activities
  - ✓ Document Imaging (*emerging*)

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# Information Technology (IT) Risks



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# Audit - System/Data Classification & Prioritization

Confidentiality	High	System contains sensitive or private data
	Medium	System contains data of unknown classification
	Low	System does not contain sensitive or private data
Integrity	High	System collects, transmits, processes or stores important data that may be used to make significant decisions
	Medium	Data is important to the business function or mission
	Low	Data is not important to the business function or mission
Availability	High	System must be available at all times
	Medium	System can experience some down time or limited availability outside of normal business hours
	Low	System can experience extended downtime or no availability required outside of normal business hours
Accessibility	High	System accessible via the Internet or a broad audience such as any MnSCU network/computer
	Medium	System with limited local network connectivity or select MnSCU networks and computers
	Low	Standalone system with limited or no network connectivity

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# IT Risk Areas

- Enterprise Systems (ISRS/Warehouse, D2L) + ImageNow
  - Data Confidentiality (High)
    - Student, employee, and banking data
  - Data Integrity (High/Medium)
    - Financial data, hr/payroll data, financial aid data, student transcripts, grades & awards
  - System and Data Availability (High/Medium)
  - Accessibility (High/Medium)

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## IT Risk Areas

- Institution-Specific Systems
  - Difficult for Internal Audit to determine
  - What we do know about Institution IT
    - Each responsible for managing/securing own networks, computers, and applications
    - Commercial and custom applications are used
    - Many copy ISRS data and store it in databases
    - Employees and students access enterprise systems
    - Each have point-of-sale systems and process credit card transactions

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## FY 2013 Audit Planning

- Focus on Enterprise Systems & Data (confidentiality, integrity, and availability)
- Learn more about our institutions
  - Engage CIOs and others
  - Explore ideas for future audits/projects
- Challenge
  - 1 IT audit position

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## Minnesota State Colleges and Universities Audit Committee Practices

**Beth Buse**, Executive Director, Internal Auditing

**May 15, 2012**

The Minnesota State Colleges and Universities system is an Equal Opportunity employer and educator.



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## Audit Committee Practices

- Today's Agenda
  - Fiscal year 2012 Audit Committee goal
    - Benchmarking
    - Useful as a succession planning tool
  - Discuss research completed
    - Professional organizations
    - Industry and non-profit sector
    - Other higher education systems
  - Determine next steps

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## Audit Committee Practices

- Research Methodology
  - Publication and article review
    - Association of Governing Boards
    - Institute of Internal Auditors
    - AICPA
    - National Association of Corporate Directors
    - Audit consulting firms
  - Review of higher education peers
    - University of Minnesota
    - University System of Georgia
    - Tennessee Board of Regents
    - University of Wisconsin System

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## Audit Committee Practices

- Considerations
  - System context
  - Available resources
    - System office versus individual colleges and universities
  - Overall board versus committee role

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## Audit Committee Practices

- Common Audit Committee Topics

- Financial Reporting
- External Audit
- System of Internal Controls
- Fraud
- Oversight of Management Internal Audit
- Risk Management
- Compliance

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## Audit Committee Practices

- Potential Areas for Future Review

- With the future increase in the number of internal audit projects - The committee will need to determine the level of discussion needed on reviewing the results of each audit.
- The committee does limited oversight over risk management and compliance activities within the system. These two areas are commonly discussed in audit committees in industry and other higher education systems.

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

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

**Date of Meeting:** May 16, 2012

**Agenda Item:** Board Committee Goals

- Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring
- Information

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

Each committee of the Board of Trustees is asked to bring forward a goal that they have selected for further study for fiscal year 2012. The committee will periodically review progress on its goals.

**Scheduled Presenter(s):**

Beth Buse, Executive Director, Office of Internal Auditing

**Outline of Key Points/Policy Issues:**

- An update on the Audit Committee's goal will be discussed.

**Background Information:**

- The Audit Committee's goal for the year is to research best practices of other audit committees, including audit approaches of other higher education systems as well as private industry. The Audit Committee discussed this goal in November 2011.
- The study will be helpful as a succession planning tool given the significant audit committee rotation that will be occurring in fiscal year 2013.
- A timeline for completing research and discussing possible recommendations will be June 2012.

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<b>INFORMATION ITEM</b>
<b>BOARD COMMITTEE GOALS</b>

The Audit Committee's goal for the year is to research best practices of other audit committees, including audit approaches of other higher education systems as well as private industry. The Audit Committee discussed this goal in November 2011.

The Executive Director of Internal Auditing has completed research on overall audit committee best practices. In addition, research was completed on comparable higher education systems on the organization and role of the Audit Committee. The results of this research will be discussed with the Audit Committee.

*Date Presented to the Board of Trustee: May 16, 2012*