

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
October 17, 2012**

Audit Committee Members Present: Trustees Philip Krinkie, Chair; Ann Anaya, Brett Anderson, Alfredo Oliveira, and Michael Vekich.

Audit Committee Members Absent: none.

Others Present: Chancellor Steven Rosenstone, Trustee Clarence Hightower, Chair; Trustee Duane Benson, Trustee Cheryl Dickson, Trustee David Paskach, Trustee Maria Peluso, Trustee Tom Renier, President Pat Johns, and President Edna Szymanski.

The Minnesota State Colleges and Universities Audit Committee held its meeting on October 17, 2012, 4th Floor McCormick Room, 30 East 7th Street in St. Paul. Chair Krinkie called the meeting to order at 8:02 a.m. and reviewed the agenda.

1. Approval of the Audit Committee Meeting Minutes

Trustee Krinkie called for a motion to approve the June 19, 2012 Audit Committee meeting minutes. There was no dissent and the motion carried.

2. Review Annual Internal Auditing Report for FY2012 (Information Item)

Ms. Beth Buse, Executive Director of Internal Auditing began by welcoming the new audit committee members.

Ms. Buse reminded the committee that she reports directly to the audit committee through the audit committee chair. She stated that organizational independence was critical for the Office of Internal Auditing to be successful and that independence was required by internal auditing standards. Ms. Buse offered her assurance to the committee that she was independent, as was the Office of Internal Auditing, and that they would remain independent in the projects that were undertaken.

Ms. Buse explained that the annual Internal Auditing report summarized the audit activity for the past year. She reviewed the highlights of the report for the committee.

3. Role and Responsibilities of the Audit Committee Members (Information Item)

Ms. Buse quickly reviewed the contents of the audit committee information binder that she has provided to the individual committee members prior to the meeting. She also noted that committee members should have received a copy of the Association of Governing Boards publication *The Audit Committee* with their October board packet.

Ms. Buse informed the committee that there has been a delay in receiving certain information from Minnesota Management and Budget that is critical to the financial

statement audit process. MMB is significantly behind in reconciling cash in the state treasury due to the implementation of SWIFT, the new state accounting system. She stated that they had been working very closely with MMB, the Office of the Legislative Auditor, and with the external auditors, and they were hopeful that the information would be available next week. But Ms. Buse cautioned that if the information was not available soon, difficult decisions would need to be made about whether to delay presenting the results of the financial statements to the audit committee and to the board in November.

Trustee Krinkie asked how long the firms could wait for the information before it would impact change of schedule. Vice Chancellor King stated that it was unclear exactly what the final deadline would be. She added that the external firms had been working to provide as much flexibility as possible, but the delay was impacting their work management.

Ms. Buse explained the process for committee review of the audited financial statements. If the plan stayed on track, committee members would be receiving two separate three ring binders of financial statements which would go out approximately a week apart to give trustees time to review the information. She explained that the statements would be divided between two groups of audit committee members.

Ms. Buse further explained that each financial statement draft would be accompanied by a cover sheet to guide trustees through the statements and highlight areas that might be of particular importance in those individual statements. She noted that the format of those cover sheets would be changed from prior years, to include more institutional reference information, such as student headcount and a trending of CFI information. Vice Chancellor King stated that she and Ms. Buse would be available to meet with any committee members individually prior to the November audit committee meeting to answer questions.

Trustee Krinkie stated that he and Trustee Vekich had met with external auditors. He noted that at the time of the meeting there were no significant issues brought forward. Ms. Buse stated that the firms were still the process of completing their field work because of the outstanding information from MMB.

Ms. Buse reviewed the division of audit work by each external firm. She explained the additional work being done by the external firms for the NCAA audits and the ISEEK audits. Ms. Buse informed the committee that the Office of Internal Audit also planned to bring the committee the result of a Vulnerability Management IT audit in the next few months. She added that there were plans for more IT audits in the future, including an internal control / IT audit of the IMAGENOW software which is operated through Minnesota State University, Mankato.

President Edna Szymanski, Minnesota State University Moorhead and President Pat Johns, Lake Superior College each thanked the committee for the opportunity to serve with the committee for another year.

Trustee Vekich discussed the early board's decisions to create the audit committee and the Office of Internal Auditing. He stated that as he returned the Board of Trustees, he was pleased to see that the system had continued to take a high level approach to auditing and accountability.

Trustee Krinkie reminded all trustees of their fiduciary responsibility to report any incidents of potential fraud or mismanagement that they should become aware of to the system office and to the internal audit staff.

Finally Trustee Krinkie thanked Ms. Buse and Vice Chancellor King and their staffs for their work on the financial statement audit process, and all the staff at the colleges and universities for their hard work all year long to ensure the best outcomes of the audit work.

The meeting adjourned at 8:43 a.m.