

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**  
**BOARD OF TRUSTEES**  
**AUDIT COMMITTEE MEETING MINUTES**  
**April 23, 2014**

---

**Audit Committee Members Present:** Trustees Ann Anaya, Chair; Phil Krinkie, David Paskach, Elise Ristau, and Michael Vekich.

**Audit Committee Members Absent:** none.

**Others Present:** Chancellor Steven Rosenstone, President Pat Johns, Trustees Clarence Hightower, Chair; Duane Benson, Alexander Cirillo, Maria Peluso, and Tom Renier.

The Minnesota State Colleges and Universities Audit Committee held its meeting on April 23, 2014, 4<sup>th</sup> Floor McCormick Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Anaya called the meeting to order at 8:12 a.m.

**1. Minutes of January 21, 2013**

The minutes of the January 21, 2013 Audit Committee were approved as published.

**2. Select External Audit Firm(s) for Systemwide External Auditing Services**

Ms. Beth Buse, Executive Director of Internal Auditing, stated that Board Policy 1A.02 requires the audit committee to oversee the process for selecting independent auditors. She reminded members that the board approved a revised plan for financial audits for the system in January, and that they had authorized a competitive bidding process to acquire external auditing services for fiscal years 2014 to 2016.

A Request for Proposals went out in February requesting external audit services for nine financial statements audits for three fiscal years 2014, 2015 and 2016, A-133 compliance audit of federal student financial aid for three fiscal years 2014, 2015, 2016, and NCAA Agreed Upon Procedures at six universities for Fiscal Year 2015

Ms. Buse stated that six public accounting firms submitted proposals in response to the RFP, four of the firms submitted proposals for all audit components. The proposals were reviewed by representatives of the Office of Internal Auditing, the Finance Division, and the Academic and Student Affairs Division.

Ms. Buse explained that after reviewing the proposals, it was determined that there was a significant advantage in choosing one firm to provide audit services for all components. That advantage included the development of a trusted relationship with a single firm, a significant price savings and the ease of managing only one contract. Ms. Buse reviewed the selection criteria, but noted that there had been emphasis put on the firm having broad higher education experience.

Ms. Buse stated that she was recommending the external audit firm of CliftonLarsonAllen LLP to serve as the systemwide external auditor for the Minnesota State Colleges and Universities for the next three years. She noted that CliftonLarsonAllen had been serving higher education institutions nationally for over 35 years, and they were currently serving six higher education systems. The firm serves more single audits than any other firm in the country and had over a dozen years of experience with MnSCU.

Ms. Buse stated that in addition to the audit components that were included in the Request for Proposals, she also planned to add deliverables to the contract. She plans to request that CliftonLarsonAllen give an annual presentation to Audit Committee on higher education trends and where they see MnSCU compared to other systems. She also plans to request that the firm annually meet with system financial aid directors to share student financial aid administration best practices.

Trustee Anaya asked if CliftonLarsonAllen was the most qualified firm to perform the specific system audit requirements from the proposals that were reviewed. Ms. Buse agreed that they were the most qualified firm.

Trustee Vekich stated that CliftonLarsonAllen's depth of experience and resources, along with their thought leadership capabilities made them the right choice for the system at this time. He added that as the system begins the process for Charting the Future, he hoped that the system might be able to engage the firm to assist with modeling.

Trustee Anaya called for a motion. Trustee Vekich moved that the Audit Committee recommend adoption of the following motion. Trustee Paskach seconded the motion. The motion carried with one nay (Trustee Krinkie).

### **RECOMMENDED COMMITTEE ACTION:**

*The Audit recommends that the Board of Trustees adopt the following motion:*

*The Board of Trustees approves the appointment of CliftonLarsonAllen to serve as the systemwide external auditor for the Minnesota State Colleges and Universities.*

*The term of this appointment begins upon the execution of a contract and shall continue to fulfill external auditing needs for the three fiscal years from June 30, 2014 through 2016. The Board of Trustees authorizes the Executive Director of Internal Auditing and the Vice Chancellor/Chief Financial Officer to negotiate a contract with CliftonLarsonAllen consistent with the terms contained in its proposal dated March 6, 2014.*

### **3. Internal Audit Update**

Ms. Buse reported that the Office of the Legislative Auditor issued a report on the General Obligation Bond Expenditures in March. The report included the entire state and the Minnesota State Colleges and Universities were a piece. Ms. Buse stated that she had communicated a summary of the report and issues specific to MnSCU, to the committee after the report was released. She noted that most of the recommendations were directed to

Minnesota Management and Budget, but that Vice Chancellor King and her staff are working on a few recommendations that required system follow-up.

**4. Review Results of the Purchasing Card Internal Control and Compliance Audit**

Ms. Buse introduced her staff. Mr. Eric Wion, Deputy Director, was the lead for the project. Ms. Melissa Primus, Audit Project Manager, was responsible for managing the project. She added that all of the staff had been involved with the project.

Ms. Buse reminded the committee that the Purchasing Card Internal Control and Compliance Audit had been part of the audit plan approved by the committee. She stated that the methodology included looking at operations at every college and university. Because each college and university was responsible for implementing their own internal controls over purchasing card programs, there were nuances and differences at every institution which added to the complexity.

Ms. Buse stated that internal controls were generally adequate. For the items tested, the colleges and universities generally complied with significant finance-related legal requirements and applicable policies, procedures, and guidelines.

Ms. Buse explained the variability in purchasing card programs across the system. She then explained the benefits and risks involved with purchasing card programs. She stated that many vendors no longer accept purchase orders, there are rebates offered to purchase card users, and vendors provide data analysis about purchases. She added however, that there was a risk of the abuse of cards, primarily personal use vs. business purposes, and there was a perception of credit being available.

Ms. Buse stated that there was a system procedure on purchase cards that specifically defines prohibited uses for purchase cards, and broadly defines consequences for misuse. Card holder and supervisor responsibilities are also defined. Ms. Buse outlined the audit objectives and the scope and methodology of the audit.

Mr. Wion reviewed the seven report findings as well as the section on other opportunities for improvement. In his comments, he emphasized that the supervisor's role and responsibility will continue to be challenging as programs continue to get larger, as more purchasing is occurring, and as more staff have purchasing cards. It will be important to make sure that supervisors understand their role and have the capacity to handle their responsibility. Mr. Wion added that existing procedures and guidelines will need to be reviewed and may need to be modified as purchasing card programs change and expand.

Ms. Buse explained that the Office of Internal Auditing is engaged with the Campus Service Cooperative in an advisory capacity on the implementation of the new purchasing card program. She stated that the timing of this audit was very good because her office was able to assist the CSC with identifying some of the challenge areas while they are working toward the implementation. She stated that Mr. Colin Dougherty, Managing Director of the CSC, had a team available to highlight their progress.

Trustee Anaya welcomed Mr. Dougherty and his staff. Mr. Dougherty stated that the committee should take great comfort that the issues that surfaced through the audit would be addressed, not only in terms of improved compliance, dramatically improved efficiency but also with contracts such as the new contract with U.S. Bank that will allow the system to earn rebates twice the size of those received in the past. He introduced Mr. Jason Cavallo, Strategy Director for the Campus Service Cooperative.

Mr. Cavallo introduced Mr. Conor Ward, student intern, Ms. Julene Donnay, loaned executive from United Health Group (through the Itasca Group), and Mr. Wayne Wolden, Business Manager at Minnesota State Community and Technical College.

Mr. Cavallo stated that hundreds of thousands of purchases are made in the system using a paper process. There have been only a few institutions that have individually begun using a more automated purchasing card process. He stated that goal would be to leverage that capability and talent to drive success for this initiative, unlock \$2.5 million dollars in annual savings, and free up staff in the business office to do higher value, student facing activities. The CSC staff walked through the framework and talked about the work that the team was doing.

Trustee Anaya stated that the purchasing card audit was very thorough work and she thanked the internal auditing team for their good work. She agreed with Ms. King's response to the audit the conclusions were good news for the system. Trustee Anaya stated that the committee could have confidence in the system, but that the better news was that thanks to the work of the CSC, there could be even more improvement. She added that this was an exciting project that would bring the Minnesota State Colleges and Universities into the future.

Trustee Benson asked if there were other areas to leverage the generosity of the Itasca Project. Chancellor Rosenstone stated that there would be a full report by the CSC to the Finance Committee in June. He added that would be an opportunity to share the other Itasca Project member projects. Chancellor Rosenstone stated that they system had been able to reach back into companies around the state who have the best practices, and receive either loaned executives or loaned expertise.

Trustee Krinkie asked if there have been any improper use of purchase cards found across the system during the course of the audit. Ms. Buse stated that they had found purchases that that were not specifically authorized by a supervisor, but they had not found any purchases that they considered to be a misuse of system funds.

The meeting was adjourned at 9:09 a.m.

Respectfully submitted,  
Darla Senn, Recorder