



AUDIT COMMITTEE
NOVEMBER 18, 2014
12:30 A.M.

McCORMICK ROOM
30 7TH STREET EAST
SAINT PAUL, MN

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.

- (1) **Minutes of October 21, 2014 (pages 1-3)**
- (2) **Review/Approve Release of Audited Financial Statements (pages 4-5)**

Members

Philip Krinkie, Chair
Duane Benson, Vice Chair
Ann Anaya
Robert Hoffman
Michael Vekich
Erma Vizenor

Bolded items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
October 21, 2014**

Audit Committee Members Present: Trustees Phil Krinkie, Duane Benson, Robert Hoffman, and Michael Vekich.

Audit Committee Members Absent: Trustees Ann Anaya and Erma Vizenor.

Others Present: President Pat Johns, Trustees Kelly Charpentier-Berg, John Cowles, Meleah Otterson, Elise Ristau, and Louise Sundin.

The Minnesota State Colleges and Universities Audit Committee held its meeting on October 21, 2014, 4th Floor McCormick Room, 30 East 7th Street in St. Paul. Chair Krinkie called the meeting to order at 10:30 a.m.

1. Minutes of June 18, 2014

The minutes of the June 18, 2014 Audit Committee were approved as published.

2. Internal Audit Update

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

Ms. Buse stated that the external auditor for the system, CliftonLarsonAllen, had entered into a consulting engagement with St. Cloud State University to do an analysis of its athletic programs financial performance. Ms. Buse explained the protocol to ensure the board of CliftonLarsonAllen's independence on financial statement engagements, the protocol includes overview by CliftonLarsonAllen's own quality assurance area and a review by Vice Chancellor King and Ms. Buse. CliftonLarsonAllen then provided Trustee Krinkie, chair of the audit committee, a letter to inform him about the engagement. Finally, Ms. Buse stated that the final step in the protocol was to inform the audit committee so that the committee's awareness of the engagement could be incorporated into the meeting minutes.

Ms. Buse updated the committee on the progress with the 2015 audit plan. She stated that due to a special review that her office had been conducting at Metropolitan State University the office was behind schedule in the plan. Ms. Buse stated that they were reassessing their priorities and she would come back to the committee if she anticipated any significant changes to the plan.

3. Review Annual Internal Auditing Report for FY2014

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. She also confirmed that an appropriate level of communication had taken place with the audit committee and with the chair of the audit committee in the past year.

Ms. Buse explained that the annual Internal Auditing report was required by Board Policy and summarized both internal and external auditing activities for the past year. She reviewed the highlights of the report for the committee.

Ms. Buse stated that in the past the system had contracted with three separate auditing firms, but now CliftonLarsonAllen was the single system external auditor. She reminded members that in January 2014, the board adopted changes to the external auditing services within the organization. Those changes were based on recommendations and analysis that Ms. Buse and Vice Chancellor King brought forward to reduce the numbers of institution financial statement audits because the financial management of the organization had improved significantly from the time that plan was put in place in 2000.

Ms. Buse also reminded members that there had also been a recommendation to increase internal control and compliance audits for institutions. As part of that change, the Office of internal auditing staff compliment increased by one position to increase the number of audits that staff could deliver. Finally Ms. Buse planned to return in January 2015 to discuss how the office might facilitate getting additional internal control and compliance audits.

Ms. Buse stated that significant progress had been made to resolve outstanding audit findings. She noted that it was an ongoing cycle, and the number of findings depended on the number of audit reports that had been issued. She assured the committee that the Office of Internal Auditing tracked to resolution every audit finding issued within the organization, no matter who issued the report.

Ms. Buse highlighted the organizational chart for the Office of Internal Auditing, and noted a vacant position for a Manager of Investigations. She stated that there has been increased activity in the area of investigations, and the position would free up other staff time to complete internal control and compliance audits. Finally, Ms. Buse informed the committee that the Office of Internal Auditing has a highly professional and qualified staff.

Ms. Buse stated that more time had been spent in the area of information technology audits. She stated that the office has one devoted position to completing information technology audits, and for the past year the staffing in that area has been stable. She noted that investigations and special reviews had a significant increase of staff time, due primarily to the work at Metropolitan State University, which had not been part of the audit plan.

Trustee Krinkie asked what the timeline was for finishing the work at Metropolitan State University. Ms. Buse stated that her office was in the final stages of wrapping up the work. She stated that she planned to come to the committee in January with a report

Trustee Crowles asked for the status of the two findings that were still listed as unsatisfactory progress. Ms. Buse explained that the unsatisfactory progress status for the two findings was as of June 30th. She believed that progress had been made with both findings and they were likely in good standing now, but that her office would need to confirm that.

Trustee Hoffman asked if Ms. Buse and Trustee Krinkie had regularly scheduled visits. Ms. Buse confirmed that she and Trustee Krinkie met in face to face meetings at least once a month and she added that on average they spoke on the phone weekly.

Trustee Benson asked about the Manager of Investigations vacancy. Ms. Buse stated that this was a unique position in state government and she was working with human resources to get the position classified.

Trustee Krinkie noted that he and Ms. Buse had discussed the amount of time that internal audit dedicates to those investigations. He stated that they had discussed a charge back system to the institutions, however the concern would be that it might impede or inhibit institutions from reporting allegations. He noted that it creates a larger burden for internal auditing staff when they are required to spend an inordinate amount of time on these investigations. Trustee Krinkie added that in the last several years some of the investigations had become very thorough, requiring law enforcement and outside investigators. He stated that it would be something to keep in mind when considering the overall budget.

4. Role and Responsibilities of Audit Committee Members

Ms. Buse explained that Board Policy required the audit committee to have annual training in their roles and responsibilities. As part of that training, Ms. Buse stated that she would be scheduling individual meetings with audit committee members over the next couple of months to review related board policies and the audit plan.

Ms. Buse stated that one of the roles of the audit committee members was to review and release the financial statements so that they can be incorporated into the State of Minnesota's financial statements. Ms. Buse reminded the committee that in November, members will receive the systemwide financial statements, the revenue fund, and financial statements for four state universities. There will also be a summary sheet for each financial statement that will highlight important information for members.

In addition, Ms. Buse pointed out that there was a Financial Statement Audits Checklist in the board packet that would also help Trustees identify the types of things to look for as they review the statements. Ms. Buse stated that both she and Ms. King would make themselves available, as they had in the past, to meet with members to review the financial statements in detail prior to the November audit committee. Trustee Krinkie reminded trustees that part of their fiduciary responsibility as board members was to report any potential misuse of public funds, fraud, or other questionable activities.

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,
Darla Senn, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
Agenda Item Summary Sheet**

Audit Committee

Date: November 18, 2014

Title: Review and Approve Release of the 2014 Audited Financial Statements

Purpose (check one):

- | | | |
|---|--|---|
| <input type="checkbox"/> Proposed
New Policy or
Amendment to
Existing Policy | <input checked="" type="checkbox"/> Approvals
Required by
Policy | <input type="checkbox"/> Other
Approvals |
| <input type="checkbox"/> Monitoring /
Compliance | <input type="checkbox"/> Information | |

Brief Description:

The System, its revenue fund, the four state universities, and one student housing fund had financial statement audits conducted by CliftonLarsonAllen. The opinion letters provide the Board and other users of the audits with reasonable assurance that the information is materially accurate and reliable. Auditing standards also require the audit firm to convey certain required communications, including any significant deficiencies or material weaknesses in internal controls, to the Audit Committee.

Scheduled Presenter(s):

Beth Buse, Executive Director, Office of Internal Auditing
Laura King, Vice Chancellor - Chief Financial Officer
Tom Koop, partner with CliftonLarsonAllen, LLP
Craig Popenhagen, partner with CliftonLarsonAllen, LLP

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

ACTION ITEM
REVIEW AND APPROVE THE RELEASE OF 2014 AUDITED FINANCIAL STATEMENTS

Board Policy 1A.2, part 5, subpart E requires the Audit Committee to “review and discuss the results of each audit engagement with the independent auditor and management prior to recommending that the board release the audited financial statements.”

The audited financial statements for fiscal year 2014 activity will be presented at this meeting as follows:

Financial Statements audited by CliftonLarsonAllen, LLP –

- Systemwide
- Revenue Fund

- Bemidji State University
- Metropolitan State University
- St. Cloud State University
- Winona State University
- Itasca Community College Student Housing Funds, Itasca Hall and Wenger Hall (ICCSH)

AUDIT RESULTS

Copies of the audited financial statements were provided to members of the Audit Committee for review prior to the meeting on November 18, 2014. Public copies of reports will be available on the financial Reporting website the week of November 24, 2014.

RECOMMENDED COMMITTEE ACTION:

The Audit Committee has reviewed the fiscal year 2014 audited financial statements and discussed them with representatives of management and the system external auditing firm. The committee recommends that the Board of Trustees adopt the following motion:

RECOMMENDED MOTION:

Based on the review and recommendation of the Audit Committee, the Board of Trustees approves the release of the fiscal year 2014 audited financial statements as submitted.

Date Presented to the Board of Trustees: November 18, 2014