

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

Name: Audit Committee

Date: June 20, 2017

Title: Fiscal Year 2018 Annual Audit Planning

Purpose (check one):

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

Brief Description:

Executive Director David Pyland will introduce the Baker Tilly team, review the goals for fiscal year 2018 and discuss the fiscal year 2018 internal audit strategy.

Scheduled Presenter(s):

David Pyland, Executive Director of Internal Auditing
Eric Wion, Deputy Director of Internal Auditing
Raina Rose Tagle, Baker Tilly Partner
Chris Jeffrey, Baker Tilly Partner
Frank Bossle, Baker Tilly Director

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

INFORMATION ITEM
Fiscal Year 2018 Annual Audit Planning

BACKGROUND

Executive Director David Pyland will introduce the Baker Tilly team, review the goals for fiscal year 2018 and discuss the fiscal year 2018 internal audit strategy.

Baker Tilly


- Raina Rose Tagle, CPA, CISA, CIA - Partner, National Higher Education Consulting Practice Leader
- Chris Jeffrey, CPA - Partner, Midwest Risk, Internal Audit and Cybersecurity Practice Leader
- Frank Bossle, CPA, MBA - Director, Former Chief Audit Executive of Johns Hopkins University

Fiscal Year 2018 Goals and internal audit strategy

- Initial Planned Projects
- Additional Targeted Projects
- Additional Topics for Consideration
- Ongoing Services

Next Steps and Discussion Questions

Date Presented to the Board of Trustees: June 20, 2017



June 20, 2017
Office of Internal Auditing

Internal Audit Report to the Audit Committee

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- Introduction to Internal Audit Team
- Overview and Fiscal Year (FY) 2017 Progress
- FY2018 Goals
- FY2018 Internal Audit Strategy
- Next Steps
- Discussion Questions
- Contact Information

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MINNESOTA STATE

Introduction to Internal Audit Team

Minnesota State	Baker Tilly
<ul style="list-style-type: none"> Dave Pyland, CPA (TX) - Chief Audit Executive 	<ul style="list-style-type: none"> Raina Rose Tagle, CPA, CISA, CIA - Partner, National Higher Education Consulting Practice Leader
<ul style="list-style-type: none"> Eric Wion, CPA, CISA, CISSP - Deputy Director 	<ul style="list-style-type: none"> Chris Jeffrey, CPA - Partner, Midwest Risk, Internal Audit and Cybersecurity Practice Leader
<ul style="list-style-type: none"> Melissa Primus, CPA, CIA - Audit Project Manager 	<ul style="list-style-type: none"> Frank Bossle, CPA, MBA - Director, Former Chief Audit Executive of Johns Hopkins University
<ul style="list-style-type: none"> Craig Fautsch, CFE - Audit Coordinator/Investigator 	
<ul style="list-style-type: none"> Darla Senn - Office Manager 	



The Baker Tilly Partnership

Partnership

Minnesota State

- Handle day to day audit activities
- Focal point of communications with management
- Partner with Baker Tilly on the planning, performance and reporting of audit engagements
- Provide the Minnesota State insight, knowledge and relationships necessary for successful engagements

Baker Tilly

- Bring experience in working with premier public and private higher education institutions, plus corporate perspectives
- Clients include University of California System, University of Texas System, Stanford University, and Harvard University
- Provide a deep range of industry-specialized subject matter experts and staff



Ongoing Activities Handled by Minnesota State Staff

Audit Activity

Assurance Services

- Audit of board expenses and trustee expense reimbursements
- Monitoring progress on outstanding audit findings
- Fraud inquiry and investigation services
- Establish data analytics capabilities to support continuous auditing and dashboarding capabilities

External Audit Activity Coordination

- Financial statement audits
- Federal student financial aid audit
- Other external party audits

Advisory Services

- Participation on a variety of committees
- Ongoing ad-hoc inquiries and advice
- Develop an internal audit advisory group

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Overview and Fiscal Year FY2017 Progress

Reorganized

- Internal Audit Department

Completed

- ERM Steering Committee Involvement
- Cultivated Relationships with Leadership
- Completed 3 Engagements
- Participated in internal investigations, as needed
- Coordinated external audits, including financial statements and federal student aid

Engaged

- CliftonLarsonAllen (External Auditor)
- Baker Tilly (Internal Auditor)

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FY 2017 Engagement Results

Engagements

Minnesota State Community & Technical College - Internal Control & Compliance Audit

Issued January 18, 2017

College operations were within expected parameters.

North Hennepin Technical College – Process Review Consulting Engagement

Finalized December 2016

Recommendations helped process improvement & personnel alignment.

Bookstore Internal Control & Compliance Audit

Issued June 13, 2017

Bookstore controls were working as expected, with minor exceptions.

Two Investigation Reports – Resulting from normal internal referrals.

Issued October 10, 2016 and April 6, 2017. Controls were improved.

FY 2018 Goals

Goal	Measurement
<ul style="list-style-type: none"> Align IA activities with System strategy and priorities 	<ul style="list-style-type: none"> Senior leader feedback
<ul style="list-style-type: none"> Develop the FY 2018 risk-based internal audit plan for October Audit Committee approval 	<ul style="list-style-type: none"> Collaborate with the chancellor, risk committee, cabinet, & leadership council
<ul style="list-style-type: none"> Deliver quality, timely project results 	<ul style="list-style-type: none"> Regular reporting to the audit committee
<ul style="list-style-type: none"> Provide system guidance in risks, internal controls & accountability 	<ul style="list-style-type: none"> Time-bound management action plans and IA monitoring
<ul style="list-style-type: none"> Develop data analytics, continuous auditing, dash-boarding 	<ul style="list-style-type: none"> Capabilities and communication strategy developed
<ul style="list-style-type: none"> Implement a quality assurance and improvement program (QAIP) 	<ul style="list-style-type: none"> As prescribed by the Institute of Internal Auditors (IIA)

FY 2018 Internal Audit Strategy

Get Started

- Four engagements have been started and will be reported on over the next six months

Risk Assessment & Audit Plan Development

- Meet with
 - both chancellors
 - the ERM committee
 - the cabinet
 - Leadership council
- Brainstorm top enterprise risks and identify key areas for internal audit focus

Ongoing Audit Plan

- Maintain a dynamic audit plan
- Update for emerging risk & audit results

FY 2018 Get Started – Initial Audit Projects In Process

Project Area	Project Description	Linkage to Enterprise Risks
Follow-up on 2014 purchasing card audit, including a leading practices review	Survey all institutions, assess the current state of action plans from the 2014 audit, review current processes at three institutions, and recommend best practices.	<ul style="list-style-type: none"> • Increasing costs/expenses: energy, supplies and materials, disposal • Financial sustainability of colleges and universities
Payment Card Industry (PCI) risk assessment	Survey each College, University, and the System Office to determine the system's PCI risk profile and areas for focus.	<ul style="list-style-type: none"> • Information security and information management
NextGen project risk review	Establish IA's role in facilitating periodic checkpoints to provide assurance regarding risks of NextGen project, designed to replace our primary enterprise systems.	<ul style="list-style-type: none"> • Outdated legacy systems in the face of new technologies for student services, learning, course delivery, and administration • Poorly aligned / aging solutions that are not sustainable in their current form and/or hamper the organization's ability to act operationally and strategically to meet current and future needs
Institutional data reporting audit	Assess the processes and controls over data collected and reported to state and federal agencies.	<ul style="list-style-type: none"> • Title IV and state financial aid programs • Federal and state financial support for students • Low awareness and varied reputation of our colleges and universities and the system

FY 2018 Risk Assessment & Plan Development

These are sample topics to be discussed during audit plan development.

Potential Topics

Information Security
Cloud Computing

Student Revenue
(Tuition, Fees, &
Collections)

Vendor Contracts
Procurement

Student Success
HR Transactional
Model

Campus Security
Treasury and
Investments

IT Risk Assessment
Compliance Risk
Assessment

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FY 2018 Ongoing Audit Plan

Dynamic Audit Plan

Update audit plan based on

- Special requests from the audit committee, board, & senior management
- Emerging risks identified by senior management, the board, or internal audit
- Ongoing detailed and enterprise risk assessment results
- Discussions with system-wide management
- Audit engagement results

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Next Steps

- Complete the FY2018 initial projects
- Develop the FY 2018 risk-based internal audit plan in collaboration with the Chancellor, Risk Committee, Cabinet, and Leadership Council
- Obtain approval for the 2018 Internal Audit plan from the Audit Committee in October
- Consider an Audit Advisory Group to help internal audit brainstorm emerging risks and consider the impact of audit results; possibly include external audit and key representatives from both the system office and campus level
- Continue to refine future planned projects based on the enterprise risk assessment and ongoing discussions with system-wide management

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Discussion Questions

- How does the FY2018 Internal Audit strategy align with the Board's priorities?
- What areas of the strategy require clarification?
- What other feedback, questions, or comments does the Board have for Internal Audit's consideration?

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Contact Information

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