Board Policy 1D.1, part 6, requires the Executive Director of Internal Auditing to present and seek approval of an audit plan for each fiscal year. Internal auditing standards require that the board approve the annual plan.

The audit plan presents an overview of how the Office of Internal Auditing plans to use its resources in fiscal year 2019.

Plan updates will be brought to the Audit Committee throughout fiscal year 2019.
BACKGROUND
According to Board Policy 1.D., Part 6, the Office Internal Auditing must submit an annual audit plan to the Audit Committee. Internal auditing standards require that the Board approve the annual plan. The fiscal year 2019 audit plan will be reviewed at the meeting.

The audit plan presents an overview of how the Office of Internal Auditing plans to use its resources in fiscal year 2019. The plan is broken into two parts. Part one will be presented today and part two will be presented at the Audit Committee meeting in October 2018. This will allow for the work of the Enterprise Risk Management Committee to be completed over the summer to help inform the remainder of the plan.

RECOMMENDED COMMITTEE ACTION:
On June 19, 2018, the Audit Committee reviewed the Fiscal Year 2019 Internal Audit Plan – Part 1 and recommends that the Board of Trustees adopt the following motion:

RECOMMENDED BOARD MOTION:
The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2019 – Part 1.

Date Presented to the Board of Trustees: June 19, 2017
The Office of Internal Auditing

We are an Independent, objective, and forward looking assurance and advisory function. We strive to:

- Serve as a strategic partner to system leadership in addressing a range of business, operational, compliance, and financial challenges and risks, providing assurance regarding processes and systems, and identifying opportunities to increase efficiency and effectiveness.
- Help the system anticipate and address risks proactively, enabling business and process improvements and supporting the viability of system operations.
- Partner with others to monitor and mitigate system risks.
Internal Auditing Team

<table>
<thead>
<tr>
<th>Minnesota State</th>
<th>Baker Tilly</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Eric Wion, CPA, CISA, CISSP – Interim Executive Director and Deputy Director</td>
<td>• Raina Rose Tagle, CPA, CISA, CIA - Partner, National Higher Education Consulting Practice Leader</td>
</tr>
<tr>
<td>• Melissa Primus, CPA, CIA – Internal Audit Project Manager</td>
<td>• Chris Jeffrey, CPA - Partner, Midwest Risk, Internal Audit and Cybersecurity Practice Leader</td>
</tr>
<tr>
<td>• Craig Fautsch, CFE - Audit Coordinator/Investigator</td>
<td>• Mallory Thomas, CPA - Senior Manager- Risk &amp; Internal Audit Consulting</td>
</tr>
<tr>
<td>• Darla Senn – Executive Assistant</td>
<td>• Mike Cullen, CISA, CISSP, CIPP/US - Senior Manager-Risk &amp; Internal Audit Consulting</td>
</tr>
<tr>
<td></td>
<td>• 2700+ professionals and staff</td>
</tr>
</tbody>
</table>

Annual Baker Tilly Contract Amendment

• Competitive bidding process in 2017, 3 year master contract executed (option to extend 3 years)
• Funded year-by-year from Internal Auditing’s budget
  — 6 “unfilled” internal audit positions fund the contract
• Seeking approval at tomorrow’s Finance Committee for $600k amendment to accomplish internal auditing’s 2019 work plan
Audit Plan

- Board Policy (1D.1, part 6) requires the Executive Director of Internal Auditing to present and seek approval of an annual audit plan.
- Internal auditing standards require that the board approve the annual plan.
- The audit plan presents an overview of how the Office of Internal Auditing plans to use its resources
  - Ongoing Activities
  - Projects
- Plan updates, including suggested changes, will be brought to the Audit Committee throughout the year.

FY19 Internal Audit Plan Development Process

1. Review Key Inputs Including Internal Audit Project Results and ERM Committee Work
2. Develop Projects that Align with Key Risks
3. Review Part 1 Projects with Leadership and Obtain Support
4. Obtain Audit Committee Approval for FY19 Internal Audit Plan - Part 1
5. Complete Update of Enterprise Risk Management Risk Assessment
6. Review Part 2 Projects with Leadership and Obtain Support
7. Obtain Audit Committee Approval for FY19 Internal Audit Plan - Part 2 (October)
8. Continuously Evaluate Plan for Coverage and Emerging Risks
Proposed Ongoing Activities

- Consulting and Advisory Services
  - Enterprise Risk Management Committee
  - Chancellor’s Cabinet and Leadership Committee
  - NextGen Steering Committee
  - Other Committee and Work Group Participation: Information Security, ISRS, Finance User’s Group, Financial Aid Directors Group
  - Risk and Control Guidance for Key Business Processes
  - Ongoing Ad-Hoc Inquiries and Advice

- Assurance Services
  - Audit of Board Expenses and Trustee Expense Reimbursements
  - Monitoring Progress on Outstanding Audit Findings

- External Audit Coordination
  - Annual Financial Statement Audits
  - Annual Federal Student Financial Aid Compliance Audit
  - NCAA Compliance Audits (every 3 years)
  - Other External Party Audits

- Fraud Inquiry and Investigation Services

FY19 Proposed Internal Audit Plan – Part 1

<table>
<thead>
<tr>
<th>Project</th>
<th>Type (Advisory or Assurance)</th>
<th>Strategic Objective</th>
<th>Risk(s)</th>
<th>Audit Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance practices assessment**</td>
<td>Advisory</td>
<td>Programmatic and Financial Sustainability</td>
<td>Governance and compliance structure</td>
<td>Gain an understanding of the Systems’ compliance governance structures, accountabilities and responsibilities, and monitoring and oversight practices, with a focus on the delegation of responsibilities between System-level and institution-level leadership. Identify top compliance challenges and concerns facing the System, with a particular focus on key compliance areas that may be lacking in strong oversight and management. Explore different ways of structuring and managing a compliance program.</td>
</tr>
<tr>
<td>Shared services governance framework review**</td>
<td>Advisory</td>
<td>Student Success and Financial Sustainability</td>
<td>Change management</td>
<td>Develop a roadmap to govern and manage shared service implementation initiatives and operations, grounded in leading practice, considering potential risks and informed by lessons learned.</td>
</tr>
<tr>
<td>Enrollment initiatives review</td>
<td>Advisory</td>
<td>Student Success, Diversity/Equity/Inclusion, Programmatic, Financial Sustainability</td>
<td>Enrollment</td>
<td>Assess the institutions’ initiatives to increase enrollment and evaluate how institutions recruit and retain successful students in relation to leading practices across higher education. Determine how results of the project could impact the System’s Transfer Pathways initiative.</td>
</tr>
</tbody>
</table>

** Substantial planning work has occurred, including working with stakeholders to identify tentative project objectives, scope, and deliverables.
### FY19 Proposed Internal Audit Plan – Part 1

<table>
<thead>
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<th>Project</th>
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<th>Risk(s)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Multi-Year Projects from FY18 Plan</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>NextGen Steering Committee participation</td>
<td>Advisory</td>
<td>Student Success, Programmatic and Financial Sustainability</td>
<td>System-wide IT systems</td>
<td>Participate in the ERP Steering Committee, provide professional advice, and assist as requested.</td>
</tr>
<tr>
<td>NextGen Project Risk Review (PRR) Phase 1</td>
<td>Advisory</td>
<td>Student Success, Programmatic and Financial Sustainability</td>
<td>System-wide IT systems</td>
<td>Conduct business project reviews and assess specific project processes and products. Checkpoint #1: June 2018; Checkpoint #2: September 2018; Checkpoint #3: December 2018; January 2019; Checkpoint #4: March 2019; Checkpoint #5: June 2019.</td>
</tr>
<tr>
<td>ERM Advisory</td>
<td>Advisory</td>
<td>All</td>
<td>All</td>
<td>Participate in the ERM Steering Committee and assist as requested. Assist the committee in facilitating an annual enterprise risk management assessment; conduct facilitated discussions with key stakeholders.</td>
</tr>
<tr>
<td>Information security consultation – Phase 2</td>
<td>Advisory/Assurance</td>
<td>Programmatic and Financial Sustainability</td>
<td>Information security and privacy</td>
<td>Develop methodology for assessing institutions’ Top 5 (information security controls) implementation plan; conduct pilot assessment with 4 institutions.</td>
</tr>
<tr>
<td>Information technology risk assessment – Phase 1</td>
<td>Advisory</td>
<td>Programmatic and Financial Sustainability</td>
<td>System-wide IT systems</td>
<td>Perform an initial review to identify and prioritize top IT risks for the System Office IT systems and services. Develop a high-level approach for future IT risk assessment projects at the campus level.</td>
</tr>
</tbody>
</table>

| Additional FY19 Proposed Projects | | | | |
| HR – TSM | Advisory | Programmatic and Financial Sustainability | Change management | Continue to review the HR service center model progress to date, and the extent to which the desired project goals and objectives have been achieved. |

### Recommended Action and Motion

- **Recommended Committee Action**
  - On June 19, 2018, the Audit Committee reviewed the Fiscal Year 2019 Internal Audit Plan – Part 1 and recommends that the Board of Trustees adopt the following motion:

- **Recommended Board Motion**
  - The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2019 – Part 1.