Name: Audit Committee

Date: June 18, 2019

Title: Approval of Fiscal Year 2020 Audit Plan

Purpose (check one):
- [x] Approvals Required by Policy
- [ ] Proposed
- [ ] New Policy or Amendment to Existing Policy
- [ ] Other Approvals
- [ ] Monitoring / Compliance
- [ ] Information

Brief Description:

Board Policy 1D.1, part 6, requires the Executive Director of Internal Auditing to present and seek approval of an audit plan 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 2020.

Scheduled Presenter(s):
Eric Wion, Executive Director of Internal Auditing
Chris Jeffrey, Baker Tilly Partner
ACTION ITEM

APPROVAL OF FISCAL YEAR 2020 AUDIT PLAN

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 2020 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 2020.

RECOMMENDED COMMITTEE ACTION:
The audit committee 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 2020.

Date Presented to the Board of Trustees: June 18, 2019
Fiscal Year 2020 Proposed Audit Plan
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.
Minnesota State

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
- Mallory Thomas - Senior Manager-Risk & Internal Audit Consulting
- Darla Constable – Executive Assistant

- 2700+ professionals and staff

Internal Auditing Team

- Eric Wion, CPA, CISA, CISSP – Executive Director
- Melissa Primus, CPA, CIA – Deputy Director
- Craig Fautsch, CFE - Audit Coordinator/Investigator
- Mallory Thomas - Senior Manager-Risk & Internal Audit Consulting
Fiscal Year 2019 in Review

- NextGen Project Risk Reviews #1, #2, #3, #4
- IT Risk Assessment
- HR-TSM Advisory Project Report & Updates (4)
- Facilitated enterprise risk discussions & other ERM activities
- Shared Services Governance Roadmap Advisory Project
- E-Procurement Controls Review
- Information Security Consultation – Phase 2
- Compliance Practices Assessment Advisory Project
- Enrollment Forecasting Advisory Project
- Quarterly Board of Trustee Expense Audits
- Received over 20 allegations, Issued 6 Investigation Reports
- Annual Financial Statement Audits
- Student Financial Aid Audit Work
- NCAA Agreed Upon Procedures
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 Routine Activities
  – Projects

• Plan updates, including suggested changes, will be brought to the Audit Committee throughout the year
FY20 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 Potential Projects with Leadership and Solicit Feedback
4. Complete Update of Enterprise Risk Management Risk Assessment
5. Obtain Audit Committee Approval for Internal Audit Plan
6. Continually Evaluate Plan for Coverage and Emerging Risks
Ongoing Routine Activities

• Committee Participation 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
### Proposed Continuing Multi-Year Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Type (Advisory or Assurance)</th>
<th>Related Risk Domain(s)</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-Year Projects from FY19 Plan</td>
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<tr>
<td>ERM Advisory</td>
<td>Advisory</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 and institutions. Develop ERM resources and tools for colleges and universities.</td>
</tr>
<tr>
<td>NextGen Steering Committee Participation</td>
<td>Advisory</td>
<td>Operational</td>
<td>Participate in the ERP Steering Committee, provide professional advice, and assist as requested.</td>
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<tr>
<td>NextGen Project Risk Review (PRR)</td>
<td>Advisory/Assurance</td>
<td>Operational Service Model</td>
<td>Conduct business project reviews and assess specific project processes. Perform quarterly checkpoints focused around key project processes. Additionally, work to advise on key project risks surrounding implementation, data governance, and other project issues as they arise.</td>
</tr>
<tr>
<td>Human Resource Transaction Service Model (HR-TSM)</td>
<td>Advisory/Assurance</td>
<td>Operational Service Model</td>
<td>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.</td>
</tr>
<tr>
<td>Information Security Consultation – Phase 3</td>
<td>Advisory</td>
<td>Operational</td>
<td>Assist the system in developing a strategy/program for ongoing assessments to determine whether or not the Top Five information security controls are being addressed; Assess the feasibility, scalability, and sustainability of different options/models for implementing the program.</td>
</tr>
<tr>
<td>Institution Financial Control Review (Continued FY19 Work)</td>
<td>Assurance</td>
<td>Compliance Service Model</td>
<td>1. Complete the previously approved FY19 project; Develop and pilot a multiyear audit plan that would result in key financial controls being audited at each college and university. Develop a risk assessment methodology for reviewing the design and operating effectiveness of internal controls and select 2-3 institutions to pilot the approach.</td>
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<td>2. Deploy plan and execute additional college and university reviews.</td>
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## Additional Proposed Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Type (Advisory or Assurance)</th>
<th>Related Risk Domain(s)</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Classification Review</td>
<td>Assurance</td>
<td>Operational Compliance</td>
<td>To protect the confidentiality of data, and to comply with applicable state and federal laws and regulations, all institutional data must be classified with the appropriate security classification.</td>
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<td>As a top five information security focus area, Internal Audit will perform a review of compliance with the information classification requirements. Survey institutions to review how they implemented the data classification operating procedures and instruction. Based on the survey results, Internal Audit will validate responses for further review.</td>
</tr>
<tr>
<td>Shared Service Initiative: Comprehensive Workforce Solutions (CWS) Review</td>
<td>Advisory/Assurance</td>
<td>Service Model Operational</td>
<td>Evaluate the shared service initiative, review project execution to plan, and identify barriers and potential opportunities to improve results and achieve the project’s expected benefits and outcomes.</td>
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<td>Enrollment/Student Success</td>
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<tr>
<td>Shared Service Initiative: Metro Alliance Bookstore Review</td>
<td>Advisory</td>
<td>Service Model</td>
<td>Evaluate the shared service initiative to determine if benefits and intended outcomes have been achieved, and to identify barriers and potential opportunities to improve results.</td>
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<td></td>
<td>Operational</td>
<td>Perform a scalability assessment using the Enterprise Shared Services Governance Roadmap.</td>
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</table>
Recommended Action and Motion

- **Recommended Committee Action**
  - *the audit committee 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 2020.*