

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
JOINT ADVANCEMENT / AUDIT COMMITTEE
MEETING MINUTES
December 17, 2007**

Advancement and Audit Committee Members Present: Trustees Christine Rice, Co-Chair, Scott Thiss, Co-Chair; Cheryl Dickson, Dan McElroy, David Paskach, Thomas Renier, Ann Curme Shaw, James Van Houten and Carol Wenner.

Advancement and Audit Committee Members Absent: none.

Other Board Members Present: Trustee Duane Benson

Leadership Council Committee Members Present: Chancellor James McCormick, President Roland Barden, John Asmussen, Catherine McGlinch, Gail Olson, and Laura King.

The Minnesota State Colleges and Universities Joint Advancement / Audit Committees held its meeting on December 17, 2007, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Co-Chair Rice called the meeting to order at 11:19 a.m.

1. Possible Internal Audit of Foundations (*Information Item*)

Trustee Rice informed the members of the committees that the current contract between the system and the Minnesota State Colleges & Universities Foundation would expire as of June 30, 2008.

Ms. Catherine McGlinch, Executive Director for the MnSCU Foundation, began by giving a brief background about the MnSCU Foundation and the institution foundations. Ms. McGlinch responded to questions from the committee members about the foundation boards, policy requirements and foundation staff.

Trustee Van Houten stated that it was important to know how much money was raised by each foundation compared to the college and university investment. Trustee Rice agreed, stating that it was important to first know the facts and then to work to create or amend policy to reflect the board's expectations for foundations.

Trustee Rice asked about the number of foundations which went above the \$350,000 threshold which required them by policy to have annual audits. Ms. McGlinch stated that there were about nine foundations that reached that threshold and whose assets were considered material for inclusion in the college or university audit. Trustee Rice asked how many of the foundations used state employees to raise money, and Ms. McGlinch stated that most foundations relied on state employees, and that only five of the forty-two foundations hired their own employees.

Trustee Thiss asked if the system had oversight of the contracts between the institutions and individual foundations. Ms. McGlinch stated that the system did have oversight of

those contracts, but she added it did not have authority over the foundation bylaws. Ms. Gail Olson, General Council, stated that although the system did not have authority over the bylaws, the board could establish best practices or policies, and enforce those concepts by only agreeing to enter into contracts with foundations that met those standards and complied with the statutory requirements.

Trustee Shaw agreed that the list of possible evaluation questions in the board packet would provide a good basis for the internal audit report. She noted, however, that the questions related to benchmarking might be outside the appropriate scope of the audit.

Trustee Dickson reminded the committee members that it was very important for each institution to have an active and legitimate foundation in place in order to capture money from donors who wished to give their gifts to a nonprofit organization. She stated that the audit could help the board develop a list of best practices that could be agreed upon by the Leadership Council and written into policy.

President Barden, Minnesota State University Moorhead, stated that the foundations provided great value beyond just their development work. Trustee Van Houten agreed, stating that board policy recognized that the foundations primary purpose was to support the college or university, but that support did not necessarily have to be monetary. Ms. Olson agreed, but reminded the members that board policy also required a dollar for dollar match for expenditures by the foundation.

Mr. John Asmussen, Executive Director of Internal Auditing stated that he would deliver the first phase of the audit report back to the committee in March of 2008. The information in the report would be intended to help the committee make a decision about a new contract with the MnSCU Foundation. He stated he would return in June of 2008 with the final report which would contain information to assist the members with conversations about revisiting board policy 8.3, College-, University- and System-Related Foundations. He stated that his office could build on some of the research that Ms. McGlinch had begun, and provide context from across the country in terms of how other system foundations were managed and operated. He further stated that his office could gather information on practices across the system, which would be useful for the members in conversations with the Leadership Council. The committee members agreed to the proposed timeline.

Chancellor McCormick asked the committee also to consider if it was appropriate and, if so, to what extent senior-level executives should be allowed to work on proposals that would create funds that would not be managed by the Board of Trustees. Ms. Olson stated that the work conducted by the senior management to develop proposals supports the system and therefore would be legally appropriate. But she further stated that it may make sense to add assurances in policy that work done by senior management to develop proposals was not problematic.

President Barden stated that as a president he was charged by the board with increasing the funding for his campus. Trustee Renier agreed and stated that it was critical for the president or the Chancellor to be involved and make the final contacts with potential grantors. He stated that he would like clarification, however, on how it was determined

who would sponsor a final proposal, and he added that it was important to determine the best methodology for securing the resources. Trustee Rice agreed and added that it was also important to determine how a request was coordinated with the other foundations in the system.

Chancellor McCormick indicated that initially the college and university foundations were sensitive about having another foundation make requests of their donors. As a result, he stated that the system foundation never went after a donor that was in relationship with another college or university. He added that the members on the foundation boards at the universities and colleges have the relationships that make a great deal of difference in terms of funding. Finally, he stated that all of the Minnesota State Colleges & Universities foundations were about raising money to help the colleges and universities.

The meeting adjourned at 12:03 p.m.

Respectfully submitted,
Darla Senn, Recorder