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.

**Committee** Chair Thiss calls the meeting to order.

1. Review Results of Legislative Auditor Report (Pages 1-2)
2. Discuss the Roles and Responsibilities of the Audit Committee (Pages 3-6)
3. Review Internal Auditing Annual Report (Pages 7-18)

**Members**
Scott Thiss, Chair
James Van Houten, Vice Chair
Jacob Englund
Dan McElroy
David Paskach

**Bolded** items indicate action required.
Committee: Audit Committee  Date of Meeting: October 8, 2008

Agenda Item: Review Results of Legislative Auditor Report

☐ Proposed Policy Change  ☐ Approvals Required by Policy  ☒ Other Approvals  ☐ Monitoring

☐ Information

Cite policy requirement, or explain why item is on the Board agenda:

This audit was conducted by the Legislative Auditor consistent with the external audit schedule for colleges that are not subject to annual financial statement audits.

Scheduled Presenter(s):
John Asmussen, Executive Director, Office of Internal Auditing
Cecile Ferkul, Deputy Legislative Auditor
Brad White, Legislative Audit Manager

Outline of Key Points/Policy Issues:

- The public release of this audit report will occur at the October 8, 2008 audit committee meeting. Therefore, the contents may not be disclosed publicly prior to that time.

Background Information:

- The Office of the Chancellor has a contract with the Office of the Legislative Auditor that provides for periodic audits of colleges.
- The audit cycle for the colleges not subject to annual financial statement audits (generally the smaller colleges) is approximately one audit every three years.
BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES

<table>
<thead>
<tr>
<th>BOARD ACTION</th>
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<tr>
<td>REVIEW RESULTS OF LEGISLATIVE AUDITOR REPORT</td>
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</table>

BACKGROUND

The public release of this audit report will occur at the October 8, 2008 audit committee meeting. Therefore, the contents may not be disclosed publicly prior to that time. Supplemental materials and copies of the final report will be available at the audit committee meeting. Additional copies of the final report may be obtained from the Office of the Legislative Auditor web site: www.auditor.leg.state.mn.us starting on October 8, 2008.

Date Presented to the Board of Trustee: October 8, 2008
Committee: Audit Committee  Date of Meeting: October 8, 2008

Agenda Item: Discuss the Roles and Responsibilities of the Audit Committee

☐ Proposed Policy Change  ☐ Approvals Required by Policy  ☐ Other Approvals  ☐ Monitoring

☐ Information

Cite policy requirement, or explain why item is on the Board agenda:

Board Policy 1A.2, Part 5, Subpart E stipulates that the audit committee members “receive training annually on their auditing and oversight responsibilities.”

Scheduled Presenter(s):

John Asmussen, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

➢ Highlights key elements of audited financial statements that Audit Committee members are scheduled review at its November 2008 meeting.

Background Information:

➢ Audit Committee members will be provided with final draft copies of the financial statements about one week prior to the November committee meeting.
BACKGROUND

The audit committee is responsible for overseeing the complex, technical work of external and internal auditing. Board Policy 1A.2, Part 5, Subpart E requires annual training for audit committee members to prepare them for carrying out their oversight responsibilities. This training session is intended to prepare members for the process of reviewing the audited financial statements. In November 2008, the audit committee will review the audited financial statements for the MnSCU system, its Revenue Fund, and 12 of the largest colleges and universities. The attached checklist is intended to facilitate the review of those financial statements.

Date Presented to the Board of Trustee: October 8, 2008
Financial Statement Audits Checklist

Introduction

One of the most important responsibilities of the audit committee is to serve as “gatekeeper” for the release of financial statements. These financial statements are used by fiscal analysts that evaluate the credit worthiness of the State of Minnesota and the Minnesota State Colleges and Universities. Other users include potential donors, legislators, faculty and student unions, and other interested stakeholders. This checklist is designed to highlight the important aspects of the audited financial statements to be reviewed.

I. Reports from the external auditor. These reports consist of the Independent Auditor’s Report (which precedes the financial statements) and the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Audit Standards (which follows the notes to the financial statements). External auditors also may issue a separate letter to the committee that provides findings and recommendations related to internal controls and compliance.

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
<th>Question</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Does the Independent Auditor’s Report cite any departures from Generally Accepted Accounting Principles?</td>
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<tr>
<td></td>
<td></td>
<td>Does the Independent Auditor’s Report cite any limitation on applying Generally Accepted Auditing Standards?</td>
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<tr>
<td></td>
<td></td>
<td>Does the Report on Internal Control and Compliance... cite any exceptions noted as material weaknesses or significant deficiencies?</td>
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<tr>
<td></td>
<td></td>
<td>Does the Report on Internal Control and Compliance... cite any instances of non-compliance?</td>
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<td></td>
<td></td>
<td>Has the auditor communicated any disagreements with management or difficulties encountered during the audit?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Has the auditor communicated any significant audit adjustments made to the financial statements?</td>
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</table>

If any there is an affirmative answer to any of these questions, more information must be obtained to evaluate the consequences of the issue.
II. Basic Financial Statements and Trends. The basic financial statements include the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. In addition, a Management Discussion & Analysis (MD&A) section of the financial report is designed to highlight the core business activities of the organization. Based on the basic statements and MD&A, are there noteworthy trends in any of the following [Note: additional guidance will be provided to assist with evaluating these financial trends.]:

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>Tuition and Fees</td>
<td></td>
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<tr>
<td>State Operating and Capital Appropriations</td>
<td></td>
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<tr>
<td>Employee Compensation</td>
<td></td>
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<tr>
<td>Federal and State Financial Aid Programs</td>
<td></td>
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<tr>
<td>Capital Asset Construction and Maintenance</td>
<td></td>
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<tr>
<td>Auxiliary Operations, such as bookstores, residence halls, and food services</td>
<td></td>
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<tr>
<td>Unrestricted Net Asset Balances (Check the primary reserve ratio disclosed in the MD&amp;A section for adequacy)</td>
<td></td>
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</table>

If any there is an affirmative answer to any of these questions, more information must be obtained to evaluate the consequences of the issue.

III. High Risk Transactions. The notes to the financial statements explain the accounting methods used to prepare the financial statements and must highlight any transactions that have a significant impact. The notes are a good source for further information on high risk transactions. Some transactions present greater challenges and, thus, risks to the quality of financial reporting. Are there disclosures on the following issues:

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>Prior Period Adjustments</td>
<td></td>
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<tr>
<td>Significant joint ventures, alliances, and partnerships</td>
<td></td>
</tr>
<tr>
<td>Contingent Liabilities Resulting from Litigation</td>
<td></td>
</tr>
<tr>
<td>Related Party Transactions</td>
<td></td>
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<tr>
<td>Subsequent Events.</td>
<td></td>
</tr>
</tbody>
</table>

If any there is an affirmative answer to any of these questions, more information must be obtained to evaluate the consequences of the issue.
Committee: Audit Committee

Date of Meeting: October 8, 2008

Agenda Item: Review Internal Auditing Annual Report.

Proposal: 

Policy Change

Approvals Required by Policy

Other Approvals

Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda:

Board Policy 1D requires an annual report from the Office of Internal Auditing.

Scheduled Presenter(s):

John Asmussen, Executive Director, Office of Internal Auditing

Outline of Key Points/Policy Issues:

- Internal Audit activities were consistent with the audit plan for fiscal year 2008.
- The status of prior audit findings has been incorporated as an integral part of the annual Internal Auditing report.

Background Information:

- The audit plan approved by the Board of Trustees in June 2007 provided the foundation for the internal auditing activities carried out in fiscal year 2008.
The annual report for fiscal year 2008 is attached.
October 1, 2008

Members of the Board of Trustees

I am pleased to submit the annual report on the Office of Internal Auditing for fiscal year 2008 as required by Board Policy 1D.1 part 8. The report demonstrates that Internal Auditing has continued to help the Minnesota State Colleges and Universities build a strong foundation for integrity and reliable information. We have talented and dedicated professional staff members who take great pride in their work. The office complies fully with the professional practices of internal auditing.

I would also wish to reiterate my commitment to managing an office that provides you with credible, professional services. Organizationally, the Office of Internal Auditing is structured to ensure its independence by reporting directly to the Audit Committee. Personally, I take great care to avoid assignments or relationships that would compromise my independence. Accordingly, I pledge to you that I remain independent and objective pursuant to the professional practices of internal auditing.

Thank you for your confidence and support in our work.

John Asmussen, CPA, CIA, CISA, MBA

Summary

The audit plan approved by the Board of Trustees in June 2007 provided the foundation for the internal auditing activities carried out in fiscal year 2008. Some key accomplishments include:

- Conducted two system-wide studies for the Board of Trustees:
  - The student success project led to an intensive system-wide effort to implement DARS and CAS, two information systems that provide key support for the students’ academic progress. By July 2008, all colleges and universities had fully implemented the systems.
  - The affiliated foundations project was released in September 2008 and has led to consideration of potential policy changes regarding the oversight and independence of private non-profit foundations.

- Assisted the external auditing firms with conducting the annual audits of financial statements. This effort was particularly challenging last year because CPA firms were required to apply more rigorous, new auditing standards.

- Monitored audit findings to determine whether recommendations were implemented timely. During 2008, 83% of prior audit findings were resolved fully. Internal Auditing reports unresolved audit findings annually to the Chancellor for consideration during the annual performance evaluations of presidents and Cabinet members.
I. Assurance Services Requested by Board of Trustees

The Office of Internal Auditing spent the majority of its time working on assurance services which focus on improving the quality and reliability of information. The following assurance services were conducted at the request of the Board of Trustees.

System-wide Report: Affiliated Foundations

In December 2007, the Audit Committee approved an internal audit of affiliated foundations. During fiscal year 2007, 43 foundations were affiliated with the Minnesota State Colleges & Universities (MnSCU). These private, non-profit organizations had exclusive relationships with a MnSCU college, university or the Office of the Chancellor and generated over $20 million of program benefits. The study applied various economic tests to assess the costs and benefits of the relationships with the foundations. It found that

- From a donor perspective, cumulatively, 83% of the spending by these foundations went into program benefits – surpassing the expectations of donor watchdog groups.

- From the perspective of the Board of Trustees, overall, it cost 39 cents to raise $1 of public benefits – also surpassing the expectations of current board policy.

The study suggested, though, that the board may wish to reconsider whether its current policy provides a sufficiently robust test for operational efficiency. Internal Auditing offered an alternative economic test for the board to consider. Because it was a more rigorous test, only 14 of the 43 affiliated foundations met the test for the two-year period covering fiscal years 2006 and 2007.

The study also found that the foundations varied considerably in size, scope, and maturity. As a result, some foundations encountered challenges in complying with board policy and adhering to donor accountability standards. The study suggested that the Board of Trustees consider the following policy matters:

1. What should be the economic tests, if any, used to evaluate foundations affiliated with MnSCU?

2. To what extent, if any, should foundations be subject to oversight provisions beyond the basic requirements for non-profit charitable organizations?

3. What should be the ramifications for foundations that cannot meet board requirements?

4. To what extent, if any, should board policy be broadened to address relationships with other private, non-profit organizations, such as booster clubs and alumni associations?

The Chairs of the Advancement and Audit Committees are in the process of conferring with the Leadership Council on how to proceed with addressing these questions.
**Audited Financial Statements**

Fiscal year 2008 marked the eighth year that the Minnesota State Colleges and Universities contracted for an external audit of its financial statements. The external audit firm of Kern, DeWenter, Viere & Company provided an unqualified (clean) opinion on the system-wide financial statements. The Financial Reporting Unit of the Office of the Chancellor and the Office of Internal Auditing both worked very hard to deliver the audited financial statements. In fiscal year 2008, Internal Auditing spent 24% of its applied hours on assisting with the financial statement audits. This level of support provides two benefits: cost savings to make the external audit contracts affordable and strengthened external audit coverage by use of Internal Auditing’s knowledge of the Minnesota State Colleges and Universities system and its business systems.

New auditing standards went into effect in fiscal year 2008 and required the CPA firms to apply more rigor in determining what matters needed to be reported to the governing board. The most serious issues that an audit firm can report are termed “material weaknesses” in internal controls. Because of the diligence exerted by the Office of the Chancellor Finance Division and college and university business offices, no material weaknesses were cited for the system-wide financial statements. Less severe weaknesses in internal controls that may pose a future threat to the organization are termed to be “significant deficiencies”. The principal CPA firm reported four “significant deficiencies” at the system-wide level:

1. Collective adjustment for about $2.3 million for errors in computing scholarship allowance (no impact on net assets)
2. Collective adjustment for about $1.6 million to correct understatement of liabilities for unrecorded accounts payable
3. Instances were noted where journal entry errors occurred in situations where there was no second review by someone other than the preparer.
4. Interest receivable of approximately $372,000 was unrecorded on the revenue fund financial statements for short-term investments.

In addition, audited financial statements were developed for twelve of the largest institutions: the seven state universities and five two-year colleges. The financial statements for all twelve institutions received unqualified audit opinions from the CPA firms that the board appointed for the audits. None of the twelve institutions was cited for a “material weakness”. Three universities (Metropolitan State, MSU Moorhead, and St. Cloud State) and two colleges (Century and Hennepin) were cited for “significant deficiencies”. In addition, the CPA firm cited Metropolitan State for its inability to provide required data on a timely basis. Internal Auditing will follow-up on these citations to determine adequate corrective action is taken.
Internal Control & Fiscal Compliance Issues

The annual financial statement audit program ensures that the most significant internal control cycles are reviewed for universities and five of the largest colleges each year. In addition, the principal auditor for the system-wide financial statements reviews internal controls at about one-third of the remaining colleges each year.

Since 1996, MnSCU has had a contract with the Office of the Legislative Auditor (OLA) to obtain periodic finance-related audits of each college and university. In fiscal year 2004, the OLA audit coverage was adapted to complement the institutional financial statement audits conducted by CPA firms. Basically, the colleges not subject to an annual financial statement audit are to be audited by the OLA on a three year rotating schedule. In fiscal year 2008, the OLA audits covered nine colleges (the five colleges in the Northeast Higher Education District, Anoka Ramsey Community College, Fond du Lac Community & Tribal College, Minnesota State College – Southeast Technical, and Minnesota West Community & Technical College) and the Office of the Chancellor. The Legislative Auditor is scheduled to release its final audit report at a special meeting of the Audit Committee on October 8, 2008.

The Legislative Auditor also has the authority to initiate other audits and evaluations. In 2008, it began fieldwork on two other projects that affected the Minnesota State Colleges and Universities:

The Financial Audit Division initiated an audit of the use of general obligation bond proceeds by all state agencies, including the Minnesota State Colleges and Universities. The audited tested capital construction expenditures at the Office of the Chancellor and several colleges and universities. The auditors expect to release a final report by the end of calendar year 2008.

The Program Evaluation Division was directed by the Legislative Audit Commission to conduct a study of occupation trade programs offered by the Minnesota State Colleges and Universities, primarily through the technical colleges and consolidated colleges. The evaluation team is addressing three primary questions:

1. How well do MnSCU occupational programs reflect and respond to market conditions and employer needs?
2. How adequate is MnSCU’s coordination with workforce development efforts around the state?
3. To what extent does MnSCU communicate program-performance results, labor market needs, and career services to students?

To conduct the evaluation, the team is conducting interviews, surveying Chief Academic Officers, testing the program review process, and performing an extensive review of documentation. Its final report is expected to be released in January 2009.
Requested Assurance & Consulting Services

The Board of Trustees, as demonstrated in policy 1.D., intends to share internal auditing services with the Office of the Chancellor and college and university presidents. Accordingly, Internal Auditing has made its services available to the Chancellor or a college or university president upon request. In fiscal year 2008, Internal Auditing spent about 18% of its applied hours on assurance and consulting projects requested by the Chancellor or presidents.

Although some requested services are for traditional assurance audits, many requests are for consulting services. Internal Auditing will accept consulting engagements as long as no conflict is created with its auditing role. The office supplements its traditional audit skills with the services of an organizational improvement professional for consulting projects.

During fiscal year 2008, Internal Auditing provided consulting or assurance services for the following types of requests:

- Assisted the Office of the Chancellor Finance Division with a project to coordinate the efforts of colleges and universities to document their internal control processes and conduct risk assessments. For the first year of this project, only the twelve colleges and universities subject to annual financial statement audits were included.

- Audited the financial statements of a joint venture, iSeek Solutions, at the request of the Senior Vice Chancellor, and presented the results to representatives of the sponsoring organizations.

- Administered an employee climate survey for a college.

- Administered an employee diversity survey for the Office of the Chancellor.

- Tested the compliance of expenses incurred by the Chancellor and Board of Trustees.

- Facilitated the work of cross-functional work teams from the Office of the Chancellor on conducting presidential transition reviews at five colleges and universities where new presidents were being hired: Hennepin Technical College, Metropolitan State University, Minnesota State University Moorhead, Minnesota West Community & Technical College, and the Northeast Higher Education District.

- Compiled the results of the Chancellor’s annual performance evaluation for the Board of Trustees.

II. Follow-up on Prior Audit Findings

The Chancellor and the Board of Trustees expect timely resolution of audit findings. Accordingly, Internal Auditing maintains a database to follow-up on audit findings and tracks their resolution. In about January of each year, Internal Auditing assesses the status of prior audit findings and submits a mid-year follow-up report to each president. In June, Internal
Auditing prepares year-end follow-up reports and also submits copies to Chancellor McCormick for consideration during his annual performance evaluations of presidents and vice chancellors. In fiscal year 2008, Internal Auditing spent about 16% of its applied hours on following up on prior audit findings.

As a result, the timely resolution of audit findings is taken seriously. In fiscal year 2008, 83% of college and university audit findings were resolved. As of June 30, 2008, Internal Auditing was continuing to monitor 53 unresolved audit findings at the colleges and universities. Internal Auditing classified nine of the unresolved findings as critical issues that warranted immediate attention. Some of the more significant unresolved audit findings included:

- Three universities (Bemidji State, Metropolitan State, and Southwest Minnesota State) needed to improve the completeness of data on the race/ethnicity of their students. Internal Auditing originally cited this finding in its July 2004 report on Services to Traditionally Under-represented Students. When the report was released 23 colleges and universities had an unknown race/ethnicity rate for their students of greater than 10%, and the system-wide unknown rate was 20%. By June 2008, the system-wide unknown rate had declined to 6%, and only three universities had unknown rates greater than 10%. All three universities, though, were approaching unknown rates of 10%. This data is essential for assessing progress toward narrowing the achievement gaps in higher education.

- Metropolitan State University was cited by its external auditor for a material weakness in its internal controls due to difficulties encountered with preparing its annual financial statements. Three audit findings related to financial reporting had remained unresolved for over a year. The university has made great progress so far this year in its financial reporting process and the status of these findings will be reassessed after the financial statements have been prepared.

- Fond du Lac Tribal & Community College had five unresolved audit findings. Three of these findings have remained unresolved for over five years, including one critical finding pertaining to the need to improve purchasing controls. Some college employees were initiating purchases without verifying that sufficient funds were available. The interim president of the college has placed renewed emphasis on resolving these findings.

- Minneapolis Community and Technical College continues to wait for a response from the U.S. Department of Education on a finding related to measuring the academic progress and eligibility of financial aid recipients. Although the college has taken corrective actions to come into compliance with federal regulations, the final resolution of this matter must be approved by the federal agency.

- Computer security clearances need improvement at nine institutions. In seven cases, the findings have remained unresolved for over two years. The Legislative Auditor has emphasized vulnerabilities in this area for several years, but it has been a complicated issue to resolve.
In addition, some audit findings are directed at the Office of the Chancellor for resolution. Unresolved system-wide audit findings pertain primarily to information technology security and data warehouse controls. The Information Technology Services (ITS) Division has made progress in the past year in resolving several outstanding audit findings; however, a number of audit findings, including several findings classified as critical have remained outstanding for several years. Resolution of these findings is in process, but most problems will not be resolved easily. Many of the issues deal with broader system issues that will only be corrected by full implementation of a comprehensive security program and establishment of a robust data warehouse.

Many of these fundamental problems may be traced to the scarcity of ITS funding in past years. The recent investments in information technology have helped the division make great strides in improving the security environment. More work remains, though, and this area should continue to be monitored closely.

**Areas of Noteworthy Improvement**

Implementation of audit recommendations has also led to some significant improvements that are worth noting.

**DARS and CAS Implementation**

An October 2007 Internal Auditing report on Student Success Systems & Measures cited 26 colleges and universities that had not fully implemented the Degree Audit Record System (DARS) or the Course Applicability System (CAS). These systems were designed to facilitate monitoring and managing student progress toward completing academic programs. The Board of Trustees had expected that the systems would be implemented fully in 2003 and 2004.

In response to the delayed implementations, the Board of Trustees approved the following motion at its November 14, 2007 meeting:

*Colleges and universities need to fully implement DARS and CAS by December 31, 2007 or receive approval from the Senior Vice Chancellor and the Chair of the Audit Committee for an implementation plan and timeline later than December 31, 2007, but in no event later than the academic year.*

Fourteen of these colleges and universities completed implementation of the systems by December 31, 2007. In early February 2008, the Chair of the Audit Committee and Senior Vice Chancellor Baer approved the plans submitted by the other twelve colleges and universities to complete their implementations by June 30, 2008. All, but one college, completed their implementation plans on time. Itasca Community College missed its approved implementation date in April and did not complete its implementation until mid-July.

As a result of these actions, for the Fall 2008 term, over 75% of MnSCU students will have complete and reliable DARS reports. As existing students progress through their programs and are replaced by new students, eventually all enrolled students will have complete DARS reports.
Student Financial Aid Administration

Dating back to 2003, MnSCU colleges and universities had experienced a series of problems with administering federal financial aid programs. Three universities and two colleges were required to undertake massive file reviews and in most cases make a substantial repayment to the U.S. Department of Education. Particularly problematic was complying with federal regulations regarding student academic progress. To resolve these problems, board policies and procedures were revised, standard processes created, system improvements initiated, and a system-wide monitoring process established. After several years of effort to improve the administration of student financial aid programs, the Minnesota State Colleges and Universities has established a stable environment for complying with federal financial aid regulations. The Chancellor was recently notified by the U.S. Department of Education that the department found the results of the most recent financial aid audits to be acceptable.

Lake Superior College Internal Controls

Lake Superior College was shaken in 2005 by the discovery of widespread weaknesses in its financial controls. A scathing series of reports from the Office of Internal Auditing and the Legislative Auditor identified fundamental deficiencies in the internal controls. The college responded by bringing in new leadership for its financial areas and undertaking a methodical and painstaking process to review its financial systems and processes. It rewrote many of its internal finance procedures, established new systems of checks and balances, and trained staff. College leadership insisted that the new processes be tested and retested to ensure that they became engrained in the college culture and provided enduring solutions. In 2008, Internal Auditing cleared the final audit findings at the college indicating that its internal control systems are working as intended and providing the college with a strong foundation for ensuring the integrity of its financial operations.

III. Fraud Inquiry and Investigation Support

Internal Auditing assists with conducting fraud inquiries and investigations. When evidence of fraud is identified it must be dealt with appropriately. The results of most fraud inquiries and investigations were reported to affected presidents or the Chancellor for action. Board policy requires that only significant violations of board policy or law, be communicated to the Board of Trustees. The Executive Director of Internal Auditing advised the Chair of the Audit Committee about fraud investigations and reported potential fraud incidents to the Legislative Auditor, as required by state law.

Internal Auditing received reports on 124 incidents of potential fraud or dishonest acts during fiscal year 2008. The vast majority of these incidents related to theft of public property. These matters were reported to local law enforcement officials for investigation. Internal Auditing assisted with investigations for a few remaining incidents, primarily centering on allegations of employee misconduct or misuse of property. In fiscal year 2008, Internal Auditing spent about 9% of its applied hours on fraud inquiries and investigations.
IV. Professional Advice

Internal Auditing also makes itself available to offer professional advice on topics within its expertise. During fiscal year 2008, Internal Auditing fielded 132 questions dealing with various topics. Common questions pertained to compliance with board policies and best practices. Internal Auditing representatives also sit on various MnSCU task forces and committees, including: Security Steering Committee, Finance User Group, Staff and Leadership Development Committee, Financial Aid Directors, and the Accountability Framework Drafting Team. In 2008, Internal Auditing spent about 7% of its applied hours on professional advice services.

V. Analysis of Staff Hours

Internal Auditing has a staff complement of ten professional auditors and consultants and one administrative assistant. The majority of its professional staff, regional audit coordinators, are located on college or university campuses throughout the system. The audit coordinators serve multiple colleges or universities located in their regions.

The office has had the same size and structure since shortly after it was created in 1997. Its centralized structure and auditing approach allows the office to retain a modest complement of audit staff, compared to other internal audit offices in large, public higher education systems.

Each year the Board of Trustees approves an audit plan for the ensuing fiscal year. In June 2007, the board approved a plan that estimated use of staff time. Table 1 shows how actual use of staff time compares to the audit plan for technical services.

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<tr>
<th>Activity</th>
<th>Percentage of Staff Hours</th>
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<tr>
<td></td>
<td>Audit Plan</td>
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<tr>
<td>Technical Services</td>
<td></td>
</tr>
<tr>
<td>Assurance Services</td>
<td>64%</td>
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<tr>
<td>Inquiry/Investigations Support</td>
<td>8%</td>
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<tr>
<td>Consulting Services</td>
<td>12%</td>
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<tr>
<td>Professional Advice</td>
<td>11%</td>
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<tr>
<td>Planning &amp; Development</td>
<td>5%</td>
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<tr>
<td>Percentage of Total Applied Hours</td>
<td>100%</td>
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The Future

In September 2008, the Board of Trustees approved the Audit Plan for Fiscal Year 2009. That plan and other information on Internal Auditing projects are available at the Office website, www.internalauditing.mnscu.edu.