

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

Agenda Item Summary Sheet

Committee: Audit Committee

Date of Meeting: January 21, 2009

Agenda Item: Review Legislative Auditor Report on the Use of General Obligation bonds

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

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

Pursuant to Board Policy 1A2, Part 5, Subpart E, the Audit Committee is responsible for overseeing the work of internal and independent auditors.

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 Office of the Legislative Auditor released this report publicly on December 5, 2008.
- The report focused on the spending of state general obligation bond proceeds by all state entities, not just the Minnesota State Colleges and Universities.
- Three audit findings cited transactions or spending practices of the Minnesota State Colleges and Universities.

Background Information:

- The Office of the Legislative Auditor initiated this audit based on its statutory authority to audit state entities. It was not requested by the Minnesota State Colleges and Universities, nor anticipated as part of the system external audit plan.

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

BOARD ACTION
REVIEW LEGISLATIVE AUDITOR REPORT ON THE USE OF GENERAL OBLIGATION BONDS

BACKGROUND

The public release of this audit report occurred at the December 5, 2008. The final report may be obtained from the Office of the Legislative Auditor web site:
<http://www.auditor.leg.state.mn.us/fad/2008/fad08-34.htm>.

This audit examined the spending of general obligation bond proceeds by several state entities, including the Minnesota State Colleges and Universities. The Office of the Legislative Auditor prepared the attached summary of the findings regarding our system. Although these findings require some remedial action, Internal Auditing does not consider them to be “critical” issues. Vice Chancellor Laura King provided an official, which was attached to the audit report.

Date Presented to the Board of Trustee: January 21, 2009



**MnSCU Audit Committee Meeting
January 21, 2009, 9:00 a.m.
OLA Audit Report on General Obligation Bond Expenditures**

MnSCU Audit Scope

- ◇ Twelve capital appropriations authorized by the *Laws of Minnesota* 2006, Chapter 258 (the 2006 bonding bill)
- ◇ Appropriations totaled \$161 million and expenditures at March 31, 2008, totaled \$111 million

Audit Conclusions on MnSCU Bond Expenditures

- ◇ Internal controls were generally adequate to ensure resources were safeguarded, financial information was reliable, and expenditures complied with legal requirements.
- ◇ Capital expenditures we tested complied with the *Minnesota Constitution*, appropriation laws, state statutes, and policies and procedures except for reported findings.
- ◇ Six colleges and universities had no reported findings.

MnSCU Audit Findings

1. MnSCU did not have a clear process to connect internal project management costs to specific projects (\$1.6 million). (Finding 4 in audit report)
2. Ineligible costs charged to bond funds included catering and tools (\$1,000), moving costs (\$63,000), and ineligible projects (\$60,000). (Finding 2 in audit report)
3. One college:
 - a) did not file a real estate declaration for a new building purchase totaling \$3.4 million; and
 - b) may not have complied with state constitution and other legal requirements in the purchase and leaseback of the building. (Findings 1 and 5, respectively, in audit report)

Next Step: Policy Discussions with Minnesota Management and Budget

Questions?