

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

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

**Date of Meeting:** October 13, 2009

**Agenda Item:** Review Action Plan to Address Legislative Auditor Findings

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.

**Presenter at the Audit Committee meeting:**

John Asmussen, Executive Director, Office of Internal Auditing  
Laura King, Vice Chancellor for Finance & Chief Financial Officer  
Lori Lamb, Vice Chancellor for Human Resources

**Outline of Key Points/Policy Issues:**

- The audit committee asked the Office of the Chancellor to recommend actions and policy referrals for this report.

**Background Information:**

- The audit scope covered the eight colleges not subject to annual financial statement audits.
- The public release of this audit report occurred at the September 8, 2009 audit committee meeting.

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

<b>INFORMATION ITEM</b>
<b>REVIEW ACTION PLAN TO ADDRESS LEGISLATIVE AUDITOR FINDINGS</b>

**BACKGROUND**

At the September 8, 2009, audit committee meeting, the Office of the Legislative Auditor released its financial audit of eight colleges (Report No. 09-30). Section A of the report cited seven findings that the auditor described as “significant internal control weaknesses and compliance concerns related to specific colleges and system weaknesses noted at a majority of the colleges we audited.” Section B of the report cited an additional 13 findings that had more isolated effects and could be “effectively resolved by college management.” The audit committee concentrated on the seven findings cited in Section A of the report and asked the Office of the Chancellor to recommend actions and policy referrals so that corrective actions, as necessary, would be taken by all colleges and universities in the system so that these findings would not reappear in future audits as systemic problems.

**General Actions Planned by the Office of the Chancellor**

The Office of the Chancellor will distribute copies of the final report to all presidents, Chief Finance Officers, and Chief Human Resources Officer. The reports will be accompanied by instructions to review the findings in Section A of the report and to conduct a self-assessment of their institution’s processes for each area.

The Chancellor will impress upon presidents at the November 2009 Leadership Council meeting that it is essential for them to learn from the audit findings cited at other institutions.

The Vice Chancellors for Finance and Human Resources will review the Section A findings with campus representatives at system-wide meetings held during the next year.

As part of its mid-year (January) and year-end (June) monitoring of prior audit findings, the Office of Internal Auditing will review the self-assessments conducted by each institution for the Section A findings, progress being made by the audited institutions on Section B findings, and report on areas that need improvement.

## **Referrals to other Board Committees**

Three findings will be referred to the Finance Committee for further review and discussion:

- Finding #1 cited poor controls over granting security clearances to the business applications run on the Integrated Statewide Records System (ISRS). Board Policy 5.23 governs the Security and Privacy of Information Resources.
- Finding #3 cited deficiencies in recording equipment. Board Policy 7.3 and System Procedure 7.3.6 govern the accounting for capital assets, including equipment.
- Finding #4 cited weaknesses with managing employee use of college-issued credit cards. Board Policy 7.3 and System procedure 7.3.3 govern the use of credit cards.

Three findings will be referred to the Human Resources Committee for further review and discussion:

- Finding #2 cited widespread problems with accounting for administrator and faculty leave. Labor agreements govern the eligibility for leave accruals; no board policies or system procedures address accounting for employee leave.
- Findings #6 and #7 raised questions about early separation incentives paid to former faculty members. Board Policy 4.6 establishes limitations on the re-employment of employees who have received such payments. Recently Policy 4.11 was approved to offer a new program for early separation incentives, as authorized by the 2009 Legislature. The findings cited by the Legislative Auditor pertained to incentive programs authorized by the MSCF bargaining agreement.

*Date Presented to the Board of Trustee: October 13, 2009*