



**AUDIT COMMITTEE  
OCTOBER 13, 2009  
8:30 A.M.**

**BOARD ROOM  
WELLS FARGO PLACE  
30 7TH STREET EAST  
SAINT PAUL, MN**

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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 This calls the meeting to order.**

- (1) Minutes of September 8, 2009** (pages 1-7)
- (2) Discuss the Roles and Responsibilities of the Audit Committee (pages 8-11)
- (3) Review Internal Audit of Supplemental and Auxiliary Revenues (pages 12-13)
- (4) Review Action Plan to Address Legislative Auditor Findings (pages 14-16)

Members

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

**Bolded** items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
AUDIT COMMITTEE  
MEETING MINUTES  
September 8, 2009**

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***Audit Committee Members Present:*** Trustees Scott Thiss, Chair; Jacob Englund, and James Van Houten.

***Audit Committee Members Absent:*** Trustees Dan McElroy and David Paskach.

***Other Board Members Present:*** Trustees Duane Benson, Christopher Frederick, and Cheryl Dickson.

***Leadership Council Committee Members Present:*** John Asmussen, President Pat Johns, Gail Olson, Laura King and Lori Lamb.

The Minnesota State Colleges and Universities audit committee held its meeting on September 8, 2009, at Wells Fargo Place, 4<sup>th</sup> Floor, Board Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Thiss called the meeting to order at 2:24 p.m.

**Approval of the Audit Committee Meeting Minutes**

*Chair Thiss called for a motion to approve the July 21, 2009 audit committee meeting minutes. Trustee Van Houten moved to approve the minutes, Trustee Englund seconded, there was no dissent and the motion carried.*

**1. Review Legislative Auditor Financial Audit Results (Information Item)**

Trustee Scott Thiss, audit committee chair, introduced and welcomed Mr. James Nobles, Legislative Auditor, Ms. Cecile Ferkul, Deputy Legislative Auditor, and Mr. Brad White and Mr. Dave Paliseno, Audit Managers with the Office of the Legislative Auditor.

Mr. John Asmussen, Executive Director of the Office of Internal Auditing, reminded members that the Legislative Auditor annually reviewed a portion of the colleges that were not audited as part of the annual financial statement cycle. He noted that this year the report had been divided into two sections. The first section focused on findings that had policy implications systemwide, and the second section identified findings that were specific to a campus which required some corrective action.

Mr. Asmussen stressed that the largest concern were the findings in the first section which had been reported in the prior year for a different set of colleges. He noted that it was important for the system to apply learning from one set of colleges to the next to avoid this type of repeat finding in the future.

Mr. Brad White introduced Mr. Scott Tjomsland, Mr. David Poliseno, Ms. Tracy Gebhard, and Mr. David Westlund from the audit staff. Mr. White summarized the results of the Legislative Auditor's report that examined the financial controls and

legal compliance at eight colleges. He stated that the focus of the work was internal control and compliance college financial operations.

He explained that financial statement audits were meant to express an opinion on the financial health of the college and provide an independent assurance that the numbers were fairly presented. The control and compliance audits focused on operational controls and day-to-day oversight over processing financial transactions and would provide assurance that the colleges were adhering to board policies and system procedures.

Mr. White reported that adequate control did exist over major and routine financial cycles such as resident tuition, employee base salary and operating expenses. He noted, however, that the colleges needed to tighten controls over smaller higher risk, non-routine areas such as tuition reciprocity, employee leave and credit card use.

Mr. White stated that there were seven findings in Section A that involved systemic issues and non-compliance matters that could best be solved by directive, guidance, or oversight by the Chancellor's Office. He added that Section B involved thirteen findings that were specific college financial operations. He then led the committee through a discussion of the major findings in the report.

Finding number one reported that several college employees had access to incompatible functions in the Minnesota State Colleges and Universities financial systems. Mr. White noted that some colleges had started to develop limited mitigating controls, but that those controls were not in writing.

Trustee Van Houten asked why a staff member would be given incompatible access to information systems. Mr. White explained that often colleges would set up additional access rights to another staff in order to have a back-up person for the primary staff responsible. He added that the Office of the Chancellor had recently developed a new process within the accounting system that would allow colleges to give and remove access right to their employees directly. Ms. Laura King, Chief Financial Officer noted that in the past, establishing security profiles that matched the way the work was being done had been a very cumbersome activity. She noted that a great deal of work had gone into simplifying that process.

Mr. White further added that many of the colleges were unclear of the specific risks created by the additional access and would welcome guidance on how to develop detective effective controls. President Pat Johns, Anoka-Ramsey Community College, added that often in the rush of student lines and business, employees share log-in rights for convenience and to save time. He added that the campuses could do a better job in training staff of the implications of these shortcuts.

Mr. Asmussen agreed, stating that the desire to be student centered sometimes motivated staff actions, but that they usually didn't realize the potential exposure for risk. He further added that the smallest college examined by the auditors was cited for only one exception because they had a very diligent staff member who was very thoughtful about how they granted access rights. He believed that example showed

that it would be possible to have strict access rights in the other campus environments as well.

Finding number two involved errors in employee leave benefits. The Minnesota State Colleges and Universities personnel system tracked leave earned and taken, however that system required a substantial amount of manual intervention to be kept accurate. Mr. White noted that they had encountered a wide variety of errors when testing leave earned.

Trustee Englund asked if this was a function that could be done more efficiently if it were centralized within the system's Human Resources office. Ms. Lori Lamb, Vice Chancellor for Human Resources, stated that it would be difficult to staff centrally because it would require transportation of paperwork from the campuses, and it may not gain efficiency or accuracy. But she further added that there was a lot that could be done to improve the process.

Chair Thiss asked if there could be a system review of the work that was done. Ms. Lamb agreed and stated that they were working on a methodology for campuses to run a periodic report to review leave balances that had been entered. She added that there was also a need to do employee leave audits more often than only at the end of an employee's career.

Chair Thiss observed that this finding had been noted in prior years at different colleges and he expressed concern about its repeating nature.

Chancellor McCormick stated that presidents at colleges not being audited should be reading these annual audit reports and looking for ways that they could improve processes on their own campuses before the auditors come there. He added that there should be a way to communicate better to the presidents. President Johns stated it may be helpful to have these types of systemic audit concerns added to the presidential year-end reviews. Chancellor McCormick stated that the issue would be raised at the next Leadership Council meeting.

Mr. Asmussen stated that the structure of the audit report this year would help presidents be able to quickly identify systemic issues versus individual campus errors in a way that had not been as clear in past reports.

Finding number three involved inadequate control over equipment and sensitive asset inventories. Mr. White added that because college buildings were publicly accessible, equipment controls were critical to provide assurance that the assets did exist and that they had not been stolen.

Finding number four reported that colleges did not sufficiently control college-issued credit cards to employees, nor did they follow formal system procedures. Mr. White added that credit cards were an efficient tool in the current purchasing environment, but that oversight and control over credit card use was critical.

Chair Thiss expressed concern that these inadequate controls were likely common at other colleges as well. He asked how many credit cards were issued at the colleges. Mr. Asmussen stated that at the eight colleges that were audited, the number of credit cards varied widely, ranging from seven to one hundred twenty-six. Ms. King stated that she and Ms. Gail Olson, General Council, were working to draft a procedure that would outline the appropriate process for granting credit cards.

Chancellor McCormick stated that one solution would be to rescind all college-issued credit cards, but he added that a better practice would be to institute a process to handle credit cards efficiently. Ms. King agreed, stating that from a commerce standpoint, credit cards had become the way of doing business and there were many vendors that wouldn't do business with colleges except through a credit card based account. Mr. White agreed, stating that as more purchases were made over the internet, college-issued credit cards were essential for doing business.

Finding number five involved pervasive control weaknesses with the lack of documentation supporting some faculty member compensation at Anoka Technical College.

Chair Thiss asked if the nuances of contracts and calculations made this difficult to monitor. Ms. Lamb agreed that pay structures for faculty and different employee groups were extremely complex; however, she added that it was important to have documentation in place to support the decisions that were made. She added that the Anoka Technical College already had taken steps to address these issues.

Trustee Van Houten stated that the complexity of the bargaining agreements and contracts was clearly an issue. He stated that there ought to be communication with faculty unions and administrative unions to find ways to simplify these agreements. Ms. Lamb agreed that these issues should be raised in a long term labor relations strategy.

Finding number six involved early retirement incentives and the subsequent rehiring of an employee back into a permanent position at North Hennepin Community College. Mr. White stated that when early retirement incentives were involved, board policy restricted the re-employment to a limited period, however, what constituted a limited period had not defined.

Chancellor McCormick added that this situation was complicated by the fact that the individual had retired from one bargaining unit and rehired into a different bargaining unit. Ms. Lamb stated that those complexities had been reviewed and the situation at the college had been resolved to the extent that the employee's employment had been redefined as a limited term appointment.

Ms. Lamb stated that she did, however, disagreed with the auditor's recommendation that board policy should further define the what was meant by a limited appointment. She stated that a limited period in one instance may not be limited in another, and that making an arbitrary line not work in each individual situation. She added that it was important for the system to be able to retain flexibility. She stated that there should

be more communication with the colleges about the intent of the policy to ensure compliance.

President Johns stated that it may be important to consider, not just communicating the existing policy, but to consider if the current policy is the appropriate statement for the system to practice. Chair Thiss agreed that there needed to be more discussion on the policy implications.

Finding number seven involved two faculty from Alexandria Technical College that received a larger severance package than they were eligible for under the contract. Mr. White stated that the school district contract allowed a larger severance for those retiring at age fifty-eight, however, both faculty members were under that age. He added that the college felt justified in providing the larger severance due to past practice where it had been providing the larger severance to other faculty members at age fifty-five.

Ms. Lamb asserted that the use of past practice was correct, but that she respected the perspective of the auditors and would work to make the issue more transparent. Trustee Van Houten stated past practice could not override a written labor contract. Mr. White agreed that in this case the contract criteria had been very clear. Ms. Lamb stated that the colleges had operated good faith within what they understood to be that advice they had gotten from the Office of the Chancellor.

Trustee Thiss asked how this situation could be clarified going forward. Ms. Lamb stated that it would be her intent to codify the past practice. Trustee Van Houten stated that he did not believe there was a good argument to be made for future practice based on a past mistake. He added, however, that this issue could be dealt with as an assignment from the audit committee.

Chancellor McCormick asked if there were statutes of limitations as to how far the system would be allowed to go back to collect money. Ms. Lamb stated that the issue would be the difficulty in going back to collect money on an issue that the system had intentionally entered into. Chair Thiss stated that his concern was how to deal with this issue in the future.

Mr. White ended his presentation on the first section. Trustee Van Houten asked about finding number ten which involved two colleges that did not promptly reconcile and resolve differences between their local bank account balances and the system's accounting system. He expressed concern that a college would fail on a rudimentary accounting record over the course of six months. Mr. White stated that in both instances the errors occurred due to employee turnover. He added that when the new staff were hired they were eventually able to catch up, but he agreed that it was important for colleges to control their local accounts. Ms. King agreed and stated that she did not believe this finding was a sign of further internal controls issues.

Trustee Van Houten stated that it was a concern that these colleges could go so long without closing their books. Ms. King pointed out that closing books in the public domain was a much different imperative than it was in the private domain.

Chancellor McCormick added that it was much easier for a college to reconcile its accounts a regular basis than to catch up afterwards. Ms. King agreed.

Chair Thiss asked about finding number fifteen involving several colleges that reimbursed employees for questionable expenses or did not require employees to provide sufficient documentation to substantiate claimed expenses. He asked if this finding was connected to the issue of college-issued credit cards. Ms. King agreed that there were areas that overlapped, such the use of credit cards for meals and travel.

Trustee Van Houten asked what amount of capital costs were required in order to be maintained on the capital inventory. Ms. King stated that for the financial statement level and for inventory control the capital costs would be \$10,000. Trustee Van Houten asked if there was a record of all the items under the \$10,000 threshold. Ms. King stated that they were not listed on the books or on the financial statements. Mr. White added that there was a category called sensitive assets which included certain items under the \$10,000 threshold such as computers and weapons, which were intended to be put on inventory in order to help control them.

Trustee Van Houten noted that there were several comments in the second section regarding collections. He asked if there had been any feedback from the institutions. Ms. King stated that those issues were being tracked. She added that a couple of corrections had occurred but that there had not been any collections yet. He asked if the system was planning to wave any of the collections noted. Ms. King stated that those issues where collection was the right strategy, would not be waved. But she added that there were differing views about whether some should be pursued for collection.

Trustee Van Houten stated that South Central College had paid three vendors for services totaling \$63,000 without evidence that the services had been received. He asked why the recommendation had not included verification that those services had been received. Mr. White explained that the auditors were looking for the control practice which failed in this case.

Chancellor McCormick asked if all purchases were processed through a single office in order to control that type of verification. Ms. King stated that ideally a single office would be the best practice, but that often deliveries are made directly to a faculty person's classroom.

Mr. Asmussen stated that the Office of Internal Auditing had asked for and received all the supporting documentation that the auditors had on these exceptions, and staff had followed up on many of them already to ensure that these were legitimate transactions. He added that his office would continue to track those transactions as part of the routine follow-up practice.

Chair Thiss stated that typically the audit committee would make recommendations to other committees for them to follow-up on specific audit findings. He asked the staff

to prepare a brief report for the audit committee that would recommend appropriate committee routing for each finding as well as a timetable for dispensing the findings.

Chair Thiss noted that while it is not the audit committee's expectation that there not be any errors in this environment, but that the systemwide expectation would be for excellence in all things. He added that communication with non-audited colleges was important in order to avoid repeat findings.

Chancellor McCormick stated that he had spoken with a former legislator who had reviewed these audit reports in the past, and had expressed his appreciation for the work of the Office of the Legislative Auditor, the Board of Trustees and of the staff. He was impressed because they system took these findings seriously and used them as opportunities for continuous improvement. He further expressed a desire to that all state agencies operated with such diligence.

Chair Thiss thanked Mr. Nobles, Ms. Ferkul, Mr. White and their staff for their excellent continuous improvement report.

Mr. Nobles thanked the committee and the Chancellor. He stated that the Minnesota State Colleges and Universities had a strong structure in place that expressed a serious concern and interest in good management of the enterprise. He added that the committee discussion had brought out issues that they had hoped would be discussed and he added that it was good for the people at the campus level to understand the importance of compliance with contracts and board policy. Finally, he commended the board and the audit committee, for their focus on the issues.

The meeting adjourned at 3:33 p.m.

Respectfully submitted,  
Darla Senn, Recorder

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

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

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

**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 2009 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.

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

<b>INFORMATION ITEM</b>
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<b>DISCUSS THE ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE</b>
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**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 2009, 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 13, 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.

**YES NO**

- |                          |                          |  |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Independent Auditor’s Report</u> cite any departures from Generally Accepted Accounting Principles?                            |
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Independent Auditor’s Report</u> cite any limitation on applying Generally Accepted Auditing Standards?                        |
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Report on Internal Control and Compliance...</u> cite any exceptions noted as material weaknesses or significant deficiencies? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does the <u>Report on Internal Control and Compliance...</u> cite any instances of non-compliance?   |
| <input type="checkbox"/> | <input type="checkbox"/> | Has the auditor communicated any disagreements with management or difficulties encountered during the audit?                               |
| <input type="checkbox"/> | <input type="checkbox"/> | Has the auditor communicated any significant audit adjustments made to the financial statements?   |

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.]:

**YES    NO**

- Tuition and Fees
- State Operating and Capital Appropriations
- Employee Compensation
- Federal and State Financial Aid Programs
- Capital Asset Construction and Maintenance
- Auxiliary Operations, such as bookstores, residence halls, and food services
- Unrestricted Net Asset Balances (Check the primary reserve ratio disclosed in the MD&A section for adequacy)

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:

**YES    NO**

- Prior Period Adjustments
- Significant joint ventures, alliances, and partnerships
- Contingent Liabilities Resulting from Litigation
- Related Party Transactions
- Subsequent Events.

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

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

**Agenda Item Summary Sheet**

**Committee:** Audit Committee

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

**Agenda Item:** Review Internal Audit of Supplemental and Auxiliary Revenues

- Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring
- Information

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

As part of its 2009 audit plan, Internal Auditing is conducting a study of auxiliary revenue sources at the colleges and universities.

**Scheduled Presenter(s):**

John Asmussen, Executive Director, Office of Internal Auditing  
Beth Buse, Deputy Director, Office of Internal Auditing

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

- This report is intended to provide useful information to the Board of Trustees.

**Background Information:**

- In January 2009, the audit committee a system-wide internal auditing study of the auxiliary revenues collected at the colleges and universities.
- In May 2009, the audit committee reviewed the preliminary report on the project.

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

<b>INFORMATION ITEM</b>
<b>REVIEW PRELIMINARY AUXILIARY REVENUE SOURCES REPORT</b>

In January 2009, the audit committee approved a system-wide Internal Auditing study of auxiliary revenues collected by the college and universities. The audit committee reviewed a preliminary report on the results from phase I of the study at its May 20, 2009 meeting. This project was selected because of interest in learning more about auxiliary and supplemental revenue sources and to ensure that the most significant sources, e.g. bookstores and food services, maintained adequate internal controls and complied with existing board policies.

John Asmussen, Executive Director of the Office of Internal Auditing, will release the final report on the full project to the audit committee at its October 13, 2009 meeting.

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

**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*