

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
AUDIT COMMITTEE
MEETING MINUTES
July 21, 2009**

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

***Audit Committee Members Absent:** Trustee David Paskach.*

***Other Board Members Present:** Trustees Duane Benson, Cheryl Dickson, Allyson Lueneburg, and Christine Rice.*

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

The Minnesota State Colleges and Universities audit committee held its meeting on July 21, 2009, at Wells Fargo Place, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Thiss called the meeting to order at 3:23 p.m.

Approval of the Audit Committee Meeting Minutes

Chair Thiss called for a motion to approve the May 20, 2009 audit committee meeting minutes. The Chair moved to approve the minutes, there was no dissent and the motion carried.

1. Approval of FY 2010 Internal Auditing Annual Audit Plan (Action Item)

Chair Scott Thiss began by welcoming President Pat Johns of Anoka Ramsey Community College as the representative of the Leadership Council to the audit committee.

Mr. John Asmussen, Executive Director of the Office of Internal Auditing, stated that the most significant change in the audit plan for 2010 was the elimination of the consulting services that have been provided to the colleges and universities in the past. He noted that this decision was made in light of the recent budget challenges faced by the system which required divisions to make a 15% reduction in costs. He stated that consulting services had made a positive contribution to the system for over 10 years, there had been wonderful work done, and that several presidents used the service with vigor and saw great value in the service. However, Mr. Asmussen explained that it was not an essential offering of the Office of Internal Auditing. He stated that the Office of Internal Auditing was not willing to consider dropping assurance services and investigative support. He explained that the campuses did not have their own internal audit offices and that the Office of Internal Auditing was the only resource for those types of services.

Mr. Asmussen stated that the audit plan for 2010 was structured in priority order. He noted that support for the external auditors and the legislative auditors accounted for

half of the assurance services provided by the Office of Internal Auditing, and included following-up work on outstanding audit findings. Mr. Asmussen stated that there was time reserved in audit plan for 2010 to perform at least one systemwide study during the year. He stated that it was essential to have at least one systemwide study each year that connected to policy issues for the board.

Mr. Asmussen noted that audit planned allowed for about some flexibility for unknown issues that could arise during the year. He noted that the Office of Internal Auditing was under contractual obligations with the external auditors and the legislative auditor to provide that support, so it was important to maintain some flexibility in the plan.

Finally, Mr. Asmussen pointed out that the extent of information technology audits that should occur in the system had not yet been decided. He reminded the members that in the past, the Office of the Legislative Auditor provided information technology services and when they no longer provide that service, the external auditors bridged the gap to provide baseline service. Mr. Asmussen stated that the principal auditor would likely have a recommendation for information technology in their report in November.

Trustee Van Houten asked if the changes in the audit plan would mean a reduction of staff. Mr. Asmussen stated that the Office of Internal Auditing was eliminating one and a half positions. Trustee Van Houten noted that presidents would continue to have issues that they felt needed further exploration and study. He noted that without the consulting function at the system level, the colleges and universities would now have to pay for services from outside of the system to fill the void. Trustee Van Houten stated that there should be some way for the colleges and universities to reimburse the system office for consulting services, and accommodate presidents who would like to work with the internal staff.

Trustee Van Houten expressed concern, given the expansion of technology and the new software, that the system could be uncertain of its ability to monitor information technology. He stated that information technology was the biggest audit risk to the Minnesota State Colleges and Universities. Ms. King agreed that it was appropriate to raise the concern and stated that there would be more discussion with the committee in the fall. She added that there would likely be changes to the audit strategy as a result of work being done by the external auditors.

Trustee Van Houten stated that security on technology should be a cost of technology and not a cost of internal auditing. Ms. King stated that currently information technology wasn't a financing issue, but rather a work scope and management issue that needed to be explored and discussed further.

Mr. Ken Niemi, Vice Chancellor for Information Technology Systems & CIO, stated that the external auditors had done a very good job, and that they had spent time learning the Minnesota State College and Universities very unique and complex environment. He stated that he had a great deal of confidence in their ability to offer assurance that the system was in reasonable shape from a security standpoint. Mr.

Niemi also pointed out that additional funding had allowed the system to build its own internal security staff and had given them a level of independence. The system was looking at security risks from an information technology perspective in a way that it had not been able to do just a few years ago. Mr. Niemi thanked the committee for its continued vigilance and interest in the importance of information security.

Mr. Asmussen agreed that there had been lot of work done to build assurances back to the Office of the Chancellor about what was happening at the campuses, as well as a self assessment of information technology. But he added that it was important to be able to elevate those assurances about the reliability of information technology up to the board as well.

Trustee Van Houten made the motion and it was seconded by Trustee Englund. There was no dissent and the following motion carried:

On July 21, 2009, the audit committee reviewed the draft Fiscal Year 2010 Internal Auditing Plan and approved the following motion:

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees approves the Office of Internal Auditing annual audit plan for fiscal year 2010.

2. FY 2010 Audit Committee Work Plan (Information Item)

Mr. Asmussen stated in the past the annual audit plan had contained a draft committee schedule, but that this year the board chair had requested that each committee present draft a standalone schedule for the year.

Mr. Asmussen presented the draft audit committee schedule for fiscal year 2010 and pointed out that there would probably need to be a special meeting in October to present the results of the systemwide study. Trustee Thiss asked that the October meeting be added to the members' calendars.

Trustee Thiss noted that topics that were reviewed by the audit committee were often later referred to other committees, which might impact their work plans as well. He asked if the finance committee was prepared to receive the report from the Office of the Legislative Auditor on the evaluation for Office of the Chancellor. Ms. King stated that the finance committee had included that report on their schedule for March 2010.

3. Other Items

Trustee Thiss reported that he and two other trustees had a brief meeting with the Office of the Legislative Auditor to discuss the scope of their program evaluation of the Office of the Chancellor.

Mr. Asmussen added that the evaluation team had interviewed most of the cabinet members and were in the process of developing a survey for presidents. He stated that they also would meet with other key officials on the campuses. Mr. Asmussen informed the committee that there would probably be a draft report issued at the end of November, and that the Office of the Legislative Auditor was on the schedule to present the final report to the board in January 2010.

The meeting adjourned at 3:45 a.m.

Respectfully submitted,
Darla Senn, Recorder