

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

Agenda Item Summary Sheet

Committee: Joint Advancement and Audit
Committees

Date of Meeting: December 17, 2007

Agenda Item: Possible Internal Audit of Foundations.

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

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

Discuss possible internal audit of the Minnesota State Colleges and Universities Foundation and campus foundations. The Audit Committee has oversight for the selection of internal auditing topics (Board Policy 1A2, Part 5, Subpart E). The Advancement Committee has policy oversight for foundations (Board Policy 8.3) and would be the primary intended user of an audit project focused on foundations.

Scheduled Presenter(s):

- Catherine McGlinch, Executive Director, Minnesota State Colleges and Universities Foundation
- John Asmussen, Executive Director of Internal Auditing

Outline of Key Points/Policy Issues:

- Further information is needed to consider key elements of Board Policy 8.3, particularly the rate of return expectations.

Background Information:

- The contract between the Office of the Chancellor and the Minnesota State Colleges and Universities foundation expires on June 30, 2008.
- Board Policy 8.3 is subject to a five-year review in 2008.

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MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION ITEM
Possible Internal Audit of Foundations

Background: Catherine McGlinch and John Asmussen will provide information on the Minnesota State Colleges and Universities Foundation, on the campus foundations, and the relationship between the Board of Trustees and institutionally-related foundations to aid further discussion of Board Policy 8.3 and to examine foundation cost allocation methods in order to establish consistent methodologies and best practices.

The Advancement and Audit Committees jointly will consider questions that could be addressed in an evaluation conducted by the MnSCU Office of Internal Auditing. Trustees should review the provisions of Policy 8.3 (see <http://www.mnscu.edu/board/policy/803.html>) and Procedures 8.3.1 (see <http://www.mnscu.edu/board/procedure/803p1.html>) and 8.3.2 (see <http://www.mnscu.edu/board/procedure/803p2.html>) prior to the meeting.

Possible Evaluation Questions

1. What provisions of Policy 8.3 should be evaluated, such as:
 - **Part 2, Subpart B.** The contract must require that, in return for administrative support, the foundation will contribute to the system, college, or university an amount equal to or more than the value of the administrative support provided by the system, college, or university to the foundation. This requirement may be waived for a limited time for new foundations or foundations undergoing structural or mission change pursuant to the conditions set forth in Procedure 8.3.2.
 - How consistently are costs and benefits being measured for this provision?
 - How inclusive are the measures of costs and benefits?
 - To what extent have MnSCU administrative services provided to the foundations been limited to the allowable services (Procedure 8.3.1, Part 3A) and avoided non-allowable services (Procedure 8.3.1, Part 3B)?
 - Processing waivers of the rate of return policy requirement within the constraints of Procedure 8.3.2?
 - **Part 2, Subpart E.** Contracts shall require that the foundation annually provide to the college or university and the system office a copy of its most recent financial report filed with the attorney general pursuant to Minn. Stat. Ch. 309. Foundations receiving less than \$350,000 in revenues annually shall submit a copy of an external financial audit at least every three years.
 - Have colleges and universities filed these reports timely?
 - To what extent do the reports contain sufficient information to evaluate compliance with board policies and procedures?

2. What other provisions of Procedures 8.3.1 and 8.3.2 should be evaluated, such as:
 - Adhering to the limitations regarding MnSCU employees serving as foundation board members (Procedure 8.3.1, Part 3C)?
 - Providing accounting and financial reporting services within the specified restrictions (Procedure 8.3.1, Part 3D and Parts 4A-C)?
3. How do the MnSCU Policy and Procedures compare to policies and procedures adopted by other public higher education systems?
4. Are there best practices for institutionally-related foundations that should be considered for the MnSCU Policy or Procedures?
5. What other aspects of foundations and fund-raising need to be considered to facilitate making policy decisions?

Considerations about the Project Scope and Timing

The Office of Internal Auditing must balance the scope for this project against other project commitments over the next several months. The evaluation questions that interest the committees' members must be converged into a workable project plan intended to yield final results within the timeframes needed by the Advancement Committee.

- To facilitate making a decision about contract renewal for the Minnesota State Colleges and Universities Foundation, the Advancement Committee needs any evaluation conclusions related to this foundation by March 2008. The current contract with this foundation is scheduled to expire on June 30, 2008. For the past three years, it has been operating under a waiver of the rate of return provision stipulated by Policy 8.3, Part 2, Subpart B.
- To assist with the five-year review of Policy 8.3, the Advancement Committee would need the results from the full study by September 2008.

The Development Division of the Office of the Chancellor will provide content expertise to this project. It may seek assistance from college and university development directors as warranted.