CONNECTICUT STATE
COLLEGES & UNIVERSITIES
BOARD OF REGENTS FOR HIGHER EDUCATION

39 Woodland Street
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MEETING OF THE
AUDIT COMMITTEE

Board of Regents for Higher Education
Room 209
39 Woodland Street, Hartford, Connecticut

Tuesday, September 13, at 10:00 AM

AGENDA

1. Approval of the Minutes of June 14, 2016 Meeting

2. Interim Report by Grant Thornton

> Claire Esten, Partner
> Jeff Su, Managing Director
> Brittany Kelley, Senior Manager
> Justin Morrow, Manager

3. Update on Enterprise Risk Management

4. Internal Audit Reports – Faculty Consulting and Research Policy Audits (provided at meeting)

   a. CCC
   b. NCCC
   c. ACC
   d. COSC
   e. GCC
   f. ECSU

5. Executive Session (if required)

6. Adjournment

SPECIAL MEETING OF THE
AUDIT COMMITTEE
Connecticut State Colleges and Universities
Board of Regents for Higher Education
39 Woodland Street
Hartford, Connecticut
Tuesday, June 14, 2016, at 10:00 a.m.

Minutes

REGENTS PRESENT
Elease Wright, Chair
Gordon Plouffe
JoAnn Price

REGENTS ABSENT
William McGurk

BOR/CONNSCU STAFF PRESENT
Erika Steiner, Chief Financial Officer; Karen Stone, Director of Internal Audit; Ernestine
Weaver, Counsel; Christopher Forster, Controller; Louisa Despins, Administrative Assistant for
Finance

With a quorum present, Chair Wright called the meeting to order at 10:04 a.m.

1. Approval of the Minutes of March 15, 2016 and May 3, 2016 Special Meeting.

*Motion by Chair Wright, seconded by Regent Plouffe to approve the Minutes of March 15, 2016
and May 3, 2016 Special Meeting. Motion carried unanimously.*

2. Grant Thornton Audit Plan and Introductions
    a. Audit Plan and Trends in Higher Education
    b. Introduction of Audit Team (Engagement Partner Claire Esten was unable to
        rearrange her schedule but will attend the next meeting in person and attended this
        meeting via dial-in)
    c. In attendance was:
        i.   Brittany Kelley, Lead Audit Manager
        ii. Dana Wilson, Hartford Office Managing Partner
        iii. Jeff Su, Senior Manager on CCC Audit
        iv. Mary Foster, Managing Director – Higher Education Industry Expert

Dana Wilson explained that Grant Thornton is responsible for performing an audit under US
GAAS of the financial statements prepared by management; forming and expressing an opinion
on whether the financial statements are presented fairly, in all material respects in accordance

with US GAAP; forming and expressing an opinion on whether certain supplementary information is fairly stated in relation to the financial statements as a whole; reading other information and considering whether it is materially inconsistent with the financial statements. She gave an overview of the preliminary timeline:

June 2016 – client acceptance, planning and preliminary risk assessment procedures
June – July 2016 – Interim Procedures
September – October 2016 – Final Fieldwork
November – December 2016 – deliverables (tie out and review financial statements and foot notes, meet with management to discuss results, and present results to the Audit Committee)

Mary Foster discussed the state of the industry and strategic directions in higher education. She emphasized the need to focus on student outcomes and current us of technology to support student achievements.

The team discussed the importance of enterprise risk management and the current focus on reputational risks. In addition, higher education boards are increasingly focused on financial sustainability.

Jeff Su reported that 2016 rating agency outlook for higher education is stable for next 18 to 24 months. There is a moderate revenue growth at or above 3%, with investments in technology and related spending expected to increase. Further, the 2016 federal budget will remain positive for higher education with increases in research funding, minority serving institutions, and Pell grants, and Perkins loans will continue through the 2017-18 school year

3. Update on Auditors of Public Accounts ("APA") Draft Reports

CFO Steiner gave an overview of the Auditors of Public Accounts reports. She said that reports will be followed by management in draft form and by Internal Audit after the reports are final.

CFO Steiner stated that there were several minor items of a human-error nature, and multiple community college findings, including:
- part-time lecturer time sheets - regarding the three colleges
- payments at separation – two colleges failed to follow all of the steps required by CORE, one college inaccurately calculated payment for two terminating employees
- personal service agreements (PSA) – two colleges were found to have allowed a contractor to begin work before the PSA was appropriately approved, as well as a few other issues with payments.

CFO Steiner added that the Internal Audit will follow up on these items.

4. Internal Audit Update
    a. Issue Tracking Follow-up at the System Office and all Institutions

      b. Internal Audit Annual Risk Assessments
      c. FY 2017 Audit Plan

Director Stone gave an update on open audit recommendations tracked by Internal Audit; there were a total of 149 items reviewed (134 items were still open and 15 items were closed; 26 items were new, 103 items had a revised date and 5 items were on track).

Director Stone gave an overview of the FY 2017 Audit Plan. She added that there were several IT Projects for scheduled for FY 2017.

Motion by Chair Wright, seconded by Regent Plouffe to approve the FY Audit Plan. Motion carried unanimously.

    5. Executive Session to Discuss IT Security Plan

At 11:28 a.m. on a motion by Regent Price, seconded by Regent Plouffe, the Committee voted to go into Executive Session for the purpose of discussion IT Security Plan. Chair Wright announced that no votes would be taken in Executive Session.

    6. Adjournment

With no other business to discuss, the meeting was adjourned at 11:45 a.m. on a motion by Regent Price, seconded by Regent Plouffe.

GRANT THORNTON

Presentation to the Audit Committee of
Connecticut State Colleges and Universities
for the year ended June 30, 2016

September 13, 2016

Grant Thornton

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Audit Update

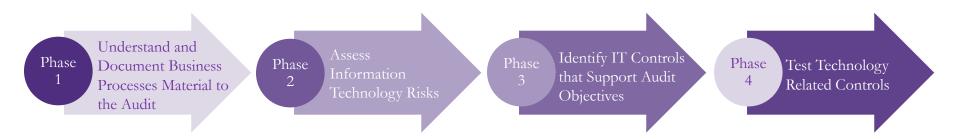**Risk Assessment – CSUS, CCC, COSC**

– We have **performed walkthroughs** of certain key processes and controls to gain an understanding and determine whether they are designed effectively and operating as designed

– We have performed **preliminary analytical procedures** to identify areas for investigation during fieldwork

– We have performed **journal entry walkthroughs** to understand and document the control environment related to posting entries to the general ledger

– We have performed **design and operating effectiveness tests for** System, Southern, and Charter Oak **key financial applications**

– We are working through the **evaluation of component units** as it relates to CCC, **focusing on Magnet Schools**, historically presented as discretely presented component units within the financial statements

Interim Testing – CSUS, CCC, COSC

– We have made selections and received support for interim testing of **new hires and terminations, fixed asset additions and disposals, disbursements and drawdowns**

– Audit teams are in the process of closing down these tests

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Technology support as part of the Financial Statement Audit process

| Phase 1 | Understand and Document Business Processes Material to the Audit | Phase 2 | Assess Information Technology Risks | Phase 3 | Identify IT Controls that Support Audit Objectives | Phase 4 | Test Technology Related Controls |

Processing transactions and producing the information needed to manage day-to-day activities is an important aspect of a University's internal control structure. A critical component of our audit approach is to understand how information technology is used in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices.

Our general controls review evaluates the design of controls that mitigate risk in areas such as security administration, change management and computer operations.

Technology support: In-scope applications & areas of focus
Connecticut State University System Office /
Connecticut Community Colleges

In-scope Application (s)	Purpose	Database
Banner	Student Information, Registration, Bursar, Financial Aid, General Ledger	Oracle

Areas of focus	Audit approach
Security Administration	• Identified and reviewed the systems used by the University to maintain security access to financial applications and databases • Performed reasonableness testing on IT policies and procedures including passwords, access rights administration / review, and access monitoring policies • Performed reasonableness test on administrative level access to in-scope applications and operating systems, firewall configurations, and access to key files for possible segregation of duties conflicts • Tested operating effectiveness of access change controls (new hires, modifications, and terminations), user access reviews, and access monitoring
Program Maintenance	• Performed reasonableness test on the IT organizational structure for change management, change management policies, and administrative access to databases and change management tools • Tested operating effectiveness of change management processes for in-scope applications
Program Execution	• Reviewed financially relevant batch processing procedures • Performed reasonableness test on the IT organizational structure for batch processing, associated policies, job scheduling, system access, and scheduling tool access • Tested operating effectiveness of schedule change and job exception resolution controls • Reviewed management's analysis of job processing exceptions, incidents, and other anomalies that may reflect on the design and operating effectiveness of batch program execution management controls

Technology support: In-scope applications & areas of focus
Southern Connecticut State University

In-scope Application (s)	Purpose	Database
Banner	Student Information, Registration, Bursar, Financial Aid, General Ledger	Microsoft SQL Server 2012

Areas of focus	Audit approach
Security Administration	• Identified and reviewed the systems used by the University to maintain security access to financial applications and databases • Performed reasonableness testing on IT policies and procedures including passwords, access rights administration / review, and access monitoring policies • Performed reasonableness test on administrative level access to in-scope applications and operating systems, firewall configurations, and access to key files for possible segregation of duties conflicts • Tested operating effectiveness of access change controls (new hires, modifications, and terminations), user access reviews, and access monitoring.
Program Maintenance	• Performed reasonableness test on the IT organizational structure for change management, change management policies, and administrative access to databases and change management tools • Tested operating effectiveness of change management processes for in-scope applications
Program Execution	• Reviewed financially relevant batch processing procedures • Performed reasonableness test on the IT organizational structure for batch processing, associated policies, job scheduling, system access, and scheduling tool access • Tested operating effectiveness of schedule change and job exception resolution controls • Reviewed management's analysis of job processing exceptions, incidents, and other anomalies that may reflect on the design and operating effectiveness of batch program execution management controls

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Technology support: In-scope applications & areas of focus
Charter Oak State College

In-scope Application (s)	Purpose	Database
Jenzabar	General Ledger, Student Information	Cloud based

Areas of focus	Audit approach
Security Administration	• Identified and reviewed the systems used by the University to maintain security access to financial applications and databases • Performed reasonableness testing on IT policies and procedures including passwords, access rights administration / review, and access monitoring policies • Performed reasonableness test on administrative level access to in-scope applications and operating systems, firewall configurations, and access to key files for possible segregation of duties conflicts • Tested operating effectiveness of access change controls (new hires, modifications, and terminations), user access reviews, and access monitoring.
Program Maintenance	• Performed reasonableness test on the IT organizational structure for change management, change management policies, and administrative access to databases and change management tools • Tested operating effectiveness of change management processes for in-scope applications
Program Execution	• Reviewed financially relevant batch processing procedures • Performed reasonableness test on the IT organizational structure for batch processing, associated policies, job scheduling, system access, and scheduling tool access • Tested operating effectiveness of schedule change and job exception resolution controls • Reviewed management's analysis of job processing exceptions, incidents, and other anomalies that may reflect on the design and operating effectiveness of batch program execution management controls

Technology support: Preliminary Observations

As we are still in the testing phase in the IT General Controls area, we do not have preliminary observations for discussion.   We will provide the results of this work when we report on the results of the financial statement audit, as part of our required communications.

Connecticut State Colleges & Universities
Enterprise Risk Management

Process Overview for Audit Committee

September 13, 2016

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Enterprise Risk Management Definitions

"Enterprise risk management is a structured, consistent, and continuous process across the whole organization for identifying, assessing, deciding on responses to, and reporting on opportunities and threats that affect the achievement of its objectives"

(Institute of Internal Auditors, 2009)

"Enterprise Risk Management (ERM) is a business process, led by senior leadership, that extends the concepts of risk management and includes:

- Identifying risks across the entire enterprise;

- Assessing the impact of risks to the operations and mission;

- Developing and practicing response or mitigation plans; and

- Monitoring the identified risks, holding the risk owner accountable, and consistently scanning for emerging risks."

(Janice M. Abraham for AGB, 2013)

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Enterprise Risk Management

- CSCU Enterprise Risk Management (ERM) is:
  - ✓ is a process-driven tool requiring significant up-front commitment and periodic follow up,
  - ✓ a method for management to visualize, assess, and manage significant risks,
  - ✓ a measure of CSCU's ability to achieve key organizational objectives, and
  - ✓ a focus on accountability.

- ERM is not:
  - ✓ an audit or traditional risk management function, or
  - ✓ independent from strategic planning; rather, it is core to achieving strategic objectives.

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Risk Categories

Risks are categorized as follows:

- Strategic

- Compliance

- Reputational

- Financial

- Operational

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ERM Governance

- Executive Sponsor: President Ojakian

- Project Owner: Erika Steiner

- Steering Committee:
  - ✓ Erika Steiner
  - ✓ Alice Pritchard
  - ✓ Ernestine Weaver
  - ✓ Jane Gates
  - ✓ Joe Tolisano

- Working groups will be formed at each institution to brainstorm and assess risks

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ERM Project Implementation

- Brainstorm to identify key risks; to be completed by each functional head
- Using heat-map, determine:
  - ✓ Severity of Risk
  - ✓ Probability of occurrence
- Focus on highest risk items first
- Determine:
  - ✓ Are we already addressing
  - ✓ Are there other controls in place to mitigate impact
  - ✓ If not, define a mitigation plan
  - ✓ Are risks under our control
  - ✓ Tolerance level of risk (i.e. are we willing to accept some risks)
  - ✓ Impact on students
  - ✓ Impact on strategic goals

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ERM Project Plan

- Create uniform templates and provide definitions to ensure consistency
- Conduct nineteen evaluations, at:
    - ✓ Four CSUs
    - ✓ Twelve CCCs
    - ✓ COSC
    - ✓ System Office
    - ✓ System-wide
- Brief Presidents on ERM plan
- Begin at System Office
- System Office process to begin end of September 2016
    - ✓ Templates and information to be refined and edited as necessary before meetings with institutions begin
- Request attendance at seventeen institutional Presidents' Cabinet meetings to provide instructions, templates, etc.
- Synthesize and summarize for System-wide assessment
- Continuous process of updating and evaluating risks; quarterly Steering Committee meetings to review status
- Report to Audit Committee of the Board of Regents as progress allows

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Enterprise Risk Management

Risk Register for Site: _____

Check if Impacted

H	High	F/L Fast/Long
M	Medium	M Moderate
L	Low	S Slow/Short

Ref #	Priority Ranking	Risk Short Name	Risk Statement	Example Risk Events	Strategic Goals: Student Success	Student Affordability	Student Access	Achievment Equity	Sustainability	Community Partners	Quality and Innovation	Employee Welfare	Impact to Risk Category: Strategic	Educational/Student Service	Operational	Technology	Personnel/Human Resources	Finance	Compliance/Legal	Reputational	Governance/Controls	Environment/Community	Velocity: Speed to Impact	Anticipated Duration
Academic Affairs																								
1																								
2																								
3																								
Athletics																								
1																								
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3																								
Campus Safety																								
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