



KANSAS BOARD OF REGENTS

Agenda
Fiscal Affairs and Audit Standing Committee
Wednesday, September 15, 2010
11:00am-Noon, Board Room

- I. Questions/Clarifications about the Fiscal Affairs and Audit Standing Committee Items on the Board's Agenda

- II. Other Committee Business
 1. Review KBOR Internal Audit – “Alumni Account” (private fund)
 2. Discuss Implementation of New Audit Policy (attached) with University Business Officers
 3. Receive Status Report on LPA Audit of Excess Credit Hours
 4. Review Committee Planning Document

- III. Upcoming Agenda Call -- Tuesday, October 5, Noon

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b. Internal Audit Function (4-15-10)

(1) Each state university shall have an internal audit function. The responsibility of the internal audit function is to serve the university in a manner that is consistent with the *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors. Additional resources, tools and guidance should be obtained through the Association of College and University Auditors and the Committee of Sponsoring Organizations. (10-17-96)

(2) The purpose, authority, and responsibility of each university's internal audit function shall be defined in a formal written document (internal audit charter) that is approved by each state university's chief executive officer. The charter shall make clear the purposes of the internal audit function, specify the unrestricted scope of its work, and declare that auditors are to have no responsibility for the activities they audit. The scope of work of the internal auditors shall include review of university controlled affiliated corporations, including a review of the IRS form 990 for each such corporation, with a focus on potential conflicts of interest and transactions between the university and university controlled affiliated corporations. The charter shall endow internal auditors with the authority to fully and freely access all the university's records, properties, and personnel relevant to an audit. The charter shall provide that the auditor report directly to the university CEO on all audit matters. The charter shall clearly state that internal auditors shall report directly to the Board Fiscal Affairs and Audit Committee any situation wherein the auditor perceives a conflict of interest with or on the part of the university CEO's involvement with the subject of an audit. In addition, each state university shall include the charter in university manuals, policies, and procedures as appropriate. Each state university internal audit department shall report annually to the Board's Committee on Fiscal Affairs and Audit, summarizing the prior year's activities and audit plans for the coming year. (10-17-96; 1-16-97)

(3) Each state university shall develop and maintain an internal audit plan. At a minimum, internal controls for the university's highest risk units, based on public funds exposure, should be assessed on a regular basis. (10-17-96; 6-24-99)

(4) Each completed internal audit reporting material financial weaknesses or fraud shall be submitted to the President and Chief Executive Officer who shall be responsible for recommending to the Committee on Fiscal Affairs and Audit any specific audit findings which should be further reviewed by the Committee. (10-17-96; 1-18-01)

c. Non-Public Funds Management Review (4-15-10)

(1) Each state university chief executive officer shall maintain on file at the university a current list and description of the non-public, unrestricted funds under his or her direction or that of direct subordinates.

(2) Each state university CEO shall maintain and provide to the Board annually a list of all affiliated corporations (controlled and non-controlled) and a description of their respective governing boards and management structure.

(3) Each state university shall annually review the roles of direct subordinates in or with such affiliated corporations for the purpose of identifying potential conflicts of interest. If appropriate and to the extent it is within the CEO's control, the university CEO shall initiate a plan to either eliminate or manage any identified actual

or potential conflicts of interest and shall file the plan with the President and CEO of the Board of Regents.

(4) The President and CEO of the Board shall annually review the roles of the state university CEOs in or with all affiliated corporations for the purpose of identifying potential conflicts of interest. If appropriate, the President and CEO of the Board shall initiate a plan to either eliminate or manage any actual or potential conflicts of interest and shall submit such plans to the Board Chair and Vice-chair for approval.

(5) The Board may initiate external management reviews of the use and expenditure of non-public, unrestricted funds held by the university or an affiliated corporation of the university and under the direction of each state university CEO and each state university CEO's direct subordinates at any time, but such reviews shall be conducted no less than once every 5 years beginning fiscal year 2013. Additionally, such reviews shall be conducted when there is a change in the CEO. All such reviews shall be contracted by the Board and financed by a transfer of funds to the Board from the state university under review. The university shall request its university non-controlled affiliated corporations having non-public, unrestricted funds that are under the direction of the university CEO or the CEO's direct subordinates to cooperate in the conduct of such reviews.

(6) Each state university CEO shall request the board of directors of each university non-controlled affiliated corporation to expand the scope of its annual independent audit to include identification of actual or potential conflicts of interest involving unrestricted, non-public funds under the authority or direction of the university CEO or the CEO's direct subordinates. The state university CEO shall request that such review include an examination of fund transfers and other transactions between and among the university, its affiliated corporations, and external entities reported on statements of substantial interest forms, and that the university non-controlled affiliated corporation share a report of each such review with the President and CEO of the Board.

(7) For purposes of this section, "non-public funds" means any funds expended for the benefit of the state university but not processed through the state financial system.