A regular meeting of the Audit Committee of the State Board of Education was held March 12, 2014 in Boise, Idaho and via video conference call throughout Idaho.

1. Approve October 30, 2013 Meeting Minutes
   The meeting minutes of the October 30th 2013 Audit Committee meeting were approved.

2. Moss Adams FY 2014 Audit Plan
   Mary Case, Scott Simpson, Tammy Erickson and Pam Cleaver from Moss Adams presented the Audit Committee their FY 2014 Audit Plan for the colleges and universities. The FY 2014 Audit Plan was approved unanimously.

   Committee member Goesling proposed having a performance audit or GAP risk analysis done for the Board. Staff will research AGB and other guidelines.

   The Committee directed staff to request all four institutions provide preliminary financial statements by end of business August 22nd which will provide assurance for the Committee that the audit deadlines will be met.

3. Need for Moss Adams to attend December Board meeting
   The Committee and Moss Adams discussed the efficacy for Moss Adams to attend the December Board meeting. It was agreed that the presence of Moss Adams is effective in showing the full Board how the external auditor works closely with the Committee and the institutions. It was agreed a minimum of one representative from Moss Adams was adequate to attend the December Board meeting to present the prior fiscal year audit results.

4. Special Course Fees
   Staff presented a modified list of issues to be included in a first reading to revisions of the Board policy for special course fees. The question was raised whether course fees could be assessed for professional-technical education (PTE) courses since 100% of the cost of instruction is supposed to already be covered. An example of a PTE course with special fees is welding where a fee for expendable supplies is charged. Staff discussed this type of fee with PTE and it was determined that just like students pay for a textbook for an academic course, it is reasonable for a student to be charged for consumable supplies while all the base instructional costs are funded by PTE.

   If a course is optional, such as a lab, then the fee should only be assessed if the student voluntarily enrolls in the course. As an example, a separate Biology 101 lab would be
considered a special course when the student enrolls in the lab at the same time he/she enrolls in the Biology 100 lecture course. This would prohibit fees assessed on all computer science students for a general computer lab provided by the department. Costs for a general computer lab would be borne by the technology fee assessed to all students or the department’s operating budget.

Only direct costs, including personnel, should be included in the expenses covered by special course fees. This could include a lab manager or instructor. For example, a lab manager could be dedicated entirely to a lab, or dedicated to two separate labs in which case the cost would be allocated to two separate course fees. Another example could be an adjunct providing private instruction to a student in a separate, distinct course (e.g. piano or voice lessons). The cost of administrative and clerical support or other non-direct overhead costs would not be included in the expenses covered by special course fees.

The balance of each course fee would be reviewed annually with an in-depth analysis conducted every three years. Staff will work with the provosts and vice presidents for finance to develop a first reading for the June Board meeting.

5. FY 2014 2nd Quarter Reviews
The institutions presented their 2nd quarter financial statements. Several institutions proposed providing the Committee simpler and more narrowly focused summaries for the 1st and 3rd quarters while continuing to provide the more robust statements for the 2nd and 4th (year-end) quarters. While the universities indicated they would continue to prepare the quarterly statements for internal use, Lewis-Clark State College noted without the Committee’s requirement they would probably not continue to prepare accrual based reports for the 1st and 3rd quarters. The Committee will take this matter up at another meeting.

6. Risk Assessment with Internal Auditors
The internal auditors were notified of the status of the special course fees project and the Committee asked them to wait to conduct further audit work until Board policy revisions were approved and institution management had a chance to review their course fees against the new policy. The internal auditors provided a status report on the hotline process at each institution. The internal auditors also listed any risk areas to be included in their FY 2015 audit plans.

7. Optimal Reserve Levels
The Committee and institutions discussed alternatives for an optimal level of reserves and the types of expenses that could be excluded from the calculation, including research and state sponsored health and special programs. One alternative would be a range of 5% to two months of operating expenses. The institutions could provide a list of areas/expenses to exclude. The Committee decided to discuss this within the Committee.

8. Relationship of Internal Audit
The Committee discussed the relationship of the internal auditor with the Audit Committee and respective presidents. The Committee directed staff to develop documentation for new internal audit managers and institution presidents which will outline the reporting structure and expectations for working relationships among the three parties to foster good communication. The Committee also directed the institutions’ internal auditors to have their audit plans approved by the Audit Committee and reviewed by their respective chief executive officer.

The Committee adjourned at 3:00 pm.