

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

September 9, 2004

A meeting of the Audit Committee of the Board of Regents was held on Thursday, September 9, 2004, at 8:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Dallas Bohnsack, Richard McNamara, Lakeesha Ransom, and Maureen Reed.

Staff present: Senior Vice President and Provost E. Thomas Sullivan; Vice Presidents Kathryn Brown and Richard Pfitzenreuter; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley, Gail Klatt, and Michael Volna.

Student Representatives present: Andrew Sorsoleil and Nathan Wanderman.

LONGITUDINAL ANALYSIS OF INTERNAL AUDIT RESULTS

Associate Vice President Klatt presented an analysis of internal audit results from 77 audits for the three previous fiscal years, noting that the project was undertaken to, 1) identify trends in University controls; 2) assess the timeliness and impact of corrective actions taken; and 3) ascertain whether systemic control issues are apparent.

Klatt reported that current analysis indicated that policies, procedures and processes are increasingly effective and that when issues are identified they are addressed in a timely manner. She added that there has been significant improvement in controls over the analysis time period, especially in high-risk and central business units, partly a result of implementation of central systems and improvements in technology that have helped improve controls of decentralized activities.

Klatt noted that the institution's central information systems operations and large-scale system implementations are very well controlled. The Academic Health Center has made tremendous improvements over the last three fiscal years, indicating that the environment within the Health Center is sustaining and improving itself. Research related activities remain an area needing improvement, with some units improving but others indicating a number of control issues.

Committee members commended Klatt for developing a process that assists the Board of Regents in its oversight functions, and suggested that similar methodology be applied across other elements of University operations.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as found in the docket materials.

Klatt reported that 37% of the outstanding recommendations rated as "essential" were implemented by University departments during the last quarter, and that fifteen

units fully implemented their remaining "essential" recommendations. She noted that the delegation of authority process has been well implemented down to the dean or department head level; however, actual transactions are generally approved at a lower level, where the delegation of authority process has not yet been fully implemented. Klatt reported on a future plan to improve overall compliance through better communication and simplifying the procedure for establishing and updating delegations.

COMMITTEE WORKPLAN, 2004-05

The committee reviewed and agreed to the workplan for the coming year as detailed in the docket. The workplan looks at an environmental scan of various risks the institution must manage, particularly those this committee must consider to fulfill its oversight and fiduciary responsibilities. The committee will also discuss best practices and evolving trends in the governance expectations for audit committees in peer institutions.

INFORMATION ITEMS

Klatt referred the committee to the information item included in the docket materials and related materials distributed at the meeting including:

- Independent Accountants' Report on Applying Agreed-Upon Procedures.

The meeting adjourned at 9:31 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary