

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Audit Committee**

**July 6, 2005**

A meeting of the Audit Committee of the Board of Regents was held on Wednesday, July 6, 2005, at 8:45 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: John Frobenius, presiding; Clyde Allen, Dallas Bohnsack, David Larson, Richard McNamara, and Patricia Simmons.

Staff present: Senior Vice President and Provost Thomas Sullivan; Vice Presidents R. Timothy Mulcahy and Richard Pfitzenreuter; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley and Gail Klatt.

Student Representatives present: Joshua Colburn and Tom Zearley.

**INSTITUTIONAL STRATEGIC RISK PROFILE**

Senior Vice President Sullivan presented an Institutional Strategic Risk Profile, "Heat Map," (included in the docket materials) of academic-related risks to the University. He described a number of areas that require continual attention due to their significance to the institution's mission and the strategic plan recently adopted by the Board of Regents:

- financial support, given the decline in State funding relative to other states and increased competition for private gifts and large grants;
- competition from other major research universities for top faculty and staff;
- immigration policy changes following September 2001 which caused a decline in international graduate and professional students;
- changes in research and funding for research and technology and infrastructure to support University work; and,
- health care cost containment through the Wellness Program.

Regent Simmons expressed concern with the placement of health care costs in the low-to-moderate area, indicating that national studies have not shown a substantial reduction of such costs through preventative intervention. Also the University has an aging workforce, which could significantly impact such costs.

At the next discussion the committee will construct its own heat map prioritizing the risks it considers of greatest concern.

**EXTERNAL AUDIT PLAN**

Vice President Pfitzenreuter introduced Don Loberg, Lead Principal, and Craig Popenhagen, Lead Senior Manager, LarsonAllen, to provide an overview of the audit plan to be used in performing the University's annual audits for the year ended June 30, 2005. Loberg summarized the approach, objectives, scope, and timeline of the audit, as included in the docket and associated materials on file in the Board Office.

Popenhagen noted that the institution's adoption of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) integrated framework of control is beneficial to the institution from a governance standpoint.

The engagement letter between the audit firm and the University was noted.

#### **INTERNAL AUDIT PLAN**

Associate Vice President Klatt presented a preliminary audit plan for the first quarter of FY2006, as included in the docket materials. She reported that staff will continue with audits currently in process, devote time to special project work for the administration, and begin audits of selected units.

Klatt reported departmental progress in the areas of scheduled audits, investigations, special projects, and other audit activities for FY2005. She noted that Internal Audits coordinates its work with other internal units to maximize the quality of audit coverage provided and promote prompt attention when University-wide trends are identified.

Klatt noted that the remainder of the audit plan will be presented at a future meeting of the committee, allowing the strategic positioning workload to be included.

#### **COMMITTEE WORKPLAN 2005-06: PRELIMINARY DISCUSSION**

Regent Frobenius reported that the draft workplan for the coming year includes reviewing various internal audits, follow-up on those audits, a review of financial statements prior to publication, and completion of the ongoing presentations on risk. Committee members suggested a number of topics that staff agreed to incorporate into the workplan.

#### **INFORMATION ITEMS**

No information items were presented this month.

The meeting adjourned at 9:52 a.m.

**ANN D. CIESLAK**  
**Executive Director and**  
**Corporate Secretary**