

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

July 11, 2007

A meeting of the Audit Committee of the Board of Regents was held on Wednesday, July 11, 2007 at 9:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Linda Cohen, presiding; Clyde Allen, Dallas Bohnsack, John Frobenius, Venora Hung, and Dean Johnson.

Staff present: Chancellor Charles Casey; Senior Vice President and Provost Thomas Sullivan; Vice Presidents Steve Cawley, Kathleen O'Brien, and Richard Pfutzenreuter; Acting Executive Director Carol Kraus; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Meghan Keil and Nathan Swanson.

INTERNAL AUDIT PLAN

Associate Vice President Klatt presented the 2007-08 Internal Audit Plan (Plan), as detailed in the docket and associated materials distributed at the meeting and on file in the Board Office.

Klatt reported that the Department of Audits operates in three primary service areas: scheduled audit work, audit work requested by the administration, and investigations related to allegations of misconduct. The majority of staff time is spent on scheduled audit work, which provides assurance to the Board of Regents and offers assessment and educational value to the units receiving audit results.

Klatt stated that development of the Plan is based on information gathered through broad consultation across the University and a formal assessment of existing and emerging risks, both internal and external, and operational risk. A number of areas were identified, including: information technology and data security; declining sponsored funding; sponsored account management; regulatory compliance issues; athletics; expansion of international activities; implementation of the Enterprise Financial System (EFS); competition for resources; acclimation to the financial management implications of the new budget model; and changes in key leadership positions. The Plan for the coming year will focus on information technology and data security, EFS, and newly-created colleges.

Klatt also reported that the Plan is aligned with the Institutional Risk Profile "Heat Map," which classifies areas based on their level of risk and significance to the institution. She summarized planned audit coverage by components, allocation of resources, and strategic priority.

In response to a question, Klatt indicated that other Big 10 universities have significantly increased previously underfunded internal audit functions. At a future meeting of the committee, she will provide information on the share of the University's operating budget allocated to the audit function compared to the share allocated by peer institutions.

Klatt provided an update on the completion of the FY2007 Audit Plan and the metrics used to assess the internal audit activity.

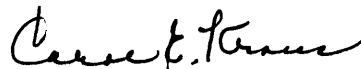
**FOLLOW-UP: UNIVERSITY PREPAREDNESS FOR
ALL-HAZARD EMERGENCIES**

Vice President O'Brien indicated that the committee received an overview of University preparedness for all-hazard emergencies at its May 2007 meeting. Emergency preparedness is the systematic approach to preparing for, responding to, and recovering from major emergencies. The purpose of the discussion today is to follow up on questions raised at the May meeting that were not addressed due to time constraints. She introduced Assistant Vice President Greg Hestness and Director of Emergency Preparedness Terry Cook, who joined the discussion.

In response to a number of questions, O'Brien reported that the incident commander and the officer of the day lead a defined chain of command to those who are trained and experienced in emergency response, and that appropriate, essential personnel are available should an emergency arise. Hestness described the extensive preparedness training University police and management staff have received and their responsibilities in an emergency event.

In response to questions, O'Brien reported that agreements are in place with state responders and aid providers so that in an emergency a unified command structure is established. She stressed that consistent staff training and certification in state and federal emergency management systems helps to ensure that staff are well prepared to respond appropriately. She added that during an emergency, redundancy in communications is critical. Staff have assessed campus communication systems and are moving toward an implementation plan to enhance current redundancy.

The meeting adjourned at 10:01 a.m.



CAROL E. KRAUS
Acting Executive Director and
Corporate Secretary