

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

March 8, 2007

A meeting of the Audit Committee of the Board of Regents was held on Thursday, March 8, 2007 at 8:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Senior Vice President and Provost Thomas Sullivan; Vice Presidents Kathryn Brown, Timothy Mulcahy, Kathleen O'Brien, and Richard Pfitzenreuter; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; and Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Joshua Colburn and Will Kellogg.

COMPLIANCE OFFICER REPORT

Regent Frobenius introduced Thomas Schumacher, Director of Institutional Compliance, to discuss the semi-annual report on compliance related activities, as detailed in the docket materials. Schumacher highlighted three items:

- Results and analysis of the University's compliance and ethics culture assessment;
- Update on the communication efforts regarding the newly revised Board of Regents Policy: *Code of Conduct*; and
- Semi-annual report on UReport, the University's confidential reporting service.

Schumacher summarized efforts to assess the compliance culture at the University, noting that the most important factor to improve ethical actions and reduce compliance violations is organizational culture. He stressed the need for frequent, ongoing communication and reinforcement of the institutional core values to promote ethical behavior. Schumacher indicated that work is being done to develop institutional compliance metrics to better measure the University's progress over time both internally and externally against peer institutions.

Schumacher briefly discussed UReport, the reporting system which allows individuals concerned about legal or policy violations to report them confidentially or anonymously to a third party vendor retained by the University. Schumacher reported that the Office of Institutional Compliance has partnered with other University offices to begin a broad-based awareness initiative, including targeted mailings to all faculty and staff, electronic communications, and informational videos presented during new employee orientation sessions.

In response to questions, Schumacher stated that the institution has a very robust system of monitoring compliance in research, in particular, grants management, where more efficient methods through electronic management identify areas of risk areas for additional monitoring.

EXTERNAL AUDITOR REVIEW

Regent Frobenius invited Acting Controller Denise Seck and Don Loberg, Principal, LarsonAllen, to present the annual review of external auditor relationships, services provided, and fees paid for FY2006 and FY2007, as described in the docket materials.

Larson discussed the firm's assessment of their independence relative to the University, as included in materials distributed at the meeting and on file in the Board office. Loberg described examples of activities under continuous review for independence, and the process and policies in place to ensure independence. Loberg confirmed that after an in-depth review the firm is confident of its independence with respect to the University as defined by public accounting standards.

Seck reported on management's assessment of LarsonAllen's performance, highlighting strengths and identifying areas for improvement. She noted that the engagement work was under budget and completed earlier than in previous years.

CONSENT REPORT

A motion was made and seconded, and the committee voted unanimously to recommend approval of the Consent Report, including:

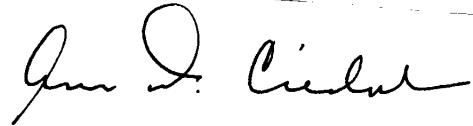
- Engagement of Larson Allen Weishair & Co. LLP to perform the University's FY2007 annual audits and required agreed-upon procedures.

INFORMATION ITEMS

Associate Vice President Klatt referred the committee to the Information Items contained in the docket materials, including:

- Report on audit and non-audit services and fees.

The meeting adjourned at 9:27 a.m.



ANN D. CIESLAK
Executive Director and
Corporate Secretary