

**Year 2003-04**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Audit Committee**

**March 11, 2004**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, March 11, at 8:30 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Senior Vice President and Provost Christine Maziar; Vice President Richard Pfitzenreuter; Interim Vice President David Hamilton; Executive Director Ann Cieslak; Associate Vice Presidents Steve Cawley, Gail Klatt, and Michael Volna.

Student Representatives present: Joshua Colburn and Jake Elo.

**BOARD OF REGENTS POLICY: *INTERNAL CONTROLS***

Associate Vice President Klatt presented proposed revisions to Board of Regents Policy: *Internal Controls* as part of the Board's comprehensive policy review process.

Klatt summarized the proposed amendments, which include the addition of language identifying the Integrated Framework of Internal Control model as the University's control model and addressing its specific components: A new subdivision emphasizes the importance of the president's leadership in establishing an appropriate "tone at the top" while understanding that the president will further delegate responsibility for the operational administration and execution of internal controls.

The amendments to the policy will be presented for action at a future meeting of the committee.

**BOARD OF REGENTS POLICY: *AUDIT COMMITTEE CHARTER***

Associate Vice President Klatt reviewed proposed amendments to Board of Regents Policy: *Audit Committee Charter*, stating that the majority of the revisions reorganize the policy to more clearly delineate the duties of the committee. The proposed amendments, detailed in the docket materials, reflect the authority that the Board reserves with regard to the audit activities of the institution and reflect best practices and provisions of Sarbanes-Oxley legislation.

The amendments to the policy will be presented for action at a future meeting of the committee.

**REVIEW OF EXTERNAL AUDIT RELATIONSHIP & SERVICES PROVIDED**

Associate Vice President Volna presented an overview of the relationship with, services provided by, and fees paid to Deloitte & Touche, the University's independent external auditor, and other public accounting firms during FY2004 and FY2003. The report is included in the docket materials on file in the Board Office.

Volna briefly summarized a survey of peer institutions for external auditor evaluations. He noted that most institutions engage auditors for a three- to five-year period, while the University of California system reappoints an external auditor annually. Associate Vice President Klatt indicated that in many peer institutions, audit services are performed by the state auditor so there is no opportunity to negotiate contracts.

Volna introduced Clifford Hoffman, partner at Deloitte & Touche, who summarized the standards followed by Deloitte & Touche employees to ensure independence and objectivity are not compromised. Hoffman described a number of practices, including adherence to an independence policy, random employee audits, use of an electronic investment purchasing system, and an employee prohibition of contributions to the University. In response to a question, Hoffman explained that the Deloitte & Touche Foundation contributes to the University, and this information is publicly disclosed and not a violation of independence policies.

At a future meeting Deloitte & Touche will return to present an audit plan for the FY04 audit. The committee can expect changes in the audit and fees due to issues related to the institution's affiliated organization's, and changes that have occurred in the audit environment related to Sarbanes-Oxley legislation.

The committee briefly discussed formal evaluation of external audit firms. Committee members indicated their comfort with the current process to evaluate the competencies of an audit firm; that the administration has an opportunity to assess the work product to ensure that it adequately meets the needs of the institution; and that there are mechanisms in place should issues need to be brought to attention of the committee.

#### **INFORMATION ITEMS**

No information items were presented this month.

The meeting adjourned at 9:23 a.m.

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