

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Audit Committee
September 11, 2003**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, September 11, 2003, at 8:15 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. David Metzen was also in attendance.

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

Student Representatives present: Josh Colburn and Jacob Elo.

COMMITTEE WORKPLAN, 2003-04

Associate Vice President Klatt presented the committee's workplan for the coming year, as included in the docket materials on file in the Board Office. Klatt reviewed the timeline of the workplan and summarized the policy issues to be covered. Committee members briefly discussed the workplan and made additional suggestions.

INTEGRATED FRAMEWORK

Associate Vice Presidents Klatt and Volna presented the Committee of Sponsoring Organization's (COSO) Integrated Framework of Internal Control. This model has become the world's most widely recognized guidance on internal control and is considered the "best practice" standard for evaluating an organization's internal control system. Further, it is the only control framework specifically referred to by SEC rules and the standards of the Sarbanes-Oxley Act.

Klatt and Volna highlighted the components of the COSO Integrated Framework and demonstrated how the University has applied the model in the areas of Sponsored Projects Administration, the budget process, and the implementation of PeopleSoft.

A copy of the presentation is on file in the Board Office.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented a quarterly report on internal audit activities as included in the docket materials on file in the Board Office. Klatt noted that units have implemented 41% of the outstanding recommendations rated as “essential” in the past quarter. Klatt also stated that the audit of selected sponsored projects funded by the National Science Foundation (NSF) and the Office of Naval Research is complete and that a report was submitted to the NSF Office of Inspector General in March 2003. She also summarized progress on scheduled audits and special projects, investigations in progress, and other audit staff activities.

CONSENT REPORT

Regent Frobenius introduced three items on the Revised Consent Report noting that the engagement letter with Deloitte & Touche covers the auditing of financial statements for the fiscal year ending June 30, 2003, and non-audit professional services.

A motion was made and seconded to recommended approval of the Revised Consent Report, as distributed at the meeting and including the following:

- To approve the engagement of Deloitte & Touche, LLP for audits of the University’s consolidated financial statement, RUMINCO Ltd. financial statements, compliance audit of federal financial assistance under OMB Circular A-133, and MHESO compliance audit of Minnesota Financial Aid programs for the year ended June 30, 2003.
- To approve the engagement of Eide Bailly LLP by Boynton Health Services, to conduct an audit of Boynton’s financial statements as of and for the year ended June 30, 2003. This audit is performed in conformance with Board of Regents Policy: Student Services Fees.
- To approve the engagement of Grant Thornton for non-audit services to the Tax Department related to compliance with tax-exempt, debt arbitrage regulations of the Internal Revenue Service.

The committee voted unanimously to recommend approval of the Revised Consent Report.

INFORMATION ITEMS

Regent Frobenius summarized the issues related to a potential re-bid of the contract for external audit services, as included in the docket materials on file in the Board Office.

The meeting was adjourned at 9:22 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary 11, 2003