

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Audit Committee**

**Thursday, June 10, 2010**

**8:15 - 9:30 a.m.**

**600 McNamara Alumni Center, East Committee Room**

**Committee Members**

Steven Hunter, Chair  
Linda Cohen, Vice Chair  
Richard Beeson  
John Frobenius  
Maureen Ramirez  
Patricia Simmons

**Student Representatives**

**A G E N D A**

1. Appetite for Risk - T. Mulcahy (pp. 2-4)
2. External Audit Plan - M. Volna/K. Vosen/J. Dockendorf (pp. 5-28)
3. Internal Audit Update - G. Klatt (pp. 29-52)
4. Information Items - G. Klatt (pp. 53-58)



**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Audit Committee**

**June 10, 2010**

**Agenda Item:** Appetite for Risk

review       review/action       action       discussion

**Presenters:** Vice President Timothy Mulcahy

**Purpose:**

policy       background/context       oversight       strategic positioning

The purpose of this presentation is to familiarize the board with the administration's work related to assessing the University of Minnesota's institutional appetite for risk and the formulation of risk principles. The need to reconsider the University's risk tolerance has been identified as a significant issue by the President's Advancing Excellence Committee. A "risk tolerance" working group was established to assess current risk philosophies, strategies, and practices and ultimately provide recommendations to the President as to whether recalibration is necessary to support the University's aspirations of excellence.

**Outline of Key Points/Policy Issues:**

This presentation to the Board will summarize the University "risk tolerance" working group's assessment of the current risk-averse culture at the University; will review the factors that have contributed to its current conservative posture; will introduce fundamental considerations that should be incorporated in the development of principles to direct the University's preferred approach to specific risks; and, will provide a preview of draft principles under current consideration by the group.

Using research as a representative functional domain, the vice president for research will share his perspectives on: 1) the impact of the current risk-averse environment on research productivity, and 2) experience with efforts to recalibrate the risk tolerance of the research enterprise. Examples that will place some of the issues and considerations discussed into a practical context will be provided

**Background Information:**

This topic is specifically relevant to the Audit Committee's theme for this year of "Calibrating the University's Appetite for Risk" in the current economic environment.

# Institutional Appetite for Risk

## Board of Regents Audit Committee

### June 10, 2010

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In its 2009 report entitled “The State of Enterprise Risk Management at Colleges and Universities Today” the Association of Governing Boards of Universities and Colleges (AGB) noted that it was critical for college presidents and Boards to develop and oversee a system for evaluating campus risks at the strategic level. Furthermore, as their top recommendation they concluded that “Institutions need a disciplined process to ensure that mission-critical risks are elevated from the operational level to strategic discussions of institutional goals.”

There is a growing opinion that the University has become overly risk averse and that this may be compromising our tripartite mission of education, research and outreach. Furthermore, in a time when financial resources are stretched beyond their limits, concerns about excessive administrative burdens need to be addressed, not only for their financial impact but also for their contributions to decreased productivity and erosion of morale.

Certainly, direction from the University of Minnesota leadership with respect to risk tolerance and the desired institutional approach to risk management is essential if we are to responsibly reverse what is increasingly considered to be a highly risk averse culture at the University.

As part of President Bruinink’s *Advancing Excellence Initiative*, a group of University leaders has been convened to assess current institutional risk management philosophies, strategies, and practices; and then to propose approaches to guide re-calibration of the University’s appetite for risk to be more supportive of the its aspirations of excellence. Specifically, the charge to this group includes development of a set of recommendations that would 1) help define principles to guide definition of the University’s “risk tolerance” to serve as a foundation for all subsequent risk assessment and management strategies; 2) identify mechanisms to examine individual risk areas and establish a prioritized list of those requiring reconsideration; and 3) provide a framework that would contribute to aid the University in a transition from its current conservative culture of risk aversion to one of informed risk management.

“Recalibration” of risk must be guided by a clear understanding of the University’s strategic priorities, first-hand knowledge of the leadership’s perspective on relevant issues and very direct executive input. Currently risk and risk tolerance are being defined and managed at the operational level by - well-intended groups and committees laboring in the absence of clear strategic guidance from University leadership with respect to appropriate appetite for risk. In the absence of clearly a defined, communicated and understood institutional position on risk the current state of affairs in these functional areas differs significantly with best practices advocated by the AGB. It is the consensus opinion of the “risk tolerance” working group that the implementation of appropriate risk control measures must originate from well articulated principles defined at the Board and executive levels. Development of such a set of principles is currently being drafted by the working group.

This presentation to the Board will summarize the working group’s assessment of the current risk-averse culture at the U; will review the factors that have contributed to its current conservative posture; will

Institutional Appetite for Risk  
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introduce fundamental considerations that should be incorporated in the development of principles to direct the University's preferred approach to specific risks; and, will provide a preview of draft principles under current consideration by the group.

Using research as a representative functional domain, the Research Vice President's perspectives on the impact of the current risk-averse environment on research productivity and experience with efforts to recalibrate the risk tolerance of the research enterprise. Examples will be discussed that will place some of the issues and considerations discussed into a practical context .



**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Audit Committee**

**June 10, 2010**

**Agenda Item:** External Audit Plan

review       review/action       action       discussion

**Presenters:** Associate Vice President Michael Volna  
Kirsten Vosen, Partner, Deloitte  
Judi Dockendorf, Manager, Deloitte

**Purpose:**

policy       background/context       oversight       strategic positioning

To provide an overview of the audit plan to be used by Deloitte in performing the University's annual audits for the year-ended June 30, 2010.

**Outline of Key Points/Policy Issues:**

The external audit plan presents the approach, objectives, and scope to be used for the University's financial and compliance audits. Deloitte's work plan and timeline will be reviewed with the Audit Committee.

**Background Information:**

This report is prepared annually and presented to the Board of Regents Audit Committee in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

# The University of Minnesota 2010 Client Service Plan



June 10, 2010

The Board of Regents Audit Committee  
University of Minnesota  
1300 South Second Street  
Minneapolis, MN 55454

Dear Members of the Board of Regents:

We are pleased to present Deloitte's 2010 plan to serve the University of Minnesota (the "University"). To demonstrate our commitment to provide you with a world-class Deloitte client experience, we will:

- Demonstrate responsiveness by identifying and resolving issues with a strong sense of urgency, keeping you informed at every step of the process. We will deliver timely, high-quality, consistent service, and will do so in a straightforward fashion.
- Provide the right team — one that is technically qualified and knowledgeable about the industry and the University business, committed to superior client service, and managed by effective engagement leaders in a cohesive manner. We will deploy team members who understand the University's culture in order to maintain the appropriate relationships and enhance productivity and problem-solving.
- Demonstrate our understanding and perspective by carefully considering the University's challenges, operating models, and recent performance. We will strive to proactively address your concerns and issues while simultaneously being sensitive to your environment. Our goal is to be regarded as a trusted adviser by providing ideas; insights; and pragmatic, relevant advice.
- Provide industry insight, drawing on our strong knowledge of your industry experience and informed sense of your organization.

We are proud of our long-standing relationship with you and appreciate the opportunity to again serve the University.

We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan. Please contact me at +91 612 397 4418 if I can be of assistance in any way.

Yours truly,



Lead Client Service Partner

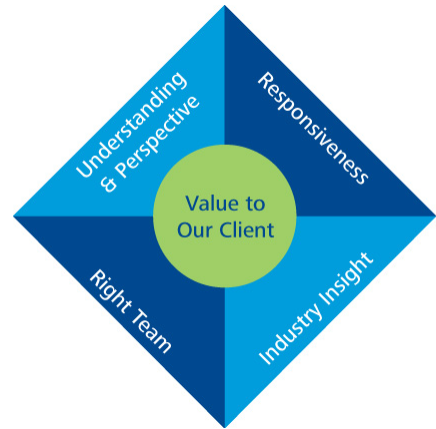
As used in this document, "Deloitte" means Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

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# The Deloitte Client Experience



The University is important to Deloitte, and you deserve a customized approach to the services we provide. As a foundation for our service plan, we have developed a tailored set of service commitments for delivering The Deloitte Client Experience; these commitments will guide every aspect of our service. Our client service assessment, which is central to our philosophy, emphasizes listening to your expectations, reassessing your needs based on the feedback you provided in the assessment process, and responding with actions and results. We are pleased to have the opportunity to continually raise the bar by improving processes and adding value while delivering an effective and efficient audit.

The Deloitte Client Experience is our commitment to serving you. Our approach focuses on the following four key attributes of distinctive service delivery:

## Responsiveness

- Identifying and resolving issues with a strong sense of urgency, keeping you informed at every step of the process
- Striving to anticipate your needs by understanding your service expectations and making them our priority
- Delivering timely, high-quality, consistent services in a straightforward fashion

We want to anticipate your needs and questions and provide you with close personal attention in every aspect of our services. The University operates in an environment that requires swift response to new opportunities and challenges. Having dedicated and experienced Deloitte professionals at your disposal who understand your organization and environment saves critical time and resources in addressing the University's opportunities.

## The right team

- Technically qualified and knowledgeable about the higher education industry
- Commitment to superior client service
- Compatible with the University's culture and able to maintain the appropriate relationships and enhance productivity and problem-solving

Our firm's mission is to be the standard of excellence. The engagement team assembled to serve the University represents some of our most talented people — individuals who were specifically chosen to meet your needs. The engagement team provides a balance of continuity along with fresh perspective and includes high-quality technical specialists and other professionals who will continue to serve you with quality and distinction.

## Understanding and perspective

- Carefully consider the University's challenges, operating models, and recent performance
- Proactively address your concerns and issues while being sensitive to your environments and constraints
- Serve as a trusted advisor by providing ideas; insights; and pragmatic, relevant advice

Just as your organization operates year-round, so does our service. We believe that effective service is built on open and ongoing communication throughout the year, and our engagement team is committed to providing the Audit Committee and management with frank, frequent communication about the audit, our services, your organization, and your risk environment.

As the marketplace and the University's profile change, Deloitte's global resources and specialists will be available to advise management as they evaluate the effects on your organization and your accounting and reporting requirements. Deloitte is at the forefront of new regulatory and accounting standards and will work with you to provide guidance on their implementation.

We will look for opportunities to increase the interaction among our subject-matter specialists, the Audit Committee, and management, and to provide access to Deloitte's experience through avenues, such as Dbriefs webcasts, conferences, publications, and other insightful resources.

## Industry and insight

- Drawing on our strong knowledge of specific higher education industry issues and an informed sense of your competitive positioning in a challenging marketplace, we will share industry knowledge and create tailored solutions to address the University's challenges and risks
- We will share cross-industry insights that affect you

Deloitte's eminence in the higher education industry sector provides opportunities for us to deliver feedback and cutting-edge insights on topics relevant to you and your industry. We are committed to making our resources available to you as we continue to provide distinctive client service to the University.

# Commitment to quality

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“It is critical that we continue to embrace the responsibilities that come with the privilege of being public company auditors. Transparency is an increasingly central element in demonstrating audit quality, and we fully support disclosure that provides investors, Audit Committees, regulators, and other market participants with information that will help them understand our commitment to audit quality.”

Barry Salzberg, Chief Executive Officer, Deloitte LLP

As part of our ongoing commitment to quality, we released *Advancing Quality through Transparency*, Deloitte LLP’s inaugural transparency report, in January 2010. We take our responsibilities to Audit Committees and Boards of Trustees seriously and we are dedicated to building confidence in the independent audit process. Transparency as to our governance processes, ethical standards, and quality controls demonstrates the culture of integrity, professional excellence, accountability, and continuous improvement that underpins our organization and promotes the confidence of governing bodies and client trust.

Our intent in releasing the report is to provide Audit Committees, regulators, and other market participants with information that will help them understand our commitment to audit quality. The

report includes information about our legal structure, governance processes, ethical principles, independence, and quality-control procedures, particularly for the audit practice of Deloitte & Touche LLP. The report addresses the following types of quality-control matters related to our audit practice, among others: approach to hiring and professional development, client acceptance and client continuance procedures, engagement risk assessment and monitoring, and the technical consultation network. It also discusses both our internal and Public Company Accounting Oversight Board (United States) (PCAOB) inspections, including a summary of the observations. In addition, the report outlines the actions we have taken and continue to take — as part of our overall continuous improvement efforts — to address those findings.

# Scope of services

Our responsibility under auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) will be described to you in our engagement letter. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States is to express an opinion on the fairness of the presentation of the University’s consolidated financial statements for the year ending June 30, 2010, in conformity with accounting principles generally accepted in the United States of America, in all material respects. We consider the University’s internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University’s ICFR. Accordingly, we will not express an opinion on the effectiveness of the University’s ICFR. Our consideration of ICFR would not necessarily identify all deficiencies in ICFR that might be significant deficiencies or material weaknesses.

We will also issue certain other reports as described below:

## Reports on financial statement audits

- University of Minnesota Consolidated Financial Statements
- RUMINCO, Ltd (performed by Deloitte & Touche Bermuda office)

## Compliance reports

- Federal Award Programs (Office of Management and Budget Circular A-133)
  - Schedule of Expenditures of Federal Awards
  - Report on the Internal Control and Compliance related to Financial Reporting
  - Report on the Internal Control and Compliance related to Major Programs
- National Collegiate Athletic Association (NCAA) Agreed-Upon Procedures

In addition to our independent auditors’ reports, we will report significant deficiencies and material weaknesses identified in internal controls and issue a management letter when opportunities for improvements or efficiencies come to our attention during the audits and a letter to the Audit Committee summarizing the results of our audits.

# The Deloitte audit approach

We recognize the importance of sharing our accounting, reporting, and industry knowledge and experience, and we will provide an enhanced level of skill for the specialized risks and industry issues affecting the University. Deloitte's audit approach is distinguished by the use of a broad range of industry and functional specialists who are integral to the audit team.

For the University audit, we have identified specialists in control assurance, risk assessment and information technology (IT) auditing, and alternative investments. They have been actively involved in the planning and risk assessment process, and will be available to the audit team and the University's management year-round to discuss ongoing risk assessment, accounting and financial reporting issues, industry developments, and other matters of interest. These specialists will regularly update the University's management on technical accounting industry and other matters that affect the University to minimize surprises when new standards are issued or accounting developments occur.

We understand that audit effectiveness and efficiency are operating imperatives for both the University and our audit team. We have a relentless drive to achieve a more efficient audit process and a strong commitment to enhancing audit quality by increasing the effectiveness of our procedures.

The fundamentals of the Deloitte audit approach are rooted in professional standards, but what differentiates our audit practice it is the depth of perspective and professional judgment we bring in tailoring our audits to each client's operational risks. Deloitte listens carefully to what our clients and the accounting profession indicate are important criteria for enhancing audit quality, and we continuously improve our approach with this understanding to increase the effectiveness of our procedures and achieve an efficient audit process. With this approach, we maximize audit quality while appropriately controlling your audit costs.

Our focus on continuous improvement and our commitment to professional standards come together in the careful planning and knowledgeable execution that characterize the audit. Our approach — the Deloitte Audit — is partner-led, focused, interactive, and dynamic. We bring more than 20 years of collective audit experience serving the University. Previously, we demonstrated our active engagement throughout the audit process; and we commit to doing the same moving forward. You will receive the same level of focused, interactive, dynamic service that you have come to expect from Deloitte. We take an active role in orchestrating and monitoring our work for you, quickly identifying potential risks, and keeping an eye out for opportunities. We will conduct periodic meetings with University management to facilitate discussions to provide timely and valuable feedback. Additionally, as you have experienced in the past, you can trust that Kirsten Vosen and other members of our team will be involved throughout the year whenever you have questions or concerns. Our approach is:

- **Partner-led** — The audit plan is driven by our partners' experience and detailed knowledge of the University. Ms. Vosen will be accessible daily, providing on-site support. We know you and you know us.
- **Focused** — We will update our understanding and identify the relevant risks associated with the University, the audit engagement, and potential errors in significant account balances or disclosures.

- **Interactive** — We will interact with the University’s management on site and respond to your needs and expectations appropriately. We will also work closely with internal audit in addressing risks identified and results of procedures they have performed.
- **Dynamic** — We will tailor our audit plan to respond to changing circumstances.

## Risk assessment

Risk assessment is a critical facet of our audit approach and our audit scoping process. We identify risks associated with the University and its various businesses, material account balances, assertions, and related controls. We design all phases of the audit to identify and address risks associated with the University and to enable us to respond to the operational, regulatory, and economic circumstances of the industry in which the University operates. Risk identification takes place at several levels, both at Deloitte and at the University, throughout the year.

In developing our audit plan for each material account balance or consolidated financial statement line item, we consider:

- What could go wrong to cause a material misstatement of the consolidated financial statements
- Control activities that management has identified, documented, and tested
- The nature and extent of substantive testing needed

For each risk of material misstatement we have identified, we will perform a test of internal controls and/or substantive procedures to address that risk. The number and nature of the risks identified may be adjusted as circumstances change during the audit. We will update the Audit Committee on significant changes to our risk assessment or audit scope as we complete our work.

## Distinguishing features of the Deloitte audit

### Partner-led audit planning and execution

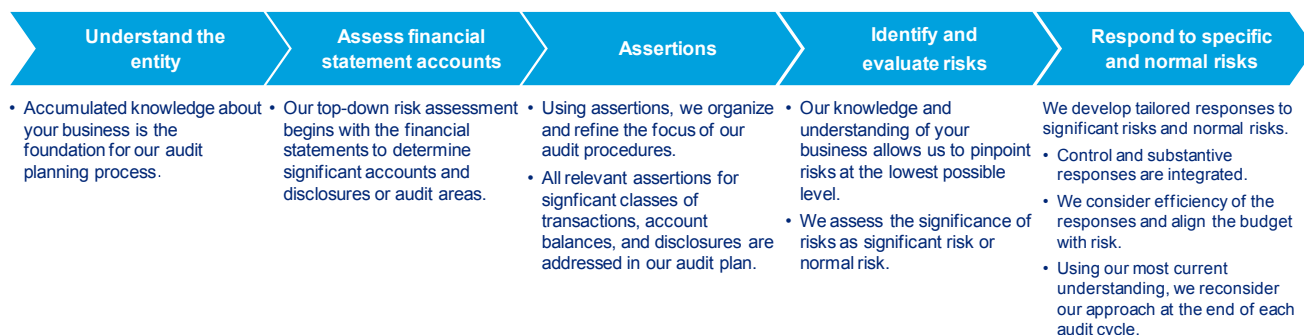
The Deloitte culture is noted for its emphasis on the role of our partners in the execution of our services. Experience tells us that an audit plan developed at the direction of engagement leaders yields an audit that has clarity of purpose and is tailored to the client’s business.

Ms. Vosen will guide the upfront planning and execution of the University audit, using her deep understanding of your organization, your industry, and the professional literature to drive quality throughout the process. Under the leadership of Ms. Vosen, our audit team will anticipate issues, address potential barriers to appropriate financial reporting and achievement of your operational initiatives, and help minimize surprises in the audit — all of which will bring significant value to the University.

Ms. Vosen will guide the engagement team in identifying risks of material misstatement by considering what could go wrong in significant classes of transactions, account balances, and disclosures. She will be involved in the detailed audit execution, including assessing which procedures are most responsive to the identified risks, how much testing is required, and when the testing is performed. Ms. Vosen will continuously challenge the procedures performed so we deliver an effective and efficient audit for the University. She will diligently monitor our hours in the context of materiality and risk, and will hold everyone accountable to the audit plan and budget.

## An audit tailored to the University's organization and industry

### Deloitte Audit planning process



Deloitte's approach to the University's audit is grounded in our deep understanding of your organization. We begin by gaining a comprehensive perspective on your existing accounts and operations, and on your future operational objectives. Using this information as a foundation, we will tailor an audit plan that takes into account your unique circumstances, avoids surprises, and allows the University's personnel and the Deloitte team to focus on the account balances and transactions that are most critical.

### A laser focus on your most significant risks

When we speak of a tailored risk-based approach, we mean more than simply concentrating on headline risks. Our approach is distinguished by a refined view of risk that pinpoints what could go wrong to cause a material misstatement for significant account balances and disclosures. Applying this lens to the University audit, we will spend time on the areas that matter most and limit testing in areas that provide little or no additional audit assurance. In short, we will perform appropriate, but not excessive, audit procedures. We will initiate our audit plan for the University at the consolidated financial statement level to determine which significant accounts and disclosures require procedures, and craft an audit plan that targets the risks of material misstatement in each area.

### Customized procedures

We customize the nature, timing, and extent of the control and substantive procedures we perform by matching the level of risk identified for each significant account, class of transaction, or disclosure to the relevant assertions. The decisions in these areas are matters of professional judgment. In this regard, Deloitte's depth of resources, deep understanding of professional standards, and risk-based audit approach come together in an audit that is specifically tailored for the University.

#### Benefits of pinpointing risk

Professional standards and our policies require an audit response for each significant account and relevant assertion. Performing our risk identification at this level helps us pinpoint risk and develop a well-tailored, integrated response for both specific and normal risk areas.

#### Client service

- Helps us identify opportunities for the University to refine its assessment of risks and controls
- Enables value-added feedback on industry insights, operational issues, and risks that could have an impact on the University

#### Quality

- Focuses our use of the right specialists to address audit areas of specific risk
- Drives an integrated approach that covers both control and substantive responses
- Facilitates the identification of more effective methods of auditing

#### Efficiency

- Creates a targeted response for significant risk areas and normal risk areas, aligning audit effort with the risk
- Facilitates the identification of more efficient methods of auditing, including opportunities to integrate testing procedures



## Areas of audit focus

Based on our preliminary knowledge of the University and its industry, we have identified various areas of audit focus and areas of risks to the consolidated financial statements and have included our planned responses to those areas along with a discussion of where we will focus our resources and audit procedures. We continue to update our risk assessment as we perform our auditing procedures. We will inform the Audit Committee and management of significant changes to this assessment.

See discussion of areas of audit focus within the “Areas of audit focus and risk” section.

## Executing the audit plan

The execution of the audit plan includes evaluating the design and testing the operating effectiveness of controls and performing substantive audit procedures. Whenever possible, we will perform tests of internal controls and substantive tests concurrently.

Our tests of ICFR will include entity-level control components, such as the control environment, risk assessment, information and communication, and monitoring, as well as process-level control components. Our process-level testing will include tests of controls related to relevant potential errors for significant accounts and disclosures.

Our substantive audit procedures consist of a tailored combination of analytical procedures and detail tests of transactions and balances; these procedures are designed to obtain reasonable assurance that the consolidated financial statements are free from material misstatements.

In response to Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, and continued emphasis by the PCAOB on the auditor’s responsibility to uncover fraud during an audit, we will perform audit procedures to address fraud risks present.

Our enhanced audit procedures related to fraud include evaluating the design, implementation, and operating effectiveness of management’s processes for identifying and responding to the risk of material misstatement resulting from fraud, and programs and controls that management has established to mitigate that risk.

## Leveraging technology for efficiency and effectiveness

Deloitte places a high value on innovation, which has long been a strong global initiative of ours. As a result, we are leaders in the development and use of innovative auditing tools and technologies. These tools help us determine audit scope, prepare globally consistent audit workpapers and files, conduct analytical reviews, select data for testing, accumulate audit results, and monitor progress to provide for the timely completion of tasks.

We continuously improve our technology to better meet the needs of our clients. Deloitte has invested significantly in developing proprietary software for conducting audits and communicating globally with audit teams and client personnel. In particular, AuditSystem/2 (AS/2) centralizes our audit and provides consistency in every region, country, and location. The tools described in the accompanying table are the most significant ones we plan to use on the University audit. We also intend to make full use of the University’s own technologies to gain further efficiencies. Based on our understanding of your IT environment, we will leverage the University’s PeopleSoft system to perform audit tests efficiently and to provide value to the University through our insights.



Technology	Description	Benefits
AS/2	Deloitte's global technology platform, AS/2, supports all Deloitte Touche Tohmatsu member firms' global audit practitioners and all phases of the internal audit process. AS/2 is based on proprietary "audit packs" that outline control objectives for the cycle, describe the control priority, and present industry-preferred control activities. The AS/2 knowledge bases that support our methodology are customized to your industry, providing an audit framework that allows rapid integration into your environment.	Rapid and effective electronic transfer of information among the audit team members.
Journal Entry Data Analysis Routines (JEDAR)	JEDAR is a standard tool for performing journal entry testing in support of testing for the risk of management override of controls. The tool helps audit teams focus more effectively on high-risk areas for fraud and error in journal entry testing analysis. JEDAR is particularly helpful on audits involving complex financial reporting systems with large volumes of data, multiple locations, or general ledger systems. We have specific JEDAR functionality that is built around PeopleSoft.	Helps audit teams focus more effectively on high-risk areas for fraud and error in journal entry testing analysis. Reduces the time necessary to perform the tests and allows tests to be performed that could not have been done manually.
Deloitte Audit Plus	An integrated audit software that supports all phases of the audit process, including planning, executing, and reporting. Deloitte Audit Plus significantly reduces the amount of time we spend on workpaper preparation and allows us to devote more time to risk assessment, substantive audit, and business issues.	Facilitates sharing of knowledge; integrates tools, content, and other resources; connects Deloitte people with specialists around the world; delivers enhanced research and search capabilities; and provides content that is scalable to the University engagement.
Audit Command Language (ACL)	ACL is a powerful data analysis and management reporting tool. We use ACL to perform audit tests electronically and to interrogate files for audit applications that do not require complex data manipulations. Typical ACL procedures include simple statistical sample selection, ageing, duplicate and gap identification, simple stratification, and data summary.	Allows unconstrained analyses on your data files.
Deloitte OnLine	Deloitte OnLine promotes communication with our clients and the seamless coordination of knowledge between work teams.	Allows information, leading practices, and ideas to be disseminated. Supports efficient access, interactive productivity, and communication, representing a true collaboration between our clients and our engagement teams.

## Fostering year-round audit quality

The Deloitte audit is an interactive process that responds to changes in University's operations and other developments that have an impact on the scope of our audit. Serving you with distinction throughout the year means participating in events as they happen, identifying emerging risks or trends promptly, pinpointing issues before they become problems, and communicating regularly with management and the Audit Committee .

Ms. Vosen will lead a meeting soon after completing the year-end audit, a time when we have substantial knowledge about the University's operations, plans, risks, governance, management, internal controls, and performance. We will use this information to tailor our audit plan for the following year to respond to your changing circumstances. We do the same at each milestone during the year. By providing accounting consultation related to any unusual and significant transactions as they are being contemplated and performing audit procedures during the time frame in which they occur, we identify and resolve issues well in advance of the year-end.

## Monitored for quality

To further the goal of providing a high-quality audit, Deloitte employs an engagement quality assurance review process performed by a seasoned technical partner who is assigned to each engagement. Cliff Hoffman will fill this role for the University, assisting Ms. Vosen in early engagement planning and approval of the audit plan. Mr. Hoffman is required to review consolidated financial statements and selected workpapers and to evaluate the significant audit judgments made by the engagement team.

## Conclude and report

The results of the audit procedures performed throughout the year will be analyzed and conclusions drawn based on *Government Auditing Standards*. Prior to rendering our reports, we will conclude whether (1) the scope of the audit was sufficient to support our opinions and (2) the misstatements identified have caused the consolidated financial statements to be materially misstated.

To obtain this assurance, we accumulate known and likely misstatements that were identified while performing substantive audit procedures and consider such misstatements in relation to the consolidated financial statements as a whole. Material misstatements that are identified by us and uncorrected misstatements identified by us or the University will be reported to management and the Audit Committee .

### Benefits of the year-round evaluation of our tailored audit plan

#### Client service

- Enhances our responsiveness to changes in the University's business during the year
- Helps us modify the audit plan in response to changes in your business and processes

#### Quality

- Focuses our thinking and encourages advance planning to avoid surprises
- Helps us be alert to issues that will affect you and your audit and work with you to develop plans for managing those issues effectively

#### Efficiency

- Facilitates the identification of more effective and efficient methods of auditing
- Challenges prior-year and work plans to streamline and develop more responsive testing procedures

## **Audit Committee communication**

We are committed to anticipating issues and avoiding surprises. An important aspect of our professional responsibility is to bring issues to the attention of the Audit Committee and management. We will consult with management and the Audit Committee openly and candidly on a variety of matters, including accounting and financial reporting issues, significant deficiencies and material weaknesses, complex business transactions, and emerging issues from regulatory or standard-setting bodies.

We aim to provide management and the Audit Committee with insight into the condition of the operations and meaningful suggestions for improvement. These suggestions will be reported to appropriate management personnel for their consideration.

## **Client Service Assessment**

To determine how well we have achieved our client service objectives, we undertake a client service assessment that may involve meetings with, or the completion of questionnaires by, members of the Audit Committee and management. The client service assessment enhances our understanding of your expectations through your evaluation of our performance. This process allows us to refine our client service objectives so that we remain focused, responsive, and proactive in meeting your needs while fulfilling our professional responsibilities.

# Going beyond required communications

We recognize our responsibility to the Audit Committee and our role in its governance responsibilities. During our audit, we will provide updates on our status, areas of emphasis, and coordination efforts with management. Beyond the audit, Deloitte will provide relevant insights, market and economic trends, governance leading practices, and access to specialists and educational tools to enhance the effectiveness of the Audit Committee's oversight role.

The Audit Committee should be satisfied that the University has an effective process for continually identifying, assessing, and managing significant risks. Further, the Audit Committee should be confident that key issues are communicated to them and resolved appropriately. An important part of our responsibility as the University's independent auditor is to support the Audit Committee in carrying out their governance responsibilities.

More importantly, and in addition to these needs, our independent relationship provides a commitment to a collaborative and resourceful relationship as a trusted adviser. We will provide the following resources to help you as you fulfill your responsibility to the University:

- Personalized communication that focus attention on relevant matters
- Updates on industry and market trends, as well as matters related to governance requirements and leading practices
- Access to the range of knowledge and experience used in the audit process and the opportunity to talk to subject-matter specialists about significant issues affecting the University

## Your resource for effective governance

Deloitte's Center for Corporate Governance develops programs and resources to help Audit Committees and boards fulfill their oversight responsibilities by keeping them informed of governance trends, regulations, and leading practices. The center generates research on boardroom issues, conducts roundtables bringing together governance specialists to address board-related challenges, and hosts monthly webcasts on governance topics featuring prominent speakers. The Center for Corporate Governance Web site includes Deloitte publications, as well as thought-ware from third-party public policy groups and various governance specialists, including the Aspen Institute, the Yale Millstein Center for Corporate Governance and Performance, the National Association of Corporate Directors, Financial Executives International, the American Institute of Certified Public Accountants (AICPA), and the Institute of Internal Auditors.

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- Research and thought leadership
- Monthly governance webcasts
- The Directors' Series program
- Governance services



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# Our client service team

## Consolidated financial statement audit

**Kirsten Vosen** — Lead Client Service Partner

**Deb DeHass** — Advisory Partner

**Cliff Hoffman** — Quality Review Partner

**Amy Kroll** — Enterprise Risk Services Director

**Mary Rauschenberg** — Tax Director

**Katie Knudtson** — Audit Senior Manager

**Judi Dockendorf** — Audit Manager

**Tracy Danzy** — Audit Manager (Investments)

**Reginald Abraham** — Minority Business Partner (IT Controls)

## A-133 single audit

**Tom Roos** — Audit Partner

**Judi Dockendorf** — Audit Manager

## NCAA agreed-upon procedures

**Tom Roos** — Audit Partner

**Judi Dockendorf** — Audit Manager

## RUMINCO

**David Mutch** — Audit Partner

**Muhammad Khan** — Audit Senior Manager

**Anna Fabroa** — Audit Manager

# Areas of audit focus and risk

Audit focus areas	Description	Planned audit response
<p><b>Cash and cash equivalents</b></p> <p><b>Investments</b></p>	<ul style="list-style-type: none"> <li>▪ Fair value of investments, particularly those that are not readily marketable</li> <li>▪ Illiquidity in cash accounts, specifically money market accounts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Evaluate management’s methodology and process for valuing investments</li> <li>▪ Review support for valuation of investments, including money market funds, for potential impairment</li> <li>▪ Confirm all investment balances, including more detailed confirmations relating to alternative investments</li> <li>▪ Obtain the most recent audited consolidated financial statements for a sample of alternative investments for which a readily determinable market value is not available</li> <li>▪ Perform additional analysis as appropriate to support the valuation and existence assertion relative to alternative investments</li> <li>▪ Perform analytical procedures to test fair value measurements, recorded appreciation/depreciation, and investment returns both for the audited period and for the most recent audited consolidated financial statements to the reporting date</li> </ul>
<p><b>Receivables</b></p>	<ul style="list-style-type: none"> <li>▪ Risk of overstatement of student tuition and fees and other revenues due to uncollectibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review accounting policies and procedures relative to recording the allowance for doubtful accounts</li> <li>▪ Audit receivables recorded through detail substantive testing with an emphasis on the use of confirmations were appropriate</li> <li>▪ Perform internal control testing</li> </ul>
<p><b>Long-term debt</b></p>	<ul style="list-style-type: none"> <li>▪ Default by counterparties on SWAP agreements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Obtain an understanding of all SWAP agreements</li> <li>▪ Review management’s analysis and conclusion on accounting for SWAP agreements</li> <li>▪ Involve specialists to review SWAP accounting and documentation</li> <li>▪ Assess the financial condition of the SWAP counterparties</li> <li>▪ Confirm long-term debt</li> <li>▪ Assess compliance with debt covenants</li> </ul>

Audit focus areas	Description	Planned audit response
<b>Student, tuition and fees — net</b>  <b>Federal grants and contracts</b>  <b>Auxiliary enterprises — net</b>	<ul style="list-style-type: none"> <li>▪ Risk of overstatement of student tuition and fees, and other revenues (through premature revenue recognition or recording fictitious revenues)</li> <li>▪ Risk of understatement of student tuition and fees or other revenues (due to improperly shifting revenues to later periods)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review student tuition and fees and other revenue recognition accounting policies and procedures through walkthroughs of revenue cycles during internal control testing</li> <li>▪ Audit student tuition and fees and other revenues recorded through substantive analytical reviews and/or dual purpose detail testing in conjunction with federal grant compliance work</li> <li>▪ Reconciliation between federal grant and contracts revenue and our audit of the schedule of federal expenditures</li> </ul>
<b>Information management and communication</b>	<ul style="list-style-type: none"> <li>▪ Accuracy of all information generated or stored in the University's financial information systems</li> <li>▪ Accuracy of information accumulated throughout the University</li> </ul>	<ul style="list-style-type: none"> <li>▪ IT specialists will test and evaluate the computer-related controls in business cycles, such as revenue, expenditures, and payroll and personnel</li> <li>▪ Perform internal control testing around the University's ability to accumulate accurate and reliable information for various departments throughout the University</li> </ul>
<b>Federal grant compliance</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance with grant provisions or eligibility for participation in Federal programs</li> <li>▪ Lack of effective internal controls over compliance to identify instances of non-compliance in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identify major programs to be tested</li> <li>▪ Identify compliance provisions applicable to major federal programs</li> <li>▪ Assess status of Federal oversight, including audit performed by Federal grantor agencies or inspector generals as well as other regulatory agencies (e.g., State Auditors)</li> <li>▪ Identify internal controls over compliance</li> <li>▪ Perform detail testing of compliance and internal control over compliance pursuant to the sampling guidance defined by the Federal government inspector general</li> </ul>
<b>Governmental Accounting Standards Board (GASB) Statement No. 51, <i>Accounting and Financial Reporting for Intangible Assets</i></b>	<ul style="list-style-type: none"> <li>▪ Standard effective for fiscal year 2010</li> <li>▪ Addresses recognition of intangible assets and establishes specified-conditions approach to recognizing internally generated intangible assets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand any changes in the University's policies and procedures relating to intangible assets based on the adoption of GASB Statement No. 51</li> <li>▪ Review a sample of intangible assets subject to GASB Statement No. 51 to ensure appropriate accounting has been applied</li> </ul>
<b>GASB Statement No. 53, <i>Accounting and Financial Reporting for Derivative Instruments</i></b>	<ul style="list-style-type: none"> <li>▪ Standard effective for fiscal year 2010</li> <li>▪ Addresses recognition, measurement, and disclosure of information regarding derivative instruments</li> <li>▪ Requires the University to measure derivative instruments at fair value</li> </ul>	<ul style="list-style-type: none"> <li>▪ Understand any changes in the University's policies and procedures relating to derivative instruments based on the adoption of GASB Statement No. 53</li> <li>▪ Review derivative instruments subject to GASB Statement No. 53 to ensure proper accounting and disclosure in accordance with the standard</li> </ul>



# Audit timeline

	Monthly Activity											
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
<i>University</i>												
Audit planning and risk assessment	█	█		█								
Interim audit work		█										
Final audit work				█	█	█						
Conclude and report						█						
<i>Compliance Audits</i>												
Planning and risk assessment	█	█		█								
Compliance requirements testing		█		█	█							
Conclude and report						█	█					
<i>NCAA Agreed-Upon Procedures</i>				█		█						
<i>Communication and coordination</i>	█	█	█	█	█	█	█	█	█	█	█	█

# Recent accounting and industry matters

## Codification of Pre-November 30, 1989, FASB Pronouncements

The objective of this project is to specifically identify provisions in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins of the AICPA Committee on Accounting Procedure, and AICPA Accounting Interpretations issued on or before November 30, 1989 (collectively, the “FASB pronouncements”), as referenced in paragraph 17 of GASB Statement No. 34, *Basic Financial Statements — and Management’s Discussion and Analysis — for State and Local Governments*, that do not conflict with or contradict GASB pronouncements and to incorporate those provisions into GASB’s literature. An exposure draft was issued on January 29, 2010.

## Statement 14 reexamination

The objective of this project is to reexamine the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, as amended, to determine the effectiveness of the current standards, including its provisions for reporting fiduciary activities. It would determine whether consolidated financial statement users, preparers, and attestors believe that reporting entities applying that standard are including all appropriate related organizations and excluding organizations that should not be included. The reexamination also would raise the question of whether the financial information of the included organizations is displayed and disclosed in the most appropriate and useful manner. This project is currently being deliberated.

## Economic condition reporting: fiscal sustainability

The overall, long-term objectives of this research are to identify the information that users require to assess a government’s economic condition, to compare these needs with the information users receive under current standards, and to consider whether guidance should be considered for the remaining information. The principal focus of the project is to consider whether any additional information useful for assessing a government’s economic condition should be required or encouraged for inclusion in a government’s financial report. In light of growing national concern with fiscal sustainability, the project will consider how these concerns relate to economic condition. Along those lines, this project includes consideration of the information necessary for users to assess the risks associated with a government’s intergovernmental financial dependencies, which previously was a separate project in the technical plan. This project is currently under discussion.

## Postemployment benefit accounting and financial reporting

The objective of this project is to consider the possibility of improvements to the existing standards of accounting and financial reporting for postemployment benefits — including pension benefits and other postemployment benefits (OPEB) — by state and local governmental employers and by the trustees, administrators, or sponsors of pension or OPEB plans. One objective of this project is to improve accountability, or the transparency of financial reporting, in regard to the financial effects of employers’ commitments and actions related to pension benefits and OPEB. This objective would include improving the information provided to help financial users assess the degree to which interperiod equity has been achieved. The other objective of this project is to improve the usefulness of information for decisions of judgments or relevance to the various users of the general-purpose external financial reports of governmental employers and pension or OPEB plans. This project is currently being deliberated.

## **Conceptual framework — recognition and measurement attributes**

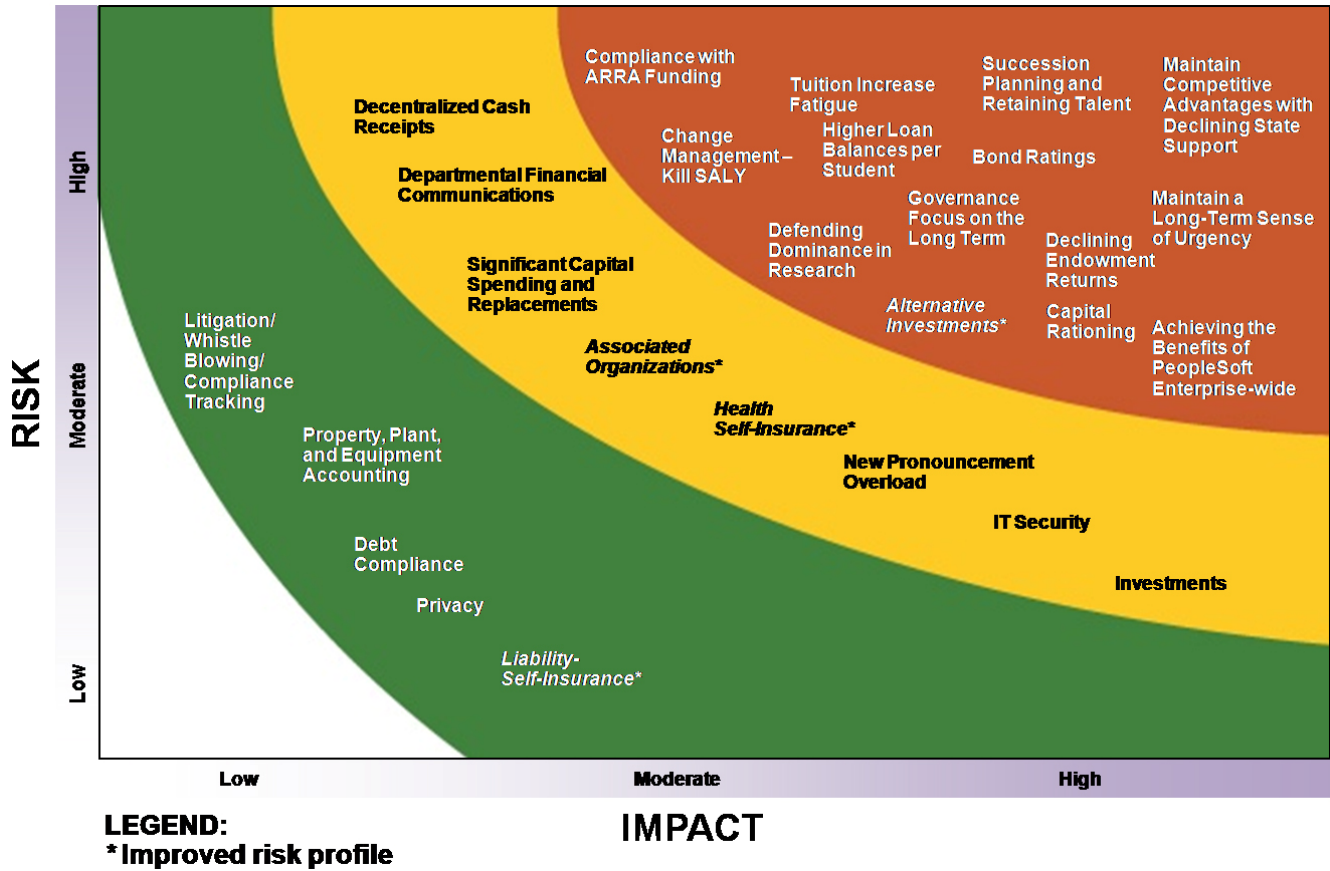
This project has two primary objectives. The first objective is to develop recognition criteria for whether information should be reported in state and local governmental financial statements and when that information should be reported. The second objective is to consider the measurement attribute or measurement attributes (for example, historical cost or fair value) that conceptually should be used in governmental financial statements. This project is currently under deliberation and ultimately will lead to a Concepts Statement.

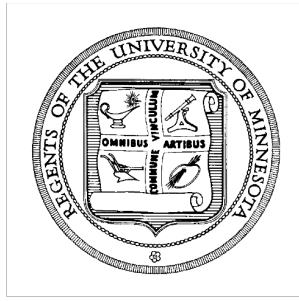
## **Federal compliance: American Recovery and Reinvestment Act (ARRA)**

- The Office of Budget and Management is still working on the 2010 version of the Compliance Supplement.
- ARRA grants will be considered higher risk, which is a new concept.
- Audit requirements around 1512 reporting are still being defined. Jobs retained/jobs created is still a hot topic of discussion.
- Oversight continues to increase. ARRA funding misappropriation consequences continue to escalate. The President recently issued a memo addressing “combating ARRA misuse of funds. OMB has allocated an additional \$250 million to the federal agencies for auditing/oversight or the ARRA contracts/grants.

# Appendix

## Today's Heat Map





**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Audit Committee**

**June 10, 2010**

**Agenda Item:** Internal Audit Update

review       review/action       action       discussion

**Presenters:** Associate Vice President Gail Klatt

**Purpose:**

policy       background/context       oversight       strategic positioning

To update the Audit Committee on Internal Audit activities, results, and observations.

**Outline of Key Points/Policy Issues:**

- Since our last follow-up for the February 2010 meeting, 29% of the outstanding recommendations rated as “essential” were implemented by University departments. This percentage is less than our expected implementation rate of 40%. An updated control evaluation chart is included for each audit to show progress made on the “essential” items. Six units fully implemented all their remaining “essential” recommendations.
- Two audit reports containing seven recommendations rated as “essential” were issued in the last four months.

**Background Information:**

This report is prepared on a quarterly basis and is presented to the Audit Committee in conformance with Board Operations and Agenda Guidelines.

## **Internal Audit Update**

University of Minnesota Regents Audit Committee  
May 27, 2010

This report includes:

- Audit Observations/Information/Status of Critical Measures/Other Items
- Status of “Essential” Recommendations & Bar Charts Showing Progress Made
- Audit Activity Report
- Audit Reports Issued Since February 1, 2010

Details for any of the items in this report are available on request. Individual reports were sent to the President, Provost, Vice Presidents, and Chancellors about these internal audit issues.

### **Audit Observations/Information**

#### **Status of Critical Measures**

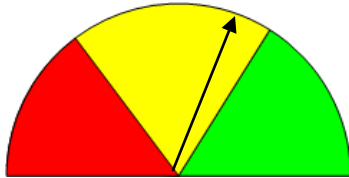
As part of our on-going efforts to provide the Audit Committee with critical information in as concise a format as possible, we have developed the following three charts to present a “snapshot” status report on work performed by the Office of Internal Audit.

The first chart, “Essential Recommendation Implementation”, provides our overall assessment of the success University departments had during the last quarter in implementing our essential recommendations. Readings in the yellow or red indicate implementation percentages less than, or significantly less than, our expected University-wide rate of 40%. Detailed information on this topic, both institution-wide and for each individual unit, is contained in the next section of this Update Report.

The second chart, entitled “Progress Towards Annual Audit Plan Completion”, is our assessment of how we are progressing towards completion of the FY 2010 Annual Audit Plan. Readings less than green could be influenced by a variety of factors (i.e. insufficient staff resources; increased time spent on non-scheduled audits or investigations).

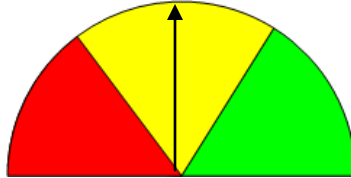
The final chart, “Time Spent on Investigative Activities”, provides a status report on the amount of time consumed by investigative activities. Our annual plan provided an estimated budget for this type of work, and the chart will indicate if we expect that budget to be sufficient. Continued readings in the yellow or red may result in seeking Audit Committee approval for modifying the Annual Audit Plan.

**Essential Recommendation Implementation**



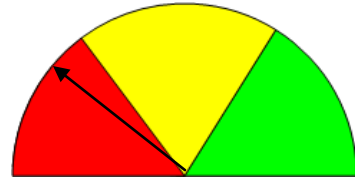
Implementation rates were 29% for the quarter, 11% less than our expected rate of 40%.

**Progress Towards Annual Audit Plan Completion**



Time spent to date on the FY 2010 audit plan is about 11% less than what was expected and budgeted.

**Time Spent on Investigative Activities**



Time spent on investigative activities and special projects is 57% more than budgeted for the year to date. This has resulted in adjustments to our scheduled audit plan.

**Status of "Essential" Recommendations as of May 27, 2010**

Report Date	Audit	# of Essential Recommendations in the Report	# of Essential Recommendations Remaining From Prior Quarter	Current Quarter Results			Overall Progress Towards Implementation*	Any Individual Issues With < Satisfactory Progress?
				Implemented	Partially Implemented	Not Implemented		
Jul-07	<b>Department of Psychology</b>	10	1	1		<b>Completed</b>		
Aug-07	UM - Morris Campus	12	6	3	3	<b>Unsatisfactory</b>	(A)	
Sep-07	<b>University Press</b>	8	1	1		<b>Completed</b>		
Jan-08	<b>Office of the Vice President for Equity and Diversity</b>	9	3	3		<b>Completed</b>		
Jan-08	College of Biological Sciences	9	2	1	1	Satisfactory		
Jul-08	College of Food, Agricultural, & Natural Resource Sciences	6	3	1	2	Satisfactory		
Aug-08	Audience/View Ticketing System	7	4	1	1	Satisfactory		
Sep-08	Review of Capital & HEAPR Proj. Funded by '06 State G.O. Debt	3	3	1	2	Satisfactory		
Sep-08	Department of Mechanical Engineering	9	3	3		Satisfactory		
Jan-09	OIT Data Security & Assurance	3	1	1	3	Satisfactory		
Mar-09	Department of Concerts & Lectures	7	4	1	3	Satisfactory		
Mar-09	Center for Magnetic Resonance Research	4	2	1	1	Satisfactory		
Jun-09	Sponsored Project Sub-Awards	1	1	1		Satisfactory		
Jul-09	<b>UMD College of Education &amp; Human Service Professions</b>	4	1	1		<b>Completed</b>		
Jul-09	OIT Database Administration	4	4	1		Satisfactory		
Jul-09	Effort Certification	5	4	4		Satisfactory		
Aug-09	<b>Energy Management</b>	2	1	1		<b>Completed</b>		
Aug-09	School of Dentistry	11	10	4	3	Satisfactory		
Oct-09	Academic Health Center Information Systems	6	6	3		Satisfactory		
Dec-09	<b>UMD Department of Theatre</b>	1	1	1		<b>Completed</b>		
Dec-09	Payment Card Industry Compliance	3	3	1	2	Satisfactory		
Dec-09	Departments of Medicine, Dermatology & Their Admin. Service Center	9	9	4	5	Satisfactory		
Jan-10	Google Applications for UMN	3	3	1	1	Satisfactory		
Jan-10	Office of Student Finance	3	3	3		Satisfactory		
Jan-10	UM - Crookston Campus	14	14	4	5	Satisfactory		
Jan-10	Non-Sponsored Accounts Receivable	10	10	6	4	Satisfactory		
<b>Total:</b>		<b>163</b>	<b>103</b>	<b>30</b>	<b>47</b>	<b>26</b>		

\* The following bar charts provide details on progress made towards implementation

(A) Morris has continued to reduce IT related risk by converting to enterprise systems for many of its most critical administrative processes. However, little progress has been made in improving controls over local IT operations or expanding use of common good solutions provided by OIT (e.g., use of AD). Morris and OIT management are hopeful that the search process for a permanent IT leader at Morris is nearly complete and that a person will be in place soon who can take leadership and accountability for resolving the remaining IT audit issues.

**"Essential" Recommendation Implementation Trends**

**Month / Year of Follow-up Report**

	Month / Year of Follow-up Report												Average
	May 2010	Feb. 2010	Sept. 2010	May 2009	Feb. 2009	Nov. 2008	May 2008	Feb. 2008	Sept. 2007				
# of Essential Recommendations Receiving Follow-up	103	101	108	132	179	144	157	102	86	124			
# of Recommendations Considered Fully Implemented	30	47	39	44	53	57	35	31	32	41			
Implementation Percentage	29%	47%	36%	33%	30%	40%	22%	30%	37%	33%			



Audit/ Report Date	Status-Partially Implemented (P) or Not Implemented (N)	Senior Management Contact	Summary of the Issue/Risk Involved	Current Comments From Management
University of Minnesota - Morris Aug-07	P	Lowell Rasmussen Jacqueline Johnson	<p>Procedures should be established to immediately evaluate the configuration of all servers for compliance with OIT security standards. Once the evaluation is completed, steps should be taken to quickly make necessary modifications to bring the equipment into compliance or take the equipment out of service. Plans to eliminate or upgrade servers with unsupported operating systems should be completed. Management should continue with its plans to consolidate applications on servers that establish VM environments so consistent configuration, that comply with OIT security standards, can be implemented more quickly. The analysis and corrective action should include servers hosting sensitive data which are not housed in the UMM Computing Services data center (e.g., the Bookstore server).</p> <p>To ensure workstations are configured in a consistent and secure manner which complies with OIT standards, UMM Computing Services should move forward with its plans to begin implementing Active Directory services on staff and faculty workstations.</p> <p>Formal processes should be implemented to ensure UMM Computing Services is notified whenever computer equipment is acquired or disposed.</p> <p>For the purpose of prioritizing security configuration improvements, UMM Computing Services should take steps to identify workstations which process sensitive data or are used to perform critical business functions (e.g., workstations in the Bursar and Bookstore operations). Workstations which process sensitive data, or are used to perform critical business functions, should be immediately reconfigured to comply with OIT Securing Private Data standards and then assigned a high priority in the process of conversion to Active Directory. During the interim prior to conversion to Active Directory, UMM Computing Services may want to use the level 2 QuickStart tool to help evaluate compliance.</p> <p>Steps should also be taken to ensure all laptops are secured with cable locks and data file encryption is enabled.</p> <p>Formal procedures should be established for securing and monitoring system logs. The monitoring process should be performed on a regular basis for all servers and network equipment. Consideration should be given to automating the</p>	<p>In the area of business continuity and recovery processes, UMM is now leveraging the institution's enterprise Bookstore system and the institution's enterprise facilities management (Compass) system. UMM has also moved the UMM Bursar application to the institution's enterprise virtual hosting environment and implemented a new residence hall system. These application transitions improve UMM's risk profile associated with previous use of the antiquated equipment (VAX) and applications supported by a single person. In the area of physical and environmental controls, security cameras have been placed in both the business office and the data center. In the area of data network management, a team of OIT network engineers will be on the Morris campus in early June to evaluate Morris' data network. This will result in an analysis that will assist with decisions on near-term network hardware, software, and management improvements. Finally, the search for an IT leader is nearing a selection. By completing this action, UMM will be able to assign leadership and accountability to the remaining IT audit issues for resolution.</p>

<i>Audit/ Report Date</i>	<i>Status-Partially Implemented (P) or Not Implemented (N)</i>	<i>Senior Management Contact</i>	<i>Summary of the Issue/Risk Involved</i>	<i>Current Comments From Management</i>
	P	Lowell Rasmussen Jacqueline Johnson	<p>analysis of the logs and reporting suspicious trends to technical support staff on a real time basis. Procedures should include establishing requirements that suspicious activity trends are documented.</p> <p>UMM Computing Services should also develop formal/documented strategies and protocols for dealing with potential incidents such as server compromises, stolen computers, and break-ins where computer equipment is located. The strategies and protocols should leverage processes already established by OIT Data Security and Assurance.</p> <p>Servers hosting sensitive or mission critical applications and key network equipment should only be housed in a physically secure data center/equipment room which has mechanisms in place to ensure:</p> <ul style="list-style-type: none"> <li>• unauthorized access is prevented (i.e., door locks for the UMM Computing Services space should be changed to regain control of who has keys, policies should be established and enforced against propping open data center doors, and windows should be eliminated or constructed of attack resistant material);</li> <li>• access to the data center and network equipment room is limited to only those individuals who have a business need;</li> <li>• a card key access system is installed to establish effective access logging;</li> <li>• access rights and access logs are periodically evaluated;</li> <li>• fire detection and suppression mechanisms are in place in all spaces containing key equipment;</li> <li>• all servers and key network equipment is protected by UPS systems with procedures in place to notify UMM Computing Services staff in a timely manner if the UPS is activated; and</li> <li>• effective action plans are in place for notification of UMM Computing Services staff regarding significant rise in temperature that could adversely affect computing systems located in the data center/equipment room.</li> </ul> <p>In addition, UMM Computing Services and Plant Services should move forward with their plans to install the recently ordered locking metal cabinets for networking equipment in wiring closets. The cabinets should reduce the risk of tampering and help protect the equipment from environmental and chemical damage.</p>	See previous comment

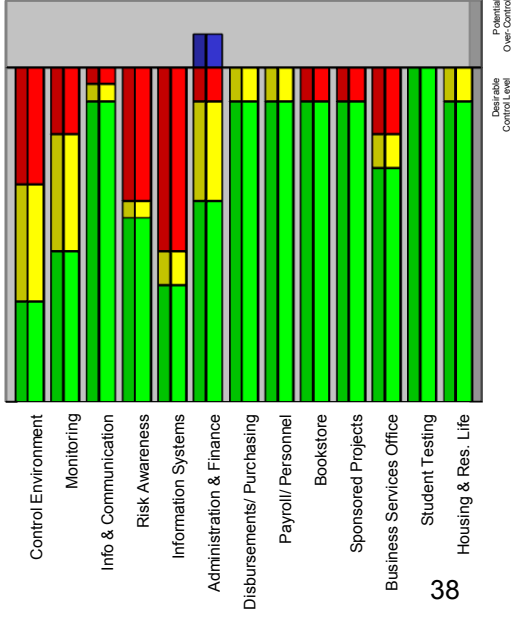
<i>Audit/ Report Date</i>	<i>Status-Partially Implemented (P) or Not Implemented (N)</i>	<i>Senior Management Contact</i>	<i>Summary of the Issue/Risk Involved</i>	<i>Current Comments From Management</i>
	N	Lowell Rasmussen Jacqueline Johnson	<p>UMM should develop a formal process for managing system changes so management can be assured only tested and authorized changes are moved into production. Test environments should be established. The process for making changes to production should be modified to ensure:</p> <ul style="list-style-type: none"> <li>• the implementation plan is well thought out and documented;</li> <li>• roll back strategies/plans are defined and documented;</li> <li>• no changes are moved into production without formal testing;</li> <li>• test plans and results are documented and retained;</li> <li>• peer and/or management review occurs before the change is implemented; and</li> <li>• no changes are moved into production without a record demonstrating IT management and application owner approval.</li> </ul>	See previous comment
	N	Lowell Rasmussen Jacqueline Johnson	<p>The network design of UMM should be reconfigured to ensure that no single point of failure exists for any critical business processes. Management should continue developing procedures for enforcing consistency in device settings and should consider deploying an automated tool to manage network device configurations. Any variances in configuration settings should be documented (i.e., the need for the variance should be explained).</p> <p>Management should secure and monitor the audit trail as indicated in finding #2. Management should also develop a written system administration manual with procedures to effectively manage and monitor privileged access including:</p> <ul style="list-style-type: none"> <li>• a formal process for granting, revoking, and modifying privileged access and enforcing periodic password changes for privileged user IDs,</li> <li>• a process to ensure that system administrators first sign in using a personal user ID not as root,</li> <li>• establishing password protection for server consoles in the data center, and</li> <li>• creating a policy disallowing the use of the server consoles to perform day-to-day system administrator functions.</li> </ul>	See previous comment
	N	Lowell Rasmussen Jacqueline Johnson		See previous comment

<i>Audit/ Report Date</i>	<i>Status-Partially Implemented (P) or Not Implemented (N)</i>	<i>Senior Management Contact</i>	<i>Summary of the Issue/Risk Involved</i>	<i>Current Comments From Management</i>
	P	Lowell Rasmussen Jacqueline Johnson	<p>UMM Computing Services should ensure that all production systems are adequately backed up, backup files are moved offsite, and that the backups are systematically tested.</p> <p>Senior management should develop a plan to ensure that staffing is adequate to continue business operations in the event of a disaster. UMM Computing Services should also ensure that equipment is available to continue business operations in the event of a disaster.</p> <p>UMM Computing Services, in collaboration with senior UMM management, should ensure that Disaster Recovery plans are completed and tested. Steps should be taken to ensure the Disaster Recovery plans include:</p> <ul style="list-style-type: none"> <li>• expectations in the event of a disaster,</li> <li>• roles and responsibilities,</li> <li>• resources needed to recover the system,</li> <li>• procedures for activation of the plan and escalation processes,</li> <li>• priorities for system restoration,</li> <li>• contact information for recovery team members,</li> <li>• test plans for ensuring the system is functioning as intended and the integrity of data was not compromised, and</li> <li>• the time interval for regular testing of the disaster recovery plan.</li> </ul> <p>In addition, management should ensure that the disaster recovery team is trained in their responsibilities in the event of an emergency and are aware of manual or alternate processing procedures that are to be used when processing is delayed for an extended period of time.</p>	See previous comment
# of Items  College of Biological Sciences Feb-08	P	Robert Eide Andrea Backes	<p>Management should determine if disciplinary action is warranted regarding the inappropriate cost transfer entries processed. If needed, job duties should be reassigned, and additional training should be provided to employees processing these transactions. An additional review by OAR should be requested to ensure any changes made have resulted in BMBB's full compliance with the University cost transfer policy. Transactions should be done timely, have appropriate approvals and be properly justified. In addition, overdrafts on sponsored projects must be transferred to a non-sponsored account and NOT a different sponsored project, and the department should use pre-award</p>	CBS management has taken the actions needed to address the recommendations made, and all that remains is to have a review performed by the Office of Oversight, Analysis, and Reporting (OAR). OAR has made this a priority, and the BMBB review is next on their schedule.

<i>Audit/ Report Date</i>	<i>Status-Partially Implemented (P) or Not Implemented (N)</i>	<i>Senior Management Contact</i>	<i>Summary of the Issue/Risk Involved</i>	<i>Current Comments From Management</i>
			accounts when costs are incurred before the start date of a sponsored project.	
# of Items	1			
<b>Total:</b>	7			

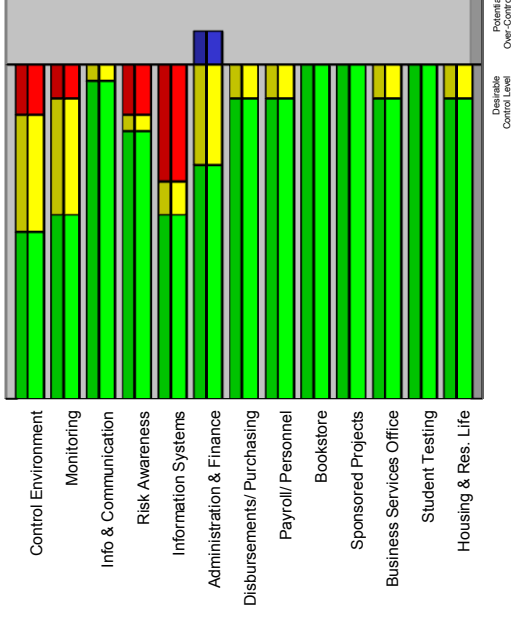
The bar charts shown below are presented to provide pictorial displays of the progress units are making on implementing audit recommendations rated as "essential". The bar chart included in the original report is shown in the left column, along with updated bar charts showing the previous quarter and the current status of the "essential" recommendations only (those bars that have red segments). The chart in the center column displays the status as of February 2010, while the chart on the right represents the current status. Charts are not presented for investigations. Charts for those units having implemented all "essential" recommendations during the current quarter are shown at the end of this report.

### Original Report Evaluation

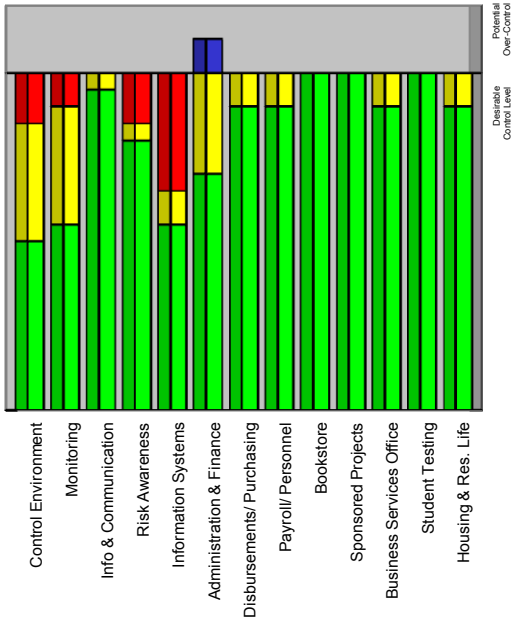


### Previous Quarter Evaluation

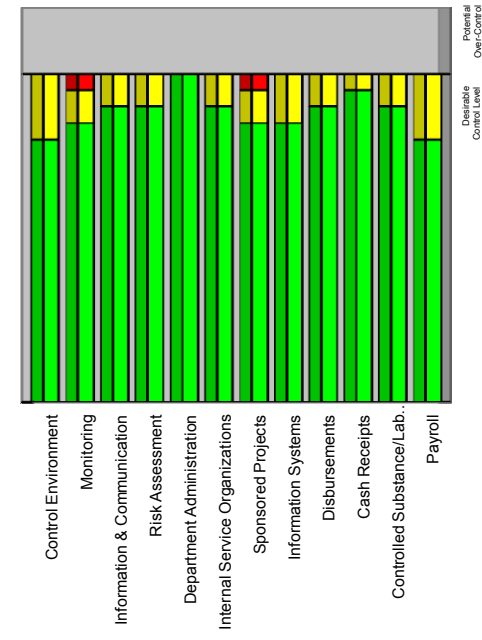
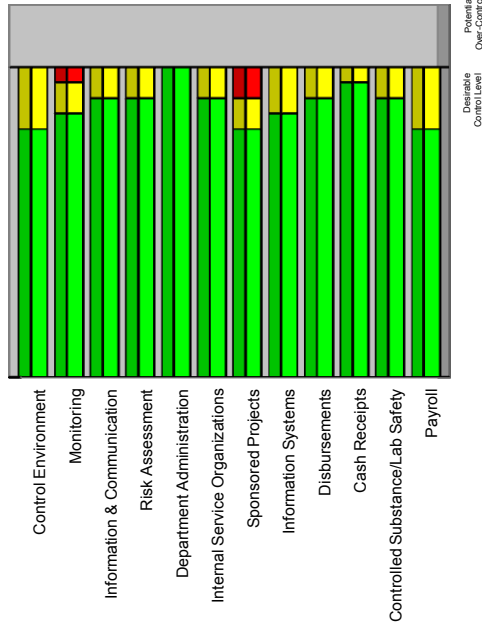
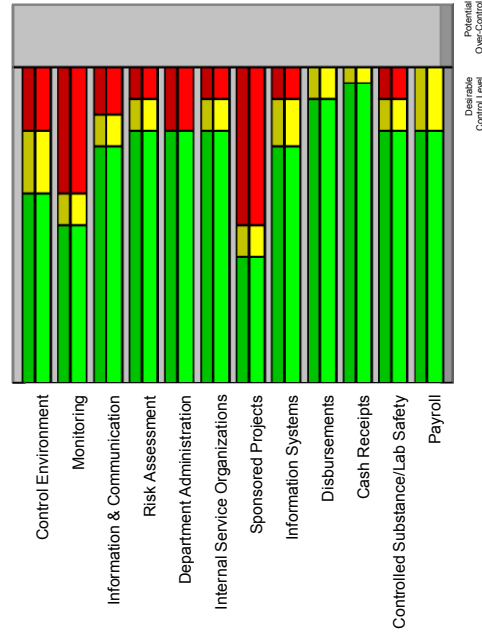
#### University of Minnesota Morris (August 2007)



### Current Quarter Evaluation



#### College of Biological Sciences (February 2008)



■ Adequate Control

■ Significant Control Level

■ Critical Control Level

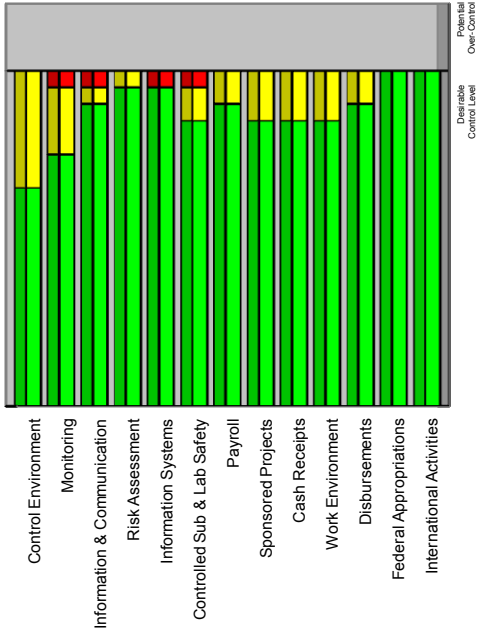
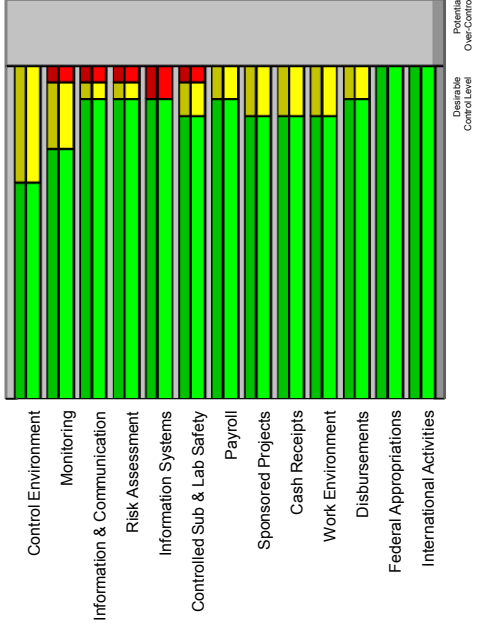
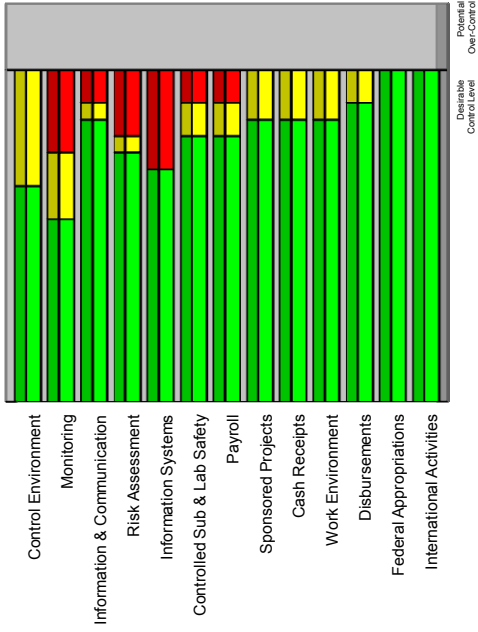
■ Potential Over-Control

Original Report Evaluation

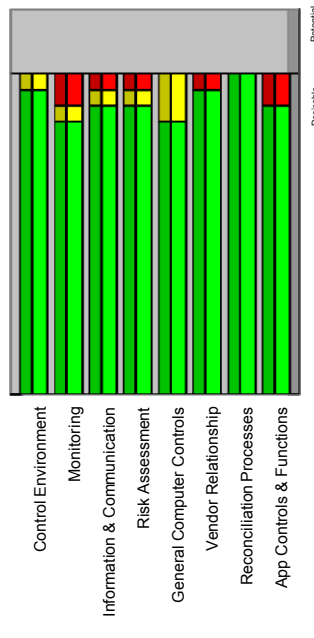
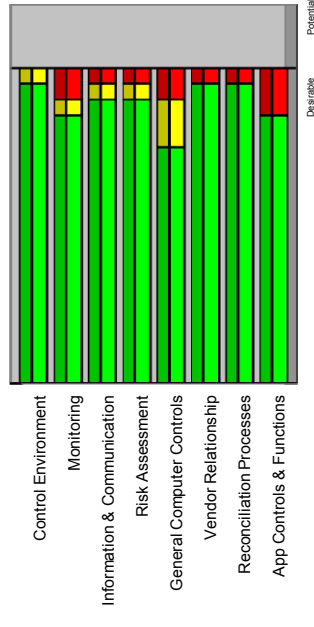
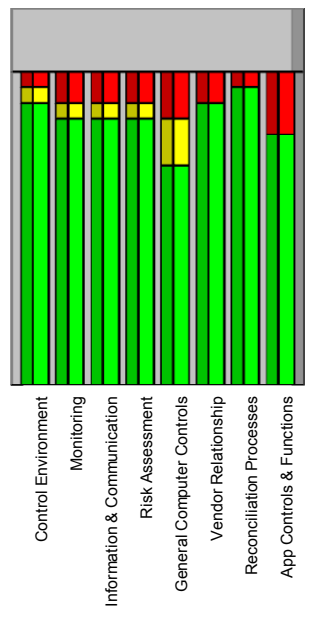
Previous Quarter Evaluation

Current Quarter Evaluation

College of Food, Agricultural, and Natural Resource Sciences (July 2008)



AudienceView - Ticketing System (August 2008)



Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

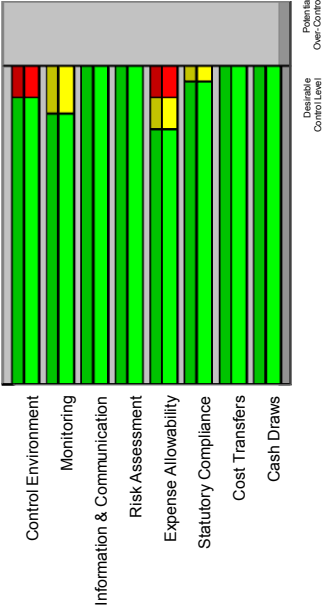
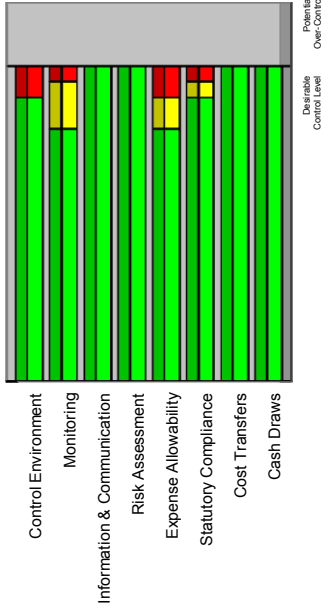
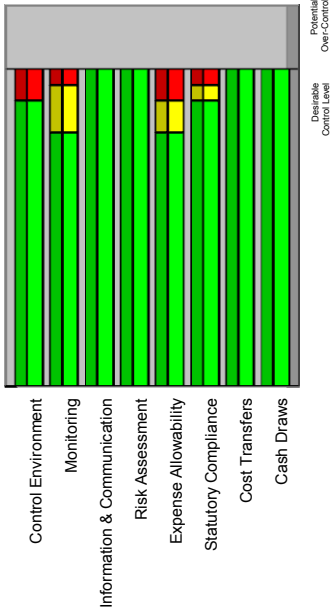
Potential Over-Control

Original Report Evaluation

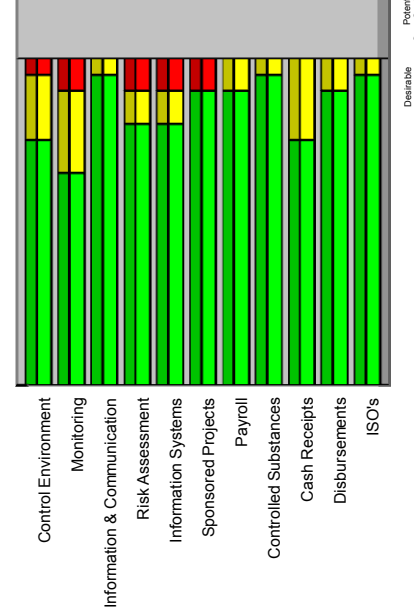
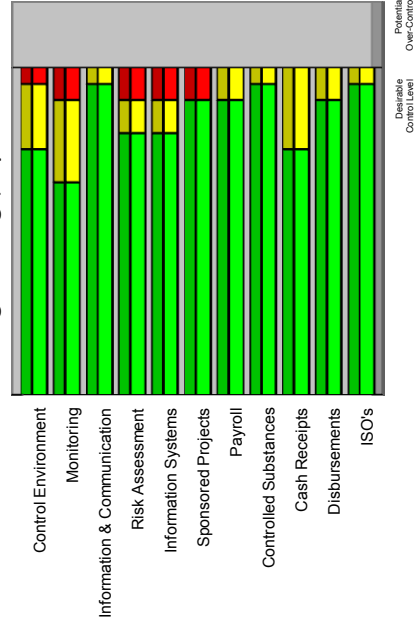
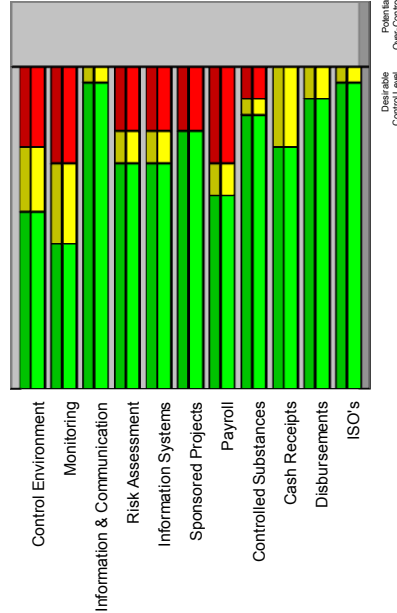
Previous Quarter Evaluation

Current Quarter Evaluation

A Review of Capital and HEAPR Projects Funded by 2006 State General Obligation Bond Debt (September 2008)



Department of Mechanical Engineering (September 2008)



Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

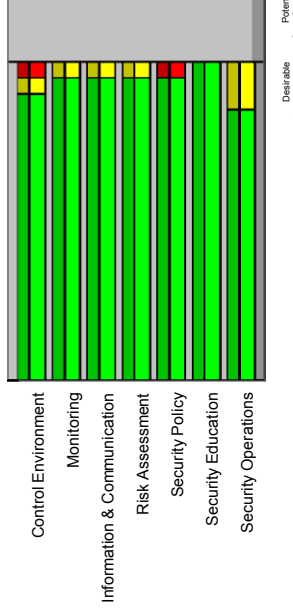
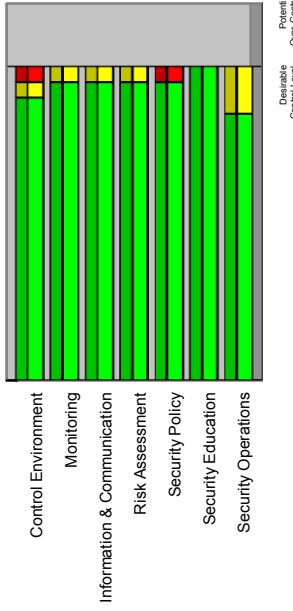
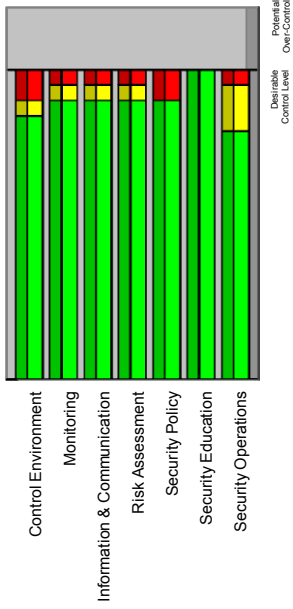
Potential Over-Control



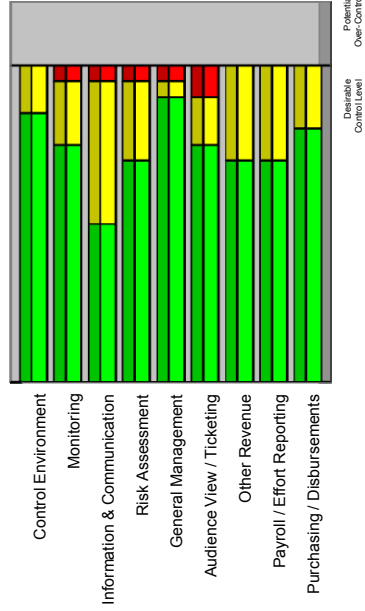
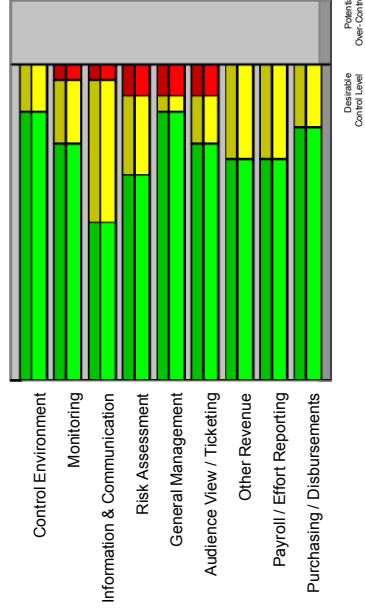
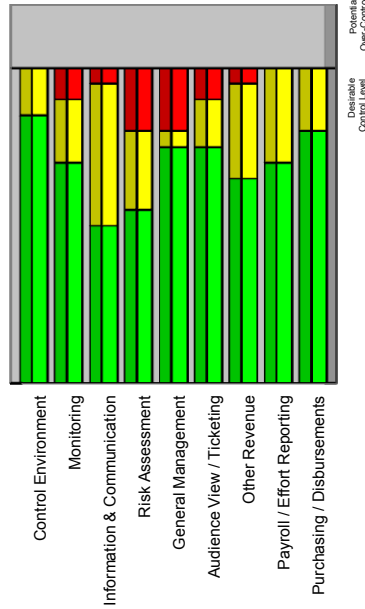
Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation



Department of Concerts & Lectures (March 2009)



Adequate Control

Significant Control Level

Critical Control Level

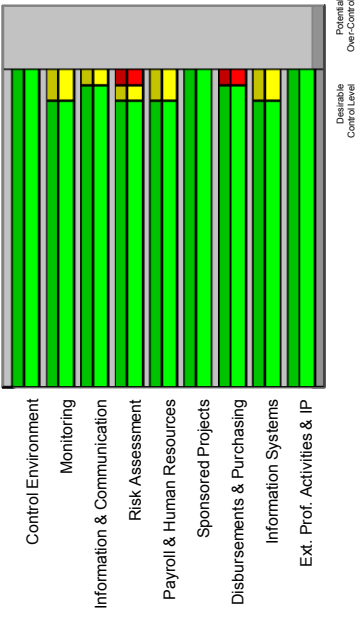
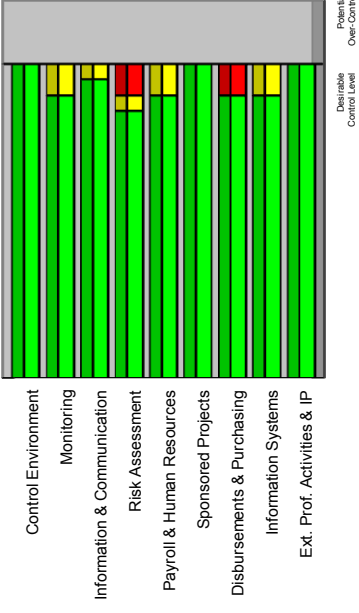
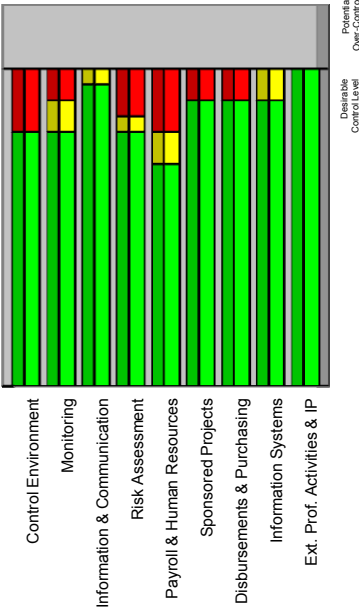
Potential Over-Control

Original Report Evaluation

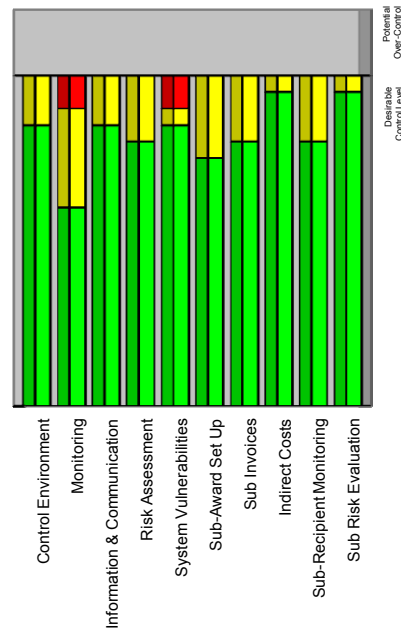
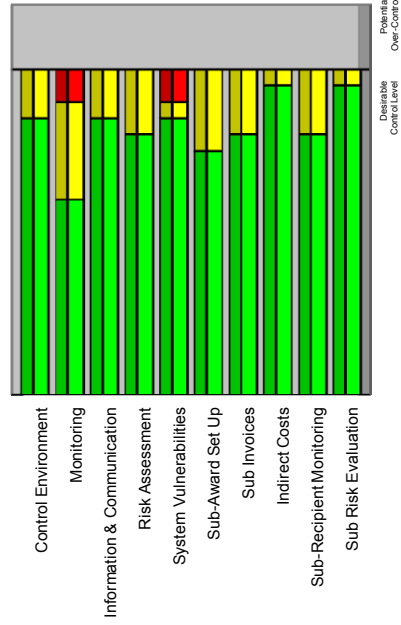
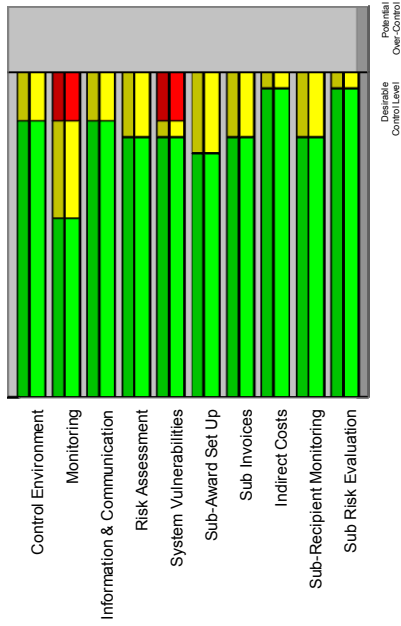
Previous Quarter Evaluation

Current Quarter Evaluation

Center for Magnetic Resonance Research (March 2009)



Sponsored Project Sub-Awards (June 2009)



Adequate Control

Significant Control Level

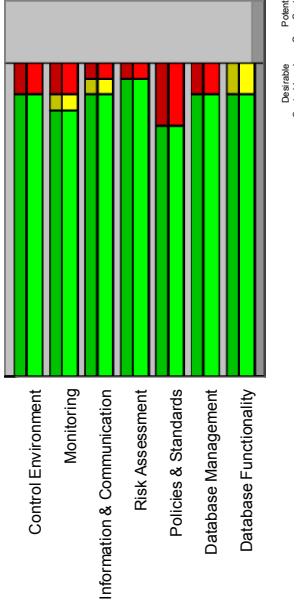
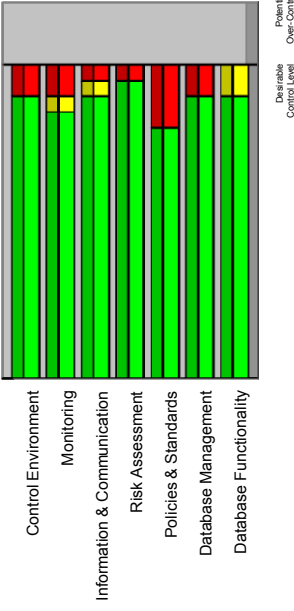
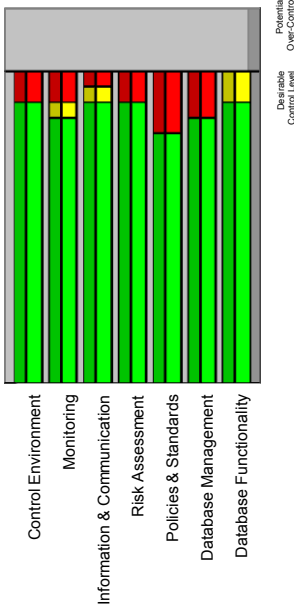
Critical Control Level

Potential Over-Control

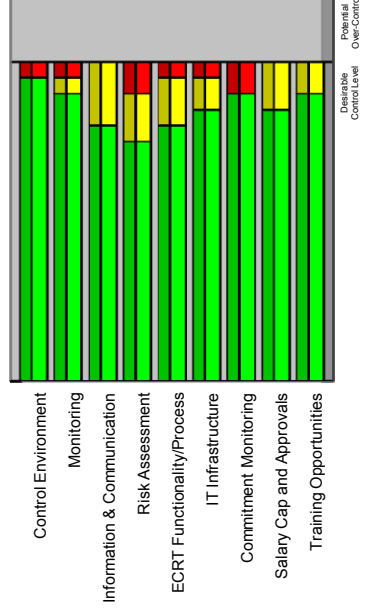
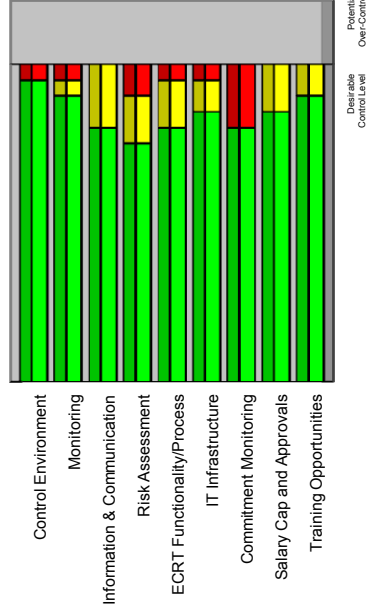
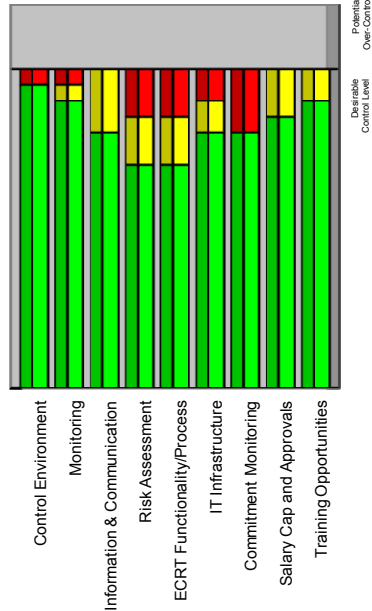
Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation



Effort Certification (July 2009)



Adequate Control

Significant Control Level

Critical Control Level

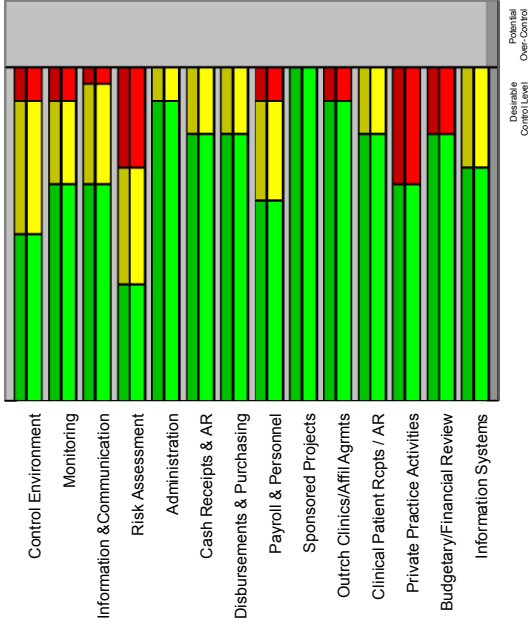
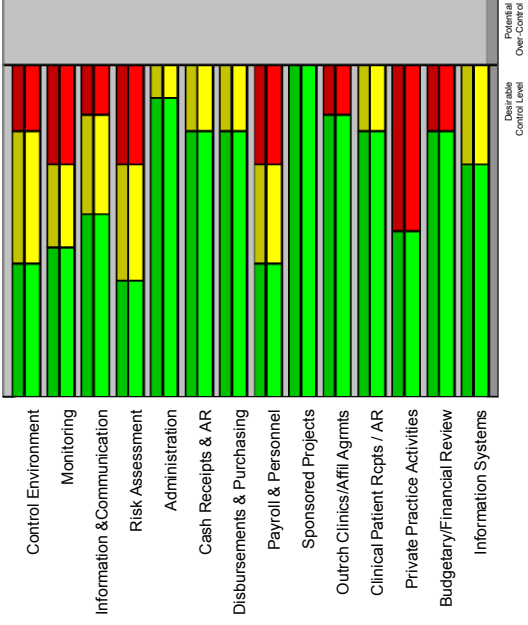
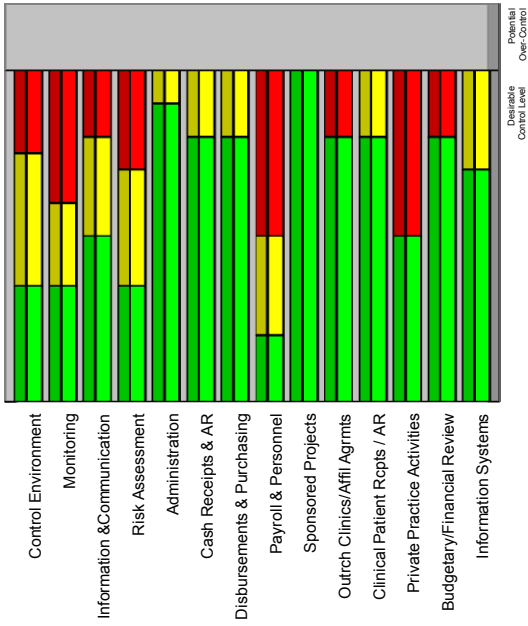
Potential Over-Control

Original Report Evaluation

Previous Quarter Evaluation

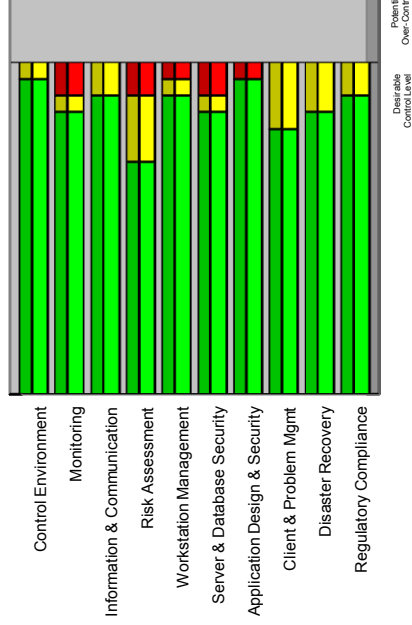
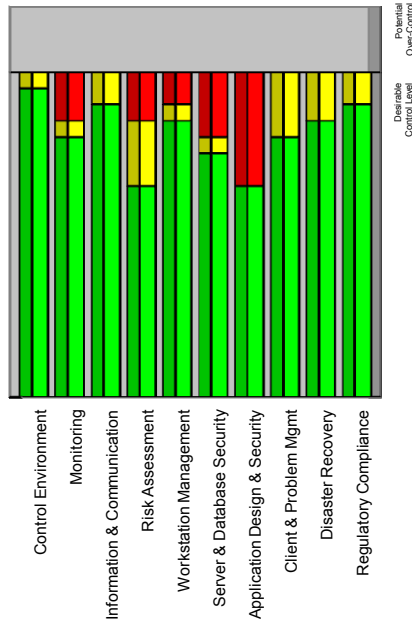
Current Quarter Evaluation

School of Dentistry (August 2009)



AHC IS (October 2009)

NO PREVIOUS CONTROL EVALUATION CHART



Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

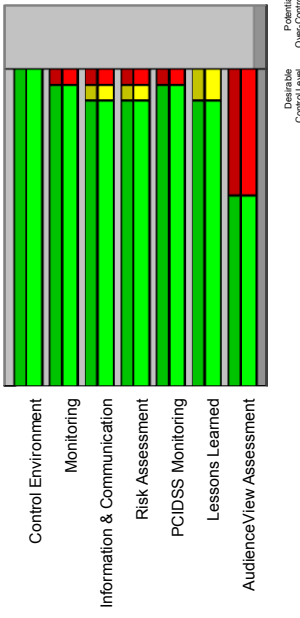
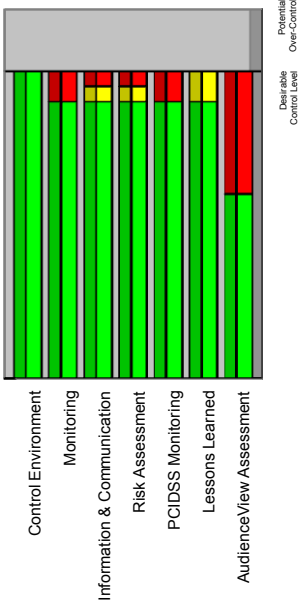
Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation

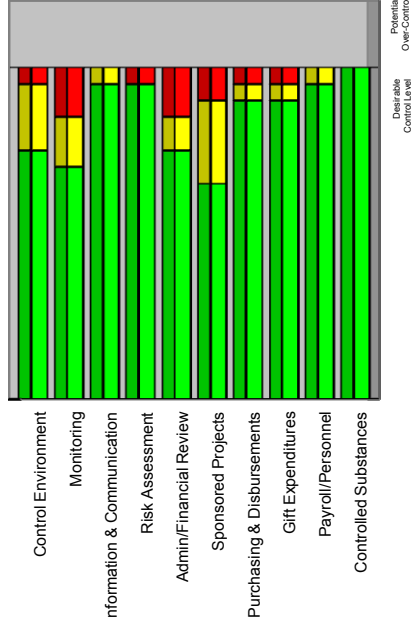
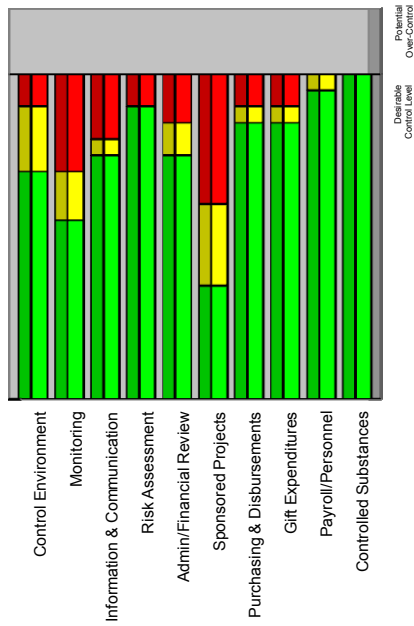
PCI Compliance (December 2009)

NO PREVIOUS  
CONTROL EVALUATION  
CHART



Departments of Medicine, Dermatology & Their Administrative Service Center (December 2009)  
Department of Medicine

NO PREVIOUS  
CONTROL EVALUATION  
CHART



Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

Original Report Evaluation

Previous Quarter Evaluation

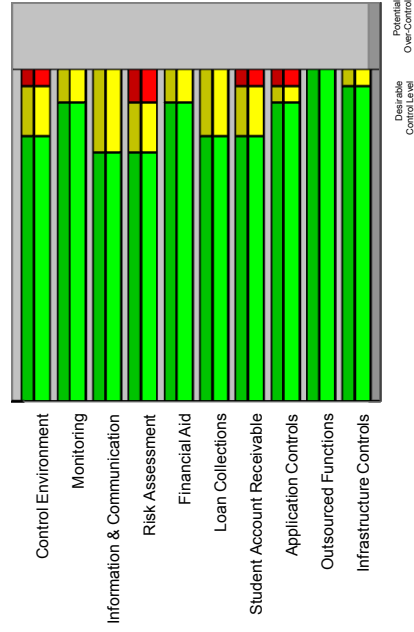
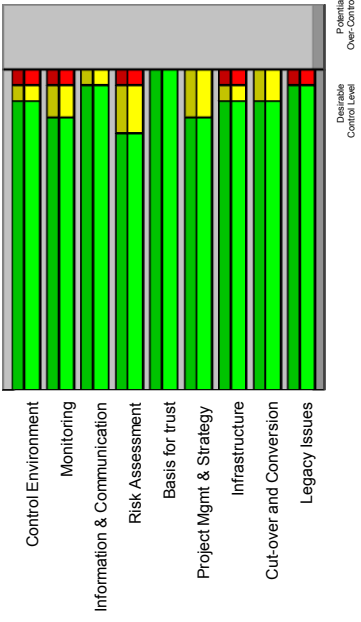
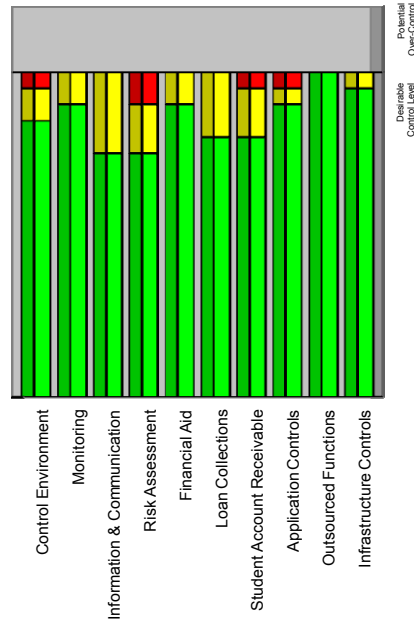
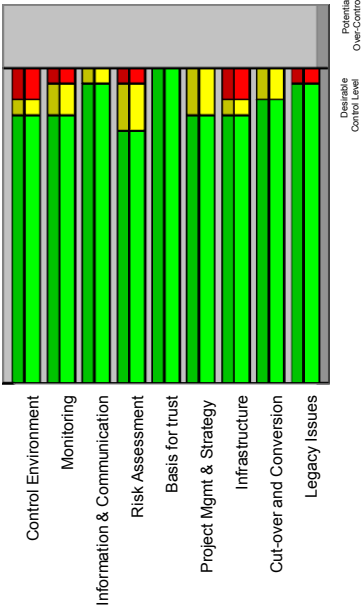
Current Quarter Evaluation

Google Apps for UMN (January 2010)

NO PREVIOUS CONTROL EVALUATION CHART

Office of Student Finance (January 2010)

NO PREVIOUS CONTROL EVALUATION CHART



Adequate Control

Significant Control Level

Critical Control Level

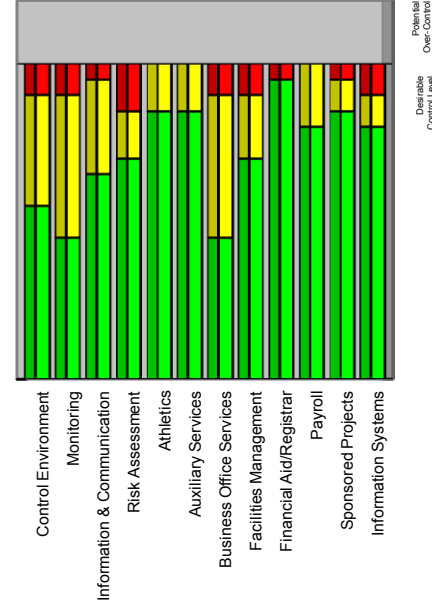
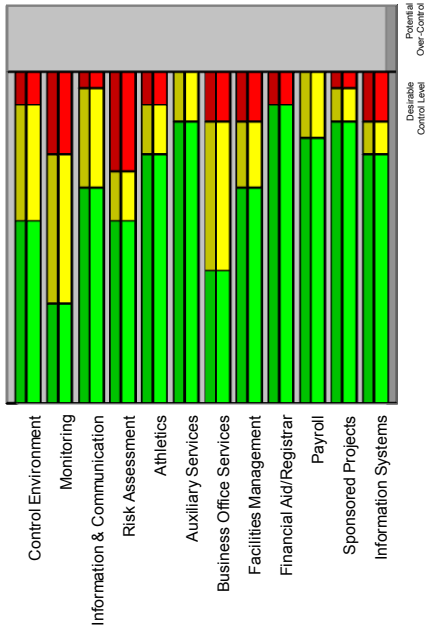
Potential Over-Control

Original Report Evaluation

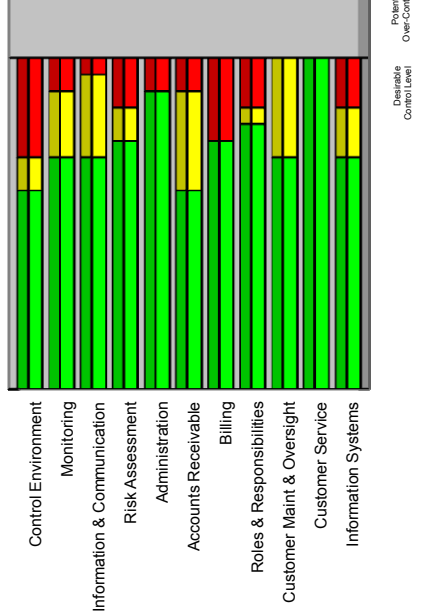
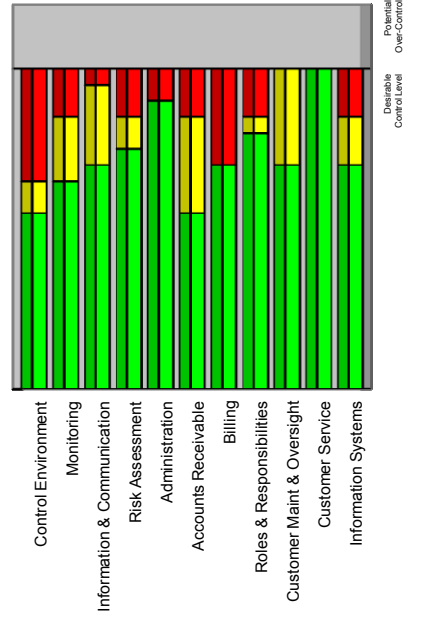
Previous Quarter Evaluation

Current Quarter Evaluation

University of Minnesota - Crookston (January 2010)



Non-Sponsored Accounts Receivable (January 2010)



Adequate Control

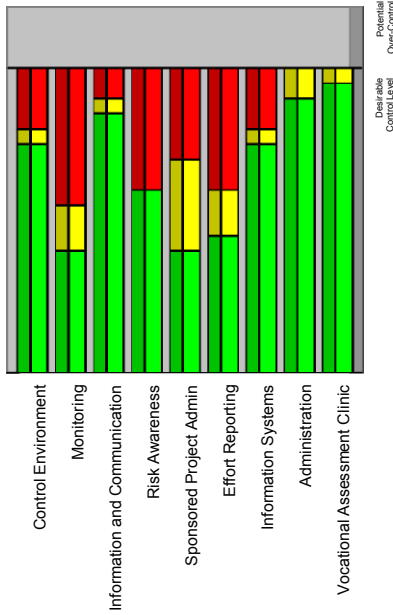
Significant Control Level

Critical Control Level

Potential Over-Control

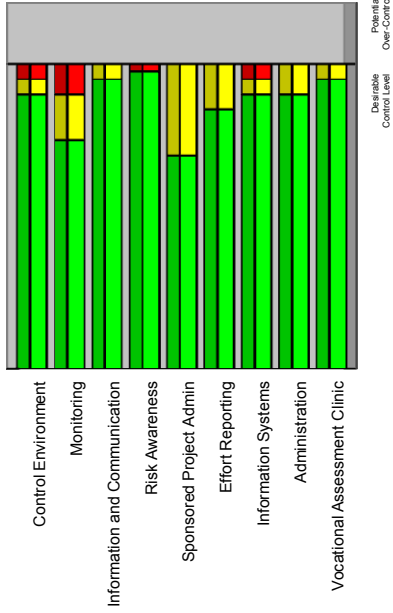
# Units with Charts that Fully Implemented their "Essential" Recommendations During the Past Quarter

Original Report Evaluation

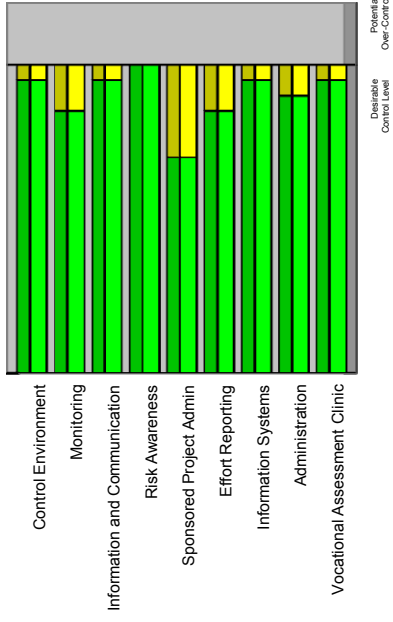


Previous Quarter Evaluation

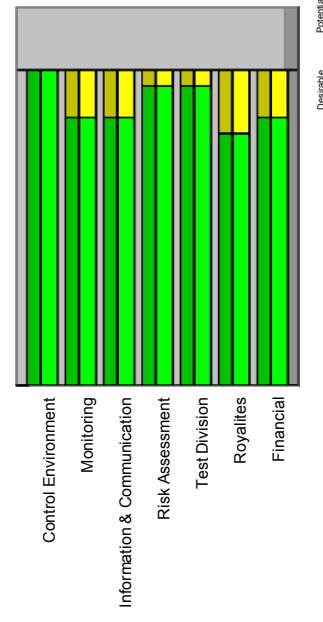
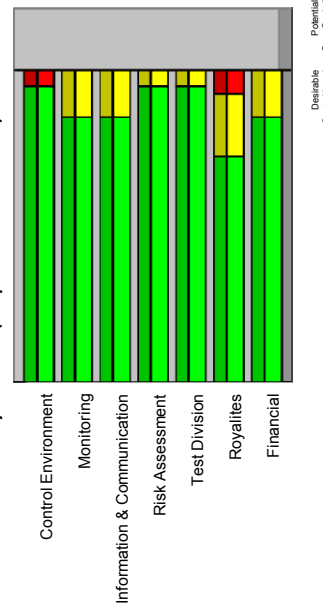
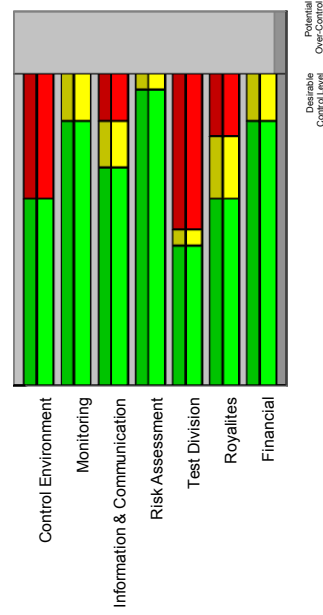
Department of Psychology (July 2007)



Current Quarter Evaluation



University Press (September 2007)



Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

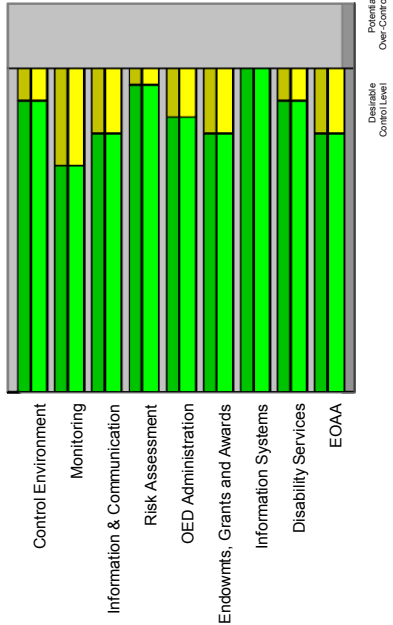
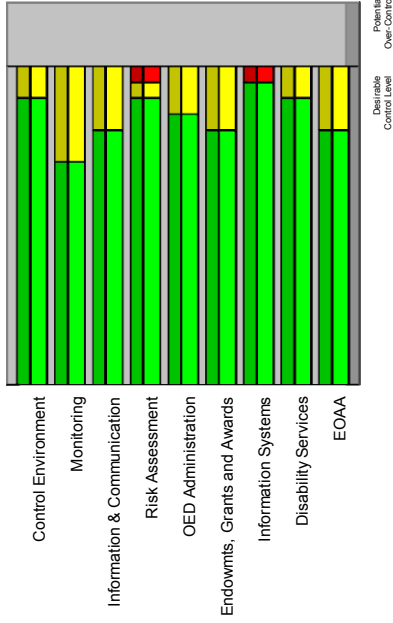
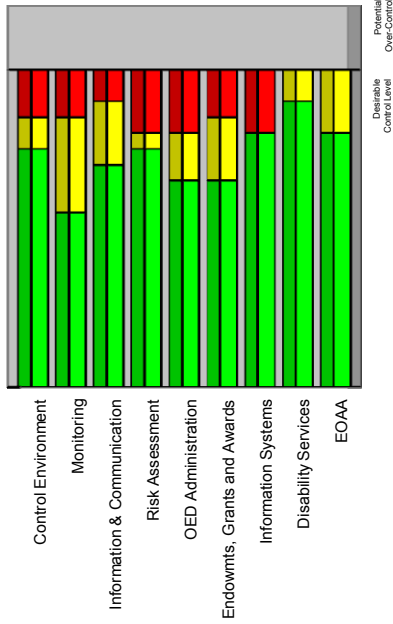


Original Report Evaluation

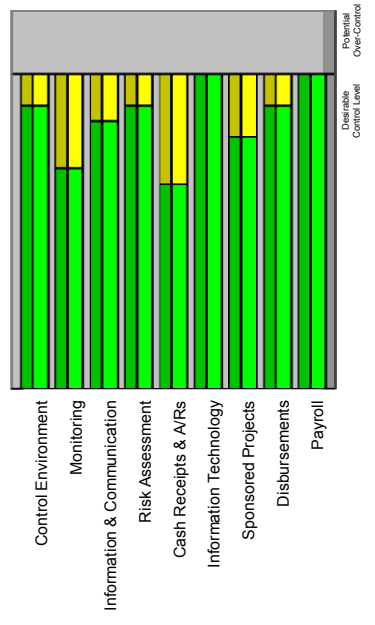
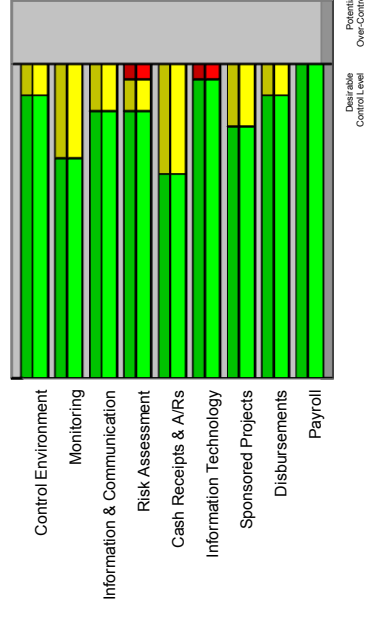
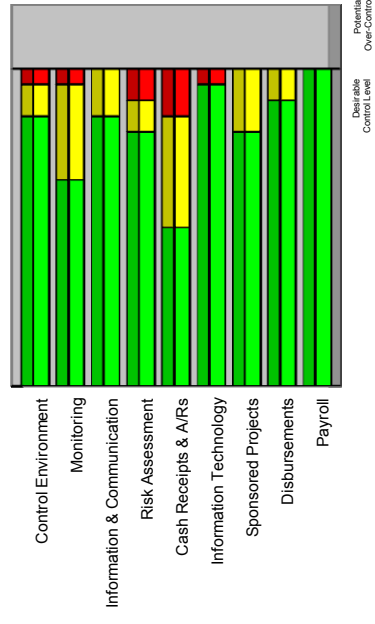
Previous Quarter Evaluation

Current Quarter Evaluation

Office of the Vice President for Equity and Diversity (January 2008)



UMD College of Education & Human Service Professions (July 2009)



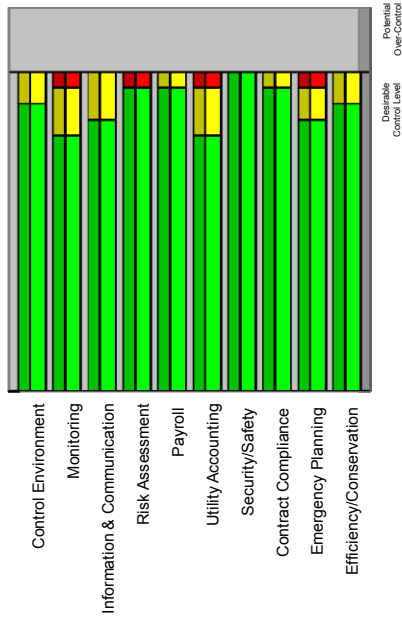
Adequate Control

Significant Control Level

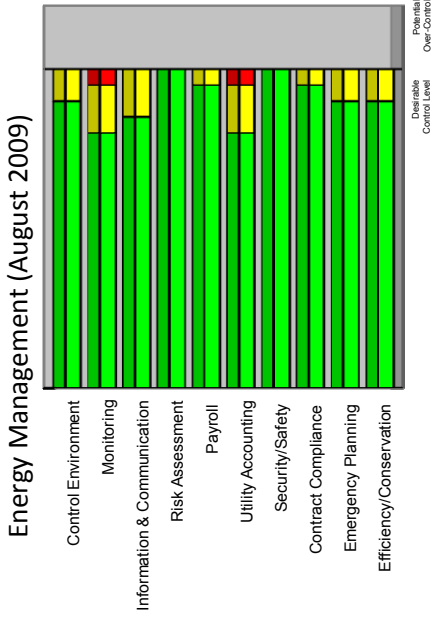
Critical Control Level

Potential Over-Control

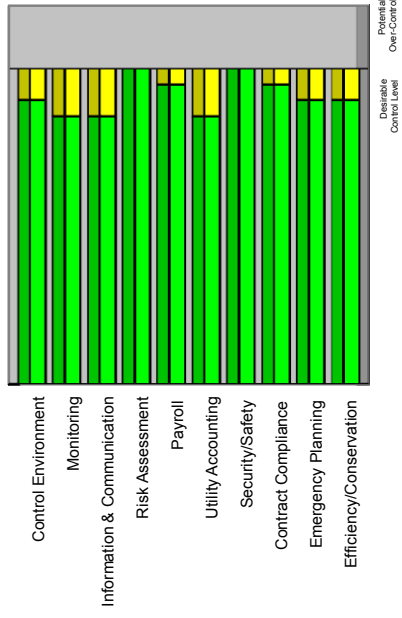
Original Report Evaluation



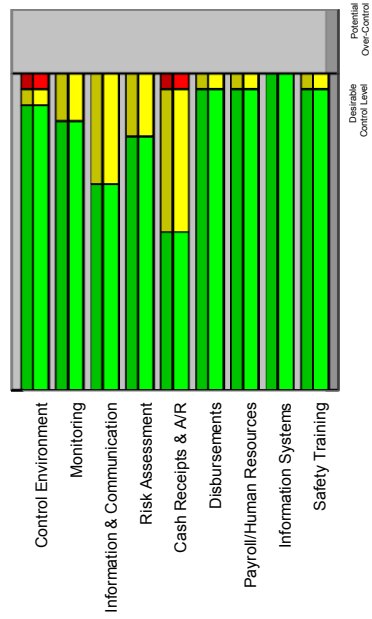
Previous Quarter Evaluation



Current Quarter Evaluation



UMD Department of Theatre (December 2009)



NO PREVIOUS  
CONTROL EVALUATION  
CHART

Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

## **Audit Activity Report**

### **Scheduled Audits**

- Completed audits of: UMD Labovitz School of Business and Economics, and Job Scheduling - Enterprise Financial System. Details are shown on the following charts.
- Began/continued audits of: Sponsored Financial Reporting, University Services IT, OIT Administration, the University's Procurement Card Program, the CFANS Research and Outreach Centers, a University-wide review of employee performance evaluation processes, a review of fringe benefit cost components, UMD Facilities Management, Veterinary Diagnostic Labs, Boynton Health Service, UMD University Relations, OIT Change Management and the Office of Real Estate Management.

### **Scheduled Compliance Review**

- Completed a NCAA Compliance Review of the Football program. A letter report was issued to management.

### **Investigations**

- Performed investigative work on 14 issues in accordance with the University Policy on Reporting and Addressing Concerns of Misconduct.

### **Special Projects**

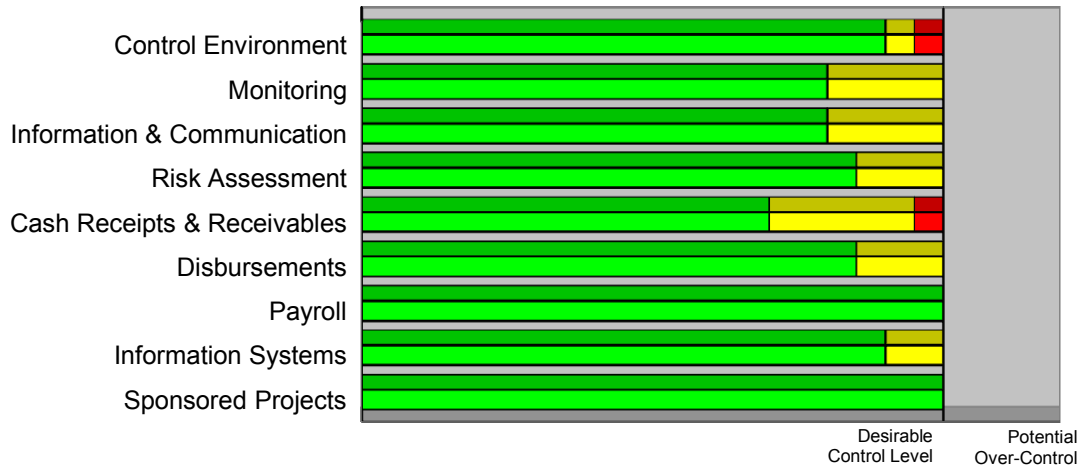
- Provided consulting services related to: data security, management of batch job processing, Google HIPAA compliance, and University payroll exception testing.
- Performed a review for the Office of the Legislative Auditor of a sponsored project funded by a state grant to the Mayo Biotechnology Partnership for the Biotherapeutic Protein Production Facility on the St. Paul campus.

### **Other Audit Activities**

- Participated in the following:
  - HRMS PeopleSoft Steering Committee
  - Fairview Health Systems Audit Committee
  - University of Minnesota Foundation Audit Committee
  - Research Compliance Committee
  - Executive Compliance Oversight Committee
  - Institutional Conflict of Interest Committee
  - Information Technology Collegiate Leaders Audit Finding Taskforces
  - Collegiate IT Directors Committee
  - OSH Steering Committee
  - President's Policy Committee
  - Board of Regents Policy Committee
  - Enterprise Financial System Enhancements Project: Workflow Subcommittee
  - President's Advancing Excellence Committee
  - Risk Tolerance Work Group

# Audit Reports Issued Since February 2010

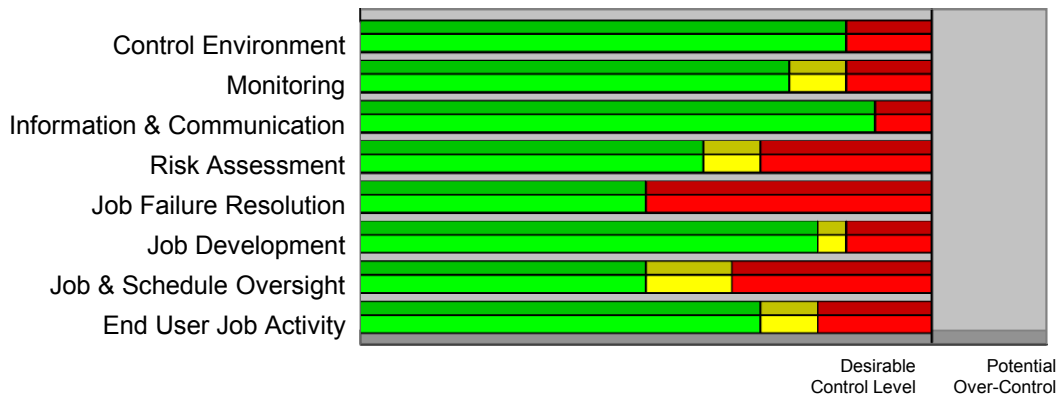
## UMD Labovitz School of Business & Economics



Report #	1015	Issue Date	Mar-10
# of Essential Recs.	1	Total # of Recs.	13
Overall Assessment	Good	Adequacy of MAP	Satisfactory

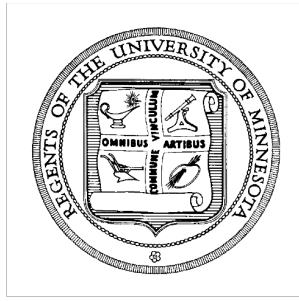
LSBE has established an effective control environment. Both the nature and the limited number of findings in this report reflect a strong control environment, especially given the length of time since the previous audit of LSBE. During our audit we were impressed with the commitment of LSBE administration and departmental financial staff to strong internal controls.

## Job Scheduling - EFS



Report #	1016	Issue Date	Apr-10
# of Essential Recs.	6	Total # of Recs.	8
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

Batch jobs (i.e., "jobs") involve processing a group of transactions at once. OIT centrally manages most of the University's systems' jobs, including PeopleSoft HRMS-Student and EFS, using a purchased central scheduler called Autosys. However, some EFS jobs, and configurable job parameters, are additionally managed by members of the Controller's Office. Job management processes and related access rights to job scheduler tools need improvement to better ensure continuity of operations and data integrity. Situations were noted in which some users have excessive rights and/or rights to incompatible duties that are unmonitored. Accounts are being shared by OIT and members of the Controller's Office, making it difficult to establish accountability.



**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS**

**Audit Committee**

**June 10, 2010**

**Agenda Item:** Information Items

review       review/action       action       discussion

**Presenters:** Associate Vice President Gail Klatt

**Purpose:**

policy       background/context       oversight       strategic positioning

To provide the Audit Committee with the Semi-Annual Controller's Report.

**Outline of Key Points/Policy Issues:**

Semi-Annual Controller's Report

This report presents a summary of activities completed by the Controller's Office in the last six months that enhance financial accounting and reporting, strengthen internal controls, reduce financial or compliance risks to the University, and improve efficiencies and service.

**Background Information:**

The Controller's Report is prepared semi-annually and presented to the Audit Committee in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS AUDIT COMMITTEE  
SEMI-ANNUAL CONTROLLER'S REPORT  
JUNE, 2010**

This report presents a summary of significant activities from the last six months that have improved financial reporting, enhanced internal controls, reduced financial risks, improved services to the University community, or created efficiencies in financial operations.

**I. Accounting and Financial Reporting Matters**

New Accounting Standards

Effective with the June 30, 2010 audited financial statements the University is adopted two new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB). These standards and the related implementation dates are explained below.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* –

This statement addresses the recognition of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. Additionally, it establishes a “specified-conditions” approach to recognizing intangible assets that are internally developed. GASB Statement No. 51 provides guidance on determining the useful life of intangible assets when contractual or legal provisions limit the length of their life. Although this statement is effective for the University’s fiscal year ending June 30, 2010 financial statements, the provisions of this statement generally must be applied retroactively for fiscal years ending after June 30, 1980. Management is currently developing an inventory of intangible assets across the institution which may need to be reported, and is creating accounting policy for adopting and applying GASB No. 51.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* – This

statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments. It will require the University to measure derivative instruments at fair value, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive. In addition, the University will be required to disclose a summary of derivative instrument activity and the information necessary to assess the University’s objectives for utilizing derivative instruments, their significant terms, and the risks associated with the derivative instruments. In preparing to adopt this new statement, representatives from the offices of the Controller, Investments and Banking, and Budget and Finance participated in a full-day training session with Deloitte LLP on derivative instrument accounting. Management is currently developing accounting policy for adopting and applying this statement to the University’s FY 2010 financial statements.

Corrections to FY 2009 Financial Statements

While preparing the University’s semi-annual unaudited financial statements, Accounting Services discovered that the net asset balances reported in the June 30, 2009 audited financial statements were misstated. Net asset balances that should have been reported as “unrestricted”

net assets were incorrectly reported as “restricted expendable” net assets, for both 2009 and 2008. The misclassifications were caused by human error, in conjunction with adopting a different methodology for calculating the net asset balances of certain scholarships. The misclassifications were limited to the net asset section of the balance sheet, and had no impact on reported assets, liabilities, revenues, expenses, or cash flows. The following table summarizes the impact of the misclassification between the two categories of net assets:

	June 30, 2009	June 30, 2008
<b>Unrestricted Net Assets:</b>		
As reported - Audited	\$ 162,156,359	\$ 218,680,526
Adjusted – As if no error occurred	560,845,480	617,118,232
<b>Difference - Understated</b>	<b>(\$ 398,689,121)</b>	<b>(\$ 398,437,706)</b>
<b>Restricted Expendable Net Assets:</b>		
As reported - Audited	\$ 833,332,221	\$1,126,293,506
Adjusted – As if no error occurred	434,643,100	727,855,800
<b>Difference - Overstated</b>	<b>\$ 398,689,121</b>	<b>\$ 398,437,706</b>
<b>Impact on Total Net Assets</b>	<b>\$ 0</b>	<b>\$ 0</b>

The Controller’s Office performed an analysis of the misclassifications in accordance with sections 250-10-45, -50, and -599 of Financial Accounting Standards Board Codification 250, *Accounting Changes and Error Corrections*. The analysis considered numerous factors including the dollar amount of the misclassifications, the impact on the other financial statements that were included in the periods covered (statements of revenues and expenses, and cash flows), regulatory compliance matters, debt and loan covenants, and the reliance placed on the financial statements by internal or external parties.

University management concluded that the misclassifications did not warrant a recall and re-issuance of the previously issued financial statements. Our analysis and conclusion was reviewed by LarsonAllen LLP, the external audit firm that issued the opinion on the 2009 financial statements. They concurred with the University’s analysis and conclusions. As a result, corrections will be made prospectively in the June 30, 2010 financial statements.

## II. Initiatives to Enhance Service, Productivity, Efficiency and Internal Controls

### Workers’ Compensation

Risk Management has worked with the Office of Information Technology to automate the workers compensation “first report of injury” process, which is required by the state of Minnesota. In a normal year, between 600 and 800 “first report of injury” forms are generated by employees to report possible work-related injuries. Previously this was a repetitive, inefficient, manual process that was susceptible to human error, and did not facilitate meeting the timelines required for reporting workplace injuries.

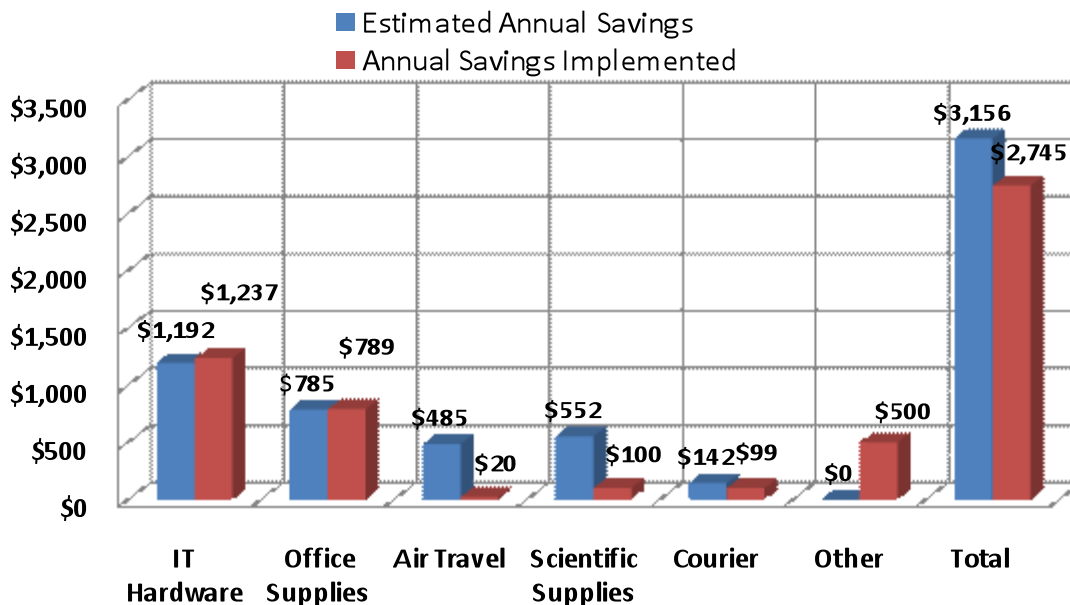
The new process utilizes interactive web technology for forms completion and routing. The automated forms automatically extract some employee information already captured in the

PeopleSoft Human Resources system, thus reducing redundant information collection. The forms are easy-to-follow, using step-by-step questions written with everyday language. Forms are electronically routed between employees, supervisors, Risk Management, and others, making it quicker and easier to perform the required procedures within the required timeline. Overall, the new process should save over one thousand hours of time annually across the institution, improve compliance with workers compensation regulations, and reduce legal and medical expenses incurred due to delays in processing workers compensation claims.

Strategic Purchasing

In December 2009, Purchasing Services concluded the first phase of a strategic sourcing project. The goal is to identify and implement strategies that will generate \$25 million in annual savings by FY 2012-13. The approach entails completing a detailed analysis of our spend data from all sources to identify opportunities for savings through supplier consolidation, supplier negotiation, demand management, and presenting better purchasing choices to University of Minnesota employees who are responsible for purchasing decisions. Cross-functional teams will then work to develop and implement plans for realizing the savings in each category. The first five "quick hit" savings categories have been analyzed, and there are opportunities to realize approximately \$3.2 million of savings annually. The following table represents the estimated annual savings potential in each category, and the amount of annual savings from changes in purchasing practices already implemented since the beginning of 2010.

**STRATEGIC PURCHASING PROJECT RESULTS  
1/1/10 THROUGH 4/30/10  
(Dollars in thousands)**



A three year plan to systematically analyze every spending category has been developed. Analysis of the next five categories of spend will begin in the new fiscal year.



### Processing of Non-sponsored Accounts Receivable

In planning the implementation of the new PeopleSoft enterprise financial system, a high priority was given to providing new tools and processes for handling departmental accounts receivable. The department of Non-Sponsored Accounts Receivable was set-up to support the new accounts receivable business processes implemented with EFS. While not fully rolled out to all departments, the processes and systems are fully functioning and provide improved internal controls, cost savings through more efficient processing and elimination of subsidiary and local accounts receivable systems. There is generally high user satisfaction with the billing and AR module and processes.

The following departments have begun using EFS billing within the last 6-9 months, with several more in the queue:

- Environmental Health & Safety (for license fees)
- UM – Twin Cities Childcare Center
- Carlson School MBA Grad Business Career Center
- University of Minnesota - Duluth Libraries
- Institute of Technology Nanofabrication Center
- Institute of Technology Physics & Astronomy
- University of Minnesota – Duluth Information Technology SS

For check payments directed to the lockbox, 85-90% automation of payment application processes has been achieved using the functionality in the PeopleSoft system.

Regular collections activities have been integrated into the processes. This has resulted in a reduction of outstanding receivables. Over the last 10 months, balances outstanding for 91-120 days have declined by \$317,000 (85%), and balances outstanding longer than 120 days have decreased by \$233,000 (51%). This assists departments and the University with cash flows and reducing the risk of bad-debt write-off.

Staff from Non-Sponsored Accounts Receivable have actively participated in industry user groups including the U.S. Higher Education User Group (HEUG) and PeopleSoft Credit and Accounts Receivable (PSCARE) user group. Participation in the user community gives the University of Minnesota an opportunity to learn best practice and innovative solutions from peer organizations, and assists in establishing important connections with Oracle/PeopleSoft product strategists. This allows us to leverage the University's investment in the PeopleSoft Financial System.

### **III. Conclusion of Enterprise Financial System FY 2010 Enhancement Activities**

The FY 2010 enhancement work plan has largely been completed. The project team's complement of consultants is being down-sized, and the focus has shifted to fiscal year end priorities.

#### ***Addressing User Issues***

Through April, 67 of the total 77 requested enhancements (87%) have been implemented. The few remaining enhancements that were part of the improvement project are scheduled to be

implemented during May, June and July. The following table summarizes the status of user-requested enhancements, improvements and solutions as of May 27, 2010:

Overall EFS Work Plan Dashboard

Phase	Prior to Oct	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Total	% Complete
Analysis												77	100%
Design / Build									5	3	2	10	13%
Implemented	9	7	3	6	12	9	9	12				67	87%

***Financial Reporting Improvements***

During FY 2010, short-term improvements and long-term strategies for financial reporting were developed. The decision has been made to proceed with implementation of as many of the short-term improvements as possible. They are being scoped, planned and designed now. We will begin implementing these improvements later this summer.

The long-term strategies will require a larger commitment of time and resources, including the purchase of new “business intelligence” software and data warehouse tools (approved by the Board in May, 2010). Analysis is being done now to estimate the overall commitment of staff, budget and time needed. We do not anticipate any implementation work on these strategies prior to next fall.

***Training Improvements***

Training initiatives are proceeding on schedule. The Controller’s Office and Training Services are also now involved in a large effort for FY 2010 year end, including delivery of fiscal year end labs that are intended to assist colleges and departments with the closing process. New reporting classes are now available, too, which will help users understand and work with some of the new reports that have been developed.

***Enhancement Plans for FY 2011***

The enhancement and improvement work will continue into FY 2011, but at a pace and scope that fits within the existing resources of the Controller’s Office and OIT. The remaining 10 requested enhancements and some of the short-term reporting improvements will be completed. We will also be working on deferred maintenance to the system, the short-term and long term reporting strategies previously discussed, and improved purchasing tools and processes to support the Strategic Purchasing initiatives noted earlier in this report.