

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

Thursday, March 10, 2011

8:00 - 9:15 a.m.

600 McNamara Alumni Center, East Committee Room

Committee Members

Linda Cohen, Chair
Richard Beeson
Laura Brod
John Frobenius
Maureen Ramirez
Patricia Simmons

Student Representatives

Matt McGeachy
Matt Privratsky

A G E N D A

1. Emerging Issues in Higher Education and Audit Committee Impact - D. DeHaas (pp. 2-6)
2. Conflict of Interest and Conflict of Commitment - T. Sullivan/L. Zentner (pp. 7-14)
3. External Auditor Review - M. Volna (pp. 15-19)
4. Information Items - M. Volna (pp. 20-22)



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

March 10, 2011

Agenda Item: Emerging Issues in Higher Education and Audit Committee Impact

review review/action action discussion

Presenters Deb DeHaas, Deloitte & Touche, LLP
Vice Chairman and Midwest Regional Managing Partner

Purpose:

policy background/context oversight strategic positioning

The purpose of this presentation is to provide the Audit Committee with external perspective on the approaches being taken by other higher education institutions and their audit committees to address the “new normal” economic environment.

Outline of Key Points/Policy Issues:

Ms. DeHaas will discuss her observations in working with governing boards of other higher education institutions on the topics of:

- Enterprise Risk Management
- Strategic leadership structure and placement
- Refining institutional focus in a world of shrinking resources
- Codes of Conduct, ethics and compliance
- Achieving cost efficiencies

Background Information:

Deb DeHaas serves as a vice chairman and the Midwest Regional Managing Partner for Deloitte and Touche, LLP and is the lead client service partner or advisory partner on a number of the firm's most significant clients in the Minneapolis and Chicago area. Ms DeHaas has also served as a member of strategic committees at both Duke and Northwestern Universities. In her roles, Deb has dealt directly with the issues of sustainable cost reductions and other value enhancement strategies in both higher education and other complex organizations where she serves as advisory partner.

Emerging Issues in Higher Education: Boardroom Insights

Deborah L. DeHaas
Vice Chairman & Midwest
Regional Managing Partner
Deloitte LLP

Emerging Issues in Higher Education: Boardroom Insights

- Enterprise risk management
- Managing change
 - Leadership succession
 - Organizational structure
 - Impact on culture
- Strategy and key investments
- Managing in a challenging environment
 - Operating efficiencies
 - Control standardization
 - Scalability



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**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

March 10, 2011

Agenda Item: Conflict of Interest and Conflict of Commitment

review review/action action discussion

Presenters: Senior Vice President/Provost Thomas Sullivan
Lynn Zentner, Director, Office of Compliance

Purpose:

policy background/context oversight strategic positioning

Provide the committee with background information regarding the interplay between the conflict of interest policies and the outside consulting and other commitments policy.

Outline of Key Points/Policy Issues:

The conflict of interest policies and the outside consulting and other commitments policy will be explained and implementation efforts will be described.

Background Information:

The Outside Consulting and Other Commitments policy was adopted by the Board in July 2006. The Individual Conflicts of Interest policy was adopted by the Board in April 1994 and was last amended by the Board in March 2010. The Institutional Conflict of Interest policy was adopted by the Board in June 2005.

**UNIVERSITY OF MINNESOTA BOARD OF REGENTS
AUDIT COMMITTEE
MARCH 10, 2011**

Conflict of Interest and Conflict of Commitment

I. Outside Consulting and Other Commitments

The Board of Regents policy *Outside Consulting and Other Commitments* is based on the principle, explicitly stated in the policy, that “[o]utside commitments by University employees may be beneficial as long as they do not interfere with employment responsibilities, compete with coursework offered by the University or services offered by the employee’s unit, or exceed the time limits allowable for outside consulting by eligible faculty and academic professional and administrative (P&A) employees.” The recognition that outside commitments are beneficial, subject to certain restrictions, is standard among research universities.

This ability to engage in outside commitments is subject to conflict of interest policies and to important restrictions set forth in the Outside Consulting and Other Commitments policy. An administrative policy and administrative procedures provide further implementation information and guidance. Employees may not, for example, engage in activities that compete with the University, engage in activities that interfere with the performance of their University duties, or deplete University resources in furtherance of their outside commitments. Employees must use care to make clear that they act in an individual capacity and not on behalf of the University when they engage in outside activities. And the amount of time they may spend on outside activities is subject to time restrictions.

The primary instrument used to monitor outside commitments of employees is the Report of External Professional Activities (“REPA”), which is an annual report required of all faculty and P&A employees. Employees report outside activities on the REPA, including the time spent on those activities. The REPA gets sent to the employee’s supervisor for review and, if all is in order, approval. In this way, the REPA provides a useful vehicle for supervisors to monitor all outside activities of their employees. During last year’s REPA reporting period, 1626 employees reported outside commitments in excess of 3 days (3 days is the reporting trigger).

II. The Conflict of Interest Program and Conflict of Interest Policy Documents

A. The Policy Documents

A revised University-wide conflict of individual policy titled: *Individual Conflicts of Interest (“Policy”)* went into effect in October 2010. Close in time, an Appendix titled: *Individual Conflicts of Interest – Clinical Health Care – Patient Contact in the Academic Health Center (“Appendix”)* also became effective. Both the Policy and the Appendix have been consulted

broadly at the University. In late September 2010, the Policy was endorsed by the University Senate.

The Policy is risk-based. The University identified five higher risk areas and imposes, in some cases, greater restrictions on those individuals involved in one of more of these areas which include:

- involvement in human subjects research;
- involvement in clinical health care;
- involvement in the commercialization of technology;
- in a position to exert control over University curriculum and, at the same time, further a personal external business or financial relationship; and
- in a position to take any other action on behalf of the University and, at the same time, further a personal external business or financial interest.

Recognizing that the same level of conflict of interest risk does not exist across all campuses, colleges, and units, the Policy gives discretion to chancellors, deans and administrative unit heads to determine how particular provisions of the policy apply to their faculty and staff. For example, the Policy governs the presence of business entity representatives on campus. In the AHC, representatives of business entities are not permitted in any AHC research, clinical or teaching areas unless invited by faculty or staff or unless the University has a contract with a business entity permitting it to use University resources. In contrast, chancellors, deans and administrative unit heads in other colleges and administrative units are responsible for creating local policies to ensure that the presence of representatives of business entities on campus supports the educational, research, and outreach missions of the University.

The Appendix sets forth the most restrictive standards, given that it applies to those involved in the clinical health care of humans and animals where the harm that might result from the improper influence of external relationships may be significant. Among the more restrictive standards is the requirement to report all income earned from a business entity that relates to an individual's University responsibilities or expertise. In addition, the threshold for conducting a conflict of interest review has been reduced to \$5,000. In the past, those thresholds have been \$10,000. For those employees whose appointments are outside the AHC, the thresholds remain at \$10,000. The threshold change that will impact current resources is the one that triggers conflict of interest review.

The application of the Appendix is currently limited to the Academic Health Center (AHC), however, it is anticipated that it will, within the next few months, apply to all faculty and staff involved in clinical health care wherever their University appointments may be. The Appendix is currently being vetted with individuals involved in clinical health care on the Morris,

Crookston and Duluth campuses and in the College of Liberal Arts, the College of Education and Human Development, Intercollegiate Athletics, and Boynton Health Service. The Appendix will be reformatted as a standalone Policy and will be vetted during March and April with the Senate Committee on Faculty Affairs, the Senate Research Committee, the Senate Consultative Committee, the President's Policy Committee, and the University Senate. It is anticipated that the Appendix will become an approved policy in the spring of this year.

B. Aligning the Report of External Professional Activities (REPA) with the Policy

Consistent with the focus of many other institutions of higher education, the application of the University's conflict of interest policies and procedures in the past has primarily focused on research and purchasing-related conflicts. However, more recently, the policy is being vigorously applied to teaching conflicts and conflicts that occur in the context of engagement in outreach activities. In addition, for the first time, the policy is being applied to conflicts that arise in the context of clinical care. This expansion in focus is reflected in the more detailed questions asked on the recently revised Report of External Professional Activities (REPA) so that it effectively aligns with the new policy requirements. In addition, the University is coordinating its conflict of interest disclosure process with University of Minnesota Physicians (UMP) and Fairview Hospital (Fairview). University faculty and staff who are engaged in clinical health care in either setting will be given the opportunity to consent to the release of the information they report on their REPA to UMP and Fairview in order to avoid being subjected to multiple reporting requirements.

C. The Conflict of Interest Tutorial

To fulfill the requirements of the Policy, which requires conflict of interest training every three years, the University recently developed a conflict of interest tutorial titled *Conflicts of Interests: Balancing Risks and Opportunities*. At the time University faculty and staff were notified this year to file a REPA, they were also advised of the requirement to complete the tutorial. The tutorial is approximately 20 minutes in length and refresher training will be required every three years. The training will satisfy the Responsible Conduct of Research (RCR) training, Part 2 (for those required to complete Part 2).

D. Follow-up to Ensure Compliance with Conflict Management Plans

The University currently has 103 conflict management plans in effect, representing both conflicts of interest that arise in the individual context and those that arise in the institutional context. More than 90% represent conflict management plans that arise under the University's individual conflicts of interest policy and the balance arise under the University's institutional conflicts of interest policy. During 2010, the Conflict of Interest Program implemented a compliance component which involves follow-up at specified intervals with individuals who have active conflict management plans to ensure compliance with all of the elements of an

individual's plan. The first follow-up occurs 90 days from the date on which a plan is issued to confirm that the individual is in full compliance with the plan. If full compliance has not been achieved, the individual is asked to provide the date on which full compliance will be achieved. Continued follow-up is undertaken until the individual confirms full compliance. Where individuals have been asked to advise colleagues, students, patients, and/or publishers of journals in writing of their conflicts of interest, the individual is asked to provide the Conflict of Interest Program with copies of the disclosures made. Following the 90-day review, conflict management plan compliance is conducted annually as long as the plan is in effect. Once the circumstances that gave rise to a conflict of interest finding no longer exist, e.g., a consulting relationship with a business entity is terminated, the conflict management plan is retired.

E. Conflict of Interest Statistics

i. REPA Filing and Related Conflict of Interest Review and Management

The University requires all faculty and professional and administrative staff as well as all individuals having a leadership role in research to annually file a REPA. In the past, adjunct faculty have been required to file a REPA if they had a leadership role in research. That same criteria applies under the revised policy. In addition, going forward, adjuncts will be required to file a REPA if they are involved in one or more higher risk activities in connection with their University responsibilities.

Approximately 9,000 REPAs were filed during 2010. This number does not reflect the number of individuals required to file a REPA, however, as some filed more than one REPA during that year and, for various reasons, some individuals filed REPAs although they were not required to. During calendar year 2010, nearly 8,000 University employees were required to file a REPA and 99% of these individuals did so.

The REPAs filed in 2010 required filers to report the financial and business interests held in 2009 and to report the business and financial interests anticipated during 2010. Seventy-five percent of the REPAs filed reflected no business or financial interests and, as a result, no conflict of interest review was required. Twenty-three percent or approximately 2,000 REPAs were resolved administratively. Of this number, 277 required individual follow-up by Conflict of Interest Program staff and the balance were approved through a system of algorithms. The remaining two percent or 177 REPAs required review by one or more conflict of interest committees before resolution was achieved. Wherever a conflict was found to exist, a conflict management plan was created or an existing plan was revised.

ii. The Filing of Financial Disclosures by University Officials Forms

At the same time that University faculty and staff complete the REPA process, those who are *University Officials* as defined by Board of Regents Policy: *Institutional Conflict of Interest* and

by administrative procedure: *Managing Potential Institutional Conflicts of Interest: Disclosures by University Officials and Other Individuals* are required to complete a Financial Disclosure for University Officials form (FDUO). A total of 231 University Officials were required to file this form in 2010 and all of them did. Each FDUO was reviewed individually by COI Program staff. Of the 231 FDUOs filed, 179 University officials or 77% reported no financial or business interests, 39 or 17% reported financial or business interests that were resolved administratively, and 13 or 6% reported financial or business interests that required review by the institutional conflict of interest committee in order to resolve the issues raised.

iii. Other Institutional Conflict of Interest Matters

In addition to institutional conflict of interest matters identified through the information reported on FDUOs by University Officials, the Conflict of Interest Program reviewed and considered other institutional conflict of interest matters in 2010 to include the following:

- Various matters in which the University either had a right to receive royalties from and/or an equity interest in a company that gave rise to a potential conflict of interest in the context of a research project;
- Information reflecting gifts received by the University, royalties paid to the University as a result of the commercialization of technology, sponsors of research projects, and vendors to determine where potential conflicts of interest might arise in the context of these relationships;
- Contractual relationships in which University vendors may obtain ancillary benefits from the University and whether these circumstances might give rise to potential conflicts of interest;
- Circumstances in which a technology under development at the University may compete with a previously developed technology from which the University and the inventors are currently earning royalties;
- How the review process might be streamlined when a particular circumstance gives rise to both institutional and individual conflict of interest issues; and
- How the missions of the Conflict of Interest Program and the Office for Technology Commercialization might be most effectively harmonized.

In addition, the University is undertaking a review of its current institutional conflict of interest policies and procedures to consider the scope of our current approach, the committee composition and leadership, and the referral process for getting matters to the Institutional Conflict of Interest Committee. A working group has been convened to consider these issues.

In conducting this evaluation, the working group is also reviewing the institutional conflict of interest policies of 17 other institutions, including those of several peer institutions.

iv. Total Number of Individual and Institutional Conflict of Interest Matters Individually Reviewed and Resolved by the Conflict of Interest Program in 2010

During 2010, across all University conflict of interest committees, the Conflict of Interest Program individually reviewed and resolved more than 500 matters. A “no conflict” finding was made with respect to approximately 80% of these matters. A conflict of interest finding or other concern was identified with respect to the balance. As a result, 55 new conflict management plans were created, nine existing conflict management plans were modified, and 41 guidance letters and e-mails were sent to University employees. A conflict management plan is created when a conflict of interest finding has been made. Guidance communications are used either when no conflict of interest currently exists but one is likely to occur in the near future or, in reviewing a matter for conflict of interest purposes, it is determined that an individual has taken an action or engaged in conduct that implicates a University policy other than a conflict of interest policy.

F. Anticipated Changes to the Conflict of Interest Rule that Currently Governs Research Sponsored by the Public Health Service (PHS)

In the spring of 2009, the Public Health Service (PHS) issued an *Advance Notice of Public Rule Making* and invited comment. In May of 2010, PHS issued its proposed rule and again invited comment. The University submitted comments to the Association of American Medical Colleges, the Association of American Universities, the Council on Governmental Relations, and the National Institutes of Health.

In its proposed rule, the PHS established a threshold of \$5,000 for conflict of interest review. The University anticipates the PHS will issue a revised conflict of interest rule within the next few months but no later than September 30. It was in anticipation of this reduced threshold that the University included the lower threshold in the Appendix. If this lower threshold becomes part of the final rule, the University will need to determine whether it will, as it has done in the past, adopt this threshold for all individual conflict of interest reviews and not just those that involve PHS-funded research. The University has limited its application of the lower threshold to date to those involved in clinical health care. If PHS’s final rule includes the lower threshold, and the University adopts it for all conflict of interest reviews, these circumstances will increase the number of conflict of interest reviews the COI Program conducts annually. In addition, given the provisions in the proposed rule, the final rule adopted by the PHS may require the University to revise and broaden its definition of *business entity*, increase the University’s reporting obligations to the PHS whenever a conflict of interest that is related to PHS funded research is identified, and manage the conflicts of interest of sub recipient

investigators. To the extent any of these changes are made, they will have resource implications for the University.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

March 10, 2011

Agenda Item: External Auditor Review

review review/action action discussion

Presenters: Associate Vice President Michael Volna

Purpose:

policy background/context oversight strategic positioning

To review audit and non-audit services provided by Deloitte & Touche, LLP (Deloitte) and related fees paid for FY2010 services.

Outline of Key Points/Policy Issues:

Total Deloitte contracted audit and non-audit fees were \$550,800 for fiscal 2010 engagements, with actual fees paid of \$546,531. This compares to actual fees of \$680,922 for FY 2009. All FY 2010 engagements have been completed and final billed.

Management also performed an evaluation of Deloitte's performance for the FY 2010 audits, identifying strengths and positive aspects as well as opportunities for efficiencies and improvements.

Background Information:

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

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MARCH 10, 2011**

EXTERNAL AUDITOR REVIEW

Background

The Board of Regents is responsible for hiring and engaging the University's independent external auditors, for reviewing the work of the auditor, and periodically reviewing the fees paid to the audit firm. Best practices (consistent with the Sarbanes-Oxley Act of 2002) suggest that the Audit Committee of the Board should conduct such a review at least annually. The Audit Committee conducted its last review of audit services and fees in March 2010.

The Controller's Office presents the information below and on the accompanying schedule for the Audit Committee's 2011 review of audit, audit related, and non-audit services fees paid to Deloitte & Touche, LLP (Deloitte), the University's independent external auditor. Also included is management's assessment of Deloitte's performance for the FY 2010 engagements.

Review of Fees Paid to Deloitte & Touche, LLP

The accompanying schedule presents a summary of fees paid to Deloitte for the various FY 2010 audits and other services. The top portion of the fee schedule represents fees paid for the University's annual institutional audits and engagements. The contract amounts reported on the schedule are consistent with the amounts agreed to in the Fiscal 2010 engagement letters and the firm's fixed price contract for fiscal year 2010. The total audit fees paid to Deloitte in FY 2010 were \$5,360 less than the contract amounts in total, and represent less than expected actual expenses. These amounts are final.

The lower portion of the schedule contains a breakdown of fees paid to Deloitte for other services. During the year, Deloitte also performed five other engagements for specific units of the University. In order to reduce audit costs and maintain greater oversight of audit and audit-related engagements across the University, the Controller's Office is working closely with Deloitte and University departments to use Deloitte whenever possible for additional external audit or attest services.

Services performed by Deloitte during the current fiscal year that were not part of the annual audits and NCAA agreed-upon-procedures of the University are described more fully below:

- Deloitte was engaged to perform agreed-upon-procedures related to the Office of Investment and Banking's performance based compensation plan. As part of the plan's oversight mechanisms, the University's senior administration stipulates that the University's external auditors perform limited procedures to verify management's calculations of the amounts and allocations of compensation from the incentive performance pool. The Controller's Office reviewed the engagement letter prior to its finalization and determined that this work does not impair Deloitte's independence related to the audit of the University.
- Deloitte was engaged to audit the statement of activities for the Department of Concerts and Lectures. This engagement was the result of an external funder's stipulations that require the Department of Concerts and Lectures to prepare and submit financial statements of their activity. The related engagement letter was reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. As this engagement was solely to provide an audit opinion, it did not present an independence issue with regard to Deloitte.
- Deloitte was engaged to perform agreed-upon-procedures to assist the University's Student Fees Committee and the Office of Student Affairs in determining the proper record keeping and use of the University fees that are allocated to student organizations. Deloitte reviewed nine organizations that received University fees and performed the agreed-upon-procedures as outlined by the University Fees Committee and Office of Student Affairs. The related engagement letter was reviewed by the Controller's Office and signed by the Board of Regents. This engagement did not present an independence issue with regard to Deloitte.
- Deloitte was engaged to perform an audit of the Weisman Art Museum. This engagement was the result of an external funder's stipulations that require the Weisman Art Museum to prepare and submit financial statements of their activity. The related engagement letter was reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. As this engagement was solely to provide an audit opinion, it did not present an independence issue with regard to Deloitte.
- Deloitte was engaged to perform a close-out audit of a Minnesota Job Skills Partnership sponsored project. This engagement was the result of stipulations that require the University to prepare and submit financial reports on the activity funded by the grant. The related engagement letter was reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. As this engagement was solely to provide an audit opinion, it did not present an independence issue with regard to Deloitte.

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MARCH 10, 2011
Fees Paid To Deloitte & Touche, LLP
FY 2010 Engagements**

<u>Annual Institutional Engagements for FY 2010</u>	<u>FY 2010 Engagements</u>			<u>Total FY 2009</u>
	<u>Contract Amount</u>	<u>Billed Amount</u>	<u>Over/(Under) Budget</u>	<u>(prior year)</u>
University Financial Statement Audit	\$ 342,000	\$ 336,616	\$ (5,384)	\$ 376,035
RUMINCO Financial Statement Audit	19,100	18,163	(937)	28,110
Compliance Audit (OMB A-133 and MOHE)	103,500	103,053	(447)	133,484
Documentation of Controls	0	0	(0)	74,112
NCAA Agreed-Upon-Procedures	14,900	16,308	1,408	13,834
Total Fees for Institutional Engagements	\$ 479,500	\$ 474,140	\$ (5,360)	\$ 625,575
 <u>Other Audit, Audit Related and Non-audit Fees</u>				
Ofc of Investments & Banking Agreed-Upon-Procedures	\$2,800 (1)	\$ 2,800		\$ 1,195
Audit of Department of Concerts and Lectures	7,000 (1)	7,169		6,543
Student Organization Agreed-Upon-Procedures	40,000 (1)	40,000		28,768
Consent procedures related to Commercial Paper	N/A	N/A		12,172
Audit of Weisman Art Museum	7,000 (2)	7,922		6,669
Audit of Goldstein Gallery	1,000 (3)	1,000		0
Audit of Minnesota Job Skills Partnership	13,500 (1)	13,500		0
Total Other Audit, Audit Related, and Non-Audit Fees	\$71,300	\$72,391		\$ 55,347
Total Fees	\$550,800	\$ 546,531		\$ 680,922

(1) These engagement contract amounts do not include out-of-pocket expenses.

(2) The fees did not include additional fees to convert prior year financial statements to Governmental Accounting Standards

(3) Planning work was completed for a grant-related audit, at which point it was determined the audit was not needed.

Annual Review of External Auditor Relationship Performance:

University management and the Deloitte engagement management team met on February 22, 2011 to review Deloitte's services and performance during the FY 2010 audit. The overall conclusion was that Deloitte did an excellent job during the FY 2010 audit, and worked hard to transition quickly and smoothly into the engagement within the relatively short timeline available to them.

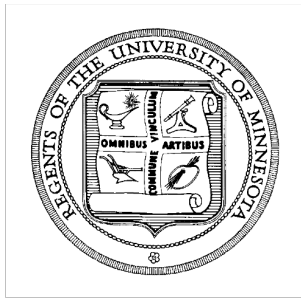
Recognizing that this was the first year of Deloitte's engagement, which normally entails some transitional "bumps", the University and Deloitte each prepared an assessment of the engagement, identifying both positives and opportunities for improvement and increased audit efficiencies. The teams met to compare notes and identify opportunities for improvement.

Relative to the strengths of Deloitte and the positive aspects of the audit:

- All audits and non-audit engagements that were performed by Deloitte were completed in a timely manner, with no significant issues, and no budget over-runs;
- Management felt that the continuity of key Deloitte team members from the last time Deloitte audited the University (FY 2004) was a plus, and contributed to the relatively smooth transition from the prior audit firm;
- Deloitte's audit approach, particularly as relates to the high-risk area of investments, was streamlined and more efficient than in prior years;
- The quality, content, and the delivery of Deloitte's presentations to the Board of Regents Audit Committee were strong points.

Both the University team and the Deloitte team identified several opportunities for improving next year's audit process. These included:

- Suggestions for improving communications and coordination between University staff and Deloitte's field team;
- Clarification of due dates, and adjustments to timelines in the audit plan, that would result in more efficient scheduling and utilization of the Deloitte audit team;
- Strategies for helping Deloitte's on-site team navigate the University, and speed up their learning curve;
- A number of detailed suggestions for streamlining the process, creating better documentation, reducing workload for everyone, and improving the efficiency of the audit.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

March 10, 2011

Agenda Item: Information Items

review review/action action discussion

Presenters: Associate Vice President Michael Volna

Purpose:

policy background/context oversight strategic positioning

To report audit and non-audit services provided by all public accounting firms during FY 2009 and FY 2010.

Outline of Key Points/Policy Issues:

Report on Audit and Non-Audit Services and Fees

Total fees of \$650,253 have been paid through February 2010 to six different public accounting firms for a variety of audit and non-audit services, which are described in the accompanying narrative and schedule.

Background Information:

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

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MARCH 10, 2011**

**Information Item - Annual Review of All External Audit
Fees and Services**

These materials represent a summary of fees paid to all auditing firms that provided any professional services to the University in relation to FY 2010 (through February, 2011), with comparisons to the prior year.

In addition to the audits performed by Deloitte & Touche, LLP (the University's independent external auditors), other accounting and auditing firms performed a variety of audit and non-audit services at the University during FY 2010. These services were:

- Charles R. Ziegler Co., Ltd. was engaged by the Tweed Museum of Art to perform a yearly report on the Tweed budgets for FY 2010, to be included in an application for Minnesota State Arts Board Grant funds. This contract was previously reported to the Audit Committee
- McGladrey & Pullen, LLP was engaged by the University's Office for Technology Commercialization to perform agreed-upon-procedures to verify the accuracy and evaluate the integrity of the financial information presented in royalty reports. This contract was previously reported to the Audit Committee.
- PriceWaterhouseCoopers, LLP was engaged by the University's Office for Technology Commercialization to perform audit services on royalty calculations. This contract was for a value not to exceed \$95,000. This contract was approved by the Board of Regents.
- Baker Tilly Virchow Krause & Company was engaged by Radio K, the University's radio station, to perform attest services in FY 2010 in conjunction with the receipt of federal funds from the Corporation for Public Broadcasting. This contract was previously reported to the Audit Committee.
- Licari Larsen & Co Ltd was engaged by KUMD, the Duluth campus radio station, to perform attest services in FY 2008 in conjunction with the receipt of federal funds from the Corporation for Public Broadcasting. This contract was previously reported to the Audit Committee.
- LarsonAllen performed procedures in connection with their consent to use the FY 2009 Audit Financial Statements in the University's Bond Offering documents.

The Office of the Controller reviewed all of the contracts for FY 2010, as detailed on the attached schedule, consistent with Board policy. None of these engagements result in an impairment of independence, in fact or in appearance, for any of the firms.

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MARCH 10, 2011**

Report Of Fees Paid To Audit Firms

<u><i>Audit Firm</i></u>	<u><i>FY 2010 Engagements</i></u>			<u><i>FY 2009 (1)</i></u>
	<u><i>Audit Fees</i></u>	<u><i>Non-Audit Fees</i></u>	<u><i>Total Fees</i></u>	<u><i>Total Fees Paid</i></u>
Charles R. Ziegler Co., LTD		\$ 1,600	\$ 1,600	\$ 1,500
Deloitte & Touche, LLP	\$ 474,140	72,391	546,531	0
Larson Allen Weishair & Co., LLP	0	12,887	12,887	680,922
Licari Larsen & Co., LTD	0	4,900	4,900	4,900
McGladrey & Pullen, LLP		0	0	9,750
PriceWaterhouseCoopers, LLP		75,000	75,000	44,016
Baker Tilly Virchow Krause & Co, LLP	9,335		9,335	9,845
Total Fees Paid	\$ 483,475	\$ 166,778	\$ 650,253	\$ 750,933

(1) FY 2009 Fees are reported for comparative purposes only.