

Year 2003-04

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

May 13, 2004

A meeting of the Audit Committee of the Board of Regents was held on Thursday, May 13, at 8:00 a.m. in the East Committee Room, 600 McNamara Alumni Center.

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

Staff present: Senior Vice President and Provost Christine Maziar; Senior Vice President Frank Cerra; Interim Vice President David Hamilton; Vice President Richard Pfutzenreuter; Executive Director Ann Cieslak; Associate Vice Presidents Gail Klatt and Michael Volna.

Student Representatives present: Andrew Sorsoleil and Nathan Wanderman.

BOARD OF REGENTS POLICY: *INTERNAL CONTROLS*

Associate Vice President Klatt briefly reviewed the proposed amendments to Board of Regents Policy: *Internal Controls*. The changes include the addition of language identifying the Integrated Framework of Internal Control model as the University's control model and addressing its specific components. A new subdivision emphasizes the importance of the president's leadership in establishing an appropriate "tone at the top" while understanding that the president will further delegate responsibility for the operational administration and execution of internal controls.

A motion was made and seconded, and the committee voted unanimously to recommend approval of proposed amendments to Board of Regents Policy: *Internal Controls*, as presented in the docket materials.

BOARD OF REGENTS POLICY: *AUDIT COMMITTEE CHARTER*

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

A motion was made and seconded, and the committee voted unanimously to recommend approval of Board of Regents Policy: *Audit Committee Charter*.

EXTERNAL AUDIT PLAN

Vice President Pfutzenreuter introduced Associate Vice President Michael Volna, and Clifford Hoffman, Partner at Deloitte & Touche, the University's external auditor, to present the external audit plan. A copy of the audit plan is on file in the Board Office.

Volna explained that the engagement letter, distributed at the meeting, and on file in the Board Office, is the formal agreement for Deloitte & Touche to audit and report on the University's financial statements for the year ending June 30, 2004. He added that the agreement is updated for provisions of Sarbanes-Oxley legislation and Governmental Accounting Standards Board Statement Number 39.

Hoffman summarized the approach, objectives, and scope of the audit plan as detailed in the report included in the docket materials. He reported that the institution's adoption of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) integrated framework of control has proven beneficial to the institution from a governance standpoint. He added that a key governance issue occurring at the Board level and reinforced by the internal audit department, the chief financial officer, and the management team is moving the scope of responsibility beyond central administration to the frontline staff.

Regent Frobenius noted a correction in the engagement letter relating to the summary of fees for audit services. A motion was made and seconded, and the committee voted unanimously to recommend approval of the corrected engagement letter with Deloitte & Touche.

INTERNAL AUDIT UPDATE

Associate Vice President Klatt presented the Internal Audit Update, as found in the docket materials.

Klatt reported that 27% of the outstanding recommendations rated at "essential" were implemented by University departments during the last quarter, a lower than average percentage. Three units completed the implementation of their outstanding "essential" recommendations.

INFORMATION ITEMS

Associate Vice President Michael Volna referred the committee to items as detailed in the docket materials:

- Semi-Annual Controller's Report.

Chair Frobenius announced that the Department of Audits received the Institute of Internal Auditors' Commitment to Quality Improvement Award. Associate Vice President Klatt announced the recent accreditation of the institution's Human Subjects Program by the Association for the Accreditation of Human Resource Protection Programs.

The meeting adjourned at 9:08 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary