

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

July 11, 2002

A meeting of the Audit Committee of the Board of Regents was held on Thursday, July 11, 2002 at 9:30 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Robert Bergland, presiding; Frank Berman, Richard McNamara, and Lakeesha Ransom.

Staff present: Vice President Christine Maziar; Executive Director Ann Cieslak; Associate Vice Presidents Steven Cawley, Gail Klatt, Robert Kvavik, Richard Pfutzenreuter, and Michael Volna.

Student Representatives present: Nick Ceconi and Jacob Elo.

INTERNAL AUDIT ANNUAL WORKPLAN

Associate Vice President Gail Klatt reviewed the 2002-2003 Internal Audit Plan, as included in the docket materials. She discussed the process used to develop the plan, which includes audit coverage of high priority information technology activities and cycled audits of 22 University units. The focus is on high-risk units and areas of strategic focus. The audit plan also reflects a sizeable allocation of resources to complete a special review requested by the National Science Foundation (NSF) and special projects related to requests from the President, Board of Regents, and Executive Committee members.

Klatt reported on 2001-2002 audit activities, which included 24 audits and a number of investigations in response to allegations of financial or operational misconduct.

In response to questions from committee members, Klatt discussed on-going audit activities related to Facilities Management issues. Associate Vice President Richard Pfutzenreuter noted that the issue of insufficient budgets on some construction projects has been the result of inadequate predesign. In the future, projects will not be included in the Six-Year Plan without an approved predesign.

SEMI-ANNUAL CONTROLLER'S REPORT

Associate Vice President Michael Volna reviewed the Semi-Annual Controller's Report as found in the docket materials, which included:

- Accounting and Reporting Matters
 - An Update on Implementation of New Financial Reporting Standards
 - Affiliated Entity Reporting by Public Institutions

- Internal Controls and Service Improvements
 - Capitalized Equipment Tracking
 - Financial FormsNirvana Impact on Central Data Entry

- Update on Sponsored Reporting and Invoicing Project

- Enterprise Financial System Replacement Project

Volna stated that the Controller's Office will work with the Office of the General Counsel to comply with a new requirement that the University must report affiliated entities (i.e., foundations, faculty practice plans, alumni associations, booster clubs, and organizing committees for athletic events) as component units within its audited financial statements if certain criteria are met.

Volna reported that Financial FormsNirvana has resulted in reduced staffing of approximately 56 percent in Disbursement Services, in addition to improved internal controls.

In response to Regent Ransom, Volna discussed the rationale for considering replacement of the CUFS system. He noted that alternatives are being evaluated and a recommendation will be presented to the Board in November 2002.

ADMINISTRATIVE OVERSIGHT & MONITORING

Associate Vice President Richard Pfitzenreuter and Susan Grotevant, Information Management Systems, reported on Phase I of the University's Executive Information System, which will be complete by September 1, 2002.

Grotevant demonstrated the system, using Financial Information and Human Resources Reports as examples.

The meeting adjourned at 10:35 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary

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