

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

Thursday, September 6, 2007

8:30 - 9:45 a.m.

600 McNamara Alumni Center, East Committee Room

Committee Members

Linda Cohen, Chair
Clyde Allen, Vice Chair
Dallas Bohnsack
John Frobenius
Venora Hung
Dean Johnson

Student Representatives

Meghan Keil
Nathan Swanson

A G E N D A

1. External Audit Update - D. Seck/D. Lobert (p. 2)
2. Compliance Officer Report - T. Schumacher (pp. 3-13)
3. Committee Workplan, 2007-08 - L. Cohen/G. Klatt (pp. 14-16)
4. Internal Audit Update - G. Klatt (pp. 17-49)
5. Consent Report - Review/Action - G. Klatt (p. 50)
6. Information Items - G. Klatt (p. 51)



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

September 6, 2007

Agenda Item: External Audit Update

review review/action action discussion

Presenters: Denise Seck, Acting Controller
Don Loberg, Principal, LarsonAllen

Purpose:

policy background/context oversight strategic positioning

The Audit Committee is responsible for overseeing the University's external auditors who are currently conducting the annual financial statement audit.

Outline of Key Points/Policy Issues:

Update on LarsonAllen's progress on the June 30, 2007 annual external audit.

Background Information:

The External Audit Plan was presented to the Audit Committee at the May 2007 meeting. This presentation serves to update the Audit Committee on the progress of the external audit.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

September 6, 2007

Agenda Item: Compliance Officer Report

review review/action action discussion

Presenters: Tom Schumacher, Director of Institutional Compliance

Purpose:

policy background/context oversight strategic positioning

The purpose of this presentation is to provide the Board Audit Committee with information on the University's Institutional Compliance Office and its current activities.

Outline of Key Points/Policy Issues:

This report will provide compliance information to assist the Board Audit Committee in meeting its compliance oversight responsibilities. Areas covered will include:

1. A report of the activity received on the University's confidential reporting service, Ureport;
2. A preview of the Institutional Compliance Office's plans to perform compliance assessments for areas identified as significant during the Audit Committee's previous risk assessment and corresponding compliance "heat map"; and
3. An evaluation of the University's institutional compliance program upon its five-year anniversary.

Background Information:

The University created the Office of Institutional Compliance in September 2002. The Director for the Office of Institutional Compliance reports to the Board Audit Committee on a semi-annual basis. The Director last reported to the Board Audit Committee during its March, 2007 meeting.

September 6, 2007
Board of Regents Audit Committee
Institutional Compliance Officer Report

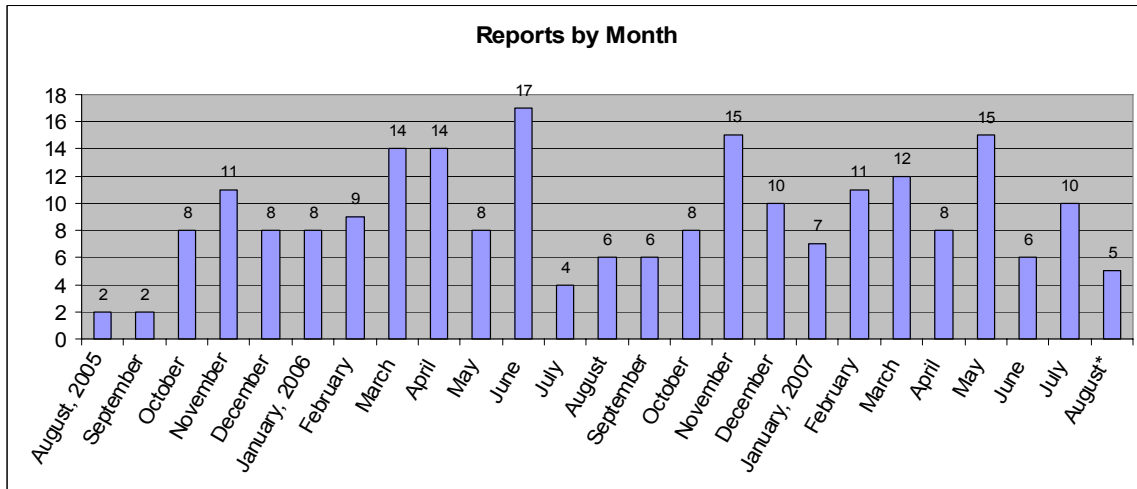
This report includes:

- A status report on the activity received on the University’s confidential/anonymous reporting service;
- An overview of the Institutional Compliance Office’s plan to conduct compliance assessments for high risk areas; and
- An evaluation of the Institutional Compliance Program.

Ureport - Confidential Reporting Service

The University has maintained an integrated confidential reporting line, “Ureport,” since August, 2005. This system allows members of the University community to submit confidential or anonymous reports of suspected illegal conduct or violations of significant University policies.

The volume of reports, both on-line and through the toll-free number, are set out in the following chart.



*August 2007 data is through 8/22/07

Relevant aggregate data over the life of the line and data for the last six months are:

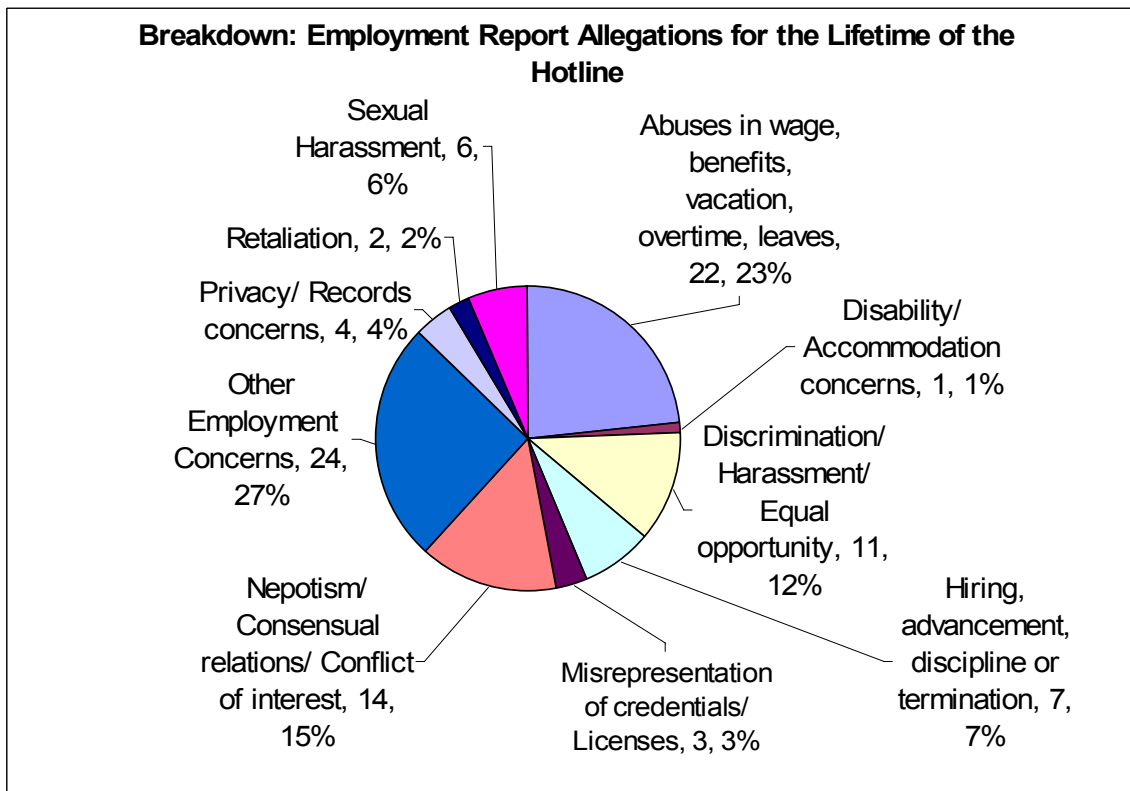
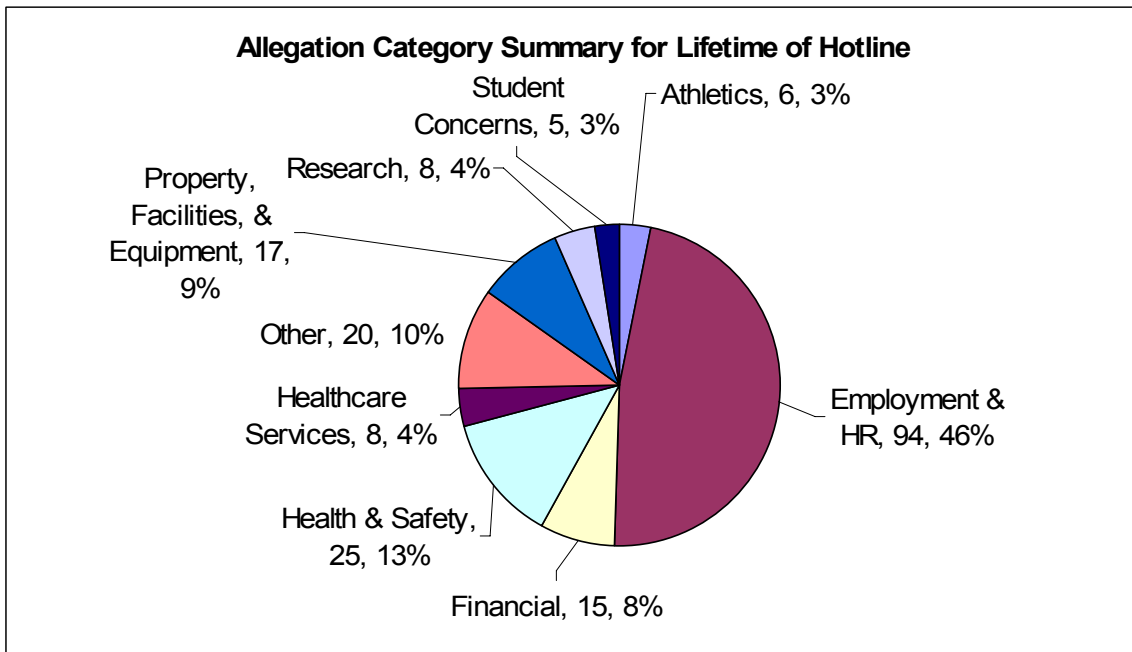
Issue	Running Total	2-15-07 through 8-15-07
Total Reports	232	60
Report Sources:		
Internet	160	49
Call center	38	10
Internal entry¹	34	1
% Anonymous (excludes “internal entry”)	78%	78%
Reporter “check back rate” for anonymous reports	55%	52%
% “Credible allegation” of law/policy violation by U representative	81%	83%

Reporting Trends

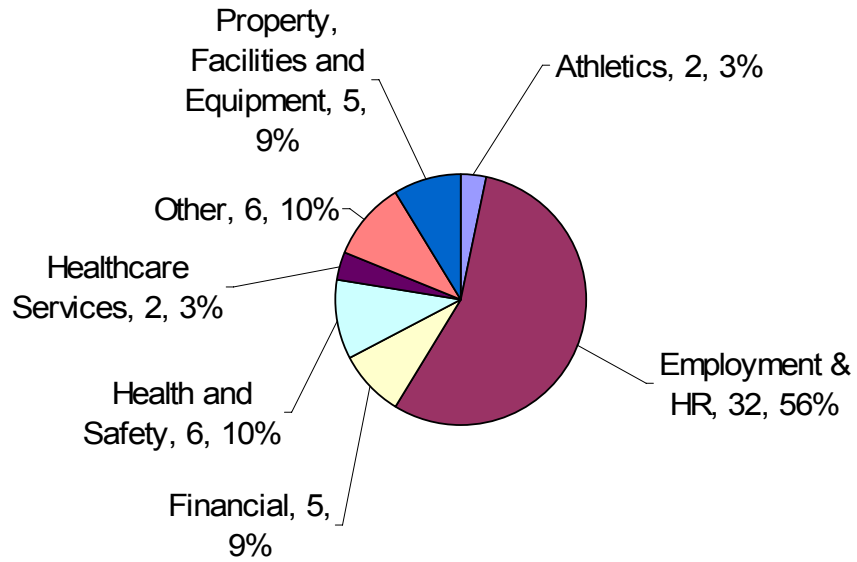
- **Report category trends continue to show human resource emphasis.** Reporters select the general category of concern they have when making a report (e.g. human resource, financial, safety, etc.) and then a more specific sub-category within that general report category. Human resource concerns continue to top the list with 94 reports over the life of the line. “Wage and hour abuse” claims continue to be the most commonly reported sub-issue (22). For the past six months, human resources concerns represented 56% of the total reports, with wage and hour abuse representing the most common human resource reported issue at 13% of the total over the period.

¹ Some units initially used the reporting system to track internally identified potential violations; this has largely been supplanted by the legal compliance reporting process.

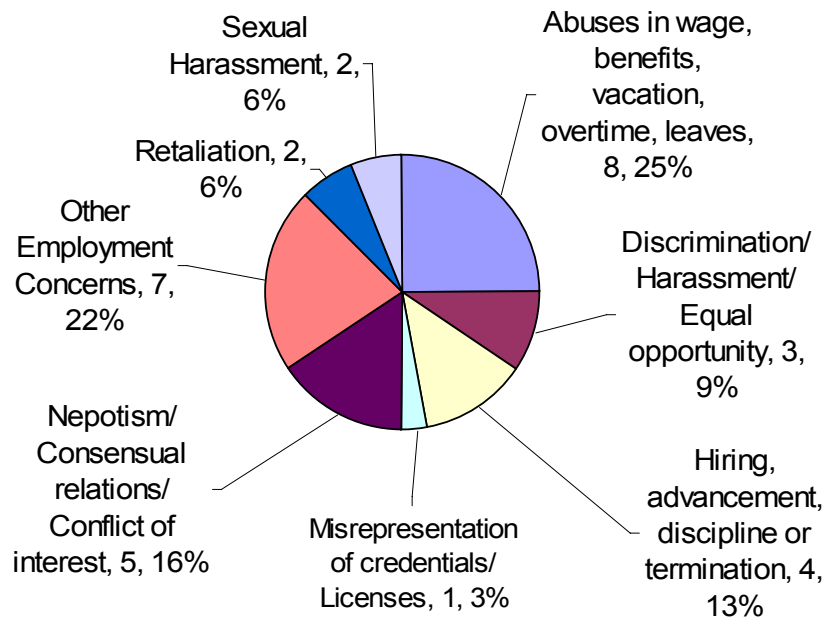
The distribution among the reports submitted to Ureport via Web or by phone are set out in the following charts:



Allegation Category Summary February 15, '07- August 15, '07



Breakdown: Employment Report Allegations for February 15, 07 - August 15, 07



Communications

Expanding the percentage of employees who are aware of the hotline remains a challenge and a priority. Data from calendar year 2006 contained in the University's employee satisfaction survey ("PULSE Survey") and a rolling survey distributed by the Office of Internal Audit showed approximately 60% of the respondents indicated they were aware of the University's confidential reporting service. Data to date for 2007 show that 66% of the respondents indicated they knew about Ureport. While this is an improvement, continued promotion of the line remains critical to ensure its success and to meet our compliance program expectations.

Actions to further increase awareness include a planned fall mailing of a new postcard about the line to all faculty, staff, and student employees; posters; news articles for collegiate and unit communicators; continued evaluation and promotion of the Ureport link on appropriate Web sites; and inclusion of material about the line in University training and education programs. The Office of Institutional Compliance also has conducted an analysis with the University's Usability lab to evaluate the ease with which faculty and staff are able to find the confidential reporting line in the University's Web sites. Using the results, we continue to work with many owners of the web pages to improve the visibility of the link and information about the line on the pages faculty and staff are most likely to visit to determine where to report their concerns.

Assessment Plans for High Risk Areas

As part of the on-going compliance risk evaluation process, the Office of Institutional Compliance, in close collaboration with the Office of Internal Audit, is piloting an initiative to evaluate compliance performance across the University system for higher risk compliance areas.

Rationale: The goal of the evaluation is to provide greater review and assurance over the compliance risks in the Board Audit Committee's "red zone" as identified during the Audit Committee's previous enterprise risk assessment evaluations and the resulting compliance "heat map."

The University currently uses a variety of dependent and independent means to monitor its high-risk compliance areas. These include sampling as part of the external A-133 auditing process; internal audits of colleges and units conducted by the University's internal auditor; and inspections, reviews, and unit assessments conducted by operational units. These reviews tend to focus "vertically" to either examine issues within a unit/department or to review a unit/department with the most risk activity or the greatest exposure for the institution.

This compliance evaluation is designed, conversely, to be "horizontal," cutting across most or all of the units or departments that conduct activity subject to the designated higher risks. The goal is not to provide a detailed, forensic, and truly independent assessment of a unit, but rather an assessment of the institution, as a whole, for significant compliance risks which are distributed across many or all units. As a related goal, the units themselves will be involved in the collection and analysis of the sampled data. This "local" involvement serves as an education opportunity to improve awareness about and competencies for the selected risk issues.

The pilot project will focus on grants administration. This is in the Board Audit Committee's compliance heat map "red zone" and is an area of heightened federal scrutiny. The topics for review were selected based upon the Office of Inspector General Audit workplans, common findings from other universities' audits and/or fines imposed at other institutions, and areas that are inherently highly regulated. The review will not include ancillary grants administration compliance issues, such as human and animal subject protection. These areas were recently assessed as part of accreditation processes.

The anticipated high risk areas for the evaluation are:

- Time and effort reporting
- Cost transfers
- Professional service contracts
- Cost sharing
- Direct charging of administrative costs
- Subrecipient monitoring
- Financial reporting

The review process will include selecting transactions/activities from a pool that includes all departments conducting federally sponsored work. The Office of Oversight Analysis and Reporting will identify transactions for review and will utilize "certified approvers" within each department to gather supporting documentation for each selected transaction/activity. An independent team of certified approvers and/or experts within the Oversight Analysis and Reporting offices will review the responses and documentation to evaluate compliance and trend any identified concerns.

The results of this pilot project review will be presented to the Board of Regents Audit Committee at the November meeting.

Compliance Program Evaluation

The University instituted an institution-wide compliance program in September, 2002. Although the University had, and continues to have, distributed compliance programs across many functional compliance risk areas,² the primary focus of the *institutional* compliance program has been to implement and promote the model compliance program elements promulgated by Congress in the Federal Sentencing Guidelines, and since widely accepted as the standard compliance model in a highly decentralized organization. On its five-year anniversary, the Director makes the following programmatic observations.

1. **The University is well-positioned to meet rising higher education compliance obligations.**

² The major functional compliance program areas are identified in the Audit Committee's compliance "heat map."

The University has a very strong, embedded compliance program and national reputation. The University was among the first academic institutions to create a system-wide compliance program based upon the federal model. The strength of the University's compliance program is directly dependent upon the quality of the underlying distributed compliance risk areas, many of which were fully established prior to 2002.

Since 2002, however, there has been a major expansion in compliance programs in higher education. This follows the rapid growth of compliance programs in the private sector following the corporate scandals in 2003 and 2004, Sarbanes Oxley legislation, and continuing trends of regulatory requirements. As one measure, the University of Minnesota participated in a higher education compliance group in 2002 that included only a handful of schools. The 2007 higher education compliance conference had over 300 participants representing more than 100 institutions.

There will almost certainly be a continued and growing emphasis on compliance for higher education, particularly regarding accountability and stewardship for federal funds. Indicators of this trend include:

- Rising standards for accountability through legal and generally accepted practices, such as the potential expansion of parts of Sarbanes Oxley to not-for-profit and charitable and similar organizations and changes in the Government Standards Accounting Board's standards for higher education;
- Continued focus by federal research sponsors, such as the National Institute of Health and National Science Foundation as well as active states attorney generals with respect to state-related programs;
- Higher scrutiny over international and security activities, including international students and scholars coming to the United States as well as export and foreign country concerns relating to growth in international research and partnerships; and
- Federal and state scrutiny of higher education public and private partnerships--the recent national concerns about the relationships of college and university financial aid services, alumni relations, and financial aid lenders is an illustrative example.

2. The University has built a strong institutional compliance infrastructure.

During the last five years, the University has embedded a strong, collaborative compliance infrastructure. This infrastructure supports the many distributed compliance programs as well as the internal and external audit functions. The Audit Committee should provide oversight to assure the continued vitality of this compliance program infrastructure. If maintained and enhanced, this structure will help sustain an integrated program. This infrastructure is particularly significant in light of the decentralized nature of the University and the fact that many compliance issues cut across the University's organizational boundaries and the boundaries of functional risk areas. Key elements to sustain in this infrastructure are:

- Executive Oversight Compliance Committee of senior University officers appointed and directed by the President to oversee the compliance program, to provide policy direction, and to identify and work to resolve institutionally significant compliance issues;
- Compliance Partners specifically identified in the University's distributed compliance risk areas to promote a proactive compliance program, and to report upon and be accountable for its success within their functional compliance areas; and
- Legal compliance reporting process providing due diligence to identify compliance breakdowns, ensuring detected breakdowns are appropriately assessed and resolved by the right parties, and escalating issues up through management and if necessary to the Board.

3. The University has a strong compliance breakdown reporting system.

The University's centralized clearinghouse for handling reported suspected legal and compliance concerns is robust and effective. In addition to processes for resolving breakdowns detected by internal and external audits, this centralized reporting and resolution includes:

- Ureport, the University's confidential/anonymous reporting system;
- Effective policies and operating procedures at the central level for handling and investigating allegations of misconduct; and
- Effective coordination among the Office of Institutional Compliance, Office of General Counsel, Office of Internal Audit, and the central Office of Human Resources.

4. The University has strong distributed programs in certain high risk areas.

The University has nationally recognized areas of excellence in its compliance programs. Illustrative examples, though by no means exclusive, are

- Grants Administration: The University has a highly effective certified approval model for localized grants administration compliance expertise, service, verified competencies, and assurance standards supported with independence in reporting lines as well as exceptional "back end" risk analysis and monitoring conducted through the Office of Analysis and Reporting;
- Twin Cities Athletics Compliance: The Twin Cities campus has one of the most programmatically sound compliance programs in all of the compliance program model elements; it also has earned a remarkable level of "buy in" and engagement from the Twin Cities Athletics Department's leadership and coaches; and
- HIPAA Compliance: The University has a state-of-the-art education program and reporting system to comply with the mandates of the Health Insurance Portability and Accountability Act; this is a particularly challenging area distributed across all campuses and involving thousands of faculty, staff, and students that has achieved

exceptional levels of compliance and measured improvements in competencies, particularly with respect to data security.

5. The University is moving towards a proactive model and culture.

The University has made significant progress to build a “proactive” compliance culture. Hallmarks of a proactive culture include: building and sustaining a culture that values compliance and ethics on par with other management priorities; clear roles, responsibilities, and delegations of authority with respect to responsibilities; effective compliance education programs; systems and an infrastructure that enable better compliance—including leveraging responsibilities for maximum productivity; meaningful and effective policies; and embracing a movement beyond compliance as merely a process to deal with breakdowns toward a sustained and integrated component of management. Examples of success include:

- The Board of Regents adopted a more robust and values-based Code of Conduct;
- Initiatives in various units to identify compliance trending and metrics as a more effective, sophisticated method to identify points of vulnerability and best practices;
- Movement toward evaluating competencies as part of compliance-related training, for example the Enterprise Financial System training and competencies program under development;
- Integrated compliance education initiatives which blend compliance and ethics into other education programs, such as new employee orientation and manager training programs;
- Continuing education program for Compliance Partners to build core competencies around compliance proactive program levels; and
- Policy office initiatives to improve University administrative policies and the process for policy development.

6. The University should provide greater focus on culture for ethics and compliance.

Culture is perhaps the single most significant factor for reducing compliance breakdowns. More importantly, a culture that truly values ethics and compliance has more fundamental benefits, such as greater employee engagement, higher employee satisfaction, improved productivity and higher credibility with external stakeholders. The significance of culture for ethics, compliance, integrity, stewardship and related concepts should be an institutional priority and managed and supported through incentives and accountabilities like other institutional priorities. Options to consider include:

- Evaluate the culture for ethics and compliance and meaningfully respond to the results. In the middle 1990s, the National Institutes of Health placed the University on “exceptional status,” having found what it characterized as a pervasive “culture” of non-compliance. The University instituted sweeping changes to redress the NIH’s findings and moved off of exceptional status—at considerable expense. Now, more than ten years later, the University should consider a meaningful

analysis to re-evaluate its culture to confirm progress and identify points of weakness, if any. While the University conducted a modest culture assessment for compliance and ethics with several questions in the last PULSE survey³, a more robust, validated, and embraced assessment is appropriate. Many organizations are engaged in this same review process.

- Include ethics and compliance in University metric initiatives. The University has embraced accountability and a philosophy of “evidence” to evaluate strategic initiatives and overall college/unit performance. There are widely accepted metrics for compliance ethics, including such factors as observations of perceived misconduct, perceived value of “doing the right thing,” perceptions of managers, supervisors and leadership, willingness to report concerns without fear of retaliation, and others. These metrics should be included, perhaps as an indexed metric, in the University’s metric initiatives and used to identify strength and vulnerability and integrated into the University’s compact and budgeting processes.

7. The University should effectively promote its Code of Conduct.

A meaningful, and embraced, Code of Conduct is a hallmark of an effective compliance program. The Code should be a primary tool for building and sustaining an ethical culture. It should be embraced by all levels of the organization and “translated” by managers and others to be meaningful to the University’s various roles. It should be proactively promoted rather than waiting passively for a reader to search for it in the University’s Web sites or click through a series of links in an e-mail. Potential actions include:

- On-line and “role based” education program for all faculty and staff;
- Broad communication and promotion strategy;
- Inclusion of the Code of Conduct’s underlying values, principles and where applicable Standards in communications and communication strategies;
- Inclusion of the Code of Conduct into performance review and assessment; and
- Adaptation of applicable Code of Conduct Standards to existing training and education curricula.

³ The Office of Institutional Compliance presented the PULSE results for these questions to the Board Audit Committee at its March, 2007 meeting.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

September 6, 2007

Agenda Item: Committee Workplan: 2007-08

review review/action action discussion

Presenters: Regent Linda Cohen
Associate Vice President Gail Klatt

Purpose:

policy background/context oversight strategic positioning

The purpose of this discussion is to reach agreement on the committee workplan for the upcoming year.

Outline of Key Points/Policy Issues:

The proposed workplan focuses on oversight and monitoring of risks which could impede the University from achieving its goal to become one of the top three research universities in the world. Topical discussion items were selected based on their relevancy to the Audit Committee's institutional risk assessment and their import to strategic positioning outcomes.

The workplan also ensures the Committee receives the information necessary to carry out the governance responsibilities assigned to it in its Charter, including the supervision of the external auditor and oversight of the internal audit program.

Background Information:

Each standing committee of the Board of Regents establishes an annual workplan. The workplan is a means to assist the Committee in discharging its responsibilities under its Charter and provides a structure to ensure the topics of highest priority receive the Committee's attention

**Draft
Audit Committee
Work Plan
FY 2008**

- September: Audit Committee Workplan (L. Cohen)
External Audit Update (LarsonAllen)
Compliance Officer Report (T. Schumacher)
Internal Audit Update (G. Klatt)
Consent Item
- October: Even though the committee is not expected to meet in October, it will need to review the annual financial statements prior to their finalization. In previous years this has been handled by the Chair via a conference call.
- November: External Auditor Report (LarsonAllen)
 - Review of FY06 financial statements
 - Communication of Audit Judgments and Unadjusted Differences Assessment of University accounting practices**Compliance Officer Report: Results of University-Wide Research Compliance Study (T. Schumacher)**
Information Item: Semi Annual Controller's report
- February: External Auditor's Management Letter (LarsonAllen)
Overview of the University-Fairview Relationship and its Governance Structure (F. Cerra)
Internal Audit Update (G. Klatt)
Information Items:
 - Annual Compliance Audit of Federal Awards Programs (A-133)
 - NCAA Agreed-Upon Procedures
- March: **Evolving the University's Research Infrastructure to Support Emerging Trends in Federal Funding Opportunities (T. Mulcahy)**
External Auditor Review (M. Volna)
 - Review of fees paid
 - 2008-2009 Engagement Letter and Proposed Fees
 - Review of independence
 - Review of performanceCompliance Officer Report (T. Schumacher)
Information Item:
 - External Auditor Relationships and Services Provided

May **Impact of the EFS Implementation and New Accounting Pronouncements on the University's Internal Control Environment (D. Seck)**
External Audit Plan (LarsonAllen)
Internal Audit Update (G. Klatt)
Information Item: Semi-Annual Controller's Report

July Internal Audit Plan (G. Klatt)

The proposed committee work plan incorporates the Board's desire to 1) receive more information from the University's Compliance Officer and 2) continue the discussion on the changes in the landscape of federal research funding as discussed at the Board's retreat in July 2007.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

September 6, 2007

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. The report also includes the status of outstanding "essential" recommendations.

Outline of Key Points/Policy Issues:

- This past quarter, 38% of the outstanding recommendations rated as "essential" were implemented by University departments. This percentage is higher than the previous quarter, and nearly equal to our expected rate of 40%. An updated control evaluation chart is included for each audit to show progress made on the "essential" items. Five units fully implemented all their remaining "essential" recommendations.
- Ten audit reports containing 46 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
September 6, 2007

This report includes:

- Audit Observations/Information/Status of Critical Measures
- Status of “Essential” Recommendations & Bar Charts Showing Progress Made
- Audit Activity Report
- Audit Reports Issued Since May 1, 2007

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

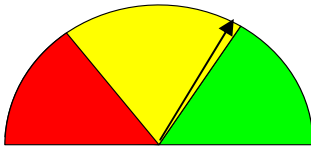
As part of our on-going efforts to provide the Audit Committee with critical information in as concise a format as possible, we have developed the following three charts to present a “snap-shot” status report on work performed by the Department of Audits.

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 2008 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).

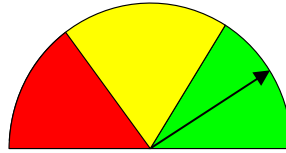
The final chart, “Time Spent on Investigative Activities”, provides a status report on the amount of time consumed by investigative activities. Our annual plan provided an estimated budget for this type of work, and the chart will indicate if we expect that budget to be sufficient. Continued readings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

Essential Recommendation Implementation



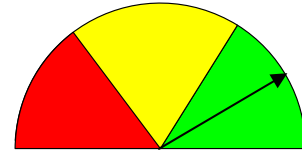
Implementation rates were 38% for the quarter, close to our expected rate of 40%.

Progress Towards Annual Audit Plan Completion



Time spent to date on the FY 2008 audit plan is consistent with what was expected and budgeted.

Time Spent on Investigative Activities



Time spent on investigative activities is consistent with the budget for the year.

Five Year Funding Analysis

In response to a question raised during the July 2007 Audit Committee meeting, we have compiled the following information related to budget amounts and annual budget increases for the Office of Internal Audit compared to the University's All-Funds budget.

	Office of Internal Audit Budget	% Increase	University All- Funds Budget	% Increase
FY 2003	\$ 1,594,748		\$ 1,850,092,263	
FY 2004	\$ 1,588,754	-0.4%	\$ 1,856,250,263	0.3%
FY 2005	\$ 1,586,196	-0.2%	\$ 1,964,382,456	5.8%
FY 2006	\$ 1,623,326	2.3%	\$ 2,133,270,213	8.6%
FY 2007 (1)	\$ 1,700,969	4.8%	\$ 2,263,306,080	6.1%
FY 2008 (2)	\$ 2,011,261	18.2%	\$ 2,383,980,692	5.3%

For the FY 2007 Office of Internal Audit budget (item 1), additional non-recurring funding totaling \$159,540 was received this year and is not reflected in this analysis. For FY 2008 (item 2), additional non-recurring funding totaling \$215,340 is budgeted to be received and is also not reflected in this analysis. The information presented for the University's All-Funds budget excludes sponsored research accounts, and FY 2003-2006 are actual expenditures, while FY 2007-2008 are budgeted expenditures.

Status of "Essential" Recommendations as of August 24, 2007

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		
Apr-03	Athletic Department - NCAA Compliance	6	1		1		Satisfactory	
Apr-04	College of Architecture & Landscape Architecture	5	1	1			Completed	
Aug-04	UMD Health Service	10	3		3		Satisfactory	
Jan-05	A Review of Education Abroad Programs	4	1		1		Satisfactory (a)	
Jan-05	University of Minnesota - Crookston	11	1		1		Satisfactory	
Mar-05	College of Veterinary Medicine	9	1		1		Satisfactory	
Apr-05	Enterprise Imaging System	4	1		1		Satisfactory	
May-05	Carlson School of Management	4	2		2		Satisfactory	
Jun-05	UMD School of Fine Arts	10	5	3	2		Satisfactory	
Aug-05	Selected Units Within the Controller's Office	6	1		1		Satisfactory	
Aug-05	Intercollegiate Athletics	12	4	2	2		Satisfactory	
Sep-05	Facilities Management Maintenance Operations	10	5	2	2	1	Satisfactory	
Dec-05	Disaster Recovery	1	1		1		Satisfactory	
Mar-06	Institutional Biosafety Committee	10	1	1			Completed	
May-06	Office of Asset Management	8	1	1			Completed	
Jul-06	UMD Food Service	5	1	1			Completed	
Jul-06	Medical School Duluth	6	1			1	Satisfactory	
Jul-06	Department of Psychiatry	10	3	2	1		Satisfactory	
Sep-06	eResearch Systems	1	1		1		Satisfactory	
Oct-06	Capital Planning & Project Management	10	3		3		Satisfactory	
Nov-06	Law School	5	4	2	2		Satisfactory	
Nov-06	OVPR-Central Units Supporting Research	5	3		3		Satisfactory	
Jan-07	UMD-College of Liberal Arts	9	4	2	2		Satisfactory	
Jan-07	University Libraries	5	4	1	3		Satisfactory	
Jan-07	MAES-Agricultural Services & Greenhouse ISOs	6	3	2	1		Satisfactory	
Jan-07	Department of Neurology	5	4	1	3		Satisfactory	
Jan-07	HIPAA Security Review-Pediatrics	3	2	1	1		Satisfactory	
Feb-07	School of Public Health-NIOSH Grant Year 11	5	5	1	2	2	Satisfactory (b)	
Apr-07	University Stores	3	3	1	1	1	Satisfactory	
Apr-07	UMD Continuing Education	5	5	4	1		Satisfactory	
May-07	Department of Surgery	3	3	3			Completed	
May-07	Ticketing System - Phase 1 Review	4	4	2	2		Satisfactory	
May-07	Central Authentication Services	4	4			4	Satisfactory	
Total:		204	86	33	44	9		

- (a) Lack of computer programming resources has slowed progress on this issue. An expected Fall 2007 system implementation will not be met.
- (b) A control evaluation chart was not developed for this audit since the audit was a review of just one sponsored grant.

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

"Essential" Recommendation Implementation Trends

Month / Year of Follow-up Report

	Sept. 2007	May 2007	Feb. 2007	Sept. 2006	May 2006	Feb. 2006	Sept. 2005	May 2005	Feb. 2005	Average
# of Essential Recommendations Receiving Follow-up	86	96	91	114	108	112	110	120	122	107
# of Recommendations Considered Fully Implemented	33	29	48	46	27	44	36	36	51	39
Implementation Percentage	38%	30%	53%	40%	25%	39%	33%	30%	42%	36%

Current Status of Recommendations Rated as "Essential" That Are Over Two Years Old and Are Not Fully Implemented

Audit/ Report Date	Status-Partially Implemented (P) or Not Implemented (N)	Senior Management Contact	Summary of the Issue/Risk Involved	Current Comments From Management	Audit Observations And Comments
Athletic Department - NCAA Compliance Apr-03 21 # of Items: 1	P	Elizabeth Eull Joel Maturi	In order to ensure that equipment rooms establish and maintain adequate control of University athletic equipment and apparel, the Athletic Department and Compliance Office should implement and monitor the following controls: •Require that consistent and complete documentation of equipment and apparel issued be kept by each equipment room. Athletics should make a determination if it is necessary for athletes to sign the issuance record to acknowledge the receipt and return of equipment and apparel. •Ensure that a perpetual inventory is kept showing all purchases, disbursements, and disposals of equipment and apparel . Periodic inventory counts should be performed to ensure that inventory records match actual inventory (with the possible exclusion of small disposable items such as socks). •Issue and account for all equipment through the equipment rooms. If it is determined that coaches should be allowed to issue equipment, formal permission should be received from the Athletic Department. Also, if it is determined that some athletes are allowed to keep equipment without purchasing it, the Compliance Office should formally approve this. •Develop a consistent policy regarding the sale and disposal of used equipment. University Property Accounting should be contacted in each case to help determine pricing, unless Athletics receives an exception to University policy from the Controller's Office. •Discontinue the practice of selling apparel at cost to student athletes unless Athletics is willing to make this opportunity available to all students.	The scanning devices needed to implement the inventory system are on order. The entire staff has had one training session on Sports Soft, and will have another one when the scanners arrive. All necessary information has been entered into the programs so each sport is ready to go when the scanners arrive.	
UMD Health Services Sep-04	P	Katherine Morris Bruce Gildseth	Health Services should establish a formal data security strategy, policy and set of system configuration guidelines. Health Services staff should model its guidelines off of those developed by OIT. Data and physical security should be enhanced by implementing the controls noted in the UMD Health Services - Sensitive Information Systems Concerns memo.	A contract was signed for the purchase of eClinicalWorks (eCW) application. The building has been rewired. Hardware, including the production and test environments and client workstations, have been purchased. The application has been set up and training has begun with an anticipated "go live" date of August 27th. The server hosting the production version of the application is housed in an ITSS data center, which has adequate physical security. The test server is also housed in ITSS. However, the application is not yet set up on the test server because another license is required. The servers have firewalls established with assistance of OIT and the AHC HIPAA compliance officer. The vendor's access to the server is controlled by an ITSS server administrator. All workstations and servers have been configured according to OIT standards. The	

<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>	<i>Audit Observations And Comments</i>
22	P	Katherine Morris Bruce Gildseth	Health Services should configure its systems and enhance their program change process as recommended in the UMD Health Services - Sensitive Information Systems Concerns memo.	<p>application's security features are being evaluated by ITSS, AHC and OIT. It is anticipated that documentation demonstrating application password controls, intrusion detection logging, user profiles and timeout settings will be available by the next quarterly follow-up .</p> <p>The purchase of the eCW application included only one license. Health Services, with the assistance of ITSS, is working to obtain a second license for the test environment. The original plan was to have a test environment established to test the application prior to the go live date. While a separate server has been configured for the test environment, the absence of the second license precluded timely implementation of the application. The current strategy is to load the production server, test the data and go live by August 27th. Data from the old "VitalWorks" system cannot be moved electronically to the eCW application. A plan is being developed to migrate and/or retain the data in the old application.</p> <p>A draft of the disaster recovery plan has not been written. Health Service will focus on this after implementation of the new system. ITSS has provided a template of a disaster recovery plan for the servers supported by ITSS. However, documentation of the internal Health Services processes needs to be incorporated with the ITSS information into a comprehensive plan.</p>	
# of Items:	3				
A Review of Education Abroad Programs Jan-05	P	E. Thomas Sullivan Meredith McQuaid	The University should roll-out to all colleges and departments a uniform process for the assessment of program costs associated with study abroad programs. This process should ensure all study abroad program charges are billed to the student's University financial account.	Programmers needed for system completion have been lost to the EFS project, although application definitions have been developed.	
# of Items:	1				

<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>	<i>Audit Observations And Comments</i>
University of Minnesota - Crookston Jan-05	P	Charles Casey Robert Jones	For standard keys issued UMC needs to implement a process to ensure keys are returned as students or staff leave campus. The return of keys should be a requirement before issuing final paychecks, transcripts etc. Also the use of an appropriate key deposit can facilitate their return.	Process has been implemented for employees to return keys upon termination. Keys are turned in to Facilities Management and a form is completed confirming all keys were returned. This form is then sent to HR clearing the way to issue the final paycheck. UMC is working on a similar process for return of keys by students, and hope to have it implemented by the next quarterly follow-up.	
# of Items:	1				
College of Veterinary Medicine Mar-05	P	Jeffrey Klausner Frank Cerra	The current relationship between Emerald Dairy II and CVM with regards to the activities of TMF should be documented, reviewed, and approved by the appropriate CVM departments. This documentation should include written rental agreements and revenue sharing agreements. Procedures should also be established to properly classify and deposit external sales revenues.	There is still not a written agreement to document the complete business relationship with Emerald Dairy and there have been some barriers preventing such an agreement. Vet Med continues to work toward the completion of appropriate contractual documents prior to the current contract with Emerald Dairy expiring in June 2008.	
# of Items:	1				
Enterprise Imaging System Apr-05	P	Amie Dardis Dan Wagner	Management and OIT Data Security should continue to work with the vendor to address security concerns identified. User authentication and intrusion monitoring processes should be enhanced to address security concerns noted in this review. OIT Data Security should continue to work with the vendor about the problem with deleted IDs in the application. The application should be modified to allow userIDs to be deleted without affecting audit trails. The application should also be modified so application users do not have to have accounts established within the operating system. As management works with the vendor to correct these problems, management should continue its efforts to get upgrades in a more timely manner.	The login monitoring process has been tested and is now waiting for final approval from Data Security for migration to the production system. The EFS project is developing a new single-sign-on process that will take advantage of delivered PeopleSoft Code. This solution will be implemented for both the Campus Solutions and the Financial System in July 2008. OIT hopes this new method will remove some of the roadblocks encountered with the current CAH system and WebNow. A member of the Imaging team is actively working with Perceptive Software, the NTS group and the EFS project to determine what options exist. If there is a feasible solution the goal is to have it ready in the ImageNow 6.1 development system when the PeopleSoft EFS system is ready for system testing on Nov 2.	
# of Items:	1				

<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>	<i>Audit Observations And Comments</i>
Carlson School of Management May-05	P	Caroline Chase Connie Buechele	<p>CSOM should enhance its change control procedures and modify the access rights of its developers and vendors so management can ensure only authorized and tested program changes are moved into production. Developers/vendors should not have update access to the production application. Responsibilities for modifying program code, testing system changes, and moving program changes into production should be separated.</p> <p>CSOM should assure these concerns are addressed for all of its key applications.</p>	<p>Addressing change control is still in process. The new Carlson School IT Director became involved with this process in late Fall 2006, and following is a more detailed update on the current status:</p> <p>During Fall 2007/Winter 2008 the production web servers will be moved to WBOB. At that point they will no longer be locally located and a specific role will be established that appropriately restricts access to the production system.</p> <p>Current established practices include:</p> <ul style="list-style-type: none"> • Work with the customers to develop requirements and prioritize them, • Track the features that are being developed in Xplanner, • Maintain all code changes in a version control repository, • Create automated Unit Tests for code using Test Drive Development (TDD) practices, • Deploy to a test environment for regression and integration testing done there by us and the users of the system, • Use scripted builds for migrating changes from test to production, • Document our test and production deployments on the wiki. 	
	P	Caroline Chase Connie Buechele	<p>CSOM should:</p> <ul style="list-style-type: none"> •Develop a formal system administrator procedure manual, •Define and post emergency shut down procedures in the data center. •Implement procedures for moving backup tapes to a secure offsite location on a regular basis, •Establish a formal disaster recovery plan, •Identify critical recovery times and back-up locations for servers, with documented agreements for space use, •Maintain an up-to-date off-site list of equipment, applications, data files, and procedures needed to recover the network, •Contract for the securing of equipment via quick purchase or a recovery insurance policy, and •Test recovery procedures on a periodic basis. 	<p>Addressing Disaster Recovery is still in process because the new IT Director was not involved in this project until later in Fall 2006. The goal dates were then scheduled for Fall 2007 into Winter 2008. The Carlson School is in the process of moving most if not all servers to WBOB. Following is a more detailed update on the current status:</p> <ul style="list-style-type: none"> •June 2007- completed the conversion from the local Lotus Notes server to the central email and calendar systems. •Currently working on converting from the local Novell network (for files and printing) to the University AD network with a goal of completion during Fall 2007. •Also working on rolling out usage of the University NetFiles for more file storage and secure collaboration. 	

<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>	<i>Audit Observations And Comments</i>
				<p>This means that the majority of network file storage will be managed by central OIT for redundancy, backups, patches and maintenance. Administration will be a combination of central OIT and Carlson School.</p> <ul style="list-style-type: none"> •Since Nov/Dec 2006, Carlson has been in the process of moving server file storage to the central OIT SAN (Storage Area Network) and working to move all enterprise backups to WBOB as well. They are waiting for the CCO schedule before they can proceed further. •Working to move primary servers to WBOB during Fall 2007. •Once the primary servers have been relocated, Carlson IT will work with Carlson business/data owners as well as central OIT on what level of Disaster Recovery is managed by WBOB, central OIT, and what Carlson School still needs to implement- Winter 2008. 	
Σ # of Items: 2					
UMD School of Fine Arts Jun-05	P	Jack Bowman Vince Magnuson	SFA administration needs to establish an environment in which ethical behavior and compliance with policy and procedure are emphasized. This emphasis should be communicated to employees in writing; it should be reinforced through the provision of adequate training to ensure employees fully understand policies and procedures; and it should be exemplified through management's actions.	SFA administration has made efforts to improve the work environment. The determination of the status of this recommendation will be postponed until the timing is right for another employee survey or until the performance review of the Dean is completed in the next year.	
	P	Jack Bowman Vince Magnuson	SFA administration should utilize the knowledge, skills, and talents of faculty and staff to help identify SFA priorities and to formulate effective methods for accomplishing those priorities. The department should work with Human Resources to develop a system for promoting employee involvement and input. This could include the use of periodic surveys, suggestion boxes, or open discussions.	SFA administration has made efforts to improve the work environment. The determination of the status of this recommendation will be postponed until the timing is right for another employee survey or until the performance review of the Dean is completed in the next year.	
# of Items: 2					
Intercollegiate Athletics Aug-05	P	Joel Maturi	The Athletic Ticket Office should ensure that employees are adequately trained in Paciolan and cross trained in areas that affect their current duties, and potentially back-up duties.	The full implementation of AudienceView has been delayed. Athletics is hoping for full implementation by this fall. Some cross training has occurred as the entire Ticket Office staff has worked on implementing this new system. Also, the Ticket Office is going through some reorganization and is revising some job duties. Cross training will be completed after this reorganization is	

<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>	<i>Audit Observations And Comments</i>
	P	Joel Maturi	<p>Athletics should implement the following:</p> <ul style="list-style-type: none"> •Develop a formal system administrator procedure manual, •Define and post emergency shut down procedures in the data center, •Establish a formal disaster recovery and business continuity plan, •Identify critical recovery times and back-up locations for servers, with documented agreements for space use, •Maintain an up-to-date off-site list of equipment, applications, data files, and procedures needed to recover the network, •Contract for the securing of equipment via quick purchase or a recovery insurance policy, and •Test recovery procedures on a periodic basis. 	<p>completed and the Audience View system is implemented.</p> <p>Business continuity plans have not been formally tested, but a formal test is planned for this September.</p>	
# of Items:	2				
Selected Units Within the Controller's Office Aug-05	P	Michael Volna Richaed Pfitzenreuter	The Controller's Office, in conjunction with the Budget Office and Employee Benefits, should modify existing processes to ensure the salaries from all employee groups receiving benefits from the workers' compensation program are contributing to the funding of the program.	Additional data representing actual workers compensation claims by specific job codes is being gathered. Once this information is quantified, a decision will be made on whether faculty and P&A salaries should be included in the workers compensation fringe benefit pool calculation.	
26					
# of Items:	1				
Total:	15				

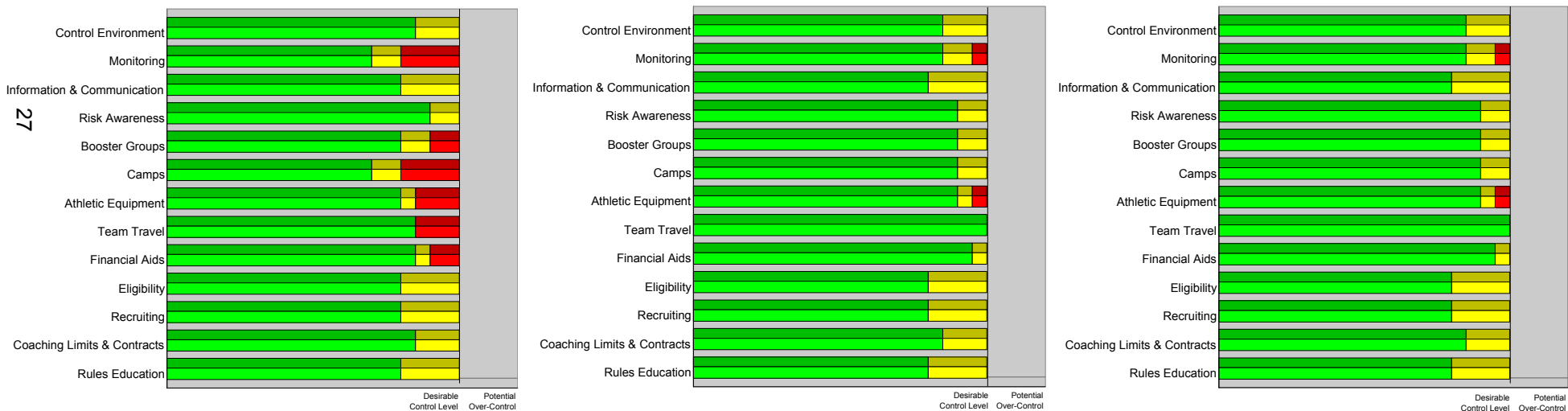
The bar charts shown below are presented to provide pictorial displays of the progress units are making on implementing audit recommendations rated as "essential". The bar chart included in the original report is shown in the left column, along with updated bar charts showing the previous quarter and 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 May 2007, 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

Current Quarter Evaluation

Athletic Department - NCAA Compliance (April 2003)



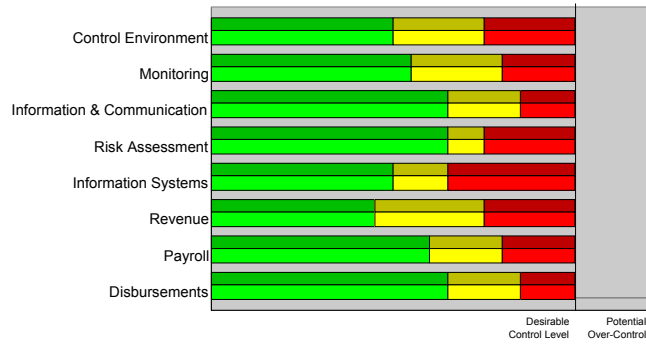
Adequate Control

Significant Control Level

Critical Control Level

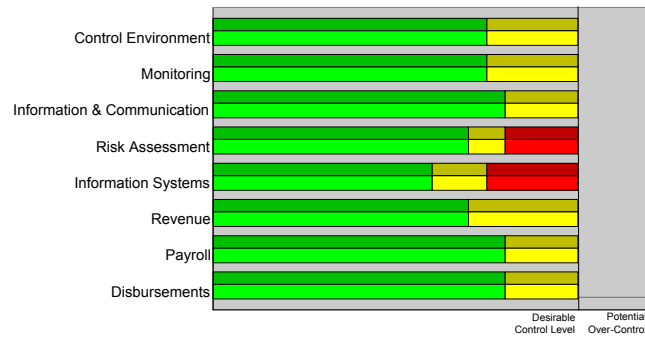
Potential Over-Control

Original Report Evaluation

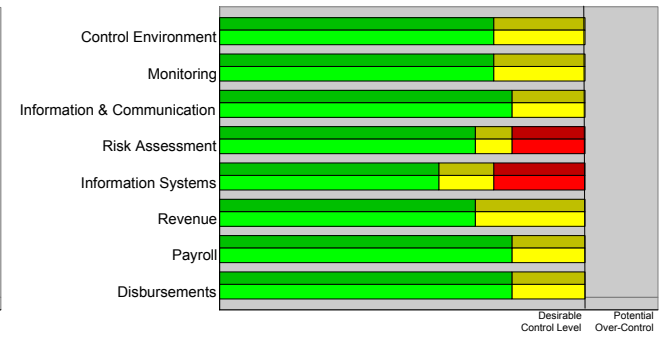


Previous Quarter Evaluation

UMD Health Service (August 2004)

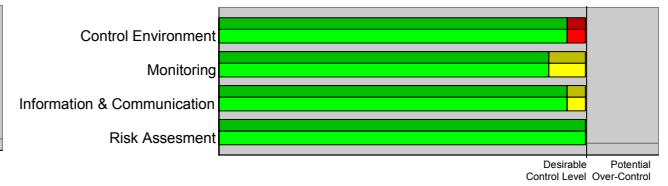
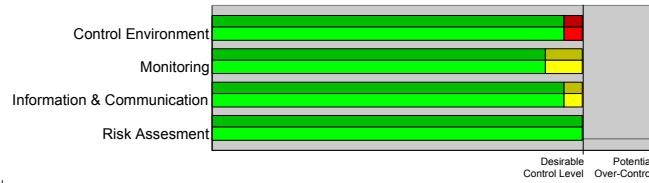
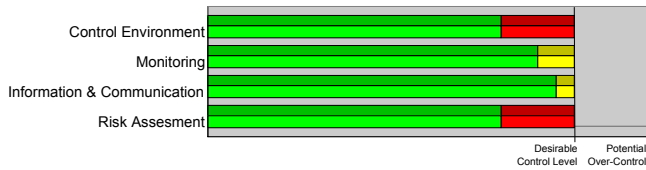


Current Quarter Evaluation



28

A Review of Education Abroad Programs (January 2005)



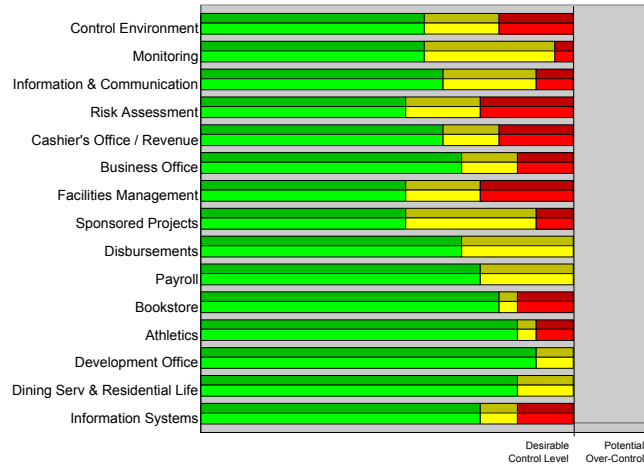
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

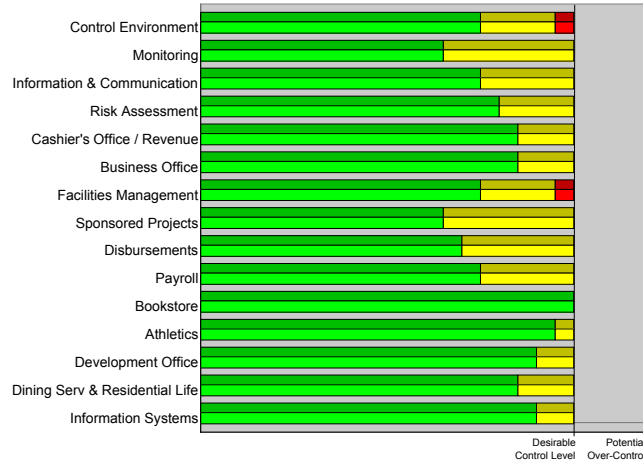
■ Potential Over-Control

Original Report Evaluation

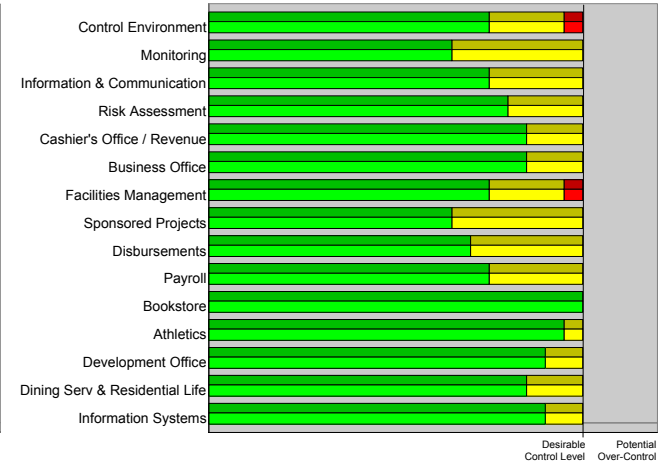


Previous Quarter Evaluation

UM - Crookston (January 2005)

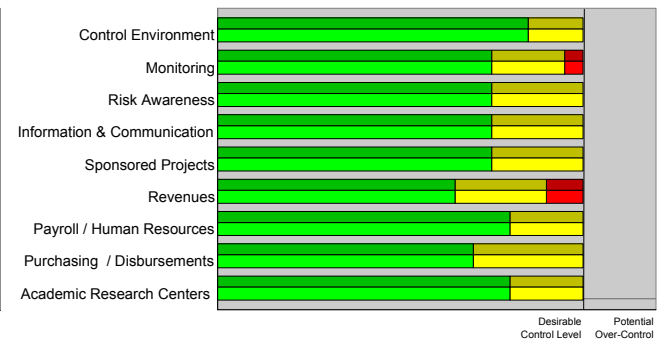
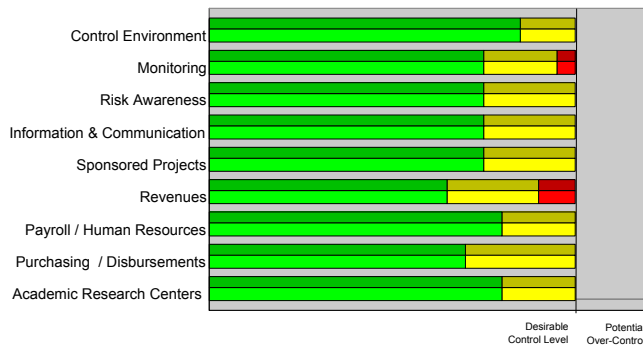
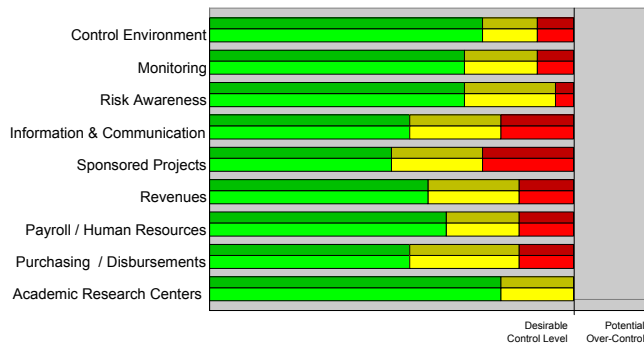


Current Quarter Evaluation



29

College of Veterinary Medicine (March 2005)



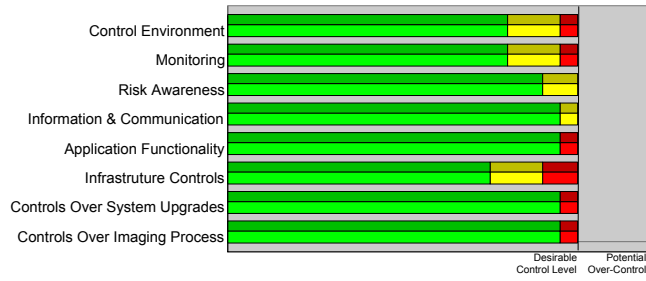
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

■ Potential Over-Control

Original Report Evaluation



Previous Quarter Evaluation

Enterprise Imaging System (April 2005)

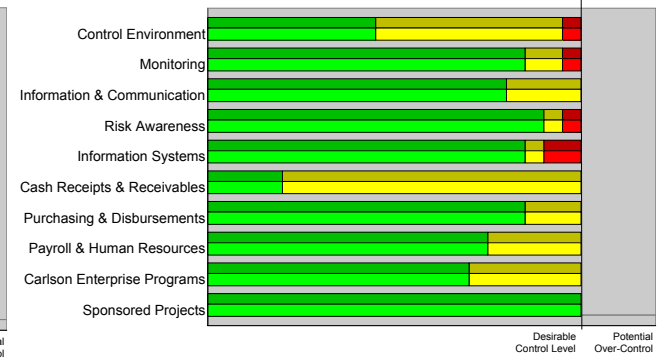
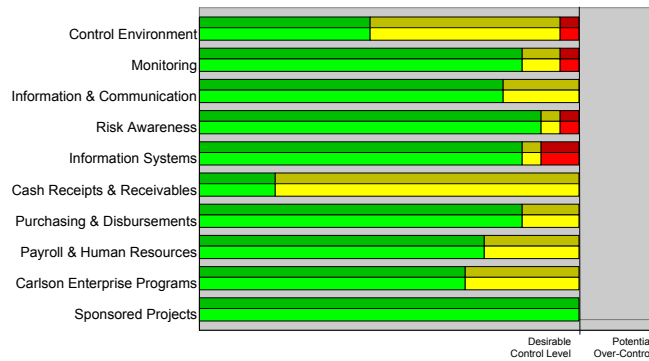
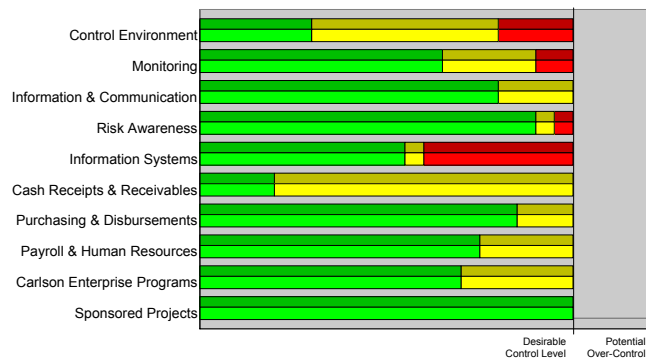


Current Quarter Evaluation



30

Carlson School of Management (May 2005)



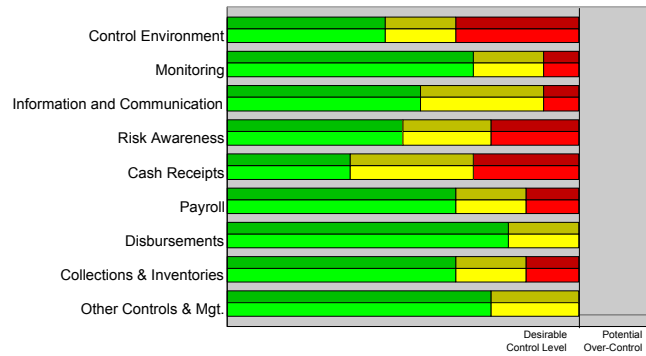
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

■ Potential Over-Control

Original Report Evaluation



Previous Quarter Evaluation

UMD School of Fine Arts (June 2005)

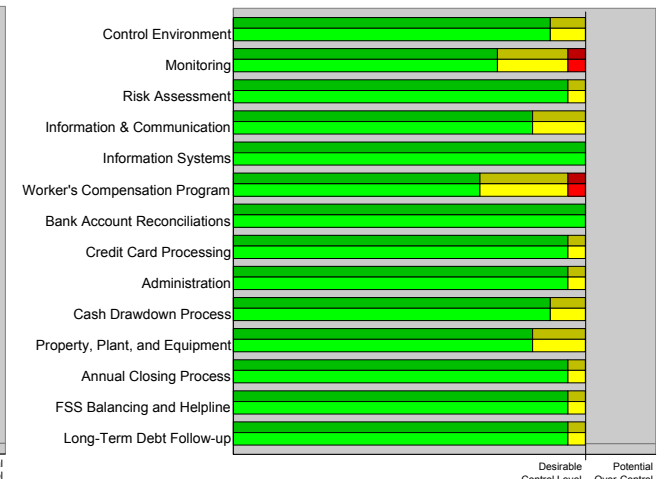
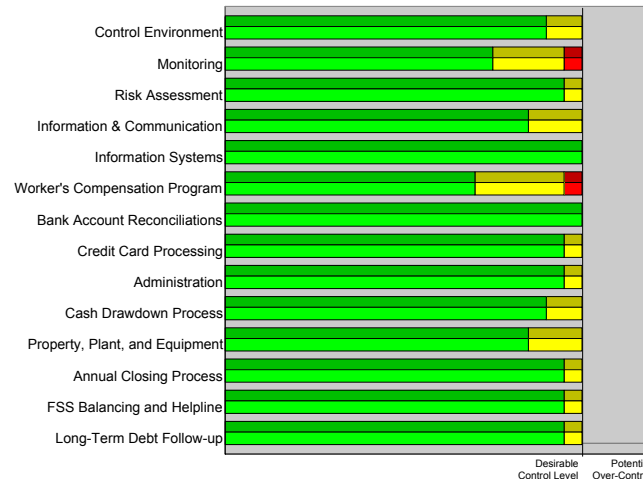
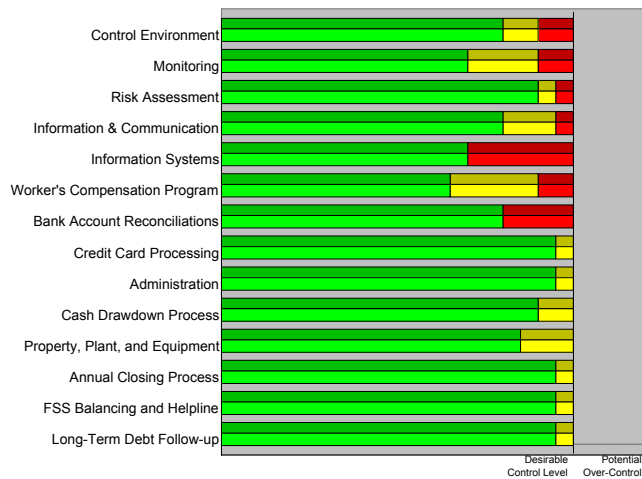


Current Quarter Evaluation



31

Selected Units Within the Controller's Office (August 2005)



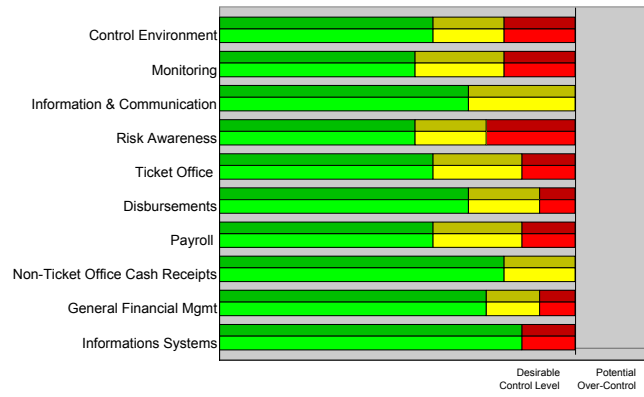
Adequate Control

Significant Control Level

Critical Control Level

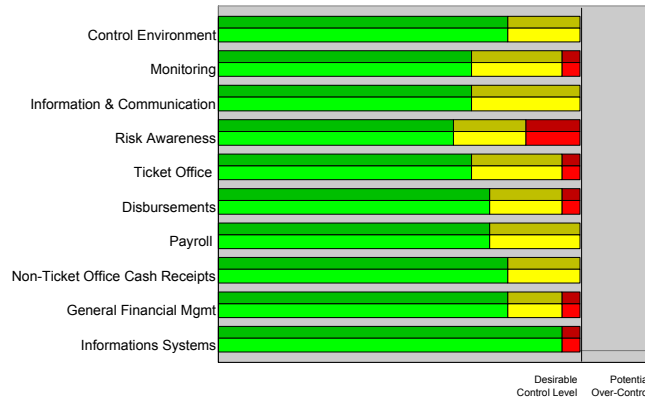
Potential Over-Control

Original Report Evaluation

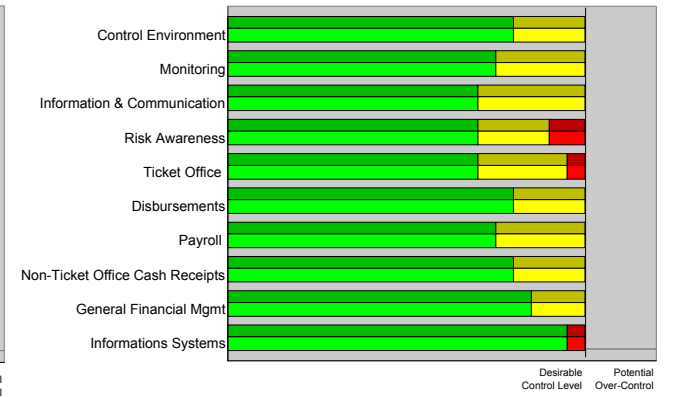


Previous Quarter Evaluation

Department of Intercollegiate Athletics (August 2005)

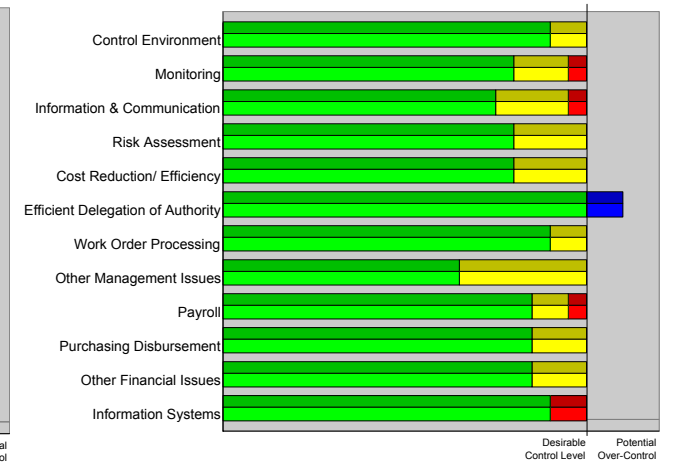
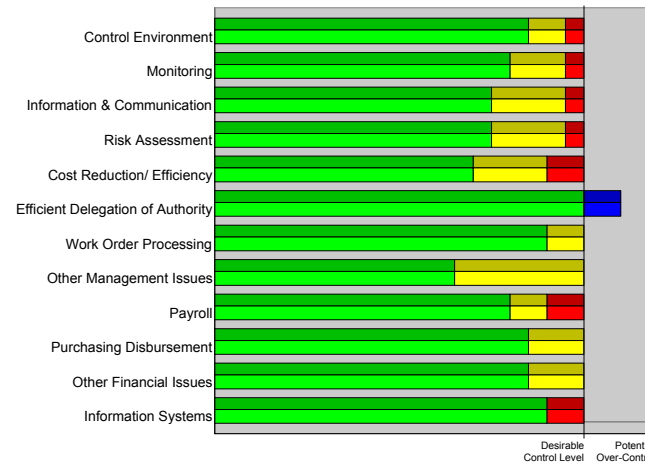
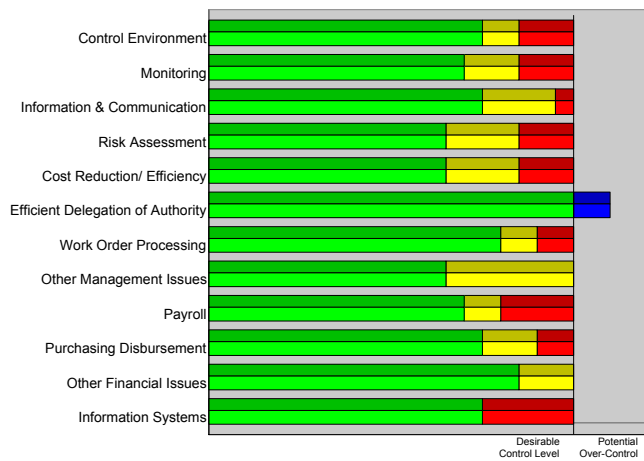


Current Quarter Evaluation



32

Facilities Management Maintenance Operations (September 2005)



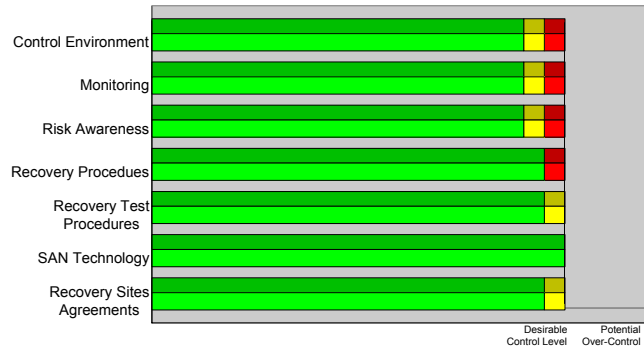
Adequate Control

Significant Control Level

Critical Control Level

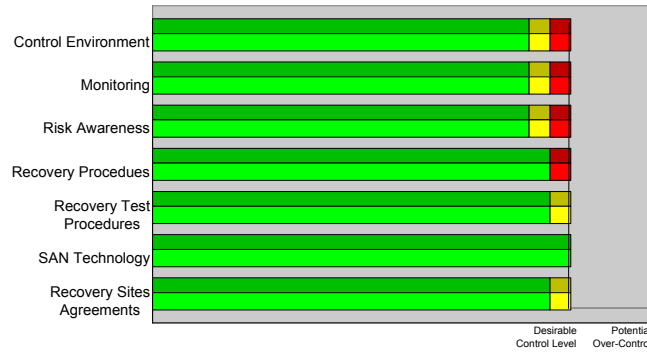
Potential Over-Control

Original Report Evaluation

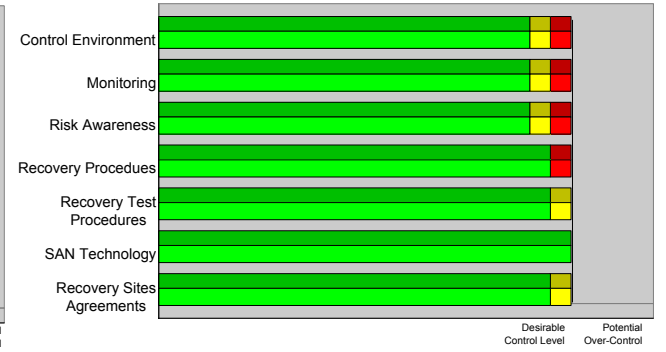


Previous Quarter Evaluation

Disaster Recovery (December 2005)

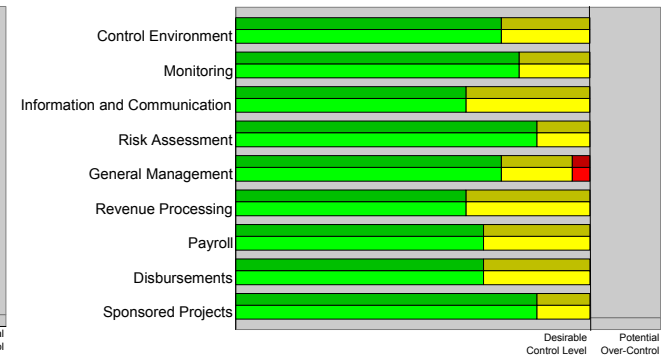
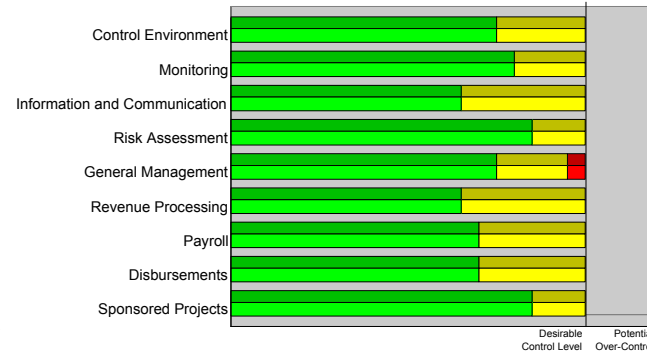
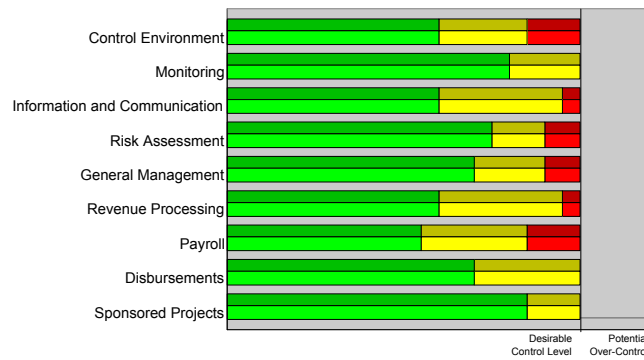


Current Quarter Evaluation



33

Medical School Duluth (July 2006)



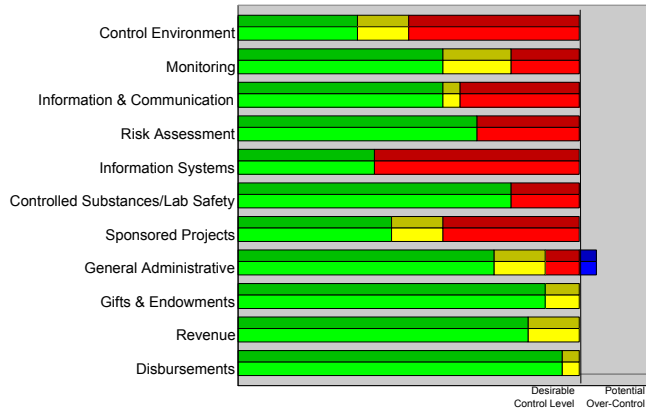
Adequate Control

Significant Control Level

Critical Control Level

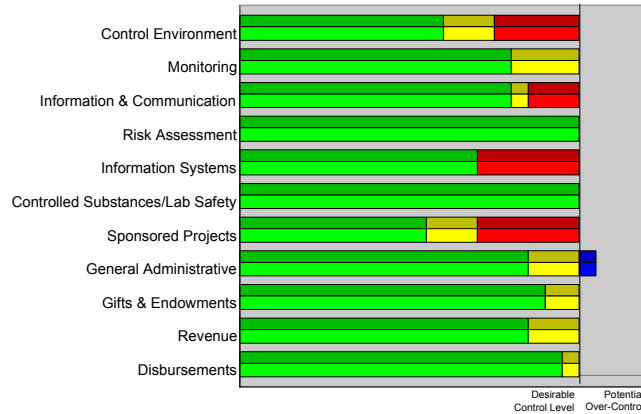
Potential Over-Control

Original Report Evaluation

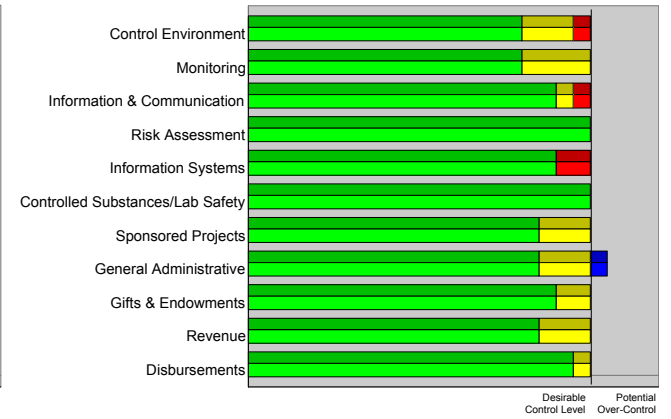


Previous Quarter Evaluation

Department of Psychiatry (July 2006)

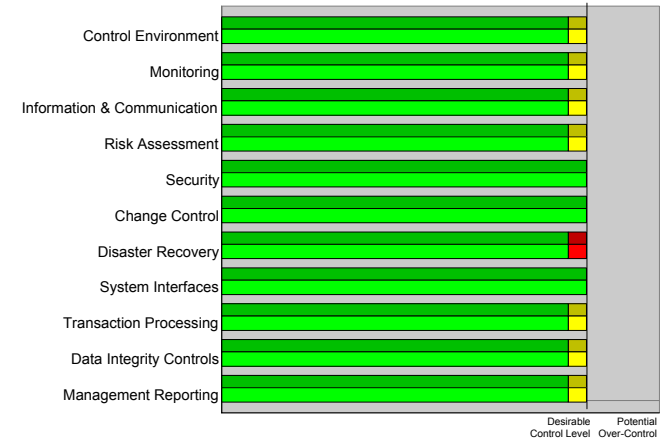
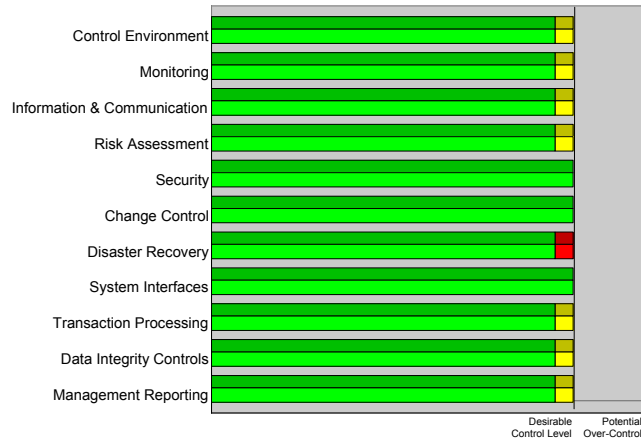
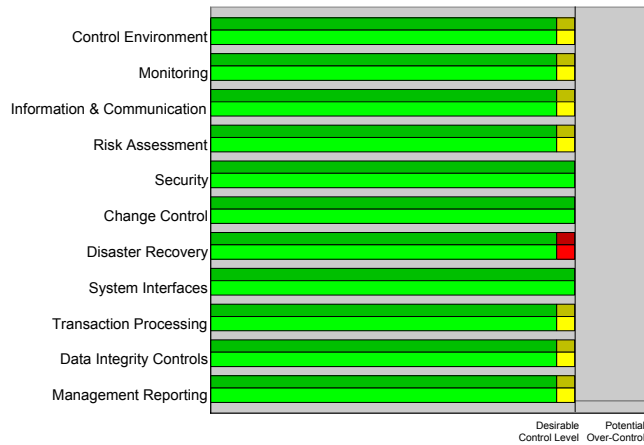


Current Quarter Evaluation



34

eResearch Systems (September 2006)



Adequate Control

Significant Control Level

Critical Control Level

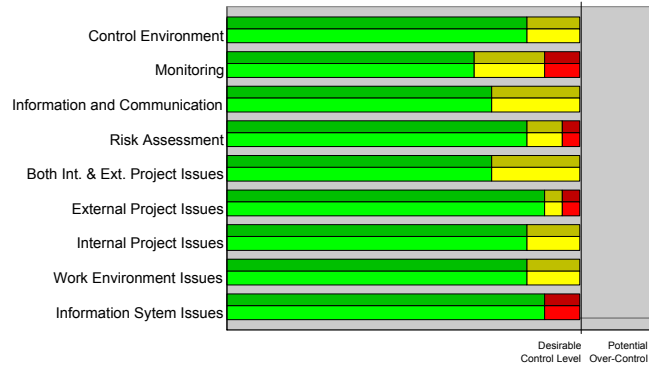
Potential Over-Control

Original Report Evaluation



Previous Quarter Evaluation

Capital Planning & Project Management (October 2006)

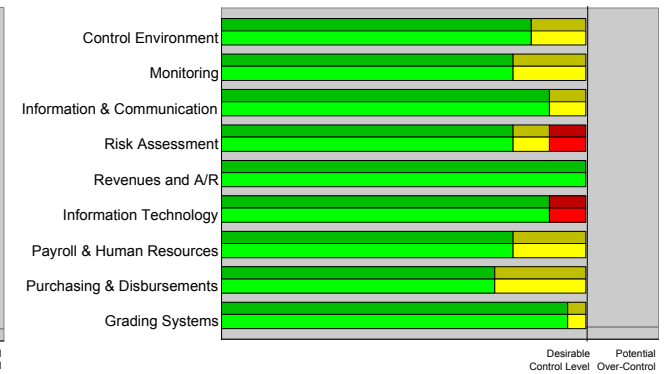
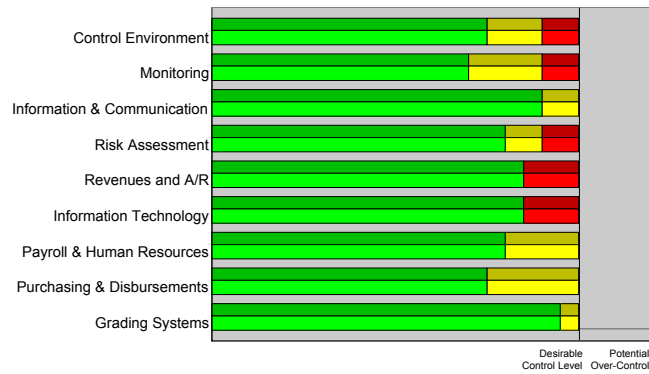
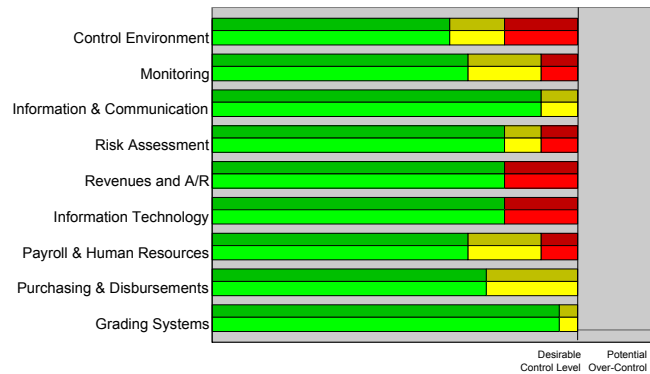


Current Quarter Evaluation



35

Law School (November 2006)



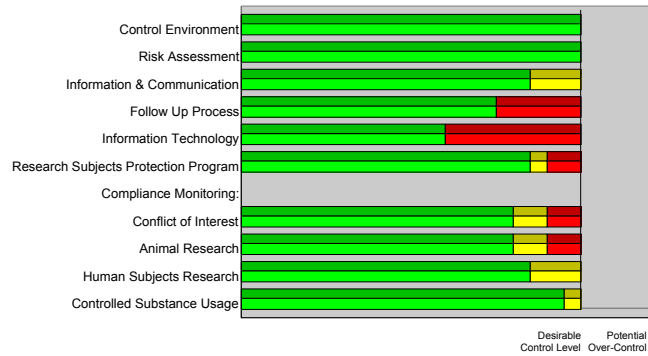
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

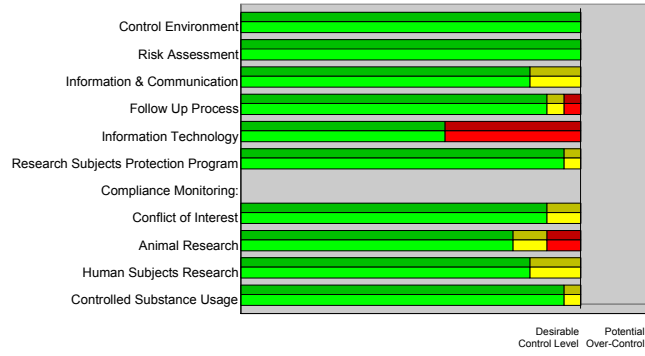
■ Potential Over-Control

Original Report Evaluation

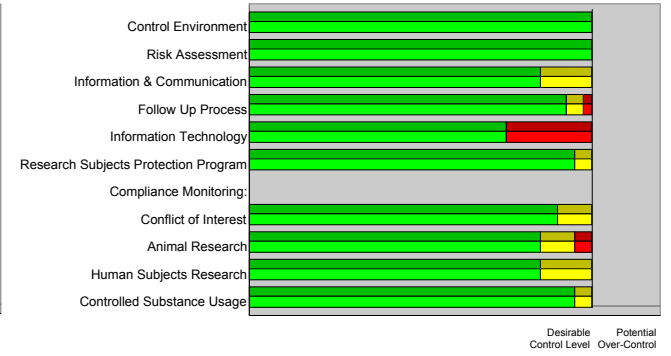


Previous Quarter Evaluation

OVPR- Central Units Supporting Research (November 2006)

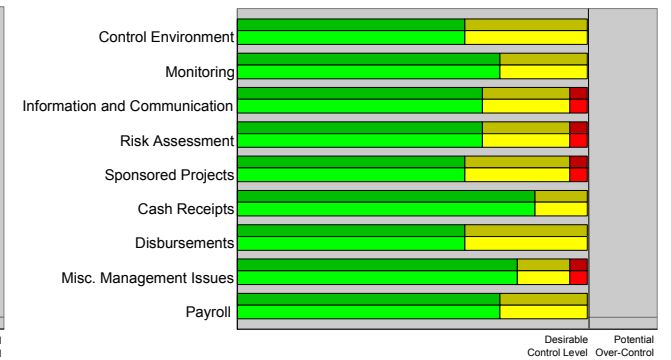
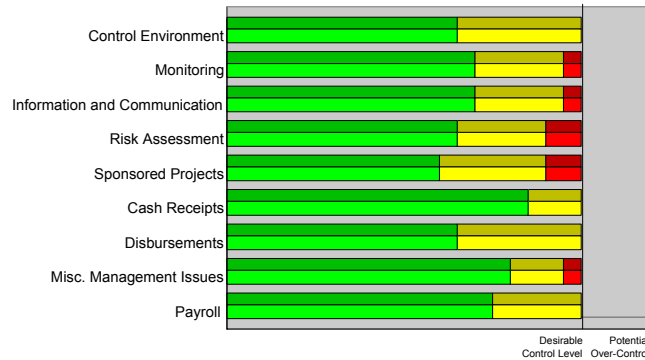
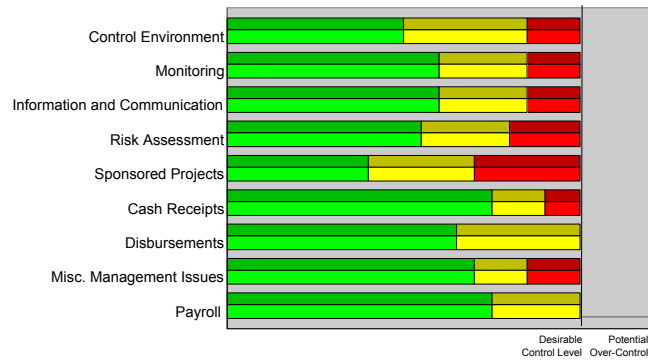


Current Quarter Evaluation



36

UMD - College of Liberal Arts (January 2007)



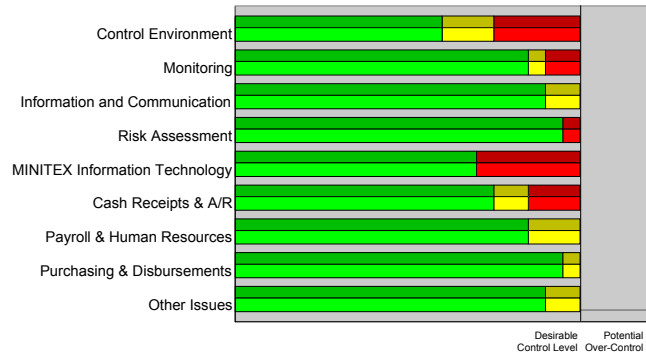
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

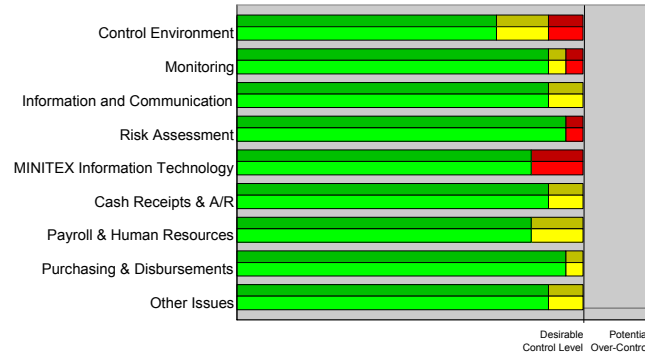
■ Potential Over-Control

Original Report Evaluation

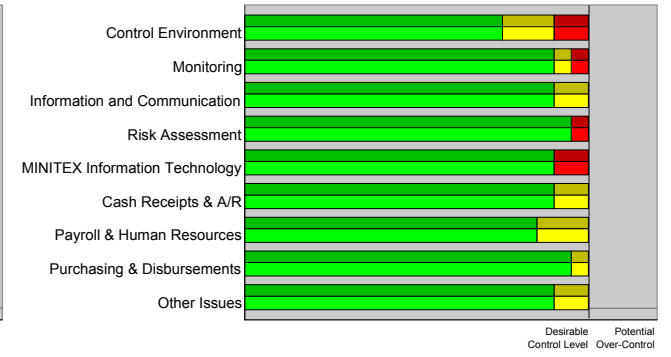


Previous Quarter Evaluation

University Libraries (January 2007)

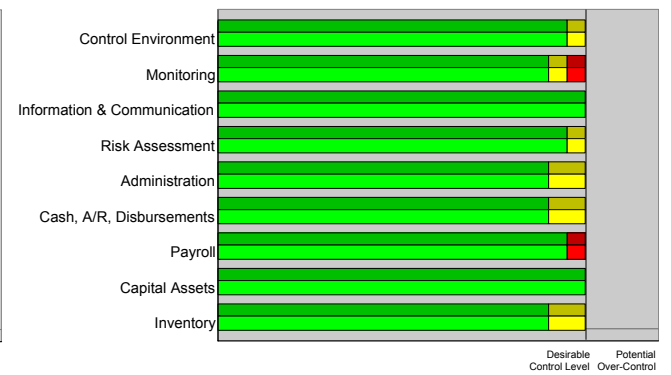
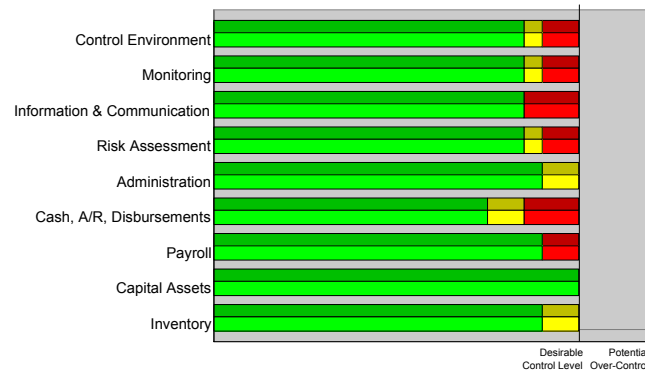
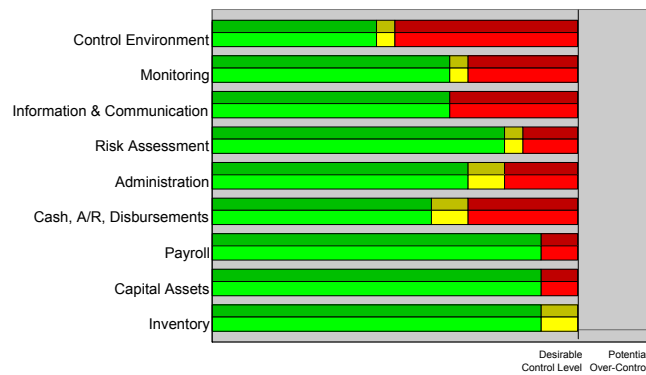


Current Quarter Evaluation



37

Minnesota Agricultural Experiment Station (MAES)- Agricultural Services and Greenhouse ISOs (January 2007)



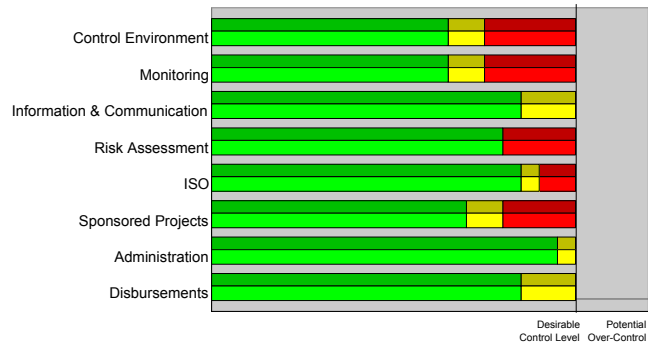
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

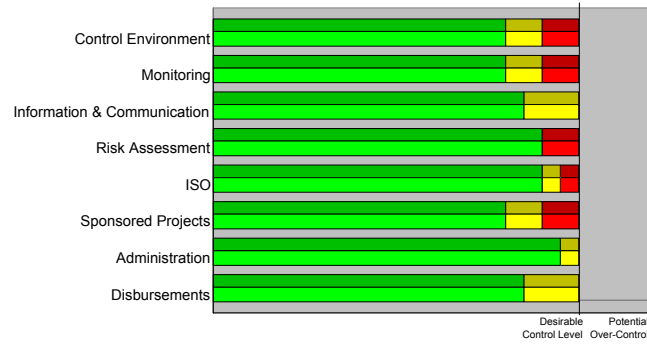
■ Potential Over-Control

Original Report Evaluation

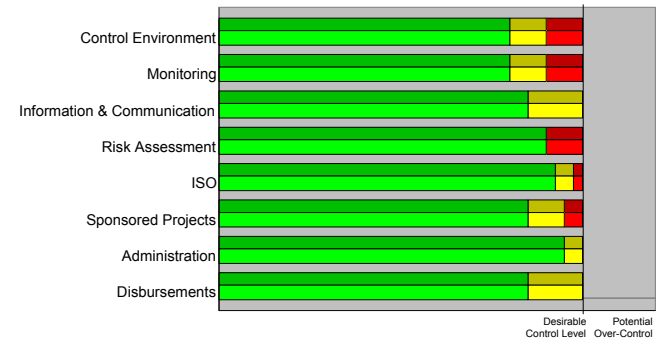


Previous Quarter Evaluation

Department of Neurology (January 2007)

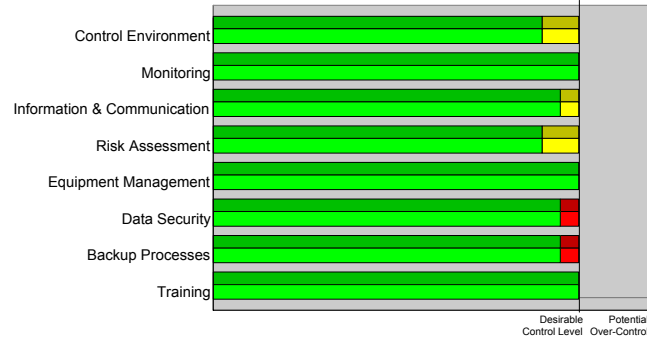
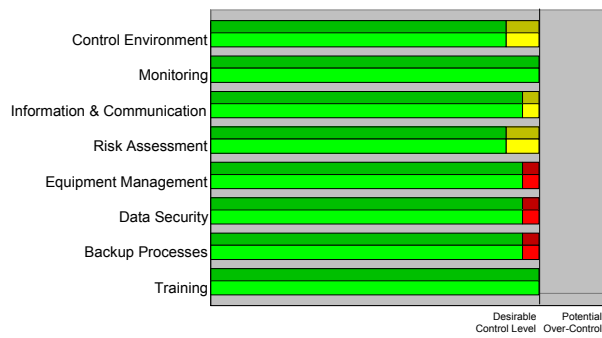


Current Quarter Evaluation



38

HIPAA Security Review - Pediatrics (January 2007)



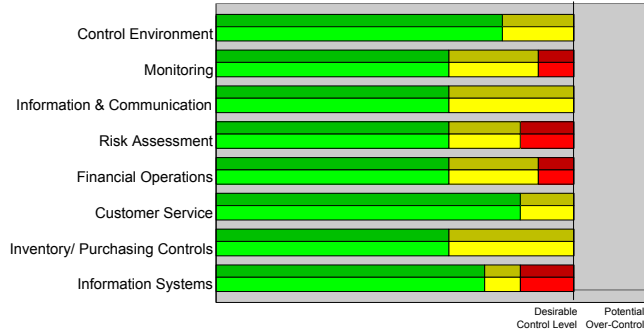
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

■ Potential Over-Control

Original Report Evaluation

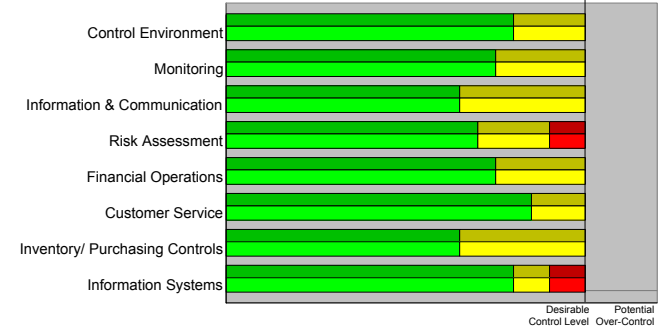


Previous Quarter Evaluation

University Stores (April 2007)

NO PREVIOUS CONTROL EVALUATION CHART

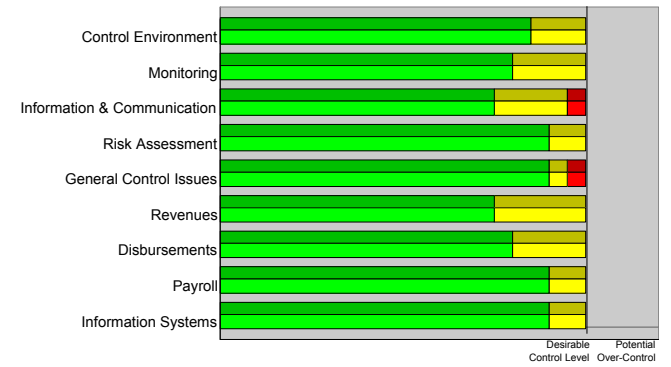
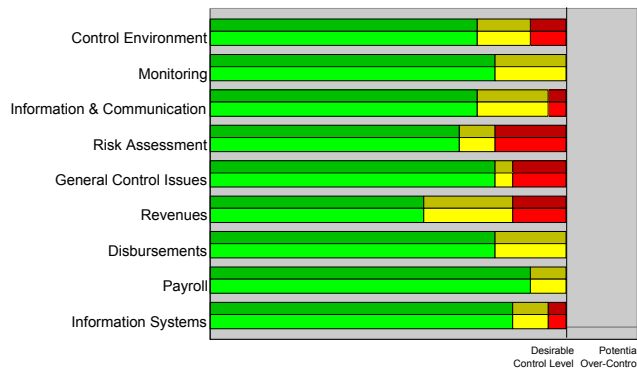
Current Quarter Evaluation



39

UMD Continuing Education (April 2007)

NO PREVIOUS CONTROL EVALUATION CHART



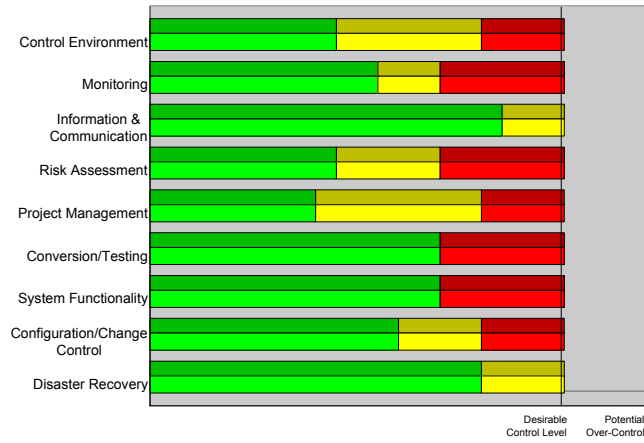
Adequate Control

Significant Control Level

Critical Control Level

Potential Over-Control

Original Report Evaluation

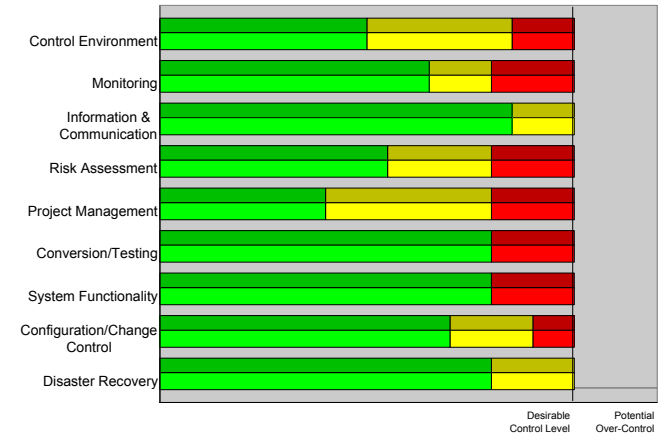


Previous Quarter Evaluation

Ticketing System Phase 1 Implementation Review (May 2007)

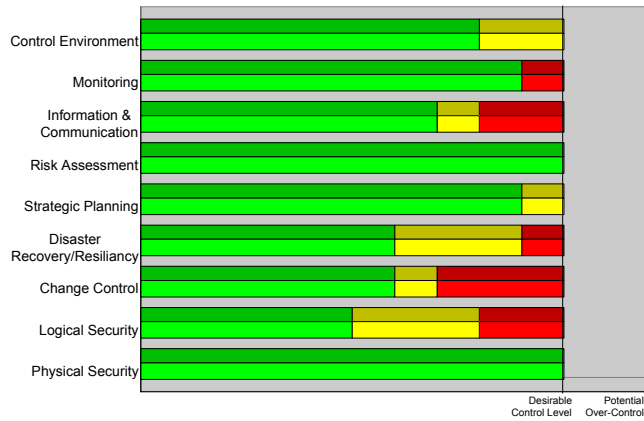
NO PREVIOUS CONTROL EVALUATION CHART

Current Quarter Evaluation

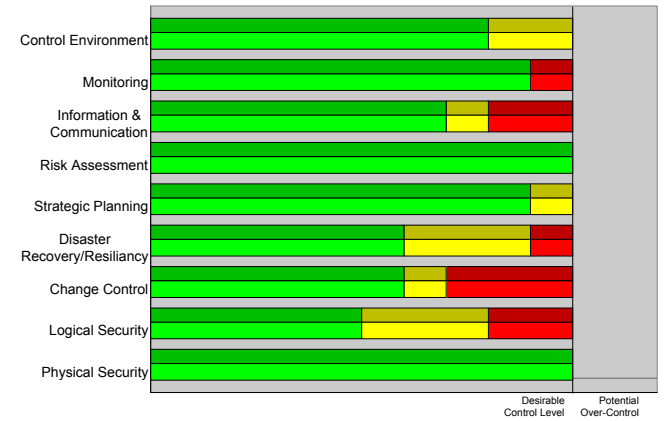


40

Central Authentication Services (May 2007)



NO PREVIOUS CONTROL EVALUATION CHART



■ Adequate Control

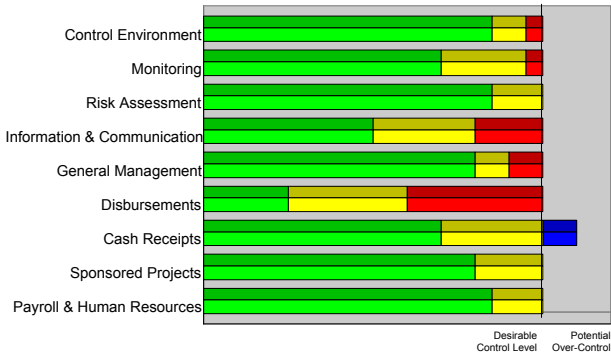
■ Significant Control Level

■ 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

College of Architecture & Landscape Architecture (April 2004)

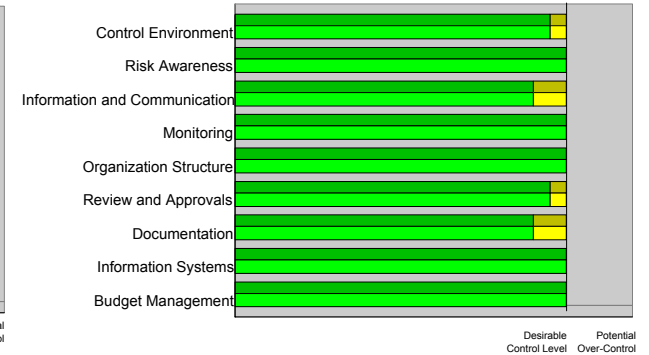
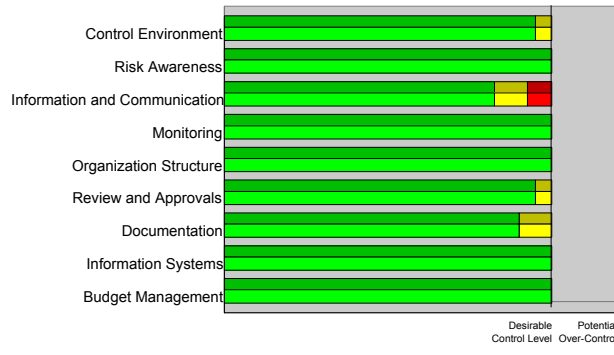
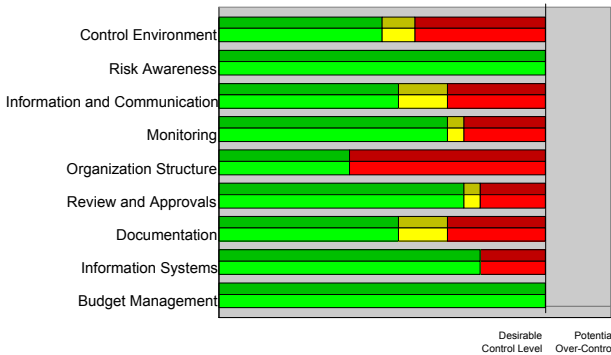


Current Quarter Evaluation



41

Institutional Biosafety Committee (March 2006)



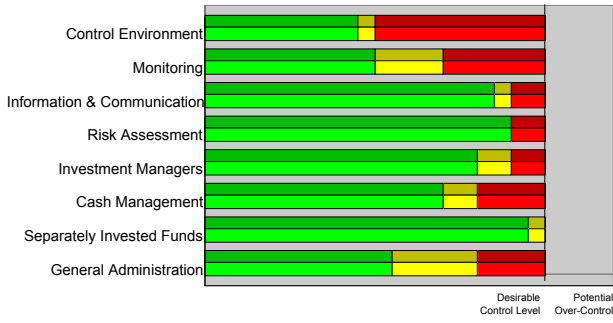
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

■ Potential Over-Control

Original Report Evaluation

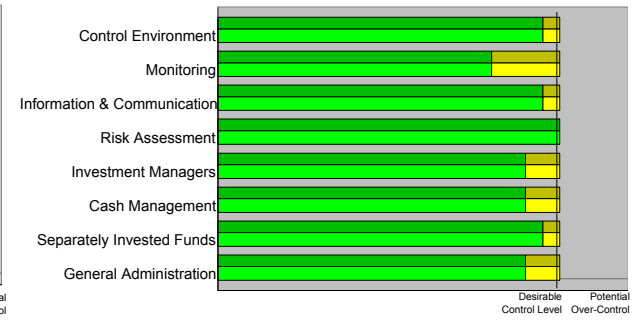


Previous Quarter Evaluation

Office of Asset Management (May 2006)

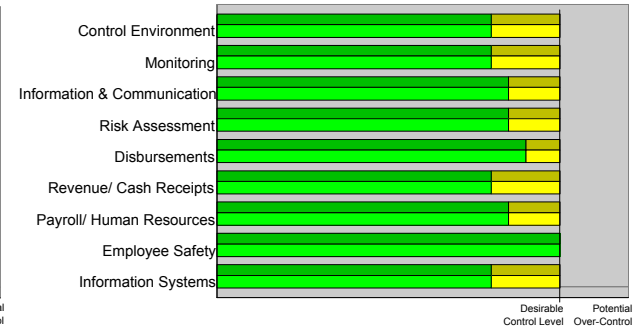
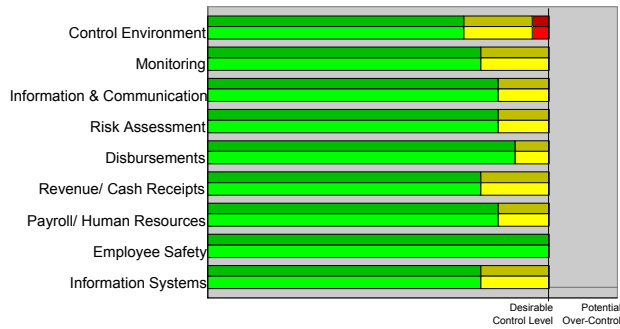
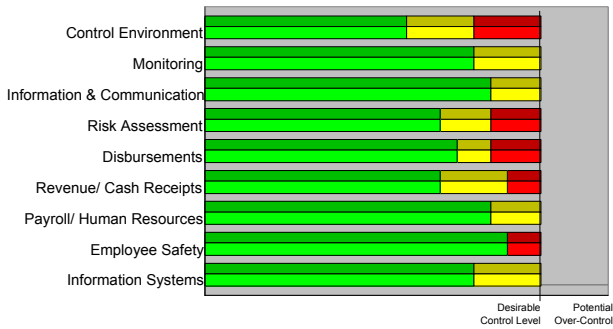


Current Quarter Evaluation



42

UMD Food Service (July 2006)



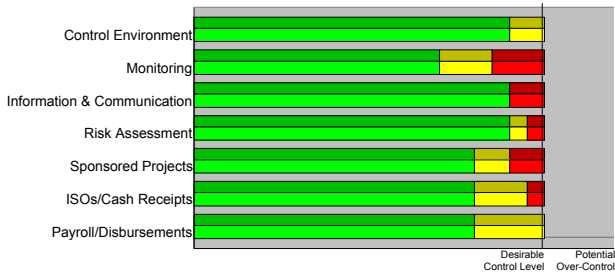
■ Adequate Control

■ Significant Control Level

■ Critical Control Level

■ Potential Over-Control

Original Report Evaluation

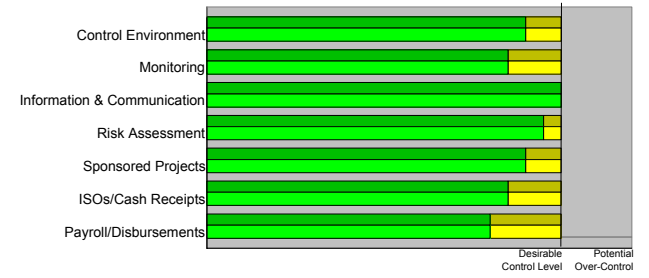


Previous Quarter Evaluation

Department of Surgery (May 2007)

NO PREVIOUS
CONTROL
EVALUATION
CHART

Current Quarter Evaluation



■ Adequate Control

■ Significant Control Level

■ Critical Control Level

■ Potential Over-Control

Audit Activity Report

Scheduled Audits

- Completed audits of: the Division of Epidemiology and Community Health, the School of Physics and Astronomy, NCAA Compliance for Twin Cities Department of Intercollegiate Athletics, the Stem Cell Institute, the Department of Psychology, project management of the Enterprise Financial System Project, the General Clinical Research Center's HIPAA compliance, the University of Minnesota-Morris campus, the School of Mathematics, and the University Purchasing Card Program. Details are shown on the following charts.
- Began/continued audits of: UMD Department of Intercollegiate Athletics, the Veterinary Medical Center, the Department of Central Security, the Natural Resources Research Institute, Weisman Art Museum, the Office of the Vice President for Equity & Diversity, the Department of Recreational Sports, the Department of Computer Science & Engineering, the College of Biological Sciences, the University Press, the Cancer Center, central server administration managed by OIT, and active directory administration managed by OIT.

Non-Scheduled Audits

- Began an audit of the Minnesota Population Center. This audit was requested by the Vice President for Research due to a change in reporting structure.

Investigations

- Performed investigative work on 15 issues in accordance with the University Policy on Financial & Operational Misconduct.

Special Projects

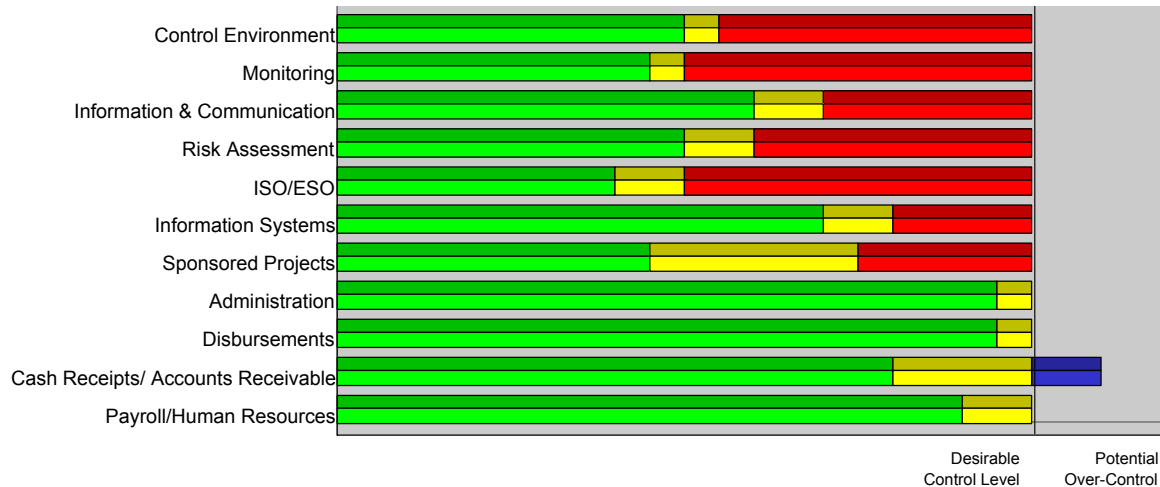
- Provided consulting services related to: HIPAA compliance, data security, the Enterprise Financial System implementation, the new credential system project, the student loan history enhancement project, and University payroll exception testing.
- Provided assistance to the Office of Technology Commercialization relating to improvements in financial reporting tools and processes.
- Assisted in the review of billing rates and charge transactions processed by an internal service organization.
- Provided consulting assistance to CUHCC related to their new billing system implementation.

Other Audit Activities

- Participated in the following:
 - Enterprise Sponsor Committee
 - HRMS PeopleSoft Steering Committee
 - Training Advisory Committee
 - Fairview Health Systems Audit Committee
 - University of Minnesota Foundation Audit Committee
 - Enterprise Financial System Executive Steering Committee
 - Research Compliance Committee
 - Executive Administrative Committee
 - Executive Compliance Oversight Committee
 - Institutional Conflict of Interest Committee
 - NCAA Self-Study Committee

Audit Reports Issued Since May 2007

Epidemiology and Community Health

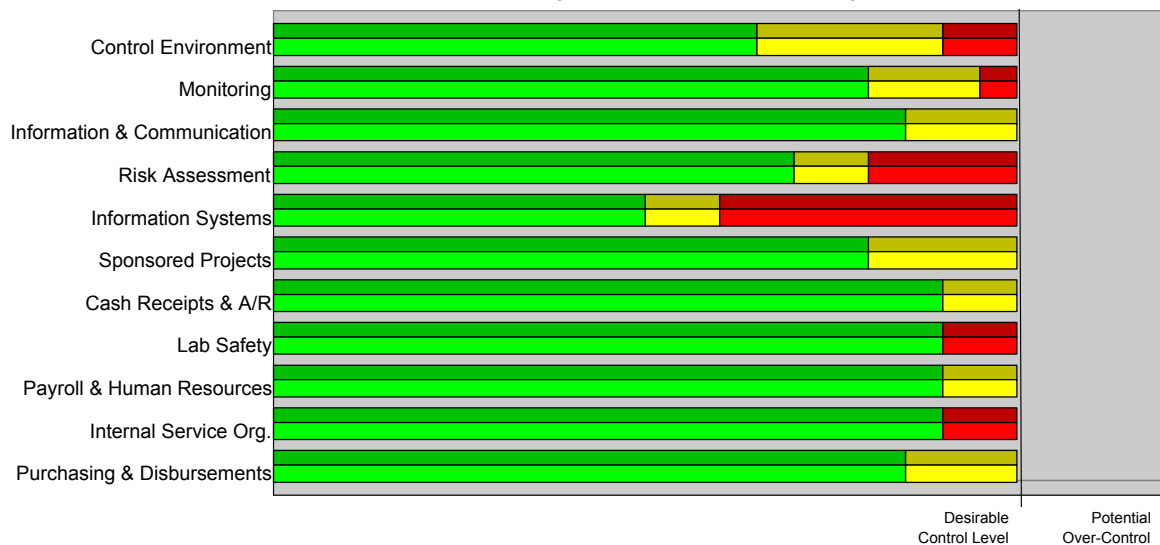


Report #	719	Issue Date	Jun-07
# of Essential Recs.	11	Total # of Recs.	30
Overall Assessment	Needs Improvement	Adequacy of MAP	Satisfactory

EpiCH demonstrates an interest in developing a control environment and a system of internal control that addresses its major business and compliance risks. However, our review identified a number of varied and significant exception conditions. Based on the exceptions identified we believe the controls in place within EpiCH have not operated consistently, nor been effective in identifying and correcting problems.

The process for the development of rates for the Computer Internal Service Organization was identified as a major issue. Because of the potential regulatory and financial impact of this problem, a team of experts from the Vice President for Research's Office of Oversight, Analysis and Reporting, Sponsored Projects Administration and Accounting Services was convened to reconstruct the computer access ISO rate to meet the federal allowability standard. This work is nearing conclusion.

School of Physics and Astronomy



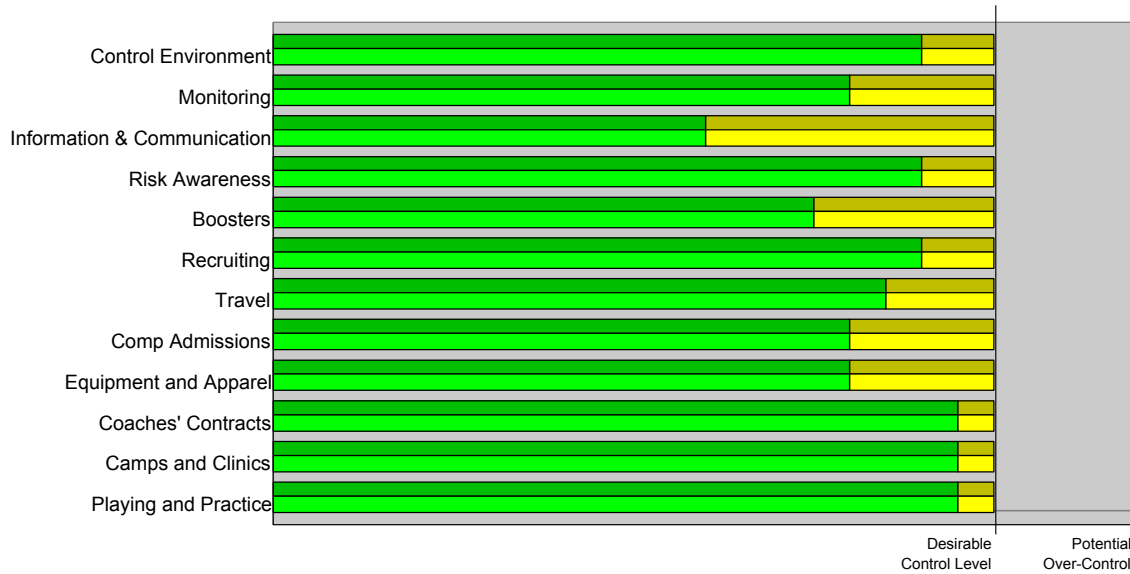
Report #	720	Issue Date	Jun-07
# of Essential Recs.	5	Total # of Recs.	13
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

From the results of the audit work performed, we believe Physics has developed a control environment and a system of internal control that addresses most major business and compliance risks.

There were several issues resulting in "essential" recommendations in the areas of:

- ISO rate development
- Physical and data security of information systems
- Disaster recovery planning
- Lab Safety

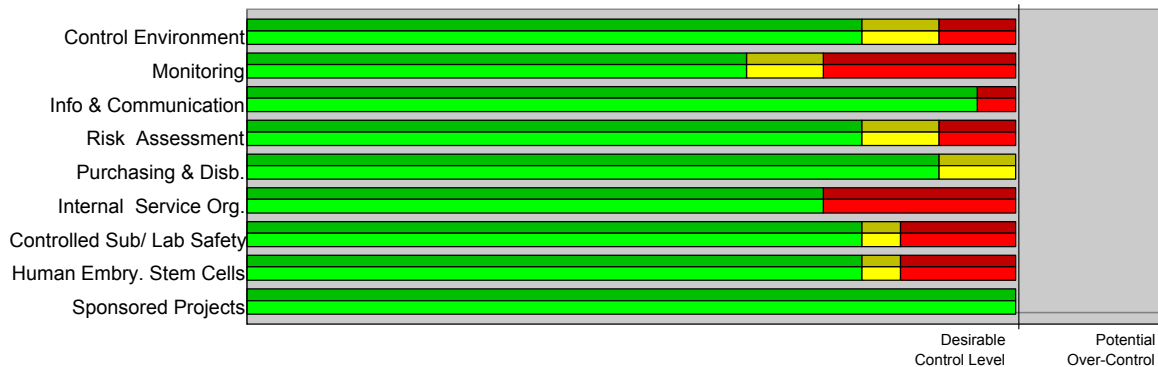
NCAA Compliance



Report #	721	Issue Date	Jun-07
# of Essential Recs.	0	Total # of Recs.	20
Overall Assessment	Good	Adequacy of MAP	Satisfactory

This audit fulfills the NCAA requirement that the University complete a review for NCAA compliance at least every four years. The Office of Athletic Compliance in recent years has increased its efforts to educate Athletic Department coaches, staff and student athletes in order to mitigate the University's risk of non-compliance with NCAA regulations. In addition to these educational efforts, there has also been an increased level of monitoring for NCAA compliance. These Compliance Office efforts, along with a keen interest by Intercollegiate Athletics in developing a culture of compliance, have been the main factors in the heightened level of NCAA compliance achieved by the University in recent years. This is evidenced by this audit, which includes no essential recommendations.

Stem Cell Institute

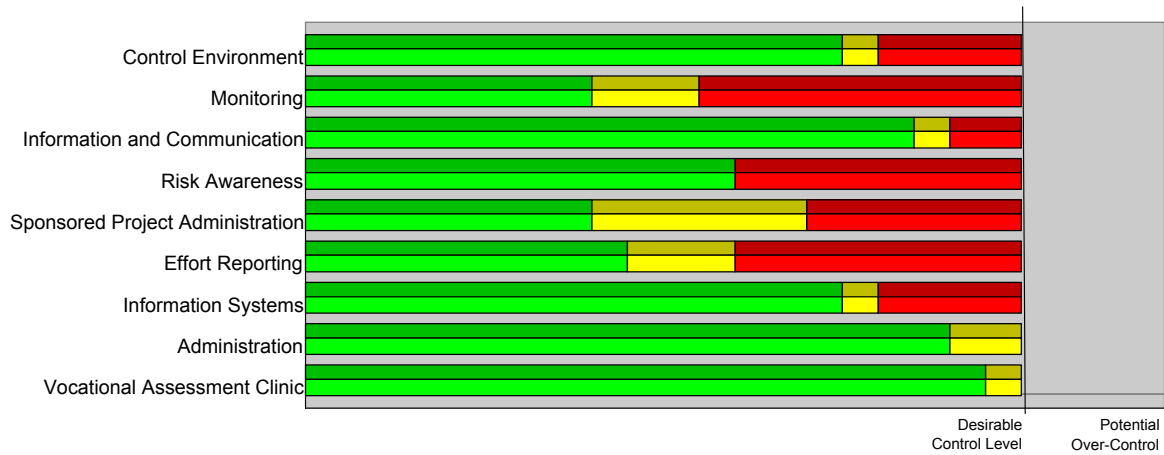


Report #	722	Issue Date	Jun-07
# of Essential Recs.	4	Total # of Recs.	7
Overall Assessment	Good	Adequacy of MAP	Satisfactory

From the results of the audit work performed, we believe the SCI has developed a control environment and a system of internal control that addresses many of its major business and compliance risks. Significant effort has been spent to develop policies and procedures related to research involving human embryonic stem cells (hESC) not eligible for federal funding, and except for a few remaining items that may occur in the future, we believe this area is properly controlled and administered. This area of research has been physically segregated from other stem cell research, and principal investigators involved with it have incorporated good controls to ensure only allowable funding sources are used to finance it.

Essential recommendations were made relating to clarification of financial matters pertaining to hESC research, documenting plans to address ISO deficit and expected future operating loss issues, addressing ISO rate development and billing issues, and improving inventory records and monitoring activities for controlled substances.

Department of Psychology



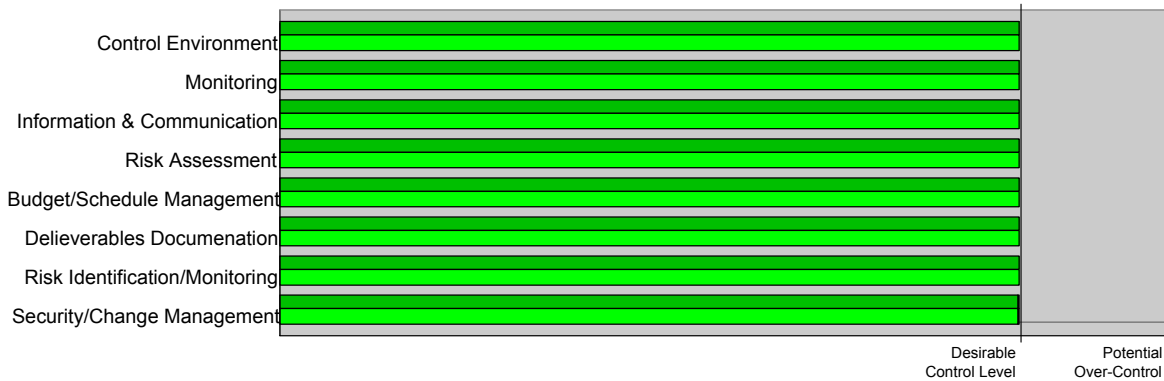
Report #	800	Issue Date	Jul-07
# of Essential Recs.	10	Total # of Recs.	24
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

We focused our detailed testing on the department's sponsored projects since it has one of the largest sponsored project portfolios in the College of Liberal Arts. The results of our preliminary review of the Department of Psychology's internal controls were generally positive,

We believe the Department of Psychology needs to make improvements in the area of sponsored projects. The issues identified can be attributed to the turnover of sponsored project coordinators in the last three years. Just prior to the audit a new coordinator with experience in sponsored projects was hired.

In addition, issues related to the configuration of workstations and servers and the need to develop and test disaster recovery plans were also identified in the review of information systems.

A Review of EFS Project Management



Report #	801	Issue Date	Aug-07
# of Essential Recs.	0	Total # of Recs.	0
Overall Assessment	Good	Adequacy of MAP	NA

This audit reviewed the various aspects of managing/executing the project. The EFS project is using a structured and strong development methodology. The first phase of the project was substantially completed on time. Budget and process issues which surfaced early in the project appear to have been addressed and have not adversely affected the overall project budget and schedule.

While it is too early to fully evaluate the security and program change processes that will be incorporated during roll-out of the new system, the strategies being drafted are focused on the right issues to ensure the system is properly secured and processes are in place so only authorized and tested program changes are moved into production.

Status reports produced by the project team appear accurate and the project team is communicating a consistent message as status reports are summarized and passed on to senior management and the Board of Regents.

General Clinical Research Center

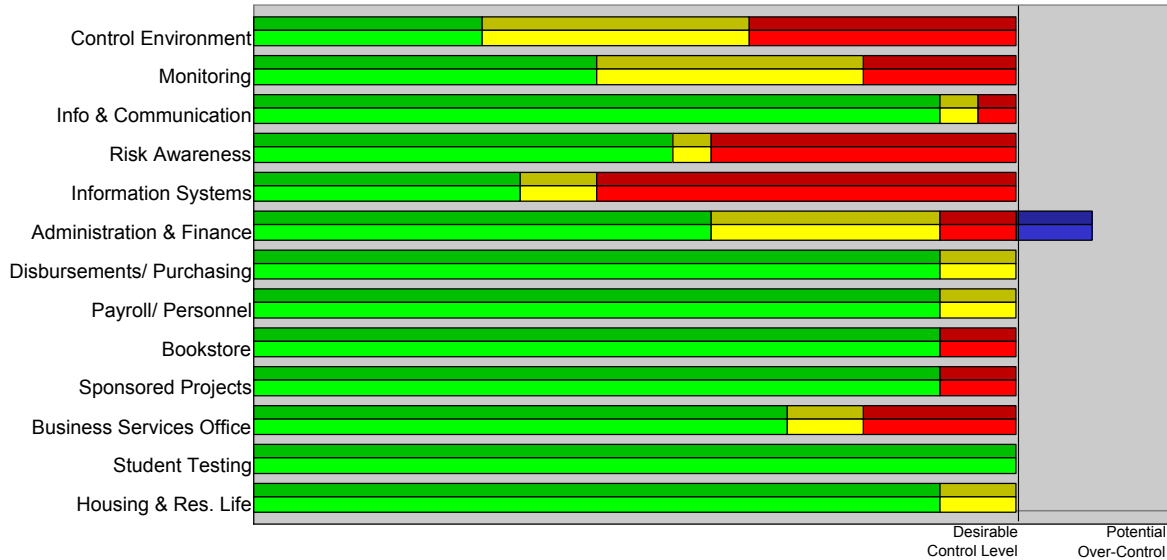


Report #	802	Issue Date	Aug-07
# of Essential Recs.	2	Total # of Recs.	6
Overall Assessment	Good	Adequacy of MAP	Satisfactory

This HIPAA compliance audit evaluated if effective computer security controls/processes were in place to ensure compliance with IT security components of HIPAA.

Servers and workstations managed by the GCRC IT staff were found to be of a consistent configuration and in compliance with OIT and AHC security standards. The primary exception to compliance with AHC security standards was that equipment used by the GCRC was not on the centrally provided and supported data network (i.e., the GCRC had established a private network which was not managed by OIT NTS).

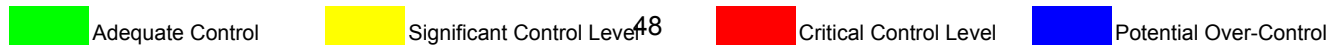
University of Minnesota- Morris Campus



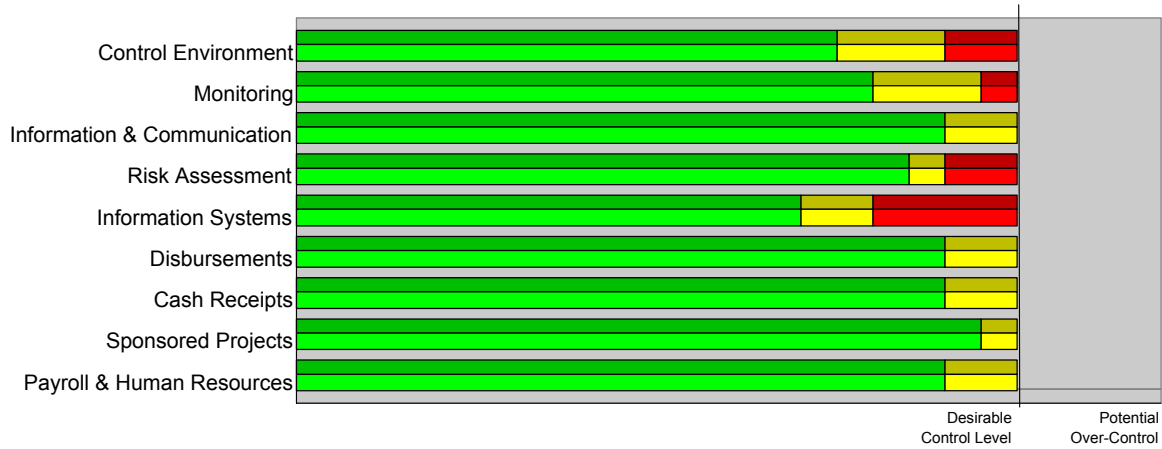
Report #	803	Issue Date	Aug-07
# of Essential Recs.	11	Total # of Recs.	21
Overall Assessment	Adequate	Adequacy of MAP	Good

We believe the University of Minnesota Morris (UMM) has developed a control environment and a system of internal control that addresses many of its major business and compliance risks. In addition, information technology risks were being actively reviewed by management prior to our arrival.

We made seven essential recommendations related to UMM information systems. These included ensuring compliance with OIT standards, management of UMM computers, addressing physical security weaknesses, improving change controls, reconfiguration of UMM network design, system administrator controls, and developing and testing a disaster recovery plan. We also developed essential recommendations addressing financial issues faced by UMM, weaknesses in the cashier and bursar functions, cashier & bursar physical security concerns, notification to a sponsor of a project delay, and improving oversight and monitoring of UMM auxiliaries, particularly the bookstore.



School of Mathematics



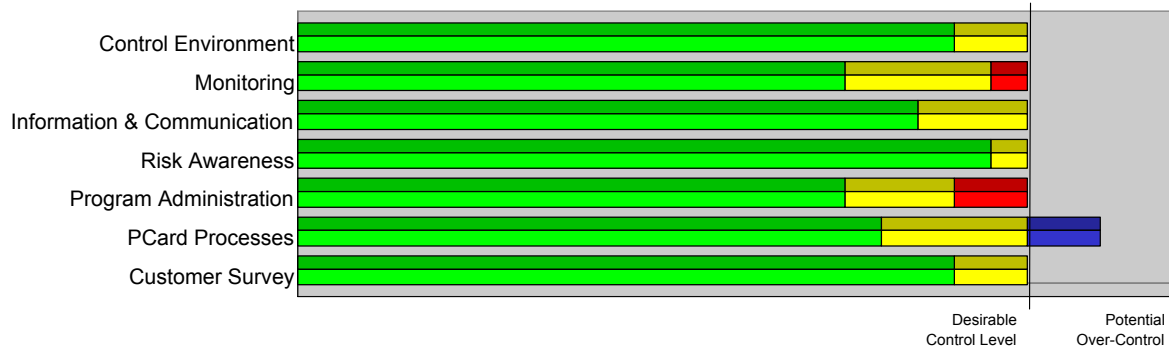
Report #	804	Issue Date	Aug-07
# of Essential Recs.	2	Total # of Recs.	6
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The School of Mathematics (Math) is a large academic department within the Institute of Technology. The audit included a review and assessment of current operating controls and procedures, and testing of financial transactions.

From the results of the audit work performed, we believe Math has developed a control environment and a system of internal control that addresses most major business and compliance risks.

Our information systems review noted the need to implement numerous physical security improvements for the data center housing the Math servers, and establishment of a formal disaster recovery plan.

Purchasing Card Program



Report #	805	Issue Date	Aug-07
# of Essential Recs.	1	Total # of Recs.	7
Overall Assessment	Good	Adequacy of MAP	Adequate

The University of Minnesota Purchasing Card (PCard) program is administered by the Disbursement Services unit within the Controller's Office.

We believe Disbursement Services has developed a control environment and a system of internal control that addresses most of the business and compliance risks associated with operation of the PCard program. The program is also administered in an efficient manner.

One essential recommendation was developed concerning the need to cancel PCards held by former employees in a more timely manner.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

September 6, 2007

Agenda Item: Consent Report

review review/action action discussion

Presenters: Associate Vice President Gail Klatt

Purpose:

policy background/context oversight strategic positioning

To approve engagements with external auditing firms.

Outline of Key Points/Policy Issues:

- To approve the engagement of PriceWaterhouseCoopers, LLP, by the University's Office for Technology Commercialization, to perform audit services on royalty calculations for sales occurring in the calendar years 2005 and 2006. The contract is for a value not to exceed \$99,000.

Background Information:

The President recommends approval of the Consent Report.



**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

Audit Committee

September 6, 2007

Agenda Item: Information Items

review review/action action discussion

Presenters: Associate Vice President Gail Klatt

Purpose:

policy background/context oversight strategic positioning

Outline of Key Points/Policy Issues:

Report on External Auditor Engagements

Various departments within the University entered into three different engagements with external auditing firms for professional services. None of the engagements was with LarsonAllen, LLP (the University's external auditor), and none of these engagements impaired the independence of any of the firms that were engaged.

Background Information:

By Board policy, engagements for professional services with external auditing firms that do not exceed \$25,000 and that do not impair the independence of the firms may be approved by the Controller. The engagements must then be reported to the Audit Committee at the next Audit Committee meeting.