

**Year 2002-03**

**UNIVERSITY OF MINNESOTA**

**BOARD OF REGENTS**

**Audit Committee**

**April 10, 2003**

A meeting of the Audit Committee of the Board of Regents was held on Thursday, April 10, 2003, at 3:30 p.m. in the East Committee Room, 600 McNamara Alumni Center.

Regents present: Dallas Bohnsack, presiding; Clyde Allen, John Frobenius, Richard McNamara, Lakeesha Ransom, and Patricia Simmons.

Staff present: Executive Vice President and Provost Christine Maziar; Executive Director Ann Cieslak; and Associate Vice Presidents Richard Pfutzenreuter, Gail Klatt and Michael Volna,

Student representative present: Jacob Elo.

**REVIEW OF RELATIONSHIP AND SERVICES PROVIDED BY**

**DELOITTE AND TOUCHE**

Associate Vice Presidents Pfutzenreuter and Volna presented an overview of relationship with, and services provided by, Deloitte & Touche, the University's independent external auditor and other public accounting firms during FY 2003 and FY 2002, including fees paid by the University. A copy of the report is included in the docket materials on file in the Board Office.

Volna summarized the scope of the unanticipated additional services performed by Deloitte & Touche and the fees paid over the contracted amount. Regents expressed concern that the fees were assessed retroactively, and questioned their reasonableness.

It was agreed that the committee would address their concerns with representatives from Deloitte & Touche when the company presents its audit plan and proposed fees to the committee in May.

### **RESOLUTION RELATED TO SARBANES-OXLEY ACT**

Associate Vice President Pfitzenreuter presented a resolution related to the Sarbanes-Oxley Act, which if adopted would prohibit the University from purchasing certain non-audit services from its independent auditors. The resolution also directs staff to draft for Board action amendments to various Board policies that incorporate the changes.

Pfitzenreuter noted that while the University is not subject to the provisions of the Sarbanes-Oxley Act, this resolution includes a number of best practices which are considered to be beneficial to the institution. The resolution will come before the committee for action at the May 2003 meeting.

### **ADMINISTRATIVE ACTIONS RELATED TO SARBANES-OXLEY ACT**

Associate Vice President Pfitzenreuter indicated that a number of administration actions, including the implementation of a financial code of conduct, financial statement certification, and internal control certification, are needed to adopt the best practices. Associate Vice President Volna described previous committee discussions regarding these best practices and related administrative responses. The information is described in the docket materials on file in the Board Office.

### **INSTITUTIONAL COMPLIANCE PROGRAM**

Executive Vice President and Provost Christine Maziar introduced Thomas Schumacher, Director of the Office of Institutional Compliance for the University. Maziar noted that, as the office was established in September, 2002, this is the first presentation of the program to the committee. The purpose of the Office of Institutional Compliance is to improve the culture of compliance with federal, state and local laws and regulations, and with related University policies.

Schumacher reported that the program was not set up to be operational; there has been no shift of the existing compliance responsibilities from where they are currently managed. Rather, the office provides an independent check on systems, and educates appropriate staff in best practices in compliance across different areas. To be successful the program must be proactive, integrated, comprehensive, and consultative.

It was agreed that the office will provide the committee with a summary of its work plan and will report to the committee semi-annually.

## **INSTITUTIONAL ASSESSMENT OF RESEARCH COMPLIANCE**

Assistant Vice President Wynann Schumi, Director, Office of Oversight Analysis and Reporting (OAR), and Lisa Carlson, Assistant Director, presented a report on Institutional Assessment of Research Compliance: Assuring Proper Fiscal Stewardship of our Research Funds. A copy of the presentation is on file in the Board Office.

The role of the OAR is to promote compliance awareness in sponsored project management within the institution by educating faculty and staff responsible for managing sponsored funds.

Schumi explained that improved oversight and enforcement functions exist and operate under the framework of the Institutional Oversight Model, which establishes lines of authority within the institution related to financial transactions on sponsored research accounts. The Institute Oversight Model evolved from an analysis of the roles and responsibilities of each unit that manages sponsored funds. She outlined the ten principles which define the foundations for the Institutional Oversight Model.

The OAR completed a formal review of the Certified Approver program last year and concluded that incidents of noncompliance have decreased due in part to the success of that program. The report also indicated that an increased awareness within departments and collegiate units of how to identify potential compliance risks, and periodic unit reviews with administrators will continue to increase efficiencies and reduce potential financial risks.

The meeting adjourned at 4:58 p.m.

**ANN D. CIESLAK**

**Executive Director and**

**Corporate Secretary**

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