Chair Branscum called the meeting to order at 8:04 a.m. First order of business was the review of the minutes of the October 27, 2009 meeting.

Chair Branscum then called upon Joseph Reed to present the internal audit status report. Mr. Reed discussed a proposed change to the Audit Subcommittee Charter to clarify that the Subcommittee has the responsibility to both review and approve the internal audit work plan. Similar proposed changes to the Internal Audit Charter were also communicated by Mr. Reed. Changes to both of the charters are in response to the Quality Assessment Review (QAR) discussed at the last meeting. The QAR recommended that the charters be reviewed and updated as necessary on a more frequent
basis. There was a brief discussion about the structure of the Finance Committee, the Audit Subcommittee and Internal Audit.

Mr. Reed then reviewed the adjusted Internal Audit 2010 Work Plan, pointing out that changes from the original approved plan were caused by a number of management audit requests and a shift in focus to more comprehensive reviews to include information systems. He also informed the subcommittee that Internal Audit is in the process of purchasing better software to assist with analysis. Mr. Stuckert asked if a department not asking for assistance raises any red flags. Per Mr. Reed, it does not as only a small number of areas request reviews and Internal Audit only has time to do a few of them.

As a quorum was not yet present, approval of the changes to the Work Plan by the subcommittee was delayed until later in the meeting.

Next on the agenda was a discussion with BKD, the University’s external audit firm, represented by Mary McKinley, partner. Ms. McKinley first reviewed the Pre-audit Report, which contained nothing unusual this year. Planning has begun for the audit and preliminary items such as testing of federal funds will begin in late April and early May. She pointed the Audit Subcommittee to her contact information on page 4 and told them to feel free to call her with any questions. Chair Branscum confirmed that the audited statements will be provided to the state by their October 1 deadline, which is prior to approval by the Board of Trustees on October 12, 2010. In response to a question by Ms. Ball, Ms. McKinley stated that there were no significant changes this year.

Ms. McKinley then reviewed the amended engagement letter to change Coldstream Laboratories, Inc. (CLI) from an audit to a compilation report and Agreed Upon Procedures. Mr. Butler verified for Chair Branscum that the CLI board and University management were in favor of this change.

There now being a quorum, Chair Branscum and Dr Brockman moved to approve the Pre-audit Report, amended engagement letter and the additional Agreed Upon Procedures engagement for CLI. The motion carried. They then moved to approve the Internal Audit Work Plan and that motion also carried.

The next meeting of the Audit Subcommittee will be October 12, 2010 at which time management will present the audited financial statements as of June 30, 2010 and BKD will discuss the conduct of the audit. Internal Audit will bring the revised Audit Subcommittee and Internal Audit Charters for approval.

Being no further business, the meeting adjourned at 8:30 a.m.

Respectfully submitted,

Christine Donahoe