

May 30, 2008

Members of the Board Audit Committee
Marquita Wiley, Chair
Keith Sanders
Steve Wigginton

Dear Members of the Audit Committee:

There will be a meeting of the Audit Committee on Wednesday, June 11, 2008, at 2:30 p.m. in the Large Dining Room of the Stone Center, Southern Illinois University, Carbondale, Illinois. The following items have been suggested for the agenda:

1. Approval of the Minutes of the Meeting held March 5, 2008 (enclosure).
2. Discussion of: (a) FY 08 Audits and Audit Plan; and, (b) FY 09 Audit Plan (enclosure).
3. Audit Charter update (enclosure).
4. Progress of ad hoc governance group on Internal Audit and Risk Management.
5. Review of Internal Audit staff qualifications and comparisons to peers (enclosure).
6. Progress on search for Executive Director of Audits.

Members of the Board Audit Committee
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7. Other business.

Sincerely,

Marquita Wiley, Chair
Audit Committee

MW:mdw

Enclosures

C:	Ed Hightower	Roger Tedrick	Samuel Goldman
	Megan Pulliam	Christine Williams	Vaughn Vandegrift
	John Simmons	Glenn Poshard	

BOARD OF TRUSTEES

SOUTHERN ILLINOIS UNIVERSITY

Minutes of the Audit Committee Meeting

March 5, 2008

The Audit Committee of the Southern Illinois University Board of Trustees met on March 5, 2008, at the Stone Center, Southern Illinois University, Carbondale, Illinois. Chair Wiley called the meeting to order at 4:00 p.m. Present were: Ms. Marquita Wiley (Chair) (via teleconference), Dr. Samuel Goldman, Dr. Keith Sanders (via teleconference), and Mr. Steve Wigginton (via teleconference for a portion of the meeting). Executive Officer present was: Senior Vice President for Financial and Administrative Affairs and Board Treasurer Dr. Duane Stucky. Also present were: General Counsel Mr. Jerry Blakemore, and Executive Secretary of the Board Ms. Misty Whittington.

Dr. Goldman moved that the minutes of the December 4, 2007, Ad Hoc Audit Committee meeting be approved. The motion was duly seconded by Mr. Wigginton. My unanimous vote, the Chair declared the motion to have passed.

Chair Wiley presented for review and comment the Proposed Audit Charter and each member provided comments. After a full discussion of the Proposed Audit Charter, the comments made by Deloitte and Touche LLP, and with the provisions provided by Trustee Sanders related to the continuing development of the Audit Committee's knowledge, Ms. Wiley recommended that the Charter be amended.

Dr. Sanders made the motion to recommend to the full Board for adoption the Charter as amended. The motion was duly seconded by Dr. Goldman. The Chair declared the motion to have passed.

Dr. Sanders made the motion to adjourn the meeting. The motion was duly seconded by Dr. Goldman. The Chair declared the motion to have passed.

There being no further business, the meeting adjourned at 4:45 p.m.

MW:mdw

**Internal Audit
FY2008 Audit Plan**

Reviews

Carbondale/Springfield

Internal Control Reviews*

Budgeting, Accounting and Reporting	C
Expenditure Control	C
Grant Administration	C
Property, Equipment and Inventories	C
Purchasing, Contracting and Leasing	C
Cash Control	C
Information Systems	C
Personnel and Payroll	C
Revenues and Receivables	C

Other

Continuing Education	X
Henry Strong Educational Loan Fund	C
NCAA Financial Review	C
Shryock Auditorium	CO

Edwardsville

Internal Control Reviews*

Budgeting, Accounting and Reporting	C
Expenditure Control	C
Grant Administration	C
Property, Equipment and Inventories	C
Purchasing, Contracting and Leasing	C
Cash Control	C
Information Systems	C
Personnel and Payroll	CO
Revenues and Receivables	CO

Other

Parking Services	X
School of Dental Medicine – Implant Clinic	X

C Is or will be completed by 6/30/08

CO In process at 6/30/08 should be completed 7/30/08

X Propose taking off current audit plan for future consideration

Internal Audit
Additional Work Completed FY08

Special Reviews, Prior Years Reviews in Process and Follow
up on Completed Reviews

Committees

Banner SIUC
Banner SIUE
Pcard SIU

Special Reviews

SOM Receipts
Surplus Property
Political Science
SIUE Check Fraud
U.S. Grant
ESL - Trio
University Communications - SIUC

Follow Ups

Lab Animals SOM
University Press SIUC
SIUE Marketing and Communications
NCAA Compliance - SIUC

Carryover

Food Service SIUE
University Housing SIUE

**Internal Audit
FY2009 Audit Plan**

TENTATIVE

Reviews

Carbondale/Springfield

Cash Control
Credit Card Security Compliance
Henry Strong Educational Loan Fund
NCAA Financial Review
Selected Tuition Waivers

Edwardsville

Cash Control
Credit Card Security Compliance
School of Nursing
Selected Tuition Waivers

Special Reviews, Prior Year Reviews in Process and Follow up on Completed Reviews

Audit Committee Charter

1. SIU Board of Trustees Vision and Commitment

The SIU Board of Trustees is committed to the highest standards of ethics and financial integrity at all levels of the University community starting with senior level University officials and extending to all ranks under the jurisdiction of the Board of Trustees.

2. Authority and Purpose

The Board of Trustees created the Audit Committee to assist it in discharging its oversight responsibilities. The Audit Committee will review the financial reporting process to ensure the reasonableness, transparency, and integrity of published financial information. The Audit Committee will also review: 1) the effectiveness of the institution's internal financial control and risk management system; 2) the effectiveness of the internal audit function; 3) the independent audit process; and 4) the institution's process for monitoring compliance with laws and regulations.

The Committee is responsible for maintaining free and open communication, as well as, effective working relationships among the Committee members, auditors, and management of the University. To perform her or his role effectively, each Committee member will need to develop and maintain her or his skills and knowledge, including an understanding of the Committee's responsibilities and of the organization's activities, operations, and risks.

3. Organization/Membership

- 3.1 **Appointment.** The Chair of the Board will appoint the chair and members of the Audit Committee. Members shall be appointed annually, with vacancies to be filled by appointment as they occur.
- 3.2 **Membership.** The Audit Committee shall consist of not less than three (3) members of the Board, and all members shall be and shall remain independent.
- 3.3 **Meeting with Auditors.** The Committee shall provide sufficient opportunity for the auditors to meet privately with the Committee, to the extent permitted by law.
- 3.4 **Meetings.** Meetings shall be held in accordance with the Illinois Open Meetings Act. The Chair of the Committee shall call meetings as appropriate, with the Executive Secretary handling the scheduling and appropriate notices.
- 3.5 **Staffing.** The Committee shall be staffed through the Office of the President.

4. Roles and Responsibilities

With regards to each topic listed below, the Audit Committee shall:

- 4.1 **Financial reporting and disclosures.** Assess the financial reporting process implemented by management and provide direction to management as appropriate. This includes receiving management's briefings on significant accounting and financial reporting issues, recent professional and regulatory pronouncements, and the ramifications of the use of alternative financial information treatments. This also includes the review of financial statements and related footnotes, key accounting policies, the reasonableness of significant judgments, and the results of audit reports and findings.
- 4.2 **Internal controls.** Monitor and evaluate management's communication and review of internal controls, including those established for financial information systems.
- 4.3 **Compliance with laws and regulations.** Oversee and review the effectiveness of the system for monitoring compliance with legal and regulatory requirements, quarterly compliance reports, and the findings of regulatory agencies examinations.
- 4.4 **Compliance and ethics.** Establish, monitor, and review conflict and ethics laws, policies and procedures, and the Board and Management's adherence to the laws and policies. This includes procedures for the receipt, retention, and treatment of complaints about accounting, internal accounting controls, or auditing matters.
- 4.5 **Risk Management.** Monitor and evaluate management's communication and review of significant risks or exposures to the institution and the overall effectiveness of the risk management.
- 4.6 **Independent External Audit.** Oversee that significant findings and recommendations made by the external auditors result in appropriate management responses and actions.
- 4.7 **Internal audit.** Review the effectiveness of the internal audit function. This includes reviewing audit plans and reports, overseeing that significant findings and audit recommendations result in appropriate management responses and actions, and concurring with the appointment, reassignment, promotion or dismissal of the Executive Director of Internal Audit.
- 4.8 **Special Audits.** Arrange, in exigent circumstances and with the written concurrence of at least two other board members, through the committee chair special audits directly with the Executive Director of Internal Audit or any other person qualified to conduct such an audit.

- 4.9 **Audit Charter Evaluation.** Review and assess the audit committee charter. This includes ensuring approval or re-approval by the Board as needed.
- 4.10 **Board Reporting.** Report to the Board immediately any significant matters, and periodically Committee activities, recommendations, and assessments.

Adoption of Charter

The Board of Trustees adopted this charter on _____, 2008.

**SIU INTERNAL AUDIT
STAFF QUALIFICATION SUMMARY**

Number of Professional Staff	7 (plus 2 vacancies)
Number of Professional Women	5
Bachelor Degrees	9
Accounting	5
Information Technology	1
Finance	2
Education	1
Master of Accountancy	2
Certifications	10
Certified Public Accountants	3
Certified Internal Auditors	4
Certified Fraud Examiners	2
Certified Production Inv Manager	1
Years of Service at SIU	63

Staff Experience

Supervisor of Internal Audit - General Dynamics
Senior Manager of Risk & Quality Management - Grant Thornton LLP
Senior Accountant - Meaden & Moore
Independent Management Consultant
Director of Compliance - Chrysler Technologies
Chairman of Compliance - Old National Bank
Auditor - Old National Bank
Auditor - IL Office of the Auditor General
Auditor - IL Office of Internal Audit
Auditor - Defense Contact Audit Agency
Audit Supervisor - McGladrey & Pullen, LLP

5/27/2008

COMPARISON TO PEER INSTITUTIONS

	Audit Staff Members (FTEs)	Planned Annual Audit Hours	Average Audit Hours per FTE	Budget Allocation for Salaries	Budget Allocation for Expenses Other than Salaries	Note
Chicago State	1.3	2,150	1,654	95.7%	4.3%	A
Eastern Illinois	1	1,000	1,000	93.7%	6.3%	B
Governors State	1	1,950	1,950	89.2%	10.8%	C
Illinois State	3	3,700	1,233	94.0%	6.0%	
Northeastern Illinois	1	1,150	1,150	not available	not available	
Northern Illinois	4.5	5,400	1,200	96.5%	3.5%	D
Southern Illinois	9 (2 vacant)	6,875	764	97.5%	2.5%	
University of Illinois	21	20,565	979	95.2%	4.8%	
Western Illinois	2	2,310	1,155	90.9%	9.1%	

Notes:

A

Chicago State contracts 600 audit hours annually to CPA firm. Since the number of planned audit hours includes contracted audit work, the FTE figure includes the FTE equivalent of the contracted workload. Also, the budget allocation for salaries includes \$25,000 for contractual services provided by CPA firm.

B

Currently, Rebecca Litton is serving as Interim Executive Director. EIU plans to hire a permanent Director in FY09, but the salaries budget includes salaries for both a director plus one staff member.

C According to Executive Director Dave Dixon, the FY08 audit plan is unusually aggressive. A more typical year is planned for 1600 to 1700 audit hours.

D Staff includes a director plus 3 full-time staff and 1 half-time staff member.

The above information was obtained from the Director of the Internal Audit department at each institution. Some data may be approximated.

05/27/08