Audit & Compliance Committee

December 2017

December 14, 2017

11:00 a.m. - 12:30 p.m.

West Committee Room, McNamara Alumni Center
AUD - DEC 2017

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AGENDA ITEM: Update on Twin Cities Undergraduate Admissions Audit Findings

☐ Review  ☐ Review + Action  ☐ Action  ☒ Discussion

☐ This is a report required by Board policy.

PRESENTERS: Karen Hanson, Executive Vice President and Provost
            Robert McMaster, Vice Provost and Dean of Undergraduate Education

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss findings from the audit of the Twin Cities Office of Admissions, issued by the Office of Internal Audit in October 2017. The audit report contained 15 recommendations rated as “essential” and 21 total recommendations.

The audit, which reviewed the processes and practices followed for the fall 2016 incoming class, specifically recommended:

- Improved documentation of admissions decisions that result from the holistic review of applications.
- Improvement in the accuracy of application data entered into PeopleSoft, the enterprise system.
- Improvement in technology controls to ensure the integrity of student data on which admissions decisions are based.
- Evaluation of the application fee process to determine its cost-effectiveness.

During the audit, the Office of Admissions was actively working on applications for the fall 2017 incoming class and as part of their continuous improvement efforts, made changes in the processes that are relevant to some of the audit findings. The discussion will include an overview of those changes and how they specifically address audit findings.

Internal Audit will follow up on the audit recommendations in January 2018 and will report the results to the committee at its February 2018 meeting.

BACKGROUND INFORMATION

The Office of Admissions plays a critical role in achieving campus enrollment goals. Its work directly affects progress toward the University's priorities of access and excellence in academics, in addition to multiple University Progress Card metrics.
Executive Summary: Office of Admissions

Our audit included an analysis of operational, financial, compliance and information technology procedures and controls in place at the time of our review. This analysis involved interviews with Admissions’ staff, completion of diagnostic review questionnaires, and tests of controls over various processes. Tests of financial activity focused on the twelve months ending December 31, 2016.

Overall Assessment = Needs Improvement

Based on the results of the audit work performed, we believe the documentation of admission decisions resulting from the holistic review of applications warrants improvement, as does the accuracy of application information entered into the enterprise system. Information technology controls also warrant improvement to better ensure the integrity of the data on which admission decisions are based. Finally, the application fee process warrants re-evaluation to affirm its cost-effectiveness.

Background

- Admissions consists of five sub-units with 82 staff members. The sub-units include freshman recruitment, communications, freshman applications for admission, transfer and international admissions, and technology and operations.
- It is evident that the Office of Admissions works very diligently to meet the enrollment targets for each college and for the University as a whole. They are also demonstrably committed to, and have been successful at, improving the overall academic profile of University students; which is one of the stated priorities of University leadership. In the past ten years, the typical ACT composite scores of enrolled freshman have increased, with the 25th percentile of scores rising from 23 to 26, and the 75th percentile of scores increasing from 28 to 31. The percentage of enrolled freshmen who reported graduating in the top 10% of their high school class increased from 38.7% to 47.7% in the last ten years.
- The previous Associate Vice Provost and Director of Admissions recently left the University, an interim Executive Director has been named. A national search for a permanent director will begin next year.

Risks Warranting Further Mitigation

Admissions’ control environment and processes should be carefully considered to ensure key risks during the process of admitting students are mitigated. The audit resulted in 13 issues with 21 recommendations for enhancing controls and addressing deficiencies. Included in this report are 15 recommendations rated as “essential” which address the following issues:
• Improving the review process of applications for admission and documentation of applicant characteristics to ensure consistency.
• Improving the integrity of the data used in making admission decisions by implementing automated data reconciliation processes to ensure data between all systems remain accurate and consistent. Improving system integration and/or implementing automated interfaces between all systems used in the Admission process.
• Enhancing documentation of admission recommendations.
• Implementing a process for documenting final admission decisions.
• Improving documentation on how final appeal decisions are made during the Admission Appeals Committee review.
• Reviewing the current application waiver process and consider whether the volume of waivers/refunds is cost effective.
• Ensuring only the least privileged level of access needed is granted to users and reevaluating all users’ assigned administrative or other powerful roles.
• Removing all access to edit data transfer files between being downloaded and uploaded to another system, and removing all non-administrator access to edit decisions directly in PeopleSoft CS.
• Improving user administration process for its critical IT systems.
• Periodically reviewing user access rights.
• Ensuring systems capture logging of all pertinent user access and activity.
• Developing logging and monitoring processes and procedures for all Admissions systems and other systems that Admissions directly supports.
• Improving password controls for Admissions IT systems and implementing two-factor authentication.
• Establishing a vendor management program to ensure all vendors hosting Admissions' systems have been adequately vetted prior to implementation.
• Developing formal change management processes for FileMaker Pro application decision database changes.

Office of Admissions Control Evaluation

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- Adequate Control
- Significant Control Issue(s)
- Essential Control Issue(s)
Office of Admissions

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General

The Office of Admissions is responsible for coordinating the Twin Cities campus's undergraduate student recruitment efforts and collaborating campus-wide with colleges, departments, and the Office of Undergraduate Education, to meet the University's enrollment goals. According to the Office of Admissions website, “Enrolling an academically qualified, diverse student body is essential to the University's mission.”

Admissions consists of five sub-units with 82 staff members. The sub-units include freshman recruitment, communications, freshman applications for admission, transfer and international admissions, and technology and operations. The respective admissions units are responsible for aspects of undergraduate admissions, including the identification of pools of students for recruiting and conducting outreach to K-12 communities. The strategies for recruiting and admitting students include close contact with high schools; maintaining knowledge of geo-demographics at the local, regional, and national levels; identifying national target areas, and providing a level of customer service to students and their parents. A summary of the Fall 2016 applicant pool and enrollment data is shown in the charts below.
The admissions process is highly dependent on the information systems that support the process. IT systems used by Admissions include: PeopleSoft Campus Solutions (PeopleSoft CS), which is the system of record for all applicant and decision information; Salesforce CRM, which manages and tracks lower risk recruitment and marketing information; the University-wide document management tool Perceptive Content; a transfer credit analysis and award system called DARwin, and two FileMaker Pro databases (new freshman and transfer) that are used to review and approve admission decisions. Admissions also uses two separate outside vendors for applicants to apply for admission. Royall & Co. provides an application platform as a software as a service (SaaS) platform that has served as the primary tool used for students to submit an application for admission, honors, and scholarships online. Royall & Co. also provides direct...
marketing services for Admissions. The other application platform is provided by CommonApp, of which the University is a member. CommonApp provides Admissions with applicant data collected from potential students who use the tool to apply to multiple universities around the country using a standardized form. Admissions is also in the process of working with its new vendor, Ruffalo Noel Levitz, to replace Royall & Co. to support the University’s institutional application.

Admissions Information Technology (IT) is supported through a partnership between the local Admissions IT unit and the Office of Information Technology (OIT). OIT provides service assistance for the recruitment customer relationship management (CRM) system and PeopleSoft CS as well as underlying server and database management and Active Directory used to manage file directories and workstations.

The previous Associate Vice Provost and Director of Admissions recently left the University, an interim Executive Director has been named. A national search for a permanent director will begin next year.

Audit Scope and Objectives

Our audit included an analysis of operational, financial, compliance and information technology procedures and controls in place at the time of our review. This analysis involved interviews with Admissions’ staff, completion of diagnostic review questionnaires, and tests of controls over various processes. Tests of financial activity focused on the twelve months ending December 31, 2016. The following specific tests and procedures were performed:

- **Administration** – Completed diagnostic questionnaires addressing the following components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Employee feedback was obtained through the use of an employee survey.

- **Admission Process** – Selected a sample of applicants to review the holistic approach, evaluated the decision making process, verified accuracy of documentation, and assessed efficiency of the admission process. Performed a review of the Share My App tool which is used to encourage students recruited by the Twin Cities to also consider one of the system campuses. Reviewed the appeals process and confirmed that procedures are being followed to ensure accurate and consistent treatment of applicants. Conducted a review of the process to admit transfer and returning students. Analyzed the distribution of scholarships to verify consistency and awarding criteria were met.

- **Enrollment Goals** – Reviewed the University and college enrollment plan and assessed the process of meeting goals.

- **Application Fees and Waivers** – Reviewed the process of collecting application fees and the process of providing application fee waivers. Conducted a review of the reconciliation process for application fees and confirmation fees.

- **Information Systems** – Performed a review of Admissions’ system interfaces and data management controls. Systems reviewed include: FileMaker Pro databases managing new freshmen and transfer applications for admission (collectively referred to as “FileMaker Pro” in the body of this report); Royall & Co.; and Salesforce. Key control areas assessed for these systems
were: access controls, logging and monitoring processes, change management processes and vendor management. As it had not yet been implemented, assessment of Ruffalo was limited to vendor management and selection.

Audit Work Observations

The following subsections were included in our review and no significant issues were identified. These are key functions within the Office of Admissions and are provided as additional information.

**Enrollment Targets for New High School (NHS) Students**

The Provost, Vice Provost, Associate Dean for Undergraduate Programs, Director of Admissions and each college Dean meet annually to discuss the enrollment goals, retention rates, their direction, etc. The Provost ultimately approves the enrollment targets.

We reviewed enrollment goals and determined Admissions has met the target enrollment for most colleges in the last three years except the College of Biological Sciences (CBS) in Fall 2014 (one short) and College of Food, Agricultural and Natural Resource Sciences (CFANS) in Fall 2016 (four short). The enrollment target was missed for CFANS due to a decrease in applications at both the University and nationally. Admissions has increased recruitment strategies for CFANS in attempts to boost applications for this college. Enrollment targets for new high school admits and actual admits are exhibited in the charts below.
Demographics
For both enrollment planning and recruitment planning, the Office of Undergraduate Education and the Office of Admissions monitor high school demographics to include shifts in region enrollments and graduation projections, in addition to changes within specific high schools. Fall 2016 enrollment marked the highest number of Minnesota student enrollment in 25 years. The University of Minnesota enrollment plan states, “By access, we emphasize the point that, as a land-grant university, the University is committed
to enrolling and graduating a broad, diverse spectrum of students, especially from Minnesota....As the diversity of the state of Minnesota increases, the University must continue to attract, retain, and graduate students from multicultural backgrounds. The University should be attentive to the diversity in Minnesota high schools in its admissions’ process.” High School demographics is monitored by Admissions during both the enrollment planning and recruitment planning phases. Admissions provided the chart below showing 2016 statistics of Minnesota students of color. (Auditor’s Note: We did not audit the underlying information on which this information was derived.)

### Percent of Students of Color Among MN HS Graduates, MN ACT Takers, and UMNTC MN Freshmen in 2016

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota HS Graduates</td>
<td>23.71%</td>
</tr>
<tr>
<td>Minnesota ACT Takers</td>
<td>20.84%</td>
</tr>
<tr>
<td>Top 50% HS Rank and Took ACT</td>
<td>17.92%</td>
</tr>
<tr>
<td>Top 25% HS Rank and Took ACT</td>
<td>15.08%</td>
</tr>
<tr>
<td>Top 50% HS Rank and Meets ACT Benchmarks</td>
<td>11.46%</td>
</tr>
<tr>
<td>Top 25% HS Rank and Meets ACT Benchmarks</td>
<td>10.84%</td>
</tr>
<tr>
<td>UMNTC Minnesota Freshmen</td>
<td>26.65%</td>
</tr>
</tbody>
</table>

Note: Students of color include African American, Latino/Hispanic, Asian, Hawaiian/Pacific Islander, and American Indian students.
Sources: Minnesota Department of Education Graduation Counts (sleds.mn.gov); ACT Enrollment Information Service Data; University of Minnesota-Twin Cities Office of Institutional Research (oit.umn.edu)

### Related Data Analytics

We used data analytics software to identify Minnesota resident applicants who had specific GPA and ACT scores. The chart below represents Minnesota applicants that were not admitted. The chart includes respective GPA and ACT scores. A total of 20 applicants from this population were selected for detailed testing. Each applicant was reviewed for academic performance, primary factors, secondary factors (see appendix A), and documentation of the final admission decision. Based on our testing of Minnesota applicants with relatively high ACT scores and high school GPAs, we did not find a Minnesota student with these attributes that was not admitted unless there was a valid reason.
**Holistic Review Process**

We reviewed all Big10 school websites to gather information on the differing admission processes. Eleven Big10 schools, including the University of Minnesota, use a holistic review process to review applications for admission. Three of these schools provide an admission decision earlier than the University of Minnesota, while seven schools have the same decision deadline as Minnesota. The University of Minnesota admission process admits students directly to a particular college of the University, while some Big10 schools choose to simply admit students to the university.

The University does not automatically admit any students based on test scores or high school rank as some other schools do. According to the Associate Vice Provost and Director of Admissions, the University of Minnesota has identified many benefits since transitioning from a formula driven admissions process to a holistic review process in the early 2000s. The Associate Vice Provost and Director of Admissions asserts the holistic review has resulted in student success as Admissions takes into account the educational and personal context of each individual student. In addition, the Director states increased student satisfaction with the colleges to which the students are admitted, and collegiate satisfaction with the enrolled class. See appendix B for a description of holistic review according to Admissions.

**Holistic Review Staffing**

The holistic review involves a three step review of all applications – first level review, committee review, and final review. For Fall 2016, 40,284 applications underwent this review. The number of staff performing each of these reviews is shown in the graphic below. Staffing levels have remained approximately the same, even though the number of applications has continued to increase over recent years.
Share My App

Students who complete their application for admission to the Twin Cities campus are invited to participate in the U of M Share My App Program. By participating in this program, students can also apply for admission at one or more additional campuses of the University of Minnesota system with no additional application and no additional application fee. The Twin Cities campus provides the development, marketing and technical support for this program. Admissions staff promotes the program through communication with students and high school counselors. We did note the program is not visible on the Admissions’ website. This was a conscious decision by the Twin Cities as they feel their primary goal is to recruit for the Twin Cities campus.

We reviewed the processes related to this program at all four system campuses. For the past three years yield rates do not exceed 6% for campuses except UMD. UMD yield rates were at 13-16%. The consensus from the system campuses is the program is a good idea, but yield rates are low, advertising is weak, and some campuses lose key application revenue when applicants use this option because the Twin Cities retains the application fee revenue.

In addition to the Share My App Program, the Twin Cities campus provides opportunities for the system campuses to have access to U of M TC applicants by sharing a list of students who did not complete their Twin Cities application, and a list of students not admitted to the U of MTC.

Below is a table to show the enrollment impact of the Share My App Program in Fall 2016. Share My App accounted for 10% of all system campus enrollment and the impact in Fall 2016 varied from 5.9% of enrolled freshman on one campus to 25.5% of enrolled freshman on another.

**Share My App System NHS Enrollment Impact - Fall 2016**

<table>
<thead>
<tr>
<th></th>
<th>Enrolled Share My App participants</th>
<th>NHS Fall Enrollment</th>
<th>Percent of Enrolled Who Participated in Share My App</th>
</tr>
</thead>
<tbody>
<tr>
<td>UMNCR</td>
<td>13</td>
<td>209</td>
<td>6.20%</td>
</tr>
<tr>
<td>UMNDL</td>
<td>214</td>
<td>2138</td>
<td>10.00%</td>
</tr>
<tr>
<td>UMMNMO</td>
<td>22</td>
<td>376</td>
<td>5.90%</td>
</tr>
<tr>
<td>UMNRO</td>
<td>37</td>
<td>145</td>
<td>25.50%</td>
</tr>
<tr>
<td>Total</td>
<td>286</td>
<td>2868</td>
<td>10.00%</td>
</tr>
</tbody>
</table>
Yield Rates
Approximately one-fourth of admitted applicants choose to enroll at the University. This is shown as the “offer yield rate” in the chart below. 90% of confirmed freshman students enroll each fall. Confirmation yield rate is the percentage of confirmed students (students that submitted a deposit) that enrolled at the University (enrollment count is taken on the semester’s 10th day of class). This is shown as the “confirm yield rate” in the chart below.

Transfer Students
Our review of transfer students was limited as Admissions only makes transfer decisions for the College of Liberal Arts (CLA). The remaining transfer applicants are considered for admission based on an individual application review completed by the college to which the applicant applied. Transfer applications are reviewed for college experience, pre-requisites for the college, and grade trends as a freshman. If a transfer student has less than 26 transfer credits, a high school transcript along with the ACT or SAT scores are required. Each college makes their own transfer admission decisions with the exception of CLA.

The colleges along with the Provost, Vice Provost, Collegiate Associate Dean of Undergrad Programs and the Director of Admissions set the transfer enrollment targets. For Fall 2016, all but one college was within 11 transfer students of the enrollment target. CLA’s enrollment target was 1,250 transfer students; however, the actual enrollment was 1,385, an inflation of 135 transfer students. This results in 35% of new enrolling students in CLA being transfer students. The Office of Admissions had regular communication with CLA Student Services to ensure appropriate staffing for the additional students, number of advisors, and logistics such as class space and orientation space. Other colleges that had a higher percentage of transfer students includes the College of Food, Agricultural and Natural Resource Sciences (CFANS) and the College of Design (CDES). The Fall 2016 enrolled class of new freshman and transfer students combined for CFANS was 32% transfer students and 29% transfer students for CDES.
Since the transfer process is decentralized, there is a risk of inconsistent decisions being made by each college and documentation of those decisions. The Office of Admissions provides consultation for colleges that have questions regarding holistic review of transfer students; however, this does not ensure all decisions are made consistently. The Office of Admissions, with the help of the Vice Provost’s Office, is currently reviewing the decentralized transfer process with a goal of making the process more coordinated by Spring 2018.

**College of Liberal Arts Retention**

Freshman applicants not admitted to their first or alternate choice colleges are reviewed by Admissions staff to see if the student could be successful in another college. If Admissions determines the student could be successful in CLA, the committee will suggest adding CLA as an alternative to their other college choices. CLA has raised concerns regarding retention and graduation rates for students that are admitted to CLA as an alternate choice decision made by Admissions. Admissions uses the alternate choice strategy as a way to retain strong Minnesota applicants.

We reviewed the retention and graduation rates for the most current entering classes of CLA freshman from 2010-2015. The chart below provides a composite view of all students admitted to CLA for whom CLA was an alternate choice (inclusive of both students who indicated CLA as their alternate choice college and those for whom Admissions added CLA as an alternate choice). As noted in the chart below, first year retention for CLA alternate choice is high at 90-91%. The retention rate for CLA alternate choice drops in the second year and drops again slightly after the third year. Four year graduation rates for CLA alternate choice are between 49-51%.
Employee Survey
Results of the employee survey indicate that employees share a positive view of management and support staff. Employees gave positive responses for most survey questions, exceptionally high marks were recorded (+97%) in management’s emphasis on integrity, ethical behavior, and concerns with customer feedback; observations of operational or financial misconduct are rare. The only survey question requiring attention is related to familiarity with how to report violations of law or policy, including the University's confidential reporting line. Overall, 52% of Admissions employees did not feel familiar with how to report violations through the confidential reporting line.

Conclusion

It is evident that the Office of Admissions works very diligently to meet the enrollment targets for each college and for the University as a whole. They are also demonstrably committed to, and have been successful at, improving the overall academic profile of University students; which is one of the stated priorities of University leadership. In the past ten years, the typical ACT composite scores of enrolled freshman have increased, with the 25th percentile of scores rising from 23 to 26, and the 75th percentile of scores increasing from 28 to 31. The percentage of enrolled freshmen who reported graduating in the top 10% of their high school class increased from 38.7% to 47.7% in the last ten years.

Based on the results of the audit work performed, we believe the documentation of admission decisions resulting from the holistic review of applications warrants improvement, as does the accuracy of application information entered into the enterprise system. Information technology controls also warrant improvement to better ensure the integrity of the data on which admission decisions are based. Finally, the application fee process warrants re-evaluation to affirm its cost-effectiveness.

Admissions’ control environment and processes should be carefully considered to ensure key risks during the process of admitting students are mitigated. The audit resulted in 13 issues with 21 recommendations for enhancing controls and addressing deficiencies. Included in this report are 15 recommendations rated as “essential” which address the following issues:

- Improving the review process of applications for admission and documentation of applicant characteristics to ensure consistency. (Recommendation 1)
- Improving the integrity of the data used in making admission decisions by implementing automated data reconciliation processes to ensure data between all systems remain accurate and consistent. Improving system integration and/or implementing automated interfaces between all systems used in the Admission process. (Recommendation 2)
- Enhancing documentation of admission recommendations. (Recommendation 3a)
- Implementing a process for documenting final admission decisions. (Recommendation 3b)
- Improving documentation on how final appeal decisions are made during the Admission Appeals Committee review. (Recommendation 3c)
- Reviewing the current application waiver process and considering whether the volume of waivers/refunds is cost effective. (Recommendation 4a)
- Ensuring only the least privileged level of access needed is granted to users and reevaluating all users’ assigned administrative or other powerful roles. (Recommendation 8a)
• Removing all access to edit data transfer files between being downloaded and uploaded to another system, and removing all non-administrator access to edit decisions directly in PeopleSoft CS. (Recommendation 8b)
• Improving user administration process for its critical IT systems. (Recommendation 9a)
• Periodically reviewing user access rights. (Recommendation 9b)
• Ensuring systems capture logging of all pertinent user access and activity. (Recommendation 10a)
• Developing logging and monitoring processes and procedures for all Admissions systems and other systems that Admissions directly supports. (Recommendation 10b)
• Improving password controls for Admissions IT systems and implementing two-factor authentication. (Recommendation 11)
• Establishing a vendor management program to ensure all vendors hosting Admissions’ systems have been adequately vetted prior to implementation. (Recommendation 12a)
• Developing formal change management processes for FileMaker Pro application decision database changes. (Recommendation 13a)

The following chart illustrates the various areas reviewed during the audit, and our assessment of the adequacy and effectiveness of the related controls.

### Office of Admissions Control Evaluation

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<td>Adequate Control</td>
<td>Significant Control Issue(s)</td>
<td>Essential Control Issue(s)</td>
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The Office of Admissions has developed a management action plan that addresses the issues in the report, and timelines for implementation of the recommendations are reasonable.

Sincerely,

Gail L. Klatt, CIA
Associate Vice President and Chief Auditor
October 3, 2017
Admission Process

1. The documentation of applicant characteristics and the documentation of the review is variable.

The Office of Admissions uses a holistic review process to review applications for admission. According to the Admissions’ website, each application is reviewed in its entirety. Applications go through three different levels of review, starting with first level readers, a committee review and a final review. A training manual is provided for first level readers to follow. Each review takes into consideration the applicant’s academics and performance as well as primary and secondary factors (see appendix A). Holistic review is not based on a single factor, but rather an overall assessment of whether the applicant would be successful at the University of Minnesota (see appendix B for further description of holistic review).

We judgmentally selected fifty-eight Fall 2016 applicants for detailed testing based on the following criteria:

- Admitted applicants – 10 were selected
- Not Admitted applicants – 10 were selected
- Admitted applicants with low test score, GPA, and/or class rank – 10 were selected
- Not Admitted applicants with high test score, GPA, and/or class rank – 10 were selected
- PSEO (Post-Secondary Enrollment Options) applicants – 5 were selected
- Not Admitted strong Minnesota applicants – 13 were selected

Based on our testing, the following were noted:

- Two of 10 admitted applicants with low test score, GPA, and/or class rank were seemingly admitted in error. Each admit decision was out of variance for typical admitted students. One student did not meet the minimum high school course requirements for admission. All students had lower than normal grades throughout high school, did not meet general admission
considerations (i.e. ACT score, GPA, high school rank, and/or curriculum) and the rationale for the admission decision was not documented.

- 76 manual entry errors were made by first level readers. These errors include: GPAs entered incorrectly, secondary factors selected incorrectly, curriculum codes missing or selected incorrectly, and high school rank entered incorrectly. Due to these manual entry errors, this caused system integrity issues between PeopleSoft CS, FileMaker Pro and Perceptive Content. See Issue #2 which addresses data integrity issues.

- Four secondary factor codes were identified as being open to interpretation as Admissions expects reviewers to use their best judgement for these codes. We found several instances where these codes were interpreted differently among reviewers, which could lead to inconsistency of how each applicant is reviewed.

- Applications for admission and transcripts are not reviewed consistently by the 28 seasonal first level readers. Some first level readers include highlighting or detailed notes to document why certain secondary factors were selected; however, this is not consistent for all applications and transcripts.

- Primary and secondary factors are to be checked in FileMaker Pro but, we noted during testing that these boxes are not being consistently checked by the reviewers.

Staffing levels may be contributing to inconsistency of evaluations and manual data entry errors. Staffing levels in the holistic review process have remained relatively the same despite the increased volume of applications for admission.

According to the College Board, admission decision making should be valid and fair. A valid and fair admissions process should ensure that admissions criteria and evaluation guidelines are applied uniformly and that all applicants to a particular program are considered on an equal footing.

Recommendation

1. The Office of Admissions should improve the review process of applications for admission and documentation of applicant characteristics to ensure consistency. This may include additional training and/or job aids for first level readers above and beyond the training manual that is provided. In addition, Admissions should implement a process to ensure all applicant information in all systems is accurate and consistent as described in Issue #2.

Rating: Essential

2. Data integrity is compromised due to the weak practices of managing admission data.

The integrity of the data used in the admissions process is impaired due to the lack of integration and data migration controls between the information systems that store this data. Multiple systems are involved in the admission process: online admission platforms Royall & Company and CommonApp; PeopleSoft CS which stores initial applicant data and where final student admission decisions are tracked; FileMaker Pro which is used for making admission decisions; and several bridging systems,
which are used for adjusting and transferring data. The lack of integration between these systems requires multiple data transfers and increases the risk of data integrity issues. The transfers are done primarily via manual data entry or the creation of editable files that are manually exported and uploaded as comprehensive automated data interfaces do not exist. While some exception reports and quality assurance processes exist, there are no comprehensive data reconciliations to ensure consistency and accuracy of all data transfers. In at least some cases the lack of automated interfaces or comprehensive data reconciliations resulted in inaccurate data existing either in the FileMaker Pro and/or PeopleSoft CS, which may have contributed to inappropriate admission decisions as further described in Issue #1.

It is imperative to have accurate and consistent data in all locations when critical data is stored in multiple systems. If inaccurate information is stored in one or all sources, this could lead to issues with data integrity and could contribute to future inaccurate admission decisions. The risk caused by the absence of integration or formal data reconciliation is further exacerbated by issues with access management and logging and monitoring as further described in Issues #8, #9, and #10 below.

**Recommendation**

2. Admissions should improve system integration and/or implement automated interfaces between all systems used in the Admission process to ensure data integrity. In addition, automated data reconciliation processes should be implemented to ensure data between all systems remain accurate and consistent. If automated interfaces and reconciliations cannot be established, other data migration controls should be established including: formal manual data reconciliations and improved PeopleSoft CS reporting tools.

**Rating: Essential**

3. **Admission decision documentation does not consistently include rationale.**

First level readers review the application documentation stored in Perceptive Content. A review sheet is completed by first level readers in FileMaker Pro and then passed onto the committee review. During our testing of fifty-eight Fall 2016 applicants, we noted that 67% of the first level reader review sheets did not clearly document the rationale of the recommendation. The review sheet does include a notes section; however, this is not consistently used among first level readers.

The committee review consists of four staff members who review each student’s application and materials to make an admission decision recommendation. For Fall 2016, documentation of the committee review and discussion was not maintained. Admissions improved the holistic review process for Fall 2017 by including an additional review sheet to document the committee review.

After the committee level review, a final review of all applications is completed by one of four authorized approvers. Once final approval is given by one of the four, the admission decision is exported to PeopleSoft CS by individuals who have export access. Export access includes the four authorized approvers and seven others. Final review decisions are not documented by the four authorized approvers and only by the individual who performs the export. This makes it difficult to ensure only final approval decisions made by an authorized approver are uploaded to PeopleSoft CS.
According to the Admissions process, the final review and approval of each application for admission should only be completed by one of four authorized approvers. However, 3,720 final decisions for Fall 2016 applicants were approved by an unauthorized staff member, as the staff member has export access but is not one of the authorized four approvers for admissions.

**Appeals**

Documentation is also lacking for appeal decisions made by the Admission Appeal Committee. An applicant can appeal a "deny" or "waitlist" decision based on new information that was not initially included in the application for admission. A complete appeal must be submitted in writing by the applicant and include the applicant's most recent official transcript or grade report. The complete appeal documentation is reviewed by the Admission Appeals Committee, which consists of at least three or up to eight reviewers per appeal. The committee is made up of one person from each of the seven freshman admitting colleges, one person from the internal admission unit and the chair of the appeals committee.

Since 2014, a total of 79 "deny" appeals have been requested. This averages to about 26 "deny" appeals a year. Of these 79 appeals, five of the "deny" decisions (6%) were reversed to an "admit" decision by the Admission Appeals Committee. An Admissions Appeals Committee Summary Sheet documents the applicants' initial admission decision, test score, and the committee recommendation with signatures, but does not include the rationale for the final admission decision. The summary sheet does include a notes section; however, this is not consistently used for each appeal made.

It cannot be assured that Admissions is consistent in all decisions made as the current method of tracking decision outcomes is not complete and clear. Admissions does not require the first level readers nor the committee to document why a particular decision was made. It is prudent for Admissions to have supporting documentation for all admission decisions. This not only would help ensure consistent decisions are made, but would also leave an audit trail if questions arise regarding a particular decision.

**Recommendations**

3a. The Office of Admissions should enhance documentation of admission recommendations for the first and second level review. This may include requiring the "notes" section of the review sheet be consistently completed for both reviews. Job aids that illustrate the types of information that should be included on the review sheet may be helpful to achieve consistent documentation.

**Rating: Essential**

3b. Admissions should implement a new process for documenting final admission decisions. Admissions should consider adding a "final review and approval" check box to the committee review sheet that can only be checked by the four authorized final approvers, with initials and date included.

**Rating: Essential**
3c. The Office of Admissions should improve documentation on how final appeal decisions are made during the Admission Appeals Committee review. This could include adding additional notes to the summary sheet indicating why the “deny” decision was retained or reversed.

**Rating: Essential**

4. **Application fee waiver process reduces potential revenue.**

Applicants can receive an application fee waiver if they have a financial hardship or if they qualify for one of the following attributes:

- MEP (Mentorship Excellence Program)
- College Possible Program (helping low income students become college graduates)
- Active Military currently deployed overseas students
- Students who attend application workshops and submit an application for admission
- No Fee Golden Gopher and all national domestic applicants (those outside of MN, WI, ND and SD). This is done for the purpose of encouraging national students to apply to expand national recruitment efforts.
- Students who attend the Experience Minnesota Open House event

We understand the financial hardship application waiver process enhances University access for low-income students and we feel these are appropriate. 16% of applicants received a waiver due to financial hardship. For these financial hardship waivers applicants must request the waiver in writing. Qualification for other waivers is based on checked information boxes on the application or a designation coded in the Admissions system (attendance at a particular event). Written waiver requests must be approved by a recruitment manager before Admissions processing staff can enter the waiver into PeopleSoft CS. However, there is no system stop in PeopleSoft CS to ensure manager approval is obtained. All Admissions processing staff have access to enter a waiver without receiving approval.

Admissions considers the waiving of application fees as a recruitment strategy. However, the only waiver that is advertised on the Admissions website is the financial hardship waiver. A letter is sent to recruited national high school students that are interested in the University explaining the Golden Gopher Application (which does not require an application fee) is available for the student when applying at the University. This letter helps explain one of the ways to qualify for a waiver, but there are still many other waivers provided as a recruitment tactic that are not being advertised.

Even with the stated requirement that applicants request a fee waiver in writing, Admissions expends resources to run queries to identify applicants who qualify for a waiver but paid the application fee. This list of applicants is provided to Royall & Co. and refunds are issued to the applicants.

For Fall 2016 completed applications, 50% of applicants received an application fee waiver. Of the 50% that received a waiver, 52% were admitted and 46% were denied admission (the remaining 2% were given waitlist decisions). 30% of all enrolled students received an application fee waiver. Excluding financial hardship waivers, this results in approximately $918,720 lost revenue that could have been generated for the general operations and maintenance cost pool.
Given University leadership's interest in enhancing revenue and eliminating/reducing administration costs and burden and these statistics, further evaluation is warranted to re-assess if the amount of foregone revenue to achieve these results is cost effective.

**Reconciliation of Application Fee Revenue**
The application fee payment is collected by the application vendor, Royall & Co. and imported into PeopleSoft CS. Monthly Summary Fee Reports are obtained from Royall & Co. These reports include application fee refunds and chargebacks. The current reconciliation of application fees relies solely on information being accurately reported by Royall & Co. There is no verification that the number of applications stored in PeopleSoft CS reconciles to the amount of application fee revenue being deposited. During August 2014, an internal review of the application fee reconciliation process was completed and a decision was made to not reconcile all application fees because of perceived limited risk. Consequently we can provide no assurance that the University is receiving all revenue due it from Royall &Co.

**Recommendations**

4a. The Office of Admissions should review the current application waiver process and consider whether the variety and volume of waivers offered and refunded is cost effective.

*Rating: Essential*

4b. The current requirement that the recruitment manager must approve financial hardship waivers should be re-evaluated for possible over-control. If this control is determined to be meritorious then steps should be implemented to preclude the entering of waivers without this approval.

*Rating: Significant*

5. **GPA scales are not normalized which leads to inconsistent review.**

GPA scales are determined by each high school. Most commonly, Admissions receives applicant transcripts with GPA scales of 4, 5, 10, and 12. Some high school also provide a weighted GPA and a non-weighted GPA.

It is the role of the first level reader to manually enter the applicant’s GPA onto the review sheet in FileMaker Pro. According to the “Reader Review Training Manual” which is used as a guideline for first level readers when reviewing applications for admission, GPAs should be converted to a 4 point scale. First level readers are also instructed to manually enter the weighted GPA on the review sheet to acknowledge the strongest GPA for the applicant.

During our detailed testing (discussed in Issue #1), we found examples of GPAs that were not converted to a 4 point scale and one example of a non-weighted GPA that was entered on the review sheet and uploaded into PeopleSoft CS, even though a weighted GPA was provided on the applicant’s transcript. In addition, a primary factor for awarding scholarships includes reviewing GPAs. If GPAs are not normalized this makes it difficult to consistently assess the GPA during scholarship awarding processes.
Furthermore, as part of the holistic process, the waitlisted pool of applicants is continually reviewed for the strongest applicants. This is performed by narrowing the waitlist pool by grades, GPA, class rank, etc. In our detailed testing, we identified six instances where first level readers did not enter the accurate GPA into FileMaker Pro. If a waitlisted applicant has an incorrect GPA listed, this applicant may not be reviewed as often as other strong waitlisted applicants.

**Recommendation**

5. The Office of Admissions should implement quality assurance mechanisms that ensure GPAs are appropriately normalized, including weighted GPAs, before the GPA is entered into FileMaker Pro.

**Rating: Significant**

6. **High school counselor feedback is not summarized and documented.**

High school counselors play a key role in helping high school students navigate the college application for admission process and explore college opportunities. Staying connected with high school counselors is an important recruitment tool in helping the University of Minnesota ensure they are getting quality students to apply. On an annual basis, Admissions will host high school counselor update meetings across Minnesota; in the reciprocity states, in selected national states, and in conjunction with professional organization at national meetings. Admissions also conducts high school advisory committee meetings three times a year where selected high school counselors are invited to attend. Additionally, high school counselors will reach out the University with concerns via email, phone and a hotline phone number which is posted on the Admissions website. While it is valuable that the high school counselors have methods to reach the Admissions Office, there is no central repository of high school counselor feedback. Without a summary of the issues presented to Admissions from high school counselors it is difficult to trend the issues so Admissions could become aware of commonalities that need addressing. In addition, there is no formal process to verify the high school counselor’s comments were addressed.

Maintaining a good relationship with the high school counselors ensures the University of Minnesota of being a college they hold in high regards and refer quality students to. Customer feedback is essential to confirming operations are effective in meeting customer needs.

**Recommendation**

6. Admissions should centralize high school counselor feedback to ensure trends are addressed as needed. In addition, Admissions should develop procedures to verify follow-up to the high school counselor is completed.

**Rating: Significant**

7. **PeopleSoft CS and Perceptive Content admissions records are stored indefinitely.**

The three systems that store application for admission records include PeopleSoft CS, Perceptive Content, and FileMaker Pro. PeopleSoft CS stores admission application data that includes student
demographic information. FileMaker Pro stores similar admission application information in a data subset that allows for review of admission decisions. Perceptive Content stores the visual representation of the data including the application, transcripts, letters of recommendation, application fee receipts and application fee waiver documentation.

Admissions currently maintains all application supporting documentation in PeopleSoft CS and Perceptive Content dating back to the 1990s. Transfer application data in FileMaker Pro is moved to the archive database each term and freshman application data is moved to the archive database each year.

According to the University’s Records Retention Schedule, electronic records must be maintained and accessible according to the retention schedule and destroyed when the retention period for the information has been met. The retention schedule explains that admission applications for enrolled undergraduate students should be maintained for five years after graduation and applications for students that were not admitted should be maintained for one year after the application for admission was denied.

**Recommendation**

7. The Office of Admissions should follow the University Records Retention Schedule and implement a purge process for records that are obsolete, superseded, or when administrative value is lost.

**Rating: Significant**

**Information Systems**

8. **User access to Admissions IT systems is not limited to business need.**

Access to some of the Admissions IT systems is not limited to access required to perform job duties. We observed numerous instances where users were assigned excessive or inappropriate rights to key FileMaker Pro and Salesforce system pages as well as excessive access rights to PeopleSoft CS and transfer files noted in Issue #2. As noted in Issue #3 within FileMaker Pro, we found seven of eleven staff who review freshman admission applications and all staff who review transfer applications had excessive access to approve and submit admit decisions. While Salesforce data is lower risk, similarly five student workers were assigned broad administrator access when they only required a subset of this access to perform their duties. Some of the assigned excessive access was attributed to unclear communication from business process owners regarding what access users needed to perform their job duties. This includes many users with access to change data in transfer files, or directly in PeopleSoft CS, who could change key factors (i.e. edit access to ACT scores) or admission decisions during or after upload to PeopleSoft CS (as described in Issue #2).

The University Account Management standard states: “accounts must be managed to ensure that access is limited to authorized users with valid need for access to specific resources.” Excessive user access could ultimately lead to unauthorized changes to admission application data, or the disclosure of sensitive information. These risks are increased by the inadequate monitoring of logs as outlined in
Issue #10. The absence of comprehensive periodic reviews of all Admissions IT systems access also likely contributed to the persistence of this excessive access (see Issue #9 for further detail).

The risk of excessive access is lower for Salesforce due to the lower sensitivity of recruit marketing data and informal access reviews performed for this system. In addition, prior to the audit Admissions IT staff self-identified this issue and had initiated steps to address this risk for the Salesforce system.

**Recommendations**

8a. The Admissions IT team should ensure only the least privileged level of access needed is granted to users. This may necessitate the creation of additional roles to provide more specific access. The Admissions IT team should also reevaluate all users’ assigned administrative or other powerful roles. All inappropriate access should be removed. This access removal should be done in conjunction with the recommendation of Issue #9a. The Admissions IT team should also review access to powerful roles at least annually; this review could be conducted in conjunction with periodic access reviews recommended in response to Issue #9b.

**Rating: Essential**

8b. To ensure final admission decision and associated data is not inappropriately edited in transit or once it is uploaded into PeopleSoft CS, all access should be removed: to edit data transfer files, and for non-administrators to edit admission data directly in PeopleSoft CS. If this is not technically feasible, Admissions should adopt a “least privilege access” approach for who may edit these files and PeopleSoft CS data and implement strong logging and monitoring to identify any edits made. These actions should be done in conjunction with remediation recommended in response to Issues #2 and #10.

**Rating: Essential**

9. **Admissions does not have formal user administration processes in place for all critical systems.**

Issues were identified with the management of user access for Admissions’ critical systems. These issues include informal user provisioning and termination, and inadequate periodic review processes to ensure ongoing need for access. FileMaker Pro user administration processes do not include documented approvals for provisioning user access nor record of account terminations. In addition, user administration processes for Royall & Co. are informal as documentation of user requests and approvals are not always maintained. Salesforce user administration processes are stronger as they include a formal user provisioning; however, this process needs improvement as some instances were identified where the wrong access was assigned. In addition, Salesforce administrators do not consistently document account terminations. Informal termination processes resulted in at least some users in all reviewed systems not being removed in a timely manner.

Furthermore, there are no regular formal periodic access reviews for both the FileMaker Pro and Royall & Co. systems. Formal review of users’ assigned roles or access assigned to these roles by business process owners is not completed for Admissions IT systems. This is partly due to FileMaker Pro’s and
Royall’s inability to produce user lists and reports on user access with an associated role. Salesforce administrators also do not consistently document the current informal periodic reviews of access assigned to system roles to ensure ongoing appropriateness. However, a periodic review of users who have no login activity is completed for Salesforce.

Inadequate user administration processes could result in unauthorized user access and disclosure of sensitive information. Management of user access is also critical for ensuring the integrity and availability of systems and data. In addition, per the University Information Security Policy, access to IT systems should include documented processes to confirm access is authorized based on current role and responsibilities, revoked immediately upon termination, and regularly reviewed to ensure access based on current role and responsibilities. The risks related to these issues is reduced for Salesforce due to it only storing lower risk recruit data. The risk is also partially mitigated for terminated users on the critical FileMaker Pro databases as there is infrequent staff turnover and as a user who is terminated from the OIT managed Active Directory would not be able to access FileMaker Pro.

**Recommendations**

9a. Admissions IT should improve the user administration processes for its critical IT systems. Requests and approvals for access rights to be added, modified or removed should be consistently documented and retained. In addition, approvals should be made by applicable business owners who are familiar with the roles and permissions and who are responsible for the integrity and confidentiality of the systems’ data.

**Rating: Essential**

9b. Periodic reviews should be performed on all Admissions IT systems to ensure ongoing appropriateness of access. These reviews should be performed at least annually and include reviews of users, their assigned roles, and the access assigned to these roles.

**Rating: Essential**

10. *Admissions IT systems’ logging and monitoring processes are inadequate and do not comply with University policy requirements.*

Admissions has not established sufficient logging mechanisms, log plans or procedures for capturing user access and critical activity in its systems. No formal log monitoring is performed for FileMaker Pro or the Royall & Co. system. FileMaker Pro has no access logs and highly limited activity logs, while the Royall & Co. system has no access or activity logs. For FileMaker Pro, the insufficient logs is partially attributed to system limitations. In addition, FileMaker Pro and Royall & Co. systems do not have secure off-site log storage or consistent log retention processes in place. Salesforce has some access and activity logs, which are maintained in a secure location. However, Admissions performs no monitoring of access or activity.

A lack of effective logging and monitoring processes could lead to undetected breaches of data confidentiality, integrity and/or availability. Data confidentiality and integrity risks are increased due to the sensitive nature of at least some of these systems; especially the FileMaker Pro data which is
critical to the admission decision process. Additionally, the University's Log Management Standard states that “system logs must be configured, securely stored and reviewed to help detect unauthorized activities... or unauthorized access.” Under this Standard, system logs for high-security level systems must be retained for immediate availability for 90 days and 30 days for medium-security level systems and kept in off-line storage for a period of one year.

Recommendations

10a. Admissions should work with the vendors of its critical systems to ensure that systems capture all pertinent user access and activity as required by University policy. If logging for any Admissions systems cannot be brought into compliance with University standards, Admissions should consult with University Information Security (UIS) to develop compensating controls and obtain a formal exception.

Rating: Essential

10b. Admissions should develop logging and monitoring processes and procedures in accordance with the University's Log Management Standard for all Admissions’ critical systems. These processes and procedures should include: configuring and securing logs; retaining all logs in compliance with University retention requirements; developing a log analysis strategy; active monitoring of logs for anomalies; remediating medium/high risk anomalies; and documenting actions taken to remediate high risk anomalies.

Rating: Essential

11. Admissions’ systems do not use two-factor authentication and do not require strong passwords.

Two-factor authentication is not in use for any Admissions’ system including the sensitive FileMaker Pro and Royall & Co. systems as required by University policy. Two-factor authentication uses two or more factors of authentication (e.g., something you know and something you have) to verify the identity of the user requesting access to resources. Per the UIS Policy, all systems in the medium- or high-security levels should be using two-factor authentication for administrators or all users, respectively.

Salesforce users may use central authentication and FileMaker Pro users are required to authenticate via OIT managed Active Directory, both of which enforce strong password requirements. However, Salesforce alternative access path, and the Royall & Co. system both use independent authentication mechanisms that have inadequate password requirements. In the case of Royall & Co., passwords were only required to be six characters long despite the application storing applicant data classified as highly-private restricted by University policy.

Strong authentication controls are critical for preventing unauthorized access to systems. Weak passwords could lead to a breach of confidential data, and/or issues with data integrity and availability. The risk for Royall & Co. is partly reduced as users only have read-only rights to the system’s sensitive data. The risk is also partly reduced for Salesforce due to its lower risk data.
Recommendation

11. Two-factor authentication should be implemented for all Admissions’ managed systems, including the FileMaker Pro, Royall & Co., and Salesforce systems, in accordance with University policy. If system limitations preclude adherence to University authentication requirements, Admissions should ensure strong password requirements are in place, and work with UIS to identify additional compensating controls and obtain a formal exception to this policy requirement.

Rating: Essential

12. **Vendor management controls are not adequate to ensure risks are mitigated.**

Admissions IT does not have formal vendor management practices in place and is not performing sufficient due diligence on software as a service vendors hosting Admissions’ systems and data. Admissions never reviewed controls around the availability, integrity and security of online application for admission data in the legacy Royall & Co. system, and similarly did not review these controls prior to contracting for the new online system with Ruffalo Noel Levitz.

Effective vendor management practices include conducting adequate due diligence and conducting comprehensive assessments of the vendor control environment at the time of system implementation and periodically thereafter. This due diligence is often done in part through obtaining and reviewing third-party attestations, which opine on the adequacy of the vendor security and control processes (e.g., a “SOC 2”). An Attestation of PCI Compliance was obtained for both the Ruffalo and the legacy Royall & Co. systems in connection with PCI compliance efforts. This attestation provides assurances on the confidentiality of credit card information stored in the Ruffalo system; however, it does not provide sufficient information on vendor control processes related to the integrity and availability of the systems and data, which is critical to Admissions’ operations. No comprehensive third-party attestation or other control documentation had been requested for any Admissions’ utilized systems prior to this audit. This includes the Ruffalo and Royall & Co. systems, which contain highly sensitive applicant data including social security numbers, and the OIT managed Salesforce system.

Insufficient vendor management also increases risks with processes that involve University staff including backup/recovery processes. Admissions’ staff were in at least some cases unaware of vendor backup/recovery control processes, and related University control responsibilities.

The University Vendor/Supplier Management Standard requires vendor hosted systems to be reviewed to ensure they meet all University Information Security Policy requirements prior to contracting with the vendor and periodically thereafter. In addition, this standard requires the review of independent certifications/attestations of vendor’s control processes for high-security level systems. Without periodically obtaining and reviewing third-party attestations, Admissions cannot be assured its systems are secure and adequately maintained, or that they are fully aware of their control responsibilities. This could result in compromise to the integrity, confidentiality and/or availability of these systems.
Recommendations

12a. Admissions should establish a vendor management program to ensure all vendors hosting Admissions’ systems have been adequately vetted prior to implementation and periodically thereafter. This includes periodically requesting and reviewing third-party attestations from these vendors to ensure the systems are adequately controlled and the attestations cover all critical system and control processes. Additionally, Admissions should ensure any control processes that are its responsibility (as noted in the third-party attestation or otherwise) are being performed. If attestations cannot be obtained, Admissions should implement compensating controls and consult with UIS to obtain an exception for its high-security level systems if the risk of doing business with the provider is deemed acceptable. If obtaining a third-party attestation is not feasible for any low- or medium-security level systems, unaudited statements of the vendor’s controls should be obtained and reviewed to confirm Admissions’ systems are well-managed and data is protected.

Rating: Essential

12b. Admissions should work with its vendors hosting Admissions’ systems to ensure recoverability of data, and continuity of critical operations in the event of system failures. If Admissions is responsible for these control processes, they should develop documented backup recovery, business continuity, and disaster recovery procedures for its vendor-hosted online student systems.

Rating: Significant

13. File Maker Pro change management processes are informal and do not ensure all changes are formally tested and approved prior to implementation.

Admissions IT has established some change management processes and controls for FileMaker Pro, such as maintaining separate test and production environments within the application for admission decision databases, and holding regular change management meetings to discuss testing and implementation of changes. However, Admissions’ change management processes for FileMaker are largely informal and does not ensure only authorized and tested changes are moved into production.

FileMaker Pro change management processes do not include a documented approval of changes by Admissions prior to migration of changes into production, though there is some informal evidence of testing and approvals. Finally tested changes are conducted directly into production as a testing instance currently does not exist.

Unauthorized or inadequately tested system changes could result in confidentiality, data integrity, and system availability issues. In addition, the University Change Control Standard specifies the need for formal change processes for high risk systems, and specifies requirements for these processes.

Recommendations

13a. Admissions should develop a formal change management process for FileMaker Pro application decision database changes that include formal impact assessments, documented approvals for
migration of changes, and use of a ticketing tool or other tracking mechanism to ensure only authorized and tested changes are moved into production. Finally, Admissions should create testing instances of the database which mirrors the production data and ensure all testing activities are conducted within this environment.

**Rating: Essential**

13b. Testing processes for all FileMaker Pro application decision database changes should be enhanced. Admissions should formally document and retain testing strategies, plans, and results. In addition, testing procedures should include testing performed by end users where appropriate prior to IT migrating the changes into production.

**Rating: Significant**
Audit Recommendation Rating System

This audit incorporates a rating system developed to enable the reader to determine the relative importance of the recommendations made. The rating for each recommendation is shown directly after the recommendation. Recommendations are rated as follows:

**Rating: Essential**

*Resolution would help avoid a potentially critical negative impact involving loss of material assets, reputation, critical financial information, or ability to comply with the most important laws, policies or procedures.*

**Rating: Significant**

*Resolution would help avoid a potentially significant negative impact on the unit’s assets, financial information, or ability to comply with important laws, policies or procedures.*

**Rating: Useful**

*Resolution would help improve controls and avoid problems in the unit’s operations. These issues are often handled verbally with the unit audited.*

The Office of Internal Audit will perform follow-up three times per year on all “essential” recommendations to determine the progress made on implementation. The current status of these items is reported to the Audit & Compliance Committee of the Board of Regents.
Primary Factors

Because academic preparation is key to student success in college, the strongest consideration in the decision is given to student’s academic preparation, or primary review factors.

- Coursework through high school graduation. (Admitted students typically exceed the University's high school requirements. See course requirements)
- Grades in academic coursework
- Class rank/Grade Point Average
- ACT or SAT scores

Secondary Factors

Individual circumstances listed below are also considered as part of the overall assessment of each application. Enrolling a diverse student body—with students bringing differing experiences, talents, and perspectives to their scholarly community—is essential to achieving the development outcomes of a University of Minnesota education. Our university community is strengthened by our students representing different races, economic backgrounds, geographic origins, genders, religions, ethnicities, sexualities, talents, and beliefs.

Our holistic review takes into consideration the individual circumstances that make each individual student unique. We consider the following secondary factors in our decision review.

- Outstanding talent, achievement, or aptitude in a particular area
- An exceptionally rigorous academic curriculum (enrollment in honors, AP, IB, or college-level courses)
- Strong commitment to community service and leadership
- Military service
- Contribution to the cultural, gender, age, economic, racial, or geographic diversity of the student body
- Evidence of having overcome social, economic, or physical barriers to educational achievement
- First-generation college student
- Significant responsibility in a family, community, job, or activity
- Family employment or attendance at the University of Minnesota
- Personal or extenuating circumstances
- Information received in open-ended questions

<http://admissions.tc.umn.edu/admissioninfo/fresh_overview.html>
Holistic Review Process as described by Admissions

At the University of Minnesota Twin Cities, undergraduate admission decisions are made using a holistic review process. In our review process, decisions are not based on formulaic or automatic criteria. As outlined in our holistic review description, in addition to quantitative information, professional judgement and qualitative analysis are necessary contextual decisions and make admission decisions in the best interest of the University and its applicants. It is critically important that there be an understanding that holistic review is not just a process of reading all components of an application and subsequently coding or checking boxes. Instead, holistic review is the process of triangulating and synthesizing all information in the student’s application materials, in light of each student’s school and personal context, to make an appropriate decision about fit at this point in the student’s academic career. The information that is captured in our coding (on the read sheet) which creates an ‘executive summary’ of sorts for each student’s application. The read sheet is a high-level guide of coded elements in the application and allows for the reviewer to establish a macro sense of the applicant before reading the entirety of the application materials to make a decision. The read sheet and its coding should not be interpreted as the only information considered in the application review process – the coding and the read sheet are guides. The read sheet cannot capture the totality of the application – nor should it. Students provide a fair amount of content in their statements; there are other materials like letters of recommendation and activities (including jobs) to consider.

In addition, Admissions reviews courses taken, individual course grades, and grade trends in our decision process; numeric figures such as GPA, high school rank, or test score metrics alone do not provide a complete picture of a student’s academic information. We do not make automatic admission decisions based solely on quantitative metrics as a holistic review of a student’s application supports our enrollment management core focus of student success. The human element of interpreting the applicant information with the student’s personal and educational context is critical to making good decisions about student potential for fit and success at the University; also importantly, this ensures that information is considered within each student’s school and personal context. Particularly because the University admits directly to colleges—we must consider the characteristics that support fit for success for students in a particular college.

The admission process is where our commitment to student success begins. Our readers review each student’s application within the context of the student’s school, and read the application materials to determine whether or not the student is a competitive applicant and a strong fit for success at, and therefore admission to, the University. Holistic review considers both quantifiable and qualitative information—and our readers are trained to understand how to review the application information within the student’s and the school’s context. This process is what supports our ability to focus on preparation fit with our colleges—a key element to supporting student success at the U of M. All staff are trained to regard an admission offer as key to our retention and graduation efforts, and that overall definition of success pervades our policy, practices, and office culture.
Committee Level Review is our second level of review. Admissions professionals within the Office of Admissions are divided into committees of four individuals led by an assistant or associate director. These committee members review applications individually, and bring application files to weekly committee meetings to discuss challenging cases and to norm their decisions. The committees do not review every application as a group, rather only individual cases that require discussion or norming. These meetings are an opportunity for the committee lead to provide norming and guidance to the committee members to better inform their decision making process. They meet in committee to address difficult cases, participate in additional training and norming and conduct quality assurance (QA). The QA level of review is necessary given the differential preparation characteristics by college and program, the differential context of different schools, and our obligation to applicants that our review efforts include not only a holistic admission review, but a QA review that ensures individual student application materials were considered holistically and within the context of the student’s school and personal circumstances.

Below is a depiction of the admission review process as provided by Admissions.
October 2, 2017

To:     Gail Klatt, Associate Vice President and Auditor

From:  Bob McMaster, Vice Provost and Dean of Undergraduate Education
       Heidi Meyer, Executive Director, Office of Admissions

Re:     Office of Admissions Management Action Plan

We have carefully reviewed the report of the Office of Internal Audit and welcome its constructive recommendations on the admissions and enrollment processes that serve our students and institution. We have identified steps we will take to strengthen the efficiency, controls, and accountability of these complex processes, as recommended in the Management Action Plan. At the same time, we have identified some areas where we believe the recommended actions are grounded on a misunderstanding of our processes in particular and the circumstances and nature of enrollment management for all universities of our size and quality. We appreciate this opportunity to provide a response to each of the audit recommendations, including additional information and contextual background, building on information already provided to the audit team throughout the audit process.

As the audit report recognizes, the new student admission and enrollment management process for a large institution like the University of Minnesota Twin Cities—a world-class research university and a public land-grant institution—is highly complex. The Office of Admissions aims to advance the University's access mission and to support its research mission by identifying and admitting students poised to benefit from and contribute to both the University community and the state. To do this, Admissions works within the context of the University's enrollment goals, individual collegiate enrollment goals, and the high school circumstances of our applicants. The University's undergraduate enrollment plan (see addendum) outlines a number of goals that are ambitious, especially given changing state demographics, the state’s reciprocity agreements with surrounding states (with related admission implications), and the University's young and under-resourced non-resident, non-reciprocity recruitment program. In these challenging circumstances, the Office of Admissions has consistently met University goals and has managed a holistic review process that is responsive to the needs of the University, individual colleges and schools, and students.

The University's coordinated, comprehensive, and student-centered process is consistent with best practices for fairness and consistency in recruitment and admissions. According to the College Board 2003 report cited by the auditors, "A fair admissions process should provide all applicants an opportunity to present relevant information about themselves, should not permit personal prejudice or favoritism to influence decisions, should insure that admissions criteria and evaluation guidelines are applied uniformly and that all applicants to a particular program are considered on an equal footing (Admissions Decision-Making Models, p. 53)." In keeping with this standard, the Office of Admissions ensures fairness...
and consistency in its student recruitment, admission, and enrollment efforts by making sure that its strategies and processes respect and recognize the educational and personal context of each prospective student.

This contextual approach has also ensured the consistent achievement of the extensive list of multiple University and collegiate goals, goals that are sometimes in some tension with one another. This is particularly remarkable, given three special circumstances: (1) direct-college admission in an environment where the colleges have differing enrollment objectives and goals; (2) the presence of an access program that comprises ten percent of the class; and (3) the obligation of meeting reciprocity agreements for three states.

Amid these complexities, and despite the fact that budget constraints have not permitted an increase in staff over the last decade, the University's Office of Admissions has led the University in:

- Maintaining access for transfer students,
- Expanding access to Minnesota residents over the past five years (despite limited growth in the population of Minnesota college-going students, and declining enrollments at Minnesota community colleges),
- Enhancing enrollment of students of color and American Indian students,
- Growing non-reciprocity/non-resident enrollment,
- Maintaining steady international student enrollment,
- Achieving growth in the freshman class size and college-specific class size, and
- Steadily and continuously improving retention and graduation rates.

**Note on Office of Admission strategy, procedure, process, and protocol decisions:**
Prior to implementing any practice or approach that could impact University enrollment outcomes, student outcomes, or student experience, the Office of Admissions initiates and implements an extensive consultative review process. All decisions that impact budget, staffing, recruitment or enrollment strategy, or review process or documentation, are vetted by the Vice Provost and Dean of Undergraduate Education as well as by the collegiate deans or associate deans. When appropriate, the Provost and the Budget Office are also consulted, and appropriate approvals or directions from these offices are obtained prior to the implementation of significant decisions. In addition to this protocol, any decision that impacts the student or parent experience is not only vetted by these groups but also reviewed by members of our High School Advisory Committees. Finally, the Office of Admissions also consults with the Office of the General Counsel on a regular basis, and in an annual review, to ensure that decisions, procedures, and strategies are legal and appropriate. University support and approval is critical to our efforts, our processes, and, most important, our outcomes.
Issues and Recommendations

Admission Process

1. The documentation of applicant characteristics and the documentation of the review is variable.

Recommendation

1. The Office of Admissions should improve the review process of applications for admission and documentation of applicant characteristics to ensure consistency. This may include additional training and/or job aids for first level readers above and beyond the training manual that is provided. In addition, Admissions should implement a process to ensure all applicant information in all systems is accurate and consistent as described in Issue #2.

Rating: Essential

Audit Plan/Response:

We believe it is important to clarify that decisions are not, and were not found to be, inconsistent. In connection with process testing by the auditors of fall 2016 applicants where there were apparent inconsistencies in documentation, we provided written information about the rationales for the decisions and documentation supporting the decisions.

It is important that sufficient weight be given to the distinction between the review and the documentation of the review. The review is the synthesis of information and professional judgment applied to meet the goals of the University and to ensure that students are treated fairly and equitably. Our documentation procedures are ones that are helpful to our readers, but our staff members also bring to the review itself (and the final decision) knowledge of national trends (in higher education, secondary education, and among students and parents). This helps to ensure that our practices evolve appropriately, professionally, and ethically to meet the needs of the University and our students.

This may include additional training and/or job aids for first level readers above and beyond the training manual that is provided.

- Here the report seems not to take into account that there is already ongoing training and development well beyond the provision of the training manual. Training related to the review and documentation processes is a core component of weekly meetings in the Office of Admissions. This information was shared with Audit, and our ongoing training and norming sessions do conform to professional best practices. As part of the audit follow-up, we will provide to Audit the weekly meeting and norming session agendas, as documentation of the fact that our training and job aids already go far beyond the training manual.

In addition, Admissions should implement a process to ensure all applicant information in all systems is accurate and consistent as described in Issue #2.
We will implement a process improvement to enhance documentation procedures, as recommended by the auditors. Specifically, we will require that additional fields be completed that currently are not required. In addition, we will automate transfer of some data elements so that the potential for manual transcription errors is limited.

**Audit Plan/Response—Additional background:**

Each year, we evaluate and try to improve our processes. To build the fall 2017 class, Admissions had implemented an additional review “rating” to help enhance our staff review assessment, our training, and the confirmation and quality assurance of decisions. Readers were expected to review each student's overall primary factors and determine a primary factor rating and then each student's overall secondary factors and determine a secondary factor rating.

These ratings were instituted to enhance staff norming, consistency, and the documentation of assessment during the review and decision-making process, and thus to support our decision quality assurance. The analysis of the rating data is noted below:

Summary of Fall 2017 NHS Admitted Students by Primary and Secondary Factor Rating:

- 79% of admits had strong primary factor rating
- 49% of admits had strong secondary factor rating
- 44% of admits had both strong primary and strong secondary factor rating
- Less than 1% of admits had low primary factor rating

We had also completed an additional set of quality assurance reviews to make certain that students who had one low rating but who were nevertheless recommended for admission were re-reviewed and that the decision was confirmed.

We had also planned to institute phase two of these planned modifications for the fall 2018 admission cycle, implementing another set of decision descriptors. Respecting the auditors’ expectations for additional documentation and decision rationales, we will review this additional planned documentation with the auditors.

It is, however, important to note that documentation of specific characteristics as the rationales for admission, something the auditors’ seemed to ask for, is not consistent with the process of holistic review, and thus even additional documentation of the entire process may not fully satisfy that desire. Admission is determined not by one or two factors, but by the composite picture presented by a student, his or her specific background and context, set in the larger context of the competitiveness of the applicant pool and the spaces available in each college’s freshman class.

It must be noted that a holistic process for admission is especially important to the University of Minnesota, because of its large freshman access program and direct admission to early admission programs and an array of freshman-admitting colleges, as well as its large transfer student enrollment. These circumstances require an admission program focused on student fit, where a match is sought between the student, the University’s resources, and the expectations and opportunities of the individual college in which the student seeks to enroll.
We also underscore that over the past five years, amid staff and budget constraints, the University has consistently met its enrollment targets, enrolled more Minnesota students than at any point in recent history, and seen its student retention and graduation rates continue to climb.

"According to the College Board, admission decision making should be valid and fair. A valid and fair admissions process should ensure that admissions criteria and evaluation guidelines are applied uniformly and that all applicants to a particular program are considered on an equal footing."

The 2003 report on admissions decision-making from which this quote is taken remains a touchstone document, but landmark Supreme Court decisions in the last 15 years have spurred some updated and enhanced practices across higher education to ensure fair and valid admission decision-making. As emphasized earlier, the Office of Admissions reflects best practices in student recruitment, admission, and enrollment—and supports multiple University and collegiate goals—by making sure that its strategies and processes respect and recognize the educational and personal context of each prospective student. Our admissions criteria and guidelines are applied uniformly and are sensitive to the specific context of an individual applicant’s educational and personal environment. This ensures that all students are considered on equal footing.

Person Responsible: Bill Cleveland, Associate Director of Holistic Review

Expected Completion Date: The process improvement to enhance documentation was implemented for the class of fall 2017. We expect phase two to be completed in June 2018 to allow time for Admissions to analyze data from the complete fall 2017 and fall 2018 pools.

2. **Data integrity is compromised due to the weak practices of managing admission data.**

**Recommendation**

2. Admissions should improve system integration and/or implement automated interfaces between all systems used in the Admission process to ensure data integrity. In addition, automated data reconciliation processes should be implemented to ensure data between all systems remain accurate and consistent. If automated interfaces and reconciliations cannot be established, other data migration controls should be established including: formal manual data reconciliations and improved PeopleSoft CS reporting tools.

**Rating: Essential**

**Audit Plan/Response:**

Admissions will review the admission process to identify any manual work that could be automated, given our current systems. Admissions will also look to strengthen quality controls built into the current system. Admissions will consult with OIT and UIS on any additional reporting tools, automated interfaces, or automated reconciliations that may be possible. There are products on the market that purport to meet these needs, but significant new resources would be needed to purchase, implement, and support such a system.
3. Admission decision documentation does not consistently include rationale.

Recommendations

3a. The Office of Admissions should enhance documentation of admission recommendations for the first and second level review. This may include requiring the “notes” section of the review sheet be consistently completed for both reviews. Job aids that illustrate the types of information that should be included on the review sheet may be helpful to achieve consistent documentation.

Rating: Essential

Audit Plan/Response:

It is important to emphasize that holistic review is a process of triangulating and synthesizing all information in the student’s application materials, in light of each student’s school and personal context, to make an appropriate decision about fit with a particular college at this point in the student’s academic career. This student-centered and highly contextualized process does not lend itself to a template or to a documentation process involving a set of standard notations.

Our readers need some flexibility in determining the appropriate coding on each record. Ongoing weekly training and norming sessions in the Office of Admissions do support consistency in judgments, but the holistic process requires readers to interpret the information included in the application within the context of a student's school and his or her academic environment and goals. This is neither an automated nor an arbitrary decision process; it is, rather, one grounded on training, experience, expertise, and contextual, individually-focused, student information.

For the fall 2017 class, we implemented a number of key processes to enhance our quality assurance and consistency of review documentation, including:

• Modification of our processes so that staff must include documentation in certain sections of the read sheet (including the curriculum section) or the application review cannot proceed.

• Institution of a pre-and post-entry quality assurance process that requires an additional review for students with low grades. Grade trend monitoring has long been part of our review, and we do admit some students who have had low grades early in their academic career but have strong and improving grade trends. Still, we know that strong academic preparation is critically important for student success. Pre- and post-entry monitoring will help clarify decision trees so we can avoid decision errors and ensure preparation for success at the University.

Person Responsible: Bill Cleveland, Associate Director of Holistic Review

Expected Completion Date: June 2018
3b. Admissions should implement a new process for documenting final admission decisions. Admissions should consider adding a “final review and approval” check box to the committee review sheet that can only be checked by the four authorized final approvers, with initials and date included.

**Rating: Essential**

**Audit Plan/Response:**

We will make changes to our documentation to clearly indicate electronically who approved the decisions and ensure that those responsible for the technical job of loading the decisions are unable to change those decisions. Our process already includes QA of entered decisions—to confirm electronically that all decisions were approved by an authorized approver.

We also will clearly note the name of the individual making the recommendation, and the name of the individual granting final approval of the decision.

Person Responsible: Bill Cleveland, Associate Director of Holistic Review

Expected Completion Date: December 2017

3c. The Office of Admissions should improve documentation on how final appeal decisions are made during the Admission Appeals Committee review. This could include adding additional notes to the summary sheet indicating why the “deny” decision was retained or reversed.

**Rating: Essential**

**Audit Plan/Response:**

For fall 2017 we included an additional level of review documentation that improved upon the process followed for fall 2016.

For fall 2018 we will implement yet another level of review documentation. This additional level will include the use of another set of decision descriptors. Appeals reviewers will identify decision categories with descriptive definitions to code reasons(s) why they feel each decision is appropriate. While this will not be in a narrative form, it will allow for documentation of the rationale used in order to make the appeal decision. This additional layer will enhance documentation of appeals decisions and will support our current appeals practice, which is consistent with recognized national best practices and has been confirmed by the Office of the General Counsel as an appropriate and responsible implementation of applicant due process.

Person Responsible: Keri Risic, Director of Scholarships and Enrollment

Expected Completion Date: June 2018
4. **Application fee waiver process reduces potential revenue.**

**Recommendations**

4a. The Office of Admissions should review the current application fee waiver process and consider whether the variety and volume of waivers offered and refunded is cost effective.

**Rating:** Essential

**Audit Plan/Response:**

We will continue to work with the Finance Director of the Office of the Executive Vice President and Provost and the University Budget Office to ensure that the waiver program for targeted populations continues to be effective and remains consistent with the values of the University.

We do not issue refunds unless a student has an approved fee waiver (financial hardship documentation, veteran status, or receipt of a fee waiver in connection with a particular recruitment event). National applicant fee refunds outside of these specific circumstances are rare and always require specific rationales. (We provided waiver documentation to the auditors, and would be happy to provide additional background as may be helpful.)

Waivers are approved for students with a financial hardship. This is both an accepted and expected practice used by colleges and universities across the country and endorsed by the National Association of College Admission Counseling. In addition, this approach directly supports the University’s commitment to access. Admissions considers the waiving of application fees for students attending targeted events and for non-resident, non-reciprocity applicants as a component of the University’s recruitment strategy.

**Person Responsible:** Kelsey Quiring, Senior Communications Strategist

**Expected Completion Date:** June 2018

4b. The current requirement that the recruitment manager must approve financial hardship waivers should be re-evaluated for possible over-control. If this control is determined to be meritorious then steps should be implemented to preclude the entering of waivers without this approval.

**Rating:** Significant

**Audit Plan/Response:**

We will review our waiver process to consider possible over-control and determine if steps can be implemented to preclude the entering of waivers without the recruitment manager approval.

**Person Responsible:** George Hudachek, Senior Director of Information Technology and Operations

**Expected Completion Date:** June 2018
5. **GPA scales are not normalized which leads to inconsistent review.**

**Recommendation**

5. The Office of Admissions should implement quality assurance mechanisms that ensure GPAs are appropriately normalized, including weighted GPAs, before the GPA is entered into FileMaker Pro.

**Rating: Significant**

**Audit Plan/Response:**

We will address the concern raised by the auditors from a coding and data perspective. As we have noted earlier in this document, for fall 2018, each reader will code and any discrepancies in coding will be reconciled by the associate director for holistic review or the review supervisor. We will explore ways to implement quality assurance mechanisms to ensure GPAs are appropriately normalized, including weighted GPAs, before the GPA is entered into FileMaker Pro.

Person Responsible: Bill Cleveland, Associate Director of Holistic Review

Expected Completion Date: June 2018

6. **High school counselor feedback is not summarized and documented.**

**Recommendation**

6. Admissions should centralize high school counselor feedback to ensure trends are addressed as needed. In addition, Admissions should develop procedures to verify follow-up to the high school counselor is completed.

**Rating: Significant**

**Audit Plan/Response:**

We do have a process for collecting and reviewing counselor feedback and ensuring a response to that feedback. We do not have a standard form or centralized database to document every inquiry that our staff receives, but we do ensure in several ways that follow-up occurs.

Any issues raised by a high school counselor are discussed in our counselor, manager, and enrollment team meetings, as well as in our advisory committee meetings. We have a standing item, “word on the street,” at our high school counselor advisory committee meetings. This item exists so that at each meeting we solicit information and discussion about stakeholder feedback and determine what action or follow-up will occur in response. This is a standard protocol, and it ensures broad engagement, a culture where gathering, evaluating, and responding to stakeholder feedback is the norm. Stopping to request information and feedback from our campus and external colleagues helps us pay close attention to what our students and other stakeholders need. This is a constant and iterative process; it is part of our culture. When questions are raised we address them in meetings, or with individual managers or staff, as appropriate.
Feedback comes from several sources. It comes from admissions counselors following their high school visits. It comes in from interactions the directors have with their external colleagues. It comes from parents. It comes from students, via phone calls or in personal interactions with staff. All this feedback is collected weekly and shared at key in-person weekly meetings. The managers group decides the appropriate response and then appropriate follow-up occurs. Each time we receive feedback or intelligence that something needs to be looked at, we review the issue and address it as appropriate. Escalation to a broader review occurs for any issue that could have implications for more than one individual student. These issues are then referred to the appropriate group for review, advice, or decision approval. Information is also shared at the weekly Small Group Managers meetings. Items are discussed, and Admissions managers determine appropriate action or follow up as needed.

Calls relating to students are documented in the Salesforce system. We do not have a central repository to document calls relating to non-student-specific inquiries we receive from high school counselors, an approach suggested in the audit. Hotline calls from high school counselors are not monitored because they are answered by professional admissions officers who have manager-level status. When an issue arises, we assess if it is student specific or not. If it is potentially broader than one student, we enhance the review.

Our documentation at present includes meeting agendas and discussion of decision on response. As appropriate, advice or approval for action is requested from various campus offices or committees. Any action that would change a working policy or practice must be documented by the appropriate manager.

The Office of Admissions provided significant evidence of responsiveness to school counselors, and the audit does not indicate there were findings suggesting extant issues in this regard. Nonetheless, to further strengthen responsiveness and tracking of trends, we will explore a centralized tracking mechanism for feedback received.

Person Responsible: Heidi Meyer, Executive Director
Expected Completion Date: January 2018

7. **PeopleSoft and Perceptive Content admissions records are stored indefinitely.**

**Recommendation**

7. The Office of Admissions should follow the University Records Retention Schedule and implement a purge process for records that are obsolete, superseded, or when administrative value is lost.

**Rating: Significant**

**Audit Plan/Response:**

We will review the University Records Retention Schedule and work with OIT to implement a purge schedule for records that are obsolete, superseded, or when administrative value is lost.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations
Expected Completion Date: June 2018
Information Systems

8. **User access to Admissions IT systems is not limited to business need.**

**Recommendations**

8a. The Admissions IT team should ensure only the least privileged level of access needed is granted to users. This may necessitate the creation of additional roles to provide more specific access. The Admissions IT team should also reevaluate all users’ assigned administrative or other powerful roles. All inappropriate access should be removed. This access removal should be done in conjunction with the recommendation of Issue #9a. The Admissions IT team should also review access to powerful roles at least annually; this review could be conducted in conjunction with periodic access reviews recommended in response to Issue #9b.

**Rating: Essential**

**Audit Plan/Response:**

Admissions IT Team will partner with OIT and UIS to review IT system access levels ensuring only the least privileged level is granted. Any inappropriate access will be removed and processes will be put in place to perform these reviews at least annually.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: January 2018

8b. To ensure final admission decision and associated data is not inappropriately edited in transit or once it is uploaded into PeopleSoft CS, all access should be removed: to edit data transfer files, and for non-administrators to edit admission data directly in PeopleSoft CS. If this is not technically feasible, Admissions should adopt a “least privilege access” approach for who may edit these files and PeopleSoft CS data and implement strong logging and monitoring to identify any edits made. These actions should be done in conjunction with remediation recommended in response to Issues #2 and #11.

**Rating: Essential**

**Audit Plan/Response:**

Admissions IT will review access levels in the final admission decision process to determine if access can be removed to ensure data is not inappropriately edited. If access cannot be removed, Admissions IT will partner with OIT and UIS to limit access and implement logging and monitoring to identify any changes made.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: January 2018
9. **Admissions does not have formal user administration processes in place for all critical systems.**

**Recommendations**

9a. Admissions IT should improve the user administration processes for its critical IT systems. Requests and approvals for access rights to be added, modified or removed should be consistently documented and retained. In addition, approvals should be made by applicable business owners who are familiar with the roles and permissions and who are responsible for the integrity and confidentiality of the systems’ data.

**Rating: Essential**

**Audit Plan/Response:**

Admissions IT will ensure a formal user administration process is in place for all critical IT systems in accordance with University IT Standards.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: November 2017

9b. Periodic reviews should be performed on all Admissions IT systems to ensure ongoing appropriateness of access. These reviews should be performed at least annually and include reviews of users, their assigned roles, and the access assigned to these roles.

**Rating: Essential**

**Audit Plan/Response:**

Admissions IT will create a process to perform reviews of users, their assigned roles, and the access assigned to the role at least annually.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: July 2018
10. **Admissions IT systems’ logging and monitoring processes are inadequate and do not comply with University policy requirements.**

**Recommendations**

10a. Admissions should work with the vendors of its critical systems to ensure that systems capture all pertinent user access and activity as required by University policy. If logging for any Admissions systems cannot be brought into compliance with University standards, Admissions should consult with University Information Security (UIS) to develop compensating controls and obtain a formal exception.

**Rating:** Essential

**Audit Plan/Response:**

Admissions IT will work with critical system vendors to ensure all pertinent user access and activity is captured. If logging is unable to be brought into compliance, Admissions IT will work with UIS to identify compensating controls and seek a formal exception.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: July 2018

10b. Admissions should develop logging and monitoring processes and procedures in accordance with the University’s Log Management Standard for all Admissions’ critical systems. These processes and procedures should include: configuring and securing logs; retaining all logs in compliance with University retention requirements; developing a log analysis strategy; active monitoring of logs for anomalies; remediating medium/high risk anomalies; and documenting actions taken to remediate high risk anomalies.

**Rating:** Essential

**Audit Plan/Response:**

Admissions IT will develop logging and monitoring processes and procedures in accordance with the University Log Management Standard for all critical IT systems.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: July 2018
11. **Admissions’ systems do not use two-factor authentication and do not require strong passwords.**

**Recommendation**

11. Two-factor authentication should be implemented for all Admissions’ managed systems, including the FileMaker Pro, Royall & Co., and Salesforce systems, in accordance with University policy. If system limitations preclude adherence to University authentication requirements, Admissions should ensure strong password requirements are in place, and work with UIS to identify additional compensating controls and obtain a formal exception to this policy requirement.

**Rating: Essential**

**Audit Plan/Response:**

Admissions IT will review the feasibility of implementing two-factor authentication on Admissions’ managed systems. If unable to implement two-factor authentication, Admissions IT will review password strength requirements, partner with UIS to put compensating controls in place, and obtain a formal exception.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: July 2018

12. **Vendor management controls are not adequate to ensure risks are mitigated.**

**Recommendations**

12a. Admissions should establish a vendor management program to ensure all vendors hosting Admissions’ systems have been adequately vetted prior to implementation and periodically thereafter. This includes periodically requesting and reviewing third-party attestations from these vendors to ensure the systems are adequately controlled and the attestations cover all critical system and control processes. Additionally, Admissions should ensure any control processes that are its responsibility (as noted in the third-party attestation or otherwise) are being performed. If attestations cannot be obtained, Admissions should implement compensating controls and consult with UIS to obtain an exception for its high-security level systems if the risk of doing business with the provider is deemed acceptable. If obtaining a third-party attestation is not feasible for any low- or medium-security level systems, unaudited statements of the vendor’s controls should be obtained and reviewed to confirm Admissions’ systems are well-managed and data is protected.
Rating: Essential

Audit Plan/Response:

Admissions IT will establish a vendor management program in accordance with the University Vendor Management standard. If attestations cannot be obtained, Admissions IT will consult with UIS to gather equivalent documentation, implement compensating controls, and obtain formal exceptions as needed.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: February 2018

12b. Admissions should work with its vendors hosting Admissions’ systems to ensure recoverability of data, and continuity of critical operations in the event of system failures. If Admissions is responsible for these control processes, they should develop documented backup recovery, business continuity, and disaster recovery procedures for its vendor-hosted online student systems.

Rating: Significant

Audit Plan/Response:

Admissions IT will work with its vendors to ensure recoverability and continuity of critical systems. Procedures will be documented for processes controlled by Admissions IT.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: February 2018

13. **File Maker Pro change management processes are informal and do not ensure all changes are formally tested and approved prior to implementation.**

Recommendations

13a. Admissions should develop a formal change management process for FileMaker Pro application decision database changes that include formal impact assessments, documented approvals for migration of changes, and use of a ticketing tool or other tracking mechanism to ensure only authorized and tested changes are moved into production. Finally, Admissions should create testing instances of the database which mirrors the production data and ensure all testing activities are conducted within this environment.
Rating: Essential

Audit Plan/Response:

Admissions IT will develop a formal change management process, including a documented tracking mechanism, for FileMaker Pro application decision database changes in accordance with University Change Control Standard. Admissions IT will explore options for database testing instances.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: November 2017

13b. Testing processes for all FileMaker Pro application decision database changes should be enhanced. Admissions should formally document and retain testing strategies, plans, and results. In addition, testing procedures should include testing performed by end users where appropriate prior to IT migrating the changes into production.

Rating: Significant

Audit Plan/Response:

Admissions IT will develop formal testing processes and procedures to ensure changes are appropriately reviewed before migrating to production.

Person Responsible: George Hudachek, Senior Director of Information Technology and Operations

Expected Completion Date: November 2017
1) Plan for modest undergraduate growth over the next five-year period. Given current collegiate enrollment targets on the Twin Cities campus, total undergraduate enrollment should increase to approximately 33,000 students (from the current 30,500 students enrolled in Fall 2015).

2) Admit for success. Given the strong relationship between academic performance and student success, the University should continue to admit to its campuses, colleges, and degree programs those students who will benefit from the curriculum, and who have a strong probability of graduating in a timely manner. To do so, Admissions should continue to conduct a holistic review of prospective students’ records, considering both primary factors (academic characteristics such as ACT, coursework, and GPA) and secondary factors (personal characteristics such as leadership, Veterans status, and extracurricular activities). Programs, colleges, and campuses must maintain appropriate levels of selectivity to ensure students’ preparation for success at the University. The UMTC campus should attempt to maintain an average ACT of 28 in the entering class (established in the BOR Progress Card).

3) Maintain affordability and access for Minnesota students. The University’s undergraduate degree programs must remain affordable and accessible to a broad cross-section of students from Minnesota. By affordability, we refer to stabilizing or reducing the average inflation-adjusted indebtedness at graduation. By access, we emphasize the point that, as a land-grant university, the University is committed to enrolling and graduating a broad, diverse spectrum of students, especially from Minnesota. The UMTC campus should continue to enroll approximately 65% Minnesota residents in the freshman class and approximately 68% in the transfer class. However, the University needs to be mindful of the total number, not only the percentage, of Minnesota students who are enrolled (e.g., the percentage could decrease while the total number of Minnesota students might increase). The UMTC should continue to attract students from all parts of the state, and be attentive to enrolling students from Greater Minnesota.

Minnesota residents have access to five University of Minnesota campuses. In discussions around the UMTC enrollment of Minnesota students, it is important to note that many Minnesotans enroll on the system campuses as well; in fall 2015, 30,860 (71%) of the 43,457 undergraduates enrolled system-wide were Minnesota residents.

4) Provide a high-quality education and student experience. The University must adjust enrollment levels within the capacities of its financial, intellectual, and physical resources (curriculum, advising, housing, classrooms), with the goal of providing a very high-quality undergraduate educational experience. Curricular planning and scheduling, as well as student support services, and the resources of the physical campuses, must be closely coordinated with enrollment management.

Some of our goals over the next five years include the following:

a. Housing: Accommodating 90% of freshmen, 25% of sophomores continuing in housing, and 10% of new Fall Transfers in University housing (would require approximately 6,800 beds for undergraduates in 2020-2021).

b. Advising: Based on the recently-completed Academic Advising Report, moving the University closer to the recommended 250 students per advisor ratio.

c. Classrooms: Migrating additional classrooms to the Active Learning format, in response to increasing demand from faculty and instructors.
d. **Chemistry:** Increasing the capacity for basic and advanced chemistry seats, which represent a major bottleneck for enrollment growth and degree completion.

e. **Academic Support:** Enhancing specialized student support units, including the Center for Planning and Exploration (CAPE), which assists “undecided” students in finding a major, and the SMART Learning Commons, which provides tutoring for the most difficult classes.

f. **Co-Curricular:** Expanding the capacity for co-curricular opportunities, including undergraduate research (UROP and other programs), internships, study abroad, and service learning. A specific goal is to increase the number of Undergraduate Research Opportunity Program (UROP) grants awarded annually from 700 to 1,000.

Providing an exceptional educational experience and improving student success for all undergraduates (as measured by improved timely graduation rates) will require continued investments. The likely source for such investments would be undergraduate tuition and housing fees.

5) **Maintain commitment to transfer students.**

Educating transfer students is an important and integral part of the University’s mission. Currently, the UMTC campus enrolls a much higher percentage of transfer students than our peers, providing hundreds of students an opportunity to complete a UMTC degree after having started at another institution. This higher education path is particularly important for students completing two-year degrees at the MNSCU institutions. The UMTC campus should enroll a balance of new high school students and transfer students who can benefit from completing a degree program at the University of Minnesota. **Facilitating transfer among the University of Minnesota campuses, as well as from MNSCU institutions, is an important part of serving Minnesota students.** The U of M should continue to enroll at least 33% of its students as transfers and to monitor specific pipelines where students have had the most success at the University. The University should work with the MNSCU system (which currently provides between 40-45% of transfers) to make certain transfer between the systems is as simple and straightforward as possible.

The UMTC will:

5a. Increase campus-wide collaboration of transfer student admission, recruitment, and enrollment efforts.

5b. Enhance efforts to ensure students a seamless transition to the University through central orientation and welcome programs, communication, and connections with transfer student peers.

5c. Increase transfer student engagement in high-impact experiences such as research, internships, service-learning, and study abroad.

5d. Streamline and enhance transparency of transfer credit processing to promote transfer student degree progress.

5e. Continue to monitor the APLU’s newly developed Student Achievement Measure (SAM), which is an “unofficial” graduation rate that accounts for students who leave, and complete a four-year degree elsewhere. The UMTC four-year SAM graduation rate is 3-4 percentage points higher than the official IPEDS rate (IPEDS counts only students who start and complete at the same institution).

6) **Value ethnic, social, economic, and geographic diversity.** The educational experiences of all students are significantly enhanced by interactions with students from different backgrounds, other states, and other countries. The University should maintain a national and global presence, as part of attracting a broad range of undergraduate students and serving as a talent magnet for the state. As the diversity of the state of Minnesota increases, the University must continue to attract, retain, and graduate students from multicultural backgrounds. The University should be attentive to the diversity in Minnesota high schools in its admissions’ process. The enrollment plan should continue to build pipelines from other states where students will be attracted to the University of Minnesota and continue to geographically diversify our international student body.
7) Support timely graduation. The University should allocate resources to help ensure that the students admitted to its campuses, colleges, and degree programs are adequately supported to be able to complete the degree programs and graduate in a timely way. Strategies for financial aid must be closely linked to strategies for enrollment management. The UMTC four-year graduation rate for New High School (NHS) students should reach/exceed 65%, the six-year graduation rate should reach/exceed 82%, the three-year transfer graduation rate should reach/exceed 65%, and the four-year graduation rate for Pell-recipient students should reach/exceed 54% (established in the BOR Progress Card).

8) Adjust enrollment levels and set tuition rates to provide revenues. The University should establish and adjust enrollment levels and set tuition rates to provide adequate revenue to support high-quality educational programs within the overall mission of each campus and its colleges. Each year the University should carefully consider both resident and non-resident rates based on maintenance and enhancement of quality academic programs, market forces, peer comparisons, available financial aid resources, and adequacy of state support.

8a. Non-resident non-reciprocity tuition (NRNR). Over the next five years, the University will attempt to raise non-resident tuition rates (NRNR) to the mid-point of the Big 10, to approximately $35,000 in tuition and required fees in 2020-2021. The increases will be incremental, with an evaluation of impact on national and international applications and enrollments each year. As part of this plan, the University will evaluate the role of “tuition discounting” and other strategies to ensure the U of M remains accessible to non-resident students. The University greatly values the geographical diversity that our national and international students bring to campus and wants to continue to maintain and enhance this.

8b. Resident tuition. Over the next five years, the University will attempt to keep resident tuition rate increases to a minimum, using the Higher Education Price Index (HEPI) as a guide each year.

Specific options for resident tuition rates:

bi. A specific goal will be to maintain the Minnesota resident tuition and fees amount in the middle half of our Big 10 peer group (our current position is very near the mid-point).

bii. A specific goal will be to maintain a Minnesota resident inflation-adjusted net price (Average Cost of Attendance-Average Gift Aid) in the middle half of our Big 10 peer group (our current position is very near the mid-point), although myriad circumstances may require an adjustment to this strategy in order to maintain the necessary tuition revenues.

9) Continue to enhance need-based and merit-based financial aid programs. The University maintains a variety of financial aid programs, which can be categorized roughly into need-based (including middle-income support) and merit-based financial aid. To ensure fiscal access for Minnesota students, and to attract the very best students, the University should continue to provide both need-based (including middle-income) and merit-based financial aid. The general allocation of financial aid resources should be biased towards need-based financial aid, but strong support for merit-based scholarships is also needed to attract the best and brightest students, who often have multiple competing offers. The general allocation of financial aid resources should be 2/3 toward need-based financial aid, but strong support for merit-based scholarships is also needed to attract the best and brightest students, who often have multiple competing offers. The general allocation of financial aid resources should be 2/3 toward need-based financial aid and 1/3 towards merit-based aid. A major priority should be increasing institutional aid for all categories.

Some of the additional goals for financial aid policy/practice include:

9a. As a public institution, the University supports access for all qualified students, and its review of applicants for undergraduate admissions is need-blind. A student’s ability to pay is not a factor in determining admissibility.

9b. In support of retention and timely graduation, multi-year financial aid packages (four years for freshmen, two years for transfer students) will be offered whenever possible. Financial aid will be targeted to degree-seeking students, and continuation of aid for a student will depend upon the student making satisfactory and timely academic progress toward a degree.
9c. Financial aid packages will be tailored to each student's circumstances and may include a variety of forms of need-based and/or merit-based aid from numerous funding sources including, but not limited to, University funds, federal and state aid programs, external scholarships, and donor-directed funds.

9d. The University of Minnesota financial aid package for an individual student will not exceed the federal cost of attendance for any given year.

9e. The University should strive to grow institutional gift aid to $275 million (established in the BOR Progress Card).

10) Be attentive to state, national, and global workforce needs. As a state land-grant university, the University's enrollment planning must be attentive to the workforce needs of the future for the state, the nation, and the world. Over the next five years, the University should increase the number of STEM graduates (including fields outside of the traditional STEM areas), be attentive to fields important to the State of Minnesota's future (e.g., food science, health disciplines, environmental science, climate change), and be responsive to emerging fields and new technologies (e.g., data science). For the current year, the UMTC expects to graduate 3,300 STEM majors. Given recent trends in STEM enrollments, a reasonable goal is to graduate 3,600 STEM majors in 2020-2021.
<table>
<thead>
<tr>
<th>Reference to Item #</th>
<th>UMTC Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total undergraduate enrollment</td>
<td>33,000</td>
</tr>
<tr>
<td>2.</td>
<td>Average ACT*</td>
<td>28</td>
</tr>
<tr>
<td>3.</td>
<td>Minnesota residents in fall freshman class**</td>
<td>Approximately 65%</td>
</tr>
<tr>
<td></td>
<td>Minnesota residents in transfer class**</td>
<td>Approximately 68%</td>
</tr>
<tr>
<td>4a.</td>
<td>Accommodate freshmen in UMTC Housing</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>Accommodate sophomores continuing in housing</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>Accommodate Fall transfer students in housing</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>Beds in UMTC Housing</td>
<td>6,800</td>
</tr>
<tr>
<td>4b.</td>
<td>Advising ratios</td>
<td>&lt; 250 students per advisor</td>
</tr>
<tr>
<td>4f.</td>
<td>Annual UROP grant awards</td>
<td>1,000</td>
</tr>
<tr>
<td>5.</td>
<td>Proportion of undergraduate enrollment who started at UMTC as transfer students</td>
<td>33%</td>
</tr>
<tr>
<td>7.</td>
<td>Four-year graduation rate for NHS*</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Six-year graduation rate for NHS*</td>
<td>82%</td>
</tr>
<tr>
<td></td>
<td>Four-year graduation rate for Pell-recipient students*</td>
<td>54%</td>
</tr>
<tr>
<td>8a.</td>
<td>Non-resident, non-reciprocity tuition</td>
<td>Move to mid-point of the Big 10, approximately $35,000 in tuition and fees</td>
</tr>
<tr>
<td>8bi.</td>
<td>Maintain Minnesota resident tuition + fees</td>
<td>Middle half of Big 10 peer group</td>
</tr>
<tr>
<td>8bii.</td>
<td>Maintain a Minnesota resident inflation-adjusted net price (average COA - average gift aid)</td>
<td>Middle half of Big 10 peer group</td>
</tr>
<tr>
<td>9.</td>
<td>General allocation of financial aid</td>
<td>2/3 need-based and 1/3 merit-based</td>
</tr>
<tr>
<td>9e.</td>
<td>Total institutional gift aid (system-wide)*</td>
<td>$275 million</td>
</tr>
<tr>
<td>10.</td>
<td>Number of UMTC degrees granted 2020-2021 in STEM fields</td>
<td>3,600</td>
</tr>
</tbody>
</table>

The University of Minnesota uses the following two-digit CIP codes to represent STEM:
01: Agriculture, Agriculture Operations, and Related Sciences
03: Natural Resources and Conservation
04: Architecture and Related Services
11: Computer and Information Sciences and Support Services
14: Engineering
15: Engineering Technologies and Technicians
26: Biological and Biomedical Sciences
27: Mathematics and Statistics
40: Physical Sciences
41: Science Technologies/Technicians
51: Health Professions and Related Programs

Topics marked with a single asterisk (*) are those that pertain to the University of Minnesota’s Gold Measures progress card. Topics marked with a double asterisk (**) are those that pertain to the University of Minnesota’s Maroon Measures progress card.
University of Minnesota Twin Cities Freshman (NHS) Inquirers and Admissions Office Full Time Equivalent (FTE) Staff

<table>
<thead>
<tr>
<th></th>
<th>Fall 2008</th>
<th>Fall 2012</th>
<th>Fall 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHS Inquirers</td>
<td>83,006</td>
<td>94,157</td>
<td>123,547</td>
</tr>
<tr>
<td>FTE</td>
<td>62</td>
<td>62</td>
<td>68</td>
</tr>
</tbody>
</table>

Percent Change 2008-2017
- NHS Inquirers: +49%
- FTE: +10%
University of Minnesota Twin Cities Freshman (NHS) and Transfer (NAS) Applicants and Admissions Office Full Time Equivalent (FTE) and Temporary Staff

<table>
<thead>
<tr>
<th></th>
<th>Fall 2008</th>
<th>Fall 2012</th>
<th>Fall 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHS+NAS Apps</td>
<td>36,818</td>
<td>47,512</td>
<td>51,884</td>
</tr>
<tr>
<td>FTE</td>
<td>62</td>
<td>62</td>
<td>68</td>
</tr>
<tr>
<td>Readers/Temp</td>
<td>25</td>
<td>21</td>
<td>28</td>
</tr>
</tbody>
</table>

Percent Change 2008-2017

- NHS+NAS Apps: +41%
- FTE: +10%
- Readers/Temp: +12%
AGENDA ITEM: Institutional Risk Profile, Part III: Review Draft Profile

[ ] Review [ ] Review + Action [ ] Action [X] Discussion

This is a report required by Board policy.

PRESENTERS: Karen Hanson, Executive Vice President and Provost
Brian Burnett, Senior Vice President

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss draft institutional risk principles and a new model for the University's institutional risk profile.

Institutional Risk Principles

The institutional risk principles are used to communicate the University's approach to a strategic risk management system and the appropriate balance between decisions and activities that contribute to the optimal pursuit of mission and accountability. As part of this balance, proposed amendments to the 2011 risk principles attempt to better define acceptable tolerances for individual risks situations.

Institutional Risk Profile

The institutional risk profile is used to identify the greatest risks at a governance level. The 2014 institutional risk profile was presented as a heat map with both the likelihood and impact of all risks placed on the profile. The proposed risk profile lists 20 risks categorized into three primary areas:

1. Business Challenges – Issues that pose risk to the fundamental teaching, research, and outreach mission and the institution's ability to maintain functionality.
2. Compliance – Issues that pose risk of failure to act in accordance with laws and regulations, institutional policies and procedures, or industry best practices.
3. Institutional Integrity – Issues that pose risk to the institution's ability to live up to its core values.

The primary reason for this new approach is that risks rising to a governance level should not be ranked by importance or impact, which a heat map-style risk profile may indicate. The proposed risk profile presents the institution's most significant risks, and acknowledges that all rise to a high level of importance at a governance level.
The proposed risk profile also connects to the Board's committee structure by identifying the appropriate Board committee for further risk mitigation discussions. The time horizon for each risk is identified, showing whether the issue would typically be dealt with in a short-term way as an isolated incident or is an ongoing challenge to the University.

BACKGROUND INFORMATION

Institutional risk principles were most recently endorsed by the Board of Regents in February 2011, and recommended changes were discussed at the October 2017 committee meeting. The institutional risk profile was last updated in January 2014.
Institutional Risk Principles
DRAFT for consideration – December 2017

Preamble: By the very nature of its mission, the University pursues many activities that inherently create risk. It is the expectation that the risks associated with these activities will be mitigated in a responsible and accountable manner. The following principles are intended to provide a framework when assessing individual risk management decisions.

1. High tolerance for mitigated risks in the pursuit of innovative, breakthrough research, scholarship and public engagement.
2. High tolerance for strategic risk-taking that has potential to enhance instructional quality.
3. High tolerance for strategic risk-taking to promote productivity, creativity and reputation.
5. Low tolerance for risks posing potential for damage to the University's brand and/or reputation.
6. Low tolerance for risks arising from inappropriate discharge of fiduciary responsibilities.
7. Low tolerance for risks that undermine actual safety, or the perception of safety, on our campuses.
8. Zero tolerance for intentional non-compliance with laws or regulations.
<table>
<thead>
<tr>
<th>Category</th>
<th>Risk</th>
<th>BOR Committee</th>
<th>Time Horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUSINESS CHALLENGE</td>
<td>Clinical Partnerships</td>
<td>MF / FO</td>
<td>ST / O</td>
</tr>
<tr>
<td></td>
<td>Collaboration w/ Externalities &amp; Joint Ventures</td>
<td>MF / FO</td>
<td>O</td>
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<tr>
<td></td>
<td>Decentralization</td>
<td>MF / FO</td>
<td>O</td>
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<tr>
<td></td>
<td>Employee Demographics / Succession Planning</td>
<td>MF / FO</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>Facilities – Maintenance, Scope, &amp; Alignment</td>
<td>FO</td>
<td>O</td>
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<tr>
<td></td>
<td>Faculty Retention</td>
<td>MF / FO</td>
<td>O</td>
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<tr>
<td></td>
<td>Information Technology – Security / Failure / Resilience / Cost</td>
<td>FO</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>Intercollegiate Athletics</td>
<td>MF / FO</td>
<td>O</td>
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<tr>
<td></td>
<td>International Activities</td>
<td>MF</td>
<td>ST / O</td>
</tr>
<tr>
<td></td>
<td>Legal &amp; Regulatory Compliance</td>
<td>MF / FO</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>New &amp; Disruptive Educational Models</td>
<td>MF</td>
<td>O</td>
</tr>
<tr>
<td></td>
<td>Public Funding Reliability, Economic Climate, &amp; Financial Sustainability</td>
<td>FO</td>
<td>O</td>
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<td></td>
<td>Faculty Retention</td>
<td>MF / FO</td>
<td>O</td>
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<tr>
<td></td>
<td>Information Technology – Security / Failure / Resilience / Cost</td>
<td>FO</td>
<td>O</td>
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<td>Intercollegiate Athletics</td>
<td>MF / FO</td>
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<td></td>
<td>International Activities</td>
<td>MF</td>
<td>ST / O</td>
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<td>Legal &amp; Regulatory Compliance</td>
<td>MF / FO</td>
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<td></td>
<td>Research or Clinical Misconduct</td>
<td>MF</td>
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<td></td>
<td>Representational Diversity</td>
<td>MF</td>
<td>O</td>
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<td>Shifting Enrollment Patterns</td>
<td>MF</td>
<td>O</td>
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<tr>
<td>COMPLIANCE</td>
<td>High Risk Research</td>
<td>MF</td>
<td>ST / O</td>
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<td></td>
<td>International Activities</td>
<td>MF</td>
<td>ST / O</td>
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<td></td>
<td>Legal &amp; Regulatory Compliance</td>
<td>MF / FO</td>
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<td></td>
<td>Research or Clinical Misconduct</td>
<td>MF</td>
<td>O</td>
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<tr>
<td>INSTITUTIONAL INTEGRITY</td>
<td>Brand &amp; Reputation Management</td>
<td>MF</td>
<td>ST / O</td>
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<td>Campus Safety, Climate, &amp; Free Speech</td>
<td>MF / FO</td>
<td>ST / O</td>
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<tr>
<td></td>
<td>Crisis Management</td>
<td>MF / FO</td>
<td>ST</td>
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<tr>
<td></td>
<td>Intercollegiate Athletics</td>
<td>MF / FO</td>
<td>ST / O</td>
</tr>
<tr>
<td></td>
<td>Sexual Misconduct – Prevention, Training, &amp; Response</td>
<td>MF / FO</td>
<td>ST / O</td>
</tr>
</tbody>
</table>

**Key:**
Board Committee: FO – Finance & Operations; MF – Mission Fulfillment  
Time Horizon: ST – Short-term; O – Ongoing
AGENDA ITEM: Compliance Initiatives

☐ Review ☐ Review + Action ☐ Action ☒ Discussion

☐ This is a report required by Board policy.

PRESENTERS: Boyd Kumher, Chief Compliance Officer

PURPOSE & KEY POINTS

The purpose of this item is to discuss the University’s compliance efforts with the chief compliance officer. The discussion will specifically address:

- The progress of the new compliance risk assessment process.
- The development of enhanced procedures for conducting UReport related investigations.

The Chief Compliance Officer semi-annual report and institutional conflict of interest report are included in the docket as information items.
AGENDA ITEM:  External Auditor Report

☐ Review  ☐ Review + Action  ☐ Action  ☒ Discussion

☐ This is a report required by Board policy.

PRESENTERS:  Suzanne Paulson, Assistant Controller
             Katie Knudtson, Partner, Deloitte & Touche LLP
             Judy Dockendorf, Managing Director, Deloitte & Touche LLP

PURPOSE & KEY POINTS

The purpose of this item is to discuss the audit results for the FY 2017 annual financial report. The discussion will include:

- The auditor’s opinion on the University’s financial statements.
- Audit scope.
- Accounting estimates and key audit risks.
- Audit adjustments.
- Summary of other 2017 services.

BACKGROUND INFORMATION

The Audit & Compliance Committee oversees external audit engagements on behalf of the Board of Regents. The FY 2017 annual financial report is included in the December 15, 2017 Board docket.
Presentation to the Audit & Compliance Committee of the Board of Regents

Deloitte & Touche LLP
December 1, 2017
(for December 14, 2017)
December 1, 2017

The Board of Regents Audit & Compliance Committee
University of Minnesota
1300 South Second Street
Minneapolis, MN 55455 USA

Dear Members of the Board of Regents Audit & Compliance Committee:

We have performed and continue to perform audit services stated in our client service plan, which was addressed to the Board of Regents dated April 17, 2017 for the University of Minnesota (the “University”), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America (GAAS) and Government Auditing Standards (GAS).

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the University is responsible.

This report is intended solely for the information and use of management, the Board of Regents Audit & Compliance Committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP
Today’s agenda

<table>
<thead>
<tr>
<th>Summary financial information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit scope</td>
<td></td>
</tr>
<tr>
<td>Accounting estimates and key audit risks:</td>
<td></td>
</tr>
<tr>
<td>Management override of controls</td>
<td></td>
</tr>
<tr>
<td>Valuation of alternative investments</td>
<td></td>
</tr>
<tr>
<td>Minnesota defined benefit pension liability</td>
<td></td>
</tr>
<tr>
<td>Summary of other 2017 services</td>
<td></td>
</tr>
<tr>
<td>Deloitte University Relations Program</td>
<td></td>
</tr>
<tr>
<td>Appendix A: Summary financial information</td>
<td></td>
</tr>
<tr>
<td>Appendix B: Other required communications</td>
<td></td>
</tr>
</tbody>
</table>
Audit scope
Our audit scope was outlined in our 2017 client service plan, which was addressed to the Board of Regents dated April 17, 2017, and was not restricted in any way during the course of the audits.

No significant scope changes resulted from the execution of the audit plan. Our auditing procedures addressed the risks identified in our client service plan and no additional risk areas were identified during the course of our audits. The consolidated financial statements were issued on October 27, 2017.

2017 audit scope

Reports on financial statement audits

• University of Minnesota Consolidated Financial Statements

• RUMINCO, Ltd (performed by Deloitte Bermuda)

Compliance reports

• Federal Award Programs (Office of Management and Budget Uniform Grant Guidance)
  − Schedule of Expenditures of Federal Awards
  − Report on Internal Controls and Compliance Related to Financial Reporting
  − Report on Internal Control and Compliance Related to Major Programs

• Examination of Management’s Assertion of the University’s Compliance with the Minnesota Office of Higher Education Audit Guide

Agreed-upon procedures

• National Collegiate Athletic Association (NCAA) Agreed-Upon Procedures (Twin Cities)

• National Collegiate Athletic Association (NCAA) Agreed-Upon Procedures (Crookston)

• Federal Drug Administration Agreed-Upon Procedures for Cost Recovery of 131-MIBG Therapy
Accounting estimates and key audit risks

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management’s judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and assumptions about future events.

Our conclusions as to the reasonableness of estimates, as expressed in our independent auditors’ report, are based upon the testing of management’s estimates and/or the development of an independent expectation of the estimates to corroborate management’s estimates.

During the year ended June 30, 2017, we are not aware of any significant changes in accounting estimates or in management’s judgments relating to such estimates.

Significant accounting estimates and key audit risks reflected in the 2017 consolidated financial statements include management override of controls and valuation of alternative investments.

<table>
<thead>
<tr>
<th>Audit Procedures</th>
<th>Management’s Assertions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management override of controls</strong>  (significant risk)</td>
<td>Management has represented that controls are appropriately designed and implemented to mitigate override of controls and that there were no instances of override of controls during the year ended June 30, 2017.</td>
</tr>
<tr>
<td>• Tested the design and implementation of relevant controls over account reconciliations, journal entries, and financial statements.</td>
<td></td>
</tr>
<tr>
<td>• Tested the appropriateness of a sample of journal entries recorded in the general ledger.</td>
<td></td>
</tr>
<tr>
<td>• Tested critical management judgments and estimates for bias.</td>
<td></td>
</tr>
<tr>
<td>• Held fraud discussions with certain members of senior management, internal audit, the audit committee and others.</td>
<td></td>
</tr>
<tr>
<td>• Performed analytical procedures on the financial statements to identify unusual trends in account balances and ratios.</td>
<td></td>
</tr>
</tbody>
</table>
### Valuation of alternative investments (significant risk)

#### Audit Procedures

- Read the valuations provided by external investment managers and management’s year-end analysis to evaluate how positions are marked to market for a selected sample. Assessed the underlying assumptions used to determine fair value for alternative investment vehicles.

- Updated our understanding of the University’s investment portfolio and considered investment strategies or products that pose control or financial reporting risks.

- Understood and documented the oversight and monitoring procedures performed by management when investing in new funds, quarterly and annually.

- Obtained an understanding of the internal controls over the monitoring of and reporting on on-going invested funds.

- Reviewed transactions at or near the balance sheet date which support the valuation of the investment for a selected sample.

- Independently tested pricing of readily marketable investments for a selected sample.

- Confirmed directly with external investment managers and requested related audited financial statements as required by American Institute of Certified Public Accountants guidance to verify underlying value of alternative investments for a selected sample. Performed rollforward procedures from audited financial statement date to June 30, 2017 for a selected sample.

- Compared investment fund returns to standard industry benchmark for a selected sample.

#### Management’s Assertions

Management has represented that the assumptions used are reflective of management’s intent and ability to carry out specific courses of action and are consistent with the University’s plan and past experiences. Also, these assumptions and methods used result in a fair value measure appropriate for financial statement disclosure purposes in accordance with GAAP.
Significant Risk Investment Testing Procedures

Segregation of Risk
- Existence (Higher risk)
- Rights and Obligations (Higher risk)
- Completeness (Higher risk)
- Valuation (Significant Risk specific to Alternative Investments)

Overview of Audit Procedures
- Purchase and Sales testing
- Confirmations with Custodian and a selection of fund managers
- Benchmarking analysis and independent valuation of selected investments
- Look-back procedures

Non-investment assets
$6.12B

Investments (long and short-term)
$2.09B
25%

Breakout of U of M Investments
- Level 1 15%
- Level 2 39%
- Alternative Investments 46%

Alternative Investments
50%

Breakout of Peer Group Investments
- Level 1 26%
- Level 2 24%
- Level 1 – Quoted Prices in Active Market
- Level 2 – Significant Other Observable Inputs
- Alternative Investments – Unobservable inputs

NOTE: See Peer Group Members on Slide 8.
Significant Risk Procedures

Benchmarking Procedures

- Segregate Investments into asset classes based on underlying holdings
- Identify asset classes that represent audit interest and increase extent of testing within that asset class

Hedge-Fund Tailored Procedures

- Increase confirmation selections within this asset class
- Use Deloitte’s Pricing Center to individually price a selection of underlying holdings within the fund
- Review of unaudited financial statements

![Hedge Funds Pie Chart]

![Hedge Funds Line Chart]

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Investments - Peer Benchmarking

Return on Investments

Alternative Investments vs. Return on Investments

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Minnesota Defined Benefit Pension Liability

Background

• During 2017, changes were made to two defined benefit pension plans which are offered and administered by the state of Minnesota. Currently about 8,900 University employees participate in those 2 plans, which equates to about 15% of the total participants in the two state plans.

• Under Governmental Accounting Standards Board (GASB) accounting requirements, the University must record its proportionate share of the pension liability for the pension plans that University employees are participants.

• The pension plans are not managed by the University. The state and the Legislature set the contribution requirements and benefit levels, and manage benefit payments. Similarly, the University has no role in managing or investing the assets of the plans.

• The increases in pension liability and pension expense recorded by the University have no impact on the benefits received by University retirees, or on the University’s cash flows or cash balances. These are non-cash accrual adjustments only.

Factors and Causes

• The Minnesota State Retirement System (MSRS), which administers the plans and invests the plan assets, made changes to approximately a dozen of the actuarial assumptions used by the state’s actuaries to estimate the plan’s future assets, benefit payments, and pension liability. Two changes had the most significant impact:

• MSRS reduced the assumption of the future expected rate of return on plan assets, from 7.9% to 7.5%. This in turn triggered a requirement that the state use a “single discount rate” in the actuarial estimates. The assumed rate used for the actuarial study decreased from 7.9% to 4.17%. (For purposes of context, the state’s actuary estimated that a 1% decrease in the single discount rate results in an increase in the pension liability of about $600 million).

• MSRS increased the assumed life expectancy of plan participants. This also results in an increase to the pension liability.
Summary of other services in 2017

Compliance reports

• Testing is focused on Research and Development and Student Financial Assistance, two of the major federal programs at the University

• Three additional programs tested as major programs for the year ended June 30, 2017:
  • State Administration Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)
  • Cooperative Extension Service (COOP)
  • State Rural Hospital Flexibility Program (State Rural Hospital)

• Report planned to be issued in December 2017

<table>
<thead>
<tr>
<th>Program (in thousands)</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research and Development programs</td>
<td>$ 487,000</td>
</tr>
<tr>
<td>Student Financial Assistance programs</td>
<td>$ 430,000</td>
</tr>
<tr>
<td>SNAP</td>
<td>$ 14,100</td>
</tr>
<tr>
<td>COOP</td>
<td>$ 8,500</td>
</tr>
<tr>
<td>State Rural Hospital</td>
<td>$ 1,300</td>
</tr>
<tr>
<td>Other Programs</td>
<td>$ 71,700</td>
</tr>
<tr>
<td><strong>Total Federal Expenditures</strong></td>
<td><strong>$ 1,012,600</strong></td>
</tr>
</tbody>
</table>
Summary of other services in 2017 (continued)

Minnesota Office of Higher Education Financial Aid Programs examination

• In connection with our procedures around the student financial assistance programs within the federal compliance audit, we performed procedures around the examination of the University’s compliance with the Minnesota Office of Higher Education Financial Aid Programs requirements. We expect to issue our report in December 2017.

Agreed–upon procedures

NCAA agreed-upon procedures (Twin Cities)

• Agreed-upon procedures of the accounting records of the University of Minnesota Athletic Department in accordance with the NCAA Constitution. Procedures were performed in November 2017, with anticipated issuance of the agreed-upon procedures report in December 2017.

NCAA agreed-upon procedures (Crookston)

• Agreed-upon procedures of the accounting records of the University of Minnesota Crookston Athletic department in accordance with the NCAA Constitution. Procedures will be performed in December 2017, with anticipated issuance of the agreed-upon procedures report in January 2018.

Federal Drug Administration Agreed-Upon Procedures for Cost Recovery of 131-MIBG Therapy

• Agreed-upon procedures performed related to cost recovery of direct and certain pass-through costs of manufacturing an investigation product as required by the Federal Drug Administration. Out report was issued in June 2017.
Deloitte University Relations Program

Mission

• Deloitte University Relations Program (“UR”) seeks to become a contributing factor as to why students join Deloitte, prospective clients select Deloitte, and faculty, administration and government influencers seek Deloitte. As the higher education environment continues to be disrupted, Deloitte’s UR program becomes a clearly differenced presence in the market place. Recruiting efforts are significantly increased for top talent from Universities like the U of M that are included in the UR program.

Background

• In 2017, the University of Minnesota was added to the UR program.
• The University of Minnesota is one of 34 schools included in the program.

Advantages

• Any student from an University Relations school who receives and offer from a local Deloitte office, can transfer to any other Deloitte office without requiring additional interviews.

• Universities that are included in the University Relations program will receive additional recruiting funds that enable more frequent touchpoints and exposure for students.

• Deloitte understands that we are only as strong as our people. To continue to be strong in the market place, it requires top talent from the top universities.
Deloitte’s University Relations Schools
Appendix A:
Summary financial information
Summary financial information
(in thousands)

<table>
<thead>
<tr>
<th>Consolidated Statements of Net Position (excluding component units)</th>
<th>As of:</th>
<th>30-Jun-17</th>
<th>30-Jun-16</th>
<th>30-Jun-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td>$890,241</td>
<td>$1,160,883</td>
<td>$695,807</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td></td>
<td>2,085,246</td>
<td>1,855,782</td>
<td>2,264,034</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td></td>
<td>3,141,059</td>
<td>3,027,802</td>
<td>2,957,133</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>$6,116,546</td>
<td>$6,044,467</td>
<td>$5,916,974</td>
</tr>
<tr>
<td><strong>Deferred outflows of resources</strong></td>
<td></td>
<td>$1,328,796</td>
<td>$25,303</td>
<td>$25,100</td>
</tr>
<tr>
<td><strong>Total assets and deferred outflows of resources</strong></td>
<td></td>
<td>$7,445,342</td>
<td>$6,069,770</td>
<td>$5,942,074</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td>$509,815</td>
<td>$503,612</td>
<td>$473,587</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td></td>
<td>2,165,441</td>
<td>483,016</td>
<td>502,318</td>
</tr>
<tr>
<td>Long-term debt</td>
<td></td>
<td>1,464,976</td>
<td>1,500,632</td>
<td>1,421,428</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>$4,140,232</td>
<td>$2,487,260</td>
<td>$2,397,333</td>
</tr>
<tr>
<td><strong>Deferred inflows of resources</strong></td>
<td></td>
<td>$174,042</td>
<td>$298,892</td>
<td>$368,220</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td></td>
<td>$271,496</td>
<td>$457,506</td>
<td>$275,097</td>
</tr>
<tr>
<td>Restricted-expendable</td>
<td></td>
<td>826,804</td>
<td>889,332</td>
<td>927,436</td>
</tr>
<tr>
<td>Restricted-nonexpendable</td>
<td></td>
<td>313,885</td>
<td>304,669</td>
<td>297,469</td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td></td>
<td>1,718,883</td>
<td>1,632,111</td>
<td>1,676,519</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td></td>
<td>$3,131,068</td>
<td>$3,283,618</td>
<td>$3,176,521</td>
</tr>
<tr>
<td><strong>Total liabilities, deferred inflows of resources, and net position</strong></td>
<td></td>
<td>$7,445,342</td>
<td>$6,069,770</td>
<td>$5,942,074</td>
</tr>
</tbody>
</table>
Summary financial information (continued) (in thousands)

**Consolidated Statements of Revenues, Expenses and Changes in Net Position (excluding component units)**

<table>
<thead>
<tr>
<th></th>
<th>30-Jun-17</th>
<th>30-Jun-16</th>
<th>30-Jun-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the Year Ended:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating revenues</td>
<td>$2,228,329</td>
<td>$2,224,387</td>
<td>$2,155,654</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3,668,090</td>
<td>3,327,383</td>
<td>3,258,976</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(1,439,761)</td>
<td>(1,102,996)</td>
<td>(1,103,322)</td>
</tr>
<tr>
<td>State and federal appropriations</td>
<td>668,230</td>
<td>684,072</td>
<td>660,261</td>
</tr>
<tr>
<td>Grants, gifts and other nonoperating</td>
<td>350,677</td>
<td>379,149</td>
<td>350,047</td>
</tr>
<tr>
<td>Investment income, net</td>
<td>147,380</td>
<td>19,175</td>
<td>85,215</td>
</tr>
<tr>
<td>Other revenues</td>
<td>121,284</td>
<td>127,697</td>
<td>94,298</td>
</tr>
<tr>
<td><strong>INCREASE/ (DECREASE) IN NET POSITION</strong></td>
<td><strong>($152,190)</strong></td>
<td><strong>$107,097</strong></td>
<td><strong>$86,499</strong></td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td></td>
<td>(697,044)</td>
<td></td>
</tr>
<tr>
<td>Net change in net position</td>
<td><strong>($152,190)</strong></td>
<td><strong>$107,097</strong></td>
<td><strong>($610,544)</strong></td>
</tr>
</tbody>
</table>

**Consolidated Statements of Cash Flows (excluding component units)**

<table>
<thead>
<tr>
<th></th>
<th>30-Jun-17</th>
<th>30-Jun-16</th>
<th>30-Jun-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the Year Ended:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash used by operating activities</td>
<td>($989,460)</td>
<td>($973,743)</td>
<td>($895,580)</td>
</tr>
<tr>
<td>Net cash provided by non-capital financing activities</td>
<td>1,085,284</td>
<td>1,109,585</td>
<td>1,079,210</td>
</tr>
<tr>
<td>Net cash used by capital and related financing activities</td>
<td>(264,733)</td>
<td>(149,195)</td>
<td>(93,844)</td>
</tr>
<tr>
<td>Net cash provided (used) by investing activities</td>
<td>147,807</td>
<td>139,433</td>
<td>67,996</td>
</tr>
<tr>
<td>Net increase (decrease) in cash</td>
<td>(21,102)</td>
<td>126,080</td>
<td>21,790</td>
</tr>
<tr>
<td>CASH—beginning of the year</td>
<td>457,807</td>
<td>331,727</td>
<td>309,937</td>
</tr>
<tr>
<td>CASH—end of the year</td>
<td>$436,705</td>
<td>$457,807</td>
<td>$331,727</td>
</tr>
</tbody>
</table>

**Enrollment Statistics**

<table>
<thead>
<tr>
<th></th>
<th>30-Jun-17</th>
<th>30-Jun-16</th>
<th>30-Jun-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the Year Ended:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approximate student enrollment</td>
<td>67,000</td>
<td>67,000</td>
<td>68,000</td>
</tr>
</tbody>
</table>
Appendix B:
Other required communications
Our responsibility under GAAP and GAS

Our responsibility under GAAS and GAS have been described in our engagement letter dated May 11, 2017.

As described in that letter, the objective of a financial statement audit conducted in accordance with GAAS is to express an opinion on the fairness of the presentation of the financial statements for the year ended June 30, 2017, in conformity with accounting principles generally accepted in the United States of America (GAAP), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit & Compliance Committee of the Board of Regents are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit & Compliance Committee of the Board of Regents of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the University’s preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.
Internal controls

As described in our engagement letter, GAAS requires, among other things, that we obtain a sufficient understanding of the University’s internal controls to enable us to properly plan our audit and to determine the nature, timing, and extent of our audit procedures to be performed. No observations or recommendations represent significant deficiencies or material weaknesses in internal controls for fiscal year 2017.

Significant accounting policies

The University’s significant accounting policies are set forth in Note 1 to the 2017 consolidated financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended June 30, 2017.

We have evaluated the qualitative aspects of the University’s significant accounting policies and practices and accounting estimates and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

Audit adjustments

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by GAAS to inform you of any adjustments arising from the audit that could, in our judgment, either individually or in the aggregate, have a significant effect on the University’s financial reporting process. There were no uncorrected misstatements, material corrected misstatements, or disclosure items passed that were identified during our audit.
Disagreements with management
We have not had any disagreements with management related to matters that are material to the financial statements.

Consultation with other accountants
We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2017.

Significant findings or issues discussed with management prior to our initial engagement or retention
Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that were contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

Other Significant Findings or Issues Arising From the Audit Discussed, or Subject of Correspondence, with Management
Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Audit & Compliance Committee of the Board of Regents.
**Significant difficulties encountered in performing the audits**

In our judgment, we received the full cooperation of management and staff and had unrestricted access to the University's senior management in the performance of our audits.

**Management’s representations**

We have made specific inquiries of the University’s management about the representations embodied in the consolidated financial statements. In addition, management has provided to us the written representations the University is required to provide to its independent auditors under generally accepted auditing standards.

**Other matters paragraph**

Our opinion on the consolidated financial statements includes an other matters paragraph specific to the required supplementary information, management’s discussion and analysis and the Schedule of Funding Progress for Supplemental Benefits Plan and Other Postemployment Benefits, which are included in the consolidated financial statements. Our opinion was not modified with respect to these matters.

**Other findings or issues**

There are no other findings or issues arising from the 2017 audit that are, in our professional judgment, significant and relevant to those charged with governance, regarding their oversight of the financial reporting process.
AGENDA ITEM: Update on Small Business Procurement Compliance with State Statute

☐ Review ☐ Review + Action ☐ Action ☒ Discussion

☐ This is a report required by Board policy.

PRESENTERS: Suzanne Paulson, Assistant Controller

PURPOSE & KEY POINTS

The purpose of this item is to review the University’s compliance with MN Statute 127.31, and discuss efforts that have been put in place to achieve compliance.

The statute requires the University to award 20 percent of purchasing contracts to small businesses that are located in the state when state-appropriated funds are used. Compliance with the statute is complicated by the fact that the University has multiple funding sources, including federal funds that prohibit the use of geographical preference in selecting vendors.

This item updates the committee on the action plan outlined at its December 2016 meeting to address a recommendation made in the February 2014 University-wide audit of the purchasing process regarding compliance with MN Statute 137.31. In June 2016, the committee directed the Chief Auditor to work with the Office of General Counsel and appropriate state offices to achieve full compliance or find an exception.

BACKGROUND INFORMATION

MN Statute 137.31 was enacted in 1979 and last amended in 1993. The statute states that the “Regents shall designate and set aside for awarding to small businesses 20 percent of the procurement contracts resulting from state appropriations.” The statute also stipulates that the small businesses must be located in Minnesota.

The University receives $870 million in federal funding for grants and contracts and federal regulations prohibit geographical preferences related to purchasing. The University manages the competing priorities of funding sources by taking a broader look at small business spending across all funds through the single procurement process.

The University’s purchasing environment today is different from the purchasing environment of 1979 and 1993. The mobile and technology environments allow small businesses to have a broader geographical presence. Small businesses are defined by the U.S. Small Business Administration (SBA) and are specific to each business category. Unless small businesses are targeting government-funded procurements, they have no incentive to register with SBA.
Historically, the University has not focused on the small business designation, but rather devoted resources toward targeted supplier spend. Goals for utilization of targeted suppliers are jointly set by the Office of Business and Community Economic Development (BCED) and Purchasing Services. FY 2017 showed an $11 million growth in the targeted supplier spend.
Update on Small Business Procurement Compliance with State Statute

Sue Paulson, Assistant Controller
2017 Action Plan

Increased emphasis on the use of small and targeted business via a four point program.

Establish goals in the small business program.
1. Identify and Promote Opportunity

- OBCED Sponsored the *Targeted Business Networking Fair* and the *Construction Expo & Goods and Services Matchmaker*
- Participated in nine events (North Central Minority Supplier Development Council, SBA sponsored Greater Minnesota Procurement Fair)
- Created print and electronic brochure highlighting ways to connect with University purchasers

University named the North Central Minority Supplier Development Council *2017 Corporation of the Year*

University named the Women’s Business Development Center *2017 Corporate Partner of the Year for Supplier Diversity Efforts*
2. Benchmark and Promote Program.

- Purchasing and BCED review of Big Ten Academic Alliance data shows UMN in top quartile.
- BCED and Purchasing met with numerous UMN groups to promote targeted supplier program.
3. Flag Business in U Market and elsewhere
3. Flag Business in U Market and elsewhere

<table>
<thead>
<tr>
<th>Supplier</th>
<th>UWide#</th>
<th>Category</th>
<th>Targeted Businesses</th>
<th>Small Business</th>
<th>U Market</th>
<th>PCard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro Travel &amp; Tours (View Agreement)</td>
<td>U131.7</td>
<td>Travel Agencies Agent Assisted &amp; Online Booking</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kelly Mitchell Group, Inc (View Agreement)</td>
<td>U239.3</td>
<td>Information Technology Services - Staff Augmentation</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovative Office Solutions (View Agreement)</td>
<td>U264.1</td>
<td>Toner</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovative Office Solutions (View Agreement)</td>
<td>U264.2</td>
<td>Office Supplies</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. Update PeopleSoft Small Business Designations

- All active PeopleSoft suppliers (36,000+) were updated with current status in July 2017.
- This status includes the BCED accepted third party certifying agencies.
## Goals & Spend Results
### All Funds - FY17

<table>
<thead>
<tr>
<th>Category</th>
<th>Goals</th>
<th>Small Business All States</th>
<th>Small Business Minnesota Only</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Spend %</td>
<td>$72,336,952</td>
<td>$43,178,629</td>
</tr>
<tr>
<td>Goods &amp; Services</td>
<td>6% of total spend</td>
<td>$72,336,952</td>
<td>$43,178,629</td>
</tr>
<tr>
<td>Construction*</td>
<td>2% of total spend</td>
<td>$1,565,123</td>
<td>$1,225,009</td>
</tr>
</tbody>
</table>

*Construction spend does not include small business subcontractors or targeted workforce utilization*
State of Minnesota Collaboration Plans

• Purchasing met with the Chief Procurement Officer at the State of Minnesota.
  – Discussed shared and individual challenges in meeting requirements.
  – Agreed to meet quarterly to develop joint strategies.
BCED and Purchasing Services are committed partners striving for increased use of targeted and small businesses.
AGENDA ITEM: Information Items

☐ Review  ☐ Review + Action  ☐ Action  X Discussion

This is a report required by Board policy.

PRESENTERS: Gail Klatt, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to deliver the required semi-annual Controller's Report, the semi-annual Chief Compliance Officer Report, and the Institutional Conflict of Interest Report.

Semi-Annual Controller's Report

The semi-annual Controller’s Report provides information regarding recent activities in University financial operations that have strengthened financial reporting, enhanced internal controls, improved management of financial risks, provided better services to the University community, and maximized the institution's financial resources. Highlights include:

- Update on the new travel and expense system project.
- Update on the system-wide roll out of the prepaid debit card program.
- Overview of enhancements to the targeted supplier program.
- Overview of improvements to the External Sales process
- Discussion of new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB), which the University has not implemented at this time. Management is currently determining if these standards apply to the University, as well as the likely impacts on the University's accounting and reporting.

Semi-Annual Chief Compliance Officer Report

The semi-annual Chief Compliance Officer’s report provides information on work activities within the Institutional Compliance Program Office to monitor and enhance the University’s culture of compliance. The report addresses:

- Updates on Previously Reported Matters
- Compliance Risk Assessment Summaries
- Compliance Education and Training
- Review of UReport Investigation Management Process
- UReport Statistics
Institutional Conflict of Interest Report

The purpose of this report is to inform the Board on institutional conflict of interest matters as required by the Board of Regents Policy: Institutional Conflict of Interest.

BACKGROUND INFORMATION

The Controller’s Report is prepared semi-annually and presented to the Audit & Compliance Committee in conformance with Board of Regents Policy: Board Operations and Agenda Guidelines. The Chief Compliance Officer Report is prepared semi-annually and presented to the Audit & Compliance Committee in conformance with Board of Regents Policy: Audit Committee Charter. The Institutional Conflict of Interest Report is presented annually to the Audit & Compliance Committee in conformance with Board of Regents Policy: Institutional Conflict of Interest.
During the last six months, the Controller’s Office has continued our work to maximize the institution’s financial resources and enhance financial operations. This report presents a summary of activities completed to enhance internal controls, assess and implement new accounting and reporting standards, and better manage financial risks.

I. Activities to enhance internal controls, better manage financial risks, reduce costs, and improve services to the University community

*Travel and Expense System Implementation*

The travel and expense system project team is creating one best-practice path through the entire travel process using new tools and integrating them with PeopleSoft. This provides flexibility for people to choose to enter/exit the procedures and tools at key points. The team altered its implementation plan from a single go-live date to a phased rollout. The phased approach allows for a limited release with targeted groups beginning to use the new tools and redesigned procedures as soon as they’re available. Processes and tools have been designed to enhance efficiency, maximize the traveler experience, and create a model for the rest of the University. Stakeholder groups are actively testing the new processes and tools in anticipation for the first pilot in winter 2018.

This project was chartered as a result of the Administrative Services Benchmarking and Diagnostic Study completed in June 2013. Work was paused while the Enterprise Systems Upgrade work on the PeopleSoft systems took place and those systems/changed processes were stabilized. The implementation project began in October 2016. During 2017 a software partner was selected, new contract travel agencies were brought on board, and a new corporate travel card program has entered an initial pilot. In winter 2018, the first pilot group will begin using the system. Subsequent phases in 2018 will include broader rollout of the new tools and redesigned procedures including comprehensive review and redesign of policy.

*Pre-Paid Debit Card Program*

In collaboration with research study coordinators, Purchasing Services successfully rolled out a prepaid debit card program system-wide. The reloadable prepaid card is available as a payment option for study participants and similar processes. The card offers a faster and safer method of payment and provides an alternative to checks, gift cards and petty cash. To date, over 1,800 payments have been made to participants in 65 studies. $123,000 has been disbursed via the Pre-Paid Debit Card program to date. Units that use the program report efficiencies in the clinical study participant payment process.
**Targeted Supplier Program**

The supplier file, consisting of over 100,000 records, was updated with demographical and business entity designation information by Purchasing Services. This resulted in better information for understanding the entities from which we purchase goods and services, including small and targeted suppliers. A designation was added to both U Market and the University-wide contract library that highlights a supplier as a targeted supplier. Targeted spend data was added to college business unit spend reports to help units understand their use of targeted suppliers.

**Purchase Contracts below $50,000**

Purchasing Services and the Office of General Council created tools to better guide University faculty and staff during the review and negotiation of purchasing contracts for less than $50,000. The use of the tools has lessened confusion related to contract terms and conditions and streamlined the legal review process as reported by the Office of General Council.

**Financial Reports and Data**

Upgraded versions of the two most commonly used financial reports were released for system-wide use in October 2017. The UM Analytics versions of the Account Budget Status and Transaction Detail reports represent on average 45% of the 1.6 million financial reports generated annually. The new report versions represent Finance’s first release of reports in the new reporting tool, UM Analytics. This is the first step toward the future conversion of over 50 financial reports and creation of new financial reports and dashboards based on consumer need. This collaboration by finance leaders in central units, colleges, system-wide report consumers, and the Office of Information Technology created better, more efficient financial reports with additional functionality, for generating and viewing reports or exporting the data.

Also in October, the Controller’s Office and the Office of the Vice President for Research collaboratively developed the Master Subject Area of Grants, Projects, and Contracts (GPC) in UM Analytics. Both initiatives support the long term financial reporting strategy and both meet the needs of and provide additional functionality to financial report and data consumers.

**External Sales Process Improvements**

The Internal/External Sales Office piloted a University-wide process to enter and manage external sales contracts in the Enterprise Financial System (EFS) Contracts module. The process will allow for electronic management of external sales contracts, real time reports related to external sales contracts, automation of the billing process, and elimination of both central unit and recharge center shadow systems for external sale contract management.

**II. Accounting and Financial Reporting Matters**

The Governmental Accounting Standards Board (GASB) issued the following accounting and reporting standards. Management is in the process of determining if they apply to the University and if so, what impact they may have. These standards and the related implementation dates are explained below.
• In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This replaces the requirements of two existing standards (GASB 45 and 57). It establishes new requirements for governments whose employees are provided with other postemployment benefits (OPEB), and for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement is effective for the fiscal year ending June 30, 2018.

• In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. This requires the University to recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement, if it receives resources from an irrevocable split-interest agreement (used by donors to provide resources to two or more beneficiaries). The University would also be required to recognize assets representing beneficial interests in such agreements when administered by a third-party, if the University controls the present service capacity of the beneficial interests. This statement is effective for the fiscal year ending June 30, 2018.

• In March 2016, the GASB issued Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. This addresses issues related to three areas: 1) presentation of payroll-related measures in required supplementary information; 2) selection of assumptions and treatment of deviations from guidance in an Actuarial Standard of Practice for financial reporting; and 3) classification of payments made by employers to satisfy employee (plan member) contributions requirements. The provisions related to payroll related measures and classification of payments related to required contributions were effective for fiscal year ending June 30, 2017. The provision for actuarial assumptions are effective for the fiscal year ending June 30, 2018.

Management anticipates no impact for the remaining provision for actuarial assumptions as it applies to the University’s financial statements.

• In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations. This addresses certain asset retirement obligations (AROs), a legally enforceable liability associated with the retirement of a tangible capital asset. It establishes the criteria for recognition of a liability and corresponding deferred outflow of resources, as well as requiring disclosure of information related to AROs. This statement is effective for the fiscal year ending June 30, 2019.

• In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This establishes criteria for identifying when (1) the University is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria apply to fiduciary component units and postemployment benefit arrangements. An activity meeting the criteria will require the University to present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 also provides guidance on recognition of a liability to the beneficiaries in a fiduciary fund when the University is obligated to disburse fiduciary resources. This statement is effective for the fiscal year ending June 30, 2020.

• In March 2017, the GASB issued Statement No. 85, Omnibus 2017. This addresses practice issues identified during the implementation and application of certain GASB Statements. It addresses a variety of topics including issues related to blending component units, goodwill, fair
value measurement and application, and postemployment benefits. This statement is effective for the fiscal year ending June 30, 2018.

- In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This addresses accounting and financial reporting for in-substance defeasance of debt when cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. For the purposes of calculating the gain or loss on the defeasance (difference between the reacquisition price and net carrying amount of the debt), it requires any remaining prepaid insurance related to the extinguished debt to be included in the net carrying amount of that debt. The statement is effective for the fiscal year ending June 30, 2018.

- In June 2017, the GASB issued Statement No. 87, *Leases*. This establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the fiscal year ending June 30, 2021.
INTRODUCTION

This report addresses the following: (I) Updates on Previously Reported Matters; (II) Compliance Risk Assessment Summaries; (III) Compliance Education and Training, (IV) Review of UReport Investigation Management Process, and (V) UReport Statistics. Additional information regarding the University’s Office of Institutional Compliance (OIC) is available on the OIC website. Links to relevant resources are also provided.

http://www.compliance.umn.edu/complianceHome.htm

I. UPDATES ON PREVIOUSLY REPORTED MATTERS

A. Failure to Meet Clery Act Reporting Deadline

Summary: In the May of 2017 report to the Board of Regents Audit and Compliance Committee it was reported that the University of Minnesota Crookston published and distributed its Annual Security and Fire Safety Report (ASFSR) two weeks after the October 1, 2016 deadline required under the Clery Act. A plan was put into place in which the Clery Compliance Coordinator will henceforth regularly follow-up with the University of Minnesota Crookston administrator responsible for distribution of its ASFSR to ensure that the October 1st deadline is met.

Update: The University of Minnesota Crookston published and distributed its 2017 ASFSR in a timely fashion.

II. COMPLIANCE RISK ASSESSMENT SUMMARIES

Compliance Risk Assessment (CRA) process description: The CRA process is designed to be a collaborative, cross-functional, and cross-educational strategy for the oversight of the management of significant compliance risks. The process involves detailed research into compliance topics, working with stakeholders to develop and implement topic specific compliance risk assessment tools, and providing support for stakeholders to take action on identified opportunities for program enhancement. Four CRAs, including Safety of Minors, Lab Safety, Campus Safety, and Export Controls were initiated in July 2017. The Safety of Minors review has been completed and a summary is provided below. The other three CRAs have progressed well and a summary for each will be provided in the chief compliance officer’s May 2018 report to the Board of Regents Audit and Compliance Committee.

A. Safety of Minors
Background: The University has held programs for minors on all system campuses for decades. These programs cover a wide-range of topics and locations (part of academic programs, in University athletic facilities, through University 4H programs, and recreational sports, to name a few.) Administrative Policy: Safety of Minors was developed and published in September 2013, using incidents that had occurred nationally as a catalyst for shoring up our processes and procedures.

This policy expands the mandatory reporting under Minnesota Statute 626.556 Reporting of Maltreatment of Minors to include all University of Minnesota employees. In addition, this policy requires: the registration of events or programs, completion of criminal background checks, completion of standardized training course; compliance with the health and safety measures, and certification by non-University organizations that their individuals who work with minors have received training and undergone criminal background checks.

Findings: The requirements established and conveyed in Administrative Policy: Safety of Minors align well with best practices at other institutions. The policy contact person responds to questions about the policy and its requirements. She also maintains a registration website for programs involving minors and she works with the policy owners on maintaining/revising the administrative policy. The policy contact monitors the Brief and email announcements to identify programs for minors that have not yet registered. Program leaders are responsible, Per Administrative Policy: Safety of Minors, for the oversight and compliance components of their own programs involving minors. Compliance with policy requirements across programs is not routinely monitored by the policy owners.

Opportunities: There is an opportunity to implement an effective monitoring structure that better ensures that the policy requirements in Administrative Policy: Safety of Minors are being followed University-wide. The policy owners have agreed to work toward a solution and, as of November 22, 2017, have developed a tentative plan that provide for internal compliance monitoring for each of the policy requirements. This plan also includes an action plan approach in the event that non-compliance is detected, including corrective action and escalation (if needed).

III. COMPLIANCE EDUCATION AND TRAINING

A robust online employee education system is an essential part of an effective compliance program in an institution the size of the University of Minnesota. The University identified a need to replace the current employee education management system. The chief compliance officer and a number of compliance partners worked collaboratively with the Office of Human Resources and the Office of Information Technology to determine the best solution for the training and education of employees. With thoughtful review of University priorities and available options, the decision has been made to leverage the University’s existing investment in Canvas (our new enterprise learning management system for students), with a front-end user interface, or hub, already under development by the Academic Health Center. It is anticipated that this new system will be in place in time for the sun-setting of the present system, known as ULearn. The chief compliance officer and key compliance partners will remain engaged in the governance of this solution.
IV. REVIEW OF UREPORT INVESTIGATION MANAGEMENT PROCESS

The OIC is responsible for the administration of the University’s anonymous reporting system, UReport. This includes ensuring that UReport related investigations are conducted by responsible parties in a thorough and consistent way. Toward that end the OIC has been working collaboratively with frequent UReport stakeholders to develop an enhanced set of investigation procedures and reporting standards. The procedures are not intended to replace any established investigation process, but are intended to set minimum standards for any investigation. These new reporting standards will ensure that the OIC receives the information needed to verify that an appropriate investigation has been conducted and that subsequent actions were taken, where needed.

V. UREPORT STATISTICS

A. Statistics: July 1, 2016 through June 30, 2017

UReport is the University’s confidential web-based reporting service. This reporting service is currently provided by Navex Global, an independent company that provides similar services for hundreds of companies and universities. UReport is intended to be used to report violations of local, state and federal law as well as violations of University policy. This reporting system is not intended to be used for employment concerns that do not involve legal or policy violations or that involve purely student concerns, except with respect to Medical School students, or issues for which the University is not responsible. Reporters may submit reports either via a hotline or the web. Reports may also be submitted anonymously. Those who submit reports are expected to report good faith concerns and to be truthful and cooperative in the University’s investigation of allegations.

UReport has been in existence at the University since 2005. Since its inception, a total of 1730 reports have been submitted, averaging approximately 140 per year. During the period of July 1, 2016 through June 30, 2017, 165 reports were submitted. Of these, 81% were submitted anonymously. Nearly 80% of the reports involve claims regarding:

- Hiring, advancement, discipline or termination
- Discrimination, harassment and/or equal opportunity
- Abuses in wage, benefits, vacation, overtime, and leaves
- Property, Facilities, and Equipment
# UReport Statistics

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<tr>
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<th>Running Total from Launch (August 2005)</th>
<th>July 1, 2016 to June 30, 2017</th>
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<td>165</td>
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<tr>
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<td>93%</td>
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<tr>
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<tr>
<td>% Substantiated</td>
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<td>23%</td>
</tr>
</tbody>
</table>

*15 substantiated UReports with the same allegation at UMD (substantiated)
*7 UReports with the same allegation at UMC (unsubstantiated)

## UReports by Category

- **Human Resources**: 64%
- **Property, Facilities & Equipment**: 15%
- **Other**: 7%
- **Research**: 5%
- **Athletics**: 3%
- **Finance**: 1%
- **Health & Safety**: 5%
- **Human Resources**: 64%

*UReports by Category* (Diagram)

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In 2017 the Conflict of Interest (COI) Program received 234 Financial Disclosures for University Officials (FDUO), a 100% compliance rate. The number of FDUO filings will be reduced in future years due to Board of Regents approval to remove the following positions from the definition of “University Official” in Board of Regents Policy: Institutional Conflict of Interest: vice chancellors; associate and assistant deans; vice provosts; associate and assistant vice provosts; assistant vice presidents.

The Institutional Conflict Review Panel reviewed four proposed clinical trials involving the evaluation of University licensed technology. Under University policy it is presumed that research involving evaluation of University licensed technology which poses “more than minimal” risk to human participants will not be conducted at the University, absent compelling circumstances. The Institutional Conflict Review Panel approved conflict management plans in each of the four cases, enabling the University to conduct the clinical trials while protecting human participants and the integrity of the University’s research.

Revisions to President Kaler’s conflict management plan, made in response to his son leaving the employment of a potential vendor, were presented for discussion to the Board of Regents on October 13th, 2017. Pending Board of Regents approval the revised plan will take effect December 15th, 2017.

The COI Program conducted its annual review of financial relationships the University has with business entities through technology commercialization, gifts, vendor contracts, and sponsored research. The COI Program did not identify any interests that compromise the integrity of University research, teaching, outreach, and other mission-related activities.