



Audit & Compliance Committee

February 2019

February 7, 2019

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

Boardroom, McNamara Alumni Center

AUD - FEB 2019

1. External Auditor's Review of Completed Audit Work and Proposed Audit Approaches for FY 2019

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Deloitte Presentation - Page 4

OHE Report for University of Minnesota Crookston - Page 13

OHE Report for University of Minnesota Duluth - Page 18

OHE Report for University of Minnesota Morris - Page 23

OHE Report for University of Minnesota Twin Cities & Rochester - Page 28

NCAA Agreed Upon Procedures Report for University of Minnesota Twin Cities - Page 33

NCAA Agreed Upon Procedures Report for University of Minnesota Duluth - Page 48

2. Update on the Remediation of Twin Cities Undergraduate Admissions Audit Findings and Benefits of Actions Taken

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3. Internal Audit Update

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4. Information Items

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BOARD OF REGENTS

DOCKET ITEM SUMMARY

Audit & Compliance

February 7, 2019

AGENDA ITEM: External Auditor's Review of Completed Audit Work and Proposed Audit Approaches for FY 2019

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

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

PURPOSE & KEY POINTS

The purpose of this item is to discuss FY 2018 audit and audit-like services performed by Deloitte & Touche, LLP (Deloitte) since the update in December 2018. Services to be discussed include:

- Minnesota Office of Higher Education financial aid programs examination for Twin Cities, Rochester, Duluth, Crookston and Morris campuses.
- NCAA Agreed-Upon Procedures, Twin Cities campus.
- NCAA Agreed-Upon Procedures, Duluth campus.

The item will also include a discussion of Deloitte's proposed audit approaches for FY 2019.

BACKGROUND INFORMATION

The Audit & Compliance Committee oversees external audit engagements on behalf of the Board of Regents. This report is presented in accordance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

Deloitte.



University of Minnesota

Report to the Audit & Compliance Committee of the Board of Regents

To be presented February 7, 2019

Summary of other 2018 audit and audit-related services

The other services provided to the University of Minnesota by Deloitte & Touche LLP in 2018 included both audit and audit-like services.

A summary of the other audit services performed includes:

Service	Audit Requirement	Objective	Assurance Provided?
Federal Compliance Audit	Office of Management and Budget	Test compliance with federal grant requirements	Full
OHE Examination	Minnesota Office of Higher Education	Test compliance of state financial aid programs	Full

Detailed information related to each of the other audit services includes:

Uniform Grant Guidance Federal Compliance Audit

- Audit report on the schedule of expenditures of federal awards for the year ended June 30, 2018, issued in November 2018
- Audit performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- Uniform Grant Guidance required for entities with federal expenditures in excess of \$750,000
 - Total University of Minnesota (the “University”) federal expenditures for the year ended June 30, 2018 were ~\$1.014 billion

Uniform Grant Guidance Federal Compliance Audit (continued)

- Identified the following as major federal programs to be tested:

Major Federal Program	2018 Federal Expenditures (in thousands)
Research and Development programs	\$492,000
Student Financial Assistance programs	422,000
USAID	14,800
Sea Grant Support	1,300

- The University continues to qualify as a low-risk auditee
- Unmodified opinions on compliance for all major programs
- No significant deficiencies or material weaknesses in internal control over financial reporting
- No material instances of noncompliance for major programs
- No findings or questioned costs were identified

Minnesota Office of Higher Education Financial Aid Programs examination

- Compliance examination for state grants performed in connection with Federal compliance audit
- Required procedures are outlined in the Financial Aid Programs Audit Guide issued by the state of Minnesota
- Reports on compliance issued for each campus (Twin Cities, Duluth, Crookston, Morris)
- Reports issued in December 2018
- No findings were identified

A summary of audit-related procedures includes:

Service	Compliance Requirement	Objective	Assurance Provided?
NCAA agreed-upon procedures Twin Cities	NCAA Bylaws	Assess compliance with NCAA bylaws established for Division I athletics related to revenue and expenses	Limited
NCAA agreed-upon procedures Duluth	NCAA Bylaws	Assess compliance with NCAA bylaws established for Division II athletics related to revenue and expenses	Limited
Regenerative Medicine agreed-upon procedures	Minnesota state legislation	Assess compliance with state laws related to award expenditures for the Mayo Partnership in Regenerative Medicine	Limited

Detailed information related to each of the compliance services includes:

NCAA agreed-upon procedures – Twin Cities

- Procedures performed for the University of Minnesota – Twin Cities Athletic Department's compliance with NCAA bylaws
- Procedures are established by the NCAA for Division I athletics and include procedures over:
 - Revenues
 - Expenses
 - Capital assets
 - Debt
 - Affiliated organizations (Booster Clubs)
 - Internal controls
- Report issued in January 2019
- No findings were identified

NCAA agreed-upon procedures – Duluth

- Procedures performed for the University of Minnesota – Crookston Athletic Department's compliance with NCAA bylaws
- Procedures are established by the NCAA for Division II athletics and include procedures over:
 - Revenues
 - Expenses
 - Capital assets
 - Internal controls
- Report issued in January 2019
- One finding noted and communicated to management:
 - Coaches salary testing: One coach received \$1,955 more in compensation than outlined within their contract.

Regenerative Medicine agreed-upon procedures

- Procedures performed for the University's compliance with Minnesota state laws for the Mayo Partnership in Regenerative Medicine
- Procedures performed over award expenditures for the period from July 1, 2016 to June 30, 2018
- Report issued in November 2018
- No findings were identified

Uniform grant guidance audit scoping

With the issuance of the Uniform Grant Guidance in 2013 by the Office of Management and Budget (OMB), previous guidance was refocused to areas that have been identified as at risk for waste, fraud, and abuse. This new guidance effectively renamed an A-133 Single Audit to Uniform Grant Guidance (UGG).

UGG is applicable for the University. The most significant changes between the UGG and the prior A-133 Single Audit guidance that impacted the scoping of the federal compliance audit for the University are:

- Requirement to test 20% of total expenditures, a decrease from the prior requirement of 25%, for low-risk auditees
- Inability by the auditor to judgmentally determine the inherent risk of federal programs

As a major land grant research institution, historically we have identified both the Student Financial Assistance cluster (SFA) and the Research and Development cluster (R&D) as **high risk Type A** programs on an annual basis, resulting in many years where more than 90% of total expenditures were tested (far in excess of the required 20% of total expenditures).

With the positive results seen in the results for prior year UGG audits we have prepared the following summary to discuss with the Audit and Compliance Committee potential changes in UGG audit scoping and risk assessment of the R&D cluster for our FY2019 audit.

The risk assessment process for the annual UGG audit scoping includes the following:

Auditee Risk Assessment

- To be low risk, for each of the two preceding audit periods:
 - Uniform Grant Guidance audits performed & reports submitted to the Federal Audit Clearinghouse
 - Unmodified opinions on financial statements and the Schedule of Expenditures of Federal Awards
 - No material weakness in internal control
 - No emphasis related to going concern
 - No Type A programs with:
 - Material noncompliance with modified opinion
 - Material weaknesses in internal control
 - Known or likely questioned costs >5% of program expenditures

The University continues to qualify as a **low risk auditee**.

Major Program Risk Assessment

Type A Risk Assessment

- Audited as a major program at least once during most recent two audit periods
- In most recent audit period, **no** audit findings that are:
 - Material weakness in internal control
 - Modified opinion on the major program
 - Known or likely questioned costs > 5% of total awards expended for the program

Type B Risk Assessment

- Current and prior year experience, including
 - Weaknesses in internal controls
 - Prior audit findings
 - New or changed systems
 - Programs not recently audited as major
- Findings by federal auditors
- Inherent risk (complex, new, ending, large)
- Significant subrecipients

For the FY2018 Uniform Grant Guidance audit, the following is a summary of the scoping and identification of major programs:

Major Federal Program	2018 Federal Expenditures (in thousands)
Student Financial Assistance programs (Type A) *	\$422,000
Research and Development programs (Type A)	492,000
USAID (Type A)	14,800
Sea Grant Support (Type B)	1,300
Programs not tested	84,700
Total expenditures	\$1,014,800
% of expenditures tested	92%

* On an annual basis, due to both federal requirements as well as examination procedures that are performed over state financial aid programs, the Student Financial Assistance programs is tested as a major program.

Based on this approach, proposed FY2019 and FY2020 Uniform Grant Guidance audit scoping for major programs is as follows:

Major Federal Program	2019 Estimated Expenditures (in thousands)	2020 Estimated Expenditures (in thousands)
Student Financial Assistance programs (Type A)	\$425,000	\$425,000
Research and Development programs (Type A) **	-	475,000
Type A Program	15,000	15,000
Type B Program	1,300	1,300
Programs not tested	560,000	85,000
Total expenditures	\$1,001,300	\$1,001,300
% of expenditures tested	56%	92%

** 2019 expenditures included with the total amount for "programs not tested"

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About Deloitte

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REPORT PACKAGE COVER PAGE

The purpose of this report cover is to identify each
Minnesota Office of Higher Education
Financial Aid Program covered by this report package

UNIVERSITY OF MINNESOTA

MINNEAPOLIS, MN

COMPLIANCE ATTESTATION EXAMINATION
OF MINNESOTA OFFICE OF HIGHER EDUCATION FINANCIAL AID PROGRAMS

UNIVERSITY OF MINNESOTA – CROOKSTON

- * Minnesota State Grant Program
- * Student Educational Loan Fund
- * Non-AFDC Child Care Grant Program
- * Minnesota State Work Study Program
- * Minnesota Indian Scholarship Program
 - * Minnesota GI Bill Program
- * Minnesota-North Dakota Reciprocity Program
- * Minnesota-South Dakota Reciprocity Program
- * Minnesota-Wisconsin Reciprocity Program
 - *Minnesota Dream Act

FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2018

DELOITTE & TOUCHE LLP
Certified Public Accountants

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Minnesota Office of Higher Education Programs Examined:

*Minnesota State Grant Program
*Student Educational Loan Fund
*Non-AFDC Child Care Grant Program
*Minnesota State Work Study Program
*Minnesota Indian Scholarship Program
*Minnesota GI Bill Program
*Minnesota-North Dakota Reciprocity Program
*Minnesota-South Dakota Reciprocity Program
*Minnesota-Wisconsin Reciprocity Program
*Minnesota Dream Act

Other campuses/locations considered as part of this entity and covered or excluded by this examination are:

*University of Minnesota-Crookston

Institution's Primary Accrediting Organization: Higher Learning Commission

Other Accrediting Organizations: Additional accrediting organizations available upon request

Records for the accounting and administration of the Minnesota Office of Higher Education Financial Aid Programs are located at (provide location): University of Minnesota – Crookston

Deloitte.

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INDEPENDENT ACCOUNTANTS' REPORT

We have examined management of the University of Minnesota – Crookston's (the "Crookston Campus") assertion that the Crookston Campus complied with Minnesota statutes, rules, and procedures governing its participation in the Minnesota Office of Higher Education (OHE) Financial Aid Programs for the year ended June 30, 2018. The Crookston Campus' management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, *Government Auditing Standards*, issued by the Comptroller General of the United States; the Audit (Attestation) Guide, *Audits/Attestation Engagements of Federal Student Financial Assistance Programs*, issued by the U.S. Department of Education; Office of the Inspector General and the Minnesota Office of Higher Education Audit and Program Review Guide for Fiscal Year 2015-16 (most recent guide). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment and sample sizes prescribed by OHE, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the Crookston Campus complied with Minnesota statutes, rules, and procedures governing its participation in the OHE Financial Aid Programs for the year ended June 30, 2018 is fairly stated, in all material respects.

Deloitte & Touche LLP

December 12, 2018

**Accountants' Comments
on the Resolution of Prior Audit Findings,
Recommendations and Questioned Costs**

No findings, recommendations, or questioned costs were disclosed in the 2017 OHE accountants' report.

UNIVERSITY OF MINNESOTA - CROOKSTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Program	Population	Sample	Instances of	
			Material Noncompliance*	Questioned Costs
Minnesota State Grant Program	502**	3**	0	0
Student Educational Loan Fund	20	18	0	0
Non-AFDC Child Care Grant Program	4	3	0	0
Minnesota State Work Study Program	73	27	0	0
Minnesota Indian Scholarship Program	3	3	0	0
Minnesota GI Bill Program	6	5	0	0
Minnesota-North Dakota Reciprocity Program	123	5	0	0
Minnesota-South Dakota Reciprocity Program	14	5	0	0
Minnesota-Wisconsin Reciprocity Program	79	5	0	0
Minnesota Dream Act	2	2	0	0

* Material noncompliance is defined as any error greater than \$10,000 and all instances when a state statute or other law was found to have been violated.

** The Twin Cities campus does the set-up/programming/equations, runs the batch packaging process, and posts Minnesota State Grant awards for Crookston, Duluth, Morris, and Twin Cities/Rochester students. Rochester operates under the Twin Cities campus for all financial aid purposes. We looked at Crookston, Morris, and Twin Cities/Rochester campuses in total for our examination purposes, however, the population and sample noted herein represent just the Crookston campus population and selected sample.

No examination findings or questioned costs were identified.

REPORT PACKAGE COVER PAGE

The purpose of this report cover is to identify each
Minnesota Office of Higher Education
Financial Aid Program covered by this report package

UNIVERSITY OF MINNESOTA
MINNEAPOLIS, MN

COMPLIANCE ATTESTATION EXAMINATION
OF MINNESOTA OFFICE OF HIGHER EDUCATION FINANCIAL AID PROGRAMS

UNIVERSITY OF MINNESOTA – DULUTH

- * Minnesota State Grant Program
- * Student Educational Loan Fund
- * Non-AFDC Child Care Grant Program
- * Minnesota State Work Study Program
- * Minnesota Indian Scholarship Program
 - * Minnesota GI Bill Program
- * Minnesota-North Dakota Reciprocity Program
- * Minnesota-South Dakota Reciprocity Program
- * Minnesota-Wisconsin Reciprocity Program
 - *Manitoba Reciprocity Program
 - *Minnesota Dream Act
- *Minnesota Public Safety Officer's Survivor Grant
- *Minnesota Teacher Candidate Grant

FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2018

DELOITTE & TOUCHE LLP
Certified Public Accountants

AUDITOR INFORMATION SHEET

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Minnesota Office of Higher Education Programs Examined:

- *Minnesota State Grant Program
- *Student Educational Loan Fund
- *Non-AFDC Child Care Grant Program
- *Minnesota State Work Study Program
- *Minnesota Indian Scholarship Program
- *Minnesota GI Bill Program
- *Minnesota-North Dakota Reciprocity Program
- *Minnesota-South Dakota Reciprocity Program
- *Minnesota-Wisconsin Reciprocity Program
- *Manitoba Reciprocity Program
- *Minnesota Dream Act
- *Minnesota Public Safety Officer's Survivor Grant
- *Minnesota Teacher Candidate Grant

Other campuses/locations considered as part of this entity and covered or excluded by this examination are:

*University of Minnesota-Duluth

Institution's Primary Accrediting Organization: Higher Learning Commission

Other Accrediting Organizations: Additional accrediting organizations available upon request

Records for the accounting and administration of the Minnesota Office of Higher Education Financial Aid Programs are located at (provide location): University of Minnesota – Duluth



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INDEPENDENT ACCOUNTANTS' REPORT

We have examined management of the University of Minnesota – Duluth's (the "Duluth Campus") assertion that the Duluth Campus complied with Minnesota statutes, rules, and procedures governing its participation in the Minnesota Office of Higher Education (OHE) Financial Aid Programs for the year ended June 30, 2018. The Duluth Campus' management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, *Government Auditing Standards*, issued by the Comptroller General of the United States; the Audit (Attestation) Guide, *Audits/Attestation Engagements of Federal Student Financial Assistance Programs*, issued by the U.S. Department of Education; Office of the Inspector General and the Minnesota Office of Higher Education Audit and Program Review Guide for Fiscal Year 2015-16 (most recent guide). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment and sample sizes prescribed by OHE, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the Duluth Campus complied with Minnesota statutes, rules, and procedures governing its participation in the OHE Financial Aid Programs for the year ended June 30, 2018 is fairly stated, in all material respects.

Deloitte & Touche LLP

December 12, 2018

**Accountants' Comments
on the Resolution of Prior Audit Findings,
Recommendations and Questioned Costs**

No findings, recommendations, or questioned costs were disclosed in the 2017 OHE accountants' report.

UNIVERSITY OF MINNESOTA - DULUTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

Program	Population	Sample	Instances of	
			Material Noncompliance*	Questioned Costs
Minnesota State Grant Program	3059**	45**	0	0
Student Educational Loan Fund	390	42	0	0
Non-AFDC Child Care Grant Program	5	4	0	0
Minnesota State Work Study Program	397	43	0	0
Minnesota Indian Scholarship Program	24	19	0	0
Minnesota GI Bill Program	14	11	0	0
Minnesota-North Dakota Reciprocity Program	82	5	0	0
Minnesota-South Dakota Reciprocity Program	24	5	0	0
Minnesota-Wisconsin Reciprocity Program	920	5	0	0
Manitoba Reciprocity Program	3	3	0	0
Minnesota Dream Act	4	3	0	0
Minnesota Teacher Candidate Grant	18	14	0	0

* Material noncompliance is defined as any error greater than \$10,000 and all instances when a state statute or other law was found to have been violated.

** The Twin Cities campus does the set-up/programming/equations, runs the batch packaging process, and posts Minnesota State Grant awards for Crookston, Duluth, Morris, and Twin Cities/Rochester students. Rochester operates under the Twin Cities campus for all financial aid purposes.

No examination findings or questioned costs were identified.

REPORT PACKAGE COVER PAGE

The purpose of this report cover is to identify each
Minnesota Office of Higher Education
Financial Aid Program covered by this report package

UNIVERSITY OF MINNESOTA
MINNEAPOLIS, MN

COMPLIANCE ATTESTATION EXAMINATION
OF MINNESOTA OFFICE OF HIGHER EDUCATION FINANCIAL AID PROGRAMS

UNIVERSITY OF MINNESOTA – MORRIS

- * Minnesota State Grant Program
- * Student Educational Loan Fund
- * Non-AFDC Child Care Grant Program
- * Minnesota State Work Study Program
- * Minnesota Indian Scholarship Program
- * Minnesota-North Dakota Reciprocity Program
- * Minnesota-South Dakota Reciprocity Program
- * Minnesota-Wisconsin Reciprocity Program
- *Minnesota Dream Act

FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2018

DELOITTE & TOUCHE LLP
Certified Public Accountants

AUDITOR INFORMATION SHEET

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Minnesota Office of Higher Education Programs Examined:

*Minnesota State Grant Program
*Student Educational Loan Fund
*Non-AFDC Child Care Grant Program
*Minnesota State Work Study Program
*Minnesota Indian Scholarship Program
*Minnesota-North Dakota Reciprocity Program
*Minnesota-South Dakota Reciprocity Program
*Minnesota-Wisconsin Reciprocity Program
*Minnesota Dream Act

Other campuses/locations considered as part of this entity and covered or excluded by this examination are:

*University of Minnesota-Morris

Institution's Primary Accrediting Organization: Higher Learning Commission

Other Accrediting Organizations: Additional accrediting organizations available upon request

Records for the accounting and administration of the Minnesota Office of Higher Education Financial Aid Programs are located at (provide location): University of Minnesota – Morris



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INDEPENDENT ACCOUNTANTS' REPORT

We have examined management of the University of Minnesota – Morris' (the "Morris Campus") assertion that the Morris Campus complied with Minnesota statutes, rules, and procedures governing its participation in the Minnesota Office of Higher Education (OHE) Financial Aid Programs for the year ended June 30, 2018. The Morris Campus' management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, *Government Auditing Standards*, issued by the Comptroller General of the United States; the Audit (Attestation) Guide, *Audits/Attestation Engagements of Federal Student Financial Assistance Programs*, issued by the U.S. Department of Education; Office of the Inspector General and the Minnesota Office of Higher Education Audit and Program Review Guide for Fiscal Year 2015-16 (most recent guide). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment and sample sizes prescribed by OHE, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the Morris Campus complied with Minnesota statutes, rules, and procedures governing its participation in the OHE Financial Aid Programs for the year ended June 30, 2018 is fairly stated, in all material respects.

Deloitte & Touche LLP

December 12, 2018

**Accountants' Comments
on the Resolution of Prior Audit Findings,
Recommendations and Questioned Costs**

No findings, recommendations, or questioned costs were disclosed in the 2017 OHE accountants' report.

UNIVERSITY OF MINNESOTA - MORRIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2018

Program	Population	Sample	Instances of	
			Material Noncompliance*	Questioned Costs
Minnesota State Grant Program	619**	3**	0	0
Student Educational Loan Fund	15	12	0	0
Non-AFDC Child Care Grant Program	2	2	0	0
Minnesota State Work Study Program	68	25	0	0
Minnesota Indian Scholarship Program	0	0	0	0
Minnesota-North Dakota Reciprocity Program	16	5	0	0
Minnesota-South Dakota Reciprocity Program	72	5	0	0
Minnesota-Wisconsin Reciprocity Program	43	5	0	0
Minnesota Dream Act	4	3	0	0

* Material noncompliance is defined as any error greater than \$10,000 and all instances when a state statute or other law was found to have been violated.

** The Twin Cities campus does the set-up/programming/equations, runs the batch packaging process, and posts Minnesota State Grant awards for Crookston, Duluth, Morris, and Twin Cities/Rochester students. Rochester operates under the Twin Cities campus for all financial aid purposes. We looked at Crookston, Morris, and Twin Cities/Rochester campuses in total for our examination purposes, however, the population and sample noted herein represent just the Morris campus population and selected sample.

No examination findings or questioned costs were identified.

REPORT PACKAGE COVER PAGE

The purpose of this report cover is to identify each
Minnesota Office of Higher Education
Financial Aid Program covered by this report package

UNIVERSITY OF MINNESOTA
MINNEAPOLIS, MN

COMPLIANCE ATTESTATION EXAMINATION
OF MINNESOTA OFFICE OF HIGHER EDUCATION FINANCIAL AID PROGRAMS

UNIVERSITY OF MINNESOTA – TWIN CITIES
UNIVERSITY OF MINNESOTA – ROCHESTER

- * Minnesota State Grant Program
- * Student Educational Loan Fund
- * Non-AFDC Child Care Grant Program
- * Minnesota State Work Study Program
- * Minnesota Indian Scholarship Program
 - * Minnesota GI Bill Program
- * Minnesota-North Dakota Reciprocity Program
- * Minnesota-South Dakota Reciprocity Program
- * Minnesota-Wisconsin Reciprocity Program
 - *Manitoba Reciprocity Program
 - *Minnesota Dream Act
- *Minnesota Teacher Candidate Grant

FOR THE STATE FISCAL YEAR ENDED JUNE 30, 2018

DELOITTE & TOUCHE LLP
Certified Public Accountants

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Minnesota Office of Higher Education Programs Examined:

- *Minnesota State Grant Program
- *Student Educational Loan Fund
- *Non-AFDC Child Care Grant Program
- *Minnesota State Work Study Program
- *Minnesota Indian Scholarship Program
- *Minnesota GI Bill Program
- *Minnesota-North Dakota Reciprocity Program
- *Minnesota-South Dakota Reciprocity Program
- *Minnesota-Wisconsin Reciprocity Program
- *Manitoba Reciprocity Program
- *Minnesota Dream Act
- *Minnesota Teacher Grant

Other campuses/locations considered as part of this entity and covered or excluded by this examination are:

- *University of Minnesota-Twin Cities
- *University of Minnesota-Rochester

Institution's Primary Accrediting Organization: Higher Learning Commission

Other Accrediting Organizations: Additional accrediting organizations available upon request

Records for the accounting and administration of the Minnesota Office of Higher Education Financial Aid Programs are located at (provide location): University of Minnesota – Twin Cities

Deloitte.

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INDEPENDENT ACCOUNTANTS' REPORT

We have examined management of the University of Minnesota – Twin Cities' (the "Twin Cities Campus") assertion that the Twin Cities Campus complied with Minnesota statutes, rules, and procedures governing its participation in the Minnesota Office of Higher Education (OHE) Financial Aid Programs for the year ended June 30, 2018. The Twin Cities Campus' management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, *Government Auditing Standards*, issued by the Comptroller General of the United States; the Audit (Attestation) Guide, *Audits/Attestation Engagements of Federal Student Financial Assistance Programs*, issued by the U.S. Department of Education; Office of the Inspector General and the Minnesota Office of Higher Education Audit and Program Review Guide for Fiscal Year 2015-16 (most recent guide). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment and sample sizes prescribed by OHE, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertion that the Twin Cities Campus complied with Minnesota statutes, rules, and procedures governing its participation in the OHE Financial Aid Programs for the year ended June 30, 2018 is fairly stated, in all material respects.

Deloitte & Touche LLP

December 12, 2018

**Accountants' Comments
on the Resolution of Prior Audit Findings,
Recommendations and Questioned Costs**

No findings, recommendations, or questioned costs were disclosed in the 2017 OHE accountants' report.

UNIVERSITY OF MINNESOTA - TWIN CITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

Program	Population	Sample	Instances of	
			Material Noncompliance*	Questioned Costs
Minnesota State Grant Program	7,926**	34**	0	0
Student Educational Loan Fund	1,127	45	0	0
Non-AFDC Child Care Grant Program	141	34	0	0
Minnesota State Work Study Program	1,828	45	0	0
Minnesota Indian Scholarship Program	24	18	0	0
Minnesota GI Bill Program	50	25	0	0
Minnesota-North Dakota Reciprocity Program	350	5	0	0
Minnesota-South Dakota Reciprocity Program	407	5	0	0
Minnesota-Wisconsin Reciprocity Program	4,065	5	0	0
Manitoba Reciprocity Program	13	5	0	0
Minnesota Dream Act	67	25	0	0
Minnesota Teacher Candidate Grant	145	35	0	0

* Material noncompliance is defined as any error greater than \$10,000 and all instances when a state statute or other law was found to have been violated.

** The Twin Cities campus does the set-up/programming/equations, runs the batch packaging process, and posts Minnesota State Grant awards for Crookston, Duluth, Morris, and Twin Cities/Rochester students. Rochester operates under the Twin Cities campus for all financial aid purposes. We looked at Crookston, Morris, and Twin Cities/Rochester campuses in total for our examination purposes, however, the population and sample noted herein represent just the Twin Cities campus population and selected sample.

No examination findings or questioned costs were identified.

NDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Regents and
Athletic Director Mark Coyle
University of Minnesota
Minneapolis, Minnesota

We have performed the procedures enumerated below, which were agreed to by the University of Minnesota Athletics Department (the "University"), on the accounting records as of and for the year ended June 30, 2018, solely to assist you in evaluating whether the accompanying statement of revenues and expenditures and the related notes (the "Statement") is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 and FY2018 Financial Agreed-Upon Procedures dated April 20, 2018 ("NCAA Bylaw 3.2.4.15"). The University is responsible for the Statement and the University's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

- We obtained the Statement for the year ended June 30, 2018, as included in Exhibit A to this report.
- We recalculated the total dollar amounts on the Statement and compared the amounts on each line on the Statement to the corresponding amounts on the reconciliation prepared by management between the University's general ledger and the amounts on the Statement, noting no exceptions.
- We compared the dollar amounts on management's reconciliation to the University's general ledger and recalculated the total presented in the Statement, noting no exceptions.
- We compared current year recorded revenue and expense amounts over 10% of the total revenue or expense amounts, respectively, to prior year recorded amounts and current year budgeted amounts obtained from the University recorded in the Statement and general ledger, and obtained explanations from management for any variances in excess of 10% in revenue and expense amounts.

Agreed-Upon Procedures Related to Revenues and Expenditures

- We compared and agreed each operating revenue and operating expense category reported in the Statement during the year ended June 30, 2018, to supporting schedules provided by management, noting no exceptions.
- We haphazardly selected 13 operating revenue and 12 operating expense transactions from the Statement and compared and agreed the date, name, dollar amount, and description to supporting documentation. Our selections were made through the following procedures on revenues and expenditures in accordance with the agreed upon procedures required by NCAA Bylaw 3.2.4.15.

Revenues

We did not perform procedures for a specific category if the specific category was less than 4% of total revenues.

- We compared tickets sold during the year ended June 30, 2018, complimentary tickets provided during the year ended June 30, 2018, and unsold tickets during the year ended June 30, 2018, to the related revenue reported by the University in the Statement and the related attendance figures and recalculated totals, noting no exceptions.
- We inquired of University management as to whether the University received student fee revenue during the year ended June 30, 2018, noting that it did not; no further procedures were performed.
- We inquired of University management as to whether the University received direct state or other governmental support during the year ended June 30, 2018, noting that it did not; no further procedures were performed.
- We compared the total direct institutional support recorded by the University during the year ended June 30, 2018 to the institutional support of budget transfers documentation and other corroborative supporting documentation, noting no exceptions.
- We compared the transfers back to the University during the year ended June 30, 2018, to permanent transfers back to the University from the athletics department and corroborative supporting documentation, and recalculated totals, noting no exceptions.
- We compared the total indirect institutional support recorded by the University during the year ended June 30, 2018 to institutional support of budget transfers documentation and corroborative supporting documentation, noting no exceptions.
- We obtained the listing of away game guarantees during the year ended June 30, 2018 and traced five settlement reports and contractual agreements for all away game guarantees to the University's general ledger and the Statement, noting no exceptions.

- We inquired of University management as to whether the University received contributions of money, goods, or services directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals not included above that constituted 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We inquired of University management as to whether the University received in-kind donations during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We inquired of University management as to whether any employees of the University received compensation and benefits provided by a third party during the year ended June 30, 2018, noting that none did; no further procedures were performed.
- We obtained and inspected agreements related to the University's participation in revenues from broadcast, television, and radio rights during the year ended June 30, 2018 to gain an understanding of the rights received by the University through its conference offices. We compared and agreed related revenues to a summary statement of all media rights identified and haphazardly selected one agreement. We traced our selection to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We compared the amounts recorded in NCAA distributions revenue during the year ended June 30, 2018 to general ledger detail for NCAA distributions and haphazardly selected one distribution. We traced our selection to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We obtained and inspected agreements related to the University's conference distributions and participation in revenues from tournaments during the year ended June 30, 2018, to gain an understanding of the relevant terms and conditions. We compared and agreed the related revenues to the University's general ledger and the Statement, and made one haphazard selection. We traced our selection to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We obtained the listing of program sales, concessions, novelty sales, and parking during the year ended June 30, 2018, agreed the total to the Statement and made three haphazard selections. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the year ended June 30, 2018 to gain an understanding of the relevant terms and conditions, compared, agreed the total related revenues within the supporting schedule to the Statement and made one haphazard selection. We traced our selection to supporting documentation, compared the amount to the amount listed in the general ledger detail, and recalculated totals, noting no exceptions.

- We inquired of University management as to whether the University received sports camp revenues during the year ended June 30, 2018, noting none; no further procedures were performed.
- We calculated the total amount of the University's endowment and investment income during the year ended June 30, 2018, noting the endowment and investment income were less than 4% of total revenue; no further procedures were performed.
- We inquired of University management as to whether the University received bowl revenues during the year ended June 30, 2018, noting none; no further procedures were performed.

Expenditures

We did not perform procedures for a specific category if the specific category was less than 4% of total expenses.

- We selected a haphazard sample of 40 students from the listing of University student aid recipients during the year ended June 30, 2018, obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We compared the information for each student selected from the listing to ensure their information was reported accurately in the NCAA's Compliance Assistant software, including recalculating the equivalency unit value reported to the NCAA for each student selected within the sample, and recalculated totals. We recalculated totals for each sport and overall. We did not perform equivalency unit recalculations for summer session student selections because the University is not required to report equivalency unit values to the NCAA for the summer session. No exceptions were noted as a result of our procedures.
- We calculated the total amount of the University's guarantees expenses during the year ended June 30, 2018, noting the guarantee expenses were less than 4% of total expenses; no further procedures were performed.
- We obtained and inspected a listing of coaches employed by the University during the year ended June 30, 2018 and selected five coaches' contracts that included football, and men's and women's basketball from the listing. For each selection we compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the Statement during the year ended June 30, 2018. We obtained and inspected payroll summary registers for the year ended June 30, 2018 for each selection. We compared and agreed payroll summary registers for the year ended June 30, 2018 to the related coaching salaries, benefits, and bonuses paid by the University and the expense recorded by the University in the Statement for the year ended June 30, 2018. We compared and agreed the totals recorded to the employment contracts executed for the sample selected and recalculated totals. No exceptions were noted as a result of our procedures.
- We inquired of University management as to whether any coaches were employed by third parties during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We selected five support staff/administrative personnel employed by the University during the year ended June 30, 2018. We obtained and inspected the payroll register

for the selected personnel for the reporting period. We compared and agreed related summary payroll register to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period and recalculated the totals, noting no exceptions.

- We inquired of University management as to whether any support staff/administrative personnel were employed by third parties during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We calculated the total amount of the University's severance payments during the year ended June 30, 2018, noting the severance payments were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's recruiting expenses during the year ended June 30, 2018, noting the recruiting expenses were less than 4% of total expenses; no further procedures were performed.
- We obtained and documented an understanding of the University's team travel policies and compared and agreed to existing University and NCAA-related policies. We obtained general ledger detail for the year ended June 30, 2018, compared to the total expenses reported the supporting schedule to the amount recorded in the Statement, noting no exceptions.
- We calculated the total amount of the University's equipment, uniforms, and supplies expenses during the year ended June 30, 2018, noting the equipment, uniforms, and supplies expenses were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's game expenses during the year ended June 30, 2018, noting the game expenses were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's fundraising, marketing, and promotion expenses during the year ended June 30, 2018, noting the fundraising, marketing, and promotion expenses were less than 4% of total expenses; no further procedures were performed.
- We inquired of University management as to whether the University had any sports camp expenses during the year ended June 30, 2018 noting that sports camps at the University are independently owned and are not operated by the University; no further procedures were performed.
- We calculated the total amount of the University's spirit group expenses during the year ended June 30, 2018, noting the spirit group expenses were less than 4% of total expenses; no further procedures were performed.
- We obtained the listing of debt service schedules, lease payments, and rental fees for athletics facilities during the year ended June 30, 2018 and selected five facility payments including the top two highest facility payments. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.

- We obtained general ledger detail of direct overhead and administrative expenses during the year ended June 30, 2018 and made five haphazard selections. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We calculated the total amount of the University's medical expenses and medical insurance during the year ended June 30, 2018, noting the medical expenses and medical insurance were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's membership and dues expenses during the year ended June 30, 2018, noting the membership and dues expenses were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's other operating expenses during the year ended June 30, 2018, noting the other operating expenses were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's student-athlete meals (non-travel) expenses during the year ended June 30, 2018, noting the student-athlete meals (non-travel) expenses were less than 4% of total expenses; no further procedures were performed.
- We calculated the total amount of the University's bowl expenses during the year ended June 30, 2018, noting the bowl expenses were less than 4% of total expenses; no further procedures were performed.

Agreed-Upon Procedures for the University's Financial Reporting

- We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System, to the squad lists of the University, noting no exceptions.
- We obtained the University's Sports Sponsorship and Demographics Forms Report for the year ended June 30, 2018 and compared the countable sports reported by the University that met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum-contest requirement, noting no exceptions.
- We agreed the countable sports reported by the University for revenue distribution purposes to the NCAA Membership Financial Reporting System, noting no exceptions.
- We compared and agreed a listing of students who received a Pell Grant reported in the NCAA Membership Financial Reporting system to the listing of the institution, noting no exceptions.
- We obtained general ledger detail of Excess Transfers to Institution during the year ended June 30, 2018, and made one selection. We traced our selection to supporting documentation, compared the amount to the amount listed in the general ledger detail, and recalculated the total, noting no exceptions. We inquired of University management as to whether there were any Conference Realignment Expenses during the year ended June 30, 2018, noting there were none. No further procedures were performed.

Agreed-Upon Procedures for Affiliated and Outside Organizations

- We obtained the list of all affiliated and outside organizations that contribute funds to the University's Intercollegiate Athletics Department, a summary of which is included as Exhibit D to this report.
- We obtained the related statements of contributions for the year ended June 30, 2018, from the officers of the affiliated and outside organizations via confirmation directly with the affiliated and outside organizations, noting no exceptions.
- We agreed the dollar amount of contributions received from the affiliated and outside organizations to the general ledger of the University, noting no exceptions.
- We directly confirmed cash balances recorded as of June 30, 2018 by the affiliated and outside organization and reviewed the related year-end bank reconciliations, noting no exceptions.

Agreed-Upon Procedures Related to Capital Assets

- We obtained a schedule of athletics related capital expenditures as of June 30, 2018.
- We obtained general ledger detail of capital expenditures as of June 30, 2018 and compared to the total expenditures report, noting no exceptions.
- We haphazardly selected five transactions. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.

Agreed-Upon Procedures Related to Debt

- We obtained repayment schedules for all outstanding intercollegiate athletics debt as of June 30, 2018.
- We recalculated annual maturities provided in the schedules obtained, noting no exceptions.
- We agreed the total annual maturities and total outstanding intercollegiate athletic related debt to supporting documentation and the University's general ledger, noting no exceptions.
- We agreed the total outstanding institutional debt to supporting documentation and the University's audited financial statements, noting no exceptions.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the administration of the University, the University's Board of Regents, and authorized representatives of the NCAA and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

January 11, 2019

EXHIBIT A
UNIVERSITY OF MINNESOTA-MINNEAPOLIS, MINNESOTA

**University of Minnesota Athletics Department-Mational Collegiate
Athletic Association**

STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2018

	Football	Men's Basketball	Other Men's Sports	Women's Basketball	Other Women's Sports	Nonprogram Specific	Adjustments	Total
REVENUES:								
Ticket sales	\$ 11,097,547	\$ 5,070,792	\$ 4,373,655	\$ 258,439	\$ 613,679	\$ 22,135	\$ -	\$ 21,436,247
Direct state or other government support								-
Student fees								-
Direct institutional support						2,326,946		2,326,946
Less-transfers to institution						(2,326,946)		(2,326,946)
Indirect institutional support						4,813,848		4,813,848
Indirect institutional support-athletic facilities, debt service, lease, and rental fees			24,193		247,119	480,052		751,364
Guarantees	450,000		10,500	1,000	12,000			473,500
Contributions	8,483,153	1,833,388	2,565,601	125,942	386,506	2,047,437		15,442,027
In-kind								-
Compensation and benefits provided by a third party								-
Media rights	32,704,498	8,176,125						40,880,623
NCAA distributions		2,243,871		74,030	73,800	88,373	3,541,155	6,021,229
Conference distributions (nonmedia and nonbowl)	8,812,919	131,905					122,386	9,067,210
Program, novelty, parking, and concession sales	9,835	(1,370)		(470)			4,010,842	4,018,837
Royalties, licensing, advertisements, and sponsorships	2,680		8,384	723	3,377	12,319,092		12,334,256
Sports camp revenues								-
Athletics-restricted endowment and investments income						1,179,427		1,179,427
Other operating revenue	1,340		19,247	125,000	46,681	8,236,806		8,429,074
Bowl revenues								-
Total revenues	<u>61,561,972</u>	<u>17,454,711</u>	<u>7,075,610</u>	<u>584,434</u>	<u>1,397,735</u>	<u>36,773,180</u>	<u>-</u>	<u>124,847,642</u>

(Continued)

EXHIBIT A
UNIVERSITY OF MINNESOTA-MINNEAPOLIS, MINNESOTA

**University of Minnesota Athletics Department-National Collegiate
Athletic Association**

**STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

	Football	Men's Basketball	Other Men's Sports	Women's Basketball	Other Women's Sports	Nonprogram Specific	Adjustments	Total
EXPENSES:								
Athletic student aid	\$ 3,472,502	\$ 605,675	\$ 2,718,425	\$ 589,258	\$ 5,197,529	\$ 194,611	\$ -	\$ 12,778,000
Guarantees	1,100,000	802,418	63,173	111,996	37,635			2,115,222
Coaches salaries, benefits, and bonuses paid by the university and related entities	9,949,762	3,465,646	3,402,558	1,226,103	3,952,475	11,960		22,008,504
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	1,534,729	416,926	417,038	181,185	625,355	16,068,664		19,243,897
Severance payments	235,964					132,448		368,412
Recruiting	1,081,075	431,427	212,017	153,675	337,013			2,215,207
Team travel	1,021,789	969,922	2,128,087	835,457	2,817,208			7,772,463
Sports equipment, uniforms, and supplies	1,264,635	361,272	891,344	203,522	1,262,128	131,309		4,114,210
Game expenses	2,034,214	374,773	481,997	192,587	283,843	906,865		4,274,279
Fundraising, marketing, and promotion	236,580	74,504	103,928	42,937	37,673	1,418,342		1,913,964
Spirit groups						1,031,217		1,031,217
Athletic facilities debt service, lease, and rental fees	2,195,927		1,430,519		247,119	2,887,439		6,761,004
Direct overhead and administrative expenses	3,492,715	873,372	1,579,077	745,383	1,681,423	7,827,320		16,199,290
Indirect institutional support						4,813,848		4,813,848
Medical expenses and insurance	34,864					1,354,078		1,388,942
Memberships and dues	7,800	395	5,256	813	7,833	148,796		170,893
Student athlete meals	1,827,115	278,535	292,778	73,683	297,054	866,561		3,635,726
Other operating expenses	460,214	110,579	118,046	9,259	105,528	3,480,502		4,284,128
Bowl expenses	800							800
 Total expenses	 <u>29,950,685</u>	 <u>8,765,444</u>	 <u>13,844,243</u>	 <u>4,365,858</u>	 <u>16,889,816</u>	 <u>41,273,960</u>	 -	 <u>115,090,006</u>
 NET SURPLUS/(DEFICIT)	 <u>\$ 31,611,287</u>	 <u>\$ 8,689,267</u>	 <u>\$ (6,768,633)</u>	 <u>\$ (3,781,424)</u>	 <u>\$ (15,492,081)</u>	 <u>\$ (4,500,780)</u>	 \$ -	 <u>\$ 9,757,636</u>

(Concluded)

UNIVERSITY OF MINNESOTA, MINNEAPOLIS, MINNESOTA
University of Minnesota Athletics Department-National Collegiate
Athletic Association

**NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

Management informed us that the information on operating and gift-related revenues and operating expenditures is presented in accordance with the principles stated in the NCAA Agreed-Upon Procedures manual dated April 20, 2018, which contained policies and procedures related to the administration of NCAA Bylaw 3.2.4.15. In addition, management informed us of the following:

Revenue Recognition—The amounts in the Statement were obtained from the University's general ledger, which is maintained on an accrual basis. The University prepared the Statement using the basic accounting and revenue recognition principles set forth in the American Institute of Certified Public Accountants Audit and Accounting Guide entitled "Not-for-Profit Organizations" (the "NFP Audit Guide") and in the National Association of College and University Business Officers publication entitled "College and University Business Administration," and revenue is presented on an accrual basis. The Statement presents a net surplus (deficit), but does not present any fund or net asset balances. In addition, changes in loan, endowment, or plant funds related to intercollegiate athletics are not included in the Statement.

The University records depreciation on physical plant and equipment; however, depreciation is not part of the Statement. Revenues include all unrestricted and restricted resources earned during the year to the extent that such funds were expended for current operating purposes. Ticket sales are recorded as revenue during the year in which the related event is scheduled. Revenues related to events scheduled subsequent to year-end are deferred.

Contributions—Contribution revenue included in the Statement represents contributions given to the University based on the donor's instructions. There were no individual contributions in excess of 10% of all contributions received for the University for the year ended June 30, 2018.

Gifts—Revenues include amounts received directly from individuals, corporations, associations, foundations, clubs, or other organizations that are designated or restricted by the donor for the operations of the athletics program.

Investment and Endowment Income—Revenues include unrestricted and restricted investment and endowment income to the extent expended for operations of intercollegiate athletics.

Revenue Allocations—Revenues include subsidies from the University of Minnesota. These amounts are allocated by the University's management.

Capitalized Assets—Land, buildings, and other property are recorded at cost, if purchased or constructed, or at market value on the date of gift, if received by gift or bequest.

Expenditures—Expenditures included in the Statement are presented on a cash basis.

EXHIBIT B

UNIVERSITY OF MINNESOTA-MINNEAPOLIS, MINNESOTA

**University of Minnesota Athletics Department-National Collegiate
Athletic Association**

CAPITAL ASSET ACTIVITY

AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	Balance at July 1, 2017	Additions	Deletions	Reinstatements	Transfers	Balance at June 30, 2018
GROSS BUILDING:						
Robbie Stadium, Elizabeth Lyle	\$ 2,779,205	\$ -	\$ -	\$ -	\$ -	\$ 2,779,205
Ridder Arena and Bselne Tns Fac	20,774,551					20,774,551
Williams Arena—Wmns Locker Rms	832,715					832,715
Aquatic Center—Canoe Storage B	110,421					110,421
U of Minnesota Boat House	4,894,450					4,894,450
Bierman Field Athletic Bldg	3,205,666					3,205,666
Bierman Field Athletic Bld-Ren	7,571,682					7,571,682
Gibson/Nagurski Football Facil	12,694,581					12,694,581
Bierman Field Clubhouse	26,332					26,332
Bierman Field Clubhouse—Tool R	1,000					1,000
Bierman Field Clubhse-Stre Shd	1,250					1,250
Siebert Stadium	7,614,850					7,614,850
Track and Field storage bldg	51,057					51,057
Mariucci Arena	23,909,760	141,611			(141,611)	23,909,760
Field House, University of Min	1,477,379					1,477,379
Field House, UMN—renovation	21,109					21,109
Peik Gymnasium	1,149,106					1,149,106
Cowles Stadium, Jane Sage	2,612,416					2,612,416
Williams Arena and Sprts Pavln	21,755,592	151,009			20,370	21,926,971
Driving range bldg, golf crse	228,536					228,536
Golf club house	35,565					35,565
Turf Management Ctr, golf crse	49,602					49,602
Turf Mgmt Center golf crse-ren	1,034,754					1,034,754
Gymnasium	108,535					108,535
Gymnasium—renovation	2,865,255					2,865,255
Gymnasium—pool and renovation	3,946,734					3,946,734
Golf course projects	56,085					56,085
Golf course projects	341,777					341,777
Track and field stadium	975,170					975,170
Cowles Stadium, Jane Sage	58,280					58,280
Golf course tunnel	82,500					82,500
Tennis crts 1715 5th St S.E.	335,076					335,076
TCF Stadium	282,050,305	50,767			(17,909)	282,083,163
Replacement fieldturf in indoor practice facility	475,078					475,078
Golf Team Practice Course	418,327					418,327
Robbie Stadium Support Building	48,791					48,791
Mariucci Locker Room Upgrade		136,116				136,116
Athletes Village Excellence Center		227,021				227,021
Athletes Village Football Performance— Indoor Football		255,399				255,399
Intercollegiate Athletics— Athletes Village		150,913,243				150,913,243
Williams Arena 2008 Addition	1,282,494				(171,379)	1,111,115
TOTAL BUILDING	\$ 405,875,986	\$ 151,875,166	\$ -	\$ -	\$ (310,529)	\$ 557,440,623
GROSS EQUIPMENT	\$ 20,480,744	\$ 321,720	\$ (449,194)	\$ -	\$ -	\$ 20,353,270

EXHIBIT C

UNIVERSITY OF MINNESOTA-MINNEAPOLIS, MINNESOTA
University of Minnesota Athletics Department-National Collegiate
Athletic Association

LONG-TERM DEBT REPAYMENT SCHEDULE
AS OF JUNE 30, 2018

Project	Original Loan Amount Related to Athletics Dept Project	Outstanding Principal Amount of Athletic Debt at June 30, 2018	Interest Rate Charged to Athletics	FY18 Debt Service
Athletics facilities project	\$ 40,000,000	\$ 4,863,847	4.28 %	\$ 1,348,962
Various facilities projects	10,535,401	1,880,299	3.80	751,362
TCF Bank Stadium	28,000,000	18,841,951	4.60	1,991,414
TCF Bank Stadium	25,000,000	14,300,000	1.38	204,513
Athletes Village	66,517,750	66,517,750	-	-
Athletes Village	32,000,000	32,000,000	-	-
Track & Field Facility	<u>19,000,000</u>	<u>19,000,000</u>		
TOTAL	<u>\$ 221,053,151</u>	<u>\$ 157,403,847</u>		<u>\$ 4,296,251</u>

General obligation (GO) bonds or commercial paper (CP) supported by the full faith and credit of the University of Minnesota are issued for various capital projects. When a project related to athletics facilities is funded by external debt, the Department of Athletics is generally charged its applicable share of debt service for that debt.

TCF Bank Stadium (the "Stadium"), completed in July 2009, was financed with various debt issuances, private donations, corporate sponsorships, student fees, game-day parking fees, and other University of Minnesota revenues. The debt issuances supporting the Stadium included GO bonds Series 2009A, with a par of \$41,000,000, GO bonds Series 2009B with a par of \$17,035,000, Special Purpose Revenue Bonds (State Supported Stadium Debt) Series 2006, with a par of \$137,250,000, and CP Series D totaling \$25,000,000.

Repayment of \$28,000,000 of the \$41,000,000 GO Series 2009A is an obligation of Athletics. The remaining \$13,000,000 of the \$41,000,000 of GO Series 2009A is funded by student activity fees, which are not part of Athletics and is not included in the long-term debt repayment schedule above. Repayment of the GO Series 2009B is funded by a separate contractual agreement that is not included in the activity of Athletics and is not included in the table above. On September 28, 2017, the University of Minnesota issued GO Refunding Bonds Series 2017B, a portion of which was used to advance refund and defease the University's GO Bonds Series 2009A, and GO Taxable Refunding Bonds, Series 2017C, which was used to advance refund and defease the University's GO Taxable Bonds Series 2009B.

Debt service payments on the \$25,000,000 of CP Series D are being funded by future gifts as they are received by the foundation and/or athletic department revenue. There were no principal reductions applied to the debt during fiscal year 2018. Fiscal year 2018 charges to

Athletics based on the actual interest and fees the University of Minnesota paid on the CP during FY18 was 1.38% as of June 30, 2018.

The state-supported Stadium debt is a special limited obligation of the University of Minnesota, and is not included in the long-term debt repayment schedule above. Specified transfers expected to be made by the State of Minnesota pursuant to legislation providing for the appropriation of such transfer from the general fund of the State of Minnesota for the payment of the state-supported Stadium debt. On August 26, 2015, the University of Minnesota issued Special Purpose Revenue Refunding Bonds Series 2015A. The Series 2015A was issued in the par amount of \$90,075,000 to defease and refund the Special Purpose Revenue Bonds Series 2006. The State of Minnesota is expected to continue to make the specified transfer for the Series 2015A pursuant to amended legislation. There are no other revenues nor assets of the University of Minnesota, nor the full faith and credit of the University of Minnesota, that are pledged for repayment of the principal or interest on the state-supported Stadium debt.

Athletes Village, completed in January 2018, was financed with various debt issuances, private donations, and corporate sponsorships. The debt issuances supporting Athletes Village included GO Bonds Series 2017A in the amount of \$66,517,750 and CP Series G in the amount of \$32,000,000 through June 30, 2018.

The Track and Field Facility, completed in October 2018, was financed with GO Bonds Series 2017A in the approximate amount of \$19,000,000 and private donations. The cost included the relocation of the recreation sports bubble and softball field.

EXHIBIT D**UNIVERSITY OF MINNESOTA-MINNEAPOLIS, MINNESOTA****University of Minnesota Athletics Department-National Collegiate
Athletic Association****BOOSTER CLUB ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2018**

	Beginning Cash Balance	Cash Receipts	To or On Behalf of Program	To or On Behalf of Boosters	Non University Activity	Ending Cash Balance
MEN'S ACTIVITY:						
Baseline Club	\$ 9,449	\$ 30,570	\$ 5,000	\$ 13,045	\$ -	\$ 21,974
Blue Line Club	79,980	3,279	82,970	289		(0)
Dugout Club	32,334	68,780	13,864	67,719	250	19,281
Goal Line Club	115,080	144,838	1,231	141,448	78	117,162
Golden Dunkers	28,729	73,065	11,505	56,485	1,193	32,611
Graceful G/G	13,763	3,780		2,642		14,901
Takedown Club	<u>30,640</u>	<u>101,395</u>		<u>114,293</u>	<u>9</u>	<u>17,733</u>
Total men's activity	<u>309,975</u>	<u>425,707</u>	<u>114,570</u>	<u>395,921</u>	<u>1,529</u>	<u>223,662</u>
WOMEN'S ACTIVITY:						
10.0 Club	6,852	7,310	10,252	34	60	3,816
Courtside Club	21,472	1,350			6	22,816
Fast Break Club	4,885			602		4,283
Homerun Club						
The Inside Track (Friends Of Mn)	35,379	16,556		7,363		44,572
Point U!	8,653	14,994	121	11,786		11,740
Power Play	<u>13,478</u>	<u>16,601</u>		<u>11,288</u>		<u>18,791</u>
Total women's activity	<u>90,719</u>	<u>56,811</u>	<u>10,373</u>	<u>31,073</u>	<u>66</u>	<u>106,018</u>
BOTH—Fast Lane Fans	<u>22,674</u>			<u>1,040</u>		<u>21,634</u>
TOTAL ACTIVITY	<u>\$ 423,368</u>	<u>\$ 482,518</u>	<u>\$ 124,943</u>	<u>\$ 428,034</u>	<u>\$ 1,595</u>	<u>\$ 351,314</u>

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Regents and
Athletic Director Josh Berlo
University of Minnesota
Duluth, Minnesota

We have performed the procedures enumerated below, which were agreed to by the University of Minnesota Duluth Athletics Department (the "University"), on the accounting records as of and for the year ended June 30, 2018, solely to assist you in evaluating whether the accompanying statement of revenues and expenditures and the related notes (the "Statement") is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 and FY2018 Financial Agreed-Upon Procedures dated April 20, 2018 ("NCAA Bylaw 6.2.3"). The University's management is responsible for the Statement and the University's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

- We obtained the Statement for the year ended June 30, 2018, as included in Exhibit A to this report.
- We recalculated the total dollar amounts on the Statement and compared the amounts on each line on the Statement to the corresponding amounts on the reconciliation prepared by management between the University's general ledger and the amounts on the Statement, noting no exceptions.
- We compared the dollar amounts on management's reconciliation to the University's general ledger and recalculated the total presented in the Statement, noting no exceptions.
- We compared current year recorded revenue and expense amounts over 10% of the total revenue or expense amounts, respectively, to prior year recorded amounts and current year budgeted amounts obtained from the University recorded in the Statement and general ledger, and obtained explanations from management for any variances in excess of 10% in revenue and expense amounts.

Agreed-Upon Procedures Related to Revenues and Expenditures

- We compared and agreed each operating revenue and operating expense category reported in the Statement during the year ended June 30, 2018, to supporting schedules provided by management, noting no exceptions.

- We haphazardly selected 13 operating revenue and 20 operating expense transactions from the Statement and compared and agreed the date, name, dollar amount, and description to supporting documentation. Our selections were made through the following procedures on revenues and expenditures in accordance with the agreed upon procedures required by NCAA Bylaw 6.2.3.

Revenues

We did not perform procedures for a specific category if the specific category was less than 4% of total revenues.

- We compared tickets sold during the year ended June 30, 2018, complimentary tickets provided during the year ended June 30, 2018, and unsold tickets during the year ended June 30, 2018, to the related revenue reported by the University in the Statement and the related attendance figures and recalculated totals, noting no exceptions.
- We inquired of University management as to whether the University received student fee revenue during the year ended June 30, 2018, noting that the University did have student fee revenue. We obtained and documented our understanding of the University's methodology for allocating student fees to the intercollegiate athletics program and recalculated totals; no exceptions noted.
- We calculated the total amount of the University's direct state or other governmental support during the year ended June 30, 2018, noting that the direct state or other governmental revenues were less than 4% of total revenue; no further procedures were performed.
- We compared the total direct institutional support recorded by the University during the year ended June 30, 2018 to the institutional support of budget transfers documentation and other corroborative supporting documentation, noting no exceptions.
- We calculated the total amount of the University's transfers back from the athletics department during the year ended June 30, 2018, noting that the transfers back from athletics were less than 4% of total revenue; no further procedures were performed.
- We calculated the total amount of the University's indirect institutional support during the year ended June 30, 2018, noting that the indirect institutional support revenues were less than 4% of total revenue; no further procedures were performed.
- We obtained the listing of guarantees and traced the settlement report and contractual agreement for one game guarantee for the year ended June 30, 2018, to the University's general ledger and the Statement, noting no exceptions.
- We inquired of University management as to whether the University received contributions of money, goods, or services directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals not included above that constituted 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the year ended June 30, 2018, noting there were two. We obtained and reviewed the supporting documentation for each, noting no exceptions.

- We inquired of University management as to whether the University received in-kind donations during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We inquired of University management as to whether any employees of the University received compensation and benefits provided by a third party during the year ended June 30, 2018, noting that none did; no further procedures were performed.
- We calculated the total amount of the University's media rights revenue during the year ended June 30, 2018, noting that amount was less than 4% of total revenue; no further procedures were performed.
- We calculated the total amount of the University's NCAA distribution revenue during the year ended June 30, 2018, noting that amount was less than 4% of total revenue; no further procedures were performed.
- We calculated the total amount of the University's conference distribution revenue during the year ended June 30, 2018, noting that amount was less than 4% of total revenue; no further procedures were performed.
- We obtained the listing of program sales, concessions, novelty sales, and parking during the year ended June 30, 2018, agreed the total to the Statement and made three haphazard selections. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We obtained and inspected agreements related to the University's participation in revenues from royalties, licensing, advertisements, and sponsorships during the year ended June 30, 2018, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We inspected sports-camps contracts between the University and the person(s) conducting University sports-camps or clinics for the year ended June 30, 2018. We obtained a schedules of camp participants and made five haphazard selections. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We calculated the total amount of the University's endowment revenue during the year ended June 30, 2018, noting that amount was less than 4% of total revenue; no further procedures were performed.
- We calculated the total amount of the University's bowl revenues during the year ended June 30, 2018, noting that amount was less than 4% of total revenue; no further procedures were performed.

Expenditures

We did not perform procedures for a specific category if the specific category was less than 4% of total expenditures.

- We selected a haphazard sample of 29 students from the listing of University student aid recipients during the year ended June 30, 2018, obtained individual student account

detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We compared the information for each student selected from the listing to ensure their information was reported accurately in the NCAA's Compliance Assistant software, including recalculating the equivalency unit value reported to the NCAA for each student selected within the sample, and recalculated totals. We recalculated totals for each sport and overall. No exceptions were noted as a result of our procedures.

- We calculated the total amount of the University's guarantee expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We obtained and inspected a listing of coaches employed by the University during the year ended June 30, 2018 and selected five coaches' contracts that included football, and men's and women's basketball from the listing. For each selection we compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University in the Statement during the year ended June 30, 2018. We obtained and inspected payroll summary registers for the year ended June 30, 2018 for each selection. We compared and agreed payroll summary registers for the year ended June 30, 2018 to the related coaching salaries, benefits, and bonuses paid by the University and the expense recorded by the University in the Statement for the year ended June 30, 2018. We compared and agreed the totals recorded to the employment contracts executed for the sample selected and recalculated totals. During our procedures, we noted that the football coach received \$1,955.01 more in compensation than outlined within his contract. No other exceptions were noted.
- We inquired of University management as to whether any coaches were employed by third parties during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We selected five support staff/administrative personnel employed by the University during the year ended June 30, 2018. We obtained and inspected the payroll register for the selected personnel for the reporting period. We compared and agreed related summary payroll register to the related support staff/administrative salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement during the reporting period and recalculated the totals, noting no exceptions.
- We inquired of University management as to whether any support staff/administrative personnel were employed by third parties during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We inquired of University management as to whether the University paid out any severance payments during the year ended June 30, 2018, noting there were none; no further procedures were performed.
- We calculated the total amount of the University's recruiting expenditures for the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We obtained and documented an understanding of the University's team travel policies and compared and agreed to existing University and NCAA-related policies. We

obtained general ledger detail for the year ended June 30, 2018, and compared the total expenses reported the supporting schedule to the amount recorded in the Statement, noting no exceptions.

- We obtained general ledger detail of equipment, uniforms, and supplies purchased during the year ended June 30, 2018 and made five haphazard selections. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We calculated the total amount of the University's game expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's fundraising, marketing, and promotion expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's sports camp expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's spirit group expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We obtained the listing of debt service schedules, lease payments, and rental fees for athletics facilities during the year ended June 30, 2018 and selected five facility payments including the top two highest facility payments. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.
- We calculated the total amount of the University's direct overhead and administrative expense during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's medical and medicinal insurance expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's memberships and dues expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's other operating expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's transfers back to the institution during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.

- We calculated the total amount of the University's student-athlete meals (non-travel) guarantee expenditures during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.
- We calculated the total amount of the University's bowl expenses during the year ended June 30, 2018, noting that amount was less than 4% of total expenditures; no further procedures were performed.

Agreed-Upon Procedures for the University's Financial Reporting

- We agreed the countable sports reported by the University for revenue distribution purposes to the NCAA Membership Financial Reporting System, noting no exceptions.
- We obtained the listing of excess transfers to the institution and conference realignment expenses for athletics facilities during the year ended June 30, 2018 and made five haphazard selections. We traced our selections to supporting documentation and recalculated totals, noting no exceptions.

Agreed-Upon Procedures for Affiliated and Outside Organizations

We inquired of University management as to whether the University had affiliated and outside organizations that contributed funds to the University. Management indicated there were none, therefore no further procedures were performed.

Agreed-Upon Procedures Related to Capital Assets

- We obtained a schedule of athletics related capital expenditures as of June 30, 2018.
- We obtained general ledger detail of capital expenditures as of June 30, 2018 and compared to the total expenditures report, noting no exceptions.
- We haphazardly selected five transactions. We traced our selections to supporting documentation, compared the amounts to the amounts listed in the general ledger detail, and recalculated totals, noting no exceptions.

Agreed-Upon Procedures Related to Debt

We inquired of the University management as to whether the University had any intercollegiate athletics debt. Management indicated there was none, therefore no further procedures were performed.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which would be the expression of an opinion on the financial statements or any part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the administration of the University, the University's Board of Regents, and authorized representatives of the NCAA and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

January 11, 2019

EXHIBIT A**UNIVERSITY OF MINNESOTA - DULUTH, MINNESOTA****University of Minnesota Athletics Department - National Collegiate Athletic Association****STATEMENT OF REVENUES AND EXPENSES
FOR YEAR ENDED, JUNE 30, 2018**

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
REVENUES:						
Ticket sales	\$ 55,089	\$ 10,050	\$ 6,415	\$ 1,899,193	\$ 87,579	\$ 2,058,326
Direct state or other government support				50,000		50,000
Student fees					1,543,542	1,543,542
Direct institutional support	506,508	189,504	179,905	2,211,142	1,566,696	4,653,755
Less—transfers to institution					(5,000)	(5,000)
Indirect institutional support					95,158	95,158
Indirect institutional support—athletic facilities debt service, lease and rental fees						
Guarantees				17,500		17,500
Contributions	71,204	193,995	97,477	371,891	76,407	810,974
In-kind						
Compensation and benefits provided by a third party						
Media rights	3,450			62,704		66,154
NCAA distributions				4,675	13,123	17,798
Conference distributions (non media and non bowl)		1,813	1,813			3,626
Program, novelty, parking and concession sales	16,249	355	407	6,390	4,538	27,939
Royalties, licensing, advertisement and sponsorships	154,290	32,226	32,667	1,043,196	75,250	1,337,629
Sports camp revenues	187,947	42,737	25,276	131,008	8,589	395,557
Athletics restricted endowment and investments income	96,982	33,266	15,090	175,970		321,308
Other operating revenue				21,980	23,149	45,129
Bowl revenues	<u>7,500</u>	—	—	—	—	<u>7,500</u>
TOTAL OPERATING REVENUES	\$ 1,099,219	\$ 503,946	\$ 359,050	\$ 5,995,649	\$ 3,489,031	\$ 11,446,895

UNIVERSITY OF MINNESOTA - DULUTH, MINNESOTA

University of Minnesota Athletics Department - National Collegiate Athletic Association

STATEMENT OF REVENUES AND EXPENSES FOR YEAR ENDED, JUNE 30, 2018

	Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
EXPENSES:						
Athletic student aid	\$ 465,062	\$ 177,079	\$ 186,049	\$ 1,376,838	\$ -	\$ 2,205,028
Guarantees		500		162,500		163,000
Coaching salaries, benefits and bonuses paid by the university and related entities	586,841	213,701	195,569	1,995,518		2,991,629
Coaching salaries, benefits and bonuses paid by a third party						
Support staff/administrative compensation, benefits and bonuses paid by the university and related entities	1,757			305,202	1,406,192	1,713,151
Support staff/administrative compensation, benefits and bonuses paid by third party						
Severance payments						
Recruiting	34,710	8,415	9,431	144,366		196,922
Team travel	131,693	59,902	39,952	905,618	1,750	1,138,915
Sports equipment, uniforms and supplies	93,847	10,648	10,799	362,608	17,715	495,617
Game expenses	33,718	19,757	18,791	173,455	94,297	340,018
Fund raising, marketing and promotion	38,778	3,804	3,804	112,297	90,491	249,174
Sports camp expenses	117,276	28,374	15,725	92,487	6,612	260,474
Spirit groups				1,000	3,354	4,354
Athletic facilities debt service, leases and rental fee	43,996	133,592	133,649	565,016	219,311	1,095,564
Direct overhead and administrative expenses	8,883	4,035	5,013	40,402	172,456	230,789
Indirect institutional support					95,158	95,158
Medical expenses and insurance	15,244	5,226	3,427	39,049	52,209	115,155
Memberships and dues				37,894	33,377	71,271
Student-athlete meals (non-travel)				13,761	5,786	19,547
Other operating expenses				20,927	34,646	55,573
Bowl expenses	15,875					15,875
Bowl expenses—coaching compensation/bonuses						
TOTAL OPERATING EXPENSES	1,587,680	665,033	622,209	6,348,938	2,233,354	11,457,214
EXCESS (DEFICIENCIES) OF REVENUES OVER (UNDER) EXPENSES	\$ (488,461)	9	\$(161,087)	\$(263,159)	\$ (353,289)	\$ 1,255,677
						\$ (10,319)

UNIVERSITY OF MINNESOTA – DULUTH, MINNESOTA
University of Minnesota Athletics Department – National Collegiate Athletic Association

**NOTES TO THE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

Management informed us that the information on operating and gift-related revenues and operating expenditures is presented in accordance with the principles stated in the NCAA Agreed-Upon Procedures manual dated April 20, 2018, which contained policies and procedures related to the administration of NCAA Bylaw 3.2.4.15. In addition, management informed us of the following:

Revenue Recognition—The amounts in the Statement were obtained from the University's general ledger, which is maintained on an accrual basis. The University prepared the Statement using the basic accounting and revenue recognition principles set forth in the American Institute of Certified Public Accountants Audit and Accounting Guide entitled "Not-for-Profit Organizations" (the "NFP Audit Guide") and in the National Association of College and University Business Officers publication entitled "College and University Business Administration," and revenue is presented on an accrual basis. The Statement presents a net surplus (deficit), but does not present any fund or net asset balances. In addition, changes in loan, endowment, or plant funds related to intercollegiate athletics are not included in the Statement.

The University records depreciation on physical plant and equipment; however, depreciation is not part of the Statement. Revenues include all unrestricted and restricted resources earned during the year to the extent that such funds were expended for current operating purposes. Ticket sales are recorded as revenue during the year in which the related event is scheduled. Revenues related to events scheduled subsequent to year-end are deferred.

Contributions—Contribution revenue included in the Statement represents contributions given to the University based on the donor's instructions. There were no individual contributions in excess of 7% of all contributions received for the University for the year ended June 30, 2018.

Gifts—Revenues include amounts received directly from individuals, corporations, associations, foundations, clubs, or other organizations that are designated or restricted by the donor for the operations of the athletics program.

Investment and Endowment Income—Revenues include unrestricted and restricted investment and endowment income to the extent expended for operations of intercollegiate athletics.

Revenue Allocations—Revenues include subsidies from the University of Minnesota. These amounts are allocated by the University's management.

Capitalized Assets—Land, buildings, and other property are recorded at cost, if purchased or constructed, or at market value on the date of gift, if received by gift or bequest.

Expenditures—Expenditures included in the Statement are presented on a cash basis.

EXHIBIT B**UNIVERSITY OF MINNESOTA - DULUTH, MINNESOTA****University of Minnesota Athletics Department - National Collegiate Athletic Association****CAPITAL ASSET ACTIVITY****AS OF AND FOR THE YEAR ENDING JUNE 30, 2018**

	Balance at June 30, 2017	Additions	Deletions	Reinstatements	Transfers	Balance at June 30, 2018
Malosky Stadium Sports and Health Center Equipment	\$ 8,666,039 14,473,414 194,143	\$ - _____	\$ - _____	\$ - _____	\$ (628) _____	\$ 8,665,411 14,473,414 194,143
Gross	<u>\$ 23,333,596</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (628)</u>	<u>\$ 23,332,968</u>



BOARD OF REGENTS

DOCKET ITEM SUMMARY

Audit & Compliance

February 7, 2019

AGENDA ITEM: Update on the Twin Cities Undergraduate Admissions Audit Findings and Benefits of Actions Taken

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Robert McMaster, Acting Executive Vice President and Provost
Heidi Meyer, Executive Director, Office of Admissions

PURPOSE & KEY POINTS

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

The Office of Admissions has addressed the audit findings and all but two recommendations have been fully implemented. The two outstanding recommendations – both related to technology – are in progress and have been partially implemented. To address those recommendations, the Office of Admissions began using Slate, a higher education-specific technology platform, to support and facilitate holistic review of applications. Additionally, the Office of Information Technology has been working with Admissions to address logging and monitoring processes in the systems and to review roles in PeopleSoft.

Office of Internal Audit Report

Office of Admissions

October 2017



OFFICE OF
INTERNAL AUDIT

UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Office of Admissions

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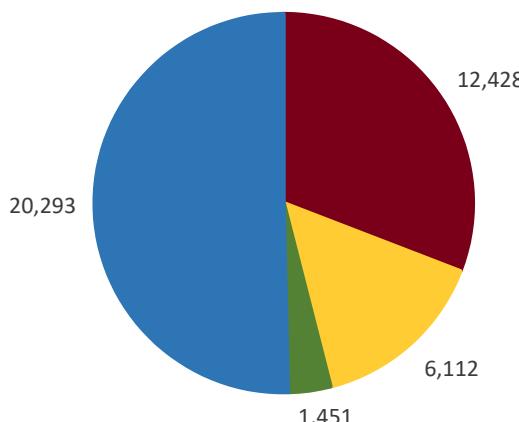
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General

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."

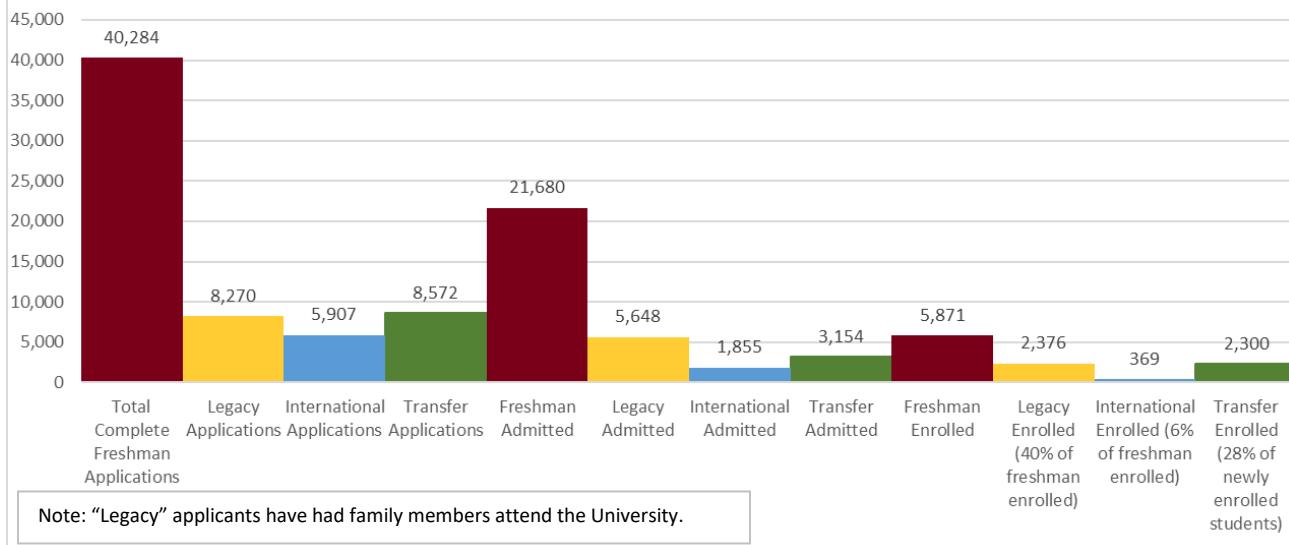
Admissions consists of five sub-units with 82 staff members. The sub-units include freshman recruitment, communications, freshman applications for admission, transfer and international admissions, and technology and operations. The respective admissions units are responsible for aspects of undergraduate 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.

Fall 2016 Complete Freshman Applications



■ MN Residents ■ WI Reciprocity ■ Other Reciprocity ■ Non-Resident, Non-Reciprocity

Fall 2016 Enrollment Statistics



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.

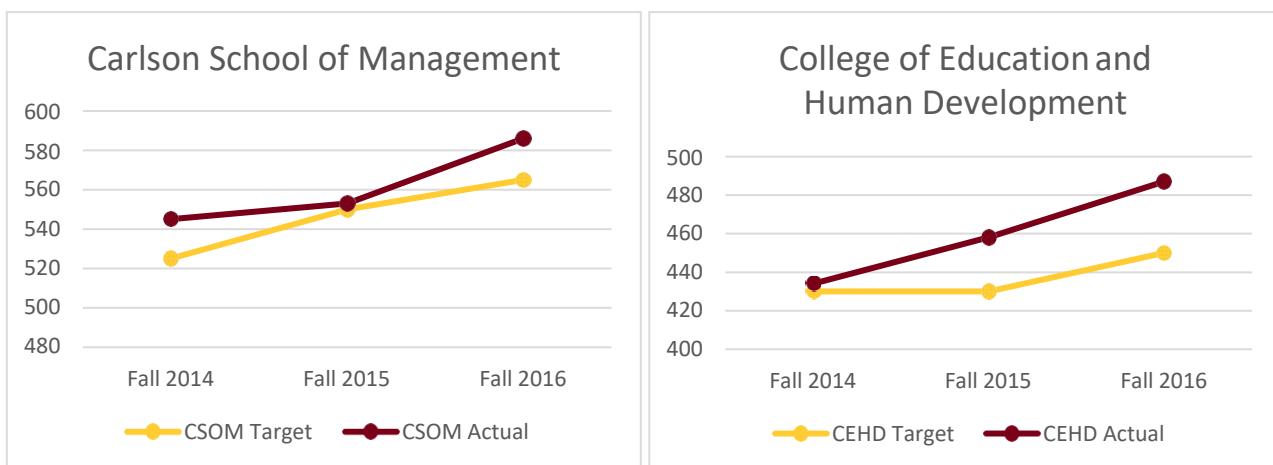
Audit Work Observations

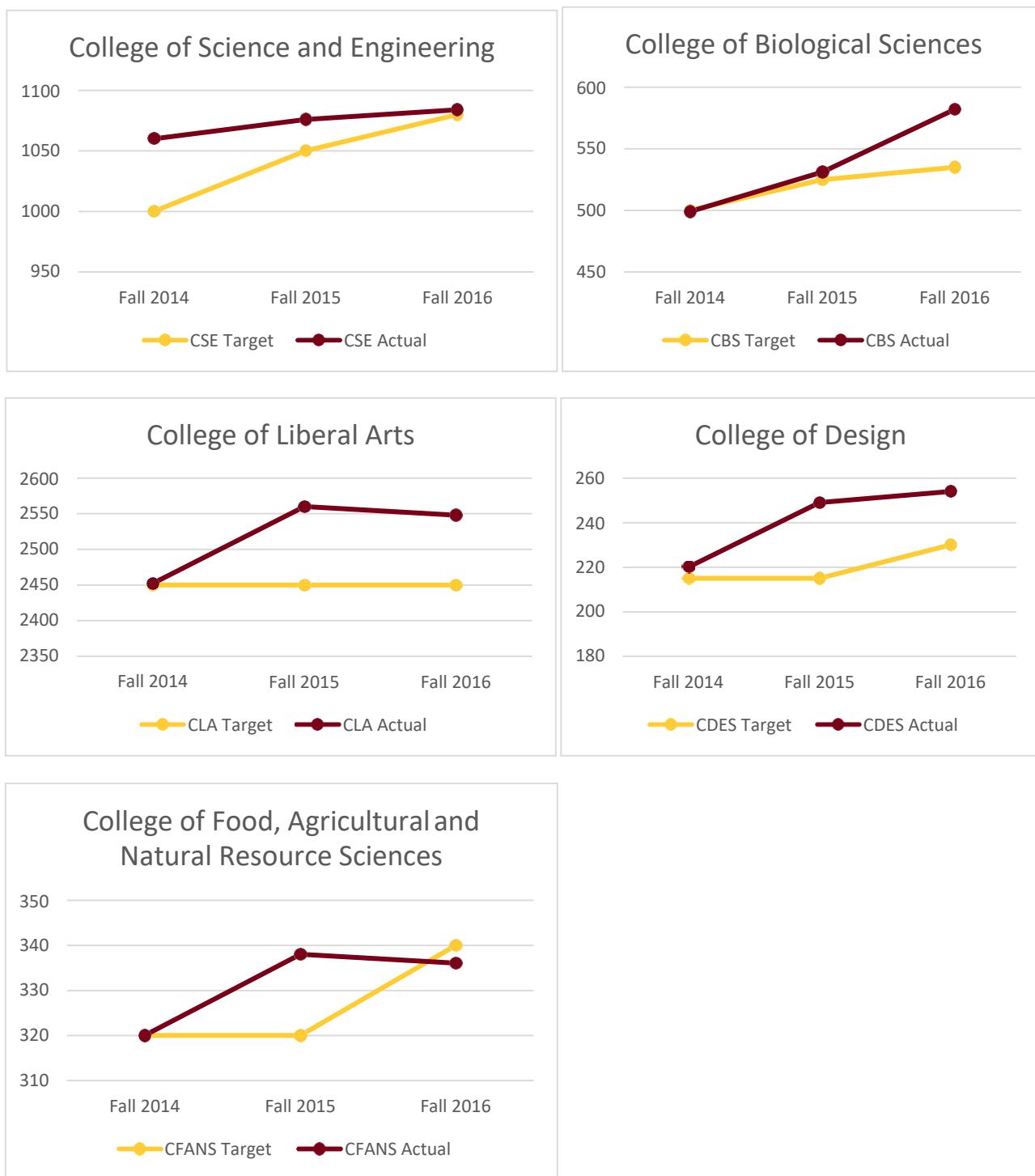
The following subsections were included in our review and no significant issues were identified. These are key functions within the Office of Admissions and are provided as additional information.

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.

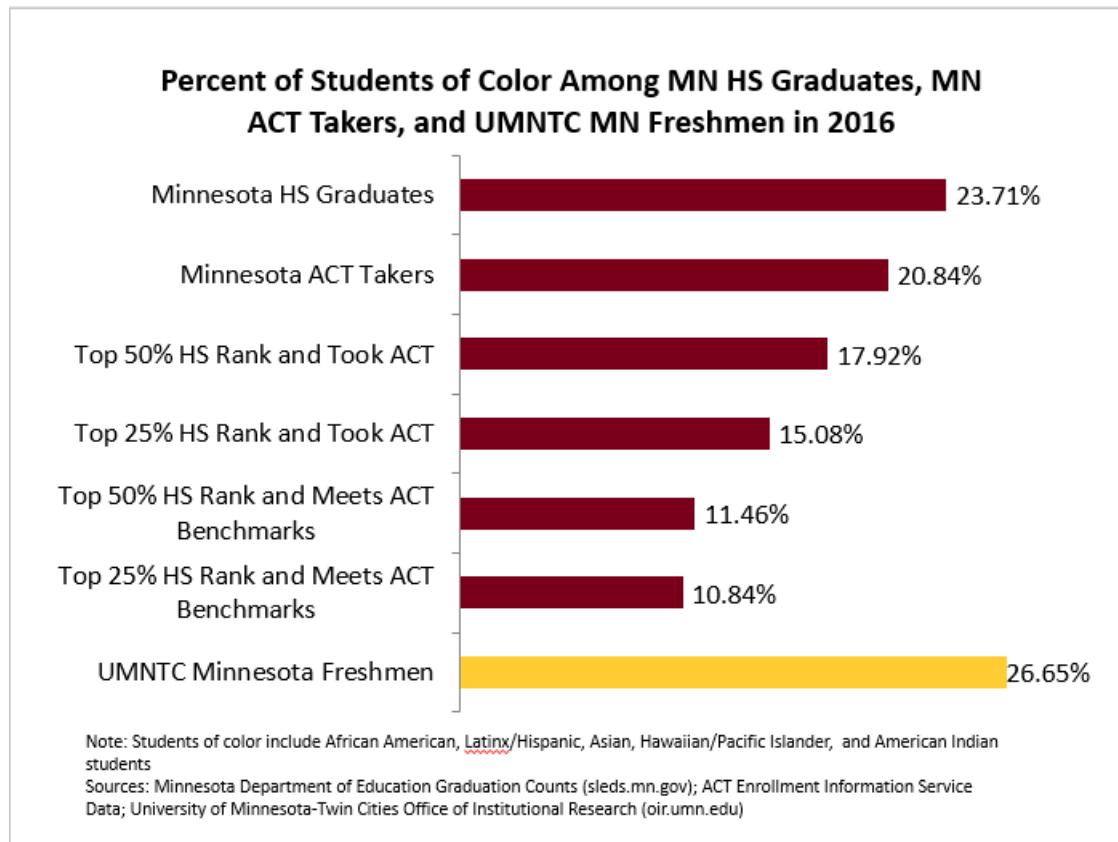




Demographics

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

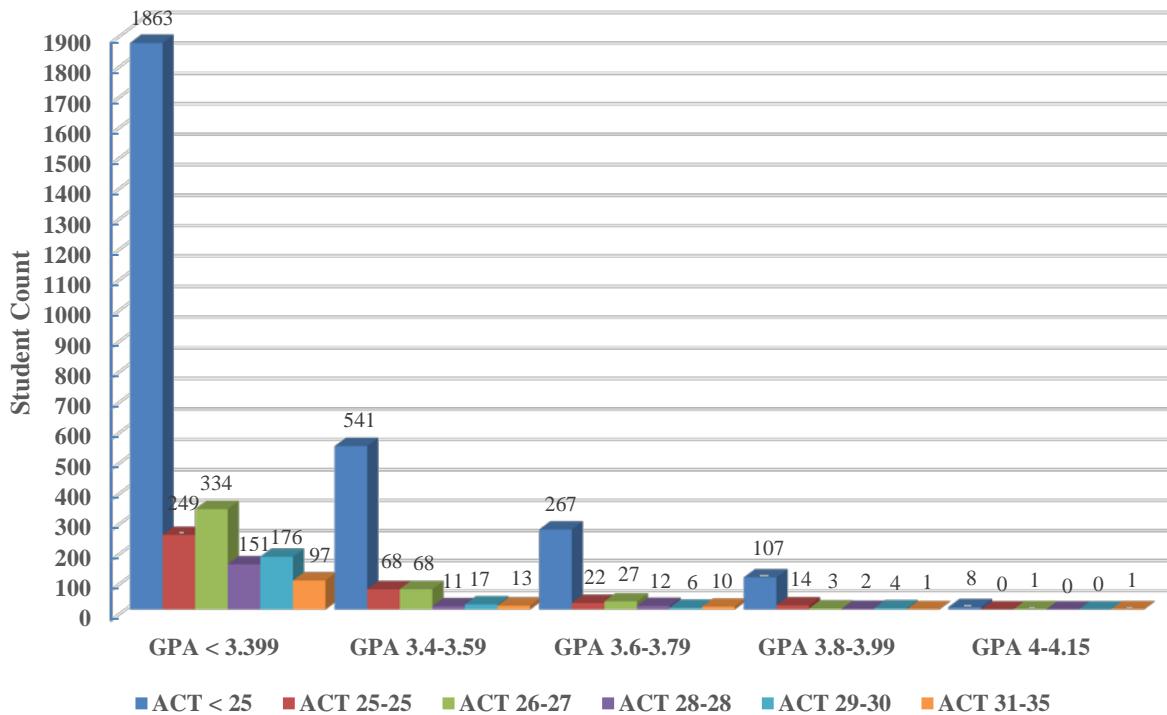
to enrolling and graduating a broad, diverse spectrum of students, especially from Minnesota....As the diversity of the state of Minnesota increases, the University must continue to attract, retain, and graduate students from multicultural backgrounds. The University should be attentive to the diversity 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.)



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.

MN Applicants Not Admitted



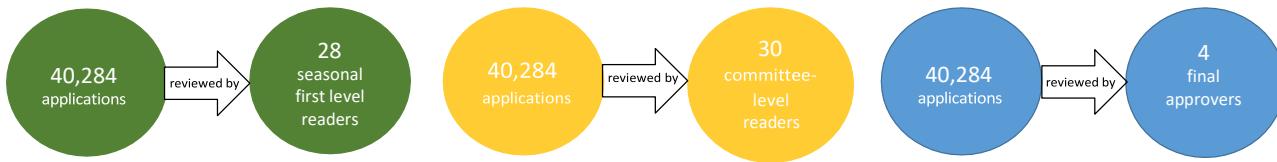
Holistic Review Process

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 M TC.

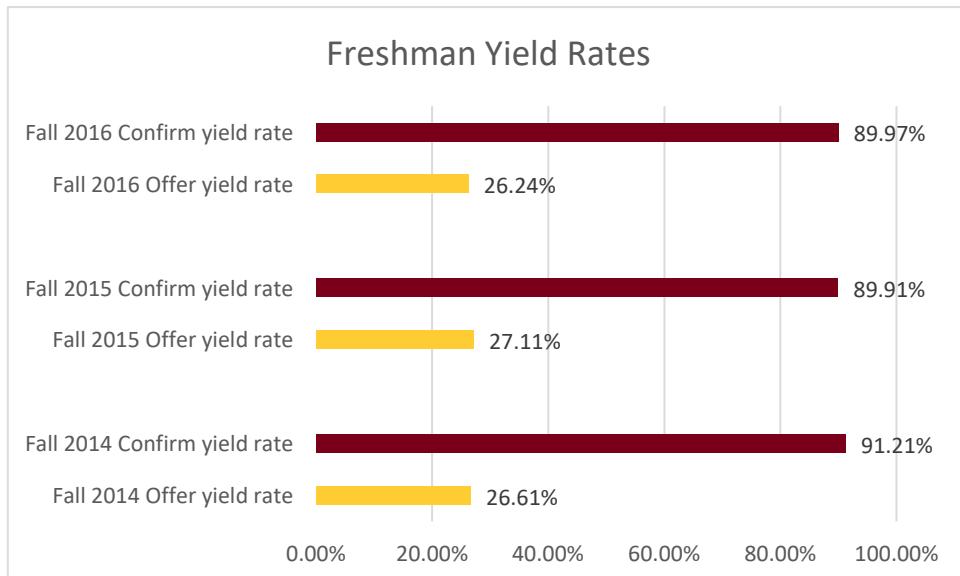
Below is a table to show the enrollment impact of the Share My App Program in Fall 2016. Share My App accounted for 10% of all system campus enrollment and the impact in Fall 2016 varied from 5.9% of enrolled freshman on one campus to 25.5% of enrolled freshman on another.

Share My App System NHS Enrollment Impact - Fall 2016

	Enrolled Share My App participants	NHS Fall Enrollment	Percent of Enrolled Who Participated in Share My App
UMNCR	13	209	6.20%
UMNDL	214	2138	10.00%
UMNMO	22	376	5.90%
UMNRO	37	145	25.50%
Total	286	2868	10.00%

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.

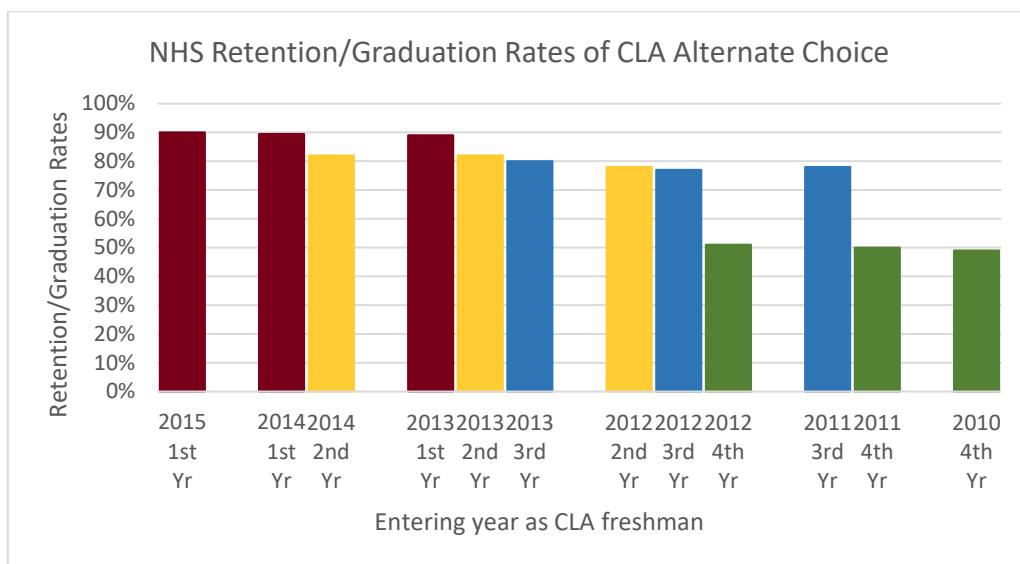
The colleges along with the Provost, Vice Provost, Collegiate Associate Dean of Undergrad Programs and the Director of Admissions set the transfer enrollment targets. For Fall 2016, all but one college was within 11 transfer students of the enrollment target. CLA's enrollment target was 1,250 transfer 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.

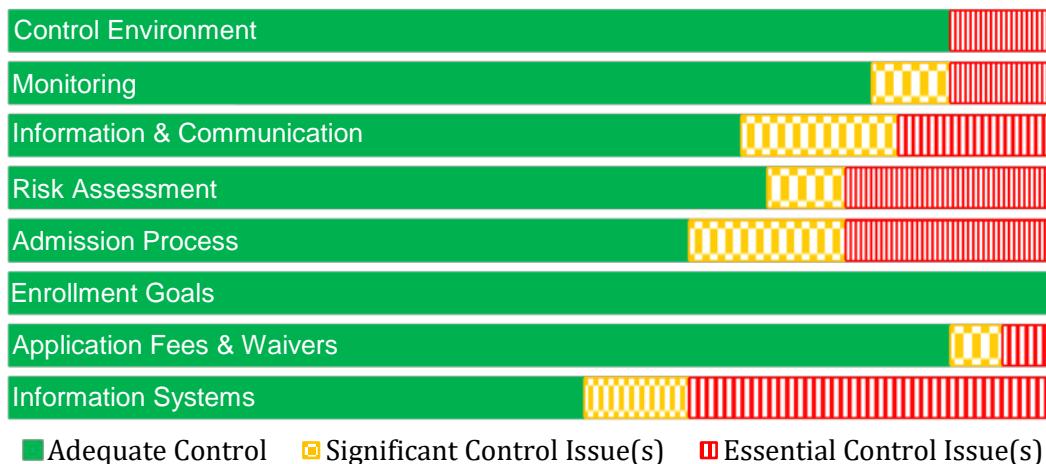
Admissions' control environment and processes should be carefully considered to ensure key risks during the process of admitting students are mitigated. The audit resulted in 13 issues with 21 recommendations for enhancing controls and addressing deficiencies. Included in this report are 15 recommendations 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



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

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Issues and Recommendations

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.

APPENDIX A

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

From "Admissions Review and Selection Process," 2017.

<http://admissions.tc.umn.edu/admissioninfo/fresh_overview.html>

APPENDIX B

Holistic Review Process as described by Admissions

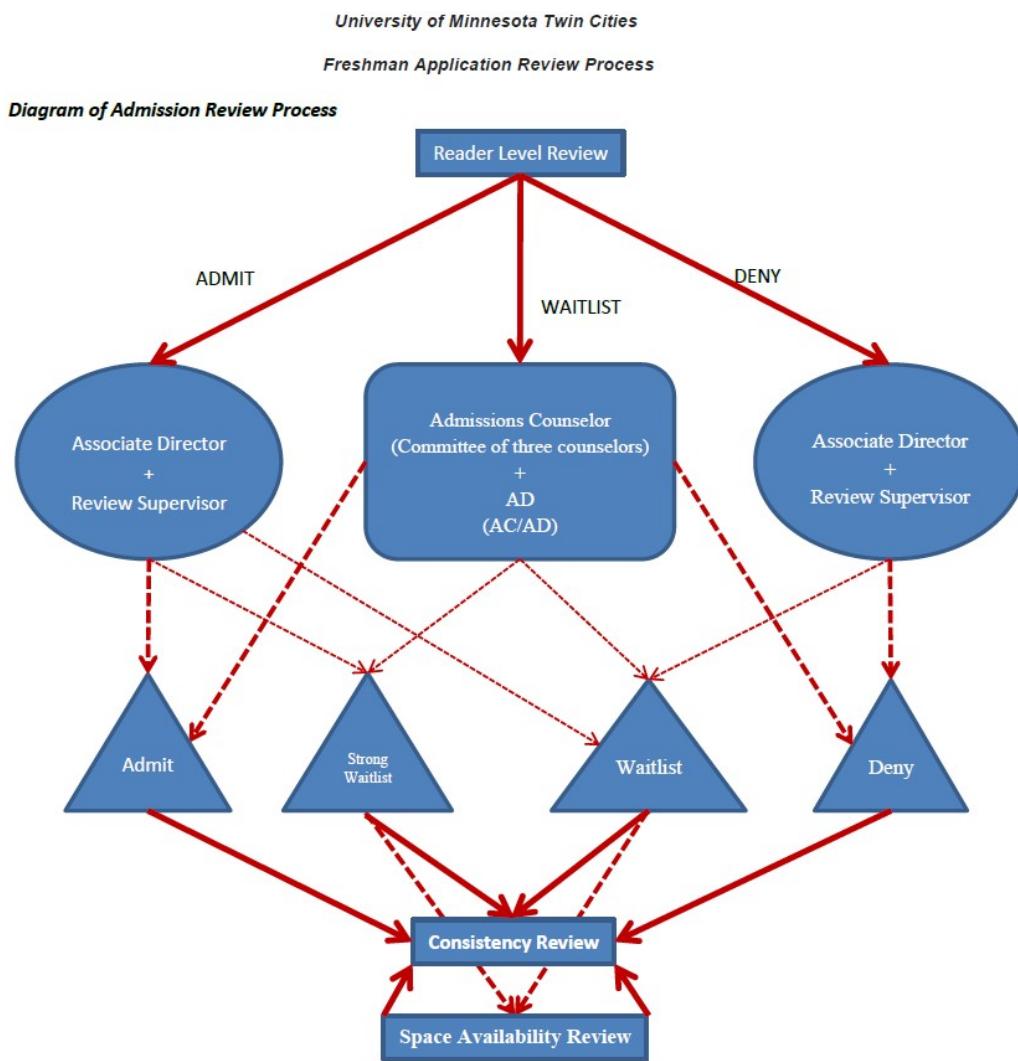
At the University of Minnesota Twin Cities, undergraduate admission decisions are made using a holistic review process. In our review process, decisions are not based on formulaic or automatic criteria. As outlined in our holistic review description, in addition to quantitative information, professional 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.



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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.

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

Expected Completion Date: July 2018

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

2016-2021 UNDERGRADUATE ENROLLMENT PLAN

UNIVERSITY OF MINNESOTA
Driven to DiscoverSM

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 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.

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- 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.

Reference to Item #	UMTC Measure	Target
1.	Total undergraduate enrollment	33,000
2.	Average ACT*	28
3.	Minnesota residents in fall freshman class**	Approximately 65%
	Minnesota residents in transfer class**	Approximately 68%
4a.	Accommodate freshmen in UMTC Housing	90%
	Accommodate sophomores continuing in housing	25%
	Accommodate Fall transfer students in housing	10%
	Beds in UMTC Housing	6,800
4b.	Advising ratios	< 250 students per advisor
4f.	Annual UROP grant awards	1,000
5.	Proportion of undergraduate enrollment who started at UMTC as transfer students	33%
7.	Four-year graduation rate for NHS*	65%
	Six-year graduation rate for NHS*	82%
	Four-year graduation rate for Pell-recipient students*	54%
8a.	Non-resident, non-reciprocity tuition	Move to mid-point of the Big 10, approximately \$35,000 in tuition and fees
8bi.	Maintain Minnesota resident tuition + fees	Middle half of Big 10 peer group
8bii.	Maintain a Minnesota resident inflation-adjusted net price (average COA - average gift aid)	Middle half of Big 10 peer group
9.	General allocation of financial aid	2/3 need-based and 1/3 merit-based
9e.	Total institutional gift aid (system-wide)*	\$275 million
10.	Number of UMTC degrees granted 2020-2021 in STEM fields 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	3,600

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.

Admissions Systems

Audit Update
February, 2019

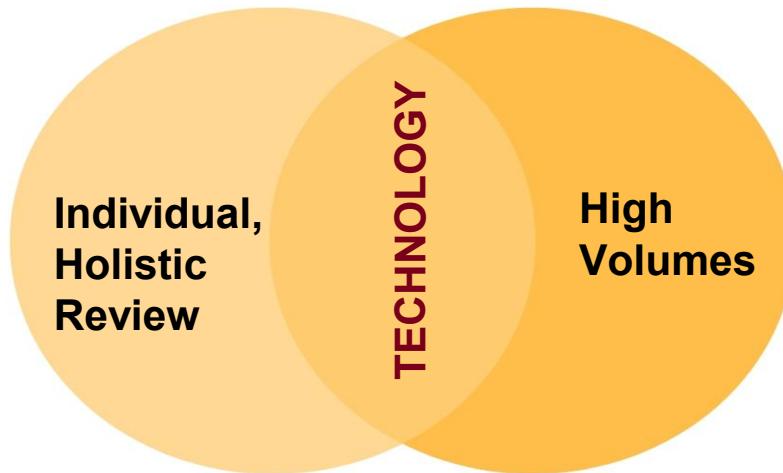


Audit Findings

- Indicated a need to examine technology that supports the receipt of materials, documentation of decisions, and assurance of consistency among systems.
- In April 2018, the Twin Cities Office of Admissions began implementing Slate to facilitate holistic review of admission applications.

Technology in Recruitment & Admissions

- Admissions processes and systems are designed to get to know each student holistically, while processing a high volume of applications and supporting documents.

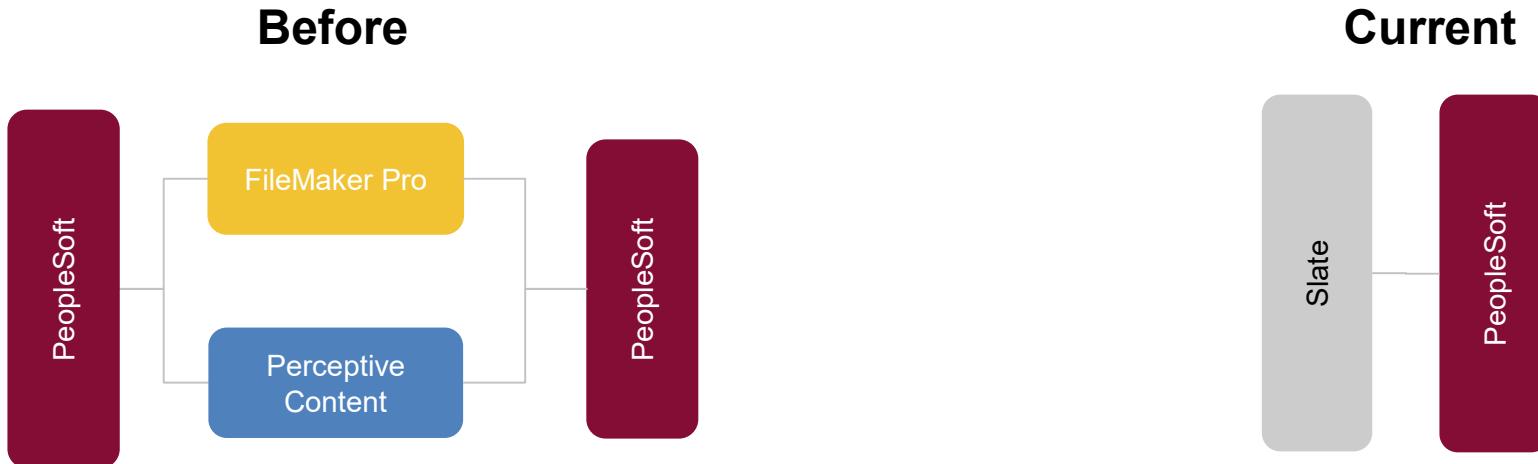


Slate Technolutions

- Slate is a multifaceted platform designed specifically for college admissions and enrollment management.
- Phase one of the implementation is complete and phase two is underway.
 - Further modules to support transfer application review, as well as additional areas of processing and imaging are planned

Streamlined Process for Freshman Review

- Freshman application review previously took place in two systems simultaneously (one for imaging and one for data collection). That review now takes place in a single system that later syncs to PeopleSoft.



Benefits of Slate

- **Faster reader access to applications:**

Application readers can access and review applications sooner than ever before, resulting in a faster decision turnaround for our highest achieving applicants.

- **Single system application review:**

Application review is occurring in a single system; data, imaging, annotation, and consistency reviews all occur in the same system.

- **Standard integrations:**

Using standard integration with outside entities such as Common Application speed up configuration work.

- **Ability to exchange best practices:**

Our technology resources are now more in line with our peers in the Big 10, allowing us to exchange best practices more readily.



BOARD OF REGENTS

DOCKET ITEM SUMMARY

Audit & Compliance

February 7, 2019

AGENDA ITEM: Internal Audit Update

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Gail Klatt, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to discuss Internal Audit activities, results, and observations to help the committee fulfill its fiduciary responsibilities. Key points include:

- Since the October 2018 meeting, 41 percent of the outstanding recommendations rated as “essential” were implemented by University departments. This slightly exceeds the expected implementation rate of 40 percent. Four units fully implemented all their remaining “essential” recommendations.
- An updated control evaluation chart is included for each audit to show progress made on the “essential” items.
- 11 audit reports containing 52 recommendations rated as “essential” were issued in the last four months.
- A summary of FY 2019 audit activities is included to provide an update of audit results.

BACKGROUND INFORMATION

This report is prepared three times per year and is presented to the committee in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

Internal Audit Update

University of Minnesota Regents Audit and Compliance Committee
February 7, 2019

This report includes:

- Audit Observations/Information/Status of Critical Measures/Other Items
- Status of “Essential” Recommendations & Bar Charts Showing Progress Made
- Audit Activity Report
- Audit Reports Issued Since October 2018
- Snap Audit Summary

Details for any of the items in this report are available on request. Individual reports were sent to the President, Provost, Vice Presidents, and Chancellors about these internal audit issues.

Audit Observations/Information

Status of Critical Measures

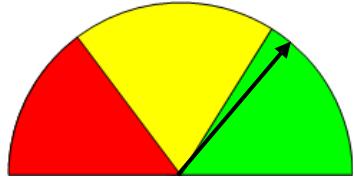
As part of our on-going efforts to provide the Audit and Compliance Committee with critical information in as concise a format as possible, we have developed the following three charts to present a quick overview of work performed by the Office of Internal Audit.

The first chart, “Essential Recommendation Implementation,” provides our overall assessment of the success University departments had during the last period in implementing our essential recommendations. Readings in the yellow or red indicate implementation percentages less than, or significantly less than, our expected University-wide rate of 40%. Detailed information on this topic, both institution-wide and for each individual unit, is contained in the next section of this Update Report.

The second chart, entitled “Progress Towards Annual Audit Plan Completion,” is our assessment of how we are progressing towards completion of the FY 2019 Annual Audit Plan. Readings less than green could be influenced by a variety of factors (e.g., insufficient staff resources; increased time spent on non-scheduled audits or investigations).

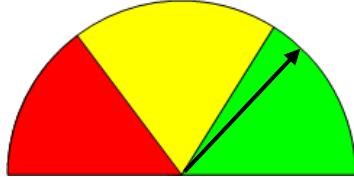
The final chart, “Time Spent on Non-Scheduled Activities,” provides a status report on the amount of time consumed by investigative activities, special projects and other management requests. Our annual plan provided an estimated budget for this type of work, and the chart will indicate whether we expect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

Essential Recommendation Implementation



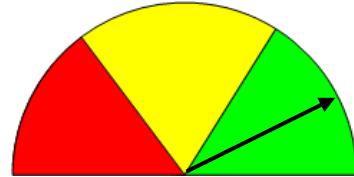
Implementation rates were 41% for the period, more than our expected rate of 40%.

Progress Towards Annual Audit Plan Completion



Time spent to date on the FY 2019 audit plan is what was expected and budgeted for the year to date.

Time Spent on Non-Scheduled Audit Activities

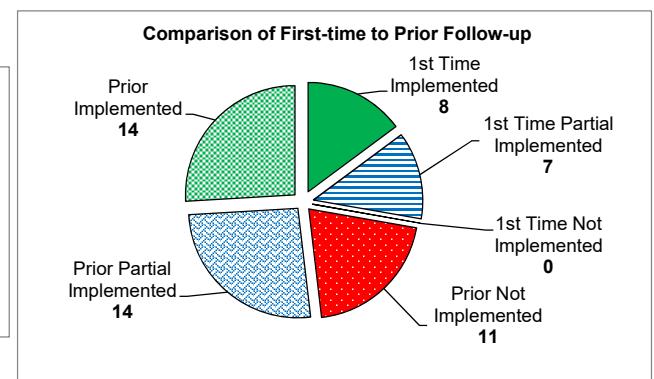
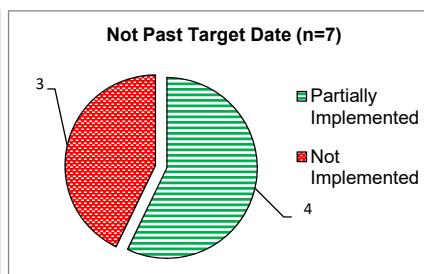
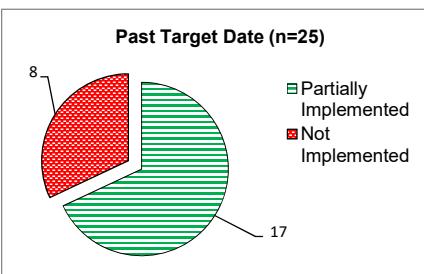
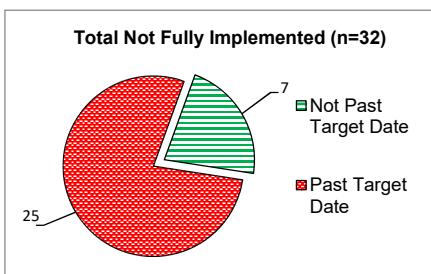


Time spent on investigations, special projects and management requests is less than expected and budgeted for the year to date.

Status of "Essential" Recommendations as of January 28, 2019

Report Date	Audit (P) Indicates a University process audit	Original Report Control Rating	# of Essential Recommendations in the Report	# of Essential Recommendations Remaining	Current Results				Overall Progress Towards Implementation*	
					Implemented	Partially Implemented	Not Implemented	Not Past Target Date		
<i>Audits > 2 years old (see the following report for details on unresolved issues)</i>										
Oct-16	School of Dentistry	Needs Improvement	20	2	1		1		Satisfactory	
<i>Audits < 2 years old; have received prior follow-up</i>										
May-17	Athletics IT	Needs Improvement	10	3			1		Satisfactory	
Aug-17	Office of Admissions	Needs Improvement	15	4	2		2		Satisfactory	
Oct-17	School of Math	Good	6	1			1		Satisfactory	
Jan-18	School of Public Health IT	Adequate	7	6	2		1	1	Satisfactory	
Jan-18	University of Minnesota, Morris	Good	4	2	2				Completed	
Jan-18	Department of Public Safety	Good	9	6	1	1	3		Satisfactory	
Apr-18	Global Programs & Strategy Alliance	Good	3	1			1		Satisfactory	
May-18	UMD Housing & Residence Life	Good	5	2	2				Completed	
May-18	University Information Security	Good	7	7	4		2	1	Satisfactory	
May-18	Family Medical Leave Act Review	Adequate	5	5			1	1	3	Satisfactory
<i>Audits receiving first-time follow-up</i>										
Jan-18	Scholarships and Fellowships	Good	1	1	1				Completed	
Aug-18	Employment Eligibility Verification	Needs Improvement	8	8	3	1	4		Satisfactory	
Sep-18	Mechanical Engineering	Good	3	3	1	2			Satisfactory	
Sep-18	MN Extension Services	Good	3	3	3				Completed	
Total:					106	54	22	4	17	
							3		8	

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



"Essential" Recommendation Implementation Trends

Month / Year of Follow-up Report

	Feb 2019	Oct. 2018	June 2018	Feb. 2018	Oct. 2017	June 2017	Feb. 2017	Sept. 2016	June 2016	Feb. 2016	Average
# of Essential Recommendations Receiving Follow-up	54	59	65	56	77	87	74	114	108	83	78
# of Recommendations Considered Fully Implemented	22	20	28	27	39	39	41	44	46	34	34
Implementation Percentage	41%	34%	43%	48%	51%	45%	55%	39%	43%	41%	44%

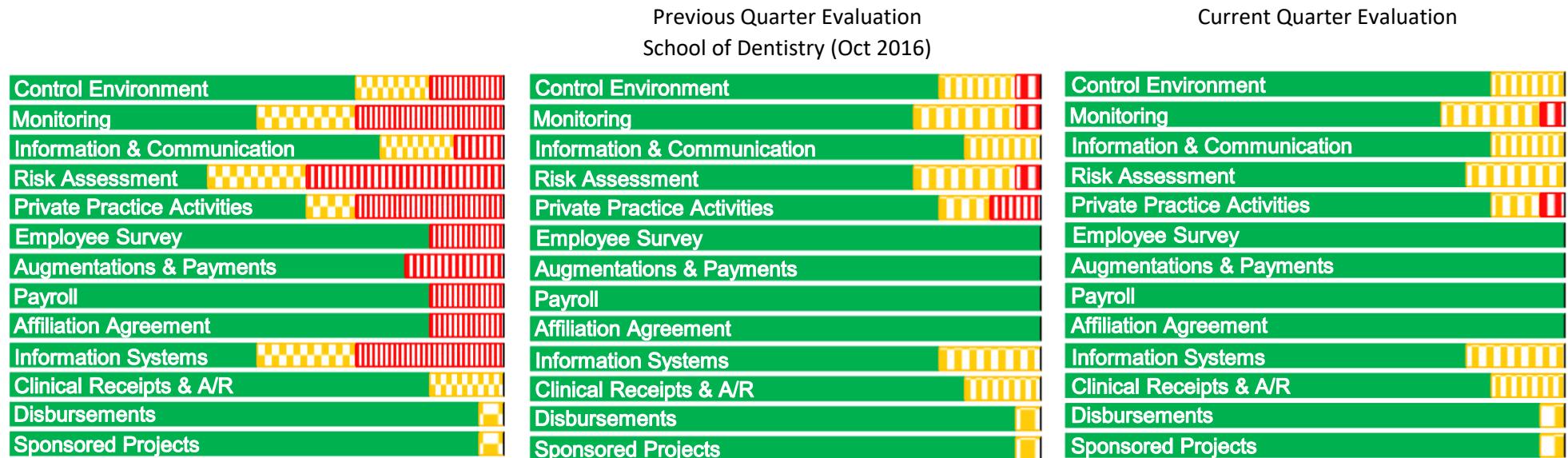
Current Status of Recommendations Rated as "Essential" That Are Over Two Years Old and Are Not Fully Implemented

<i>Audit/ Report Date</i>	<i>Status- Partially Implemented (P) or Not Implemented (N)</i>	<i>Senior Management Contact</i>	<i>Summary of the Issue/Risk Involved</i>	<i>Current Comments From Management</i>
School of Dentistry Oct -16	P	Gary Anderson Joel Heuschele	Dentistry should ensure all provisions of the Private Practice Policy, either in its present form or after any changes contemplated above have been made, are fully complied with. Reports must be prepared to allow management the ability to measure and monitor fiscal performance, and assess whether compensation levels are appropriate and time commitments are reasonable. Costs incurred by Dentistry related to the operation of the private practices must be charged to and paid by those practice groups.	Clinical financial reports are being developed for the Developmental and Surgical Sciences Department with a goal to refine and standardize these reports for implementation school wide. Reports have been produced for several specialties and shared with division leadership to obtain feedback for refinement.

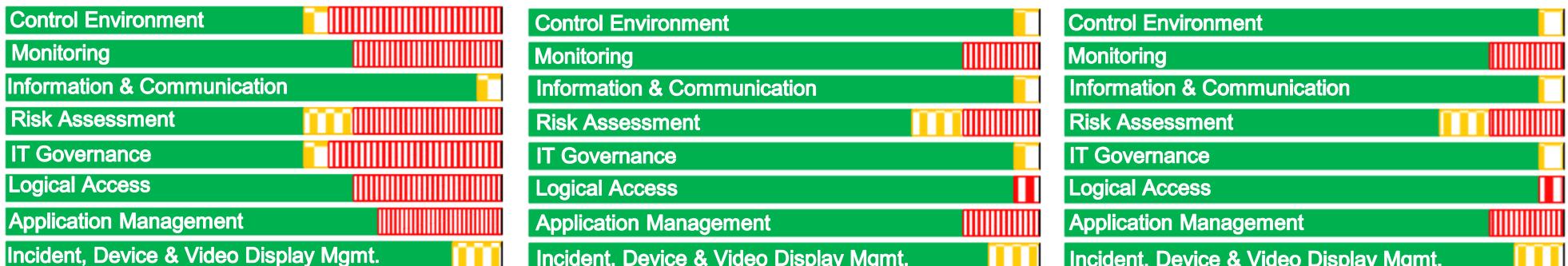
of Items 1

Total: 1

The bar charts shown below are presented to provide pictorial displays of the progress units are making on implementing audit recommendations rated as "essential." The bar chart included in the original report is shown in the left column, along with updated bar charts showing the previous quarter and the current status of the "essential" recommendations only (those bars that have red segments). The chart in the center column displays the status as of September 2018, while the chart on the right represents the current status. Charts are not presented for investigations. Charts for those units having implemented all "essential" recommendations during the current quarter are shown at the end of this report.



Athletics IT (May 2017)



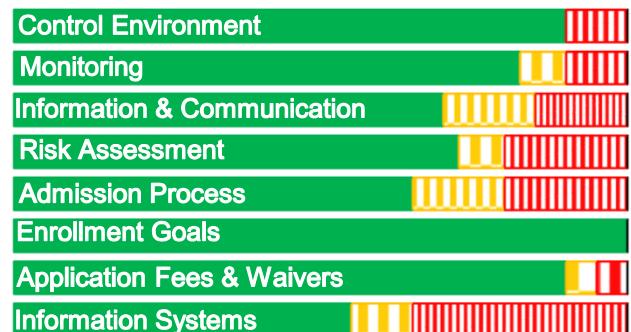
Adequate Control Significant Control Issue(s) Critical Control Issue(s)

Original Report Evaluation

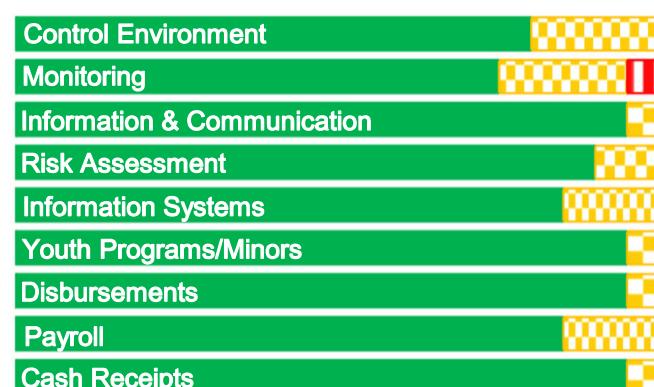
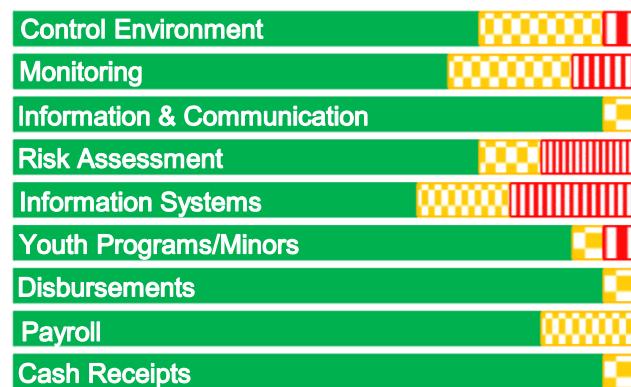
Previous Quarter Evaluation

Current Quarter Evaluation

Office of Admissions (Aug 2017)



School of Mathematics (Oct 2017)



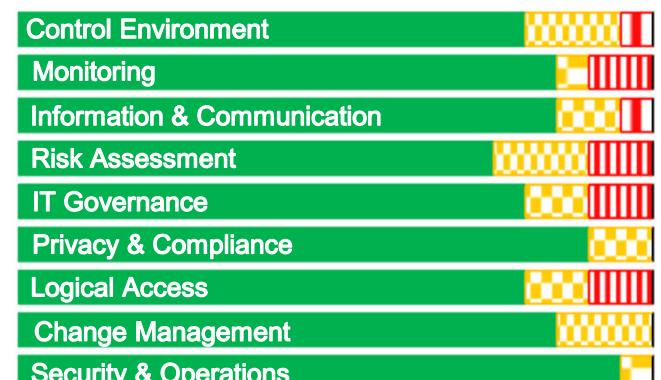
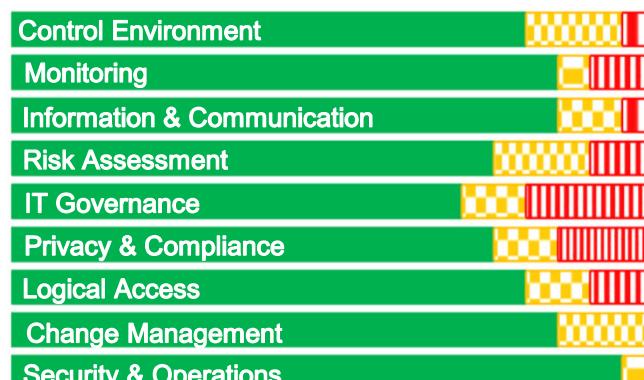
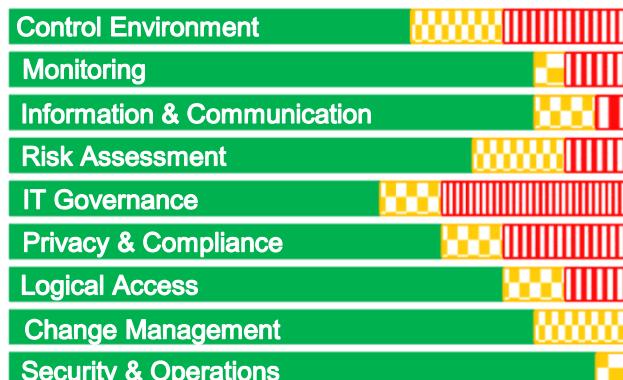
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

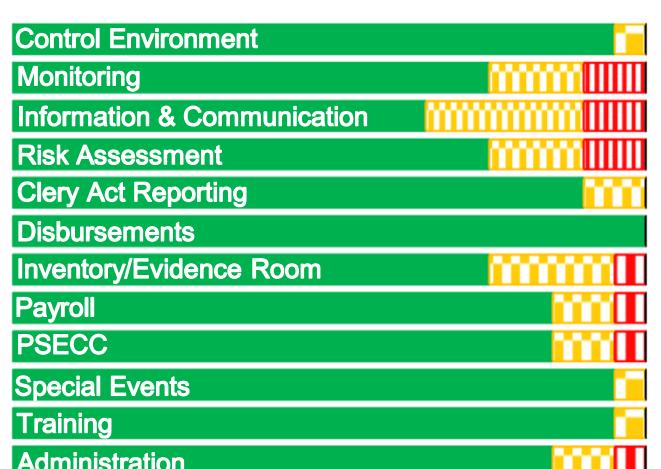
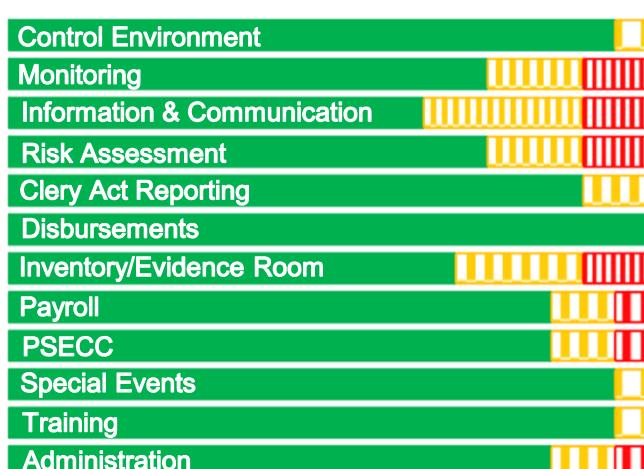
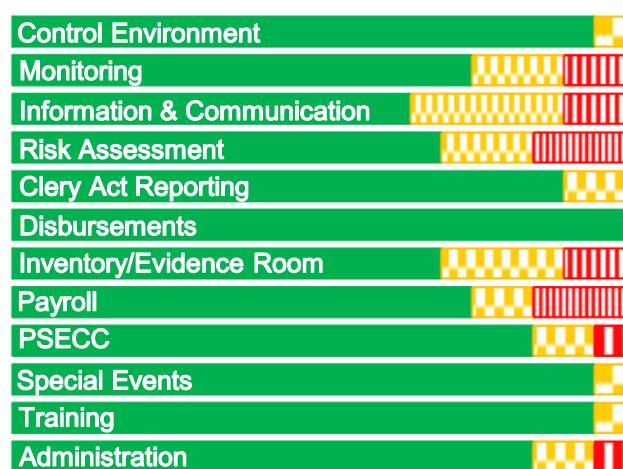
Previous Quarter Evaluation

Current Quarter Evaluation

School of Public Health IT (Jan 2018)



University Public Safety (Jan 2018)



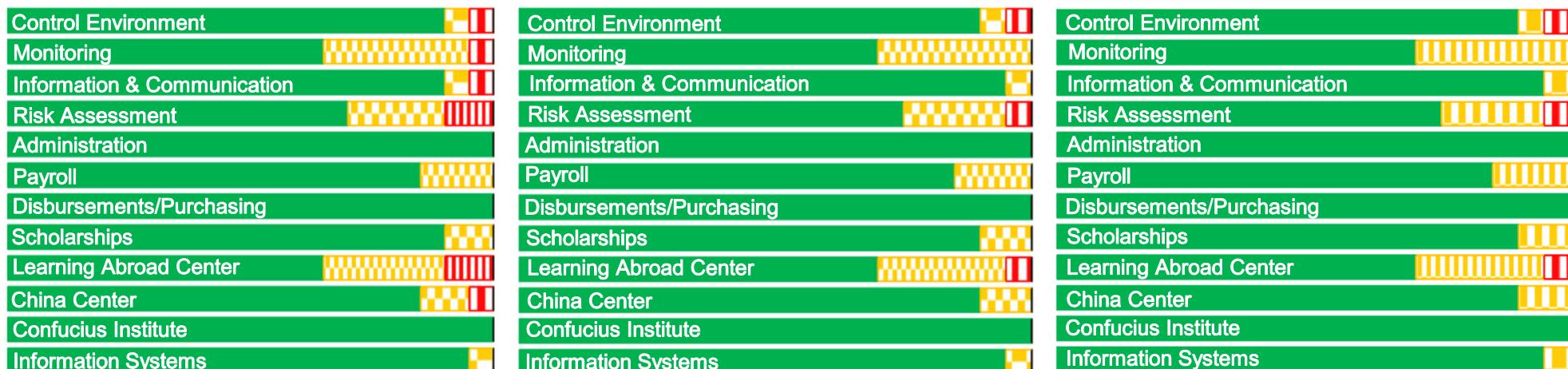
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

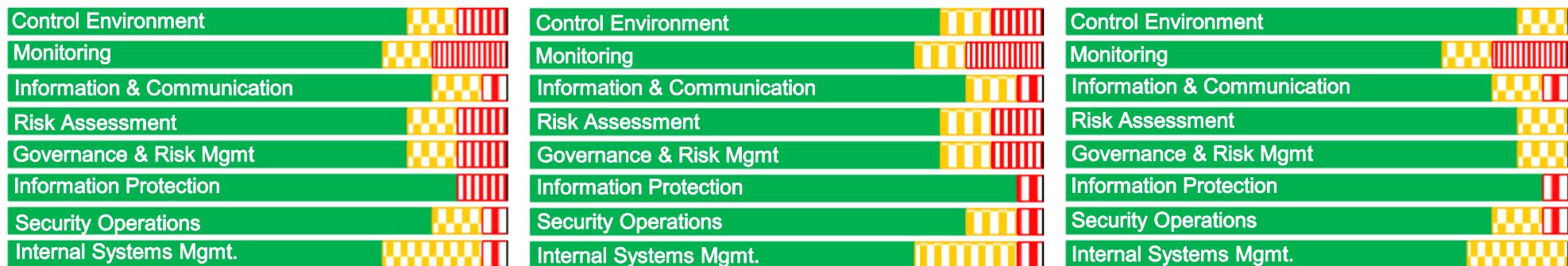
Previous Quarter Evaluation

Current Quarter Evaluation

Global Programs and Strategy Alliance (Apr 18)



University Information Security (May 2018)



■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

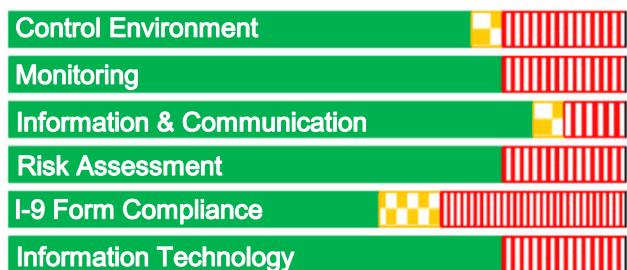
Previous Quarter Evaluation

Current Quarter Evaluation

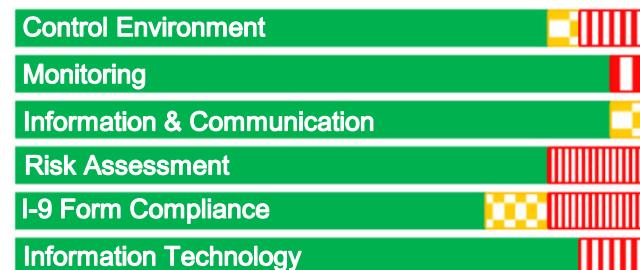
Family Medical Leave Act Review (May 2018)



Employment Eligibility Verification (Aug 2018)



NO PREVIOUS
CONTROL EVALUATION
CHART



■ Adequate Control □ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

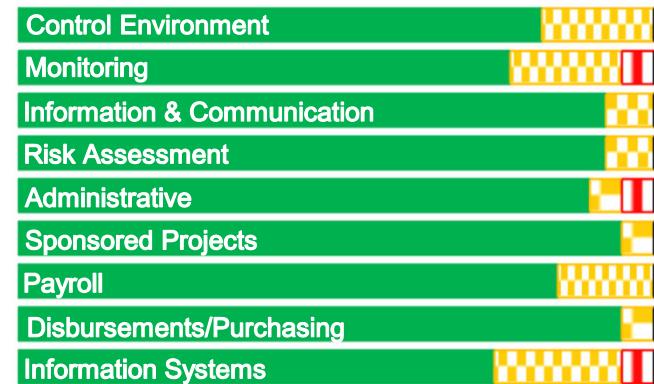
Previous Quarter Evaluation

Current Quarter Evaluation

Mechanical Engineering (Sep 2018)



**NO PREVIOUS
CONTROL EVALUATION
CHART**



■ Adequate Control □ Significant Control Issue(s) ■ Critical Control Issue(s)

Audit Activity Report

Scheduled Audits

Completed Audits Of:

- Review of Fixed Price Close-Out Process
- Department of Obstetrics and Gynecology
- Review of Controlled Substances Used in Research
- AHC – Information Systems
- Review of the Request for Outside Consulting and Report of External Professional Activities Processes (Systemwide)
- Residency Determination (Twin Cities)
- UMD Police Department
- Travel Expenses (Systemwide)
- School of Physics and Astronomy
- University of Minnesota Libraries (including Minitex)
- University of Minnesota Crookston

Details are shown on the following charts.

Began/Continued Audits Of:

- Review of Hospitality Expenses FY18 (Systemwide)
 - UMD School of Fine Arts
 - OIT Business Office
 - Office for Technology Commercialization
 - Office of Investments and Banking
 - The Hormel Institute
 - Office for Community Standards
 - Disaster Recovery, Business Continuity and Emergency Preparedness
 - UMD Stores
 - Veterinary Medicine Administration
-
- Continued to engage the next generation network (NGN) upgrade team regarding their progress. No major issues have been identified to date; the project continues to be well managed and considerate of security risks.
 - Completed one “Snap Audit” of time reporting and approval, which included suggested remediation steps.

Investigations

- Performed investigative work on one issue in accordance with the University Policy on Reporting and Addressing Concerns of Misconduct.

Special Projects

- Provided consulting services related to University payroll exception testing.
- Provided technology consulting in several areas including: vendor management and purchasing processes, HIPAA security, research data storage, data center assessment and security, account management, and the IT Security Framework.

- Began management requested review of faculty research support and course assignments at UMD's Swenson College of Science and Engineering.

Other Audit Activities

Participated in the following:

- President's Cabinet
- Senior Leadership Group
- President's Policy Committee
- Policy Advisory Committee
- Board of Regents Policy Committee
- Executive Compliance Oversight Committee
- Institutional Conflict of Interest Committee
- University of Minnesota Foundation Audit Committee
- Fairview Health Systems Audit Committee
- IT Leadership and Operational Excellence Committees
- NSF audit oversight committee
- HRPP Advisory Committee
- Research Compliance Committee
- GDPR Consultation Committee
- Use Case Categorization Scheme Committee
- P & A Senate
- SVP Senior Leadership Academy
- Data Center Co-Location Initiative
- Data Storage Council

Audit Reports Issued Since October 2018

Fixed Price Closeout Process



Report # 1908 Issue Date Nov-18

of Essential Recs. 0 Total # of Recs. 1

Overall Assessment Good Adequacy of MAP Satisfactory

The University enters into agreements to conduct fixed price projects, including clinical trials, with sponsors. Sponsored Financial Reporting (SFR), along with Sponsored Projects Administration and the Research Compliance Office (RCO), jointly have central management and oversight responsibilities for all sponsored projects awarded to the University. In cooperation with University departments, SFR is responsible for closing awards when they have ended, all spending is complete, and all payments have been received. From the results of the audit work performed, we believe the fixed price closeout process is generally good. However, SFR should consistently apply internal procedures for fixed price closeouts and ensure all awards meeting the threshold are forwarded to RCO. In addition, the threshold should be periodically reviewed for reasonableness. A formalized process for how to handle projects with zero expenditures should also be documented.

Obstetrics, Gynecology and Women's Health



Report # 1909 Issue Date Nov-18

of Essential Recs. 1 Total # of Recs. 4

Overall Assessment Good Adequacy of MAP Satisfactory

Results of the audit work performed show that the Department of Obstetrics, Gynecology and Women's Health has developed a control environment and system of internal control that addresses most major business and compliance risks. Financially, the department is stable; clinical revenues were lower last year, but the unit has reserves that can be used. The University of Minnesota Health Clinics and Surgery Center also presents a financial challenge as they continue to run a deficit that must be shared among all clinical units. The audit resulted in one issue considered "essential" to minimizing existing operational and compliance risks related to the human participant consent and HIPAA authorization processes. Other significant issues identified related to excessive cost sharing, effort reporting, and human resource and payroll processes.

■ Adequate Control □ Significant Control Issue(s) ■ Critical Control Issue(s)

Review of Controlled Substances in Research



Report # 1910 Issue Date Nov-18

of Essential Recs. 1 Total # of Recs. 3

Overall Assessment Good Adequacy of MAP Satisfactory

The ownership of the policies and processes surrounding the use of controlled substances in research was recently transferred from the Office of the Vice President for Research to the Lab and Research Safety unit within the Department of Environmental Health & Safety (DEHS). Lab and Research Safety is working to revitalize and restrengthen the program. We found the controls surrounding the use of controlled substances in research are good, but some areas could be improved. Weaknesses were noted in most labs reviewed. One essential issue involves ensuring Authorized Users are completing the DEA-required questionnaire, and that Authorized User lists are complete, accurate, and available. Other issues relate to improving controls over security and monitoring of controlled substances, as well as purchasing and receiving.

Academic Health Center Information Systems (AHC-IS)



Report # 1911 Issue Date Dec-18

of Essential Recs. 5 Total # of Recs. 12

Overall Assessment Good Adequacy of MAP Satisfactory

AHC-IS provides IT support and services primarily to the AHC and other University healthcare units. They support six schools and colleges, interdisciplinary centers and programs, and other support units. AHC-IS treats all systems they manage as high-security level, as all may contain data considered protected health information (PHI) under Federal HIPAA regulations. AHC-IS operations and control environment are well-managed; however, there is need for additional improvement, which is partly reflective of the high-level of inherent risk of the healthcare systems and data AHC-IS manages.

Review of the Request for Outside Consulting (ROC) and Report of External Professional Activities (REPA) Processes



Report #	1912	Issue Date	Jan-19
# of Essential Recs.	1	Total # of Recs.	3
Overall Assessments	REPA - Good	Adequacy of MAP	Satisfactory
	ROC - Needs Improvement		

We found the REPA form and process is working well; the Office of Institutional Compliance has been actively tracking required submissions and communicating with staff resulting in 100% compliance. The ROC form and process, however, needs improvement in its process, monitoring, and communication; the compliance rate for completion of required ROC forms is 14% for our audit period. Because the REPA is well-controlled, we focused on the ROC process which has been known to be problematic. The ROC form should be updated for better usability and the Electronic Grants Management System (EGMS) that controls REPA and ROC filings is outdated and a replacement system should be explored. Both business owners are currently working toward a solution and have proposed policy changes around monitoring.

Residency Determination



Report #	1913	Issue Date	Jan-19
# of Essential Recs.	4	Total # of Recs.	7
Overall Assessments:		Adequacy of MAP	Satisfactory

Ugrad Resident Classification Office - Good
 Graduate and professional schools - Needs Improvement

The University charges students different tuition rates based on their residency status. Undergraduate residency determination is completed by the Resident Classification Office within the Undergraduate Office of Admissions. The Graduate School and each professional school determine initial residency for their students during the application process. Based on the results of the audit work performed, we believe the processes established by the Resident Classification Office for undergraduate initial decisions is operating effectively. Graduate and professional schools' processes and criteria for making residency decisions varies significantly, and could lead to differing residency determinations.

UMD Police Department (UMDPD)



Report #	1914	Issue Date	Jan-19
# of Essential Recs.	9	Total # of Recs.	13
Overall Assessment:	Adequate	Adequacy of MAP	Satisfactory

UMDPD demonstrates a strong commitment to maintaining the safety and security of the UMD campus. Their officers are well-trained and professional, and the department seeks to increase safety awareness and preparedness through a variety of initiatives such as the recent campus-wide active shooter training. However, UMDPD's administrative control environment and system of internal controls does not sufficiently address all of UMDPD's critical risks. Administrative issues were identified across operational, compliance, and information technology areas.

Travel Expenses

Due to the limited scope of this audit a control evaluation chart was not developed for this audit.

Report #	1915	Issue Date	Jan-19
# of Essential Recs.	0	Total # of Recs.	2
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The Director of Purchasing Services is the policy owner of the *Traveling on University Business* administrative policy. The University recently implemented a new electronic system, Chrome River, to process both travel and expense related activity. Purchasing Services has also recently introduced a new travel card. From the results of the audit work performed, we believe that travel expenditures are generally being appropriately managed and recorded within the University. However, there are several areas where Chrome River will only partially mitigate existing risks, or not address them at all, including: unreasonable/unallowable expenses, registration of international travel, incorrect reporting, and inadequate justifications.

■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

University of Minnesota Libraries



Libraries - Minitex Control Evaluation



Report #	1916	Issue Date	Jan-19
# of Essential Recs.	5	Total # of Recs.	16
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The University of Minnesota Libraries operates five main locations and seven additional locations. Last year, they served a total of 1.87 million visitors and had 2.6 million visits to their webpage. Within the Libraries, there is a unit called Minitex that operates as a division of the Libraries with a mission to serve libraries throughout the state of Minnesota and the region. Minitex's funding comes from the Minnesota Office of Higher Education, giving it joint accountability to the State and the Libraries. We found the operational and financial attributes and processes related to the University of Minnesota Libraries operations to be generally well-controlled, but some IT and accounts receivable controls within Minitex need improvement.

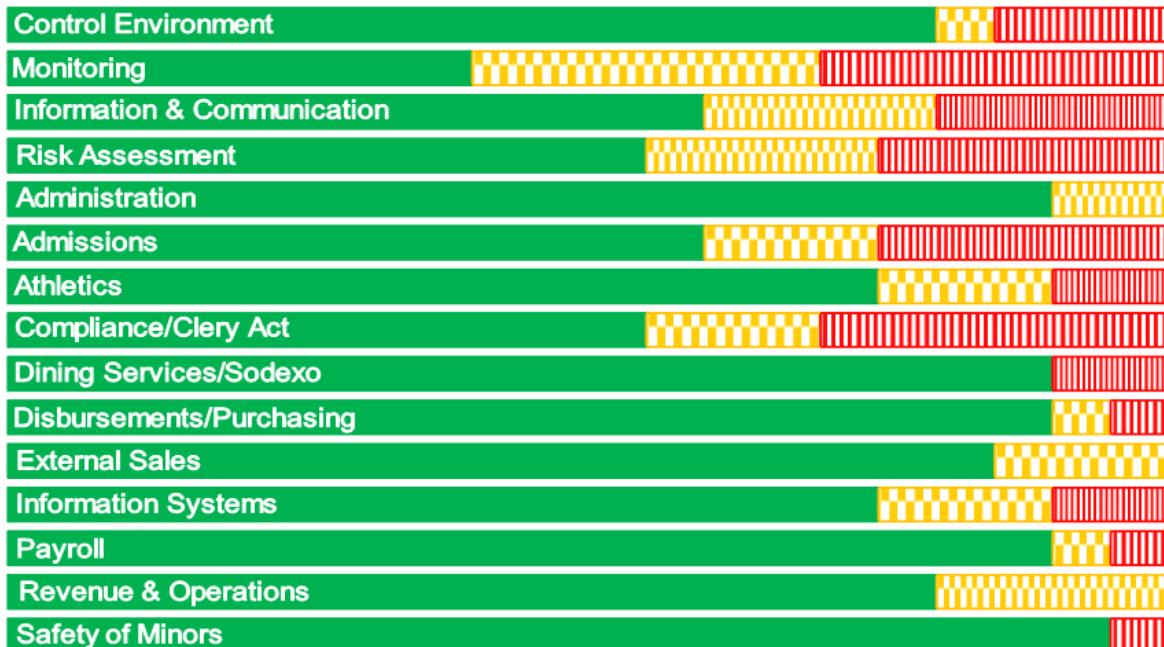
School of Physics and Astronomy



Report #	1917	Issue Date	Jan-19
# of Essential Recs.	0	Total # of Recs.	5
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The School of Physics and Astronomy has been a centerpiece of College of Science and Engineering investment over the past decade. It has completed construction of some of the most modern facilities for research and education in physics and astrophysics of any university in the world. The school includes two major institutes: The William I Fine Theoretical Physics Institute (FTPI) and The Minnesota Institute for Astrophysics (MIfA). We found the School of Physics and Astronomy has developed a control environment and a system of internal control that addresses most major business, compliance and information technology risks.

University of Minnesota, Crookston (UMC)



Report #	1918	Issue Date	Jan-19
# of Essential Recs.	26	Total # of Recs.	50
Overall Assessment	Needs Improvement	Adequacy of MAP	Satisfactory

The University of Minnesota, Crookston (UMC) was established in 1966 as the University of Minnesota Technical Institute and transitioned to offering baccalaureate degrees programs in 1993. Currently UMC's enrollment is about 1,800 students which includes about 900 on-campus students and 900 on-line students. UMC is facing major challenges related to enrollment, aging electrical infrastructure, counseling services and Athletics facilities and budgets. From the results of the audit work performed, we believe UMC's control environment and system of internal controls needs improvement. Administrative controls over critical financial or compliance processes for UMC operations need significant strengthening in Clery Act Reporting, Admission Office direction, Safety of Minor Compliance, NCAA eligibility compliance, and 3rd party contract management (Sodexo).

Snap Audit Summary

Snap audits are highly-focused reviews conducted on a single University process or activity. These audits are designed to be completed quickly, and often leverage data analytics to minimize unit disruptions. They are intended to provide prompt results to business process owners so that potential problems can be addressed prior to formal audit reviews. The following is a summary and associated results of the Snap audit we conducted this reporting period.

- **Time Reporting and Approval**

We reviewed hourly employees' time reporting and approval processes in PeopleSoft. We discovered a control deficiency where time reporters can edit their time after it has been approved by a supervisor or time administrator in PeopleSoft. The edit can be made up to two previous pay periods and the approver is not notified of the change to prompt review and re-approval; this effectively nullifies the approval's effect.



BOARD OF REGENTS

DOCKET ITEM SUMMARY

Audit & Compliance

February 7, 2019

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Gail Klatt, Chief Auditor

PURPOSE & KEY POINTS

Engagements Less than \$100,000 Requiring After-the-Fact Reporting

- The University of Minnesota Duluth entered into an agreement with Deloitte & Touche, LLP to provide an audit of the financial statements of KUMD radio station as of June 30, 2018, including an examination of management's assertion that KUMD complied with the Corporation for Public Broadcasting (CPB's) fiscal year 2018 financial reporting guidelines. This audit is being performed as a requirement for receiving grant funding from CPB. The fees for this engagement are not to exceed \$35,000. This engagement does not impair the independence of Deloitte & Touche, LLP as it relates to the external audit of the University and was approved by the Controller's Office in conformance with Board policy.

BACKGROUND INFORMATION

Engagements with external audit firms that do not require prior approval by the Board are reported after the fact to the Audit & Compliance Committee as information items, in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines*.