



# Audit & Compliance Committee

May 2018

May 10, 2018

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

West Committee Room, McNamara Alumni Center

## AUD - MAY 2018

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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## Audit & Compliance

May 10, 2018

**AGENDA ITEM:** Review of External Auditor Relationships and Services Provided

☐

Review

☐

Review + Action

☐

Action

☒

Discussion

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*This is a report required by Board policy.*

**PRESENTERS:** Sue Paulson, Assistant Controller

### PURPOSE & KEY POINTS

To review audit and non-audit services provided to the University of Minnesota by external audit firms and the related fees paid for those services during FY 2017.

#### External Auditor Review

Total Deloitte & Touche LLP (Deloitte) contracted audit and non-audit fees were \$597,800 for FY 2017 engagements, with actual fees of \$577,095 paid to Deloitte. All FY 2017 engagements have been completed and final billed. A summary of management's evaluation of Deloitte's performance for FY 2017 is also provided.

#### Summary of Audit and Non-Audit Services and Fees (Schedules A & B)

Total fees of \$672,176 have been paid for FY 2017 engagements to three public accounting firms for a variety of audit and non-audit services. A description of the services is included in the docket. All audit and non-audit services were reviewed by the Controller's Office for audit independence, and approved by or reported to the Audit & Compliance Committee as specified in Board of Regents Policy: *Audit Committee Charter*.

### BACKGROUND INFORMATION

This report is prepared and presented to the Audit & Compliance Committee in conformance with Board of Regents Policy: *Board Operations and Agenda Guidelines* and Board of Regents Policy: *Audit Committee Charter*.

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS AUDIT AND COMPLIANCE COMMITTEE  
MAY 10, 2018**

**EXTERNAL AUDITOR REVIEW AND SUMMARY OF EXTERNAL AUDITOR  
RELATIONSHIPS AND SERVICES PROVIDED**

**Background**

The Board of Regents is responsible for engaging and overseeing the University's independent external auditors, for reviewing the work of the auditor, and periodically reviewing the fees paid to the audit firm. Effective governance practice recommends that the Audit and Compliance Committee of the Board should conduct such a review at least annually. The Audit and Compliance Committee conducted its last review of audit services and fees in May 2017.

The Controller's Office presents the information below and on the accompanying schedules for the Audit and Compliance Committee's 2018 review of audit, audit related, and non-audit services fees paid to external audit firms including, Deloitte & Touche, LLP (Deloitte), the University's independent external auditor. Also included is management's assessment of Deloitte's performance for the FY 2017 engagements.

**Section I - Annual Review of External Auditor Relationship and Performance**

University management and the Deloitte engagement management team met on March 19, 2018 to review Deloitte's services and performance during the FY 2017 audit. The overall conclusion was Deloitte did an excellent job during the FY 2017 audit.

Each year of the Deloitte contract, both the University and Deloitte have identified opportunities for improvement and have implemented those improvements. As a result, both sides felt the audit was efficient and the overall process was well managed by both organizations.

Relative to the strengths of Deloitte and the positive aspects of the audit:

- Management felt that the continuity of key Deloitte team members from the prior years' audits contributed to the efficiency of the audit;
- Deloitte's audit approach was consistent to prior years;
- Each year, recommendations are incorporated into the audit process, and as a result, efficiencies were seen by both Deloitte and the University staff;
- Deloitte has done an excellent job of managing audit fees and costs. Annual audit fees have been within the contract and budget amounts.

Both the University team and the Deloitte team agree that we need to continue to focus on the improvements that have been made including:

- Continued focus on identifying and completing testing of items earlier in the audit process.
- Continue to ensure communications between both teams and all audits are consistent and timely.

### **Review of Fees Paid to Deloitte & Touche, LLP**

The accompanying schedule presents a summary of fees paid to Deloitte for the various FY 2017 audits and other services. The top portion of the fee schedule represents fees paid for the University's annual institutional audits and audit-related engagements. The contract amounts reported on the schedule are consistent with the amounts agreed to in the fiscal 2017 engagement letters and the firm's fixed price contract for FY 2017. The total audit fees paid to Deloitte for FY 2017 were \$20,705 less than the contract amounts in total, and represent less than expected actual expenses. These amounts are final.

The lower portion of the schedule contains a breakdown of fees paid to Deloitte for other services. During the year, Deloitte performed two other engagements for specific units of the University. In order to reduce audit costs and maintain greater oversight of audit and audit-related engagements across the University, the Controller's Office is working closely with Deloitte and University departments to use Deloitte whenever possible for additional external audit or attest services.

Services performed by Deloitte during FY 2017 that were not part of the annual audits and NCAA agreed-upon-procedures of the University included:

- Deloitte was engaged to perform procedures in connection with the University's Bond Offering documents. The related engagement letters were reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. As this engagement was solely to perform attest procedures in connection with the bond offerings, it did not present an independence issue with regard to Deloitte.
- Deloitte was engaged by the University's Academic Health Center to provide agreed upon procedures to assist the University in evaluating the University's calculation for cost recovery of direct and certain pass-through costs of manufacturing an investigational product 131I-Metaiodobenzylguanidine (131I-MIBG). This engagement did not present an independence issue with regard to Deloitte.

**UNIVERSITY OF MINNESOTA**  
**BOARD OF REGENTS AUDIT AND COMPLIANCE COMMITTEE**  
**MAY 10, 2018**  
**Schedule I - Fees Paid To Deloitte & Touche, LLP**  
**FY 2017 Engagements**

	<i><b>FY 2017 Engagements</b></i>			<i><b>Total FY 2016</b></i>
<i><b><u>Annual Institutional Audit and AUP Engagements</u></b></i>	<i><b><u>Contract Amount</u></b></i>	<i><b><u>Billed Amount</u></b></i>	<i><b><u>Over/(Under) Budget</u></b></i>	<i><b><u>(prior year)</u></b></i>
University Financial Statement Audit	\$ 408,000	\$ 393,875	\$ (14,125)	\$ 390,529
RUMINCO Financial Statement Audit	24,000	23,920	(80)	23,400
Compliance Audit (Federal 2-CFR 200 Subpart F & MOHE)	121,000	115,000	(6,000)	115,000
NCAA Agreed-Upon-Procedures – Twin Cities	15,300	15,300		15,300
NCAA Agreed-Upon-Procedures - Crookston	15,000	14,500	(500)	
Total Fees for Institutional Engagements	<b>\$ 583,300</b>	<b>\$ 562,595</b>	<b>\$ (20,705)</b>	<b>\$ 544,229</b>
<i><b><u>Other Audit, Audit Related, and Non-audit Fees</u></b></i>				
Consent procedures related to Bond Offerings	\$ 7,500	\$ 7,500		\$ 17,000
131I-MIBG Agreed-Upon Procedures	7,000	7,000		0
Student Organization Agreed-Upon Procedures				75,000
Due Diligence - Integration of Fairview Health Services & UMP				1,538,360
Parking and Transportation – Examination Services				10,000
Regenerative Medicine Agreed-Upon Procedures				17,000
Enterprise Asset Management Analysis				194,951
Total Other Audit, Audit Related, and Non-Audit Fees	<b>\$ 14,500</b>	<b>\$ 14,500</b>	<b>\$ 0</b>	<b>\$ 1,852,311</b>
<b>Total Fees</b>	<b>\$ 597,800</b>	<b>\$ 577,095</b>	<b>\$ (20,705)</b>	<b>\$ 2,396,540</b>

## **Section II - Review of Fees Paid to All Other Auditing Firms**

In addition to the audits performed by Deloitte & Touche, LLP (the University's independent external auditors), other accounting and auditing firms performed a variety of audit and non-audit services at the University during FY 2017. These services were:

- Bradley P. Mickelson, CPA (dba DuluthCPA.com) was engaged by the Tweed Museum of Art to perform a yearly report on the Tweed budgets for FY 2017, to be included in an application for Minnesota State Arts Board Grant funds. This contract was previously reported to the Audit Committee
- Bradley P. Mickelson, CPA (dba DuluthCPA.com) was engaged by KUMD, the Duluth campus radio station, to perform attest services in FY 2017 in conjunction with the receipt of federal funds from the Corporation for Public Broadcasting. This contract was previously reported to the Audit Committee.
- Baker Tilly Virchow Krause, LLC was engaged by the Office of Institutional Compliance to assess the regulatory risk resulting from activities associated with the University's Institutional Animal Care and Use Committee (IACUC). This contract was previously reported to the Audit Committee.

The Office of the Controller reviewed all of the contracts detailed on the attached schedule, consistent with Board policy. None of these engagements resulted in an impairment of independence, in fact or in appearance, for any of the firms.

**UNIVERSITY OF MINNESOTA  
BOARD OF REGENTS AUDIT AND COMPLIANCE COMMITTEE  
MAY 10, 2018**

**Schedule II - Report of Fees Paid To Audit Firms for FY 2017 Engagements  
(through April, 2018)**

<u><b>Audit Firm</b></u>	<u><b>FY 2017 Engagements</b></u>			<u><b>FY 2016</b></u>
	<u><b>Audit Fees</b></u>	<u><b>Non-Audit Fees</b></u>	<u><b>Total Fees</b></u>	<u><b>Total Fees Paid</b></u>
Bradley Mickelson, CPA (dba DuluthCPA.com)	\$ 7,050		\$ 7,050	\$ 7,950
Baker Tilly Virchow Krause		\$ 88,031	88,031	0
CliftonLarsonAllen, LLP				97,870
Deloitte & Touche, LLP	562,595	14,500	577,095	2,396,540
<b>Total Fees Paid</b>	<u><u><b>\$ 569,645</b></u></u>	<u><u><b>\$ 102,531</b></u></u>	<u><u><b>\$ 672,176</b></u></u>	<u><u><b>\$ 2,502,360</b></u></u>



## BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**May 10, 2018**

**AGENDA ITEM:** External Audit Plan

☐

**Review**

☐

**Review + Action**

☐

**Action**

☒

**Discussion**

☒

*This is a report required by Board policy.*

**PRESENTERS:**

Sue Paulson, Assistant Controller  
Katherine Knudtson, Partner, Deloitte & Touche LLP  
Judi Dockendorf, Managing Director, Deloitte & Touche LLP

**PURPOSE & KEY POINTS**

The external audit plan sets forth the audit scope, objectives, and approach to be used by Deloitte & Touche LLP (Deloitte) for conducting the University's FY 2018 financial and compliance audits. Members from the Deloitte engagement team will provide an overview of the audit plan, including the firm's assessment of audit risks, testing approach, and timelines for the FY 2018 audits.

**BACKGROUND INFORMATION**

This report assists the Audit & Compliance Committee with its audit oversight responsibilities, and is prepared and presented annually in conformity with Board of Regents Policy: *Audit Committee Charter* and Board of Regents Policy: *Board Operations and Agenda Guidelines*.



## **Raising the bar in quality and client service excellence**

Our 2018 client service plan  
for University of Minnesota

Board of Regents Meeting on May 10, 2018  
(Materials as of April 27, 2018)

April 27, 2018

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

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

We have been engaged to perform an audit of the consolidated financial statements of the University of Minnesota (the "University") as of and for the year ending June 30, 2018 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Governmental Auditing Standards* (GAS).

We have prepared the following comments related to the planned scope and timing of our audit to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Company is responsible.

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

Yours truly,



cc: Management of The University of Minnesota

# Agenda

- Engagement team
- Scope of our audit
- Deloitte Audit Approach
- Next Generation audit applications
- Risk Assessment
- Audit Timeline
- Single Audit Update
- Appendix A



# Listening to you, understanding your expectations, and responding with actions and results

We value our relationship with the University of Minnesota. Through our service quality assessment process and ongoing communication, your expectations for the level of quality and service are clear. We have listened and understand where we need to strengthen our approach and build on our success.

Continuous improvement in quality and service is our priority. Our entire client service team is committed to responding to your expectations, guided by three principles:



## **Bring the right talent**

Tailored to your needs



## **Execute intelligent quality**

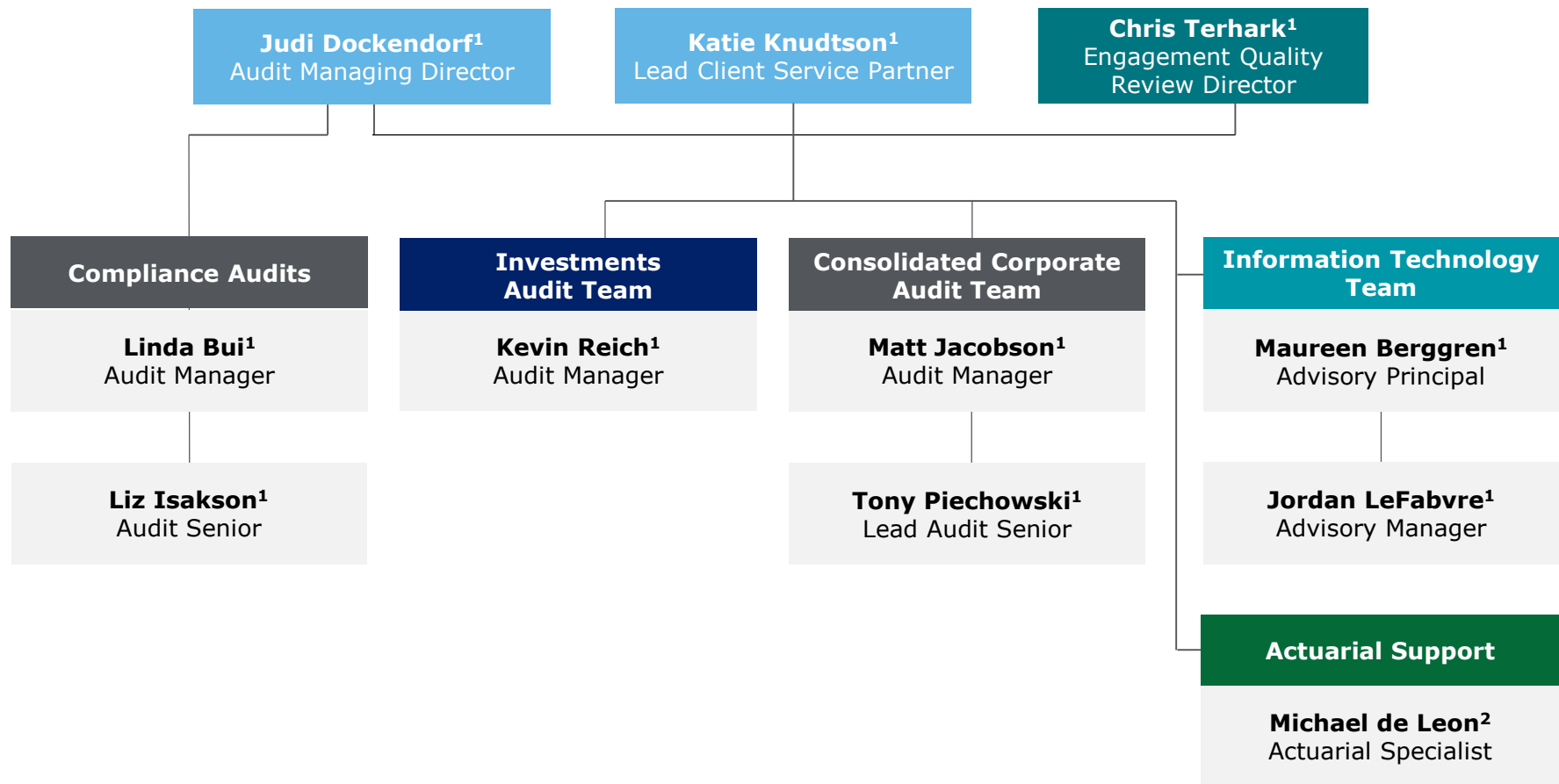
A smarter path to quality through global innovation, coordination, and communication



## **Deliver insights and perspectives**

The breadth and depth of Deloitte

# Engagement team



1 - Deloitte & Touche LLP  
2 - Deloitte Consulting LLP

# Scope of our audit

## Audit services

- **Reports on financial statement audit:**

- University of Minnesota consolidated financial statements
- RUMINCO, Ltd. (performed by Deloitte Bermuda)

- **Compliance reports:**

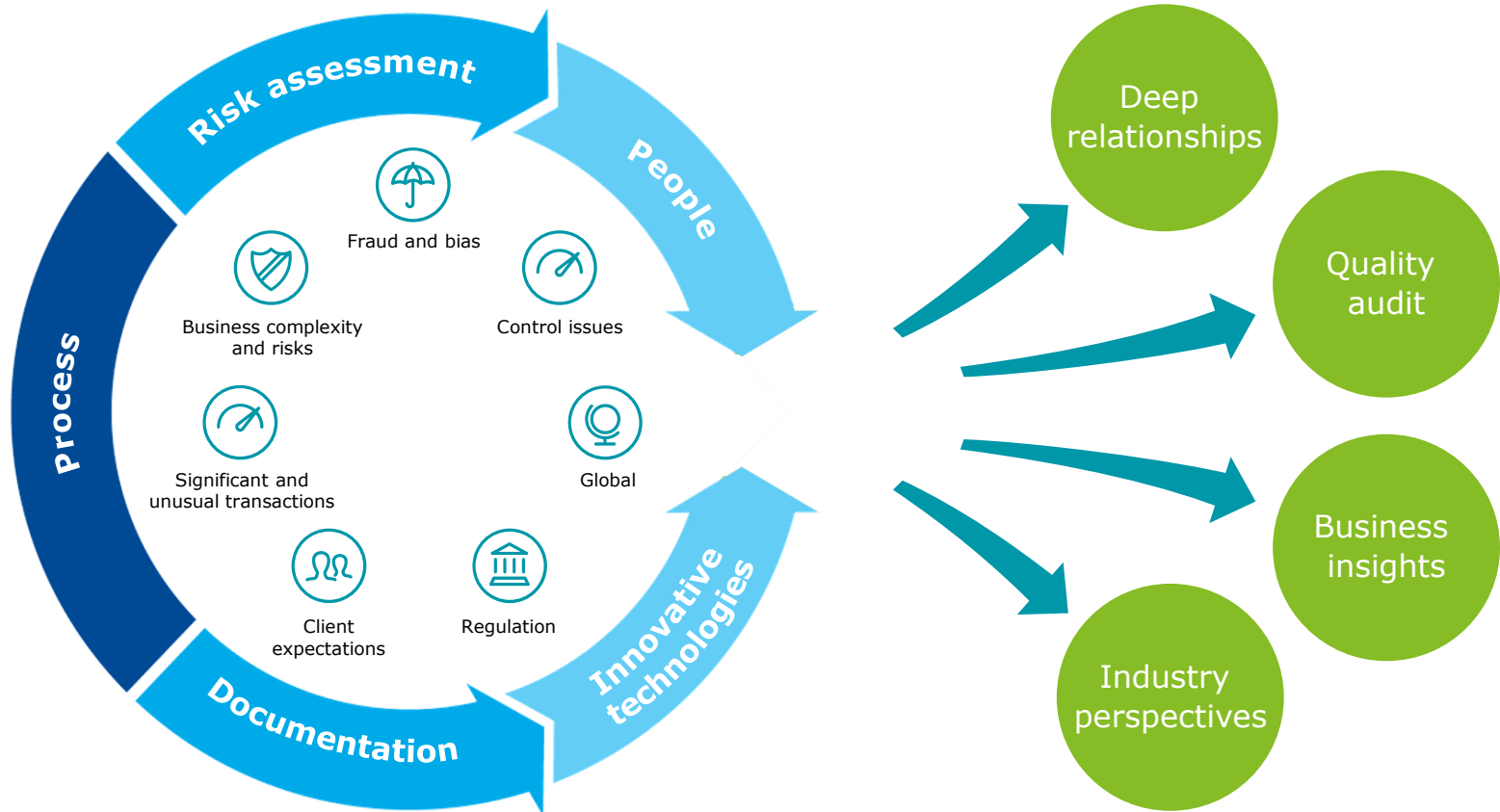
- Federal award programs (Office of Management and Budget uniform grant guidance)
  - Schedule of expenditures of federal awards
  - Report on internal controls and compliance related to financial reporting
  - Report on internal controls and compliance related to major programs
- Examination of management's assertions of the University's compliance with Minnesota Office of Higher Education audit guide

- **Agreed-Upon Procedures:**

- National Collegiate Athletic Association (NCAA) agreed-upon procedures (Twin Cities)
- National Collegiate Athletic Association (NCAA) agreed-upon procedures (Duluth – pending appointment)
- Regenerative medicine agreed-upon procedures

# Today's audit—A smarter audit

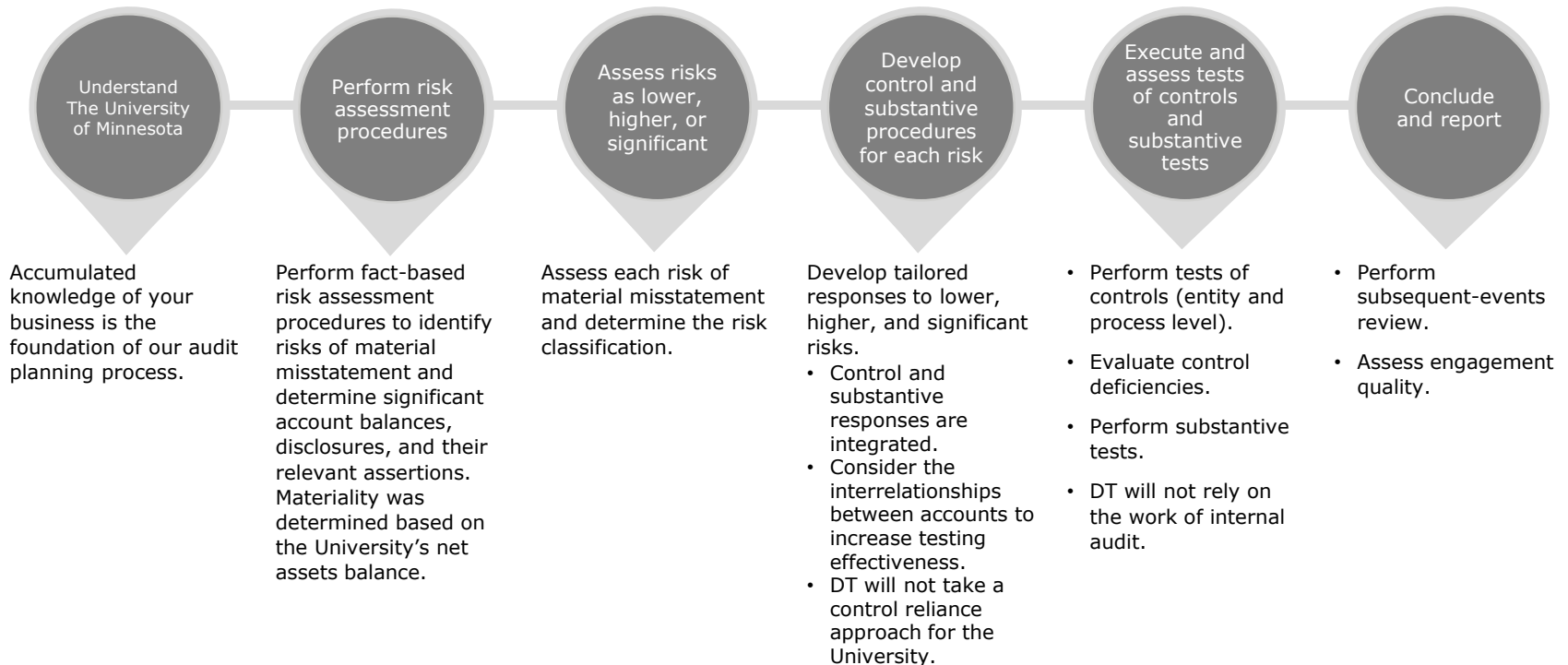
Our audit of the University of Minnesota is designed to address the complexities of your business, the business climate in which you operate, and our professional standards.



# Overview of our audit methodology



Our risk-based audit methodology addresses your unique business and financial reporting risks.



# Next generation audit applications

We are leveraging advanced analytics techniques and process flow automation to transform audit service delivery



## Engagement Management System

Allows for the rapid and effective electronic transfer of information among audit team members, and real-time progress and status updates on audit results and findings.



## Deloitte Connect

Enables the engagement team to communicate and collaborate seamlessly with the client.



## Deloitte Optix

Analyzes large data sets in near real time to uncover hidden patterns, trends, and risks in large journal entry populations.



## Iconfirm

Web-based application that enables the coordination of multiple confirmations. Used for investments and debt confirmations at the University.



## Audit Analytics

Enables us to discover and analyze patterns, identify anomalies, and reveal relationships in the investments dataset.

# Significant risks identified during our risk assessment procedures

As of the date of this report, we have identified certain significant risks, including fraud risks, during our risk assessment procedures. A significant risk is a risk of material misstatement of the financial statements that requires special audit consideration. The significant risks we have identified during our risk assessment procedures and our preliminary audit response, including the nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, are as follows:

We will separately communicate any significant changes to these significant risks during the course of our audit and the reasons for such changes, as necessary.

	Key areas of risk	Description of audit/business risk	Deloitte's preliminary audit response
1	<b>Valuation of alternative investments (significant risk)</b>	The valuation of alternative investments, specifically level 3/NAV investments is susceptible to estimation and management judgment. Management uses significant assumptions and judgments in developing the related valuation of these level 3 investments.	<ul style="list-style-type: none"> <li>• Read the valuations provided by external investment managers and management's analysis to evaluate how positions are marked to market for a selected sample. Assess the underlying assumptions used to determine fair value for alternative investment vehicles.</li> <li>• Understand and document the oversight and monitoring procedures performed by management when investing in new funds, quarterly and annually.</li> <li>• Obtain an understanding of the internal controls over the monitoring of and reporting on ongoing invested funds.</li> <li>• Review transactions at or near the balance sheet date that support the valuation of the investment for a selected sample.</li> <li>• Independently test pricing of readily marketable investments for a selected sample.</li> <li>• Confirm directly with external investment managers and request-related audited financial statements as required by American Institute of Certified Public Accountants guidance to verify underlying value of alternative investments for a selected sample. Perform rollforward procedures from audited financial statement date to June 30, 2018, for a selected sample.</li> <li>• Compare investment fund returns to standard industry benchmark for a selected sample.</li> </ul>
2	<b>Management override of controls (significant risk)</b>	The risk of management override of controls is pervasive. Because of its unpredictable nature, this risk could result in a material misstatement resulting from fraud and is thus an area of audit focus.	<ul style="list-style-type: none"> <li>• We will test the design and implementation of relevant controls over account reconciliations, journal entries, and financial statements.</li> <li>• Test the appropriateness of a sample of journal entries recorded in the general ledger.</li> <li>• Test critical management judgments and estimates for bias.</li> <li>• Hold fraud discussions with certain members of senior management, internal audit, the audit and compliance committee, and others.</li> <li>• Perform analytical procedures on the financial statements to identify unusual trends in account balances and ratios.</li> </ul>

# University of Minnesota audit timeline

We will plan the performance of our audit in accordance with the following estimated timetable:

Activity	2018											
	M	A	M	J	J	A	S	O	N	D		
<b>University consolidated audit</b>												
Audit planning and risk assessment												
Interim audit work												
Final audit work												
Conclude and report												
<b>Compliance audits</b>												
Planning and risk assessment												
Compliance requirements testing												
Conclude and report												
NCAA agreed-upon procedures												
Communication and coordination												

# Single audit procedures

- Single Audit Report on the University of Minnesota's Schedule of Expenditures of Federal Awards for the year ended June 30, 2018
  - Will continue to test the Research and Development and Student Financial Assistance clusters as major programs
  - Additional major programs will be identified as necessary in accordance with the guidance on federal compliance audits
  - Testing of major programs will include testing of both compliance attributes and related internal controls
  - Reports expected to be issued in November 2018
  - Data Collection form expected to be filed in November 2018

# Appendix

## Deloitte resources available to the University

# Deloitte resources available to the University



## Events

- Audit Committee and Board Symposiums
- Board Governance Dialogues (local events)
- CFO Forums (local events)
- CFO Vision (two-day conference)
- Finance Leadership Programs (leadership, influence, and competency development)
- Next Generation Academies (CFO, CHRO, CIO, CLO, CMO, Tax Executives)



## Transition Labs

- Audit Committee
- Board
- CFO
- Controller
- Chief Audit Executive
- Chief Legal Officer

## Other Labs

- Board and Audit Committee
- Financial Close Process Labs
- IPO Readiness Labs
- Data Analytic Labs
- Strategic SOX Lab
- IA Risk Assessment Workshop
- Operational Assessment Lab
- IA Strategy Lab
- Tax Strategy Lab



## Eminence

- Audit Committee Resource Guide
- On the Board's Agenda
- Board Practices Report
- CFO Signals (quarterly survey)
- CFO Insights (bi-weekly series of perspectives on CFO issues)
- CFO Journal (WSJ site including Deloitte-sponsored content)
- CFO Lens (app featuring CFO-centric information)
- Controllershship Insights
- Controllershship Perspectives
- Risk & Compliance Journal (WSJ site)

# Deloitte resources available to the University (Continued)

	Audit committee	Chief financial officer	Controller / finance	General counsel / legal	Tax	CIO	Audit / SOX	HR
<b><i>Accounting &amp; Financial Reporting Updates</i></b> An annual publication highlighting the specialized accounting and reporting considerations applicable to companies in different industries.			•				•	
<b><i>CFO Insights</i></b> A biweekly publication dedicated to addressing the issues that CFOs and finance executives face today.		•	•				•	
<b><i>Accounting Journal Entries</i></b> A periodic publication that briefly summarizes the newest developments in US accounting standard setting, usually on the same day they occur.			•				•	
<b><i>Accounting Roundup</i></b> A monthly newsletter focused on recent activities of the accounting standard-setters and regulators, including the FASB, EITF, IASB, and SEC.			•				•	
<b><i>Attorney Alerts</i></b> Periodic communications highlighting topics of interest to members of the Office of the General Counsel.				•				
<b><i>Audit Committee Brief</i></b> A monthly publication for audit committee members that provides leading practices, an overview of corporate governance resources, a look at the regulatory and legislative environment, and links to relevant tools and resources.	•	•		•			•	

# Deloitte resources available to the University (Continued)

	Audit committee	Chief financial officer	Controller / finance	General counsel / legal	Tax	CIO	Audit / SOX	HR
<b>Dbriefs—Private Companies<sup>i</sup></b> Biweekly webcast series featuring critical issues affecting private and middle-market companies.	●	●	●	●	●	●	●	●
<b>Financial Reporting Alerts</b> Periodic emails announcing important accounting and SEC developments that affect financial reporting and disclosure.			●				●	
<b>Heads Up</b> Periodic analysis of new or proposed accounting guidance that may have a significant impact on practice. Each edition provides a summary of a single issue and attempts to clarify that issue for readers with illustrative examples and Q&As.			●				●	

**About Deloitte**

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**May 10, 2018**

**AGENDA ITEM:** Institutional Risk Profile, Part V: Mitigation Plans

☐

**Review**

☐

**Review + Action**

☐

**Action**

☒

**Discussion**

☐

*This is a report required by Board policy.*

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

## **PURPOSE & KEY POINTS**

The purpose of this item is to continue review and discussion of the University's institutional risk profile. The discussion will focus on the mitigation plans for the 20 risks identified on the risk profile.

The institutional risk profile is used to identify the greatest risks at a governance level. The proposed risk profile lists 20 risks categorized into three primary areas:

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

The primary reason for this new approach is that risks rising to a governance level should not be ranked by importance or impact, which a heat map-style risk profile may indicate. The proposed risk profile presents the institution's most significant risks, and acknowledges that all rise to a high level of importance at a governance level.

The proposed risk profile also connects to the Board's committee structure by identifying the appropriate Board committee for further risk mitigation discussions. The time horizon for each risk is identified, showing whether the issue would typically be dealt with in a short-term way as an isolated incident or is an ongoing challenge to the University

## **BACKGROUND INFORMATION**

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

During the September, October, and December 2017 and February 2018 committee meetings, the committee reviewed the process and plan for updating the intuitional risk profile; reviewed and discussed a revised draft of institutional risk principles; discussed the draft institutional risk profile; and discussed mitigation plans for the various risks.

Category	Risk	BOR Committee	Time Horizon
<b>BUSINESS CHALLENGE</b>	Clinical Partnerships	MF / FO	ST / O
	Collaboration w/ Externalities & Joint Ventures	MF / FO	O
	Decentralization	MF / FO	O
	Employee Demographics / Succession Planning	MF / FO	O
	Facilities – Maintenance, Scope, & Alignment	FO	O
	Faculty Retention	MF / FO	O
	Information Technology – Security / Failure / Resilience / Cost	FO	O
	Intercollegiate Athletics	MF / FO	O
	International Activities	MF	ST / O
	Legal & Regulatory Compliance	MF / FO	O
	New & Disruptive Educational Models	MF	O
	Public Funding Reliability, Economic Climate, & Financial Sustainability	FO	O
	Representational Diversity	MF	O
	Shifting Enrollment Patterns	MF	O
<b>COMPLIANCE</b>	High Risk Research	MF	ST / O
	International Activities	MF	ST / O
	Legal & Regulatory Compliance	MF / FO	O
	Research or Clinical Misconduct	MF	O
<b>INSTITUTIONAL INTEGRITY</b>	Brand & Reputation Management	MF	ST / O
	Campus Safety, Climate, & Free Speech	MF / FO	ST / O
	Crisis Management	MF / FO	ST
	Intercollegiate Athletics	MF / FO	ST / O
	Sexual Misconduct – Prevention, Training, & Response	MF / FO	ST / O

**Key:**

Board Committee: FO – Finance &amp; Operations; MF – Mission Fulfillment

Time Horizon: ST – Short-term; O – Ongoing

## Institutional Risk Principles

February 2018

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

1. High tolerance for mitigated risks in the pursuit of innovative, breakthrough research, scholarship and public engagement.
2. High tolerance for strategic risk-taking that has potential to enhance instructional quality.
3. High tolerance for strategic risk-taking to promote productivity, creativity and reputation.
4. Moderate risk tolerance for rewarded financial risk.
5. Low tolerance for risks posing potential for damage to the University's brand and/or reputation.
6. Low tolerance for risks arising from inappropriate discharge of fiduciary responsibilities.
7. Low tolerance for risks that undermine actual safety, or the perception of safety, on our campuses.
8. Zero tolerance for intentional non-compliance with laws or regulations.

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Clinical Partnerships

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Jakub Tolar

### **Other Responsible Units:**

Finance and Operations, University of Minnesota Physicians (UMP), Office of General Counsel, School of Nursing

### **Introduction (why a risk?)**

- Financial support from our clinical partners is essential to the on-going operation and success of the academic medicine efforts of the University, particularly the Medical School.
- Training sites are essential to the education of health profession students and their availability is heavily dependent on our clinical partnerships
- The reputation of the University's academic medicine efforts is dependent on the reputation of our clinical partners
- Patient safety is paramount in all that we do in academic medicine. This requires confidence in our clinical partners.

### **Risk Mitigation Strategies**

- Robust ongoing discussions/negotiations with current and future partners about all elements of the relationship
- UMP has responsibility for the quality of all aspects of the clinical partnerships. Appropriate entity to hold that responsibility
- UMP manages physician credentialing
- Robust contracts with partners

## **Institutional Risk Profile / Mitigation Plan 2017–18**

### **Institutional Risk:**

Collaboration with Externalities and Joint Ventures

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett

### **Other Responsible Units:**

Office of the Vice President for Research; University Services; University Finance; Academic Health Center; Office for Public Engagement; Chancellors and Deans

### **Introduction (why a risk?)**

- Ongoing quality, continuity, financial, operational, legal, and reputational risks related to:
  - Research partnerships, grants, and contracts
  - Business partnering and alliances
  - Partnerships/contracts related to teaching-learning programs and academic technology
  - Ongoing engagement by faculty, staff, and students with external stakeholders and partners through research collaborations, outreach, community-based teaching and learning
- University intellectual property rights could be lost without proper remuneration
- Externalities and the U have differing accountability structures and expectations; improperly structured/managed partnerships can imbalance shared risk and reward; U mission and longevity provide more tolerance for long-term ROI than private-sector partners
- Assets/liabilities become linked to U financial position; potential legal/reputational risk
- Activities may introduce unrelated business-income and private-use challenges

### **Risk Mitigation Strategies**

- Route collaborations/joint ventures through SPA/OTC to ensure proper agreements, IP clauses
- Evaluate collaborations with externalities, joint ventures, and academic partnerships to ensure they align with core University mission, values, operations, and strategic goals (in addition to contractual and financial alignment); regularly assess both quality and congruence with mission
- Develop and maintain clear policies and practices for engagement and community-based learning, including MOUs for U-community collaborations
- Educate University researchers about both advantages and pitfalls of external collaborations
- Review by OGC of contracts/charters/articles of incorporation to protect U from undue risk or long-term exposure; UFinance considers long-term impact of potential partnership's financials/debt
- Maintain clear criteria for business partnering: U manages operations if two of three are met: on U land, in U facility, delivering U program; U retains all/some defined role in ownership, regulation, or remediation on non-performance
- Establish and maintain regular financial and operational reporting
- Maintain defined governance structure to ensure U role in decision making; clearly define roles and responsibilities for U executives on decision-making authority

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Decentralization

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett

### **Other Responsible Units:**

Chancellors and Deans; Academic Health Center; Research; Internal Audits; Office of the President (Office of Institutional Compliance); Human Resources

### **Introduction (why a risk?)**

- Large system of five campuses with decentralized academic programs:
  - Potential confusion about responsibility and accountability
  - Risk of operational inefficiency, less than optimal coordination of activities and efforts, increased costs due to duplication of services or activities
  - More difficult to ensure consistency of activities, or compliance with mandated requirements, in a decentralized environment
  - Risk of fragmentation as mission and goals are defined and pursued throughout the decentralized organization
  - Harder to measure efficiency or effectiveness in a decentralized environment

### **Risk Mitigation Strategies**

- Maintain clear lines of responsibility, authority, accountability (University delegations library)
- Utilize technology to facilitate relevant & timely communications across the organization
- Establish a clear policy framework; keep it current and updated (University Policy library)
- Maintain oversight and monitoring activities that are relevant, timely, and appropriate for the desired outcomes
- Use regular budget and financial oversight to measure and monitor key activities
- Assess opportunities to automate, consolidate, or centralize activities where controls are critical to reducing risk or increasing compliance (Sponsored Projects Administration) or where consistency of output is required or desired (e.g. financial, HR transactional activity)
- Maintain ongoing academic program review, compact/budget planning, and academic leadership development and review; faculty reporting and review
- Define and maintain clear and best-practices Human Resources policies
- Establish and deliver robust training for those who will conduct business activities

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Employee Demographics/ Succession Planning

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Kathryn Brown

### **Other Responsible Units:**

President's Office, EVP and Provost, SVP, and all campuses, colleges and units

### **Introduction (why a risk?)**

- Senior leaders are in the retirement risk zone
- One third of the faculty and staff are baby boomers – retirement eligible
- External hires are costly and require significant training
- Need to ensure that we have the needed leadership competencies
- Impact of University policies that make internal promotion more complicated

### **Risk Mitigation Strategies**

- Examine internal policies to eliminate roadblocks to internal promotion
- Provide tools, strategies and support for campuses, colleges and units to develop actionable succession plans
- Utilize human resource reports to help leaders, managers, and supervisors understand their workforce and risk for employee departures
- Provide support for searches to insure fair and equitable process, as well as using pre-hire assessments to understand the leadership competencies that a candidate presents
- Additional support to seek diverse candidate pools and insure affirmative action is considered
- Leadership development at all levels of the organization to prepare a broad spectrum of current employees for future senior leadership, managerial or supervisory opportunities
- Examine programs that identify high potential faculty or staff for leadership roles and support their development

## **Institutional Risk Profile / Mitigation Plan 2017-2018**

### **Institutional Risk:**

Facilities: Maintenance, Scope, and Alignment

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Senior Vice President Brian Burnett

### **Other Responsible Units:**

University Services, University Finance, Government and Community Relations

### **Introduction (why a risk?)**

- University facilities are integral to the place-based campus experience, and are retained for decades if not in perpetuity
- Institution does not adequately fund depreciation or facility renewal
- State of Minnesota provides 70% of the University's capital renewal funding
- Building system failure has the potential to cause catastrophic disruption to long-term research
- Cost of operating, maintaining, and renewing buildings in poor or critical condition disproportionately consumes limited repair and replacement funds that could be spent on buildings in catch up or keep up condition

### **Risk Mitigation Strategies**

- Buildings are classified in three categories (keep up/catch up, sustain, or dispose/do not invest) to ensure discretionary funds are spent on those facilities intended to remain in the University's portfolio long-term
- Prioritize renovation of existing space over the creation of net new space
- Improve the utilization of existing space
- Auxiliary funded and operated facilities include depreciation in their operating pro formas and business planning
- Target individual systems for replacement to ensure the most critical systems and components provide for access, safety, reliability, and functionality
- Include some ongoing allocation for repair and replacement funds in all new building operating funds
- Maximize energy conservation and implement district utility strategies to reduce the operating burden and help redirect funds toward facility improvement
- University Finance reviews state economic forecasts, Minnesota Management and Budget debt capacity estimates and financial reports, past trends, and budget instruction documents to help shape the size of six-year capital plans

## **Institutional Risk Profile / Mitigation Plan 2017–18**

### **Institutional Risk:**

Faculty Retention

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson

### **Other Responsible Units:**

Chancellors and Deans; Academic Health Center; Human Resources; Finance and Operations; Equity and Diversity

### **Introduction (why a risk?)**

- Recruitment and retention of field-shaping researchers and teachers is critical to our mission of teaching, research, and outreach
- Imperative for advancing outstanding research and curricular innovation, transformative education for students, and the research collaborations needed for state and world
- Field-shaping researchers and teachers are highly sought after
- Top faculty bring research funding, attract other top faculty as colleagues, and inspire motivated and talented undergraduate and graduate students
- Candidate pool for our top faculty members is small; our University must compete among peer public research universities as well as with private colleges and universities that may have sizable flexible funds
- Increasing international competition for top faculty
- Increasing importance and challenges related to dual-career couples
- Retention is intrinsically tied to diversity as imperatives for academic excellence
- Budget challenges and resource decisions may impede hiring and retention

### **Risk Mitigation Strategies**

- Develop and maintain policies and practices for competitive compensation and benefits
- Implement multi-pronged strategies to make the University a place that faculty will find attractive as they build their research and teaching careers:
  - build pipelines to recruit and retain a strong and diverse faculty
  - develop faculty talent across the course of the entire career
  - recognize and reward faculty excellence
  - promote diversity
  - support academic infrastructure and culture
  - reduce barriers to interdisciplinary collaborations and partnerships

## **Institutional Risk Profile / Mitigation Plan 2017-2018**

### **Institutional Risk:**

Information Technology - Security/Failure/Resilience/Cost

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Senior Vice President Brian Burnett

### **Other Responsible Units:**

All University Units

### **Introduction (why a risk?)**

Information security is a high risk for the University of Minnesota environment due to:

- an increasing amount and sophistication of cyber threats with criminal intent in the global landscape,
- a broad number of regulatory obligations with zero-tolerance for perceived breaches of information, and
- a diverse University culture that places a high value on collaboration and sharing of data, and that accepts a certain level of security risk-tolerance to foster that culture.
- each individual in the community that has a critical role to protect themselves, which in-turn protects the University.

Additionally, information technology is a high risk from an operational perspective because:

- the institution is increasingly reliant on technology systems to support the mission, but providing high availability (uninterrupted operation) of those systems is cost prohibitive.

### **Risk Mitigation Strategies**

The University addresses information security risks through an information security program by actively:

- evaluating security risks to ensure that the risk is compatible with the University culture and desired risk-tolerance,
- establishing the security requirements for the University,
- responding quickly to security incidents and breaches when they do occur,
- assisting the University community with meeting regulatory obligations,
- educating the University community to increase security awareness,
- investing in cyber-security infrastructure (i.e.: log-management, firewall, distributed denial of service, threat monitoring, two-factor authentication) and insurance.

University technologists continually seek opportunities to advance the institution closer to high availability through a combination of affordable strategies:

- creative service sourcing (centralization, outsourcing, etc)
- high priority service isolation to separate infrastructure
- strengthened methodologies, processes, and expertise for system changes

## **Institutional Risk Profile/Mitigation Plan**

**2017-18**

### **Institutional Risk:**

Intercollegiate Athletics / Long term TV Contract Market

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Athletic Director Mark Coyle

### **Other Responsible Units:**

None

### **Introduction (why a risk?)**

- Declining number of cable TV subscribers. Profits are contingent on number of households who are paying for the channel on cable networks.
- People are using other platforms to watch Minnesota games, (Over the top or OTT).
- We are in year 2 of a 6 year agreement with our television partners. The landscape could look very different by at the end of the agreement – amount of money we receive from the conference for our TV contract could go down and that is revenue that our department is dependent upon for operating expenses.

### **Risk Mitigation Strategies**

- Find a way to capitalize on the alternative platforms that are broadcasting Minnesota games.
- Continue to build our high profile programs so fans want to pay to watch Minnesota teams compete.
- Improve game day experience so people want to come to campus to buy tickets and watch events in person.
- Continue to build up and improve our fan loyalty program to connect with our fans, therefore resulting in people watching games on TV or in person.
- Utilize the Gopher Digital group to enhance the content for broadcasts.

## **Institutional Risk Profile/Mitigation Plan**

**2017-18**

### **Institutional Risk:**

Intercollegiate Athletics / Compliance

### **Risk Category:**

Integrity Challenge

### **Responsible Senior Leader:**

Athletic Director Mark Coyle

### **Other Responsible Units:**

Office of General Counsel

### **Introduction (why a risk?)**

- There are NCAA, Big Ten and Institutional rules that need to be followed in order for student-athletes/programs to be eligible to compete.
- Administrators, coaches, staff and student-athletes are all responsible for their own actions, but their actions can affect their team and institution.

### **Risk Mitigation Strategies**

- The Department of Athletic Compliance reports directly to the Office of the General Counsel which provides independent oversight for all NCAA/Big Ten/ WCHA rules. The Athletic Department administration works closely with the Compliance staff, but does not have any control over the execution of the activities of the compliance staff.
- Six member athletic compliance department is responsible for conducting a comprehensive compliance program which includes; education, monitoring, and enforcement.
  - Education -- Staff educates thousands of individuals per year across a broad array of athletic department staff, campus and community partners. The level of education is specific to the risk inherent in the position. Coaches and student-athletes receive the most education but it extends to Boosters, local businesses, and other University employees (e.g., housing and residential life, OneStop and Bookstore employees).
  - Monitoring -- The Compliance staff has robust audit and monitoring activities which includes coaching phone log audits, social media monitoring for both Prospective Student-Athletes, Coaches, Media members, recruiting expense approval, and practice/competition/travel with teams.
  - Enforcement -- The University of Minnesota takes all allegations of NCAA rules violations seriously and takes action to fully investigate and report any violations of NCAA/Big Ten rules.

## **Institutional Risk Profile / Mitigation Plan 2017–18**

### **Institutional Risk:**

International Activities

### **Risk Category:**

Business Challenge; Compliance

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson

### **Other Responsible Units:**

Chancellors and Deans; Academic Health Center; GPS Alliance; Research (Sponsored Projects Admin., Research Compliance Office); Office of General Counsel; Office of the President (Office of Institutional Compliance); Human Resources

### **Introduction (why a risk?)**

- We enroll students from 135 nations and have faculty, staff, and visiting scholars from many countries. National/international affairs, political/civil unrest, and immigration policies may directly affect employees and impact students' educational progress
- The U is engaged in teaching, research, student study abroad, and outreach in countries around the globe; these activities require academic, logistical, legal, and financial support and may be affected by national/international affairs and policies
- Complex federal and international regulations may overwhelm researchers, potentially curtailing international research and collaborations
- Inadequate support for researchers undertaking international collaborations can leave researchers and the U vulnerable to violation of U.S. and foreign laws/policies. Management of exports (data, agricultural, animal, etc., including foreign travel) needs special vigilance

### **Risk Mitigation Strategies**

- Ensure we operate legally, ethically, and safely in countries around the world:
  - GPS Alliance to support U faculty, staff, and students abroad, approve agreements with international partners, and help units host international scholars/post-docs/visitors
  - Mandatory travel registry for U travelers abroad, trainings for faculty leading students abroad, coordination of student travel approval for unstable regions
  - Strong U export control office plus international research regulatory expertise through SPA, GPS Alliance, and the OGC to provide researchers across the institution with education and support to safely develop/manage international collaborations
- Build and sustain beneficial international partnerships with carefully selected universities/institutions abroad
- Foster and support collaborations among scholars and students exploring significant interdisciplinary international issues
- Maintain Immigration Response Team to assist students, incoming international scholars, others

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Legal and Regulatory Compliance

### **Risk Category:**

Compliance

### **Responsible Senior Leader:**

General Counsel Douglas Peterson

### **Other Responsible Units:**

Office of Institutional Compliance, Office of Internal Audit

### **Introduction (why a risk?)**

- Consistent litigation risk
- Complex legal/regulatory environment
- Lack of compliance can result in significant exposure
- Lack of compliance can result in negative culture

### **Risk Mitigation Strategies**

- Legal team
  - Prevent litigation through preventive measures and, where appropriate, early resolution of disputes.
  - Maintain a vigorous defense of the University's interests in litigation.
- Compliance Program based on Federal Sentencing Guidelines and associated program principles (National model).
- Executive Oversight Compliance Committee.
- Chief Compliance Officer (Certified Compliance and Ethics Professional).
- Cadre of identified institutional compliance partners with deep subject matter expertise.
- Process for staying abreast on legal/ regulatory changes and a policy process that incorporates those changes.
- Compliance reporting line available 24 hours a day and a carefully managed investigation and non-compliance mitigation process.
- Open communication between compliance areas, including the Office of General Counsel, Internal Audit, and the Office of Institutional Compliance.
- Annual Internal Audit work plan.
- Annual compliance monitoring work plan.
- Compliance training.

## **Institutional Risk Profile / Mitigation Plan 2017–18**

### **Institutional Risk:**

New and Disruptive Educational Models

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson

### **Other Responsible Units:**

Chancellors and Deans; Information Technology; University Libraries

### **Introduction (why a risk?)**

- Online programs by for-profit sector: less costly alternatives to traditional universities
- Online campuses increasingly offer college degrees, furthering direct competition; most online programs do not have our faculty, physical infrastructure, and research-related costs
- Skills training and certificates/badges are of growing interest to learners, employers
- Tech innovations are reshaping individual/societal expectations for teaching and learning; expanded use of academic tech has operational, HR, quality control, and cost implications
- Growing trend toward education with pronounced market/employability focus aligns incompletely with university's fulfillment of broad educational mission for the state

### **Risk Mitigation Strategies**

- Implement strategic plans for campuses/colleges to optimize size and deployment of faculty and staff resources
- Develop systemwide framework for strategic engagement with online learning
  - Full/partial online programs that expand access to/impact of our academic programs
  - Online courses/flexible options to support retention and timely graduation
- Continually assess demand for and position of our undergraduate, graduate/professional, and non-degree programs and evaluate the mix of online and in-person offerings
- Advance policies and protocols that allow for innovative and cost-effective use and updating of academic technology
- Support experimentation with new modalities and circumstances of education
- Evaluate quality and effectiveness of pedagogical and learning management technologies adopted or deployed by faculty and instructors
- Develop policies, practices, and programs to advance outreach and public engagement that is responsive to business/community stakeholders and partners
- Maintain strong communications on the value and impact of a University with a comprehensive research and teaching profile

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Public Funding Reliability, economic climate, and financial sustainability

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Senior Vice President Brian Burnett

### **Other Responsible Units:**

University Relations, Government and Community Relations, Budget Office, President's Senior Leadership Team

### **Introduction (why a risk?)**

- More tuition dependent now than anytime in history / constraints on raising tuition
- Flat to declining state support
- Public constituency that prevents quick decisions that will impact service
- Cost structures not nimble nor built for rapid change
- Cost increases in technology, research infrastructure, compliance, library resources continue
- Skepticism about the value of higher education and resource management

### **Risk Mitigation Strategies**

- Extensive one on one updates with key majority and minority leaders in the Legislature
- Regular updates on U of MN impact on Minnesota communities and citizens
- Specialized engagement with specific legislators to build on individual or professional interest
- Continual reallocation of resources within the institution - moving resources from lower to higher priority needs
- Annual practice of delivering a balanced budget to the Board
- Continual process of restructuring operations throughout the institution to improve efficiency and save money
- Budget model that incents units to generate and maximize external revenues where appropriate, and forces transparency in spending decisions
- Development of analyses to understand and monitor our spending in different ways to better align that spending with strategic goals
- Budget process and analyses developed to predict and monitor significant financial challenges in the units

## **Institutional Risk Profile / Mitigation Plan | 2017-18**

### **Institutional Risk:**

Representational Diversity

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Interim Vice President Michael Goh

### **Other Responsible Units:**

All academic and administrative units

### **Introduction (why a risk?)**

- Institutional reputation - Earning and maintaining credibility and the respect of a broad set of constituencies is often tied to the presence of diverse students, staff, and faculty who highlight an institution's commitment to equity and diversity.
- A lack of diversity on campus is connected to the failure to recruit and/or retain underrepresented students, staff, and faculty. Poor recruitment and retention numbers make an institution less appealing to all prospective students, staff, and faculty.
- Research shows that representational diversity provides educational benefits. Students have higher levels of learning when they interact and exchange ideas with others who are different from them.
- Changing state and national demographics - Higher education institutions are called upon to reflect broader demographic shifts. Peer institutions include representational diversity in their strategic planning and future-oriented initiatives. Failure to do so would result in declining overall student enrollment.
- A foundational component of higher education is the creation of an academic environment that welcomes and includes a diversity of views and experiences.
- Campus climate and creating a welcoming environment for all students, staff, and faculty - Many institutions are proactively trying to address issues of campus climate through increasing representational diversity.

### **Risk Mitigation Strategies**

- The Institute for Diversity, Equity, and Advocacy (IDEA) enhances the visibility and productivity of scholars who have expertise in equity, diversity, and underrepresented populations. Bridge funding is available to support departments in hiring diverse faculty members. IDEA also hosts the only national symposium focused on advancing faculty diversity in higher education.
- The Office for Equity and Diversity (OED) hosts a variety of events and programs throughout the year that provide opportunities for underrepresented and diverse populations to find support and build community on campus.
- College Multicultural Access, Diversity, and Excellence (College MADE) is an initiative that brings data on representational diversity and campus climate to individual departments to assist in their strategic planning.
- The Office for Business and Community Economic Development works to increase supplier diversity and provide scholarships and employment opportunities to predominantly underrepresented students.
- Office for Equity and Diversity scholarships are awarded to through all of our student-facing units to support underrepresented students.
- The President's Postdoctoral Fellowship Program recruits scholars from underrepresented communities, and provides them with mentoring, development, and networking opportunities.
- OED Education and Training Programs opportunities include a certificate program and trainings to address and reduce implicit bias on campus and during the faculty/staff search process.

## **Institutional Risk Profile / Mitigation Plan 2017–18**

### **Institutional Risk:**

Shifting Enrollment Patterns

### **Risk Category:**

Business Challenge

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson

### **Other Responsible Units:**

Chancellors and Deans; Academic Health Center

### **Introduction (why a risk?)**

- Intense national-level competition for the very best students
- Macro demographic trends affecting enrollment: Fewer high school graduates; achievement and opportunity gaps that impede college readiness and success
- Rising cost of higher education intensifies affordability pressures
- Enrollment downturns and fluctuations for campuses and some academic programs related to social and economic trends, job market trends, workforce needs
- Variable impact on university enrollment of student enrollment and transfer trends in MN and the surrounding region
- Impact on enrollment of disruptive educational models such as online programs

### **Risk Mitigation Strategies**

- Monitor enrollment strategies and student demographics; aggregate campus data to inform strategic projections (systemwide enrollment management planning)
- Continue senior oversight of admissions process with weekly reporting, which enables flexible, timely responses to changing conditions
- Sustain curricular, research, and outreach/engagement areas crucial to the quality, impact, and reputation of our institution
- Leverage university curricular strengths through online learning, professional development, and lifelong learning
- Expand interdisciplinary research and teaching congruent with changes in the production of knowledge and societal trends
- Advance coordinated and collaborative policies and practices to maintain capacity in graduate and professional education, consistent with our state-chartered mission
- Advance faculty/student diversity as mission imperatives through multipronged strategies
- Collaborate with state and national partners to support pipeline development and college readiness strategies

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

High Risk Research

### **Risk Category:**

Compliance

### **Responsible Senior Leader:**

Vice President for Research

### **Other Responsible Units:**

Research Compliance Office (RCO), Human Research Protection Program (HRPP), Clinical and Translational Science Institute (CTSI), Biosafety - Select Agents, Radiation Safety, Research Laboratory Safety, Health Insurance Portability Accountability Act (HIPAA) and Data Privacy office , Office of Institutional Compliance, Biotechnology Activities Oversight Committee, Institutional Animal Care and Use Committee (IACUC), Post Approval Monitoring - Human (PAR), Export Controls, Sponsored Projects Administration (SPA), Sponsored Financial Reporting (SFR), Internal Audits

### **Introduction (why a risk?)**

- Lack of oversight can lead to injury of faculty, students and staff
- Potential damage to the University's reputation and undermining of the research enterprise
- Highest standards of ethical practice are expected when dealing with human subjects and animals
- Financial risk due to improper expenditures on sponsored projects

### **Risk Mitigation Strategies**

- Pre-approval of all studies with human subjects, post approval review to ensure compliance and institutional oversight and audit of these processes
- Post approval and semiannual inspections of animal studies
- Mandatory education of faculty, staff and students on essential research practices before allowed to work in labs or work on certain research
- Determining conflict of interest before research has begun, follow up of plans to ensure continued compliance
- Audit of high risk financial records on a continuous basis to ensure transactions are following University policy and federal/state/sponsoring agency regulations
- CTSI's regulatory group provides monitoring services over the life of the clinical trial where monitoring is required by FDA or NIH or is requested by the study sponsor-investigator. Monitoring is for: human subjects' protection, trial data accuracy, compliance with currently approved protocol

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Research or Clinical Misconduct

### **Risk Category:**

Compliance

### **Responsible Senior Leader:**

Vice President for Research

### **Other Responsible Units:**

Research Compliance Office (RCO), Human Research Protection Program (HRPP), Institutional Review Board (IRB), Clinical and Translational Science Institute (CTSI), Biosafety - Select Agents, Radiation Safety, Research Laboratory Safety, Health Insurance Portability Accountability Act (HIPAA) and Data Privacy Office, Office of Institutional Compliance, Biotechnology Activities Oversight Committee, Institutional Animal Care and Use Committee (IACUC), Post Approval Monitoring - Human (PAR), Export Controls, Sponsored Projects Administration (SPA), Sponsored Financial Reporting (SFR), Internal Audits

### **Introduction (why a risk?)**

- Highest standards of ethical practice are expected by all (sponsor, federal and state government, and the community) when dealing with human subjects and animals. Misconduct can lead to serious injury or death of human subjects and animals.
- Misconduct that is not deterred and/or dealt with at the time of occurrence, can undermine the research enterprise leading to reduced levels of funding, fines from federal/state government and negative impact on the University's reputation
- Undeterred misconduct can lead to inaccurate or false research results which would be detrimental to the research community

### **Risk Mitigation Strategies**

- HRPP's post approval process is responsible for conducting assessments that verify PI compliance with IRB-directed corrective actions.
- The Research Compliance Committee (RCC) will work together to develop a toolkit to enumerate and clarify potential remedial actions in response to noncompliance. The committee will work toward a monitoring process across compliance units for a PI that has misconduct in one area to ensure that the misconduct is not in other compliance areas.
- Verifications that action plans or re-training for all research misconduct are completed in a timely manner.
- Escalation plans and remedial actions will confirm and demonstrate the serious consequences for recurring misconduct.

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Brand and Reputation Management

### **Risk Category:**

Institutional Integrity

### **Responsible Senior Leader:**

Matt Kramer

### **Other Responsible Units:**

President/Communication Directors/Deans/Chancellors across the System/Athletics

### **Introduction (why a risk?)**

- Brand and Reputation are integral to recruitment, funding (legislative and donor), advocacy, pride, ability for alumni to find high quality jobs and retention of staff
- Pace of brand potential degradation has accelerated because of the instant nature of social media and the polarization of media
- Minor elements (or moments in time) can quickly become significant issues
- Limited investment in brand results in limited reputation capital to draw from when crises arise.

### **Risk Mitigation Strategies**

- Greater investment in ongoing brand marketing and reputation enhancement
- Training and engagement of all communicators, Systemwide, in anticipating issues and enhancing brand and reputation
- Immediate engagement with University Relations on issues that can affect brand and reputation
- Regular external survey work to assess strength of support and potential points of erosion
- Monitoring of media, social media, and political leaders statewide to recognize and respond to potential issues
- Close coordination with senior team members, academic and otherwise, to coordinate response and engagement on current issues
- Management of response to issues to identify best suited individual(s) to represent the University
- Regular engagement with leading political and opinion leaders to prepare them with our response to any issues

## **Institutional Risk Profile / Mitigation Plan 2017–18**

### **Institutional Risk:**

Campus Safety, Climate and Free Speech

### **Risk Category:**

Institutional Integrity

### **Responsible Senior Leader:**

Executive Vice President and Provost Karen Hanson

### **Other Responsible Units:**

Chancellors and Deans; Academic Health Center; University Services; Equity and Diversity; University Relations

### **Introduction (why a risk?)**

- Our university is and must be a place where people can explore ideas, engage in vigorous debate, thoughtfully discuss issues, and learn from one another's perspectives
- We have a responsibility to ensure an open, inclusive, and nonthreatening environment for education, research, and dialogue—for our students, faculty, staff, visitors, and the public
- Global, national, and local issues and policies affect our campuses and campus life
- Many wide-ranging activities and events—curricular, co-curricular, and public—take place every day across our large and decentralized system of five campuses
- Events may bring logistical, managerial, or safety/security challenges that must be balanced and managed alongside our foundational commitments to the free exchange of ideas and to creating and sustaining a welcoming and inclusive climate across our campuses

### **Risk Mitigation Strategies**

- Continue campus climate initiatives to engage faculty, staff, and students and sustain welcoming and inclusive campus environments
- Share campus training practices and, when appropriate, resources, and develop specific campus-based protocols to respond to problems and ensure safety and security
- Leverage resources and expertise across the University to plan, support, and manage events that may pose special logistical, managerial, or safety/security challenges
- Maintain ongoing initiatives to monitor global, national, and local issues and policies and remain attentive to dynamics of activism and protest in campus and community contexts
- Maintain policies and protocols to ensure that we are collaborative, fair, and consistent in working with all student groups and event organizers, true to our mission and values

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Crisis Management

### **Risk Category:**

Institutional Integrity

### **Responsible Senior Leader:**

Matt Kramer

### **Other Responsible Units:**

President/ /Deans/Chancellors across the System

### **Introduction (why a risk?)**

- A crisis mishandled can dramatically, broadly and quickly diminish reputation
- Crisis Management is a skill set, like any other, that requires specific competencies. Not all professionals have the skill set to manage and respond accordingly
- Identifying and discerning the difference between a real crisis, and merely an important issue, is key to managing institutional risk and allocation of limited resources
- The demand by stakeholders for information in a real crisis can quickly overwhelm an organization resulting in the stakeholders “inventing” their own information to the organization’s detriment

### **Risk Mitigation Strategies**

- Maximize the use of the “Issues Management” team, training and processes to anticipate and respond to risks
- Regular exercises to involve UR and U of MN partners in responding to crisis management from a PR/Marketing perspective
- Quick and accurate assessment of a crisis as being routine (not unimportant, but manageable) versus unique/novel requiring additional resources and approaches
  - Ongoing training and risk assessment of issues to separate the two
- Creation of an immediate crisis response team to manage all stakeholders (internal and external)
  - Importance of disciplined approach to crisis management to ensure consistency in communication and media engagement

## **Institutional Risk Profile / Mitigation Plan 2017-18**

### **Institutional Risk:**

Sexual Misconduct – Prevention, Training and Response

### **Risk Category:**

Institutional Integrity

### **Responsible Senior Leader:**

President Kaler

### **Other Responsible Units:**

Academic Affairs, Equity and Diversity, Human Resources, Intercollegiate Athletics, Student Affairs, University Senate

### **Introduction (why a risk?)**

- Multi-faceted problem not easily addressed
- Damages and traumatizes our most precious resource – our people
- High-profile incidents difficult to manage successfully and negatively impact the brand
- Decreased student and employee productivity, satisfaction, and academic/professional actualization
- Increased student and employee attrition

### **Risk Mitigation Strategies**

- Launching of the President's Initiative to Prevent Sexual Misconduct
- Increased and on-going training for all sectors – faculty, staff and students and within individual academic and administrative units
- Developing training for bystander engagement skills building
- Increased staff for units dealing directly with prevention (Student Affairs) and response (Equity and Diversity, Student Affairs, University Senate)
- University wide public awareness campaign launching in the fall
- Investigating the potential gaps in procedures, policies, chains of accountability/responsibility for appropriate and timely action
- Collect data to understand the gaps in the prevalence of sexual misconduct among faculty and staff, and increased understanding of the graduate student experience.
- Create a research infrastructure to facilitate coordinated efforts to access existing data and support original research.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**May 10, 2018**

**AGENDA ITEM:** Compliance Initiatives

☐

**Review**

☐

**Review + Action**

☐

**Action**

☒

**Discussion**

☐

*This is a report required by Board policy.*

**PRESENTERS:** Boyd Kumher, Chief Compliance Officer

## **PURPOSE & KEY POINTS**

The purpose of this item is to discuss the University's compliance efforts with the chief compliance officers. The discussion will include:

- Updates on previously reported matters.
- Compliance risk assessment summaries.
- UReport statistics.

The Chief Compliance Officer's semi-annual report is included in the docket as an information item.

**OFFICE OF INSTITUTIONAL COMPLIANCE**  
**FY Year 2018 and 2019 Compliance Risk Reviews**  
**May 10, 2018**

2018 Compliance Risk Reviews

- Disabilities and Accommodations (In progress)
- Lobbying and Political Activities (In progress)
- Environmental Health and Safety - Biological Safety (Completed)
- Environmental Health and Safety - Lab Safety (Completed)
- Information Technology - Acceptable Use (In progress)
- Campus Safety, including Clery (Completed)
- Purchasing (In progress)
- Housing - Title IX (Completed)
- Programs involving Minors (Completed)
- Export Controls (Completed)
- Privacy – patients (Completed)

Compliance Risk Reviews Scheduled for 2019

- Accounts Payable
- Athletics - Title IX
- Athletics NCAA
- Donors and Gifts
- EH&S - Occupational Safety
- Environmental Health & Safety - Controlled Substances
- Environmental Health and Safety - Food Safety
- Financial Aid
- Housing ADA
- Information Technology – Cybersecurity
- Intellectual Property and Technology Transfer
- Research - Human Participants



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**May 10, 2018**

**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**

To deliver the semi-annual Chief Compliance Officer Report and report engagements with external auditors as required by Board policy.

### **Semi-Annual Chief Compliance Officer Report**

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

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

### **Engagements less than \$100,000 require after-the-fact reporting**

- The University of Minnesota Center for Farm Financial Management entered into an agreement with CliftonLarsonAllen to assess the readiness for a SOC2 examination by describing the entity's FINPACK system and to evaluate the design of controls related to the system. The fees for this engagement are not to exceed \$30,000. This engagement does not impair the independence of CliftonLarsonAllen as related to an external audit of the University and was approved by the Controller's Office in conformance with Board policy.

## **BACKGROUND INFORMATION**

In conformance with Board of Regents Policy: *Audit Committee Charter*, the Chief Compliance Officer Report is prepared semi-annually and presented to the committee. Engagements with external audit firms that do not require prior approval by the Board are reported after the fact to the committee as information items.

**REPORT OF THE CHIEF COMPLIANCE OFFICER  
OFFICE OF INSTITUTIONAL COMPLIANCE  
FOR THE AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF REGENTS  
ON THE UNIVERSITY COMPLIANCE PROGRAM  
MAY 10, 2018**

## ***INTRODUCTION***

This report addresses the following: (I) Updates on Previously Reported Matters; (II) Compliance Risk Assessment Summaries; (III) UReport Statistics.

Additional information regarding the University's Office of Institutional Compliance (OIC) is available on the OIC website <http://www.compliance.umn.edu/complianceHome.htm>.

## **I. UPDATES ON PREVIOUSLY REPORTED MATTERS**

### ***A. Safety of Minors***

**Summary:** In the December 2017 report to the Board of Regents Audit and Compliance Committee it was reported that an opportunity existed to implement an effective monitoring structure that better ensures that the policy requirements in Administrative Policy: *Safety of Minors* are being followed University-wide. The policy owners committed to work toward a solution and, as of November 22, 2017, had developed a tentative plan that provide for internal compliance monitoring for each of the policy requirements.

**Update:** In January of 2018 a cross-functional group of stakeholders representing the various units and programs impacted by the Safety of Minors policy was convened to develop functional solutions and to facilitate policy compliance. Site visits will occur beginning this summer to observe and review documentation of compliance with training, background checks, and health and safety requirements. Follow-up actions, if any, will be referred to the appropriate chancellor, dean or department head. A system-wide communication was sent to all staff and senior leadership in March of 2018 reminding recipients of their responsibilities under the policy and directing them to important resources should they need them. This communication will be sent out annually.

### ***B. UReport Investigation Management Process***

**Summary:** The OIC is responsible for the administration of the University's anonymous reporting system, UReport. The associated procedures ensure that UReport related investigations are conducted by responsible parties in a thorough and consistent way. Toward that end, the OIC, working in collaboration with key UReport stakeholders, developed an enhanced set of investigation procedures and reporting standards. The procedures are not intended to replace any established investigation process, but instead to set minimum standards for any investigation and ensure that the OIC receives the information needed to verify that an appropriate investigation process has been executed.

**Update:** The new investigation procedures have been in place since the beginning of the year and the results have been positive. Investigators report that the investigation standards are helpful guides in conducting UReport investigations and clarify the process.

### C. *Compliance Education and Training*

**Summary:** A robust online employee education system is an essential part of an effective compliance program. The University identified a need to replace the current employee education management system. The chief compliance officer and a number of compliance partners worked collaboratively with the Office of Human Resources and the Office of Information Technology to determine the best solution for the training and education of employees.

**Update:** Based on the collaborative input, the Office of Information Technology has developed the Training Hub as a replacement for the learning management system function within ULearn. OIT has worked closely with training administrators and key stakeholders to ensure a smooth transition before the deadline of June 1, 2018.

## II. COMPLIANCE RISK REVIEW SUMMARIES

Compliance Risk Review (CRR) process description: The CRR process is designed to be a collaborative, cross-functional, and cross-educational strategy for the oversight of the management of significant compliance risks. The process involves detailed research into compliance topics, working with stakeholders to develop and implement topic specific compliance risk review tools, and providing support for stakeholders to take action on identified opportunities for compliance risk reduction.

### A. *Campus Safety*

**Background:** The University of Minnesota is required to comply with a number laws, regulations, and policies related to campus safety.

- Under the Clery Act, the University collects and reports crime and fire statistics throughout the year, issues campus alerts, and publishes annual reports. These requirements are published by the Department of Education in The Handbook for Campus Safety and Security (2016 Edition). A single violation of the Clery Act can lead to a fine of \$54,789.
- The Higher Education Act requires the University to establish and implement a program to prevent the illicit use of drugs and the abuse of alcohol by students and employees.
- The Twin Cities, Duluth, and Morris campuses have sworn police officers licensed in the state of Minnesota. These police departments are subject to audit, including but not limited to training and firearm certification, by the Minnesota Peace Officers Standards and Training (POST) Board.

There are additional regulations and policies related to building security, emergency management, physical security for data, and possession of weapons.

### **Findings:**

- The Annual Security and Fire Safety Reports required under the Clery Act were timely completed and published for all campuses in 2017.

- A significant challenge for each campus is the identification, and training, of all individuals who serve as Campus Security Authorities as defined by the Clery Act.
- As of July 2017 each campus had completed a biennial review of their drug and alcohol prevention programs.
- On November 10, 2017, the Senior Vice President for Finance and Operations sent an email to all University employees reminding the University community to review Administrative Policy: [Drug Free University](#), which outlines [health risks](#), [legal sanctions](#), and educational and treatment resources for each campus in our system.
- All three police departments have been audited by the state POST Board within the past three years and all three have passed their most recent audits.
- Crookston's Emergency Operations plan has not been updated since drafted in 2002.

**Opportunities:** The opportunities identified were:

- for the University's Clery Compliance Officer to continue establishing best practices for timely identification and training of Campus Security Authorities on each campus, including the use of the new Training Hub employee education and training system;
- for Office of Human Resources to coordinate with the Provost's Office to establish a process that ensures students and employees system-wide receive consistent and timely annual communications about drug and alcohol abuse prevention;
- for the Office of Human Resources to ensure timely completion of biennial reviews for each campus's drug and alcohol prevention programs; and
- for University's Emergency Management department to work with Crookston officials to update that campus emergency operations plan.

The appropriate University parties are following up on each of these opportunities.

#### B. *Export Control*

**Background:** For greater than two decades, the University has maintained an export control program to comply with federal regulations. In 2012, the University developed the Administrative Policy: *Export Controls* to formalize the export controls program under the Research Compliance Office. The Export Controls Officer (ECO) is responsible for the program that facilitates University employee and student understanding and compliance with all export controls laws and regulations.

**Findings:** The ECO and Research Compliance Office have an effective program that generally addresses the requirements of export control regulations. Sponsored Projects Administration contacts the ECO as needed when the default requirement of "fundamental research" in Administrative Policy: *Openness in Research* is not preserved. The ECO regularly reviews export controls newsletters, checks agency updates, and participates in an association of export control officers to keep the University up-to-date with latest export control regulations. All required records are kept for five years and are in an accessible format for requesting governmental entities to examine. The ECO and Purchasing Department assess non-U.S. end-users in sam.gov (a consolidated US government database of restricted parties lists).

**Opportunities:** The opportunities identified were:

- to conduct an audit of shipments that do not go through the centralized External Sales/MTA process to assess the current risk; and
- for the ECO to consult with University of Minnesota Online and the Chief Information Security Officer to assess the risk of unintentionally furnishing unauthorized online education to persons in sanctioned countries.
- The ECO intends to continue working with Global Programs and Strategy (GPS) Alliance to further build awareness of and compliance with the U of M policy requiring that travel abroad on University business be registered with GPS Alliance and the export control risks related to traveling with computer devices. The ECO has implemented a work plan to address these opportunities.

#### C. *Housing Title IX*

**Background:** Title IX requires that housing be assigned proportionately in quantity to the number of students of that sex applying for such housing; and that the housing assigned be comparable in quality and cost to the student, regardless of sex. Each campus is responsible for the housing processes and assignments on their campuses. Housing facilities span a significant range between campuses. For example, Rochester has only one housing facility while the Twin Cities campus manages 12 facilities. Across the system, for last fiscal year, 5,323 males were assigned rooms and 5,792 females were assigned rooms.

**Findings:** The housing programs are able to accommodate almost all approved applicants, especially the first year students, regardless of gender. Applicants are taken on a first come/first serve basis (by the application deadline) and the assignments of rooms align with them. Variances between the percent of applicants by gender to assignments by gender ranged from 0% to 3.2% across 3 years of tracking (and all five campuses). Seventy percent of these varied by less than 1%. These variances were typically due to a change in a housing applicant's plan to attend the University of Minnesota. The facilities within a building are the same regardless of gender. The housing rules (typically in a handbook) are not based on gender, and are reviewed at least annually. Housing costs are the same, regardless of gender. All campuses had processes for working with applicants who have not specified a gender, to determine the applicant's desired placement and identify an appropriate location. The Housing units received relatively few requests for assistance related to shielding students from unwanted contact with an alleged assailant in housing (approximately 8 annually across the five campuses) In these instances, there are a number of steps that were taken (new housing assignment, on-going mental health/counseling services and support have been offered, no-contact orders issued, etc.).

**Opportunities:** There is an opportunity for housing administration to report compliance with this regulation, at least annually, to their respective senior leaders.

#### D. *Lab Safety*

**Background:** University Health and Safety plays a key role in supporting the statement in Board of Regent's Policy: *Health and Safety* that "The University seeks to provide a safe, secure, and healthy environment in which members of the University community can achieve their educational, research, outreach, service, and employment goals." Safety in University laboratories is a critical part of our Institution's culture. The topic of Lab Safety may be broken down into a number of subtopics. For the scope of this review, three key areas of Lab Safety were examined. These areas include biosafety, radiation safety, and hazardous waste management.

**Findings:** The Biosafety and Occupational Health Department (BOHD) is in need of a more reliable process to identify when a new research staff is hired in order to ensure timely training and lab inspections. There are gaps in the current process for identifying and assigning required training for employees with potential exposures to human blood, body fluids, or other potentially infectious materials, or working directly with hazardous waste. Sharps (needles, scalpels, etc.) logs, which are maintained in compliance with policy requirements, are not routinely reviewed for trending analysis.

**Opportunities:** The opportunities identified were:

- for EHS management to develop a new process for identifying new research programs and new research employees in need of EHS services. This may involve EHS working collaboratively with officials from Research, the Office of Human Resources, and Facilities Management.
- to develop a plan to monitor sharps logs and develop strategies to reduce needle stick and sharps incidents;
- to develop a better process for identifying employees in need of training related to blood borne pathogens, hazardous waste, and Department of Transportation drivers; and
- to evaluate and assess the potential for a centralized depot for shipping of all biohazardous, chemical and radiological materials at the Twin Cities campus.

EHS is following up on each of these opportunities.

### III. UREPORT STATISTICS

#### *A. Statistics: July 1, 2017 through December 31, 2017*

UReport is the University's confidential web-based reporting service. This reporting service is provided by an independent company that provides similar services for hundreds of companies and universities. UReport is intended to be used to report violations of local, state and federal law as well as violations of University policy. This reporting system is not intended to be used for concerns or issues for which the University is not responsible. Reporters may submit reports by either a toll-free phone number or via the web. These UReports can be submitted anonymously. Those who submit reports are expected to report good faith concerns and to be truthful and cooperative in the University's investigation of allegations.

During the period of July 1 2017 through December 31, 2017, 104 UReports were submitted; eight of those are active investigations. Seventy-six percent of the reports were anonymous. Sixty-seven percent of the reports involve claims regarding:

- Hiring, advancement, discipline or termination
- Discrimination, harassment and/or equal opportunity
- Abuses in wage, benefits, vacation, overtime, and leaves

		Running Total from Launch (August 2005)	July 1, 2017 to December 31, 2017
Total Reports		1874	104
Report Sources:			
	Internet	88%	94%
	Call Center	11%	8%
	Other	<1%	<1%
% Anonymous		74%	76%
% Substantiated			22%

### UReports by Category

