Audit & Compliance Committee

May 2020

May 7, 2020
9:00 a.m.
Videoconference
1. COVID-19 Pandemic: Preliminary Audit, Compliance, and Internal Control Implications
   - Docket Item Summary - Page 3
   - Internal Audit Plan Changes - Page 4
   - Presentation Materials - Page 5

2. Information Items
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   - Semi-Annual Chief Compliance Officer Report - Page 20
AGENDA ITEM: COVID-19 Pandemic: Preliminary Audit, Compliance, and Internal Control Impacts

☐ Review  ☐ Review + Action  ☐ Action  ☒ Discussion

☐ This is a report required by Board policy.

PRESENTERS: Gail Klatt, Chief Auditor
Boyd Kumher, Chief Compliance Officer
Michael Volna, Associate Vice President and Assistant CFO
Sue Paulson, Controller

PURPOSE & KEY POINTS

The purpose of this item is to discuss preliminary impacts that the COVID-19 pandemic has had on the University’s audit and compliance functions and internal control.

The COVID-19 pandemic has significantly affected the University's operations, including those of the Office of Internal Audit and the Institutional Compliance Office. The discussion will include the specific impacts on these units as well as the operational responses put in place to ensure their work continues. A list of the pandemic's impact on the FY 2020 Internal Audit plan, by audit, is included in the docket.

To continue advancing the work of the University, operational decisions are being made that alter aspects of the University's internal control environment. Members of the University Finance team will discuss the nature of these changes and steps being taken to ensure the financial control environment remains strong and effective during this time of rapid change and response.
COVID – 19 IMPACTS ON FY 2020 INTERNAL AUDIT PLAN
REPORTING TO THE BOARD OF REGENTS
AUDIT & COMPLIANCE COMMITTEE
May 7, 2020

Audits Deferred Due to Inability to Audit Remotely or COVID-19 Involvement
- Internet of Things
- UMN Duluth Health Services
- Investigational New Drug/Investigational Device Exemption Compliance
- Residential Life – Twin Cities Campus

Audits Delayed Due to COVID-19 Impacts
- Canvas/Unizon

Audits Currently in Process with Delays Due to COVID-19 Impacts
- International Scholars
- OIT Job Scheduling

Audits Added/Substituted to date
- UMD Labovitz School of Business
- UMarket
- Executive and Dean Expenses
- OIT System Change Management
- Provost Transition
COVID-19 Preliminary Audit, Compliance, and Internal Control Impact

Gail Klatt, Chief Auditor  
Boyd Kumher, Chief Compliance Officer  
Michael Volna, Associate Vice President  
Suzanne Paulson, Controller

Audit & Compliance Committee

May 7, 2020
Internal Audit Impacts – Audit Coverage

- Foregoing Spring audit follow up
- Deferral of annual audit plan development
- Adjustments to current audit plan
- Some delays as University acclimated to new environment
- Some audits will be delayed due to COVID-19 interruptions
- Some audits will need to be deferred due to COVID-19 activities
- Supplementing planned audit work with SNAP reviews
- Some restriction of scope because of remote auditing
- Assessing the impact to internal control environment
Internal Audit Impacts – Audit Coverage

Going Forward

- Prioritize audit work which can be done virtually; where audit coverage can add the most value with the least disruption
- Design audit coverage for pandemic related risks and impacts
Internal Audit Impacts – Internal Operations

• All staff working remotely
• Hiring freeze impact on open Information Technology Auditor position
• Maintaining a comprehensive list of federal and state regulatory and internal policy changes and guidance related to COVID-19
• Completing Continuing Professional Education to fulfill requirements
• Completing internal administrative tasks identified in recent Quality Assurance Review
• Pursuing innovative practices for office-wide adoption
• Assisting units with COVID-19 related issues and needs
Office of Institutional Compliance
COVID-19 Impact

• The Office of Institutional Compliance (OIC) has transitioned well to remote operations.
• All staff working remotely.
• Cornerstone committee meetings uninterrupted.
• Recognized both efficiencies and inefficiencies in remote work environment.
OIC Compliance Program
COVID-19 Impact

• Hotline availability and management response uninterrupted.
• Executive Oversight Compliance Committee and the Compliance Partner Committee meetings held on schedule via Zoom.
• Minor delays in Compliance Risk Review process as Campus Community adjusted to change in operations.
• Anticipate that future Compliance Risk Review plans will need to be prioritized based on ability to perform remotely, as well as for any newly identified risk areas secondary to remote operations.
OIC Conflict of Interest Program
COVID-19 Impact

• Continues to provide conflict of interest guidance to faculty and staff via email, phone, or Zoom.
• Holding meetings of the Individual Conflict Review Panel and the Institutional Conflict Review Panel via Zoom.
• Continues to complete conflict management plans and conflict management plan compliance reviews.
• Continues to provide online conflict of interest training.
• Continues to manage individual and University Officials financial disclosure filings.
OIC Policy Program
COVID-19 Impact

• The Policy Library remains accessible without interruption.
• Continues to offer policy management guidance to University officials, managers, and policy owners via email, phone, or Zoom.
• Utilized the expedited policy process to make COVID-19 response changes:
  • Administrative Policy: *Campus and Building Closing*
  • Administrative Policy: *University State of Emergency: Human Resource Implications*
• Continues to hold the regularly scheduled meetings of the Policy Advisory Committee via Zoom.
• Continues the policy standards and review processes in the regular policy life cycle (new policies, policy revisions, and comprehensive reviews).
Financial Operations
Span of Response

- Administrative decisions
  - Campus & building closing later reduced operations (modify printing of checks, how to scan remotely)
- Study Abroad / Travel
  - Non-essential travel (cancelling airfare, hotel, rebooking fees)
- Academics / Students
  - Alternate modes of instruction (tools needed to work remote, combination of personal & work technology/supplies)
- University Leadership & Service
  - Providing support (purchase and donation of PPE)
Managing Internal Controls

Policy Operations - change in operational procedure results in a change/recalibration in the expectations of policy application.

Policy Recalibration - clarifications or provision of options in areas where the university was either silent or had limited options.

Policy Exception - specific exception to policy.

Policy Change - guidance changes the intent and application of the policy.
### Examples

<table>
<thead>
<tr>
<th>Category</th>
<th>Policy</th>
<th>Type*</th>
<th>Situation</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Receivable</td>
<td>Managing Billings to and Receivables from External Customers</td>
<td>Policy Operations</td>
<td>Physical printing &amp; mailing non-sponsored invoices</td>
<td>Reduced from daily to once a week. Note: systematic electronic distribution of invoices continues daily.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Documenting Financial/Accounting Transactions</td>
<td>Policy Recalibration</td>
<td>Obtaining ink signatures for documentation and approval of transactions</td>
<td>Clarified that both digital signature and email approval are acceptable.</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Purchasing Goods and Services</td>
<td>Policy Exception</td>
<td>UMarket Services requested an exception to purchase PPE without obtaining a price quote or competitive bid.</td>
<td>Exception granted.</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Business Expenses</td>
<td>Policy Change</td>
<td>Paying for cell plan data overages, temporary data plan upgrades, or wifi hotspots</td>
<td>With supervisor support and the employee has no other form of connectivity. If there is an option to upgrade a plan or service instead of incurring incremental costs, choose the least expensive option.</td>
</tr>
</tbody>
</table>
Key Strengths

- Leadership - across the institution
- Early creation of tracking log
- Communications
  - email to listservs, dedicated webpage, documentation, archive
  - regular check-ins
- Strong financial operations infrastructure
  - good internal controls
  - strong process documentation
  - excellent automotion
Opportunities

• Return to normal operations
• Assessment of each policy operation, recalibration, exception and change type
  – sampling of activity
  – system wide experience
• Find the right balance
  – Example
    • Travel
AUDIT & COMPLIANCE

May 7, 2020

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

Semi-Annual Chief Compliance Officer Report

The Compliance Officer’s report provides information on work activities within the Institutional Compliance Program. The report includes:

- Compliance Risk Review updates
- UReport statistics

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

- The University of Minnesota Duluth entered into an agreement with Esterbrooks, Scott, Signorelli, Peterson, Smithson, Ltd. to provide an audit of the financial statements of KUMD radio station as of June 30, 2019, including an examination of management's assertion that KUMD complied with the Corporation for Public Broadcasting (CPB’s) fiscal year 2019 financial reporting guidelines. This audit was performed as a requirement for receiving grant funding from CPB. The fees for this engagement are not to exceed $8,300.

BACKGROUND INFORMATION

The Semi-Annual Chief Compliance Officer’s Report is presented to the committee in conformance with Board of Regents Policy: Board Operations and Agenda Guidelines.

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

This report addresses the following: (I) Compliance Risk Review Summaries; (II) 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. COMPLIANCE RISK REVIEW SUMMARIES

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. Currently there are 5 topics in some stage of review. It is anticipated that information on the reviews of these topics will be included in a future report to the Audit and Compliance Committee of the Board of Regents. The topics are:

• Clinical Services
• Employee Privacy
• International Activity
• Program Integrity Rules
• Sexual Misconduct

Summary of recently completed reviews:

Disabilities and Accommodations

Accessibility and accommodations for disabled (apparent and non-apparent) persons are handled by several administrative units within the University, as well as individual campuses and academic units. The work also encompasses a large range of areas (e.g., purchasing, buildings, teaching, and technology.) The number of individuals needing some assistance has been steadily rising over the past five years. This increase has had an impact in several areas, such as providing adequate testing facilities.

On whole it was noted that monitoring (the process of observing and checking the progress of quality of something over a period of time) is not regularly occurring in many areas related to this topic. All units, however, are responsive when concerns are raised. Each campus responds to accommodation requests that are received from students and staff, and work with appropriate individuals/areas on their campus to satisfy identified needs. They are also prepared to address any concerns/complaints raised by students or
employees about the meeting of these accommodations. The triggering event for this work is typically the initial request, or a report of an issue from the individual. There is significant campus planning around the assignment of space for classes for all students as well as exams. Lack of adequate testing space and proctors for the testing accommodations continues to challenge the system campuses. The DRCs on each campus struggle to locate satisfactory space that can accommodate the increasing demand for this accommodation. Solutions deployed include the rental of space from an adjacent hotel; use of personal offices; and locating temporary space in other University buildings. Rooms that may be available may not be set up easily for private testing (large open spaces vs. individual cubes or offices). Aside from the need for more monitoring in certain areas and increasing the availability of space for testing accommodations, the Disability and Accommodations program was found to be functioning well. The units with whom we worked during this comprehensive review conveyed a strong commitment to the students and employees with disabilities who need accommodations to access programs, facilities, and employment.

Cost of compliance estimates, including labor and non-labor expenses, were obtained through a discussion with the compliance partner in this area. Each campus is responsible for its own compliance in this area: Crookston dedicates 1 FTE at approximately $84,000 per year and did not disclose a related non-labor expense; Morris dedicates 2 FTE at approximately $168,000 per year and states that non-labor expenses range between $25,000 and $30,000; Rochester dedicates 1 FTE at approximately $84,000 per year and states that non-labor expenses are $500; the Twin-Cities dedicate 68 FTE at cost of $4,850,793 per year and states that non-labor expenses are $911,438; Duluth had not provided specific numbers at the time of this report and the Audit Committee will be updated once those numbers become available.

**Occupational Health and Safety**

The University of Minnesota Board of Regents Policy: *Health and Safety* states that the University is responsible for providing its employees with a safe and healthy workplace. University Health Services (UHS) is charged with providing leadership, resources, and services to ensure the health and safety of the University's students, faculty, staff, patients, and visiting public. This review found that the UHS manages an effective occupational health and safety program. The program provides training to more than 12,000 employees every year on numerous occupational health topics, including, but not limited to falls prevention, agricultural safety, and personal protection equipment. In addition to training, UHS provides annual respirator fit testing to around 2,200 employees. UHS also performs workplace safety inspections across a variety of settings, ranging from laboratory space to agricultural work areas. Opportunities were identified to enhance compliance with training requirements and enrollment in certain safety programs through improved tracking tools and processes. This has been an ongoing effort that is made more challenging by the University’s decentralized nature. It was also noted that this area is frequently exposed to new risks, like those brought by new technology (e.g., drone use in agriculture), or new chemical compounds.

There are 17.25 FTEs dedicated to occupational safety as a whole. All of these staff have overlapping responsibilities with additional regulatory compliance areas covered in separate compliance risk reviews, including Lab Safety, Biological Safety, Radiation Safety, Hazardous Material Safety, and the broad topic of Campus Safety. Other campus safety related expenditures include $160,000 in Medical services (e.g., vaccinations, audiograms, fit testing costs), $70,000 for Software licensing, $50,000 in Respirators, $25,000 for Testing Equipment, and $8,000 for Sample Processing.
Student Privacy (FERPA)

The Family Educational Rights and Privacy Act (FERPA) requires the University to protect the privacy of student education records. The Chief Student Data Privacy Officer is responsible for the development and implementation of the policies and procedures related to FERPA, Minnesota Government Data Practices Act, and student privacy. Federal regulations and University policy generally require the University to do the following:

- Notify students of their rights regarding student education records.
- Establish a process by which students can inspect their student education records.
- Maintain records for requests for student education records.
- Identify and periodically update the officials whose job responsibilities require access to student education records.
- Establish a process by which outside entities can request student education records and determine whether that request requires the student’s consent.
- Establish a process by which students can request to amend student education records.
- Log requests for educational records and respond to suspected breaches.

The review determined that this program is being well managed. An opportunity was identified to re-evaluate if and how often faculty should be required to take FERPA training, particularly given that the COVID-19 pandemic has shown that all faculty need to be prepared for online distance learning and the challenges it presents.

The Chief Student Data Privacy Officer and Director of Continuity & Compliance devotes .20 FTE specifically to FERPA compliance. In addition to the dedicated portion of the job, FERPA knowledge and expertise is broadly distributed across Academic Support Resource employees that serve the University community. Cost of compliance is generally limited to the FTE; no goods or services are purchased from an outside entity. Approximately 3,000 employees system-wide have some access to student records systems as part of their work and must take required FERPA training.
II. UREPORT STATISTICS

A. Statistics: July 1, 2019 through December 31, 2019

UReport is the University’s confidential web-based reporting service. This reporting service is provided by an independent company that provides similar services for other 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 to report 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. UReports can be submitted anonymously. Those who submit reports are expected to report concerns in good faith and to be truthful and cooperative in the University’s investigation of allegations.

| Total Reports | 97 |
| Reviews Completed | 79 |
| Substantiated | 22 (22.6%) |
| Unsubstantiated | 57 (58.7%) |
| Reviews Pending Completion | 18 (18.5%) |

**UReports by Category (July 1, 2019 – December 31, 2019)**