



# Audit & Compliance Committee

June 2020

June 11, 2020

8:00 a.m.

Videoconference

## AUD - JUN 2020

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# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**June 11, 2020**

**AGENDA ITEM:** Internal Audit Update

Review

Review + Action

Action

Discussion

*This is a report required by Board policy.*

**PRESENTERS:** Gail Klatt, Chief Auditor

## **PURPOSE & KEY POINTS**

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

- Follow-up was not performed this quarter due to the current demands on University resources brought about by the COVID-19 pandemic.
- Since the last follow-up, at the February 2020 meeting, 10 audit reports containing 20 recommendations rated as “essential” were issued.
- A collaborative assessment of University Identity and Access Management was also issued since the last committee meeting.

Other summary information important for the oversight of the internal audit function is also included.

## **BACKGROUND INFORMATION**

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

## Internal Audit Update

University of Minnesota Regents Audit and Compliance Committee  
June 11, 2020

This report includes:

- Audit Observations/Information/Status of Critical Measures/Other Items
- Audit Activity Report
- Audit Reports Issued Since February 2020
- SNAP Review Summary

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

### Audit Observations/Information

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#### **Status of Critical Measures**

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

The first chart, entitled “Progress Towards Annual Audit Plan Completion,” is our assessment of how we are progressing towards completion of the FY 2020 Annual Audit Plan. Readings less than green could be influenced by a variety of factors (e.g., insufficient staff resources; increased time spent on non-scheduled audits or investigations).

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

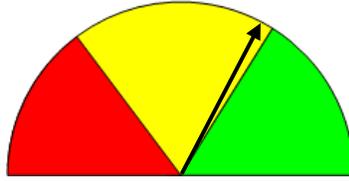
No chart on the implementation rate of essential recommendations is provided as we did not perform follow-up on these outstanding items given disruptions and demands placed on University resources due to the ongoing COVID-19 pandemic. We discussed this decision with the Chair and Vice Chair of the Audit and Compliance Committee, and informed senior management in April. We will resume follow-up on outstanding essential items for the next reporting period, and intend to work with management to ensure remediation efforts continue in the interim.

**Essential Recommendation Implementation**

**N/A**

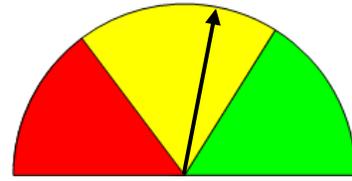
Follow-up on outstanding essential recommendations was not performed this period.

**Progress Towards Annual Audit Plan Completion**



Time spent to date on the FY 2020 audit plan is less than was expected and budgeted for the year to date.

**Time Spent on Non-Scheduled Audit Activities**



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

**Other items:**

- All Office of Internal Audit staff transitioned to working remotely in March due to the COVID-19 pandemic. Audit work continues relatively smoothly because of the ongoing prompt and helpful assistance of University personnel.

# Audit Activity Report

## Scheduled Audits

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### Completed Audits Of:

- Internal/External Sales Organizations
- Office of Student Finance
- OHR Vice President Transition Review
- Computer Science and Engineering
- Carlson School of Management
- Department of Public Safety IT
- Executive Vice President and Provost Transition Review
- University Purchasing Contract Management
- UMN Duluth College of Liberal Arts
- The Aurora Center for Advocacy and Education
- University Identity and Access Management

### Began/Continued Audits Of:

- Executive and Dean Expenses
  - Anatomy Bequest Program
  - International Scholars
  - Laboratory Medicine & Pathology
  - Prepaid Debit Cards
  - University Health and Safety
  - U Market
  - CFANS Research Outreach Center (Waseca)
  - UMN Duluth Student Life Administration
  - UMN Duluth Labovitz School of Business and Economics (LSBE)
  - OIT Job Scheduling
  - OIT Application Change Management
- 
- Continued a collaborative review of University Mental Health services with the Provost's Office. This included collaboration with University professionals from Boynton Health Services, Student Counseling Services, Student Affairs, Office of the Provost, Office of the President, and Office of Measurement Services. This team developed an electronic survey to compile an inventory of student mental health services, programs, and initiatives offered across the University of Minnesota system. The survey categorized student mental health services, programs, and initiatives into five main areas: Clinical Services, Non-Clinical Program/Services, Committees/Task Forces, Training/Educational Programs, and Peer/Student Programs. The survey found the University has several initiatives in place related to Mental Health with varying levels of coordination. Further work on this initiative is continuing and will be presented at a Mission Fulfillment Committee in the future.
  - Continued a review of the Enterprise Access Management (EAM) implementation project management to confirm ongoing oversight of: budget, timelines, and deliverables.
  - Completed four "SNAP Reviews" on the following topics: Alcohol Expenses on Sponsored Funds, Temporary/Casual Appointments, PI Effort Certification, and P&A Vacation Review.

## Investigations

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

## Special Projects

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- Provided consulting services related to University payroll exception testing.
- Completed a review of the University process to enroll new employees in the Preventing and Responding to Sexual Misconduct Training (PRSM) training course and the tracking of completion of this training.
- Provided technology consulting in several areas including: HIPAA security, system logging and monitoring, IT service ticketing solution migration, account and vulnerability management, and the IT security framework and policies.
- Assisted with a project to validate current software being used to obtain electronic consent from human participants under FDA guidelines as the use of electronic consent grew considerably under the pandemic.
- Began work to assess processes associated with the distribution of funds to students provided from the CARES act.

## Other Audit Activities

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### **Participated in the following:**

- President's Cabinet
- Senior Leadership Group
- President's Policy Committee
- Policy Advisory Committee
- Board of Regents Policy Committee
- Executive Compliance Oversight Committee
- Institutional Conflict of Interest Committee
- University of Minnesota Foundation Audit Committee
- Fairview Health Systems Audit Committee
- IT Leadership Committees
- HRPP Advisory Committee
- Research Compliance Committee
- P & A Senate
- Data Center Co-Location Initiative
- Data Storage Council
- Metropolitan Council Audit Committee

# Audit Reports Issued Since February 2020

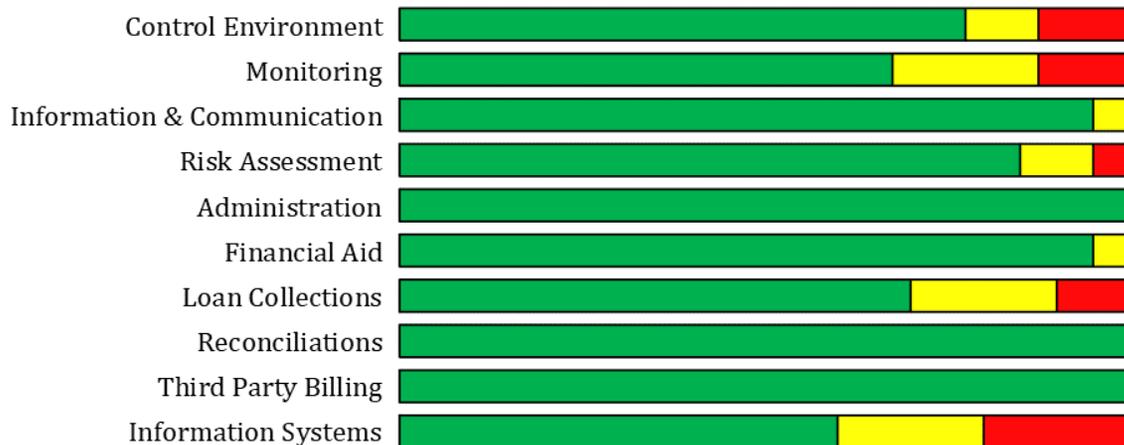
## Internal/External Sales Office



Report #	2015	Issue Date	Feb-20
# of Essential Recs.	0	Total # of Recs.	0
Overall Assessment	Good	Adequacy of MAP	NA

The Internal/External Sales Office (IESO) is a unit within the Controller's Office. The IESO is responsible for the initial review and facilitation of the institutional approval of the internal/external sales activity and rates, risk based review of the internal/external sales activities and oversight. The department also consults with University departments or units wanting to sell goods or services to other University units or customers outside of the University. IESO policies and procedures were determined to be clear, concise and complete.

## Office of Student Finance



Report #	2016	Issue Date	Mar-20
# of Essential Recs.	5	Total # of Recs.	14
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

The Office of Student Finance (OSF) on the Twin Cities campus has oversight for the entire lifecycle of student finances for all University of Minnesota students. OSF calculates financial aid eligibility and manages the awarding, origination, and disbursement of financial aid as well as billing, accounts receivable, student loan entrance and exit interviews, and loan and account collections. From the results of the audit work performed, we believe that OSF's control environment and system of internal controls is good and addresses most major business and compliance risks. However, five recommendations rated as "essential" address system authentication and activity logs, shared accounts, two contracted vendor systems lacking two-factor authentication, improvements for following the terms and conditions for federal health professions loans, and implementing improved processes regarding the review of loans that are cancelled or marked as "pending write off."

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

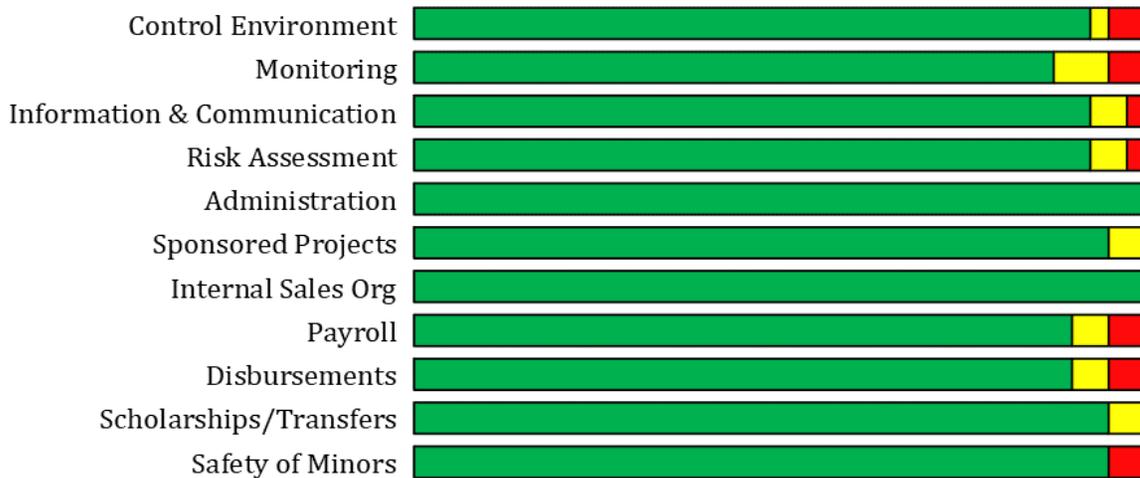
# Office of Human Resources VP Transition Review

Due to the limited scope of the audit and no issues being identified a control evaluation chart was not developed for this report.

Report #	2017	Issue Date	Mar-20
# of Essential Recs.	0	Total # of Recs.	0
Overall Assessments:	Good	Adequacy of MAP	NA

From the results of the review, we believe the activities of the former Vice President for Human Resources reflects a prudent use of University resources and thoroughness in the necessary administrative functions required for a smooth transition for the interim VP. Interviews with the interim VP and the Director of OHR Strategy, as well as a review of HR and financial data, indicate that there were no financial or employment-related off-book commitments, no larger than expected salary increases to direct reports, no significant new/increased deferred compensation agreements, and no large financial transfers to the former VP's new unit. Contractual obligations to the former VP that were previously approved by prior University Presidents were updated and approved by the Senior Vice President for Finance and Operations and provided to President Gabel. Administratively, all expense reports, vacation leaves, performance appraisals, and Reports of External Professional Activities submissions of direct reports have been completed and approved.

## Computer Science and Engineering

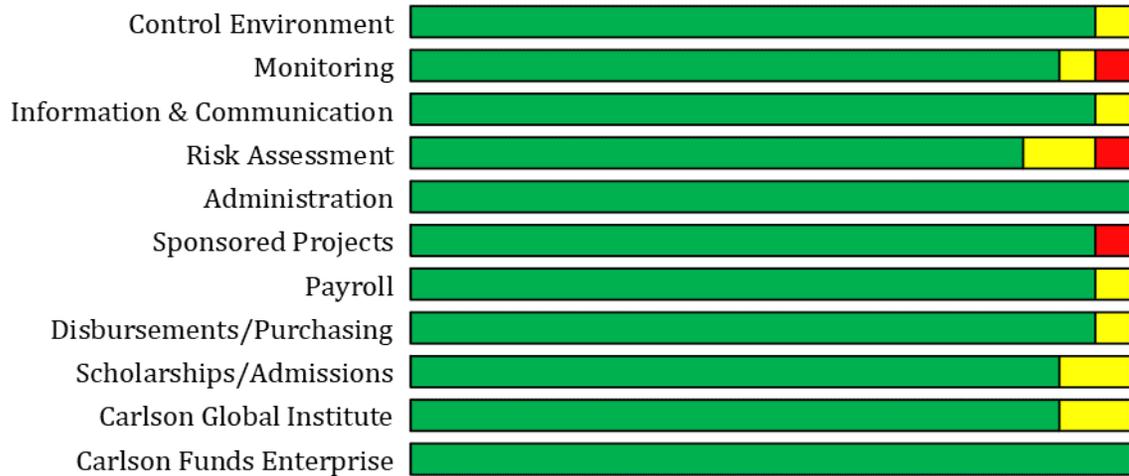


Report #	2018	Issue Date	May-20
# of Essential Recs.	3	Total # of Recs.	7
Overall Assessment	Good	Adequacy of MAP	Satisfactory

CS&E is a department within the College of Science and Engineering and was established in 1970 as an initiative to manage computing resources on campus. Today this department is expanding at an incredible rate to meet the technology demands of a rapidly changing world. This is hindered due to resource restrictions such as lack of faculty and space. From the results of the audit work performed, we believe CS&E has developed a control environment and a system of internal control that addresses most major business and compliance risks. However, the audit resulted in three issues considered "essential" to minimizing existing operational and compliance risks including establishing compliance with the Safety of Minors policy including background checks, training and approved waiver forms, instituting procedures to ensure human resource processes conform to federal and University I-9 and background regulations, and implementing proper approval processes from Risk Management and Office of the General Council for charter bus rentals.

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

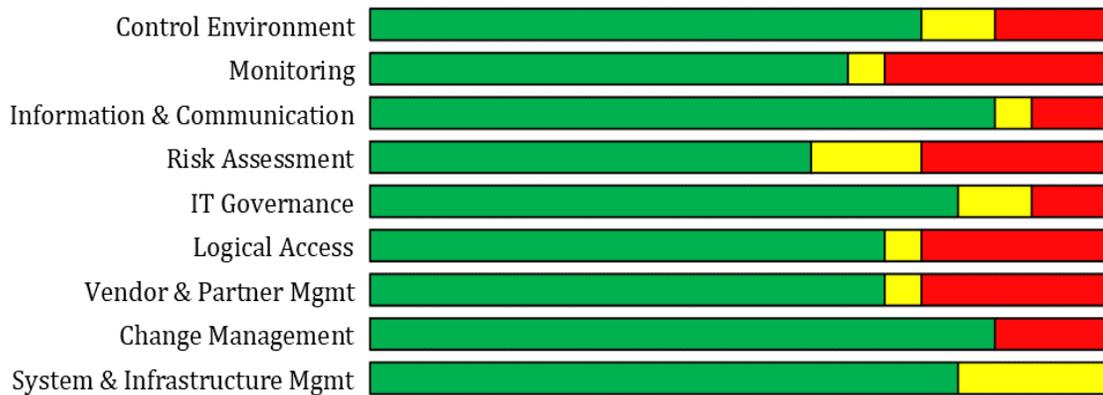
## Carlson School of Management



Report #	2019	Issue Date	May-20
# of Essential Recs.	1	Total # of Recs.	5
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

The Carlson School of Management (CSOM) recently celebrated 100 years as the University of Minnesota's business school. Financial management and operations of the School are very good. This is especially noteworthy as it relates to their centennial celebrations where they effectively managed numerous events by establishing and adhering to a comprehensive budget and appropriately tracking associated expenses. The Carlson Global Institute and Carlson Funds Enterprise (CFE) programs are both overall well-managed with sufficient oversight and policies in place. One issue considered "essential" was identified in the sponsored project reviewed involving two unallocable expenses which have since been removed.

## Department of Public Safety IT



Report #	2020	Issue Date	May-20
# of Essential Recs.	8	Total # of Recs.	15
Overall Assessments:	Needs Improvement	Adequacy of MAP	Satisfactory

The Department of Public Safety (DPS) consists of the University of Minnesota Police Department (UMPD), University Security, and the Public Safety Emergency Communications Center (PSECC); these units report to the chief of police. DPS demonstrates a strong commitment to maintaining the safety and security of the University of Minnesota. However, given the high-risk nature of the operations they support, DPS' IT control environment and associated system of internal controls needs improvement. There are several processes that are not in compliance with the University's Information Security Policy and require further improvements to minimize risk to data confidentiality, integrity, and system availability. IT professionals supporting DPS systems are highly capable and well-trained. However, the roles and responsibilities amongst the various DPS' support teams should be more clearly defined, and in some cases support processes should be re-evaluated.

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

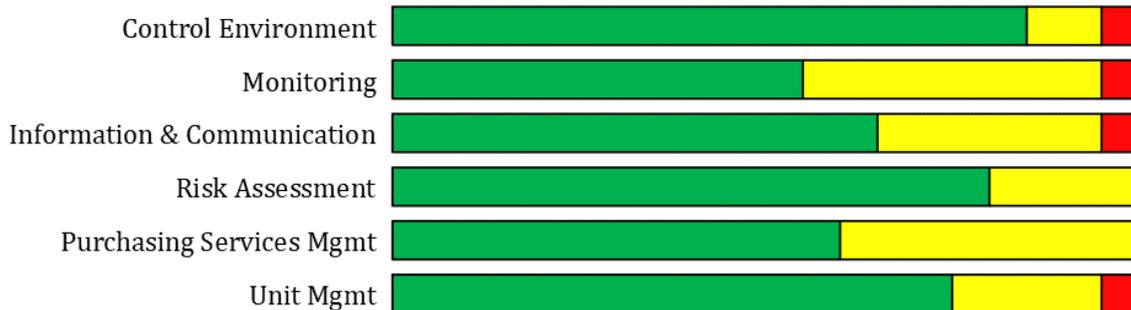
# Executive Vice President and Provost Transition Review

Due to the limited scope of the audit and no issues being identified a control evaluation chart was not developed for this report.

Report #	2021	Issue Date	May-20
# of Essential Recs.	0	Total # of Recs.	0
Overall Assessment:	Good	Adequacy of MAP	NA

From the results of the audit work performed, we believe the activities of the former Executive Vice President and Provost reflect a prudent use of University resources and thoroughness in the necessary administrative functions required for a smooth transition for the new Executive Vice President and Provost. Interviews with the Chief of Staff, Finance Director, and HR Director, as well as a review of HR and financial data noted no significant new/increased deferred compensation agreements, and no large financial transfers to the former Provost's new unit. Administratively, all expense reports, vacation leaves, performance appraisals, and Reports of External Professional Activities submissions of direct reports have been completed and approved.

## University Purchasing Contract Management



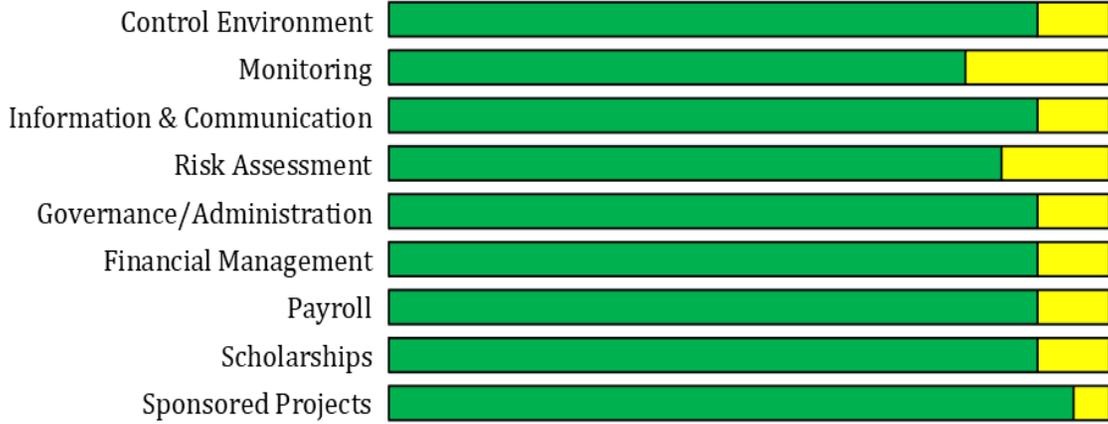
Report #	2022	Issue Date	May-20
# of Essential Recs.	2	Total # of Recs.	13
Overall Assessment:		Adequacy of MAP	Satisfactory

Unit Contract Management = Good; Contract Management Program= Adequate

Guidance for contract management was established by the Senior Vice President for Finance and Operations in Fall 2017 through a Contract Management Program. This program is intended to provide more guidance on the expectations around contract management. The types of contracts to be tracked centrally were to include U-Wide and U-Market contracts, contracts over \$1 million (Regents approved), and any contract over \$50 thousand with multi-year terms and conditions. From the results of the audit work, we believe there is an opportunity to further circulate and communicate the Contract Management Program and to establish Purchasing Services' role within this program. There is opportunity to strengthen the Contract Management Program in order to ensure clear guidance for contract monitoring and oversight of the University's approximately 300 purchasing contracts that flow through Purchasing Services.

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

## UMN Duluth College of Liberal Arts



Report #	2023	Issue Date	May-20
# of Essential Recs.	0	Total # of Recs.	10
Overall Assessment	Good	Adequacy of MAP	Satisfactory

Shortly after the start of the audit, UMN Duluth leadership announced that CLA will merge with UMN Duluth School of Fine Arts (SFA) effective FY 2021 as part of the campus' strategy for addressing its financial shortfall. The impending CLA-SFA merger did not impact the audit scope as the time period under review was the preceding 12 months. From the results of the audit work performed, we believe CLA has developed a control environment and a system of internal control that addresses most major business, compliance and information technology risks. CLA's effective management of these processes should provide a strong foundation for establishing control processes for the combined CLA-SFA college.

## Aurora Center for Advocacy and Education



Report #	2024	Issue Date	May-20
# of Essential Recs.	1	Total # of Recs.	5
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The Aurora Center (TAC) was established on the Twin Cities campus in 1986. TAC has eight full-time staff, five paid student positions, and about 100 volunteers. From the results of the audit work performed, we believe TAC has developed a control environment that addresses its most significant business and compliance risks. Through interviews and testing, we have concluded that TAC is adhering to confidentiality requirements, providing adequate employee and volunteer training, and complying with applicable federal and state laws. The issues noted all pertain to the Aurora Client Application used by TAC staff to schedule appointments and store information of clients. Elimination of shared accounts, establishment of formal documentation of user application procedures, addition of multifactor ACA access and implementation of University authentication to the web portal would strengthen controls on an application that contains sensitive data.

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

# University Identity and Access Management

A control chart was not developed for this audit as it was performed as a collaborative assessment.

Report # 2025 Issue Date Jun-20

A collaborative assessment is an audit approach being piloted by Internal Audit. Its goal is to foster additional collaboration with management on the assessment of risk and developing potential mitigation solution strategies for process audits where there is a mutual understanding and general agreement on known critical risks. The audit reviewed risks associated with Identity and Access Management (IAM) throughout the institution. IAM are the processes for confirming users' identity and managing their access to IT systems. Internal Audit and management jointly agreed a high level of risk exists with IAM processes and identified 16 of 25 categories assessed as currently high risk. Management has developed a long-term mitigation strategy to address these issues. Internal Audit and the VP and Chief Information Officer plan to provide additional details related to the collaborative assessment approach, IAM results, and the plan for remediating risks and following-up on results in a presentation to the June Audit & Compliance Committee.

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

## SNAP Review Summary

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

### **Alcohol on Sponsored Awards**

We reviewed alcohol charged to sponsored awards to determine allowability and monitoring performed by Sponsored Financial Reporting (SFR).

### **Temp/Casual Employees**

We reviewed temporary and casual appointments to determine compliance with University and federal policies.

### **PI Effort**

We reviewed Principal Investigator (PI) effort reporting and monitoring to determine whether all PIs are reporting at least 1% effort on their projects.

### **P&A Vacation**

We reviewed P&A employee compliance with taking vacation in four or eight hour increments as required by University policy.



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**June 11, 2020**

**AGENDA ITEM:** Interim Internal Audit Plan

Review

Review + Action

Action

Discussion

*This is a report required by Board policy.*

**PRESENTERS:** Gail Klatt, Chief Auditor

## **PURPOSE & KEY POINTS**

Due to the impacts of the COVID-19 pandemic, and in consultation with committee leadership, the Office of Internal Audit is delaying the development of the Internal Audit plan for FY 2021 (annual plan).

Creation of the annual plan involves consultation with leadership across the University – leaders who are currently involved with the University’s response to the pandemic. Additionally, the annual plan is based on risks identified both within the University and in the greater higher education landscape. These risks are difficult to identify and predict in the current environment.

Until a formal plan is prepared, the Office of Internal Audit will continue to update the committee on how audit resources are being deployed and audits conducted.

In FY 2021, Internal Audit expects to deploy resources in a similar manner as in the past, with the majority of resources devoted to assurance audit work. Resources reserved for follow-up procedures and investigations remain the same.

Ongoing audit work continues to provide assessments of the effectiveness of the University’s internal control environment and the extent to which institutional risks are being mitigated. The docket includes an overall assessment based on the audit work performed in FY 2020. The docket also includes information demonstrating accountability for resources and ongoing efforts to continually improve the University’s internal audit programs.

## **BACKGROUND INFORMATION**

The Audit & Compliance Committee is delegated the responsibility, via its Charter, to review the annual Internal Audit plan on behalf of the Board of Regents.

FISCAL YEAR 2021  
INTERNAL AUDIT ANNUAL PLAN UPDATE

PURPOSE OF THE ANNUAL PLAN

Due to the effects of the COVID 19 pandemic, and in consultation with the leadership of the Audit and Compliance Committee, the Office of Internal Audit has delayed the creation of a 2021 Internal Audit Annual Plan. Creation of the annual plan involves consultation with leadership across the University, who are currently involved with the University’s response to the pandemic. In addition, the annual plan is based on risks identified both within the University and in the greater higher education landscape. These risks are difficult to predict in the current climate. Until a formal audit plan is prepared we will continue to provide updates to the Audit & Compliance Committee on how audit resources are being utilized and the audits being performed.

The ongoing conduct of audit work continues to provide assessments of the effectiveness of the University’s internal control environment and the extent to which institutional risks are being mitigated. Our overall assessment based on the audit work performed in FY 2020 is provided in this Update.

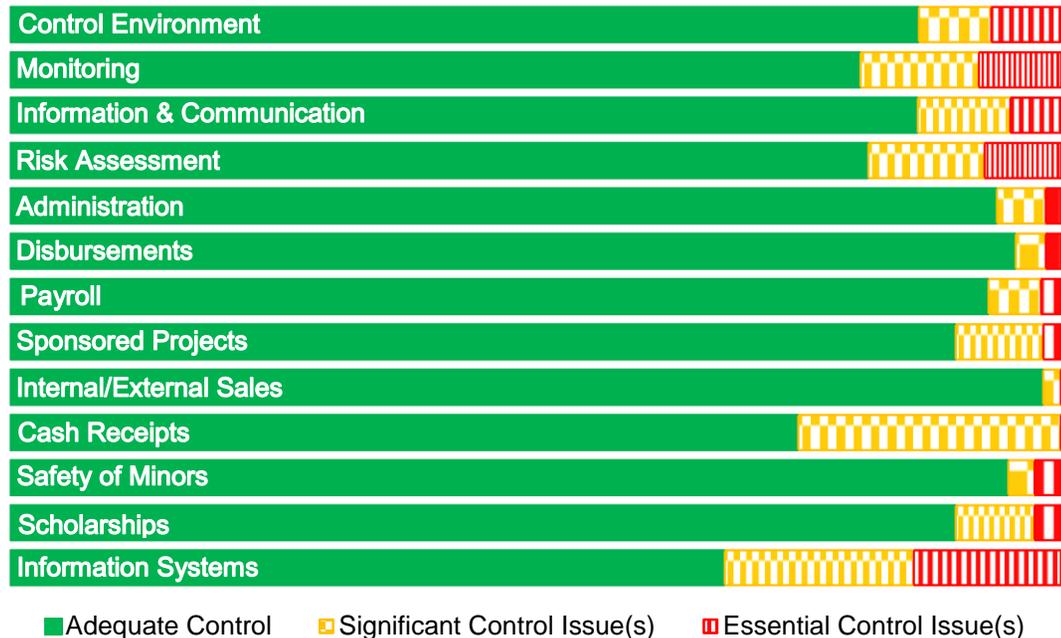
This Update also includes information that demonstrates our accountability for our resources and our ongoing efforts to continually improve the University’s internal audit program.

RECAP OF FY 2020 INTERNAL AUDIT RESULTS

Our audit planning begins with a review of past audit coverage and results. Appendix A recaps the audits completed in FYs 2018-2020 and the resulting overall control assessment for each. **We will have completed 31 audits in FY 2020.** 72% of the 31 audits had satisfactory results. 20% of the activities audited were determined to need improvement in their risk management and control environment.

The Overall Control Evaluation is a composite of all of the control evaluations resulting from audits completed in FY 2020. It reflects the state of the internal control environment based on the audit work performed.

OVERALL CONTROL EVALUATION



## FY 2020 AUDIT PLAN COMPLETION

In addition to the 31 audits completed:

- Ten audits are currently in the planning or fieldwork stages and will be completed in FY 2021.
- Five audits were deferred due to COVID 19.
- Five SNAP reviews were issued with another in process.

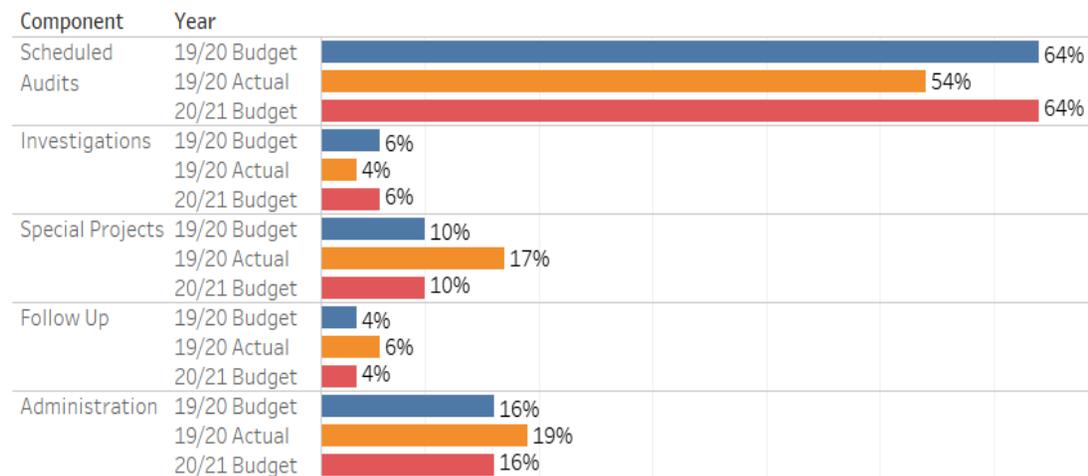
(See Appendix B for the status of the FY 2020 audit plan)

During the past fiscal year we conducted seven investigations into financial or operational misconduct. Where appropriate, we have partnered with the University Police or the Office of the General Counsel to complete these reviews.



## ALLOCATION OF AUDIT RESOURCES

**Percent of Audit Resources for FY 2020 and FY 2021**  
Percent of Available Time



The percent of hours spent on scheduled audits decreased in FY 20. This is mostly attributed to an increase in hours spent on special projects and other non scheduled projects: we invested significant time to prepare for our required external quality assessment, completed four transition audits for changes in leadership, and performed several SNAP reviews.

The audit resources available for FY21 are based on a planned staffing complement of 14.75 FTE audit professionals. This staffing complement represents one FTE less than fully staffed, due to the current hiring freeze on one open IT audit position. This will have a direct impact on the amount of audit work we will be able to complete in the technology enterprise. Should we be able to fill this position later in the year, this will positively impact the resources available.

Even though a complete annual audit plan for FY 2021 has not yet been developed, we anticipate deploying our resources similar to previous years. Approximately 64% of the Office of Internal Audit's resources will be committed to the completion of planned audit projects. Some of those resources will

be needed to complete carry-over work from our FY 2020 audit plan. Ten audit projects are currently in process and will be completed and reported in FY 2021.

The remainder of our FY 2021 audit resources is reserved as follows:

- 10% has been reserved to accommodate requests from the President, the Board, or members of the senior leadership team. This has been supported by the Audit and Compliance Committee. The number of hours remains consistent from previous years.
- 6% has been reserved for investigations. The number of hours remains consistent from previous years.
- 4% has been reserved for follow-up procedures performed on behalf of the Audit and Compliance Committee. The number of hours remains consistent from previous years.
- 16% has been set aside for internal administrative functions, including our continuous improvement efforts. This remains fairly consistent with previous years.

## INDEPENDENCE

The Office of Internal Audit's Charter, approved by the Chair of the Audit and Compliance Committee in 2019 states, "To provide for the independence of the Office of Internal Audit, the Board of Regents delegates directly to the Chief Auditor the authorities necessary to perform the duties set forth in the mission and scope of work. Additionally, the Chief Auditor is delegated administrative and operational authorities by the President of the University. The Office of Internal Audit is to be free from undue influence in the selection of activities to be examined and the audit techniques and procedures to be used."

**There were no incidences during the year in which the independence or scope of internal audit work was restricted in any way.**

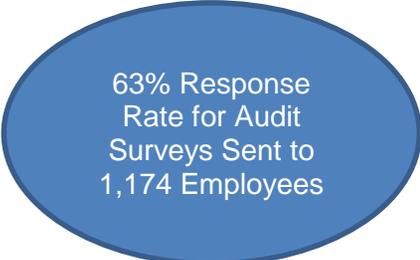
## RELIANCE ON OTHER PROVIDERS

To avoid duplication of work and additional burden on University staff, we continue to place reliance on audit-related work performed by other service providers. We rely on the external audit work performed by Deloitte, LLP in the areas of investments, annual external financial reporting, and RUMINCO (the University's captive insurance company). Deloitte, LLP also provides significant coverage of student financial aid as part of its Uniform Guidance Audit which we take into consideration in our risk assessment.

## COORDINATION WITH OTHER INTERNAL UNIVERSITY RESOURCES

The Office of Internal Audit coordinates its work with other internal units to maximize the quality of audit coverage provided, as well as to promote prompt attention when University-wide trends are identified. We have established strong working relationships with the University's compliance partners, the Research Compliance Office, the Human Research Protection Program, the Department of Environmental Health and Safety, University Information Security, and the Office of the General Counsel, each of which work closely with us during audits involving complex regulatory issues.

The Office of Internal Audit interfaces regularly with the Chief Compliance Officer and we serve on the Executive Compliance Oversight Committee. Input from the Compliance Officer is solicited during our annual audit planning. In addition, throughout the year we report to and collaborate with the Compliance Officer on issues identified during our audits. We also share the results of employee surveys conducted during audits with the Compliance Officer. During FY 2020, a total of 1,174 employee surveys were sent out as part of our audit process, with a 63% response rate. We serve on the triage team, established by the Compliance Officer, for managing UReport, the University's anonymous hotline. We continue to work with the Office to ensure that duplication does not occur between its compliance risk assessments and internal audits. Both offices are



63% Response  
Rate for Audit  
Surveys Sent to  
1,174 Employees

committed to sharing information and leveraging each other's work as appropriate, to optimize the resources of both of the offices as well as those of the operational units involved.

Audit results are also shared with central support units such as the Office of Information Technology, Sponsored Projects Administration, Payroll, Controller's Office, and Human Resources when policy non-compliance or when the need for process enhancements are identified. Best practices identified in local unit audits are also shared with these central unit process owners for consideration of broader adoption.

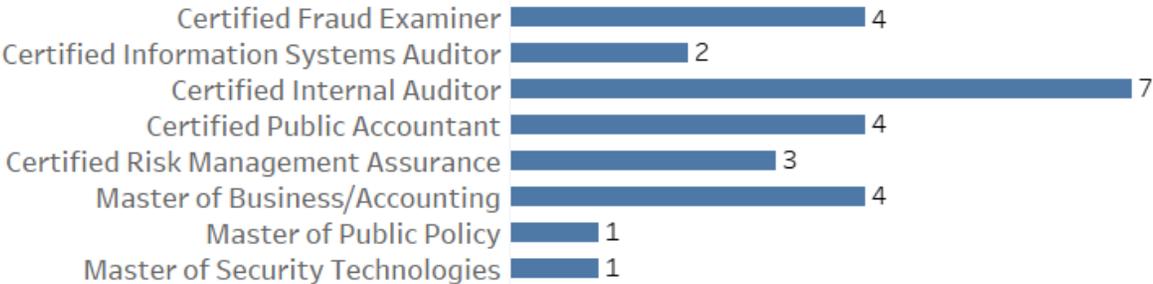
**STAFF DEVELOPMENT, QUALIFICATIONS AND PROFESSIONAL INVOLVEMENT**

The Office of Internal Audit is committed to providing educational opportunities to our staff in order to enhance our audit knowledge and abilities and to achieve our professional best. Ever-changing government regulations, new technologies, and new developments in auditing principles and methods dramatically affect not only what we audit, but how we audit. We constantly strive to stay abreast of new developments and improve our audit proficiency to enhance the overall quality of our audits. To accomplish this, we pursue a variety of methods to continue our staff's professional education.

Our memberships with the Institute of Internal Auditors (IIA), the Association of College and University Auditors (ACUA), the Association of Certified Fraud Examiners (ACFE), the American Institute of Certified Public Accountants (AICPA), and the Information Systems Audit and Control Association (ISACA) provide staff members the opportunity to attend webinars, seminars, and conferences that specifically address current issues and techniques in internal auditing. The interaction of our staff members with their peers through these professional organizations helps to keep us up-to-date on the latest auditing trends and issues affecting higher education.

All but three of the professional internal audit staff are professionally credentialed or hold advanced degrees, and those three are in the process of obtaining credentials. Two individuals are also taking advantage of the Regent's Scholarship to pursue master's degrees. The number and combinations of certifications held by staff demonstrate a high-level of competency in the skills needed to provide quality audit work in the University's complex environment.

**Certifications and Advanced Degrees Held by Internal Audit Staff**



In the first 11 months of FY 2020, the Office of Internal Audit provided over 1,290 hours of formal and informal training (an average of about 80 hours for each employee). These hours do not include the time associated with completing coursework funded by the University's Regents Scholarship Program. We continue to provide the continuing professional development required to maintain the staff's professional credentials.



Over 1290 Hours  
of Formal and  
Informal Training  
Provided

## **PROFESSIONAL STANDARDS**

The Office of Internal Audit conducts its work in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*. All of the audit staff is also required to comply with the Institute's *Code of Conduct for Internal Auditors*.

## **INTERNAL QUALITY ASSURANCE PROGRAM**

We have established an internal quality assurance program within the Office of Internal Audit. This program is structured around the robust supervision of audit staff and their work products. In addition, internal practices and tools are routinely evaluated for their effectiveness and efficiency and changes are made when potential improvements are identified. Our quality assurance measures throughout the year confirmed our practices met the requirements of our professional *Standards*.

## **EXTERNAL QUALITY ASSURANCE REVIEW**

Our professional standards require that our audit practice undergo an external quality assurance review every five years. Our most current external review was conducted in January 2020 and determined that 1) our work was in full compliance with the *Standards*, and 2) University management and the Board of Regents can appropriately rely on the assurance provided by the work performed by the Office. The review team commended the Office of Internal Audit for "maintaining a very strong internal audit function that provides valued assurance services to a dynamic, diverse, and complex institution".

## **OFFICE OF INTERNAL AUDIT FY 2020 STAFFING**

We experienced 6% turnover (one position) in FY 2020. This is slightly lower than our normal turnover rate of 13%. This position has not yet been filled, and is impacted by the University's hiring freeze.

## **OFFICE OF INTERNAL AUDIT BUDGET STATUS**

The Office of Internal Audit received additional funding for FY21 to offset increased fringe rates. We will be modeling 3% and 6% reduction plans as requested by the administration.

We appreciate the continued financial and operational support we receive from the administration.

Audit Assessments for FY 2018- 2020

Appendix A

Academic	Finance	Information Technology	System Campuses	Human Resources	Student	Other
<b>Fiscal Year 2020</b>						
● Psychiatry & BH Research	○ Hospitality & Special Expenses	◆ Disaster Recovery	● UM Duluth Stores	● OHR Vice President Transition	● Office of Student Finance	● Advancing HRP #3
◆ Veterinary Diagnostic Lab	● Internal/External Sales	◆ EmerMgmt/Continuity Operations	● UM Duluth Admissions		● NCAA Compliance Football	■ Facilities Mgmt Districts
● Plant Sciences/BBE	● U Purchasing Contract Mgmt	◆ UMN Identity and Access Mgmt	● UM Duluth CLA		● Aurora Center	◆ Public Safety IT
● Computer Science & Engineering		IP OIT Job Scheduling				● Inst for Social Res & Data Innov
● Carlson School of Management						■ Weisman Art Museum
● Vet Med Dean Transition						● Presidential Transition
● Executive VP & Provost Transition						IP International Scholars
IP Lab Medicine & Pathology						
<b>Fiscal Year 2019</b>						
● Mechanical Engineering	● Investments and Banking	● AHC - IS	◆ University of Minnesota Crookston	◆ Employment Eligibility Verification	● Office of Athletic Compliance	● Advancing HRP #2
● Physics and Astronomy	● Close Out of Fixed Price Awards	● OIT Business Office	■ UM Duluth School of Fine Arts		◆ Residency Determination	● Controlled Substances
● MN Extension Services		● Destiny One	■ UM Duluth Police Department		● Athletics Other Revenue	◆ ROCs/ ● REPAs
● Obstetrics and Gynecology					● Office for Community Standards	● Compliance BOR Bylaws/Policies
● College of Veterinary Medicine						● Technology Commercialization
						● The Hormel Institute
						● Travel Expenses
						● University Libraries
						■ Weisman Art Museum
<b>Fiscal Year 2018</b>						
● CEMS	● Consulting Contracts	● ETHOS	● UM Duluth Housing & Res Life	■ FMLA	◆ Admissions	● Faculty Start Ups
● CCAPS	● Sponsored Financial Reporting	■ School of Public Health IT	● UM Duluth NRRI		● GPS Alliance	● NCAA - Volleyball
● CEHD	○ Utilize Fed/State Procure Contract	● University Information Security	● University of Minnesota Morris		● Scholarships and Fellowships	● Public Safety
● IMA	● Exec, Regent & Eastcliff Expenses					● Athletics Exec & Senior Staff Rev
● Neurosurgery						● Bookstores
● School of Math						
● School of Nursing						
● Humphrey School of Public Affairs						
● Radiology and CMRR						

● Good  
 ■ Adequate  
 ◆ Needs Improvement  
 ○ No Rating  
 IP In process

**Audits Completed**

**High Risk**

Disaster Recovery of Information Systems  
 Emergency Management & Continuity of Operations  
 Athletics Other Revenue  
 Psychiatry & Behavioral Sciences Research  
 Review of Select Human Research Protection Items FY 19  
 Facilities Management District Operations  
 University Identity and Access Management  
 Veterinary Diagnostic Lab  
 Office of Student Finance  
 Public Safety IT

**Moderate Risk**

UM Duluth Stores  
 Hospitality and Other Special Expenses  
 Plant Sciences/BBE  
 NCAA Compliance Football  
 UM Duluth Admissions  
 Institute for Social Research & Data Innovation  
 Internal/External Sales  
 Aurora Center  
 Carlson School of Management  
 Computer Science & Engineering  
 University Purchasing Contract Management

**Low Risk**

Weisman Art Museum  
 UM Duluth College of Liberal Arts

**Other Audits/Reviews**

Testing of UMF Transactions FY 19

**Transition Reviews**

President  
 Dean of College of Veterinary Medicine  
 Vice President for Human Resources  
 Executive Vice President and Provost

**SNAP Reviews** – 5 reports issued: Excused Paid Leave, Alcohol on Sponsored Awards, Temp/Casual Employees, PI Effort, P&A Vacation

**Audits Expected to be Completed in FY 20**

**High Risk**

International Scholars

**Moderate Risk**

OIT Job Scheduling  
 Laboratory Medicine and Pathology

**SNAP Reviews To Be Completed in FY 20**

Duplicate Social Security Numbers

**Audits Started in FY 20 and Will Be Completed in FY 21**

**Moderate Risk**

NCAA Sport Audit  
 Pre Paid Debit Cards  
 University Health and Safety  
 UM Duluth Student Life Administration  
 Anatomy Bequest Program \*  
 Labovitz School of Business and Economics \*  
 Executive and Dean Expenses \*  
 UMarket \*  
 OIT System Change Management\*

**System-Wide Audits/Reviews**

Testing of UMF Transactions FY 20

**Audits Deferred Due to COVID 19**

Canvas/Unizon  
 Investigational New Drug/Device Exemption  
 Internet of Things  
 Residential Life  
 UM Duluth Health Services

\*Not in FY 2020 Audit Plan, added post COVID 19

# 2021 Internal Audit Plan Update

## Office of Internal Audit

Board of Regents Audit and Compliance Committee  
June 11, 2020



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# 2020 Audit Results

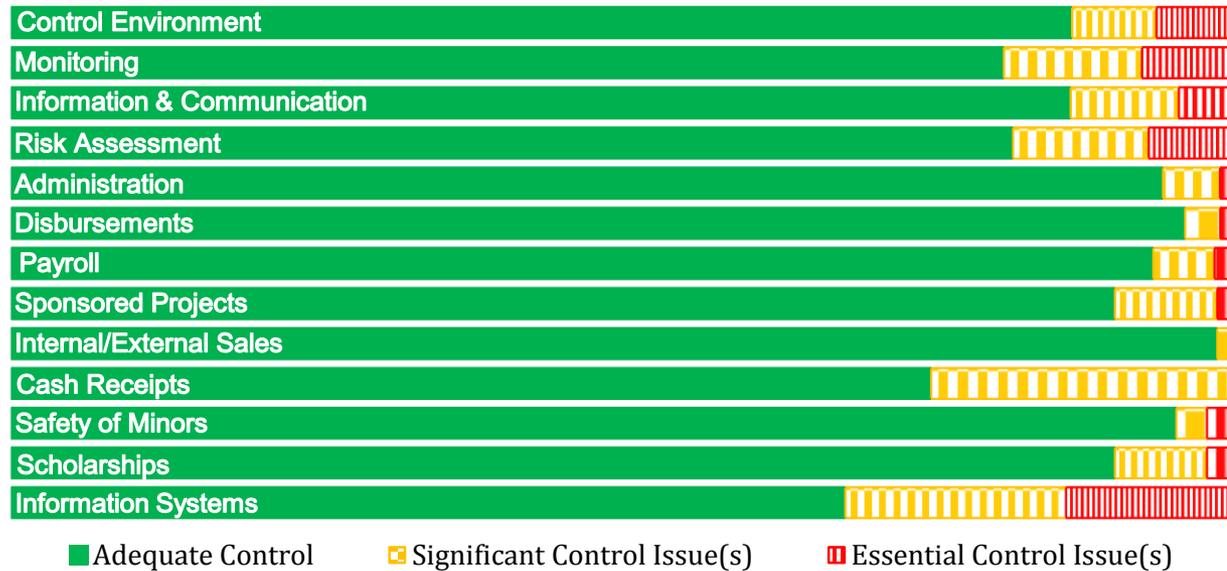
- 31 Audits Completed
- 7 Investigations
- 5 Snap Reviews Completed



# 2020 Audit Results

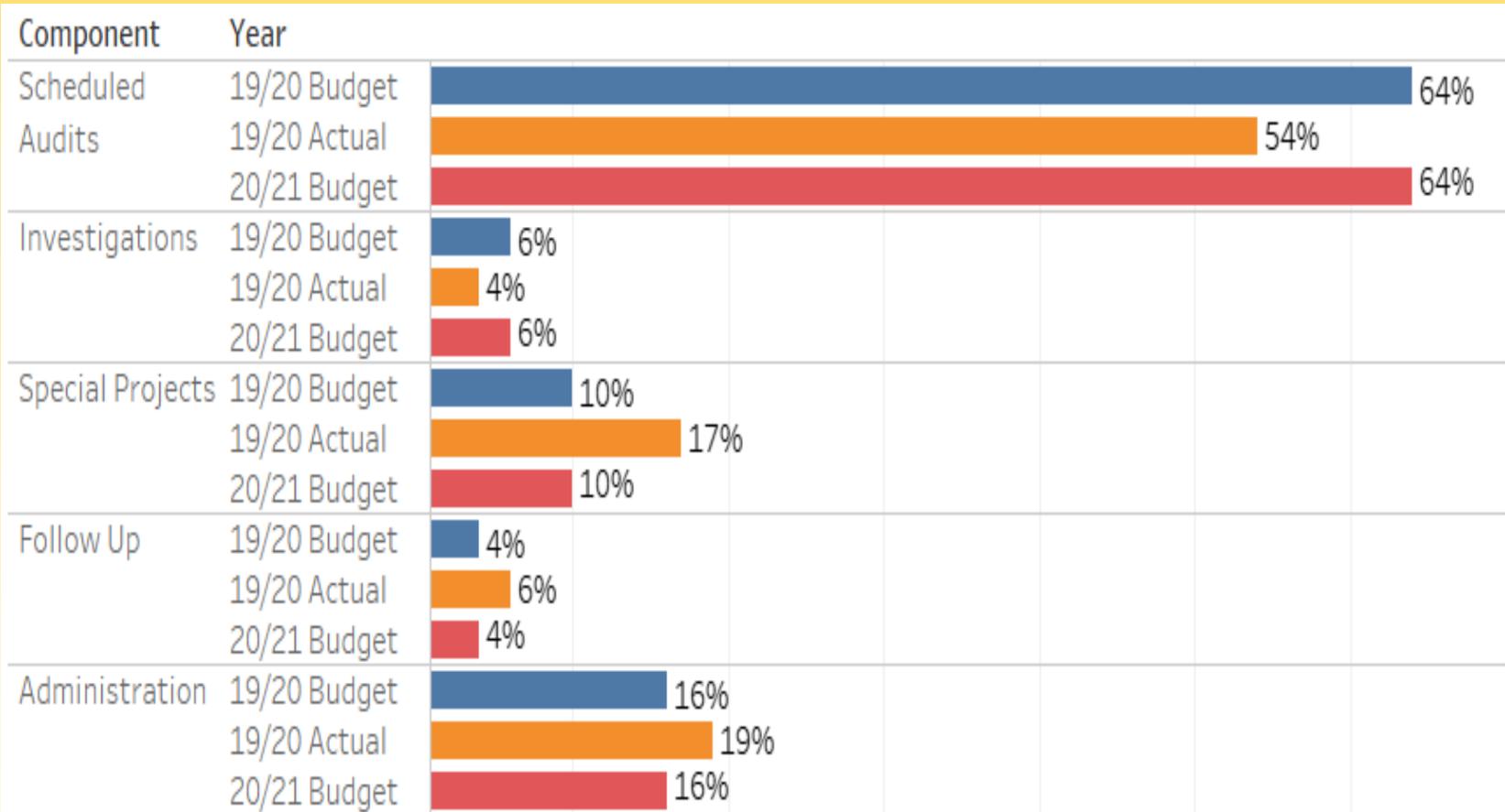
- 31 Audits Completed
- 7 Investigations
- 5 Snap Reviews Completed

## OVERALL CONTROL EVALUATION



# FY 2021 Allocation of Resources

COMPARISON OF AUDIT RESOURCES FOR FY 2020 AND FY 2021  
Percent of Available Time



# Other Important Information

- No restrictions on independence or scope of work
- 80% of staff have a certification or advanced degree or both
- 1,290 hours of training for staff (80 hours per person)
- Completion of external quality assurance review





Questions?





# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**June 11, 2020**

**AGENDA ITEM:** Foreign Influence Risk Mitigation

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Meredith McQuaid, Associate Vice President and Dean, Global Programs and Strategy Alliance  
Pamela Webb, Associate Vice President for Research

## **PURPOSE & KEY POINTS**

The purpose of this item is to address the evolution of Congressional and federal agency actions – particularly those of the National Institutes of Health (NIH) – regarding international collaboration, and the University’s response, as well as the contributions of international scholars to the University’s research enterprise.

The University of Minnesota attracts top scholars from around the globe, has been a major connection point between the world and the state of Minnesota, and has been a leader among its peers for its internationalized curriculum and educational experiences. While the benefit of open collaboration to the U.S. research and education enterprise has long been recognized, issues related to international collaboration in higher education currently carry a high profile with federal agencies, Congress, and the media. Concerns range from the potential threat of theft of U.S. intellectual property by non-U.S. adversaries to the social climate for Asians and Asian-Americans on campus. Rising tensions between the United States and other countries related to the COVID-19 pandemic have only heightened these concerns.

The following Board of Regents policies are important to this conversation and will be referenced during the discussion:

- [Board of Regents Policy: \*International Education, Research and Outreach\*](#)
- [Board of Regents Policy: \*Equity, Diversity, Equal Opportunity, and Affirmative Action\*](#)

## **BACKGROUND INFORMATION**

### **Relevant Documents**

- [Statement on Protecting the Integrity of U.S. Biomedical Research](#), (NIH Director Frances Collins, August 23, 2018) The statement outlines three areas of concern (failure to disclose outside contributions, diversion of intellectual property, and violation of peer review rules

for NIH funding decisions) and has served as a basis for foreign influence policy changes and reviews since.

- [Memorandum: Reporting/Compliance Obligations regarding Foreign Institutions and Scholars](#) (December 20, 2018) from University of Minnesota President Eric W. Kaler, Executive Vice President and Provost Karen Hanson, and Vice President for Research Christopher J. Cramer detailing guidance for the reporting and compliance obligations when engaging with [Foreign Institutions & Scholars](#).
- [China: The Risk to Academia](#) (Federal Bureau of Investigation, 2019) Unsigned FBI document that outlines FBI's concerns regarding Chinese espionage.
- [How to Stop Science Thieves](#) (Scientific American, April 7, 2020) Association of American Universities (AAU) President Mary Sue Coleman writes about how research universities are improving security.
- [Letter to Education Secretary DeVos from ranking minority members of several House committees](#) (May 4, 2020) Letter requesting information about specific Department of Education investigations into non-US funding received by U.S. academic institutions.

### Relevant News Articles

- [Racial Profiling Harms Science](#) (Science, March 22, 2019)
- [Chinese-American Scientist Societies Fear Racial Profiling](#) (The Scientist, March 29, 2019)
- [Chinese American Scientists Uneasy Amid Crackdown on Foreign Influence](#) (Nature, June 3, 2019)
- [Universities Face Federal Crackdown Over Foreign Financial Influence](#) (New York Times, August 30, 2020)
- [Balancing National Security and Scientific Collaboration](#) (Inside Higher Ed, September 5, 2019)
- [Leading Chinese American scholars decry racial profiling from Trump's hard-line policies against China](#) (Los Angeles Times, September 29, 2019)
- [U.S. scientists who hide foreign ties should face research misconduct sanctions, panel says](#) (Science, Dec. 11, 2019)
- [U.S. takes aim at foreign influence](#) (Science, Dec. 20, 2019)
- [Chinese researcher accused of trying to smuggle vials of 'biological material' out of US hidden in a sock](#) (South China Morning Post, Dec. 22, 2019)
- ['I have lost everything': Iranian students with valid visas sent home upon arrival at U.S. airports](#) (Los Angeles Times, January 29, 2020)
- [U's academic collaboration with China chilled by federal concerns](#) (Star Tribune, January 30, 2020)
- [American Universities are a soft target for China's spies, says US Intelligence officials](#) (NBC News, February 2, 2020)
- [Harvard chemistry chief's arrest over China links shocks researchers](#) (Nature, February 3, 2020)
- [The Trump Administration Drove Him Back to China, Where He Invented a Fast Coronavirus Test](#) (ProPublica, March 18, 2020)
- [New Foreign Gift Rules Advance](#) (NACUBO, April 22, 2020)
- [GOP Senator Tom Cotton says Chinese students should be banned from studying science at U.S. colleges](#) (Newsweek, April 26, 2020)
- [NIH's axing of bat coronavirus grant a 'horrible precedent' and might break rules, critics say](#) (Science, April 30, 2020)
- [FBI arrests researcher for NASA who allegedly failed to report ties to China](#) (CNN, May 12, 2020)

- [Some area Chinese Americans report increasing incidents of harassment, discrimination amid coronavirus](#) (Baltimore Sun, May 12, 2020)



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# Board of Regents: Audit and Compliance Committee

Associate Vice President Pamela Webb, Research

Associate Vice President and Dean Meredith McQuaid, International Programs

**June 11, 2020**



**Regents Policy: International Education, Research and Outreach**

“The University has a responsibility to ensure, to the extent possible, respectful and ethical engagement with people, places, and ideas around the globe.”

# NIH DIRECTOR LETTER, AUGUST 23, 2018

The screenshot shows the NIH website header with the logo and tagline "National Institutes of Health Turning Discovery Into Health". A search bar is visible in the top right. Below the header is a navigation menu with categories: Health Information, Grants & Funding, News & Events, Research & Training, Institutes at NIH, and About NIH. The breadcrumb trail reads "Home » About NIH » Who We Are » The NIH Director". The main heading is "THE NIH DIRECTOR". On the left sidebar, there are links for "The NIH Director", "Photo Gallery", "Congressional Testimonies", "Advisory Groups", "Video & Sound Gallery", "Articles", and "Statements". The main content area features the article title "Statement on Protecting the Integrity of U.S. Biomedical Research" dated "August 23, 2018". Below the title are social media sharing icons for email, Facebook, Twitter, and a plus sign. The article text begins with: "NIH research is built on the bedrock principles of scientific excellence, unassailable integrity, and fair competition. NIH's commitment to these principles is unwavering. We have long understood, however, that the robustness of the biomedical research enterprise is under constant threat by risks to the security of intellectual property and the integrity of peer review. This knowledge has shaped our existing policies and practices, but these risks are increasing. Three areas of concern have emerged: 1) failure by some researchers at NIH-funded institutions to disclose substantial contributions of resources from other organizations, including foreign governments, which threatens to distort decisions about the appropriate use of NIH funds; 2) diversion of intellectual property in grant applications or produced by NIH-supported biomedical research to other entities, including other countries; and 3) in some instances, sharing of confidential information by peer reviewers with others, including in some instances with foreign entities, or otherwise attempting to influence funding decisions."

NIH pledge to:

- Improve accurate reporting of all sources of research support, financial interests, and affiliations
- Mitigate the risk to intellectual property security while continuing collaborations
- Explore additional steps to protect the integrity of peer review

# Growing Concerns: Congress, Agencies



U.S. Sen. Charles Grassley  
(Anna Moneymaker, Getty Images)



U.S. DEPARTMENT OF  
**ENERGY**



National Institutes of Health  
*Turning Discovery Into Health*

**FBI**

# Banned Firms, Federal Charges, Faculty Fired

**HOUSTON CHRONICLE**

LOCAL // HOUSTON

## MD Anderson ousts 3 scientists over concerns about Chinese conflicts of interest

Todd Ackerman | April 19, 2019 | Updated: April 20, 2019 11:14 a.m.



April 2019

**Science** Contents News

SHARE

964

77

The entrance to Emory University in Atlanta iSTOCK.COM/AIMINTANG

### Emory ousts two Chinese American researchers after investigation into foreign ties

May 2019

**Los Angeles Times**

## 'I have lost everything': Iranian students with valid visas sent home upon arrival at U.S. airports

Protesters outside the federal courthouse in Boston, where a hearing was scheduled for an Iranian student. (Philip Marcelo / Associated Press)

January 2020

## American universities are a soft target for China's spies, say U.S. intelligence officials

University of Texas professor Bo Mao is the latest defendant in a string of U.S. criminal cases alleging Chinese spying in the academic world.

American universities at risk from Chinese spies, intelligence officials say

FEB. 2, 2020 / 02:04

February 2020

**nature**

NEWS · 03 FEBRUARY 2020

## Harvard chemistry chief's arrest over China links shocks researchers

Nanoscientist Charles Lieber allegedly lied about his involvement in China's Thousand Talents Plan.

February 2020

25° St. Louis Park, MN  
Mon, Feb 03, 2020

**Newsweek**

U.S. | World | Business | Tech & Science | Culture | Newsgeek | Sports | Health | The I

**NEWS**

## UCLA PROFESSOR STOLE MISSILE SECRETS FOR CHINA, FACES 219 YEARS IN PRISON

BY DAVID BRENNAN ON 7/3/19 AT 6:03 AM EDT

July 2019

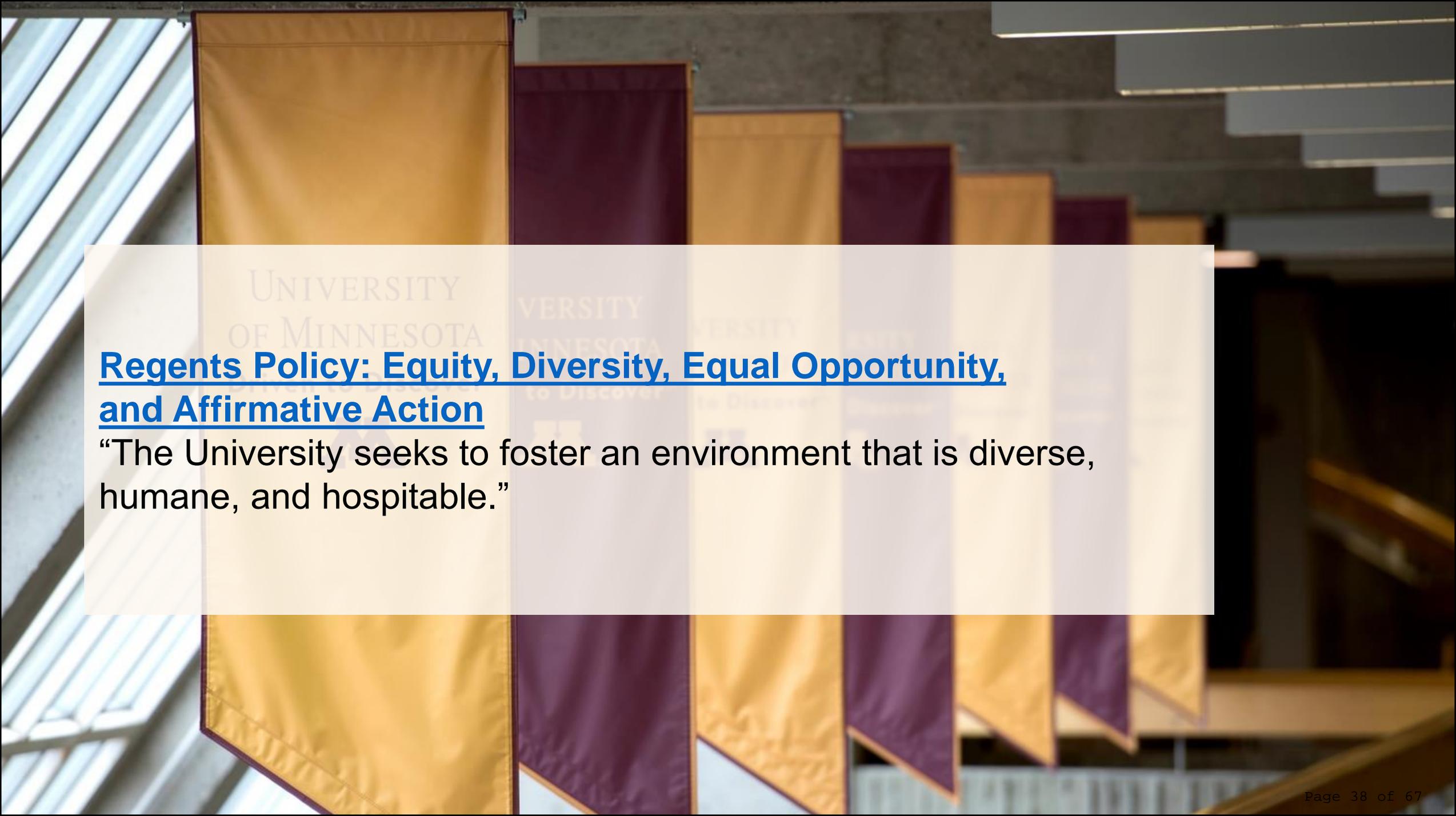
Harvard Medical Researcher Allegedly Attempted to Smuggle Cancer Research to China

March 2020

# UMN Responds

December 20, 2018 systemwide message to faculty reminded them of reporting/compliance obligations regarding foreign institutions and scholars (now available at OVPR's Foreign Institutions & Scholars website)

- External Influence & Interest Reporting (REPA) → [Working Group](#)
- Grant Proposal Information (e.g., Current and Pending Support)
- Proper Handling of Peer Reviewed Proposals
- Invention Disclosures
- Gifts and Donation Disclosure → [Working Group](#)
- International Travel Registration
- Traveling with Technology (risks)
- Export Controls & Sanctions
- Sending Tangible Research Materials Outside the U.S.
- Foreign Visiting Scientists → [Working Group](#)



**Regents Policy: Equity, Diversity, Equal Opportunity,  
and Affirmative Action**

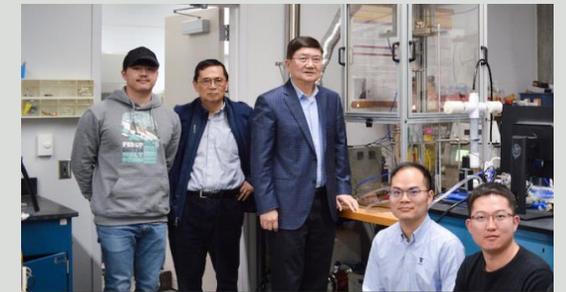
“The University seeks to foster an environment that is diverse, humane, and hospitable.”

# Chinese Community, UMTC

- Chinese nationals:
  - Scholars and researchers: 440
  - Students: 2,665
    - 5% of all students
    - 44% of international students
    - 51% undergraduates; 46% grad/professional
- Many others who are on OPT, or are permanent residents, naturalized US citizens, and/or of Chinese descent



World's tallest air purification tower (20 stories), Xi'an, China. *NBC News*



**Curbing air pollution with purification towers**

CSE professor leads international team in building purification towers

David Pui (center) with lab colleagues

# Resources and Support

- International Student and Scholar Services
- China Center
- Chinese Student Groups
- Campus Anti-Discrimination Resources:
  - Campus Climate
  - Equal Opportunity and Affirmative Action
  - Office for Conflict Resolution
  - Office for Equity and Diversity



# How are they doing?

- Broad and ill-defined suspicion of anyone perceived to be Chinese
- Intersection of University, Minnesota, and Chinese culture preclude open conversation
- Self-editing of participation in academic and scholarly activity
- Expanded animosity and suspicion of Asian-appearing individuals due to COVID, misinformation

**LETTERS** Edited by Jennifer Sills Science – March 2019

### **Racial profiling harms science**

On behalf of the Society of Chinese Bioscientists in America (SCBA), the Chinese American Hematologist and Oncologist Network (CAHON), and the Chinese Biological Investigators Society (CBIS), we write to express our concerns about the recent political rhetoric and policies that single out students and scholars of Chinese descent working in the United States as threats to U.S. national interests [e.g., (1) and pp. 6-7 in (2)]. These developments have led to confusion, fear, and frustration among these highly dedicated professionals, who are in danger of being singled out for scapegoating, stereotyping, and racial profiling.

of interest. Such policies have been further enhanced in recent years with more detailed and specific requirements from various federal and state agencies, including the National Institutes of Health (NIH) (4). The vast majority of scientists and students of Chinese descent are law-abiding citizens, residents, or visitors who have followed these rules.

Open data access and data sharing are important for accelerating research advancement and can be implemented

must be est  
nels. NIH a  
requiremen  
than domes  
(2)], which  
In recent  
several high  
Chinese-Am  
fully accuse  
Although al  
dropped an  
exonerated,

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***“[We] hope that...increased security measures will not be used to tarnish law-abiding scientists...”***

**nature** Subscribe

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NEWS · 03 JUNE 2019

## **Chinese American scientists uneasy amid crackdown on foreign influence**

Government concerns are also posing difficulties for US academia at large.



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[research.umn.edu](https://research.umn.edu)



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**June 11, 2020**

**AGENDA ITEM:** Access Management Audit Findings and Recommendations

**Review**                       **Review + Action**                       **Action**                       **Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Bernard Gulachek, Vice President and Chief Information Officer  
Quinn Gaalswyk, Audit Manager, Office of Internal Audit

**PURPOSE & KEY POINTS**

The purpose of this item is to discuss the recent Identity and Access Management (IAM) collaborative assessment. The item will include:

- An overview of the collaborative assessment process.
- Assessment results.
- Planned mitigation efforts.
- Proposed Audit & Compliance Committee follow-up on remediation.

The collaborative assessment is a new audit approach being piloted by the Office of Internal Audit. It is used to identify and assess risks and mitigation strategies associated with University processes where there is general agreement with management prior to the audit that a high level of risk exists.

The IAM collaborative assessment identified critical risks. This item will provide an opportunity to discuss the mitigation approach, timelines, and some of the key management decisions required to address these risks. As this is a new audit approach, and some mitigation efforts are expected to take several years, this item will also propose an alternative remediation follow-up and reporting process for the committee’s consideration.

The audit identified and assessed the management of risk associated with a process from a broad perspective. University administration has indicated this may be a useful framework to leverage as part of its efforts to expand enterprise risk management.



the **Right** access  
for the **Right** person  
at the **Right** time

# Identity & Access Management

## Collaborative Assessment

June 2020



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# Collaborative Assessment Background

- Pilot approach for a process audit
  - General agreement on known critical risks
- Observations, risk assessment, and mitigation strategies developed jointly with management
- Report breakdown



# IAM Assessment Scope and Results

- University-wide review of IAM
- High level of risk
- Many issues, attributable to:
  - Highly-distributed support model
  - No overarching IAM strategy
  - Need for additional support and coordination with data and process owners
  - Diverse and changing environment



# IAM Assessment Results

- 16 of 25 components reviewed are agreed to be high risk

IAM Strategy and Governance					
12	Criteria for de-provisioning	14	Business and Operational Requirements	10	Security Awareness
1	IAM Strategy	15	Authorization Criteria for new users	11	Identity Source Upkeep
2	Accountability, Roles and Responsibilities	9	Security Principle	5	IAM Risk Awareness
3	IAM Team Staffing	4	IAM Policies and Procedures	13	Technology Sustainability
6	IAM System Classification	7	IAM Metrics and reporting	8	IAM Nomenclature

IAM Operations			
20	Access Termination	19	Role/Group Management
21	Management Non-standard and 3 <sup>rd</sup> party Accounts	22	Periodic Account and Role/Group Certifications
16	Access Request Approvals	18	Employee Transfer
23	Shared Accounts	17	Unified Request Process
25	Access Monitoring	24	Access Logging



# Our Approach



**Decisions**



**Processes**



**Technologies**

# Decisions

- Senior leaders must collectively agree on decisions that balance business needs with institutional risk
- Automatically removing access when a user leaves employment with the University
  - Implications for people who are both employees and students
- “Email for life” for alumni and retirees
- System access level determination i.e. least privileges

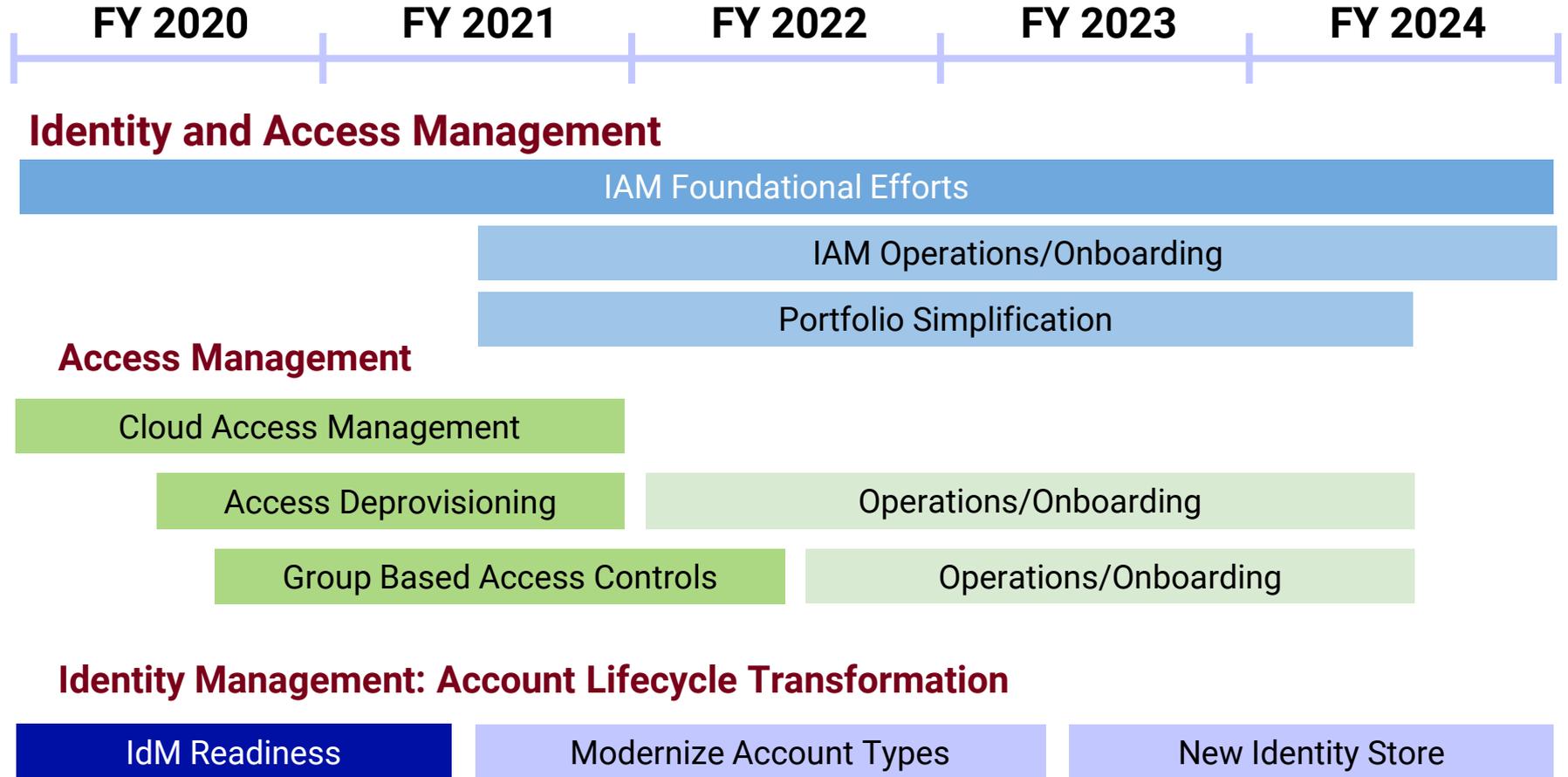
# Processes

- Implementing consistent, automated processes that span the entire University
- Staff hiring and termination processes and data
- Existing staff position or role change processes and data
- Student matriculation and graduation processes and data
- The actual transactional provisioning and deprovisioning of user accounts in systems

# Technologies

- Leverage new and existing technologies
- Simplifying the technology portfolio where there is duplication
- Cloud provisioning and deprovisioning tools
- Digital loss prevention tools
- Active Directory and Group Management tools
- Access review reporting
- Automating the existing provisioning and deprovisioning process

# IAM Secure Program: High Level Timeline



# Current IAM Initiatives

## Automating Access Management

- Automatically remove access when people leave employment
- Status: Completed the first pilot

## Cloud Access Management

- Implement a technology to help us manage access to SaaS solutions
- Status: Beginning in May 2020



# Committee Next Steps

## Follow-Up Proposal

- Periodic updates on remediation provided by management to the Committee
- OIA will collaborate on mitigation steps and perform ongoing remediation assessments



# Thank You





# BOARD OF REGENTS DOCKET ITEM SUMMARY

---

**Audit & Compliance**

**June 11, 2020**

**AGENDA ITEM:** External Auditor Contract Extension

**Review**

**Review + Action**

**Action**

**Discussion**

*This is a report required by Board policy.*

**PRESENTERS:** Sue Paulson, Controller

## **PURPOSE & KEY POINTS**

The purpose of this item is review and action on a contract extension with Deloitte & Touche, LLP (Deloitte). Deloitte serves as the University’s external independent auditor.

The current contract with Deloitte expires on April 28, 2021, coinciding with the completion of the financial and compliance audit cycles for FY 2020. The current contract allows for the University and Deloitte to exercise renewal options. The options available are three additional one-year terms with the same requirements, specifications, terms and conditions. Deloitte agreed to keep the costs for the extension period(s) to a two percent or less increase per year.

The administration is requesting to exercise the renewal options for the full three years allowable by the terms of the current contract. Detailed background information and justification are provided in the docket materials.

## **BACKGROUND INFORMATION**

The Board of Regents reserves to itself the authority to approve the selection of external auditors pursuant to Board of Regents Policy: *Reservation and Delegation of Authority*.

## **PRESIDENT’S RECOMMENDATION**

The President recommends approval of the external auditor contract extension.

# Deloitte Contract Extension Request & Justification

## Background

The current contract with Deloitte for external audit services expires April 28, 2021 with the completion of the financial and compliance audit cycles for fiscal year 2020. The contract allows for the University and Deloitte to exercise renewal options. The options available are three (3) additional one-year terms with the same requirements, specifications, terms and conditions. Deloitte agreed to keep the costs for the extension period(s) to a two percent or less increase per year.

University management would like to exercise the renewal options for the full three years allowable by the terms of the contract.

## Considerations

### Performance

In terms of quality, the services provided by the Deloitte team are as agreed upon and expected. The lead audit engagement partner and team are accessible and devote the right amount of time and resources to the engagements. Deloitte consistently meets the agreed upon performance criteria and provides and receives feedback on opportunities for improvement. In terms of fees, the fees are consistently either less than or as quoted and budgeted. University management is very satisfied with the services provided by Deloitte.

### Deloitte Partner Rotation

The SEC requires Lead Partner rotation every five years and upon rotation, must be off the engagement for five years. While this SEC requirement doesn't apply to the University, Deloitte does have a firm requirement. Deloitte requires that a partner rotate off a client engagement every 10 years. This requirement is an indicator of the firm's commitment to maintaining independence. The current partner, Katie Knutson can serve for the audits of fiscal years 2020 and 2021. When Katie rotates off the engagement, Judi Dockendorf will serve the partner role and can serve in that role through the remainder of the contract extension (6/30/23 audit cycle). University management is comfortable with and supports the partner rotation plan.

### Changes in Process

University management is working on accelerating the issuance of the financial statements. To accomplish the task, the University needs to revise current processes, timing of schedules and methodologies related to the schedules. Deloitte will need to review, understand and audit the revised schedules as well as meet the accelerated timetable. The contract extension allows the University to leverage Deloitte's current understanding of the University control environment and schedules. Engaging a new external audit firm requires a considerable amount of resource time for both the University and the firm to get the firm up to speed with the University's control environment, schedules and timetables. A change in external audit firms at this time would negatively impact the multi-year effort.

In addition, the University will be implementing GASB 87 in fiscal year 2021. The pronouncement is related to leases and we anticipate an impact to the financial statements. A change in external auditor between implementation year and the first post implementation year could negatively impact the University as firms do have varying degrees of testing methodologies, threshold tolerance acceptance and implementation opinions.

Finally, the financial impact of the COVID-19 pandemic will challenge the university. The University responded to the pandemic in many ways; new/modified administrative policies, restrictions/cancellations of study abroad and travel, alternative ways of instructions, work from home mandate, reduced operations, creation of groundbreaking testing/diagnostic laboratories and clinical trials, etc.. Each response has immediate, medium and long term financial implications. The University will continue to respond in many and creative ways. Leveraging an existing relationship with a proven audit partner is both fiscally responsible and good stewardship of university funds.

#### External Audit Firm Landscape

There are four large audit firms; Deloitte, PricewaterhouseCoopers (PwC), Ernst & Young (EY) and KPMG. The University has a large and diverse portfolio of activities that require audit. The University requires a firm with a deep bench of experience in higher education, bonds, NCAA compliance, federal grants and health care.

In 2016, the University issued an RFP for external audit services. Two firms responded, and two finalists were interviewed by the RFP evaluation committee. The evaluation committee unanimously selected Deloitte as the recommended firm for appointment. Deloitte was interviewed by the Senior Vice President of Finance & Operations, Interim Vice President of Finance, Associate Vice President of Internal Audits, and by the Audit & Compliance Committee chair and vice-chair. They agreed with the evaluation committee's recommendation to appoint Deloitte as the external auditor.

The low number of firms responding to the RFP was due to both location and expertise. Firms with the specific experience either do not have a local presence and the additional travel expenses result in a higher cost to the University or local firms do not have the breadth of experience to meet the minimum requirements.

#### Justification for three year extension request

The justification for the three year request is primarily based on the timing of the GASB 87 Lease implementation (slated for FY22) and a competitive RFP process coupled with the fact that Deloitte's audit fees are consistently in the bottom of the Big 10. It makes sense to have the same auditor for the implementation year and one year beyond implementation. For the lease implementation, decisions related to scope and creation of thresholds and estimates will be made. As these decisions are made it is customary to converse with the external auditor to understand their comfort level with the implementation plans. This ensures the external auditor understand the details of the implementation plan and allows for modifications based on the

discussion. Including one year after the implementation, would allow for consistency in both treatment and audit as audit firms do have varying degrees of testing methodologies, threshold tolerance acceptance and implementation opinions.

The GASB 87 Lease implementation will be a huge lift for the university and significantly impact the workload of those that would be key for an RFP process. The University does not plan on hiring a consultant to assist in the implementation. The Controller’s Office team could not accomplish both the GASB implementation and an RFP process in the same year that would meet the level of expectations and rigor without hiring a consultant.

Major terms of Deloitte contract

The scope of work includes system wide engagements;

- Audit of the University of Minnesota System Annual Report and Financial Statements
- Audit of the RUMINCO Annual Report and Statutory Filings
- Compliance audit of the University of Minnesota System Schedule of Expenditures of Federal Awards as required as a recipient of federal awards
- Compliance audit of the University of Minnesota System participation in the Minnesota Office of Higher Education Financial Aid Programs
- NCAA Agreed Upon Procedures for Twin Cities (annually), every three years for UMD and UMC.

The remainder of the Deloitte contract is related to the typical professional service terms and conditions such as; warranty, dispute resolution, termination, limitation of liability, confidentiality and insurance.

From a fee perspective, in the original contract, Deloitte, agreed to keep the extension years to a 2% or less increase per year. The table below summarizes the percent increase over the prior year for each engagement type for the three years under consideration. The increase in fees decreases slightly in percent in each of the out years.

Fee Schedule	FY21 percent increase over prior year	
	Services	Travel & Incidental
University Annual Report Audit	2.01	0
RUMINCO Annual Report Audit	2.04	0
Federal & State Audit (2 CFR 200 Subpart F, MOEHE)	2.04	0
NCAA Audit	1.33	0

Fee Schedule	FY22 percent increase over prior year	
	Services	Travel & Incidental
Type of Engagement		
University Annual Report Audit	1.97	1.39
RUMINCO Annual Report Audit	2.00	0
Federal & State Audit (2 CFR 200 Subpart F, MOEHE)	2.00	0
NCAA Audit	0.66	0

Fee Schedule	FY23 percent increase over prior year	
	Services	Travel & Incidental
Type of Engagement		
University Annual Report Audit	1.93	1.37
RUMINCO Annual Report Audit	1.96	0
Federal & State Audit (2 CFR 200 Subpart F, MOEHE)	1.96	0
NCAA Audit	1.31	0

### History of Audit Firm Engagements

The University of Minnesota engaged three different external audit firms over the last 25 years. All the firms were selected as a result of a competitive bid process. The University's current auditor was selected four of the six competitive bid cycles.

Year of RFP	Audit Firm Selected	Original Contract Years	Duration	Extensions Exercised	Duration of Extension	Total Duration
	Coopers & Lybrand, LLP	1990-1996	At least 6 years	Unknown	Unknown	6 years
1996	Deloitte & Touche, LLP	1996-2000	4 years	0	0	4 years
2001	Deloitte & Touche, LLP	2001-2005	4 years	0	0	4 years
2005	Larson, & Allen, LLP	2005-2010	5 years	0	0	5 years
2010	Deloitte & Touche, LLP	2010-2015	5 years	1	2	7 years
2016	Deloitte & Touche, LLP	2017-2021	5 years	TBD	TBD	5 years

### Big 10 Fee Survey

Each year the Big 10 Controller's conduct a survey of external audit fees. For fiscal year 2018, in terms of fees Deloitte is 2nd from the bottom\* of the Big 10 for the consolidated audit, uniform guidance compliance audit and the NCAA agreed upon procedures (for one campus). For fiscal year 2019, in terms of fees Deloitte is 2nd from the bottom\*\* of the Big 10 for the consolidated audit, uniform guidance compliance audit and the NCAA agreed upon procedures (for one campus). See attached grid titled *Summary of Big 10 External Auditor Fees FY2019*.

\*At the time of draft, two Big 10 schools have not reported.

\*\*At the time of draft, five Big 10 schools have not reported.

Survey of Big 10 External Auditor Fees  
FY2019

INSTITUTIONS AUDITED BY INDEPENDENT AUDIT FIRMS

Institution	2019 Illinois	2019 Iowa	2019 Ohio State	2019 Michigan	2019 Northwestern	2019 Penn State	2019 Michigan State	2019 Minnesota	2019 Rutgers	2019 Wisconsin
Fee for consolidated audit	\$ 1,059,400	\$ 470,188	\$ 1,004,985	\$ 729,300	\$ 469,320	\$ 442,500	\$ 286,500	\$ 397,500	\$ 848,256 *	\$ 521,000
Fee for A-133 audit	\$ 404,500	\$ 154,388	\$ 268,065	\$ 309,200	\$ 170,150	\$ 158,000	\$ 44,500	\$ 122,000	\$ -	\$ -
Fee for Medical Center audit , if applicable	Hospital included in consolidated audit	\$ 251,640	\$ 417,726	\$ 466,100	n/a	\$ 441,500	\$ -	\$ -	\$ -	\$ -
Fee for TV/radio station audits, if applicable	\$ -	\$ 15,800	\$ 72,450	\$ 34,900	n/a	\$ 38,000	\$ 16,500	\$ 8,300.00 **	\$ -	\$ -
Fee for NCAA procedures	\$ -	\$ 31,500	\$ 62,100	\$ 85,900 *	\$ 21,700	\$ 11,000	\$ 16,000	\$ 14,500.00 *	\$ 24,000	\$ 32,500
Fee for Captive Insurance Company	\$ -	\$ 28,800	\$ -	\$ 94,300	\$ 11,200	\$ 33,300	\$ -	\$ 24,000	\$ -	\$ -
Auditors	CliftonLarsonAllen (on behalf of State Auditors). Also, these costs exclude separate subsidiary entity audits (Foundation, Alumni Assoc., etc.).	State Auditors (NCAA-D&T; Hospital and Captive-KPMG; Radio Station-Cremers, Holtzbauer & Nearmyer)	PwC	PwC	KPMG (Mitchell Titus for Captive Insurance Audit)	Deloitte (Crowe Horwath for Captive Insurance Audit)	Plante & Moran PLLC	Deloitte	KPMG *includes A-133 audit fee and other expenses	Plante Moran - Financial Statement audit; State Auditors - Single Audit; however, No major projects tested so will not be billed; Baker Tilly - NCAA procedures

\* TC campus only

\*\*Esterbrooks, Scott, Signorelli, Peterson, Smithson, Ltd

INSTITUTIONS THAT DID NOT RESPOND

Institution	2019 Indiana	2019 Nebraska-Lincoln	2019 Purdue	2019 Chicago	2019 Maryland
Fee for consolidated audit		\$ -	\$ -		\$ -
Fee for A-133 audit	\$ -	\$ -	\$ -		\$ -
Fee for Medical Center audit , if applicable	\$ -	\$ -	\$ -	\$ -	\$ -
Fee for TV/radio station audits, if applicable		\$ -	\$ -	\$ -	\$ -
Fee for NCAA procedures		\$ -	\$ -	\$ -	\$ -
Fee for Captive Insurance Company		\$ -	\$ -	\$ -	\$ -
Auditors	In State Board of Accountants (NCAA-BKD LLP, OCIC-Crowe Horwath) *includes A-133 audit fees			KPMG	



# BOARD OF REGENTS DOCKET ITEM SUMMARY

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**Audit & Compliance**

**June 11, 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 Controller’s Report**

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

- Launch of a financial communication series.
- Results of the Payment Card Industry Data Security Standards assessment.
- A discussion of new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB), which the University has not implemented. The University is working to determine whether these standards apply to the University, as well as the likely impacts on the University’s accounting and reporting.

## **BACKGROUND INFORMATION**

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

**University of Minnesota  
Board of Regents Audit Committee  
Semi-Annual Controller's Report  
June, 2020**

Since the October 2019 Semi-Annual report, the Controller's Office has continued our work to maximize the institution's financial resources and enhance financial operations. This report presents a summary of activities completed to enhance internal controls, assess and implement new accounting and reporting standards, and better manage financial risks.

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

***Communication Series***

Between April and June 2019, a ten-part series of messages about purchasing was distributed via email and within MyU. This series of articles provided the University community with information about options for purchasing, policies involved, and how to most efficiently obtain goods and services. Each message reached a readership of between 2,500 and 7,100 individuals. Cumulatively the ten email series and related MyU news items were opened/read more than 47,000 times across the University system.

In May 2020, an eight-part series of messages about accounts receivable and billings was launched via email and within MyU. This series of articles provides the University community with information about options for billing and receiving payments, policies involved, and the most efficient ways to sell goods and services.

***Payroll Accounting***

In October 2019 a change was made in PeopleSoft that prohibits payroll from being charged to sponsored awards after the award has ended. This eliminated a manual process needed to address budget checking errors between the human resources and financial systems and improved overall post award management.

***eCommerce service pilot - eStore***

The pilot for the eStore, a new ecommerce service continued with the implementation of six additional stores for a total of nine. This included the rapid deployment of an eStore for the Les Bolstad Golf Course so they could reopen with contactless payments and the School of Dentistry so they could eliminate processing of checks for various program application fees. Both of these implementations were in response to challenges faced by these departments due to the COVID-19 pandemic.

The eStore expands the options available to departments for receiving payment and provides a self-service web store with shopping cart functionality. Customers may add items to a shopping cart and pay for them with credit/debit card. The eStore:

- Is a cloud-based solution hosted by a third-party;
- Provides departments a method of accepting credit/debit card payments without the need to separately establish and maintain an ecommerce web site;

- Helps departments meet customer demand to make payment via credit/debit card;
- Reduces the number of merchant accounts that need to be set up and maintained;
- Reduces PCI DSS compliance efforts;
- Streamlines the collection of payments and recording these transactions to the general ledger.

To date, over 2,300 orders have been processed for \$229,000 in revenue. Additional stores will be added to the service as implementation efforts continue.

### ***Payment Card Program and Payment Card Industry Data Security Standards (PCI DSS) Compliance***

For the fifth consecutive year, an external review of the University's compliance with PCI DSS showed all requirements to be in place or not applicable to the University. This assessment was conducted the week of November 18, 2019. The completed report was received in March 2020.

The external review is only one part of the University's payment card and compliance program. Threats, technology, and the PCI DSS requirements themselves are continually changing and the University and departments that accept payment cards must stay vigilant in order to minimize the risk of a data breach and its associated costs.

Annually, 110 University departments accept 3.5 million payment card transactions (Visa, MasterCard, Discover, and American Express) for the payment of goods and services, totaling \$164 million in revenue. The ability to accept payment cards is a valuable tool for University departments but it also creates risk. Payment card information represents valuable data that can be exploited to create fraudulent transactions or for identity theft.

## **II. Accounting and Financial Reporting Matters**

The Governmental Accounting Standards Board (GASB) issued the following accounting and reporting standards. Management is in the process of determining if they apply to the University and if so, what impact they may have. These standards and the related implementation dates are explained below.

- In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*. This is to provide temporary relief in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in the Statements and Implementation guides. The impact of the deferred effective dates are outlined in the following GASB explanations.
- In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. This establishes criteria for identifying when (1) the University is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria apply to fiduciary component units and postemployment benefit arrangements. An activity meeting the criteria will require the University to present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 also provides guidance for recognition of a liability to the beneficiaries in a fiduciary fund when the University is obligated to disburse fiduciary resources. Analysis has shown that the majority of the University's fiduciary activity is

captured within agency funds; however, the analysis based on the guidance provided by GASB 84 has identified some fiduciary activity outside of agency funds. The activity identified will require additional reporting in the University's Annual Financial Report, including a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. This statement was originally effective for the fiscal year ending June 30, 2020; however, GASB 95 has delayed implementation one year with a new effective date for the fiscal year ended June 30, 2021.

- In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. This establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The scope of the University's leases as both a lessor and lessee are under review. Further, due to the volume of leases across the University, implementation will require the identification of new software to aid in the tracking and reporting of lease transactions. This statement was originally effective for the fiscal year ending June 30, 2021; however, GASB 95 has delayed implementation with a new effective date for the fiscal year ended June 30, 2022.
- In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. This requires interest cost the University incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. As a result, this interest cost will no longer be included in the historical cost of a capital asset. This statement was originally effective for the fiscal year ending June 30, 2021; however, GASB 95 has delayed implementation with a new effective date for the fiscal year ended June 30, 2022.
- In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*. This defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the University's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held for fiduciary purposes or in an endowment. Analysis of the standard has been completed and no change in reporting has been identified. This statement is effective for the fiscal year ending June 30, 2020. GASB 95 has also delayed implementation of this statement; however, this will not impact the University's implementation in the current fiscal year.
- In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. This provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. These objectives are achieved by clarifying the definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement was originally effective for the fiscal year ending June

30, 2022; however, GASB 95 has delayed implementation with a new effective date for the fiscal year ended June 30, 2023.

- In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. GASB 92 addresses a variety of topics, including GASBs 87, 73, and 84, as well as asset retirement obligations, reinsurance, fair value measurements, and derivative instruments. This statement is primarily effective for the fiscal year ended June 30, 2021, with the exception of guidance related to GASB 87, which will follow the later effective date as previously defined; however, GASB 95 has delayed implementation on year.
- In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. This statement addresses the replacement of interbank offered rates (IBORs) with other reference rates. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form. This statement is effective for the fiscal year ending June 30, 2021; however, GASB 95 has delayed implementation with a new effective date for the fiscal year ended June 30, 2022.
- In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements. PPPs are arrangements in which public services are provided by conveying control of the right to use a nonfinancial asset. The statement establishes guidance for various aspects of PPPs. This statement is effective for the fiscal year ending June 30, 2023.