Audit & Compliance Committee

May 2021

May 13, 2021

8:00 a.m.

Videoconference

AUD - MAY 2021

1. Review of External Auditor Relationship and Services Provided

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **May 13, 2021**

AGENDA ITEM: Review of External Auditor Relationships and Services Provided

☐ **Review** ☐ **Review + Action** ☐ **Action** ☒ **Discussion**

☐ *This is a report required by Board policy.*

PRESENTER: Sue Paulson, Controller

PURPOSE & KEY POINTS

The purpose of this item is to review audit and non-audit services provided to the University by external audit firms and the related fees paid for those services during FY 2020.

External Auditor Review

Total Deloitte & Touche, LLP (Deloitte) contracted audit and non-audit fees were $650,688 for FY 2020 engagements, with actual fees of $641,748 paid to Deloitte. All FY 2020 engagements have been completed. The fees represent what was billed as of April 12, 2021. A summary of management's evaluation of Deloitte's performance for FY 2020 engagement is in the docket.

Summary of Audit and Non-Audit Services and Fees

Total fees of $813,666 have been paid for FY 2020 engagements to five public accounting firms for a variety of audit and non-audit services. A description of the services is included in the docket. All audit and non-audit services were reviewed by the Controller's Office for audit independence and approved by or reported to the Audit & Compliance Committee as specified in Board of Regents Policy: *Board Operations & Agenda Guidelines.*

BACKGROUND INFORMATION

This 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 & COMPLIANCE COMMITTEE
May 13, 2021

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

Background

The Board of Regents is responsible for engaging and overseeing the University's independent external auditors, for reviewing the work of the auditor, and periodically reviewing the fees paid to the audit firm. Effective governance practice recommends that the Audit & Compliance Committee (ACC) of the Board should conduct such a review at least annually. The ACC conducted its last review of audit services and fees in February of 2020.

The Controller's Office presents the information below and on the accompanying schedules for the ACC's 2021 review of audit, audit related, and non-audit services fees paid to external audit firms including Deloitte & Touche, LLP (Deloitte), the University's independent external auditor. Also included is management's assessment of Deloitte's performance for the FY 2020 engagements.

Section I - Annual Review of External Auditor Relationship and Performance

University management and the Deloitte engagement management team met in January of 2021 and reviewed Deloitte's services and performance during the FY 2020 audit. The overall conclusion was Deloitte continued to provide excellent service during the FY 2020 audit.

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

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

- Management felt that the continuity of key Deloitte team members from the prior years' audits contributed to the efficiency of the audit;
- Deloitte's audit approach was consistent to prior years, despite occurring entirely in a virtual environment for FY 2020;
- Each year, recommendations are incorporated into the audit process, and as a result, efficiencies were seen by both Deloitte and the University staff;
- Deloitte continues to do an excellent job of managing audit fees and costs. Annual audit fees have been within the contract and budget amounts.

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

- Continued focus on identifying and completing testing of items earlier in the audit process, specifically as it relates to capital assets.
- Continue to ensure communications between both teams and all audits are consistent and timely.
- Review processes to ensure audit requests and receipt of documentation is efficient for both parties.

Review of Fees Paid to Deloitte

The accompanying schedule presents a summary of fees paid to Deloitte for the various FY 2020 audits and other services. The top portion of the fee schedule represents fees paid for the University's annual institutional audits and audit-related engagements. The contract amounts reported on the schedule are consistent with the amounts agreed to in the FY 2020 engagement letters and the firm's fixed price contract for FY 2020. The total audit fees paid to Deloitte for FY 2020 were $8,940 less than the contract amounts in total and represent less than expected actual expenses. These amounts are final.

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

Services performed by Deloitte during FY 2020 that were not part of the annual audits and NCAA agreed-upon-procedures of the University included:

- Deloitte was engaged by the University's Academic Health Center to provide agreed upon procedures in regards to the University's compliance with the Laws of Minnesota for the Mayo Partnership in Regenerative Medicine award expenditures. The related engagement letter was reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. This engagement did not present an independence issue with regard to Deloitte.
- Deloitte was engaged to perform procedures in connection with the University's Bond and Commercial Paper Offering documents. The related engagement letter was reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. As this engagement was solely to perform attest procedures in connection with the bond offerings, it did not present an independence issue with regard to Deloitte.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT & COMPLIANCE COMMITTEE
May 13, 2021
Schedule I - Fees Paid to Deloitte & Touche, LLP
FY 2020 Engagements

	FY 2020 Engagements			*Total FY 2019*
Annual Institutional Audit and AUP Engagements	***Contract Amount***	***Billed Amount***	***Over/(Under) Budget***	***Prior Year Billed Amount***
University Financial Statement Audit	$ 434,000	$ 427,100	$ (6,900)	$ 422,800
RUMINCO Financial Statement Audit	25,688	25,688		25,104
Compliance Audit (Federal 2-CFR 200 Subpart F & MOHE)	128,500	126,460	(2,040)	125,700
NCAA Agreed-Upon-Procedures – Twin Cities	16,000	16,000		15,500
NCAA Agreed-Upon-Procedures – Duluth				
NCAA Agreed-Upon-Procedures – Crookston	15,000	15,000		
Total Fees for Institutional Engagements	**$ 619,188**	**$ 610,248**	**$ (8,940)**	**$ 589,104**
Other Audit, Audit Related, and Non-audit Fees				
Regenerative Medicine Agreed-Upon-Procedures	$ 18,000	$ 18,000		
Consent procedures related to Bond Offerings	13,500	13,500		$ 12,000
FDA Agreed-Upon Procedures				8,500
Total Other Audit, Audit Related, and Non-Audit Fees	**$ 31,500**	**$ 31,500**		**$ 20,500**
Total Fees	**$ 650,688**	**$ 641,748**	**$ (8,940)**	**$ 609,604**

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

In addition to the audits performed by Deloitte (the University's independent external auditors), other accounting and auditing firms performed a variety of audit and non-audit services at the University during FY 2020. These services were:

- CliftonLarsonAllen, LLP was engaged by the University of Minnesota Center for Farm Financial Management to assess the readiness for a SOC2 examination by describing the entity's FINPACK system and evaluate the design of controls related to the system.

- Ernst & Young, LLP was engaged by the Tax Management Office to provide a review and provide recommendations for tax implications for the Tsinghua University, Beijing, collaboration with the University Business Degree Program.

- Esterbrooks, Scott, Signorelli, Peterson, Smithson Ltd was engaged by KUMD, the Duluth campus radio station, to perform attest services in FY 2020 in conjunction with the receipt of federal funds from the Corporation for Public Broadcasting.

- KPMG LLP was engaged by the Office of the General Council to conduct a review of legal issues relating to the human resource function at the University of Minnesota. The related engagement letter was reviewed by the Office of General Council prior to its finalization.

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

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT COMMITTEE
MAY 13, 2021

Schedule II - Report of Fees Paid to Audit Firms for FY 2020 Engagements

	FY 2020 Engagements			*FY 2019*
Audit Firm	***Audit Fees***	***Non-Audit Fees***	***Total Fees***	***Total Fees***
CliftonLarsonAllen, LLP		$ 61,551	$ 61,551	$ 96,535
Deloitte & Touche, LLP	$ 610,248	31,500	641,748	609,604
Ernst & Young, LLP		32,769	32,769	
Esterbrooks, Scott, Signorelli, Peterson, Smithson Ltd	8,900		8,900	
KPMG LLP		68,698	68,698	
Total Fees Paid	**$ 650,648**	**$ 194,518**	**$ 813,666**	**$ 706,139**

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **May 13, 2021**

AGENDA ITEM: Update on 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
Nathan Kufner, Senior Director for Identity & Access Management, Office of Information Technology

PURPOSE & KEY POINTS

The purpose of this item is to update the committee on the Identity and Access Management (IAM) program efforts taken since the IAM collaborative assessment was completed and presented to the committee in June 2020.

The discussion will include an overview of the collaborative assessment process, results, and planned mitigation efforts, as well as an updated progress report. The docket materials include a written status report update, and committee members received a copy of the complete report of the IAM collaborative assessment via email on Thursday, May 6.

BACKGROUND INFORMATION

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, and the program to remediate these risks is a multi-year effort.

Docket materials in October 2020 and February 2021 included written progress updates on the IAM program. The Office of Internal Audit will confirm and evaluate remediation efforts as part of a future audit of the IAM program.

Collaborative Assessment Status Update

Below is an update provided by OIT management on steps taken to address risks identified in the June 2020 Identity and Access Management Collaborative Assessment. As discussed at the June Committee meeting, the Office of Internal Audit will confirm and evaluate remediation efforts as part of a future audit of Identity and Access Management.

Identity and Access Management Status Update:

This is the 3rd status update to the Identity and Access Management collaborative assessment conducted by Internal Audit and The Office of Information Technology and presented to the Board of Regents Audit Committee in June 2020.

The IAM program has continued to evolve and execute on the strategy introduced during the October 2020 update and will continue to adapt our priorities to best serve the University's IT needs. Below, we have provided a table that outlines several of the accomplishments made on our mitigation plan, as well as a high-level update on our current strategic direction for the IAM program since the February 2021 update. The "Accomplishments" column in the table highlights some of the key steps we have taken related to the identified risk, and the bolded items are ones added since our last update.

Accomplishments:

Category	Accomplishments	Road Map Phase	Decisions	Process/ Education	Technology	Risk Level
IAM Strategy	-IAM Governance Committee established as a decision making body under authority of EOCC -SAFe methodology successfully implemented to foster collaboration, alignment, and delivering consistent and predictable results **-Finalizing roadmap and dual-planning the remediation of risks in conjunction with other operational tasks**	IAM Operations/ Onboarding	☑	☐	☐	High
IAM Team Staffing	-Senior Director hired -Hiring freeze exception request approved for 3 open positions **-Three open positions filled** **-Operations team need/ask reviewed, 10 positions are still required.** **-Identified 17 Audit findings that are blocked by staffing needs** **-Center of Excellence model will be adopted to move service forward while staffing investments are resolved**	IAM Foundational Efforts	☑	☐	☐	High
IAM Policies and Procedures	-Completed security gap analysis for all IAM technologies **-Plan to remediate all security gaps by the end of FY 22** **-RFP to replace identity management system started**	IAM Foundational Efforts	☑	☐	☐	Medium
IAM System Classification	-SAFe methodology positioned to help create prioritization and visibility of in-progress work **-IAM Security Gap Remediation effort in process, will partially remediate finding**	IAM Foundational Efforts	☑	☐	☐	High
Technology Sustainability	-New technology implemented for Boynton BAA deprovisioning process automation implemented -Team prioritization shifted to eliminate technical debt and prepare for technology replacements. This is a prerequisite to achieve the resolution of many audit findings **-Work to scale the Boynton BAA deprovisioning process to other BAA units is complete**	IAM Foundational Efforts	☑	☐	☑	Low

Accomplishments (continued):

Category	Accomplishments	Road Map Phase	Decisions	Process/ Education	Technology	Risk Level
Criteria for de-provisioning	-Ongoing effort with OHR and the Provost's Office to standardize Emeritus definitions in PeopleSoft and the Identity Management system **-Addressing terminated employees receiving lingering access to all systems in order to receive W2s** **-Completed analysis of our account types**	Access Deprovisioning	☑	☑	☐	High
IAM Risk Awareness	-Completed security gap analysis for all IAM technologies, actively working to remediate all security gaps by the end of FY 22 **-Building roadmap and dual-planning the remediation of risks in conjunction with other operational tasks** **-Sharing risk findings with IAM Governance to increase awareness and collaboration with business partners**	IAM Operations/ Onboarding	☐	☑	☐	Low
Identity Source Upkeep	**-Current foundational effort to clearly define existing person and identity types to enable future work efforts in this space**	Modernized Account Types	☐	☑	☐	Low
Role/Group Management	-Pilot activities for deprovisioning at the end of employment completed. Technology is now positioned for broader access deprovisioning across the University **-Due to IAM Team Staffing Risk (see above), the team is working to provide access to these resources in a Center of Excellence model for units to leverage as a temporary first step, this will launch July 1, 2021**	Group Based Access Control	☐	☑	☐	High
Access Termination	-Pilot activities for deprovisioning at the end of employment completed. Technology is now positioned for broader access deprovisioning across the University **-IAM is working to provide access to these resources in a Center of Excellence model for units to leverage as a temporary first step due to IAM Team Staffing Risk (see above)** -New technology implemented for Boynton BAA deprovisioning process automation implemented	Access Deprovisioning	☐	☑	☑	High

***Items in **bold** are accomplishments since the last update*

Strategic direction:
The IAM Program is focused on providing value to the University by optimizing the IAM team's capabilities, streamlining its work execution, modernizing its technology, and providing its partners with transparency:

1. **Reduce technical debt:** The IAM program must be responsible for fewer technologies that provide greater value. Supporting legacy systems not only introduces many forms of risk, but it also ties up resources keeping teams from work that would be more valuable to the University.

2. **Focus on high value work:** The IAM program must focus on work that has the most value for the University. The IAM team now decides during quarterly planning which features to focus on and which initiatives to pause or include in the backlog.

3. **Predictable, measureable, and well-managed workloads:** Our workloads need to be well-managed, measurable, and most of all, predictable. Predictable means that we need team members focused on work that comes from approved sources and those sources should be used universally. From those approved sources we will measure how much work is flowing into the teams so that we can plan and react according to changes. Well-managed means that leadership needs to continuously evaluate the conditions the teams are working within to determine how we can best meet the current demands.

4. **SAFe implementation**: The IAM Team is also committed to continuing our Scale Agile Framework (SAFe) journey by establishing and partnering with other teams in OIT to develop a Solution Management plan. Supporting this change in organizing how we work will help IAM to get more work done, provide transparency of our work to our partners, and will help OIT collaborate on large initiatives such as Next Gen Med.

5. **Program Execution:** The conditions the University is currently facing will continue to evolve and with that the IAM Team will also need to change what it works on, how it performs that work, and with whom they will partner. The IAM Team will use its roadmap to help define work, organize the order that work needs to occur, identify impacted stakeholders, and to organize resources so that changes can be efficiently delivered. The IAM Team will collaborate with University Information Security, Office of Internal Audit, Office of Human Resources, Academic Support Resources, and other key stakeholders to review the IAM roadmap, make decisions, and execute on the technology and business process changes needed to resolve the risks identified in the IAM Collaborative Assessment. This is the strategic step where the decisions and changes to processes and technologies will be performed as outlined in the Office of Information Technology's response to the IAM Collaborative Assessment. As those decisions and changes are made, periodic updates will be provided to this committee.

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

Identity & Access Management

Collaborative Assessment Formal Update

May 2021

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Collaborative Assessment Background

- Non-standard Audit Assurance Engagement
- Observations, risk assessment, and mitigation strategies developed jointly with management
- IAM Pilot – University-wide review (June 2020)
- Remediation Follow-Up
  - Periodic updates on remediation provided by management to the Committee
  - OIA collaborate on mitigation steps and perform ongoing remediation assessments

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 3rd 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**

IAM Secure Program: High Level Timeline

Identity and Access Management

- IAM Foundational Efforts
- IAM Operations/Onboarding
- Portfolio Simplification

Access Management

- Cloud Access Management
- Access Deprovisioning
- Operations/Onboarding
- Group Based Access Controls
- Operations/Onboarding

Identity Management: Account Lifecycle Transformation

- IdM Readiness
- Modernize Account Types
- New Identity Store

IAM Assessment Results - Progress

High Risk

- IAM Strategy
- IAM Team Staffing
- IAM System Classification
- Role/Group Management
- Access Termination
- Criteria for Deprovisioning

Medium Risk

- Policies and Procedures
- Technology Sustainability
- IAM Risk Awareness

Low Risk

- Identity Source Upkeep

The Path Forward

- IAM will continue to evolve strategy and strengthen its roadmap:
  - Continue partnership with Information Security and other stakeholders to determine remediation criteria
  - Review proposals with Internal Audit
  - Use results to drive decisions, process change, and action within IT management function and stakeholders across the University

Thank You

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **May 13, 2021**

AGENDA ITEM: Conflict of Interest Program Overview

☐ **Review** ☐ **Review + Action** ☐ **Action** ☒ **Discussion**

☐ *This is a report required by Board policy.*

PRESENTERS: Boyd Kumher, Chief Compliance Officer
Jon Guden, Associate Director, Conflict of Interest Program
Arthur G. Erdman, Professor, Mechanical Engineering; Director, Earl E. Bakken Medical Devices Center; Chair, Institutional Conflict Review Panel; Co-Chair, Individual Conflict Review Panel

PURPOSE & KEY POINTS

The purpose of this item is to provide an overview of the University's Conflict of Interest Program. The discussion will include descriptions of the processes for identification and management of individual and institutional conflicts of interest.

Conflict of Interest (COI) Program Overview

Board of Regents Audit and Compliance Committee

May 13, 2021

Boyd Kumher, Chief Compliance Officer

Jon Guden, Associate Director, COI Program

Dr. Art Erdman, Director, Earl E. Bakken Medical Devices Center
Chair, Institutional Conflict Review Panel
Co-Chair, Individual Conflict Review Panel

Purpose

Provide the Audit and Compliance Committee with an overview of the University's Individual and Institutional Conflict of Interest Program

COI Program Mission

- Timely identify and manage individual and institutional financial conflicts of interest
- Other conflict situations are addressed by these policies:
  - Conflicts of Commitment (Executive VP and Provost)
  - Nepotism and Personal Relationships (Director, EOAA)

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I. Individual COI

- When an Individual's* (1) significant financial interests (SFI) and/or (2) business interests (BI) in a business entity relate to one or more of their University responsibilities:
  - Teaching (about a product)
  - Research (sponsored by or involving the development or evaluation of the products of a company)
  - Clinical health care (prescribe products)
  - Administrative functions (e.g., purchasing)
- Example: Faculty receives consulting income from company sponsor of their research

*This includes family members

“Significant Financial Interest” Thresholds

Category of Individual*	Financial Threshold (remuneration, royalties, publicly traded equity)	Equity Interest (Non Publicly Traded company)
Involved in Clinical Health Care	>$5,000, remuneration and equity combined, or >$5000 in royalties	Any equity
Engaged in Public Health Service Research (i.e. NIH)	> $5,000, remuneration and equity combined, or >$5000 in royalties, or >$5,000 travel	Any equity
Everyone else (based on NSF standards)	>$10,000 remuneration and royalties, or >$10,000 equity	More than 5%, regardless of value

*This includes family members.

Business Interests

- In addition to “significant financial interests”, the University also considers the holding of a “business interest” as a basis for a conflict of interest:
  - Holding an executive position (e.g., Chief Executive Officer, Chief Operating Officer, Chief Scientific or Technical Officer)
  - Compensated or uncompensated membership on a board (e.g., board of directors, scientific advisory board, medical advisory board)

The COI Process (1 of 3)

Reporting of financial interests:

- Report of External Professional Activities (REPA)
  - > 11,000 annual and Change in Circumstances reports
  - Faculty, Professional & Administrative, Investigators for University Research
- Financial Disclosure for University Officials (FDUO)
  - Approximately 90 annual filers
- Email/calls from employee, Tech Commercialization, etc.

The COI Process (2 of 3)

- COI Staff identifies COI matters requiring Conflict Panel Review (2 steps)
- Executive Conflict Review Panel
  - Co-Chairs, COI staff, Office of General Counsel advisor, UM Physicians rep, Fairview rep
  - Develop facts and make recommendations
- Conflict Review Panel
  - Faculty and external voting members
  - Representatives from COI Program, Institutional Review Board, Sponsored Projects Administration, Tech Commercialization, OGC
  - Find COI, approve management plan

The COI Process (3 of 3)

- COI Staff drafts management plan
- Plan sent to plan holder and those who have responsibilities, such as Department Head, Research Dean, Sponsored Projects Administration, Institutional Review Board
- Compliance Reviews initiated by COI Program
  - 90 day
  - Annual
- Plans retired when no longer required

Conflict Management Plan (CMP) Typical Mechanisms

- Overall Purpose: protect research participants, protect objectivity of University work; promote transparency
- Disclosure of interests (to students, research colleagues, patients, research participants; in journals and presentations)
- Limit research role (e.g., no involvement with recruitment or consenting of human subjects)
- Research oversight by Research Dean

Limits for Human Participant Research

- A researcher with a conflict can't serve as Principal Investigator for a human participant study involving more than minimal risk to participants
- Can't earn consulting or speaking income from a company while simultaneously serving as an investigator on a human participant study
  - sponsored by that company, or
  - involving development or evaluation of that company's technology

II. Institutional COI

- Definition. Institutional conflict of interest shall mean a situation in which the University's research, teaching, or outreach mission activities, or its institutional reputation may be compromised or appear to be compromised because of an external financial or business relationship held at the institutional level that may bring financial gain to the institution, any of its units, or the individuals covered by this policy.

II. Institutional COI

- Institutional Panel includes two Faculty , Internal Auditor, Comptroller, Chief Compliance Officer, community member
- Clinical trials involving University licensed IP
  - University financial interests
  - Presumption that more than minimal risk study won't be conducted at the U
  - Conflict Review Panel conducts fact specific inquiry to determine if "compelling circumstances" warrant conduct at the U; must protect participants and research integrity

II. Institutional COI

- Individual Conflicts of University Officials
  - President, Vice Presidents, Deans, etc.
- Annual review of contracts, gifts, sponsored projects, and tech commercialization payments
  - COI Program identifies companies engaged in two or more of these areas
  - Reviews rationale for sole source contracts

II. Institutional COI

- Reservation of Authority and Reporting
  - BOR reserves authority to review and approve management plans for:
    - external relationships with an unusually significant financial impact that present a potential conflict
    - potential conflicts of the president
    - potential conflicts that raise serious policy issues or have significant public impact
    - potential conflicts in matters otherwise reserved for Board review and action
  - COI Program provides annual report to the Board on all Institutional COI matters not subject to BOR reservation

More Information

- COI Program website: https://coi.umn.edu/
- COI Program Associate Director Jon Guden, jguden@umn.edu

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **May 13, 2021**

AGENDA ITEM: Information Items

☐ **Review**	☐ **Review + Action**	☐ **Action**	☒ **Discussion**

☒ *This is a report required by Board policy.*

PRESENTER: Gail Klatt, Chief Auditor

PURPOSE & KEY POINTS

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

- Ernst & Young LLP was engaged by the University's Office of General Counsel to provide tax guidance related to the employment of international students. The related engagement letter was reviewed by the Controller's Office prior to its finalization, consistent with Board Policy. This engagement did not present an independence issue with regard to Deloitte. The fees for this engagement were $8,000.

- KPMG LLP was engaged by the Office of the General Council to conduct a review of legal issues relating to the human resource function at the University of Minnesota. The related engagement letter was reviewed by the Office of General Counsel prior to its finalization. This engagement did not present an independence issue with regard to KPMG. The fees for this engagement totaled $68,698.

Semi-Annual Chief Compliance Officer Report

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

- Compliance Risk Review updates
- UReport Statistics

BACKGROUND INFORMATION

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

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.*

REPORT OF THE CHIEF COMPLIANCE OFFICER
OFFICE OF INSTITUTIONAL COMPLIANCE
FOR THE AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF REGENTS
ON THE UNIVERSITY COMPLIANCE PROGRAM
May 13, 2021

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 4 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
- International Activity
- Program Integrity Rules
- Safety of Minors

Summary of recently completed reviews:

Animal Welfare

There are approximately 850 active projects at the University of Minnesota involving animals, and 4,000 to 5,000 individuals have received one or more trainings on animal care.

The most predominant of the animals used in research is mice. In addition to research, animals are used in wellness programs, teaching, 4H programs and more. The University is subject to external auditing. The USDA conducts annual unannounced inspections of all UMN sites that use USDA regulated species. The Office of Laboratory Animal Welfare uses a self-reporting system that requires the University to provide timely reports of all significant non-compliance incidents that have been identified through inspections along with a resolution plan to fix the reported item. International accreditation is obtained through the Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC), who reviews the UMN animal program every three years.

The Institutional Animal Care and Use Committee (IACUC) reviews the following activities prior to initiation.

- Activities with animals conducted by University faculty, staff, or students
- Activities with animals performed on the premises of the University
- Activities with animals performed with or involving the use of facilities or equipment belonging to the University
- Activities with animals satisfying a requirement imposed by the University for a degree program or completion of a course of study
- Activities with animals certified by a dean or department head to satisfy an obligation of a faculty appointment at the University, including requirements for clinical or adjunct appointments

IACUC is currently credited through AAALAC. The Office has a well-defined structure for reviewing projects. The IACUC committee itself has more than 18 members on it. The cost of running the IACUC Office is $750K annually.

All sites that house animal are visited on a six-month basis and reports are created from these visits and provided to the IACUC on a monthly basis. The IACUC Office is responsible for follow-up on any deficiencies identified through these visits, as well as sending notification to the appropriate regulatory body(s).

Part of the controls in place is the requirement for researchers to complete mandatory training prior to beginning work with animals. Personnel on protocols are not approved until the IACUC Office can confirm this training completion.

The IACUC process currently has elements of oversight to help prevent conflicts of interest between the committee members and the work that they perform as a committee (review proposals, review audits, etc.) The orientation to new IACUC members includes the general topic of conflicts of interest. If a member states that they have a potential conflict, the conflicted person is asked to leave during the applicable discussion. When assembling the agenda, the IACUC office staff look for potential conflicts of interest (COI). As an additional safeguard the IACUC chair is now asking about COI at the beginning of each committee meeting.

To provide for consistency with the rest of the system-wide policies and increase visibility IACUC is planning to move its relevant policies, which are currently housed on the OVPR website, to the Policy Library. As part of this move IACUC will change the policy language into the standard format used by the University. The University policy standards, consultation, and formal review and approval steps will then be applied when comprehensively reviewing the policy.

<u>Privacy – Employees and University Records</u>

The University collects data on prospective employees during the hiring process and current employees during the normal course of employment. In addition, because the University is a public institution, current employees can generate data and records that can be requested by individuals under the Minnesota Government Data Practices Act. The University has enacted policies governing the management of this data. The majority of data compliance and record management falls under the General Counsel's Office. Some

miscellaneous requirements for background checks and employee records fall under the Office of Human Resources.

In the General Counsel's Office, 4 FTE are dedicated to records management and data practices compliance. In addition, the General Counsel spends $19,000 annually on an online data request application. In FY20, the General Counsel spent an additional $21,861 for temporary consultants for data redaction projects. No FTE is specifically dedicated to the miscellaneous requirements in Human Resources; those requirements are handled by staff in the normal course of the hiring process and employee record retention.

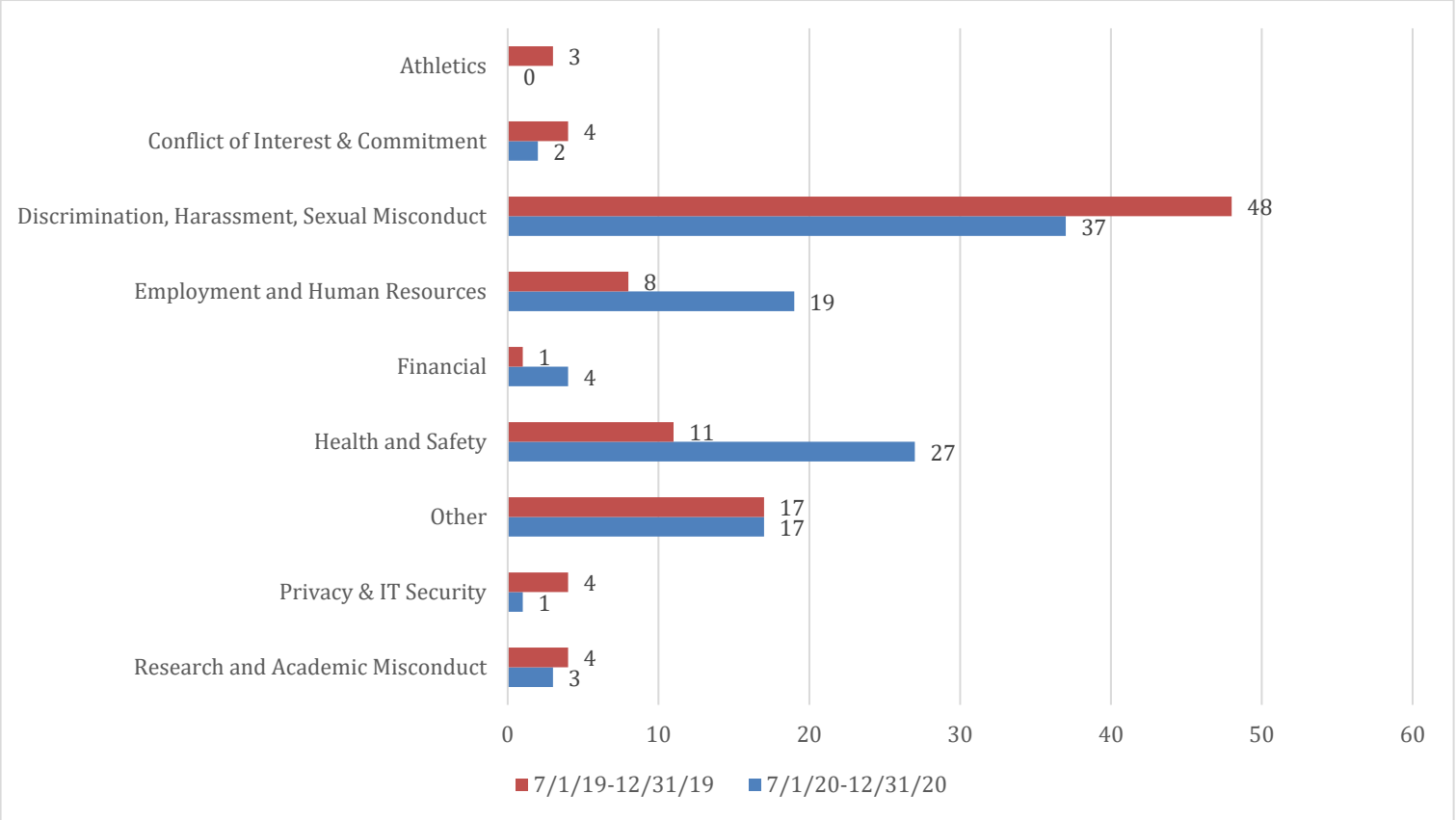
The University has effective policies in place regarding the retention and destruction of data. Units can contact experts in the General Counsel's Office with questions as needed. The University has experienced subject matter experts that analyze data classifications. General Counsel Attorneys are available to provide legal advice as needed. In addition, the University has effective policies and procedures in place to address background checks, Fair Credit Reporting Act, and Americans with Disabilities Act requirements.

In July 2019, President Gabel directed the Office of the General Counsel to undertake a review of policies and procedures related to public access of University information. The General Counsel responded to that review with a report in October 2019. That report recommended improvements to policy, procedures, and a restructuring of the Records Management Office. The General Counsel has made significant progress towards addressing the issues raised in the report. Many of the recommended changes were completed or underway at the time of this CRA review. The Office of Institutional Compliance recommends that the General Counsel continues to explore options for provide data practices training as recommended in the 2019 report. The General Counsel's Office has invested in new technology that allows the office to respond more quickly and efficiently to external data requests. One of the recommended changes was the restructuring of the Records Management Office, including the hiring of a dedicated employee that would lead the University's Data Practices function. In spring 2020, the General Counsel hired a Data Practices Compliance Officer, who participated in this compliance risk review process.

II. UREPORT STATISTICS

A. Statistics: July 1, 2020 through December 31, 2020 with July 1, 2019 through December 31, 2019 Comparison

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.

		July 1, 2020 to December 31, 2020	July 1, 2019 to December 31, 2019
Total Reports		110	100
Reviews Completed		98	100
	Substantiated	11 (10.0%)	23 (23%)
	Unsubstantiated	87 (79.1%)	77 (77%)
Reviews Pending Completion		12 (10.9%)	0 (0.0%)

UReports by Category (2019/2020 1st and 2nd Quarter Comparisons)