Audit & Compliance Committee

June 2021

June 10, 2021

Videoconference & Boardroom, McNamara Alumni Center

AUD - JUN 2021

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance   **June 10, 2021**

AGENDA ITEM: Internal Audit Update

| | Review | | Review + Action | | Action | **X** | **Discussion** |

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

PRESENTER: 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.

- Since the last follow-up at the February 2021 meeting, 40% of the outstanding recommendations rated as "essential" were resolved by University departments. This is equal to the expected implementation rate of 40%; however, 62% of the outstanding items are past due. All outstanding "essential" recommendations were resolved for eight audits.
- An updated control evaluation chart is included for each audit to show progress made on remediation of "essential" items.
- Eight audit reports containing 14 recommendations rated as "essential" were issued in the last four months.
- Additional summary information important to the committee for their 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 10, 2021

This report includes:
- Audit Observations/Information/Status of Critical Measures/Other Items
- Status of "Essential" Recommendations & Bar Charts Showing Progress Made
- Audit Activity Report
- Audit Reports Issued Since February 2021
- 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

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

The second chart, entitled "Resources Spent on Planned Assurance Work," is our assessment on the amount of time we have been able to devote to planned audit work. This assessment includes our progress on completion of audits on the proposed audit list presented to the Board at the September and December 2020 Audit and Compliance Committee meetings. This chart is different than FY 2020 reporting periods' "Progress Towards Annual Audit Plan Completion" as we did not complete a formal Audit Plan for FY 2021 due to the pandemic. Readings less than green could be influenced by a variety of factors (e.g., insufficient staff resources; increased time spent on non-scheduled audits or investigations).

The final chart, "Time Spent on Non-Scheduled Audit Activities," provides a status report on the amount of time consumed by investigative activities, special projects and other management requests. We estimate a budget for this type of work, and the chart will indicate whether we expect that budget to be sufficient. Continued readings in the yellow or red may result in seeking Audit and Compliance Committee approval for modifying the Annual Audit Plan.
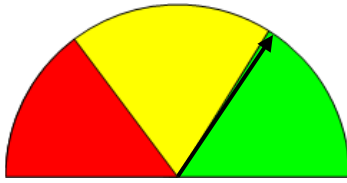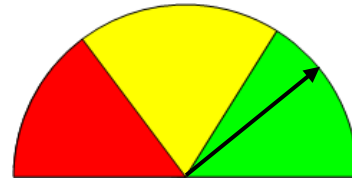
Essential Recommendation Implementation	**Resources Spent on Planned Assurance Work**	**Time Spent on Non-Scheduled Audit Activities**
Implementation rates were 40% for the period; equal to our expected rate of 40%.	Time spent on assurance audit work is in alignment with what is expected and budgeted for the year to date.	Time spent on investigations, special projects and management requests is less than expected and budgeted for the year to date.
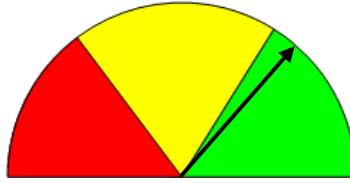
Other items:

- Presentation and written update on the status of remediation of the June 2020 Identity and Access Management Collaborative Assessment was provided at the May 2021 Audit and Compliance Committee. The next written update will be provided in October 2021.
- All Office of Internal Audit staff transitioned to working remotely in March 2020 due to the COVID-19 pandemic. Audit work continues relatively smoothly because of the ongoing prompt and helpful assistance of University personnel.
- Office of Internal Audit continues to have one Information Technology Auditor position open that has not been rehired due to the hiring pause; this directly impacts the amount of information technology audit work we can perform.

Status of Essential Recommendations

Past Due ■ (red)　**On-Schedule** ■ (gray)　**Complete** ■ (blue)

	Current Period	
Total Recommendations	**86**	% Completed **40%**
Completed Recommendations	**34**	% of Open Recs Past Due **62%**

Past Completion Rates	
Feb 2021	**27%**
Oct 2020	**40%**

Report#	Audit Name	Open Recs - Past Due	Number of Essential Recs (Report)	Status (Follow-up Period)	Count (by status color)
1913	Residency Determination FY19	1	4	Completed	1 (blue)
				Partially Implemented	1 (red)
1919	UMD Fine Arts, School of FY19	1	7	Partially Implemented	1 (red)
1924	Veterinary Medicine, College of FY19	1	4	Partially Implemented	1 (red)
1926	Weisman Art Museum FY19	1	9	Partially Implemented	1 (red)
2003	UMD Stores FY20	1	4	Partially Implemented	1 (red)
2004	2019 Review of Select Advancing HRP FY20	0	2	Completed	1 (blue)
2007	Facilities Management District Operations FY20	5	6	Not Implemented	2 (red)
				Partially Implemented	3 (red)
2009	Psychiatry & Behavioral Sciences Research FY20	1	2	Not Implemented	1 (red)
2010*	Disaster Recovery of Information Systems FY20	6	9	Completed	2 (blue)
				Not Implemented	2 (red)
				Partially Implemented	4 (red)
2011	Emergency Management & COOP FY20	3	6	Partially Implemented	3 (red)
2012	Veterinary Diagnostic Laboratory FY20	3	8	Partially Implemented	3 (red)
2014	UMD Admissions, Office of FY20	0	3	Completed	1 (blue)
2016	Student Finance, Office of FY20	0	5	Completed	3 (blue)
2020*	Public Safety IT, Dept of FY20	0	8	Completed	4 (blue)
				Not Implemented	1 (gray)
				Partially Implemented	3 (gray)
2022	University Purchasing Contract Management FY20	0	2	Completed	1 (blue)
2026	Lab Medicine and Pathology FY20	3	5	Completed	1 (blue)
				Partially Implemented	3 (red)
2101	Central Job Scheduling FY21	2	7	Completed	1 (blue)
				Not Implemented	2 (gray)
				Partially Implemented	2 (red) + 1 (gray)
2102	UMD Student Life Administration FY21	0	1	Completed	1 (blue)
2106	University Health & Safety FY21	1	10	Completed	6 (blue)
				Partially Implemented	1 (red) + 3 (gray)
2109	Southern Research and Outreach Center FY21	0	1	Completed	1 (blue)
2111	U Market Services FY21	0	9	Completed	6 (blue)
				Not Implemented	1 (gray)
				Partially Implemented	2 (gray)
2112	Baseball & Softball Compliance & Ops FY21	2	2	Partially Implemented	2 (red)
2113	UMD Labovitz School of Business & Economics FY21	0	4	Completed	1 (blue)
				Not Implemented	2 (gray)
2114	Anatomy Bequest Program FY21	1	3	Completed	1 (blue)
				Partially Implemented	1 (red) + 1 (gray)
2115	Prepaid Debit Card Program FY21	0	2	Completed	1 (blue)
				Partially Implemented	1 (gray)
2116	Business Services' Application Development FY21	0	3	Not Implemented	3 (gray)
2117	Idle Time Charged to Sponsored Awards FY21	0	1	Completed	1 (blue)
2118	Retirement Transition FY21	0	1	Completed	1 (blue)

* Some items marked as "Completed" were not resolved but management is accepting the associated residual risks. See "Essential Recommendation Follow-up Notes" for more information.

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

Audit/ Report Date	Status- Partially Implemented or Not Implemented	Senior Management Contact	Summary of the Issue/Risk Involved	Current Comments From Management
Residency Determination January 2019 **# of Items 2**	Partially Implemented Partially Implemented	Sue Van Voorhis	The Office of the Executive Vice President and Provost should consider whether the residency determination process for graduate and professional schools should be centralized to ensure consistent residency decisions are applied. If the decision is made to have initial residency remain a decentralized process the criteria for residency determination should be well defined for these schools. Consideration could be given to whether the undergraduate verification process criteria could be used across the University. Clear guidelines should be established for when a student chooses to defer their admission to a future term. Uniform application questions for use in residency determination might warrant study and consideration. Once criteria has been established, guidance and training should be provided to staff within the graduate and professional schools who are involved with residency decisions and periodic monitoring should be performed within the Provost Office to assess consistency in residency decisions. The owner of the residency page should implement formal monitoring processes to help detect unauthorized changes to the residency page, which include residency status changes and distribution of residency tuition waivers. PeopleSoft reports should be created that show all activity of a single user, and all activity for a specified time period. The monitoring of these reports could be performed by each unit responsible for residency decisions for their students.	Per Academic Support Resources leadership: The undergraduate residency determination function was moved to Academic Support Resources (ASR) July 1, 2019, after the Residency audit was completed. ASR's first priority was to onboard the residency coordinator into ASR and immediately cross-train a backup for this process to ensure support for the sole position. As part of the review of audit findings, the Provost's Office determined that residency decisions would remain decentralized at the graduate and professional level. Once these decisions were made, ASR began to reach out to the colleges and graduate and professional schools to form a committee to create and establish guidelines. The committee recommended application questions for use in residency determinations and made process recommendations as well. The residency coordinator has been working with the graduate and professional schools to implement these questions in their various applications. Because application questions can only be implemented for an upcoming admissions cycle, some schools are still in the process of making these changes. Additionally, some work was delayed due to the Covid-19 pandemic and units were diverted into solving several other priority problems. ASR continues to work with university partners to implement solutions as soon as time allows.
UMN Duluth Fine Arts March 2019 **# of Items 1**	Partially Implemented	Jeremy Youde	Tweed management should improve inventory and valuation records for its art collection. Specifically, Tweed should: • Complete the in-process physical inventory, including ensuring the records of art in the inventory database are accurate and complete. • Schedule and conduct periodic inventories and appraisals of the art collection.	Per UMN Duluth Fine Arts leadership: The Tweed Museum's efforts to complete a physical inventory have been hindered by staffing and the Covid-19 pandemic. The Covid-19 pandemic created limitations associated with in-person work on campus, which considerably impacted the Tweed's ability to conduct an inventory. To-date, Tweed has physically inventoried 7,841 items of the approximately 10,000 artworks it holds. While the Tweed continues to inventory its collections and plans to physically inventory the Nelson gift of Native American objects, an exact timeline for completion cannot be determined until the pandemic has receded and the University provides the Tweed with the necessary resources to complete the project. Tweed and UMD College of Liberal Arts leadership remain in ongoing conversations with UMD administrators to identify funding sources for timely completion of this project. The Tweed's former longtime director retired in June 2019, and the new director started in January 2020, just prior to the start of the pandemic. Since that time, the director has been working to address Tweed's essential audit recommendations, and this item is the only one remaining.

Audit/ Report Date	Status- Partially Implemented or Not Implemented	Senior Management Contact	Summary of the Issue/Risk Involved	Current Comments From Management
College of Veterinary Medicine May 2019	Partially Implemented	Laura Molgaard	Controls over the sample receipt, testing and dissemination should be strengthened for environmental/water samples. These lab samples should be recorded in a system or application that has edit control features to ensure integrity and completeness. The tracking of lab samples should allow for reconciliations of lab requests, completed labs, lab supplies, services billed and payments received.	Per CVM leadership: A site visit (VETMD team) was done in December 2019 to help VRLM identify gaps in existing processes and system requirements. In March 2020, the VRLM identified a new lab management system and provided the system specifications for review. There were modifications identified for the lab management system to meet the University controls requirements. With COVID, these modifications were delayed. VRLM began using the lab management system in December 2020. An internal review of the updated SOPS and virtual demo of the lab management system was done in January 2021, during which time it was identified that additional enhancements were needed to the system. A virtual review was done in April 2021, which included a team from Internal Audit. During this review several of the enhancements and controls were demonstrated and showed effectiveness in addressing the internal audit finding; however, a process in recording and documenting communications with the MN Board of Animal Health was identified as needing to be more robust to completely address the findings.

The lab management system vendor is currently making additional modifications to the system to address the remaining controls and documentation requirements and VRLM is modifying processes to meet the requirements of recording and reporting results. Modifications are expected to be complete in July. Another review with Internal Audit will be scheduled at that time. |
| # of Items   1 | | | | |

Total: 4

Essential Recommendation Follow-up Notes

Risk Acceptance

As expressed in the Office of Internal Audit Charter, "The Chief Auditor, in the discharge of his/her duties, is accountable to the Board of Regents Audit & Compliance Committee and the President to… [report] the acceptance of risk by the administration, as appropriate."

The following audit reports had essential recommendations identified, which were not fully remediated but were closed this reporting period due to leadership's acceptance of the associated residual risk.

Public Safety IT
There are two essential recommendations related to vendor/partner managed systems used by the Department of Public Safety (DPS) in which management has elected to accept the risk. The first relates to the backup and recovery of critical emergency response systems, which are managed by vendors and partner organizations. Although DPS believes failover processes have been established for these systems, the recoverability of these systems in the event of a disaster has not been confirmed by DPS. Without testing, these failover processes may not function as designed, which could result in an extended outage of critical life safety systems.

DPS is accepting this risk as they believe since the University does not own or manage the equipment referenced in this issue, it is above and beyond DPS' responsibility to conduct the testing. They also referenced: the difficulty of conducting testing as it would require coordination between the State of MN, and phone and network providers; the risk of testing any emergency system as the test could create a potential for failure of these critical systems; and that no other participating agencies conduct independent failover tests either.

The second essential recommendation relates to general vendor and partner management of systems hosted and supported by vendors and partners. Contracts were found to not adequately cover information security expectations, information security controls have not been independently reviewed or confirmed, and vendors are provided persistent unmonitored access to systems and "super clearance" access to facilities.

DPS is accepting these risks as some of these systems are provided by partner agencies who have contracted with outside vendors so they believe the partner agency should be responsible for this vendor oversight. For DPS directly contracted vendors, DPS believes the risk is reduced as State and Federal statutes provide a greater degree of protection and accountability to safeguard their data against system outages or a loss of data integrity and confidentiality, as any violations of these statutes would result in criminal charges for the offending individual(s). In addition, they do not wish to restrict system or building access as they believe it could slow down response to potential system problems. Vendors must also pass a Criminal Justice Information Services (CJIS) background check and any time a vendor accesses the DPS building, the activity is logged.
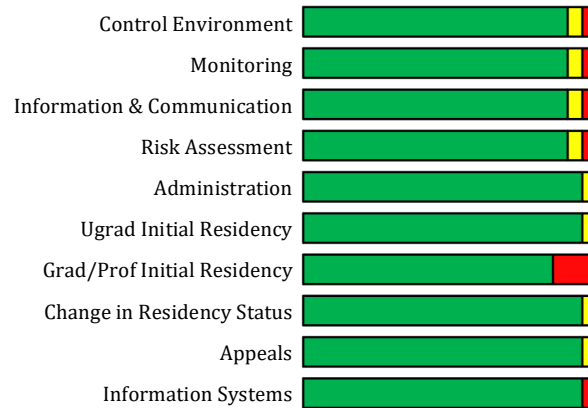
Internal Audit was provided written confirmation from the Chief of Police that in consultation with the SVP for Finance and Operations he agrees to accept all residual risk associated with these issues.

Disaster Recovery

There is one essential recommendation being accepted by management related to the proximity of the University's primary and secondary data centers. Many of the University's systems are hosted in a data center managed by OIT, with data and some system backups stored in the secondary one. Both of these facilities are located within one mile of each other, which is below industry guidance and creates a risk that both facilities could be destroyed or become unavailable in a single large disaster. Although the likelihood of such an event may be relatively low, the impact would be catastrophic.

Management elected to accept this risk as:

- The proximity risk was accepted at the time of construction in 1992 and reaffirmed in 2012 when it was decided not to invest in an alternative secondary containerized data center bid at $16M.
- The need for local data centers has changed as some infrastructure technologies that used to occupy space in local data centers have been relocated to hosted data centers. For the systems using hosted data centers, the global placement of these vended professional data centers and the way in which they have been architected (high-availability) are setup to avoid disruption and outages.

Internal Audit was provided written confirmation from the VP for IT and Chief Information Officer that in consultation with the SVP for Finance and Operations he accepts all residual risk associated with this issue.

The bar charts shown below are presented to provide pictorial displays of the progress units are making on implementing audit recommendations rated as "essential." The bar chart included in the original report is shown in the left column, along with updated bar charts showing the previous quarter and the current status of the "essential" recommendations only (those bars that have red segments). The chart in the center column displays the status as of February 2021, while the chart on the right represents the current status. Charts are not presented for investigations. Charts for those units having implemented all "essential" recommendations during the current quarter are shown at the end of this report.
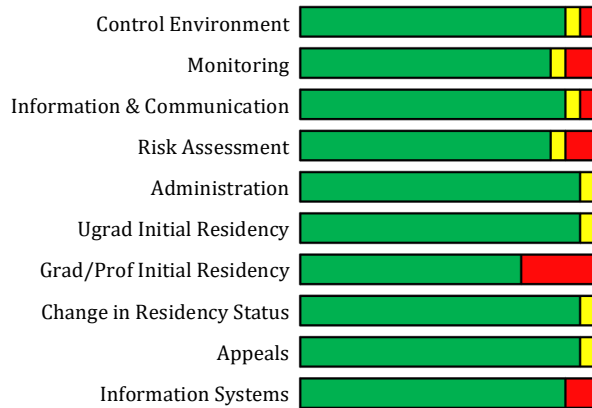
Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation

Residency Determination (Jan 2019)

Control Environment
Monitoring
Information & Communication
Risk Assessment
Administration
Ugrad Initial Residency
Grad/Prof Initial Residency
Change in Residency Status
Appeals
Information Systems
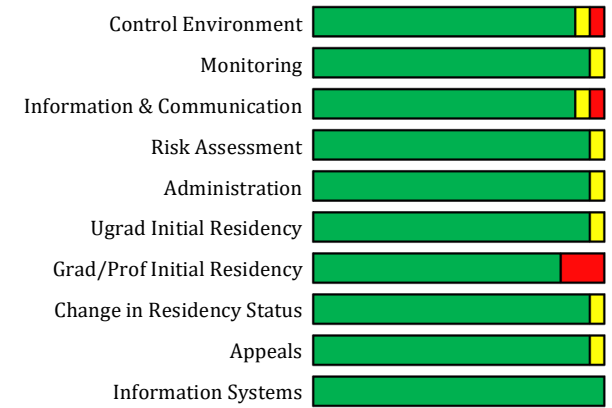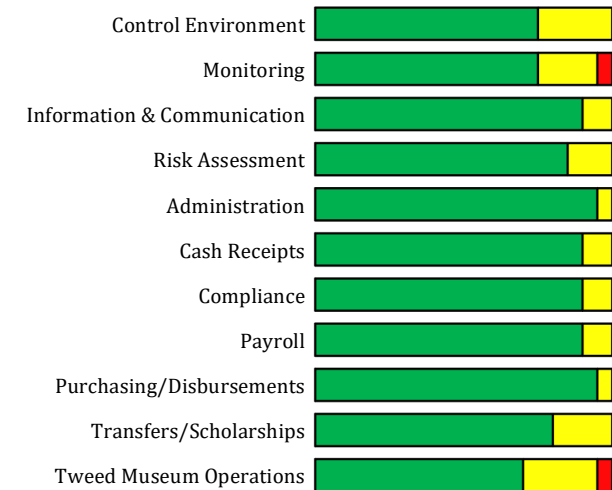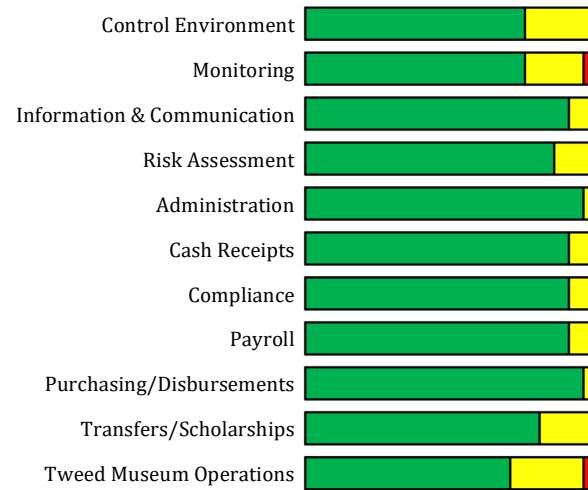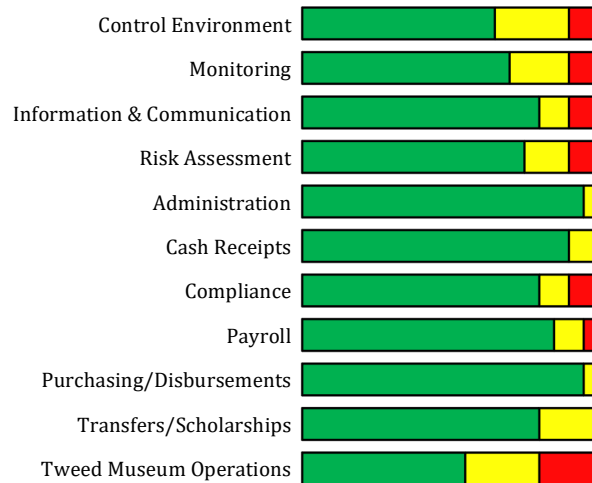
UMD Fine Arts (Mar 2019)

Control Environment
Monitoring
Information & Communication
Risk Assessment
Administration
Cash Receipts
Compliance
Payroll
Purchasing/Disbursements
Transfers/Scholarships
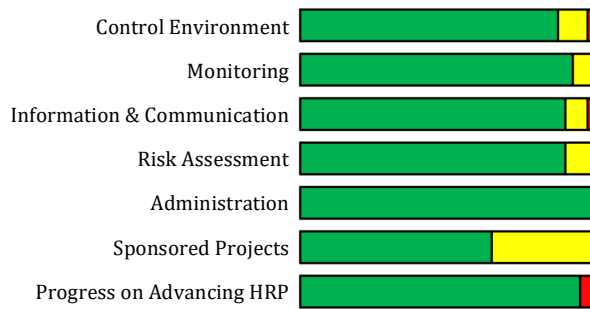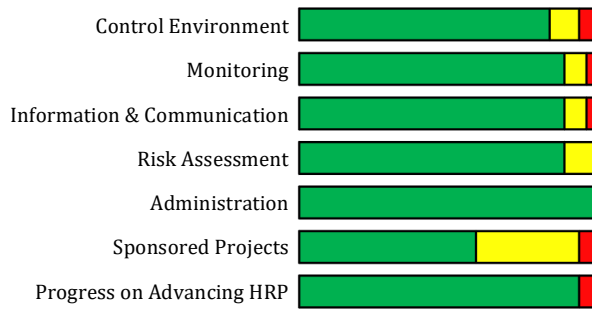Tweed Museum Operations

■ Adequate Control   □ Significant Control Issue(s)   ■ Essential Control Issue(s)
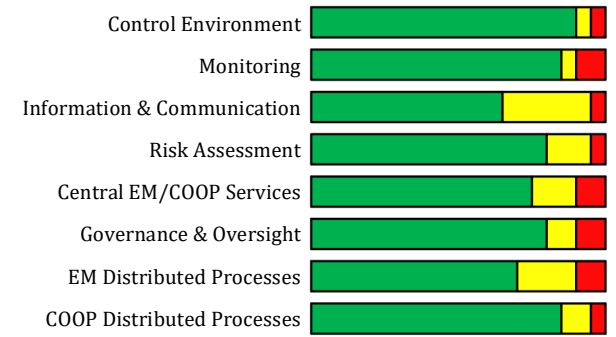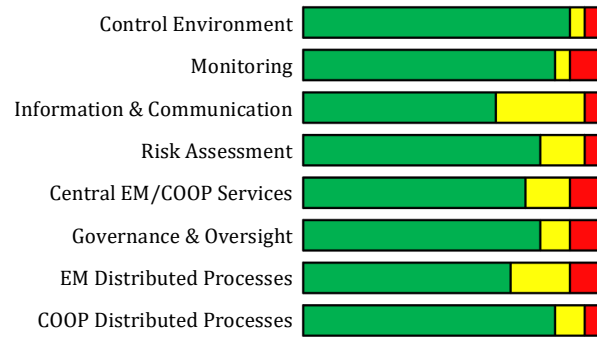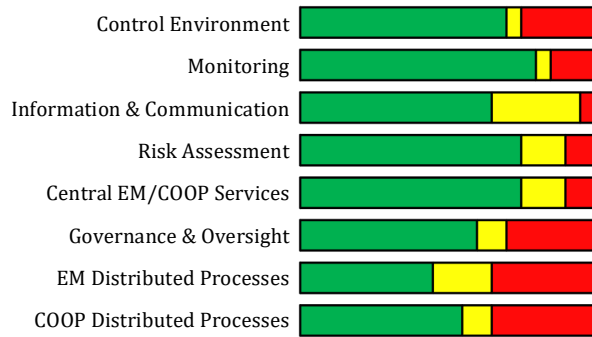
Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation

College of Veterinary Medicine (May 2019)

	Original	Previous	Current
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
Administration			
Revenue/Cash Receipts			
Disbursements/Purchasing			
Payroll			
Sponsored Projects			
Safety of Minors			

Weisman Art Museum (Jun 2019)
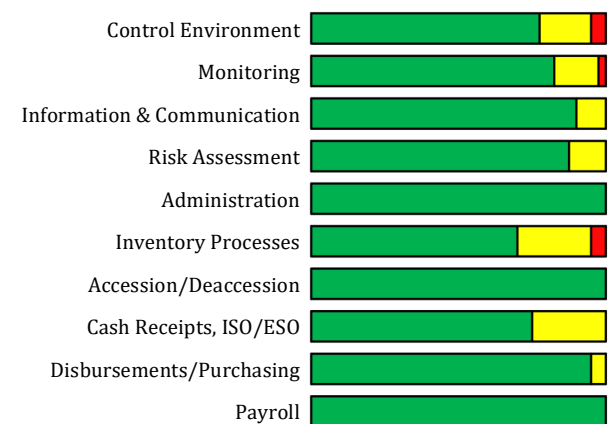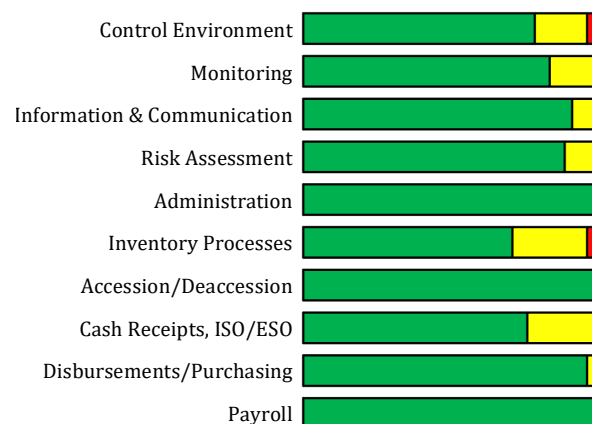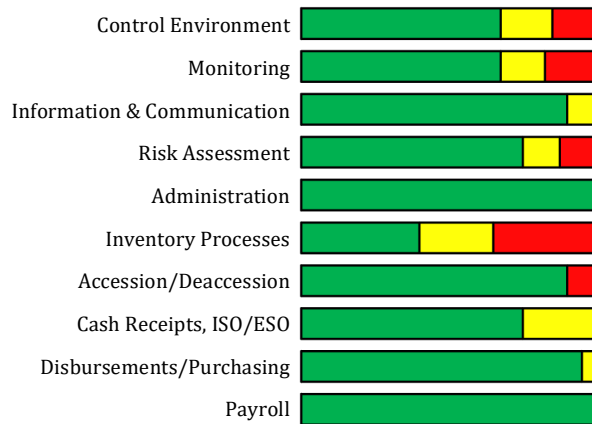
	Original	Previous	Current
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
Administration			
Inventory Processes			
Accession/Deaccession			
Cash Receipts, ISO/ESO			
Disbursements/Purchasing			
Payroll			

■ Adequate Control ☐ Significant Control Issue(s) ■ Essential Control Issue(s)

UMD Stores (Including Print Shop and U Card Office) (Aug 2019)
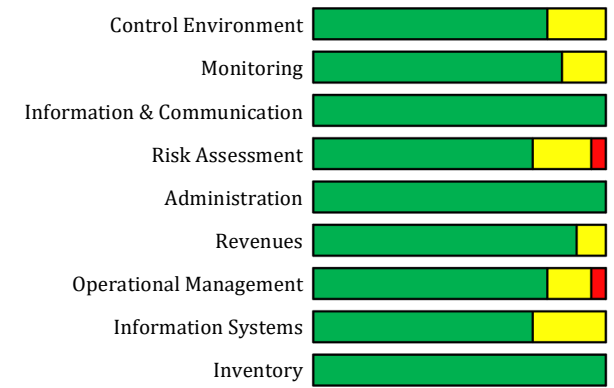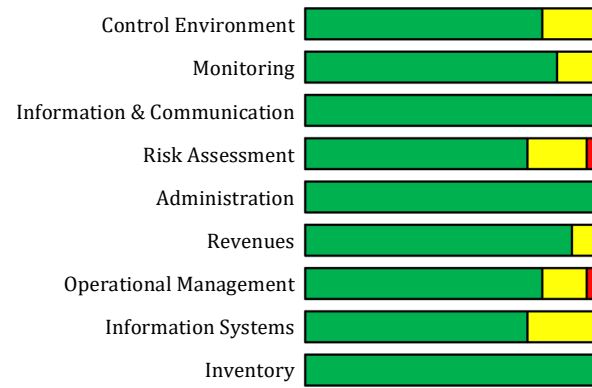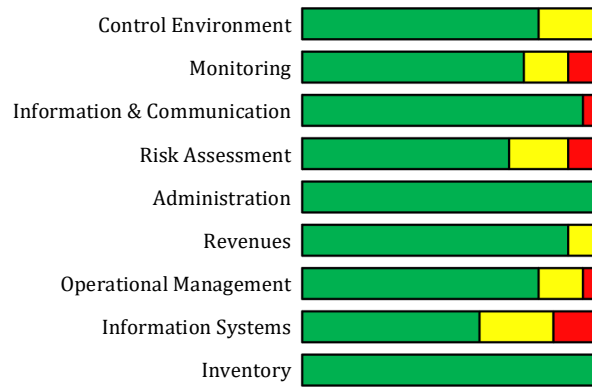
Facilities Management District Operations (Sept 2019)
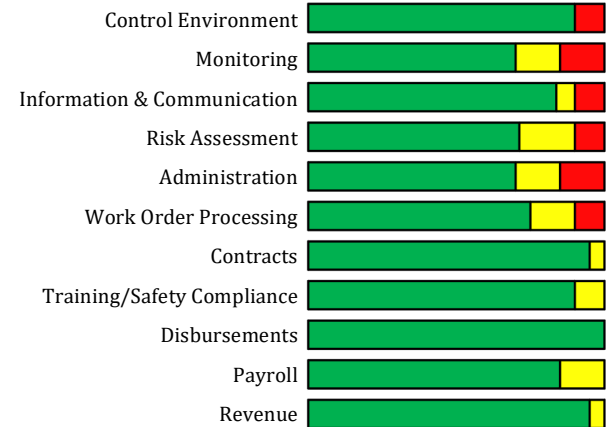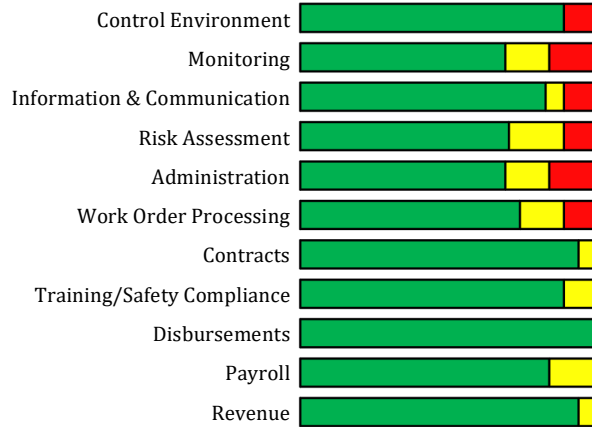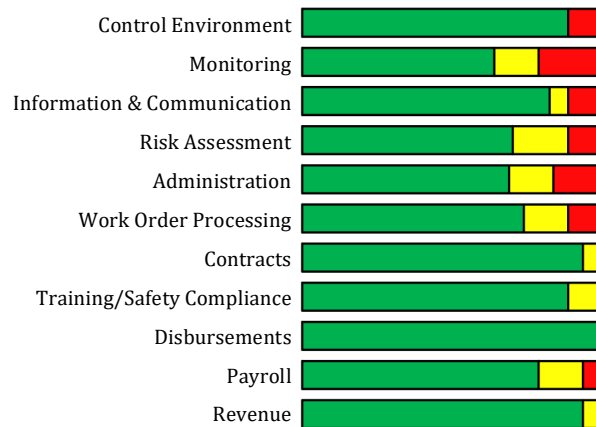
■ Adequate Control   ☐ Significant Control Issue(s)   ■ Essential Control Issue(s)

Original Report Evaluation

Previous Quarter Evaluation
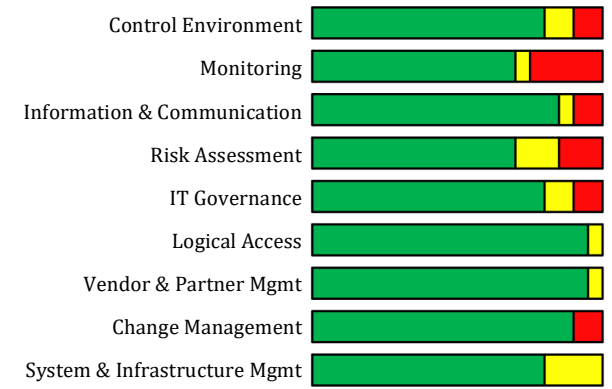
Current Quarter Evaluation

Psychiatry & Behavioral Sciences - Research (Sept 2019)

| Control Environment |
| Monitoring |
| Information & Communication |
| Risk Assessment |
| Administration |
| Sponsored Projects |
| Progress on Advancing HRP |
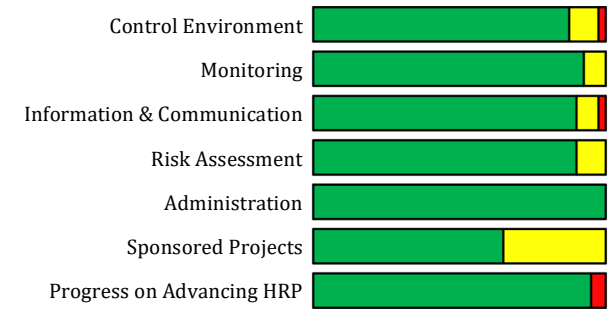
Disaster Recovery of Information Systems (Oct 2019)
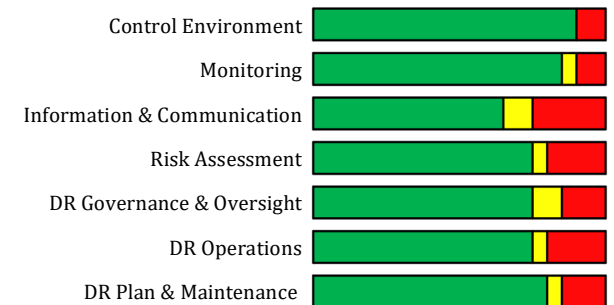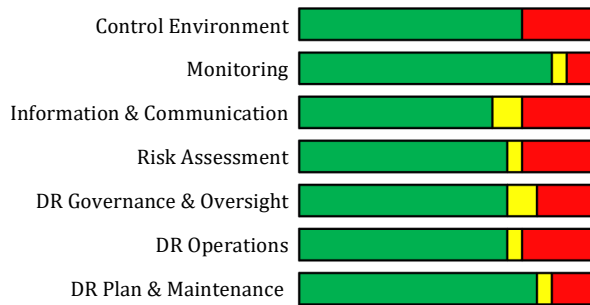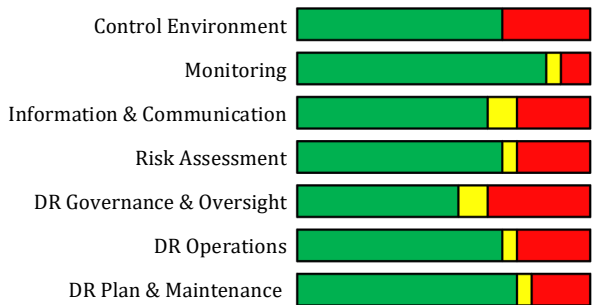
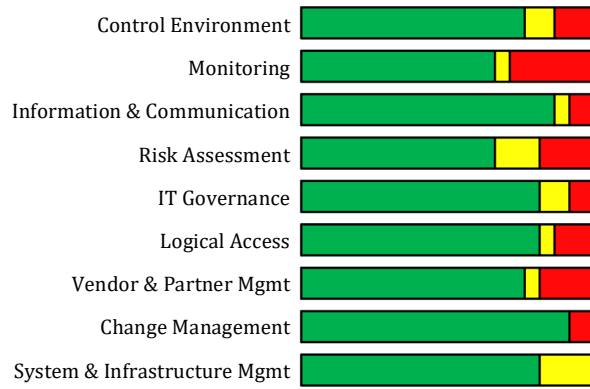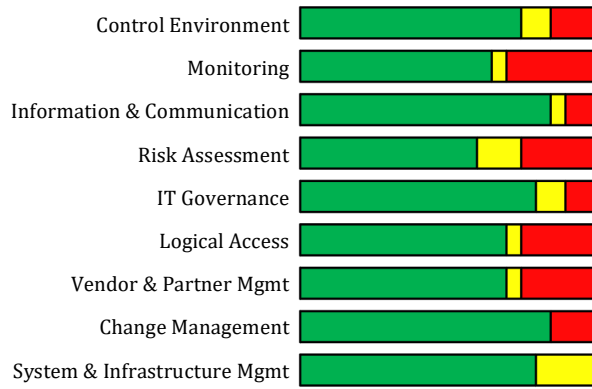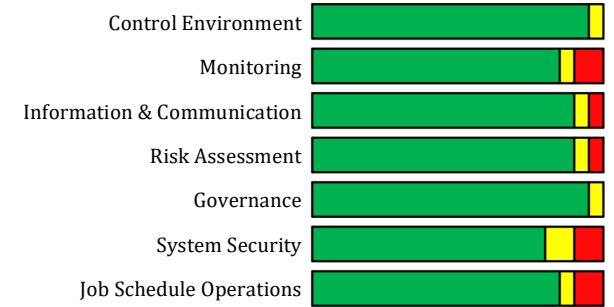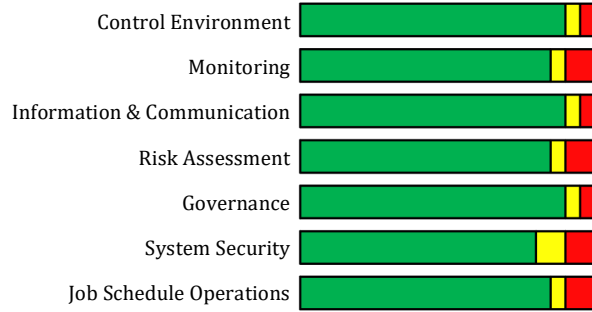| Control Environment |
| Monitoring |
| Information & Communication |
| Risk Assessment |
| DR Governance & Oversight |
| DR Operations |
| DR Plan & Maintenance |

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

| Original Report Evaluation | Previous Quarter Evaluation | Current Quarter Evaluation |

Emergency Management and Continuity of Operations (Oct 2019)

Control Environment
Monitoring
Information & Communication
Risk Assessment
Central EM/COOP Services
Governance & Oversight
EM Distributed Processes
COOP Distributed Processes

Veterinary Diagnostic Laboratory (Jan 2020)
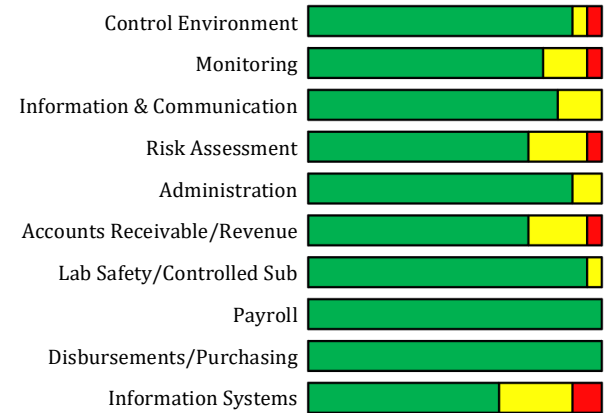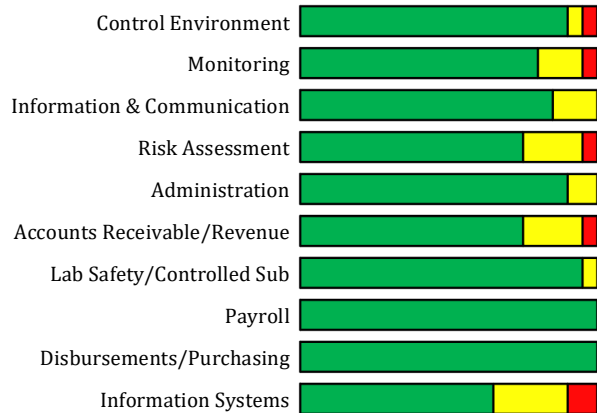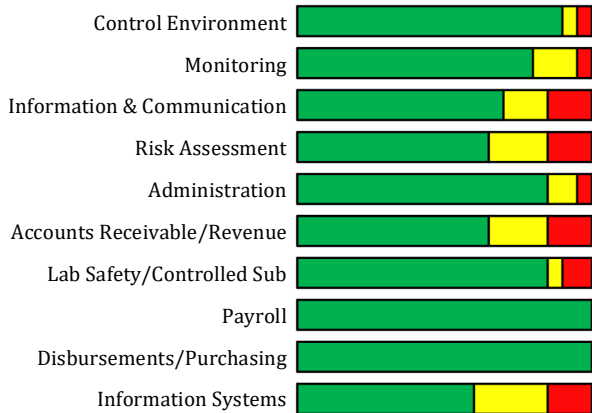
Control Environment
Monitoring
Information & Communication
Risk Assessment
Administration
Accounts Receivable/Revenue
Lab Safety/Controlled Sub
Payroll
Disbursements/Purchasing
Information Systems

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

Dept of Public Safety IT (May 2020)

Category	Original Report	Previous Quarter	Current Quarter
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
IT Governance			
Logical Access			
Vendor & Partner Mgmt			
Change Management			
System & Infrastructure Mgmt			

Laboratory Medicine and Pathology (June 2020)

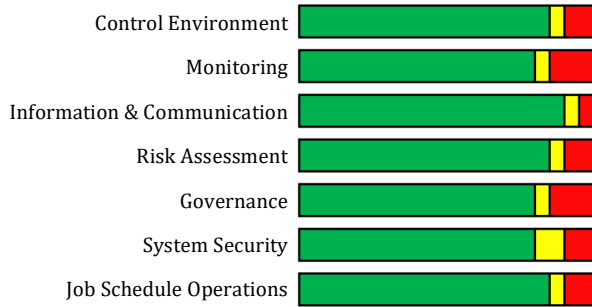| Category	Original Report	Previous Quarter	Current Quarter
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
Administration			
Disbursements/Purchasing			
Internal/External Sales			
Information Systems			
Payroll			
Sponsored Projects			

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

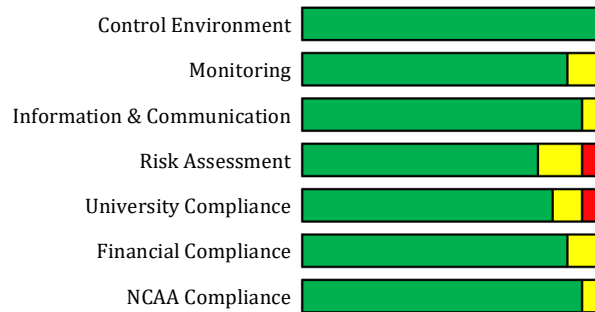| Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation

Central Job Scheduling (July 2020)

Control Environment
Monitoring
Information & Communication
Risk Assessment
Governance
System Security
Job Schedule Operations

University Health & Safety (Sept 2020)
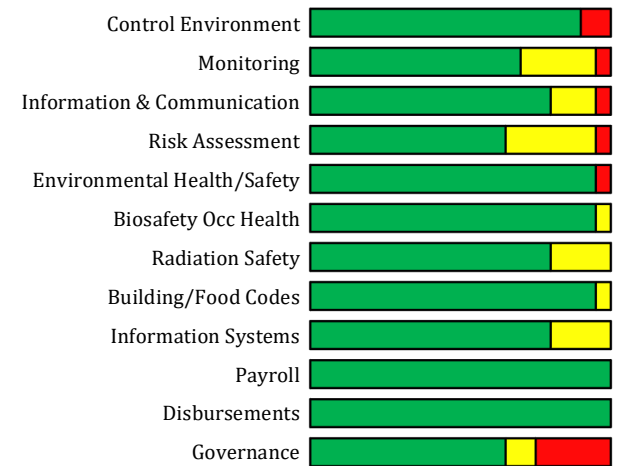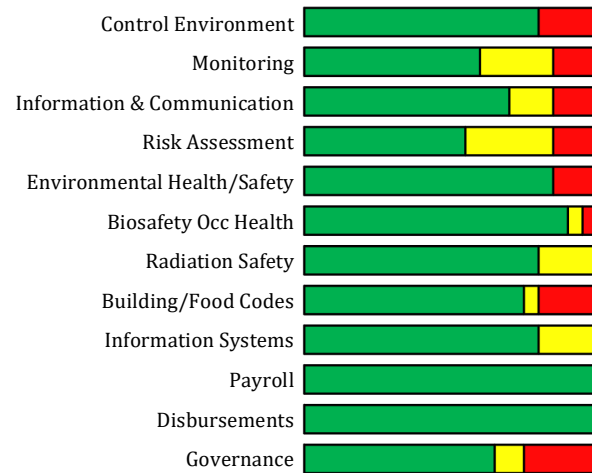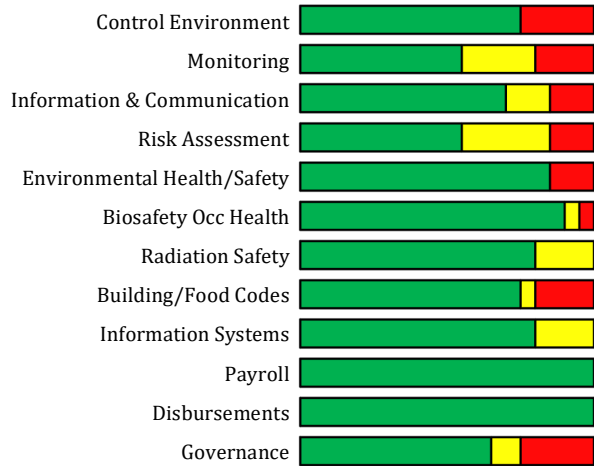
Control Environment
Monitoring
Information & Communication
Risk Assessment
Environmental Health/Safety
Biosafety Occ Health
Radiation Safety
Building/Food Codes
Information Systems
Payroll
Disbursements
Governance

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

U Market Services (Dec 2020)

Original Report Evaluation

- Control Environment
- Monitoring
- Information & Communication
- Risk Assessment
- Administration
- Purchasing Process
- Returns/Credits
- External Sales
- Payroll/Human Resources
- Information Systems
- Business Analytics/Strategy

Previous Quarter Evaluation

NO PREVIOUS
CONTROL EVALUATION
CHART

Current Quarter Evaluation

- Control Environment
- Monitoring
- Information & Communication
- Risk Assessment
- Administration
- Purchasing Process
- Returns/Credits
- External Sales
- Payroll/Human Resources
- Information Systems
- Business Analytics/Strategy

Baseball and Softball Compliance and Operations (Dec 2020)
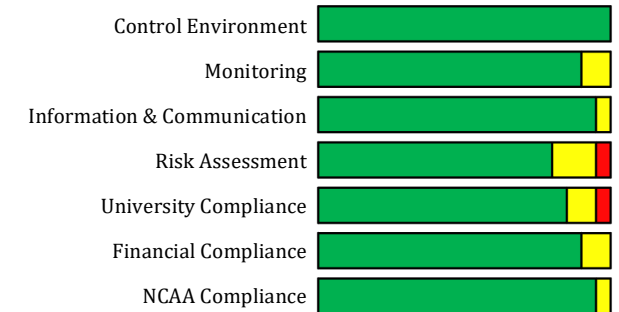
Original Report Evaluation

- Control Environment
- Monitoring
- Information & Communication
- Risk Assessment
- University Compliance
- Financial Compliance
- NCAA Compliance

Previous Quarter Evaluation

NO PREVIOUS
CONTROL EVALUATION
CHART

Current Quarter Evaluation

- Control Environment
- Monitoring
- Information & Communication
- Risk Assessment
- University Compliance
- Financial Compliance
- NCAA Compliance

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

Baseball and Softball Compliance and Operations - Support Unit (Dec 2020)

Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation
Control Environment		Control Environment
Monitoring		Monitoring
Information & Communication	NO PREVIOUS CONTROL EVALUATION CHART	Information & Communication
Risk Assessment		Risk Assessment
University Compliance		University Compliance
Financial Compliance		Financial Compliance
NCAA Compliance		NCAA Compliance
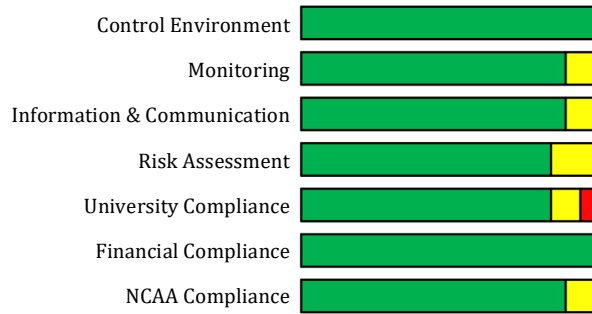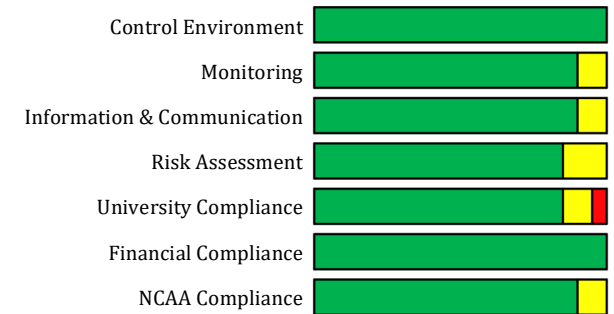
UMN Duluth Labovitz School of Business and Economics (Dec 2020)
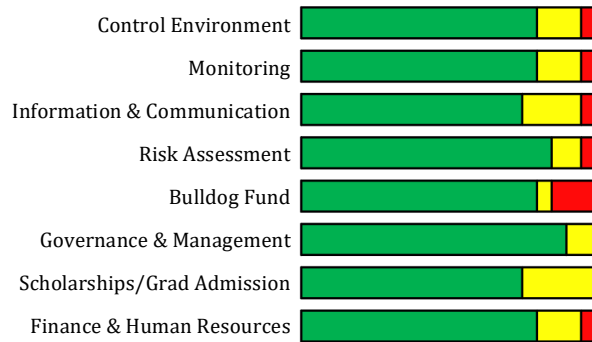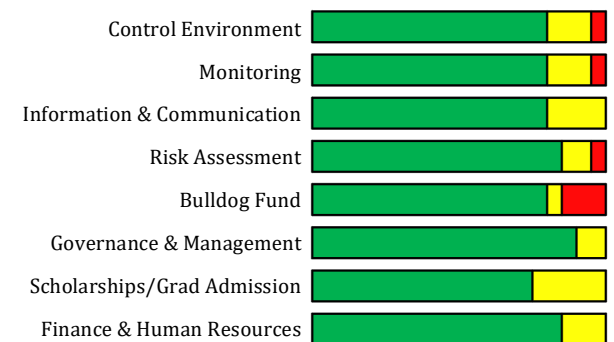
Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation
Control Environment		Control Environment
Monitoring		Monitoring
Information & Communication	NO PREVIOUS CONTROL EVALUATION CHART	Information & Communication
Risk Assessment		Risk Assessment
Bulldog Fund		Bulldog Fund
Governance & Management		Governance & Management
Scholarships/Grad Admission		Scholarships/Grad Admission
Finance & Human Resources		Finance & Human Resources

■ Adequate Control   ■ Significant Control Issue(s)   ■ Essential Control Issue(s)
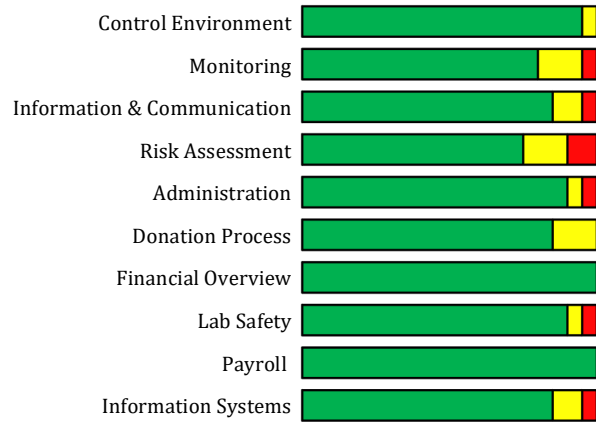
Anatomy Bequest Program (Dec 2020)

	Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
Administration			
Donation Process			
Financial Overview			
Lab Safety			
Payroll			
Information Systems			

NO PREVIOUS
CONTROL EVALUATION
CHART
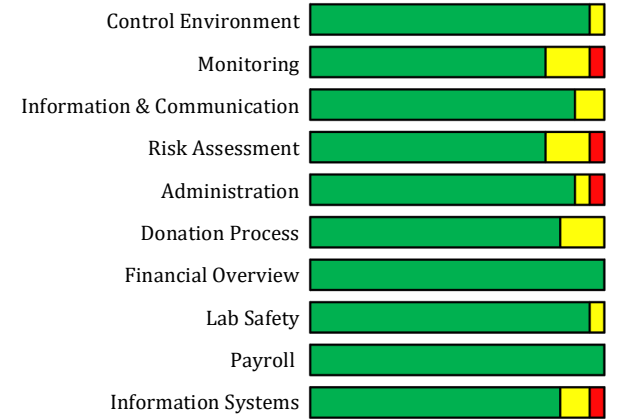
Prepaid Debit Card Program (Dec 2020)

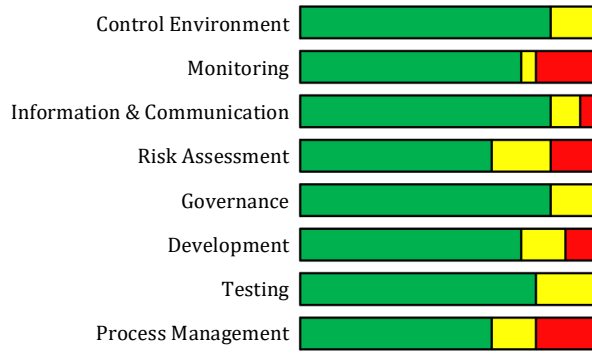|	Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
User Admin - Purchasing			
User Admin - Colleges			
Pmt Process - Purchasing			
Pmt Process - Colleges			

NO PREVIOUS
CONTROL EVALUATION
CHART
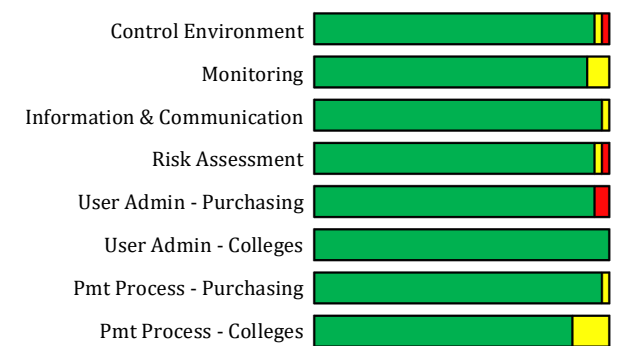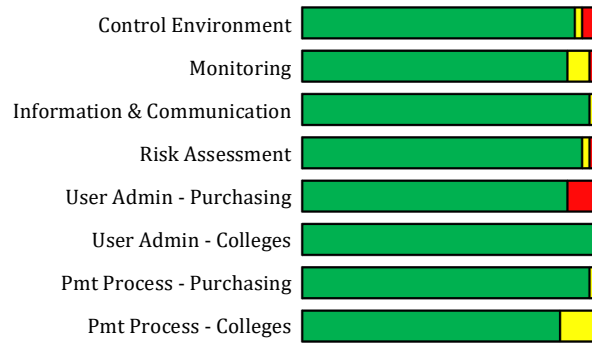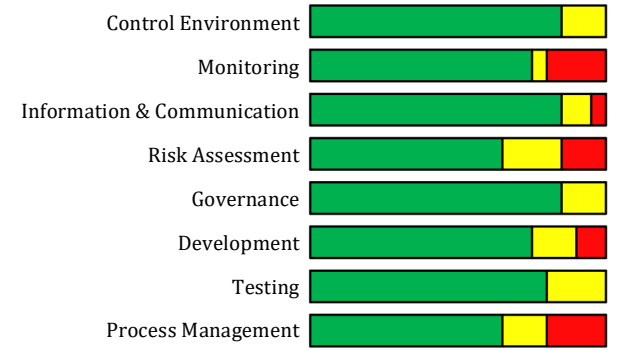
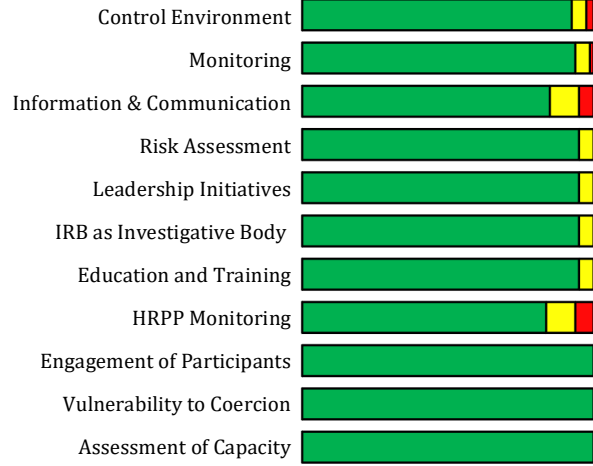■ Adequate Control   □ Significant Control Issue(s)   ■ Essential Control Issue(s)

OIT Business Services' Application Development (Dec 2020)

Category	Original Report Evaluation
Control Environment	
Monitoring	
Information & Communication	
Risk Assessment	
Governance	
Development	
Testing	
Process Management	

NO PREVIOUS
CONTROL EVALUATION
CHART

Category	Current Quarter Evaluation
Control Environment	
Monitoring	
Information & Communication	
Risk Assessment	
Governance	
Development	
Testing	
Process Management	

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

Units with Charts that Fully Implemented their "Essential" Recommendations During the Past Quarter
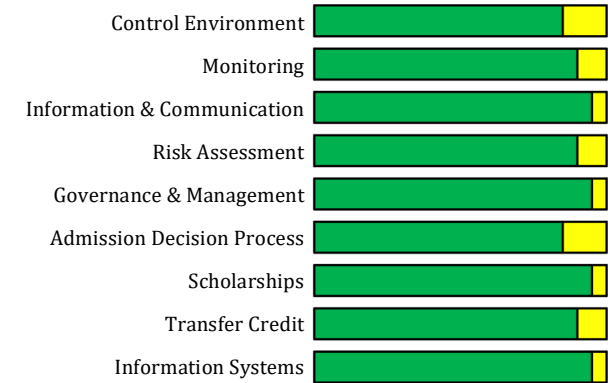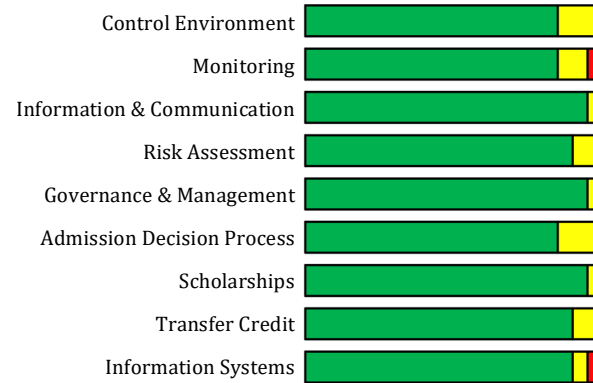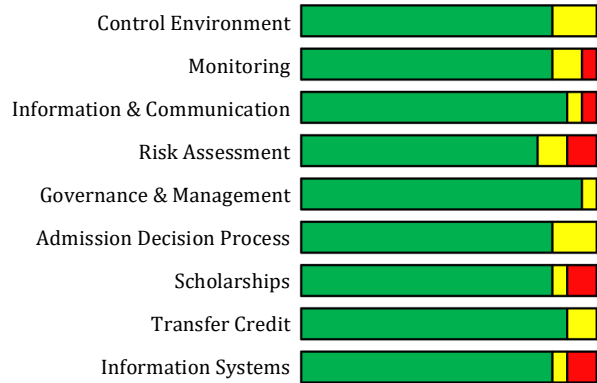
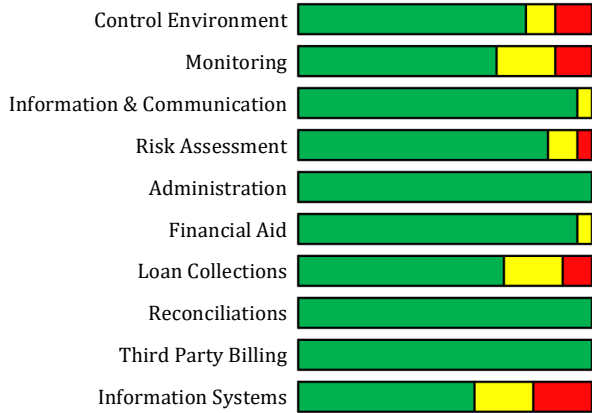| Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation

2019 Review of Select Advancing HRP (Sept 2019)

UMN Duluth Office of Admissions (Feb 2020)

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

Office of Student Finance (Mar 2020)

	Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
Administration			
Financial Aid			
Loan Collections			
Reconciliations			
Third Party Billing			
Information Systems			

University Purchasing Contract Management (May 2020)

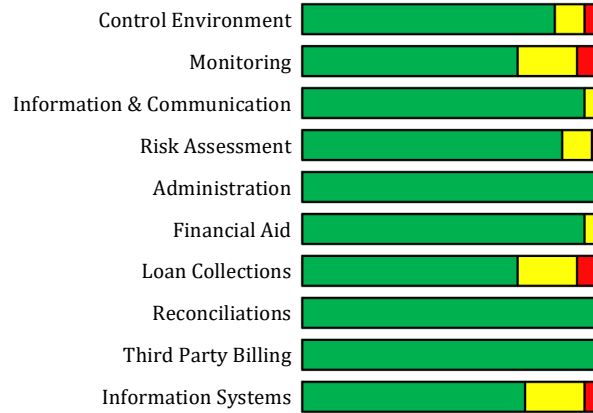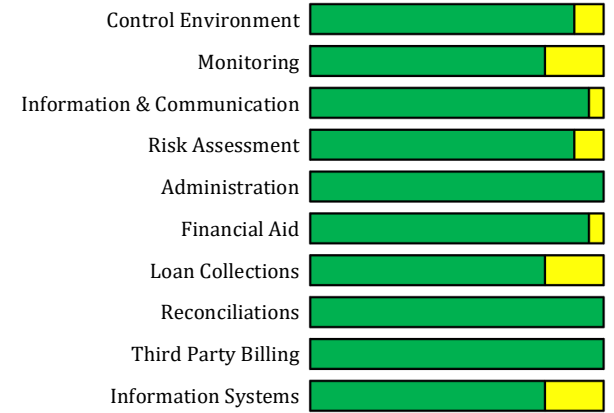|	Original Report Evaluation	Previous Quarter Evaluation	Current Quarter Evaluation
Control Environment			
Monitoring			
Information & Communication			
Risk Assessment			
Purchasing Services Mgmt			
Unit Mgmt			

■ Adequate Control   □ Significant Control Issue(s)   ■ Essential Control Issue(s)
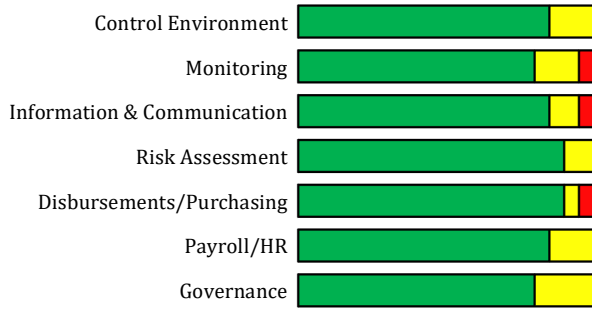
Original Report Evaluation | Previous Quarter Evaluation | Current Quarter Evaluation
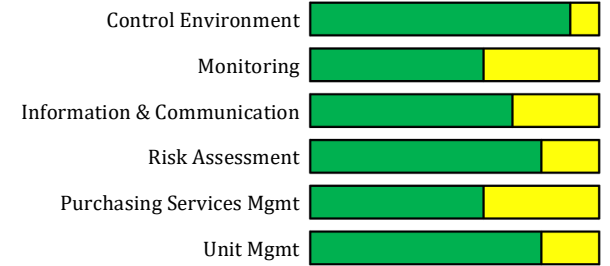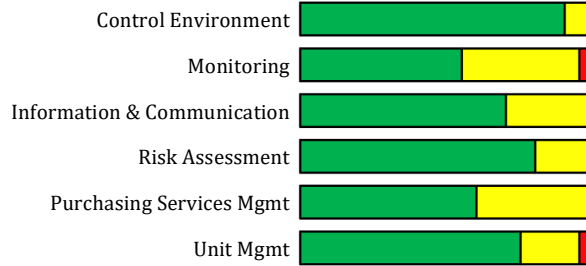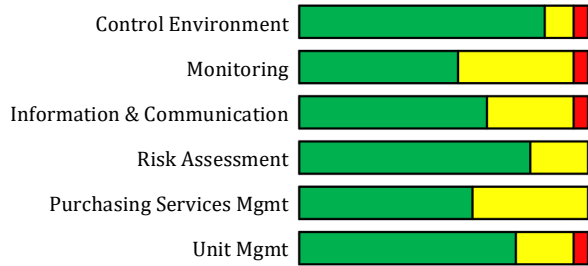
UMN Duluth Student Life Administration (Sept 2020)

Categories (all three charts): Control Environment, Monitoring, Information & Communication, Risk Assessment, Disbursements/Purchasing, Payroll/HR, Governance
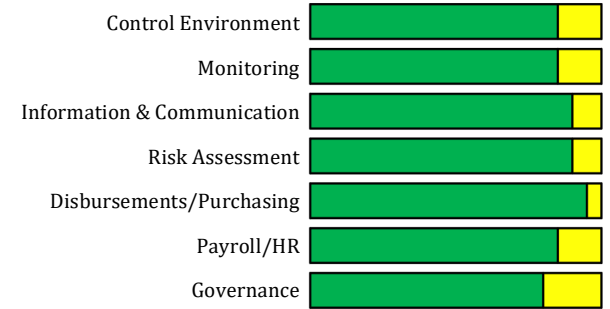
Southern Research & Outreach Center (Nov 2020)
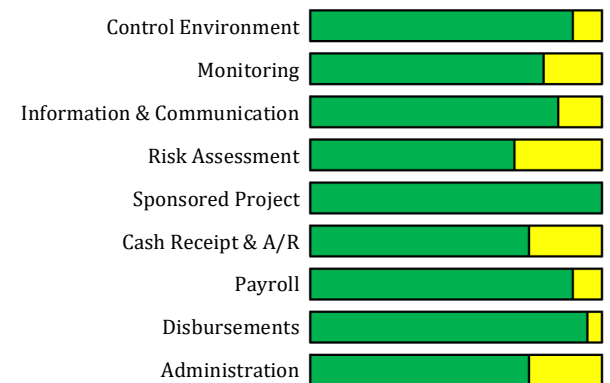
Categories (left and right charts): Control Environment, Monitoring, Information & Communication, Risk Assessment, Sponsored Project, Cash Receipt & A/R, Payroll, Disbursements, Administration

NO PREVIOUS
CONTROL EVALUATION
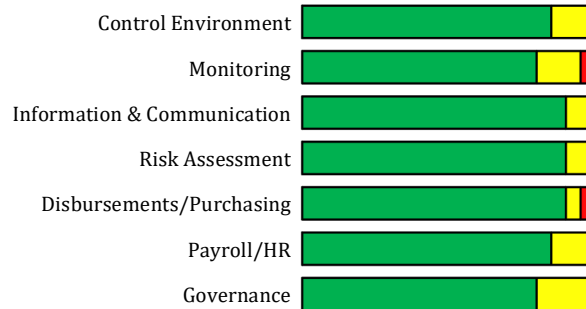CHART

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

Original Report Evaluation

Previous Quarter Evaluation
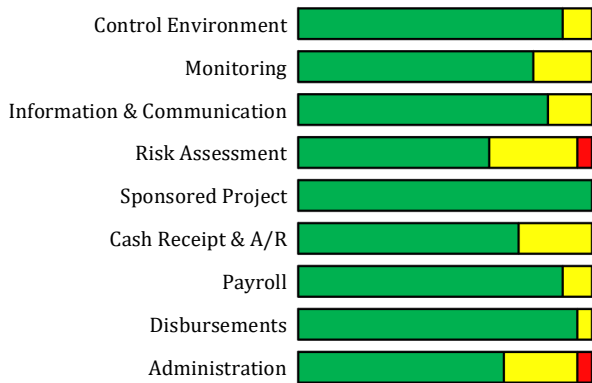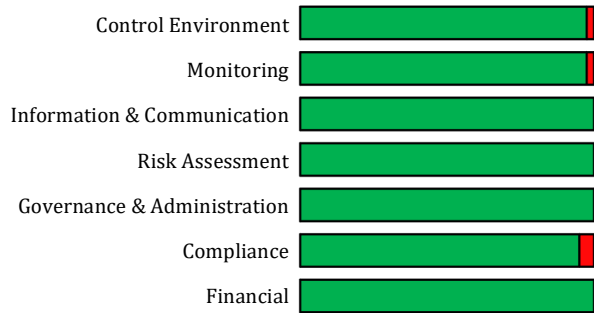
Current Quarter Evaluation

Idle Time Charged to Sponsored Awards (Dec 2020)

Original Report Evaluation		Current Quarter Evaluation
Control Environment		Control Environment
Monitoring		Monitoring
Information & Communication	NO PREVIOUS CONTROL EVALUATION CHART	Information & Communication
Risk Assessment		Risk Assessment
Governance & Administration		Governance & Administration
Compliance		Compliance
Financial		Financial
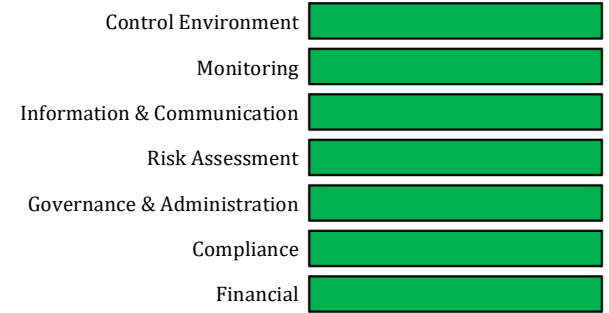
Retirement Transition (Jan 2021)
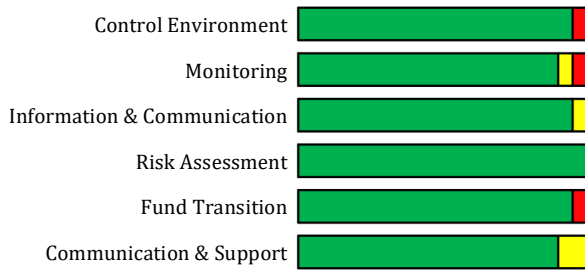
Original Report Evaluation		Current Quarter Evaluation
Control Environment		Control Environment
Monitoring		Monitoring
Information & Communication	NO PREVIOUS CONTROL EVALUATION CHART	Information & Communication
Risk Assessment		Risk Assessment
Fund Transition		Fund Transition
Communication & Support		Communication & Support
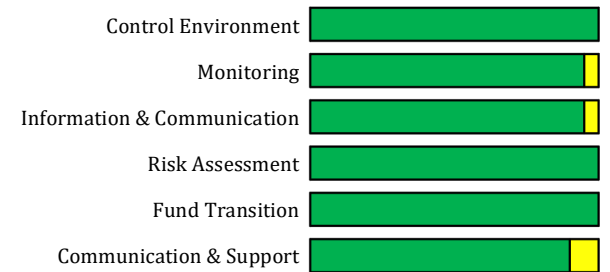
■ Adequate Control ☐ Significant Control Issue(s) ■ Critical Control Issue(s)

Audit Activity Report

Scheduled Audits

Completed Audits Of:
- Foreign Gift and Contract Reporting
- Compliance with Remote Working Purchasing Policies
- College of Science and Engineering Dean's Office and Reporting Centers
- Telehealth Security and Compliance
- BOR Internal Reporting
- Northrop
- Internally Granted Research
- Openness in Research

Began/Continued Audits Of:
- School of Dentistry
- UMN Duluth Human Resources
- Central Help Desk and Device Management
- Canvas and Unizin
- Employee Immigration (Collaborative Assessment)
- Academic and Research Misconduct
- Graduate School
- Scholarship Funding, Metrics, and Outcomes

- Completed three "SNAP Reviews" on the following topics: $2 Employee Essential Pay, Pcard Transactions with Telecommunication Related Keywords, and Student COVID Refunds.

Investigations

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

Special Projects

- Provided consulting services related to University payroll exception testing.
- Provided technology consulting in several areas including high risk data storage, information security and compliance.

Other Audit Activities

Participated in the following:
- President's Cabinet
- Senior Leadership Group
- President's Policy Committee
- Policy Advisory Committee
- Board of Regents Policy Committee
- Executive Compliance Oversight Committee
- Institutional Conflict of Interest Committee
- IT Leadership Committees

- HRPP Advisory Committee
- Research Compliance Committee
- P & A Senate
- Research Cyberinfrastructure Champions
- Highly Restricted Readiness Workgroup
- Enterprise Architecture Group
- RIACT Director Search Committee
- Diversity Community of Practice
- PEAK Advisory Council
- BioMade Governance Committee
- University of Minnesota Foundation Audit Committee
- Fairview Health Systems Audit Committee
- Metropolitan Council Audit Committee
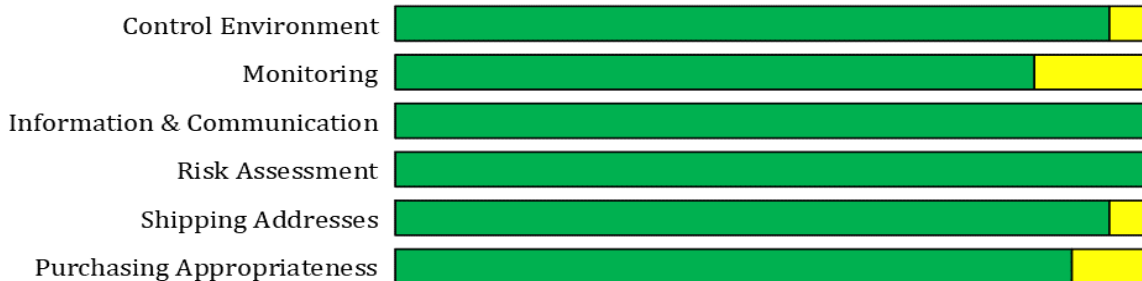
Audit Reports Issued Since February 2021

Foreign Gift and Contract Reporting

> Due to the audit not resulting in any issues considered either "essential" or "significant"
> a control evaluation chart was not developed for this report.

Report #	2119	Issue Date	Feb-21
# of Essential Recs.	0	Total # of Recs.	0
Overall Assessment	Good	Adequacy of MAP	NA

Institutions of higher education are required to disclose gifts and contracts from international sources that alone or combined by source are valued at $250,000 or more in a calendar year. By January 31st or July 31st of each year, whichever is sooner depending on the time of the gift or execution of the contract, a postsecondary institution must file a disclosure report about contracts and gifts from international sources, as well as ownership or control by an entity outside the United States. In early 2019, as a result of the US government's continued concerns regarding Chinese involvement on college campuses, particularly Confucius Institutes, and accounts of the lack of reporting and underreporting of international gifts and contracts by universities, the Department of Education (ED) issued new interpretations and reporting requirements. From the results of the audit work performed, we believe the University has performed its due diligence in compliance with the new reporting requirements.

Compliance with Remote Working Purchasing Policies

Control Environment
Monitoring
Information & Communication
Risk Assessment
Shipping Addresses
Purchasing Appropriateness

Report #	2120	Issue Date	Mar-21
# of Essential Recs.	0	Total # of Recs.	3
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

As a result of the COVID-19 pandemic, the Office of the President announced on March 15, 2020, that all University of Minnesota employees systemwide who are able to work remotely should plan to do so beginning Monday, March 16. Purchasing Services sent out several messages afterwards providing purchasing guidelines during the remote working mandate. The University spent significantly less on food, hospitality, gift cards, and supplies during the period of March 15 - November 24, 2020 compared to the same period the previous year. The percentage of items shipped to home was low for purchases made through purchasing orders. For units that we selected to review for food, hospitality, and internet services expenditures, spending mostly adhered to policies. The audit resulted in three issues considered "significant" involving ensuring new home shipping address requests are properly approved, enhanced monitoring of specific purchasing items, and seeking reimbursement for unallowed purchases and/or ensuring University property is returned to campus when employees return to campus.

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

College of Science and Engineering Dean's Office and Reporting Centers

Control Environment
Monitoring
Information & Communication
Risk Assessment
Administration
Academic Processes
Disbursements/Purchasing
Information Systems
ISO/ESO
NIST 800-171
Payroll
Safety of Minors
Sponsored Projects
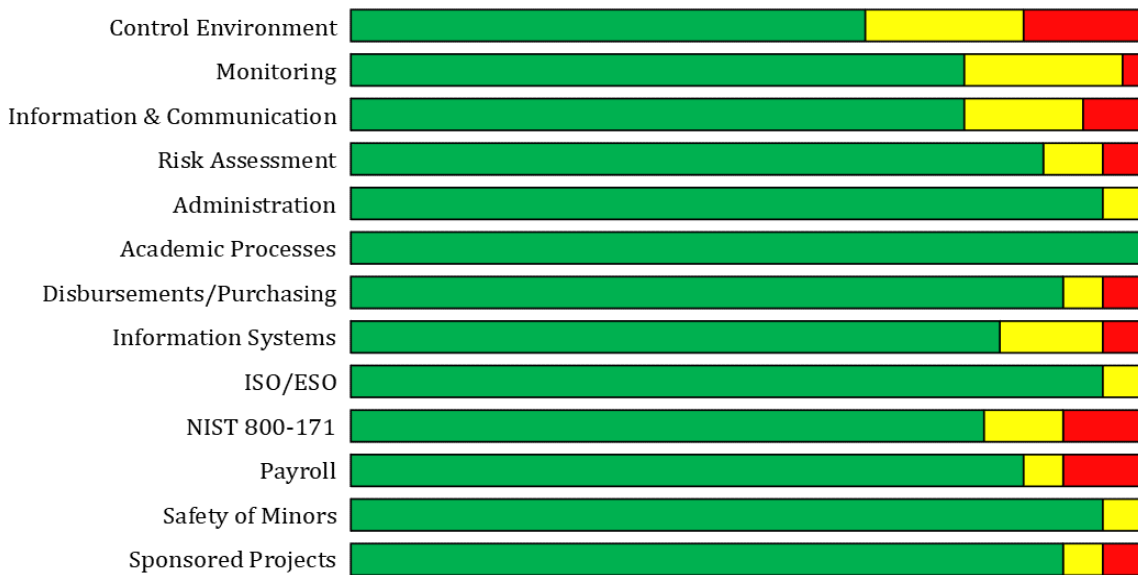
Report #	2121	Issue Date	Mar-21
# of Essential Recs.	7	Total # of Recs.	20
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

The College of Science and Engineering (CSE) is ranked among the top engineering and science academic programs in the country. The college includes 12 academic departments offering a wide range of degree programs. It is one of the few combined science and engineering colleges in the country. From the results of the audit work performed we believe CSE's control environment and system of internal controls is generally good and addresses most major business, compliance, and technology risks. However, the audit resulted in seven issues considered "essential" to minimizing existing operational and compliance risks involving NIST 800-171 compliance, IT support for maintenance of CSE applications, I-9 and background check regulations, payroll overpayments, unallowable expenses on sponsored projects, and approval processes from Risk Management and Office of the General Council (OGC) for charter bus rentals.

Telehealth Security and Compliance

Control Environment
Monitoring
Information & Communication
Risk Assessment
Strategy & Sustainability
Security
Compliance & Privacy

Report #	2122	Issue Date	Mar-21
# of Essential Recs.	4	Total # of Recs.	6
Overall Assessment	Good	Adequacy of MAP	Satisfactory

There are many different types of telehealth activities at the University, which have grown rapidly since the start of the pandemic. We found, despite this unprecedented growth, the University's telehealth activities are operating effectively. Units are using consistent tools, collaborating with appropriate University compliance and security units, and providing a critical service to students and the University community during the pandemic. There are some areas for improvement, which is to be expected given the precipitous switch to virtual care in Spring 2020. These improvements include some tools that should be replaced or reviewed for compliance, ensuring proper assignment of HIPAA approved tools, and additional oversight for long-term telehealth expansion and management.

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

Board of Regents Internal Reporting

Control Environment	(green bar)
Monitoring	(green bar)
Information & Communication	(green bar)
Risk Assessment	(green bar)
BOR Reporting	(green bar)
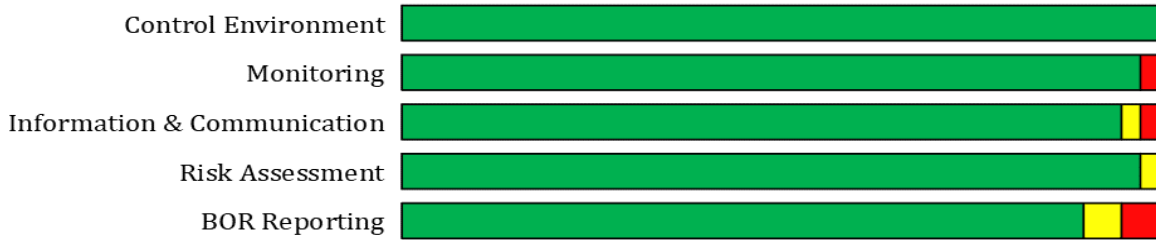
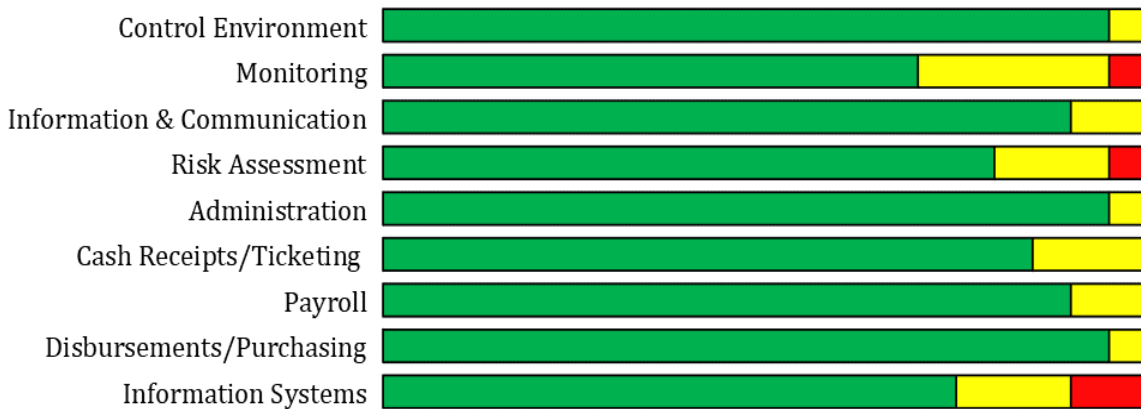|			
Report #	2123	Issue Date	Apr-21
# of Essential Recs.	1	Total # of Recs.	2
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

The role of the Board of Regents is to articulate a vision for the University and work to ensure the University of Minnesota fulfills its mission of education, research, and outreach. Reports are presented to, and reviewed by, the Board as a whole or by one of the five committees. Most reports are annual, but others can be quarterly, semi-annually, on-going, or unspecified. The Office of the BOR has recorded the required reports in a matrix that is included in the BOR planning calendar. There are approximately 40 reports that are required to be presented to the BOR or one of the committees. From the results of the audit work performed, generally the required reporting fulfilled BOR policy, was delivered in the specified timeframe and included the required information. It is noted that there are some inconsistencies in annual reports as to when they are delivered to the BOR or committee and that the BOR policies are vague on this timing. One issue considered "essential" involved the American Indian Advisory Board's Report and Reservation and Delegation of Authority Report have not been received by the BOR or committees in at least the past three years.
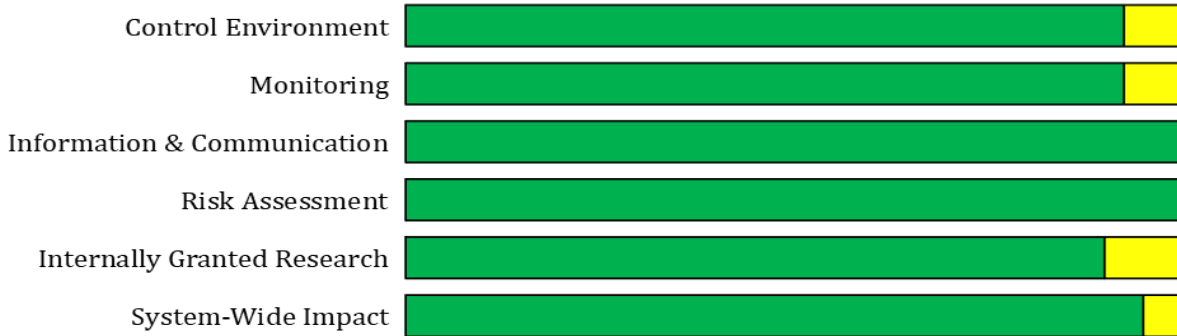
Northrop

Control Environment	(green bar)
Monitoring	(green bar)
Information & Communication	(green bar)
Risk Assessment	(green bar)
Administration	(green bar)
Cash Receipts/Ticketing	(green bar)
Payroll	(green bar)
Disbursements/Purchasing	(green bar)
Information Systems	(green bar)

Report #	2124	Issue Date	Apr-21
# of Essential Recs.	2	Total # of Recs.	11
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

Northrop is the University's performing arts venue hosting concerts, dance performances, lectures, and graduations. Since the closure in March 2020 due to COVID-19, Northrop has only been able to host one live concert with a limited audience, which was held in September 2020. Northrop has been innovative in hosting several live stream events during the closure to introduce new audiences, and potentially new donors, to the performing arts. Northrop ticketing system is a University enterprise customer relationship management (CRM) system. The system is used to sell event tickets, merchandise, memberships, gift certificates and donations. From the results of the audit work performed, we believe Northrop has developed a control environment and a system of internal control that addresses most major business, compliance and information technology risks. The audit resulted in two issues considered "essential" to minimizing existing information technology risks involving the ticketing system vendor accounts, which have persistent and privileged access to the University's ticketing system environment, and insufficient user access and activity logging and monitoring for the ticketing system.

■ Adequate Control　□ Significant Control Issue(s)　■ Critical Control Issue(s)
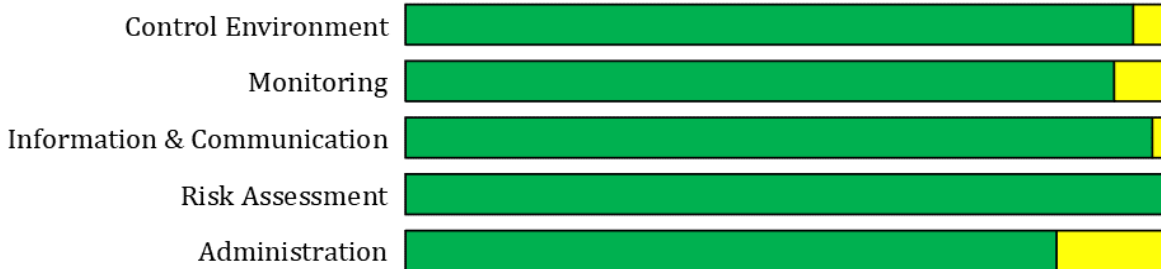
Internally Granted Research

Category	Assessment
Control Environment	Adequate Control (with Significant Control Issue)
Monitoring	Adequate Control (with Significant Control Issue)
Information & Communication	Adequate Control
Risk Assessment	Adequate Control
Internally Granted Research	Adequate Control (with Significant Control Issue)
System-Wide Impact	Adequate Control (with Significant Control Issue)

Report #	2125	Issue Date		May-21
# of Essential Recs.	0	Total # of Recs.		3
Overall Assessment:	Good	Adequacy of MAP		Satisfactory

The focus of this audit was on non-sponsored internal research funding opportunities that have competitive application and awarding processes similar to sponsored research opportunities. From the results of the audit work performed, we believe the University's processes for awarding internally granted research funds address most major business, compliance and strategic risks. The projects we reviewed were clearly tied to the strategic plan for the University and to the strategy of each of the units offering the grants. However, recommendations were suggested to encourage departments or units to create processes to assess internally granted research outcomes and return on investment on a unit-wide basis, and for OVPR to consider creating guidance materials or educational materials, act as an advisor for units creating internally granted research process and procedure documents, and to consider creating guidance that details best practices for tracking and monitoring internally granted research projects.

Openness in Research

Category	Assessment
Control Environment	Adequate Control (with Significant Control Issue)
Monitoring	Adequate Control (with Significant Control Issue)
Information & Communication	Adequate Control (with Significant Control Issue)
Risk Assessment	Adequate Control
Administration	Adequate Control (with Significant Control Issue)

Report #	2126	Issue Date		May-21
# of Essential Recs.	0	Total # of Recs.		3
Overall Assessment:	Good	Adequacy of MAP		Satisfactory

The University's Openness in Research policy states, "Absent compelling reasons, the University shall not accept restrictions on participation in University research or on the dissemination of the results of University research." All researchers at the University are expected to follow the Board policy; however, the administrative policy states, "Research agreements that do not conform to this policy will only be accepted if the principal investigator obtains an exemption." If negotiations between Sponsored Project Administration and the sponsor do not succeed in modifying or removing the sponsor's restrictive terms and conditions, and the project's Principal Investigator wants to continue with the research, the PI is advised by Sponsored Project Administration to seek an exemption. From the results of the audit work performed, we believe the University has developed an effective process for review of exemption requests to the Openness in Research policy; however, three issues considered "significant" to improve the process involve tracking of exemptions, documenting details of exemption decisions, and oversight for compliance with exemption conditions.

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

SNAP Review Summary

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.

$2 Employee Essential Pay

This SNAP review was performed to determine whether any essential employees were receiving earning code "EEA" (Essential Employee Augmentation) after the president discontinued the practice on 6/21/20. This code was used on both hourly and exception hourly time sheets to grant essential workers a $2-an-hour augmentation for the hours they worked on-site.

Pcard Transactions with Telecommunication Related Keywords

This SNAP Review was performed to identify any Purchasing Card (PCard) telecommunication device purchases that may violate Section 889 of the National Defense Authorization Act which included the covered telecommunications equipment or services for dates between 1/1/2019 to 4/25/2021.

Student COVID Refunds

This SNAP Review was performed to determine whether the students who were charged a Course/Class Fee, Student Service Fee, Housing/Dining, and Parking for the Twin Cities campus for Spring 2020 were refunded appropriately based on the 'Comprehensive Student Refund Plan' proposed by University President Joan Gabel and approved by the Board of Regents on April 3, 2020.

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance   **June 10, 2021**

AGENDA ITEM: Internal Audit Plan

| ☐ **Review** | ☐ **Review + Action** | ☐ **Action** | **X** **Discussion** |

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

PRESENTERS: Gail Klatt, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is discussion of the recommended Internal Audit Plan for FY 2022. The plan includes 22 audits of University processes and units, is risk-based, and continues to reflect the principles of the Integrated Framework of Internal Control. It maintains audit coverage of University units and includes audits specifically selected to inform the Board of Regents and institutional leadership on areas where institutional risks may exist.

Selection of activities for inclusion in the annual audit plan considered alignment with the Institutional Risk Profile, the MPact 2025 systemwide strategic plan, and balanced coverage across the University. The plan provides for additional flexibility, which was found to be valuable during FY 2021. Audit resources have also been reserved for administrative/special requests and investigative audit needs.

BACKGROUND INFORMATION

The Audit & Compliance Committee is delegated the responsibility to review the annual Internal Audit plan on behalf of the Board of Regents in accordance with Board of Regents Policy: *Board Operations and Agenda Guidelines.*

FISCAL YEAR 2022
INTERNAL AUDIT ANNUAL PLAN

PURPOSE OF THE ANNUAL PLAN

The annual internal audit plan is intended to convey a current sense of the University's internal control environment and the extent to which institutional risk mitigation is being assessed by regular audit activities, addressed proactively through advisory services, or investigated as a result of reported concerns.
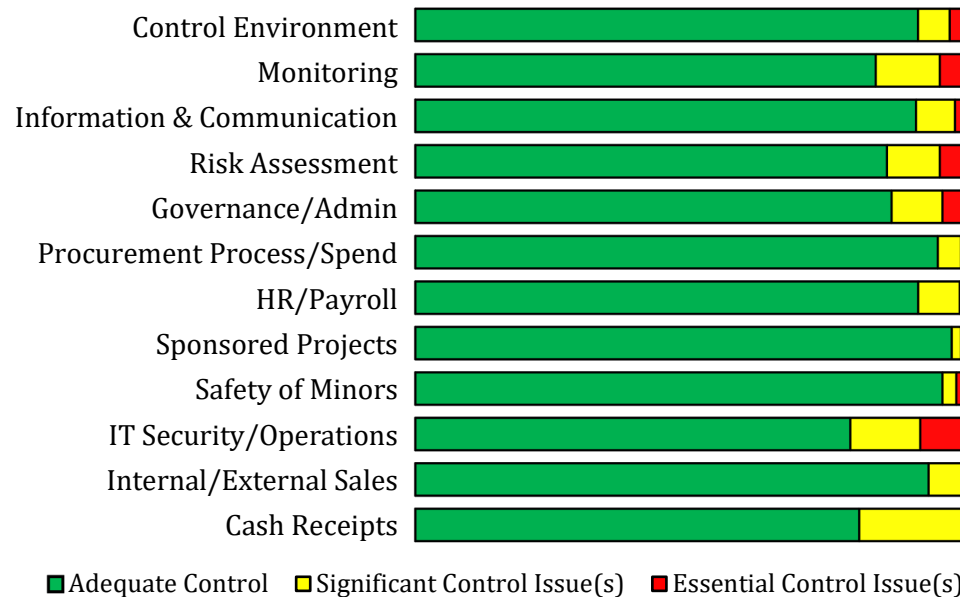
The plan also includes information that demonstrates our accountability for our resources and our ongoing efforts to continually improve the University's internal audit program.

RECAP OF FY 2021 INTERNAL AUDIT RESULTS

Our audit planning begins with a review of past audit coverage and results. Appendix A recaps the audits completed in FYs 2019-2021 and the resulting overall control assessment for each. **We will have completed 27 audits in FY 2021.** 89% of the 27 audits had satisfactory results. 4% 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 2021. It reflects the state of the internal control environment based on the audit work performed.

Overall Control Evaluation

Control Environment
Monitoring
Information & Communication
Risk Assessment
Governance/Admin
Procurement Process/Spend
HR/Payroll
Sponsored Projects
Safety of Minors
IT Security/Operations
Internal/External Sales
Cash Receipts

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

FY 2021 AUDIT PLAN COMPLETION

We did not create a FY 21 audit plan due to the pandemic. However, we frequently updated the Audit and Compliance Committee on the use of audit resources using a 'rolling' audit plan.
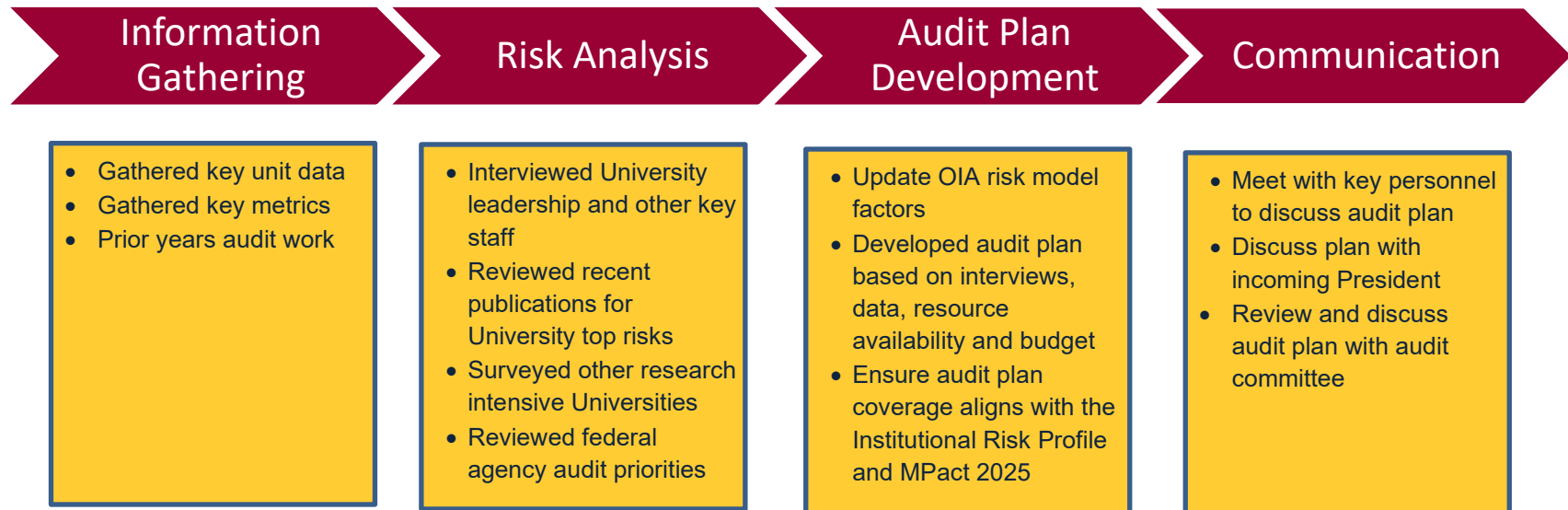
In addition to the 27 audits completed:
- Eight audits are currently in the planning or fieldwork stages and will be completed in FY 2022.
- Twelve SNAP audits were issued, with another one in process.
  (See Appendix B for the audit status for FY 2021)

During the past fiscal year we conducted three 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.

27 Audit Reports Issued
3 Investigations Conducted
12 SNAP reviews Completed

DEVELOPMENT OF THE FY 2022 ANNUAL PLAN

The development of the annual audit plan is based on information gathered through broad consultation across the University and a formal assessment of existing and emerging risks. We also do a scan to identify areas of emphasis at relevant federal agencies and survey other research universities regarding the assessment of risks within their institutions. Below is a chart that illustrates the approach that was taken in developing the audit plan:

Information Gathering	Risk Analysis	Audit Plan Development	Communication
• Gathered key unit data • Gathered key metrics • Prior years audit work	• Interviewed University leadership and other key staff • Reviewed recent publications for University top risks • Surveyed other research intensive Universities • Reviewed federal agency audit priorities	• Update OIA risk model factors • Developed audit plan based on interviews, data, resource availability and budget • Ensure audit plan coverage aligns with the Institutional Risk Profile and MPact 2025	• Meet with key personnel to discuss audit plan • Discuss plan with incoming President • Review and discuss audit plan with audit committee

External Risk Assessment / Scan of the National Landscape of Higher Education

Regulatory Agencies: The area currently receiving the most attention by federal agencies is their continued concern regarding undue foreign influence on university campuses. Other areas of concern include data management, temporary flexibilities allowed by OMB during the pandemic, and federal relief spending.

Research Universities: Risks identified in our survey of other research universities found common themes around risks associated with cybersecurity and ransomware, along with campus safety and social unrest. Several noted concerns regarding expanding federal research data security requirements, financial and operational recovery from COVID-19, diversity, equity & inclusion, and telemedicine.

Internal Risk Assessment Approach

We held discussions with 90 institutional officials from 46 units to solicit input on the University's institutional risks and any specific areas of concern. Themes identified include recovery after COVID-19, campus safety and social unrest, staffing, such as RIO, the hiring freeze, and a safe return to work, diversity, equity and inclusion, system enrollment and finances, and data security.

Input solicited from 90 Institutional Officials from 46 Units

We also reviewed the Institutional Risk Profile as well as Board of Regents meeting agendas for topics of interest at the governance level.

Operational Risk Assessment

Our annual planning process includes re-examining the University's "audit universe" to ensure that all University activities are considered when determining how audit resources can best be allocated. We also consider new regulatory developments, new business processes, and institutional priorities and strategic initiatives.

The Office of Internal Audit continues to utilize a formalized risk assessment methodology in selecting processes/units/systems for inclusion in the annual audit plan. Relative risk assessment is necessary to provide a basis for the rational deployment of our limited resources across the institution. The risk factors considered in prioritizing institutional activities include:
- Impact on the University's mission
- Impact on University finances
- Assessment of the activity's control environment
- Level of compliance concerns
- Impact of information technology
- Complexity and/or diversity of the activity
- Changes in the organization or leadership

Our operational risk assessment resulted in a risk ranking of 178 individual auditable activities, of which 26 are considered to be high-risk, 108 moderate-risk, and 44 low-risk. A rating of "high-risk" does not mean that the activity is perceived to have control problems, but rather reflects the criticality or centrality of the activity to the University's mission.

Audit coverage has already been provided for many of the risks identified in our review of the risk landscape. This includes projects related to international scholars, CARES Act spending, telehealth, and foreign gifts and contracts reporting.

Key Themes Identified

➢ Recovery after COVID-19
➢ Campus Safety/Social Unrest
➢ Staffing - RIO/Hiring Pause/Return to Work
➢ Diversity, Equity & Inclusion
➢ System Campus Enrollment & Finances
➢ Information Security & Data Management

ALLOCATION OF AUDIT RESOURCES

The audit plan is based on our current staffing complement of 14.75 FTE audit professionals.
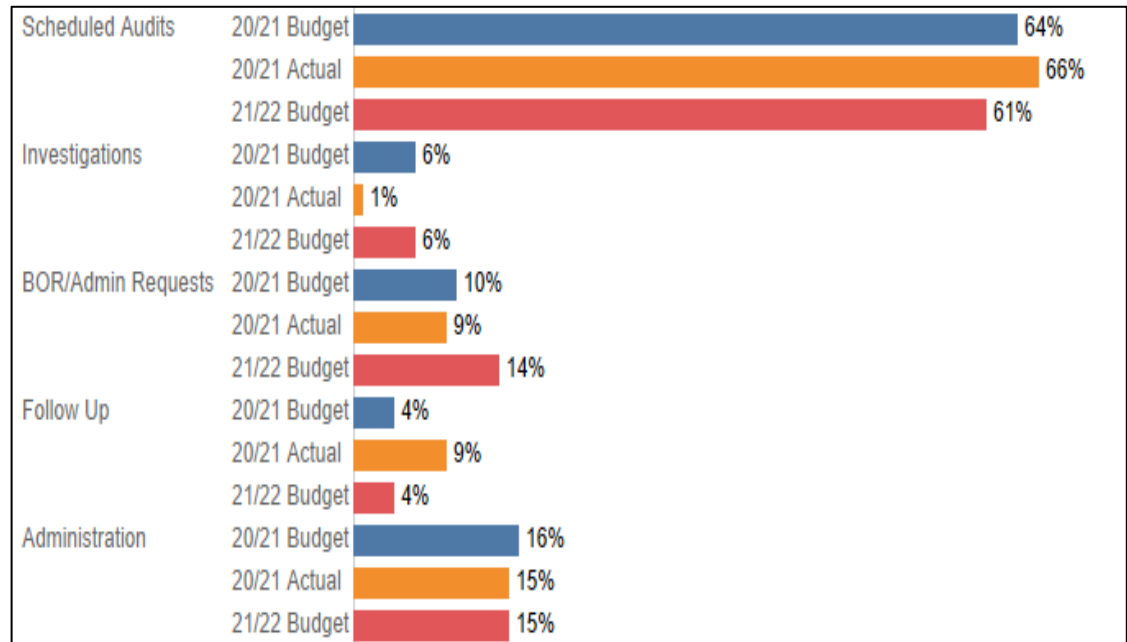
Approximately 61% of the Office of Internal Audit's resources are committed to the completion of planned audit projects. This year 6% of those resources will be needed to complete carry-over work from audits started in FY 2021. Eight audit projects are currently in process and will be reported in FY 2022.

The remainder of our FY 2022 audit resources is reserved as follows:

- 14% has been reserved to accommodate requests from the President, the Board, or members of the senior leadership team. This is slightly higher in anticipation of requests related to Covid-19 impacts and other recent events.
- 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 reserved remains consistent from previous years.
- 15% has been set aside for internal administrative functions, including our continuous improvement efforts. This remains fairly consistent with previous years, but we recognize there could be additional admin work related to the Chief Auditor's transition.

Percent of Audit Resources for FY 2021 and FY 2022
Percent of Available Time

		Percent
Scheduled Audits	20/21 Budget	64%
	20/21 Actual	66%
	21/22 Budget	61%
Investigations	20/21 Budget	6%
	20/21 Actual	1%
	21/22 Budget	6%
BOR/Admin Requests	20/21 Budget	10%
	20/21 Actual	9%
	21/22 Budget	14%
Follow Up	20/21 Budget	4%
	20/21 Actual	9%
	21/22 Budget	4%
Administration	20/21 Budget	16%
	20/21 Actual	15%
	21/22 Budget	15%

OVERALL RISK FOCUS AND IMPACT ON THE FY 2022 AUDIT PLAN

Our proposed internal audit plan for FY 2022 includes several activities and units that were impacted by COVID-19. Selected academic units and operational areas are also included in the plan to maintain reasonable cycles of audit coverage and to cover other key risks.

We are approaching the audit plan with additional flexibility than provided for in previous annual plans. This is intended to enable us to accommodate performing audit work in response to emerging issues throughout the year.

In selecting areas for audit coverage we paid particular attention to the risks included in the Institutional Risk Profile as well as the goals laid out in the MPact 2025 strategic plan.

We recognize the importance of Diversity, Equity and Inclusion (DE&I) for a positive University environment. As applicable we will blend DE&I reviews into our audit work to align with MPact 2025 goals. We are also including one audit in our plan of an Accessibility & Disability Services topic to directly review University support on this subject.

PROPOSED FISCAL YEAR 2022 AUDIT PLAN

Taking into consideration the risks identified externally as well as internally, and balancing all of the above with our available resources, the audit plan recommended for FY 2022 includes the following:

Unit Audits

High Risk	Moderate Risk	Low Risk
•**Energy Mgmt and Steam Plant** •**Veterinary Medical Center**	•**Genomics Center** •**Housing and Residential Life** •**MN State COVID 19 Testing Contract** •**Neurology** •**Research Animal Resources** •**UMN Duluth Health Services** •**UMN Duluth ITSS** •Accessibility & Disability Services (Topic) •Real Estate •RecWell •Athletics Financial Activities •School of Public Health - Health Policy	•**Industrial and Systems Engineering** •UMN Duluth Chancellor's Office and Development & Marketing

Process Audits

High Risk	Moderate Risk
•**COVID Research** •I-9 Processing	•**Sport Audit- Compliance and Operations** •**Retirement Incentive and Hiring Pause** •Mayo Partnership •Supplier ACH Payments

The audits noted in Bold above indicate Tier 1 audits. These are higher-priority projects that we intend to complete as planned, similar to Annual Audit plans provided in the past. After a fiscal year without a formalized audit plan, we found the flexibility to add audits to address emerging risks more quickly to be very valuable. To build some degree of this flexibility into the audit plan we have classified the remaining audits as Tier 2. These audits may be replaced/substituted if higher priority needs for audit coverage arise during the year. Such changes will be reported to the Audit & Compliance Committee as part of our periodic internal audit updates.

The audit plan includes two audits specifically focused on information security risks with additional coverage of these risks being imbedded in several of the other planned audits. However, our IT audit coverage is negatively impacted by one of our two dedicated IT auditor positions being unfilled due to the University's hiring pause. While we plan to fill the position, the work currently planned exceeds our existing resources. We are looking at several alternatives to fill this gap including leveraging non-IT audit resources, internships with University students, and/or working with management to lend IT resources for some IT audit projects. Once we have successfully filled the open position we will re-evaluate our resources and add additional IT related audits that we would have included in the current plan if we had the necessary resources.

The proposed audit plan includes significant coverage of selected risks included on the current Institutional Risk Profile

Audit Coverage of Institutional Risks

Institutional Risk	FY 22	FY 21	FY 20
Clinical Partnerships	X		
Collaboration w/ Externalities & Joint Ventures	X		
Decentralization	X	X	X
Employee Demographics/Succession Planning	X	X	
Facilities – Maintenance, Scope & Alignment	X		X
Faculty Retention			
Information Technology – Security/Failure/Resilience/Cost	X	X	X
Intercollegiate Athletics	X	X	X
International Activities	X	X	X
Legal & Regulatory Compliance	X	X	X
New & Disruptive Educational Models		X	X
Public Funding Reliability, Economic Climate & Financial Sustainability	X	X	
Representational Diversity	X		
Shifting Enrollment Patterns			
High Risk Research	X	X	X
Research or Clinical Misconduct	X		X
Brand & Reputation Management	X	X	X
Campus Safety	X	X	X
Campus Climate & Free Speech			X
Crisis Management			X
Sexual Misconduct – Prevention, Training & Response			X

The FY 2022 plan continues to provide well-balanced coverage across the University. The following chart shows the distribution of audit coverage by University component for FY 2022, based on the number of hours allocated to each component.

FY 2022 Audit Coverage by University Components
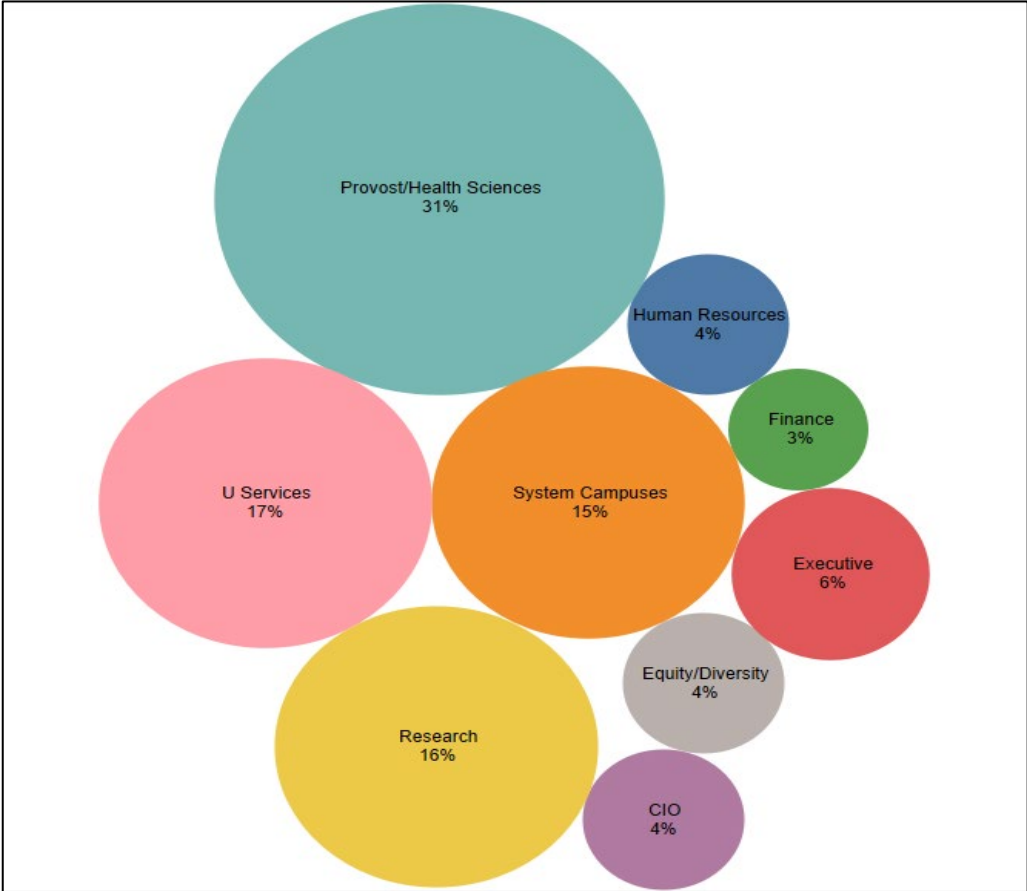
SUMMARY

The proposed FY 2022 internal audit plan rationally allocates the University's finite audit resources to a well-balanced portfolio of audits that address areas identified as being of significant risk, provides coverage across the breadth of the institution, and will provide information to help inform leadership and governance discussions. The plan also provides for additional flexibility to enable us to respond to emerging needs throughout the year.

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 by the client. There were a few instances where scope was modified due to the work at home environment.

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.

We also rely on the audit work performed by external construction audit firms engaged by the University's Capital Planning and Project Management (CPPM) unit for construction projects that are delivered using the Design/Build or the Construction Manager at Risk delivery methods. We are in agreement with the scope of this audit work and receive and review copies of their reports.

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.

60% Response Rate for Audit Surveys Sent to 1,234 Employees

The Office of Internal Audit interfaces regularly with the Institutional 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 2021 to date, a total of 1,234 employee surveys were sent out as part of our audit process, with a 60% response rate. Along with the Office of Institutional Compliance, we serve on the triage team for managing UReport, the University's anonymous hotline. We are working with the Office to ensure that duplication does not occur between the risk assessments and audits. Both offices are 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.
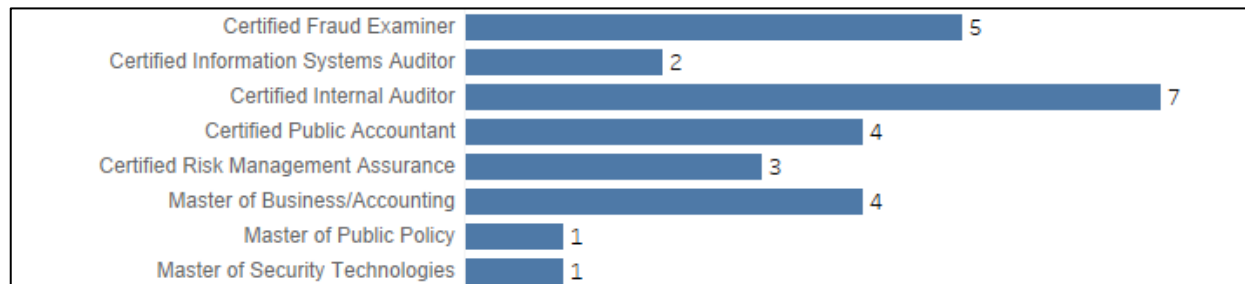
STAFF DEVELOPMENT, QUALIFICATIONS AND PROFESSIONAL INVOLVEMENT

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 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 two of the professional internal audit staff are professionally credentialed or hold advanced degrees, and those two are in the process of obtaining credentials. 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

Certification/Degree	Count
Certified Fraud Examiner	5
Certified Information Systems Auditor	2
Certified Internal Auditor	7
Certified Public Accountant	4
Certified Risk Management Assurance	3
Master of Business/Accounting	4
Master of Public Policy	1
Master of Security Technologies	1

In the first 10 months of FY 2021, the Office of Internal Audit provided over 1,400 hours of formal and informal training (an average of over 85 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. For FY 2022, 1,120 hours have been budgeted for formal staff training, an average of 70 hours per employee.

Over 1400 Hours of Formal and Informal Training

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 department for maintaining a very strong internal audit function that provides valued assurance services to a dynamic, diverse and complex institution. Our next external quality assurance review will be completed in FY 2025.

OFFICE OF INTERNAL AUDIT FY 2021 STAFFING

We did not experience any turnover in FY 21. We traditionally have turnover of approximately 13%. We do however have one open IT audit position, which was not filled prior to the hiring pause and still remains open. As stated above, we intend to rehire this position in FY 2022.

OFFICE OF INTERNAL AUDIT BUDGET STATUS

The Office of Internal Audit budget is being reduced by 3% as part of the University's reallocation plan. We are receiving preliminary funding for a 1.5% compensation increase, consistent with the administration's expected pay plans.

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

Legend: ● Good | ▢ Adequate | ◆ Needs Improvement | ○ No Rating | IP In process

Fiscal Year 2021

Academic	Finance	Information Technology	System Campuses	Human Resources	Student	Other
● Pharmacology	● SVP Finance and Ops Transition	● OIT Job Scheduling	● UM Duluth Student Life Admin		● NCAA Compliance Base/Softball	● International Scholars
● Dean CEHD Transition	● CARES Act	▢ OIT Application Development	● Labovitz Business & Economics			● Executive & Dean Expenses
● CFANS Southern ROC	● Prepaid Debit Card Program	IP OIT Help Desk	IP UM Duluth Human Resources			◆ University Health and Safety
● Anatomy Bequest Program	● Idle Time Charged to Sponsored					▢ UMarket
● CSE Deans Off & Reporting Centers	● Retirement Transition					● Telehealth
	● Foreign Gifts and Contrt Reporting					● BOR Required Reporting
	● Compliance w Remote Purchasing					● Northrop
						● Internally Granted Research
						● Openness in Research

Fiscal Year 2020

Academic	Finance	Information Technology	System Campuses	Human Resources	Student	Other
● 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						● Inst for Social Res & Data Innov
● Carlson School of Management						▢ Weisman Art Museum
● Vet Med Dean Transition						● Presidential Transition
● Executive VP & Provost Transition						
● Lab Medicine & Pathology						

Fiscal Year 2019

Academic	Finance	Information Technology	System Campuses	Human Resources	Student	Other
● 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 Extention 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

Audits Completed

High Risk
International Scholars
CARES Act
Retirement Transition
Foreign Gifts and Contracts Reporting
Telehealth

Moderate Risk
OIT Job Scheduling
OIT Business Services Application Development
UMN Duluth Student Life Administration
Executive and Dean Expenses
Department of Pharmacology
University Health and Safety
U Market Services
Baseball and Softball Compliance and Operations
Anatomy Bequest Program
Prepaid Debit Card Program
Idle Time Charged to Sponsored Awards
Compliance with Remote Working Purchasing Policies
CSE Deans Office and Reporting Centers
BOR Required Reporting
Northrop
Internally Granted Research
Openness in Research
Labovitz School of Business and Economics

Low Risk
CFANS Southern Research and Outreach Center

System-Wide Audits/Reviews
Testing of UMF Transactions FY 20

Transition Reviews
Dean of College of Education and Human Development
Senior Vice President of Finance and Operations

Audits Expected to be Completed in FY 21

Moderate Risk
UMN Duluth Human Resources

Audits Started in FY21 to be Completed in FY22

Moderate Risk
OIT Help Desk and Incident Management
School of Dentistry
Graduate School
Academic and Research Misconduct
Emergency Funds
Canvas/Unizin
Employee Immigration Collaborative Assessment
Scholarship Funding, Metrics, and Outcomes

System-Wide Audits/Reviews
Testing of UMF Transactions FY 21

SNAP Review

12 reviews issued: CS/LR Furlough Hours, 27th Pay Period, Faculty/P&A Pay Reduction, SSN Campus Solutions, Gift Revenue Deposit, Travel During the Pandemic, Human Participant Payment Justifications, $2 Essential Pay, Work Study – Extended Reduced Operations, Student COVID Related Refunds (Housing/Dining, Parking, Student Service Fee, and Class/Course Fees), PCard Telecom, Inactive Employees with PCard/TCard

2022 Internal Audit Plan
Office of Internal Audit

Board of Regents Audit and Compliance Committee
June 10, 2021

UNIVERSITY OF MINNESOTA
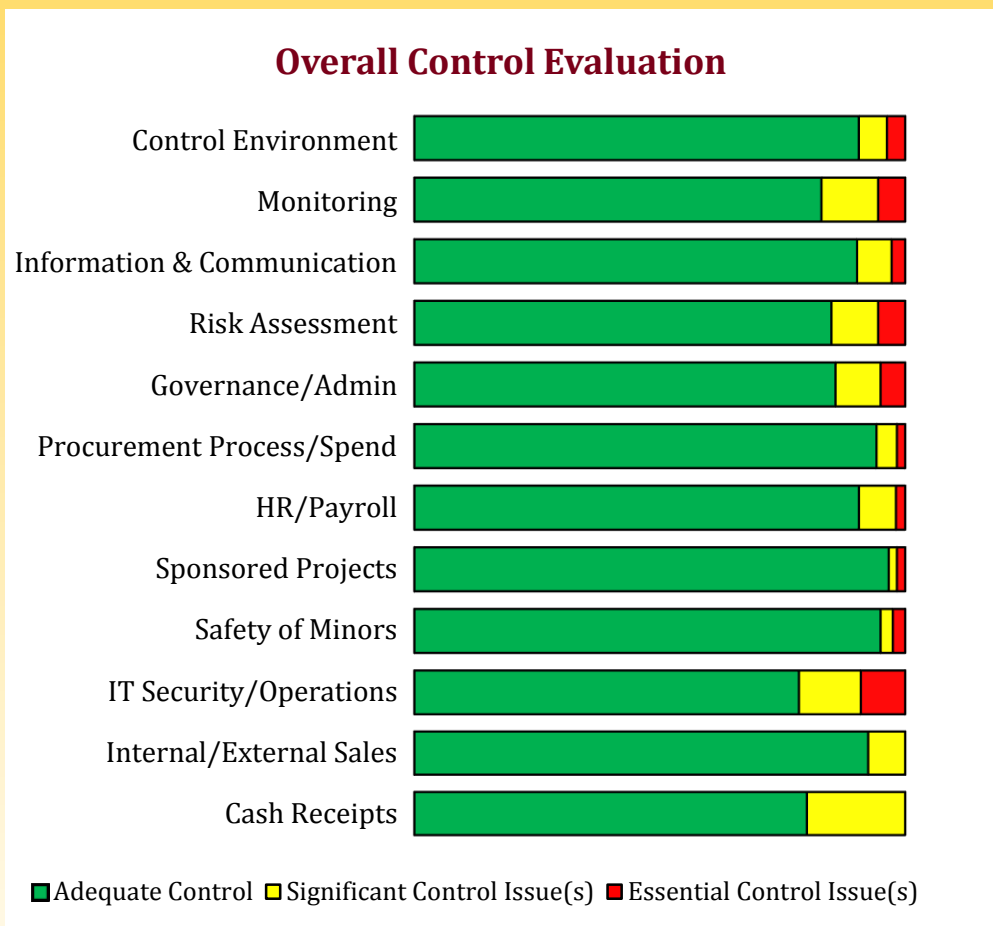
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Topics

- FY 2021 Audit Results
- Risk Assessment and Plan Development
- FY 2022 Audit Plan
- Other Required Communications

2021 Audit Results

- 27 Audits Completed
- 3 Investigations
- 12 SNAP Reviews Completed

Overall Control Evaluation

Bar chart categories (top to bottom): Control Environment, Monitoring, Information & Communication, Risk Assessment, Governance/Admin, Procurement Process/Spend, HR/Payroll, Sponsored Projects, Safety of Minors, IT Security/Operations, Internal/External Sales, Cash Receipts

Legend: ■ Adequate Control □ Significant Control Issue(s) ■ Essential Control Issue(s)

Development of FY 22 Plan

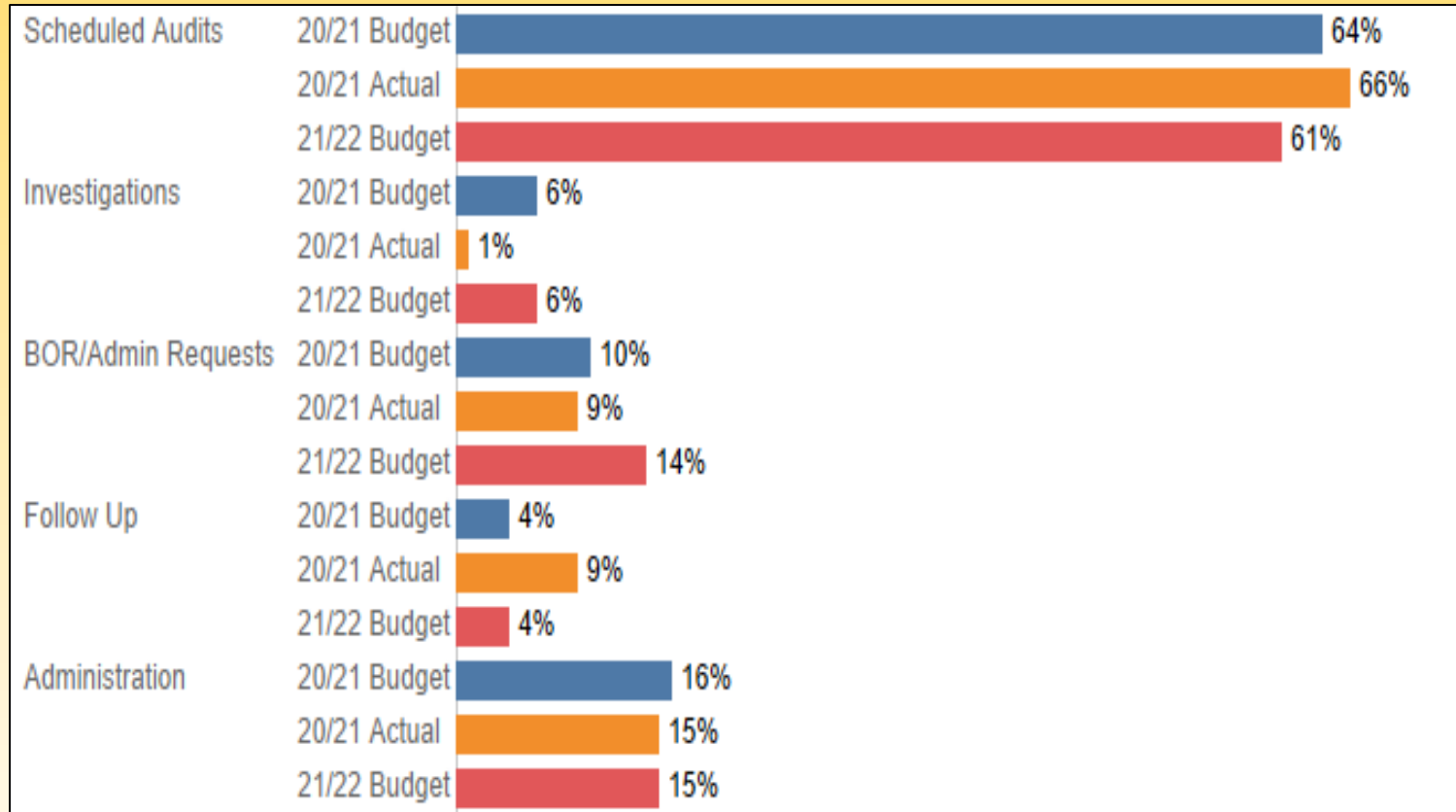| Information Gathering	Risk Analysis	Audit Plan Development	Communication
• Gathered key unit data • Gathered key metrics • Prior years audit work	• Interviewed University leadership and other key staff • Reviewed recent publications for University top risks • Surveyed other research intensive Universities • Reviewed federal agency audit priorities	• Update OIA risk model factors • Developed audit plan based on interviews, data, resource availability and budget • Ensure audit plan coverage aligns with the Institutional Risk Profile and MPact 2025	• Meet with key personnel to discuss audit plan • Discuss plan with incoming President • Review and discuss audit plan with audit committee

UNIVERSITY OF MINNESOTA
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FY 2022 Allocation of Resources

COMPARSION OF AUDIT RESOURCES FOR FY 2021 AND FY 2022

Percent of Available Time

		Percent
Scheduled Audits	20/21 Budget	64%
	20/21 Actual	66%
	21/22 Budget	61%
Investigations	20/21 Budget	6%
	20/21 Actual	1%
	21/22 Budget	6%
BOR/Admin Requests	20/21 Budget	10%
	20/21 Actual	9%
	21/22 Budget	14%
Follow Up	20/21 Budget	4%
	20/21 Actual	9%
	21/22 Budget	4%
Administration	20/21 Budget	16%
	20/21 Actual	15%
	21/22 Budget	15%

Deploying Audit Resources

- High-risk activities

- Major organizational components

- Institutional risk profile/ risk mitigation plans

- Areas of strategic priority

- Management requests

Audit Universe
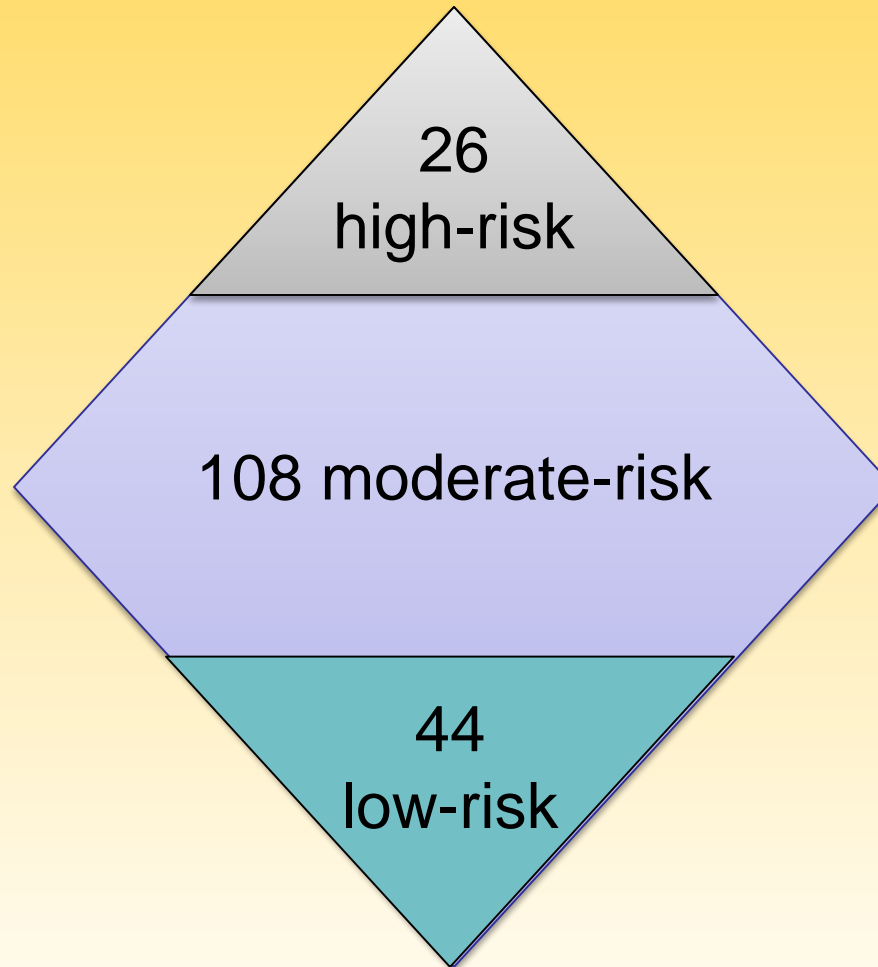
26
high-risk

108 moderate-risk

44
low-risk

UNIVERSITY OF MINNESOTA

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Key Themes Identified

➢ Recovery After COVID-19

➢ Campus Safety/Social Unrest

➢ Staffing – RIO/Hiring Pause/Return to Work

➢ Diversity, Equity and Inclusion

➢ System Campus Enrollment & Finances

➢ Information Security & Data Management

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FY 2022 Annual Audit Plan

Unit Audits

High Risk	Moderate Risk	Low Risk
•**Energy Management & Steam Plant** •**Veterinary Medical Center**	•**Genomics Center** •**Housing & Residential Life** •**MN State COVID 19 Testing Contract** •**Neurology** •**Research Animal Resources** •**UMN Duluth Health Services** •**UMN Duluth ITSS** •Accessibility & Disability Services (Topic) •Real Estate •RecWell •Athletics Financial Activities •School of Public Health – Health Policy	•**Industrial & Systems Engineering** •UMN Duluth Chancellor's Office and Development & Marketing

FY 2022 Annual Audit Plan

Process Audits

High Risk
•**COVID Research** •I-9 Processing

Moderate Risk
•**Sport Audit- Compliance & Operations** •**Retirement Incentive and Hiring Pause** •Mayo Partnership •Supplier ACH Payments

UNIVERSITY OF MINNESOTA

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Audit Coverage of Institutional Risks

Institutional Risk	FY 22	FY 21	FY 20
Clinical Partnerships	X		
Collaboration w/ Externalities & Joint Ventures	X		
Decentralization	X	X	X
Employee Demographics/Succession Planning	X	X	
Facilities – Maintenance, Scope & Alignment	X		X
Faculty Retention			
Information Technology – Security/Failure/Resilience/Cost	X	X	X
Intercollegiate Athletics	X	X	X
International Activities	X	X	X
Legal & Regulatory Compliance	X	X	X
New & Disruptive Educational Models		X	X
Public Funding Reliability, Economic Climate & Financial Sustainability	X	X	
Representational Diversity	X		
Shifting Enrollment Patterns			
High Risk Research	X	X	X
Research or Clinical Misconduct	X		X
Brand & Reputation Management	X	X	X
Campus Safety	X	X	X
Campus Climate & Free Speech			X
Crisis Management			X
Sexual Misconduct – Prevention, Training & Response			X

Institutional Risk Profile Audit Coverage

High Risk Research/Research or Clinical Misconduct

- COVID Research

- Neurology

- Genomics Center

- Research Animal Resources

- Academic and Research Misconduct

Representational Diversity

- Graduate School

- Accessibility and Disability Services (Topic)

- Employee Immigration

Information Technology - Security/Failure/Resilience/Cost

- UM Duluth ITSS

- Energy Management & Steam Plant

- Canvas/Unizin

- Help Desk and Incident Management

- Veterinary Medical Center

Campus Safety

- Energy Management & Steam Plant

- Housing & Residential Life

- UMN Duluth Health Services

Legal and Regulatory Compliance

- Sport Audit- Compliance & Operations

- COVID Research

- MN State COVID 19 Testing Contract

- I-9 Processing

- Research Animal Resources

- Accessibility & Disability Services (Topic)

- Employee Immigration

Brand and Reputational Management

- Accessibility and Disability Services (Topic)

- Gift Testing

- Research Animal Resources

- Athletic Financial Activities

FY 2022 Audit Coverage by Major Component
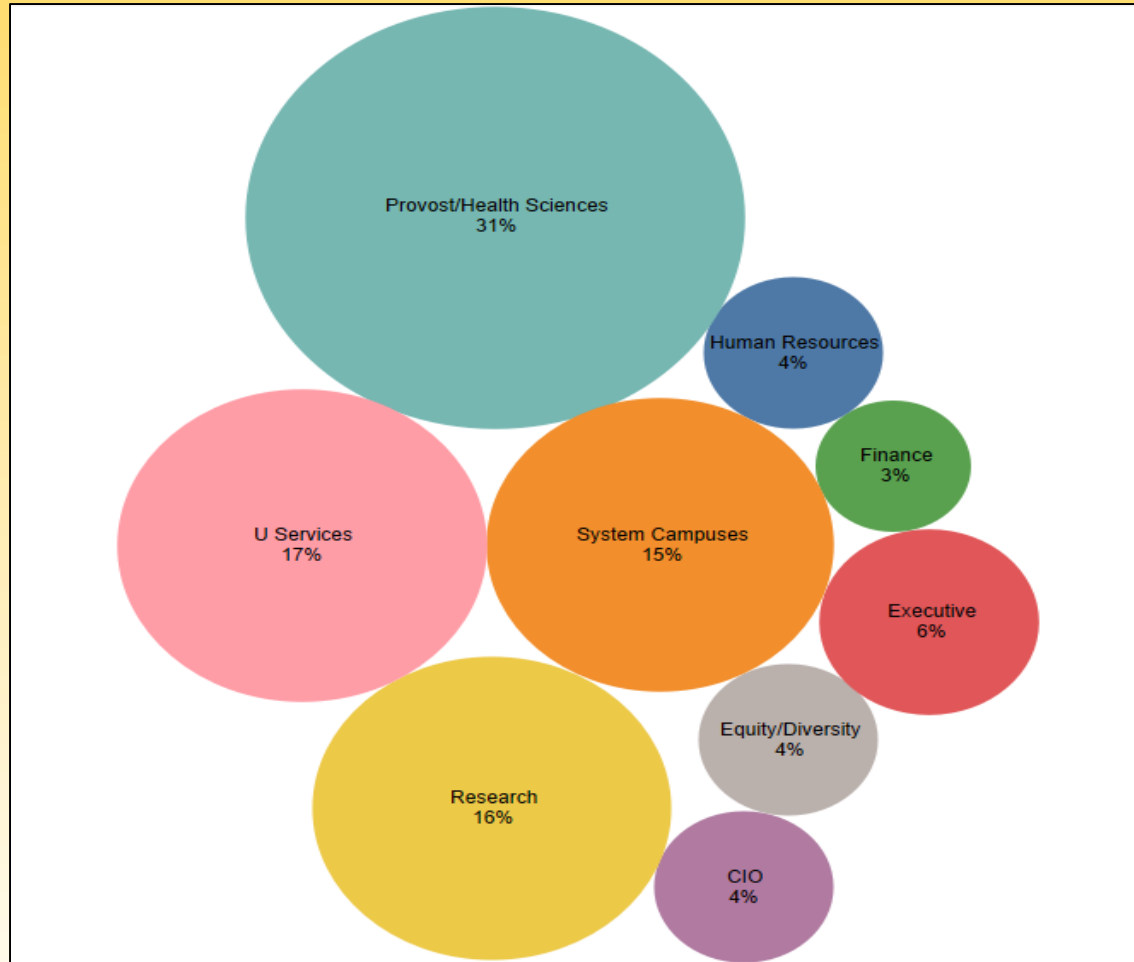
The 2022 Audit Plan

- Provides reasonable audit coverage across all of the major components of the University.

- Addresses risks currently impacting the University.

- Addresses selective risk areas identified by the Audit and Compliance Committee as important.

Questions?

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance   **June 10, 2021**

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:

- Continuance of the financial communication series.
- Update on the conversion of finance reports to UM Analytics.
- A discussion of new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB), which the University has not implemented at this time. Management is currently determining if 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 2021

Since the December 2020 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 February and March 2021, a six-part series of messages about the Internal and External Sales department and how the team helps University staff understand the difference between an internal and an external sale, the overall process for obtaining approval to make an internal or external sale, where to find resources with detailed information, and how to get help from University experts. Cumulatively the series was read by 6,970 people across the University system.

Financial Reports and Data
In February, the payroll accounting subject area and eight new and improved payroll accounting reports were released in UM Analytics to the University community. These highly used reports support the oversight and monitoring of the payroll function.

As a result of the release, a total of 16 finance UM Reports were decommissioned. These 16 reports make up approximately 80% of all finance report usage on the old technology and represent a significant portion of the multi-year conversion strategy to UM Analytics.

University Finance's strategic reporting plan is to collaboratively evaluate and convert over 50 existing financial reports to UM Analytics and create new financial reports and dashboards based on consumer need to strategically manage University funds. This collaboration by finance leaders in central units, colleges, system campus leaders, systemwide report consumers, and the Office of Information Technology continues to create better, more efficient financial reports with additional functionality for generating and viewing reports or exporting the data.

Payment Card Program and Payment Card Industry Data Security Standards (PCI DSS) Compliance
The ability to accept payment cards from customers is a valuable tool for University departments that sell externally but it also creates risk. Payment card information represents valuable data that can be exploited to create fraudulent transactions or for identity theft. During the past 12 months, 110 University departments accepted 1.1 million payment card transactions (Visa, MasterCard, Discover, and American Express) for the payment of goods and services, totaling $100 million in revenue. This is less than in previous years due to reduced operations through the pandemic.

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.

The University has a mature program for managing compliance with the PCI DSS. A PCI DSS Compliance Analyst in the Controller's Office works in conjunction with staff from University Information Security and an external Qualified Security Assessor (QSA) to manage the program. The program includes a comprehensive policy and set of procedures, annual training, on-site visits of merchant locations, review of compliance documentation from third-party providers, and scanning and testing of systems involved in payment card processing.

Annually the QSA completes an external review of the University's compliance with PCI DSS. The most recent assessment was conducted the week of December 7, 2020. The completed report was received on March 5, 2021 and for a sixth consecutive year showed all requirements to be in place or not applicable to the University. This Report on Compliance is provided to the University's acquiring bank Wells Fargo Merchant Services and American Express to demonstrate compliance with the PCI DSS.

The University has also initiated a project to replace stand-alone analog and cellular terminals with Clover terminals. These new terminals will provide an enhanced customer experience and a secure method of processing in-person payments without bringing the University's network and systems in-scope for PCI DSS compliance.

BioMADE Financial Operations
Several Controller's Office units in partnership with financial leadership from the College of Biological Sciences (CBS) and BioMADE led a team in the design and implementation of a plan to accomplish the financial activity of BioMADE using existing university tools. The collective team established processes, procedures and internal controls for BioMADE, College of Biological Sciences and central units providing managed services.

II. Accounting and Financial Reporting Matters

The Governmental Accounting Standards Board (GASB) has issued the following accounting and reporting standards. In conjunction with these standards, in May 2020, the GASB issued GASB Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately for application to provide temporary relief by allowing the option to delay implementation of certain GASB statements as a result of the COVID-19 pandemic. Management is in the process of determining if the following apply to the University and if so, what impact they may have. These standards and the related implementation dates have been updated in accordance with GASB 95, where applicable, and are explained below.

- 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, based on the clarifying guidance, the analysis has also identified some fiduciary activity previously recorded outside of agency funds that should be recorded in an agency fund, as well as activity that no longer constitutes fiduciary activity and will be reported outside of an agency fund. The activity identified will require reclassifications of certain activity, as well as additional reporting in the University's Annual Financial Report. The additional reporting will include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The provisions of GASB 84 are now effective for the fiscal year ending 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. At this time, the expected substantial impact to the University's financial statements is to involve real estate structured leases. 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. The provisions of GASB 87 are now effective for the fiscal year ending 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 preliminarily completed that will result in minimal to no impact to the University's financial statements. The provisions of GASB 90 are now effective for the fiscal year ending June 30, 2021.

- 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. The provisions of GASB 91 are effective for the fiscal year ending June 30, 2023

- In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. GASB 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during

implementation and application of certain GASBs. The provisions of GASB 92 are now effective for the fiscal year ending June 30, 2022.

- In March 2020, the GASB issued Statement No. 93 (GASB 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. At this time, the University has identified a lease contract with our fleet services that has a reference to LIBOR that has not yet been replaced by the vendor. The provisions of GASB 93 are effective for the fiscal years ending June 30, 2021 through 2023, depending on the applicable section of GASB 93.

- In March 2020, the GASB issued Statement No. 94 (GASB 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 for a period of time in an exchange transaction. An APA is an arrangement in which the University would compensate an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange transaction. The provisions of GASB 94 are now effective for the fiscal year ending June 30, 2023.

- In May 2020, the GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements (SBITA),* defines a SBITA; establishes that a SBITA results in a right-to use subscription assets—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and required note disclosures. The provisions of GASB 96 are effective for the fiscal year ending June 30, 2023.

- In June 2020, the GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred compensation Plans—An Amendment of GASB Statements No. 14 and No. 85, and a Supersession of GASB Statement No. 32,* clarifies how the absence of a governing board should be considered in determining whether the University is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension and OPEB plans and other employee benefit plans. GASB 97 also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. GASB 97 is substantially effective for the fiscal year ending June 30, 2022 with one immediate application that was effective for the fiscal year ending June 30, 2020 that resulted in no financial statement impact to the University.