



Audit & Compliance Committee

December 2021

December 16, 2021

8:00 a.m.

Boardroom, McNamara Alumni Center

AUD - DEC 2021

1. External Auditor Report

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit and Compliance

December 16, 2021

AGENDA ITEM: External Auditor Report

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Sue Paulson, Controller
Katie Knudtson, Partner, Deloitte & Touche LLP
Judi Dockendorf, Managing Director, Deloitte & Touche LLP

PURPOSE & KEY POINTS

The purpose of this item is for Deloitte & Touche LLP, the University's external auditor, to review the results of the FY 2021 financial statement audit and share an update on in-process compliance audits and NCAA agreed-upon procedures.

The presentation will include:

- The completed Annual Financial Report
- The following in-process items:
 - OMB Uniform Grant Guidance Compliance audit
 - Minnesota Office of Higher Education financial aid programs examination for all five University campuses
 - NCAA agreed-upon procedures for the Twin Cities and Duluth campuses

BACKGROUND INFORMATION

The Audit & Compliance Committee oversees external audit engagements on behalf of the Board of Regents. The Annual Financial Report, including the external auditor summary report, was provided via email on November 3, 2021, to the Board of Regents and is included in the December Docket Materials for the Finance & Operations Committee.



The University of Minnesota Results of the Audits and Other Services

November 29, 2021
(To be presented on December 16, 2021)



**MAKING AN
IMPACT THAT
MATTERS**
since 1845

November 29, 2021

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

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

We have performed an audit of the consolidated financial statements of the University of Minnesota (the "University") as of and for the year ended June 30, 2021 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated October 29, 2021. We have also performed other audit and related services as stated in our client service plan, presented to the Audit and Compliance Committee of the Board of Regents on February 11, 2021.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the University is responsible.

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

Yours truly,

Deloitte & Touche LLP

cc: The Management of the University of Minnesota

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated February 10, 2021. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the University's financial statements for the year ended June 30, 2021, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit and Compliance Committee of the Board of Regents (the "Audit and Compliance Committee") are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit and Compliance Committee of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.



Significant Accounting Policies

The University's significant accounting policies are set forth in Note 1 to the University's 2021 financial statements. Outside of the adoption of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, we are not aware of any significant changes in previously adopted accounting policies or their application during the year ended June 30, 2021.

We have evaluated the significant qualitative aspects of the University's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. A summary of our procedures performed over accounting estimates and key audit risks has been attached to this report as Appendix A.

Uncorrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

Appendices

Appendix A: Accounting Estimates and Key Audit Risks

Appendix B: Other Required Communications

Appendix C: Summary of Other Services in 2021

Appendix A – Accounting Estimates and Key Audit Risks

Significant accounting estimates and key audit risks reflected in the 2021 consolidated financial statements include management override of controls and valuation of alternative investments.

	Audit Procedures	Management's Assertions
Management override of controls (significant risk)	<ul style="list-style-type: none"> Tested the design and implementation of relevant controls over account reconciliations, journal entries, and financial statements. 	Management has represented that controls are appropriately designed and implemented to mitigate override of controls and that there were no instances of override of controls during the year ended June 30, 2021.
	<ul style="list-style-type: none"> Tested the appropriateness of a sample of journal entries recorded in the general ledger. 	
	<ul style="list-style-type: none"> Tested critical management judgments and estimates for bias. 	
	<ul style="list-style-type: none"> Held fraud discussions with certain members of senior management, internal audit, the audit committee and others. 	
	<ul style="list-style-type: none"> Performed analytical procedures on the financial statements to identify unusual trends in account balances and ratios. 	

Appendix A – Accounting Estimates and Key Audit Risks (continued)

	Audit Procedures	Management’s Assertions
Valuation of alternative investments (significant risk)	<ul style="list-style-type: none"> • Read the valuations provided by external investment managers and management’s year-end analysis to evaluate how positions are marked to market for a selected sample. Assessed the underlying assumptions used to determine fair value for alternative investment vehicles. 	<p>Management has represented that the assumptions used are reflective of management’s intent and ability to carry out specific courses of action and are consistent with the University’s plan and past experiences. Also, these assumptions and methods used result in a fair value measure appropriate in accordance with GAAP.</p>
	<ul style="list-style-type: none"> • Updated our understanding of the University’s investment portfolio and considered investment strategies or products that pose control or financial reporting risks. 	
	<ul style="list-style-type: none"> • Understood and documented the oversight and monitoring procedures performed by management when investing in new funds, quarterly and annually. 	
	<ul style="list-style-type: none"> • Obtained an understanding of the internal controls over the monitoring of and reporting on on-going invested funds. 	
	<ul style="list-style-type: none"> • Reviewed transactions at or near the balance sheet date which support the valuation of the investment for a selected sample. 	
	<ul style="list-style-type: none"> • Confirmed directly with external investment managers and requested related audited financial statements as required by American Institute of Certified Public Accountants guidance to verify underlying value of alternative investments for a selected sample. Performed rollforward procedures from unaudited financial statement date to June 30, 2021 through benchmark procedures. 	
	<ul style="list-style-type: none"> • Benchmarking procedures: <ul style="list-style-type: none"> – Segregate investments into asset classes based on underlying holdings. – Identify asset classes that represent audit interest and increase extent of testing within that asset class. 	
	<ul style="list-style-type: none"> • Purchase and sales testing 	
	<ul style="list-style-type: none"> • Look-back procedures 	
	<ul style="list-style-type: none"> • Obtained the most recent unaudited fund financial statements 	

Appendix B: Other Required Communications

- We have not had any disagreements with management related to matters that are material to the University's 2021 financial statements.
- We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2021.
- Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.
- Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Audit and Compliance Committee.
- In our judgment, we received the full cooperation of the University's management and staff and had unrestricted access to the University's senior management in the performance of our audit.
- We have made specific inquiries of the University's management about the representations embodied in the financial statements. In addition, we have received written representations the University is required to provide to its independent auditors under generally accepted auditing standards for the consolidated audit and will request written representations related to the other audit services prior to report issuance.



Appendix C: Summary of Other Services in 2021

The other services provided to the University of Minnesota by Deloitte & Touche LLP related to fiscal 2021 included both audit and audit-related services.

A summary of the other services performed includes:

Service	Requirement	Objective	Assurance Provided?
OMB Uniform Guidance Federal Compliance Audit	Office of Management and Budget	Test compliance with federal grant requirements	Full
Minnesota Office of Higher Education Financial Aid Programs Examination	Minnesota Office of Higher Education	Test compliance of state financial aid programs	Full
NCAA Agreed-Upon Procedures – Twin Cities	NCAA Bylaws	Assess compliance with NCAA bylaws established for Division I athletics related to specific items	Limited
NCAA Agreed-Upon Procedures – Duluth	NCAA Bylaws	Assess compliance with NCAA bylaws established for Division II athletics related to specific items	Limited
FDA Cost Recovery Agreed-Upon Procedures	Food and Drug Administration (FDA)	Assess compliance with cost recovery of direct and certain pass-through costs of manufacturing an investigative product as required by the Food and Drug Administration	Limited

Appendix C: Summary of Other Services in 2021 (continued)

OMB Uniform Guidance Federal Compliance Audit

- Audit performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- OMB Uniform Guidance audit required for entities with federal expenditures during a fiscal year in excess of \$750,000
- Total University federal expenditures for the year ended June 30, 2021 were approximately \$1.111 billion
- The University continues to qualify as a low-risk auditee
- Scope includes 5 programs identified as major for testing compliance and internal controls in the current year

Minnesota Office of Higher Education Financial Aid Programs Examination

- Compliance examination for state grants performed in connection with federal compliance audit
- Required procedures are outlined in the Financial Aid Programs Audit Guide issued by the state of Minnesota
- Reports on compliance will be issued for each campus (Twin Cities, Duluth, Crookston, Morris)

Appendix C: Summary of Other Services in 2021 (continued)

NCAA Agreed-Upon Procedures – Twin Cities

- Procedures performed for the University of Minnesota – Twin Cities Athletics Department’s compliance with NCAA bylaws
- Procedures are established by the NCAA for Division I athletics and include procedures over:
 - Revenues
 - Expenses
 - Capital assets
 - Debt
 - Affiliated organizations (Booster Clubs)
 - Internal controls

NCAA Agreed-Upon Procedures – Duluth

- Procedures performed for the University of Minnesota – Duluth Athletics Department’s compliance with NCAA bylaws
- Procedures are established by the NCAA for Division II athletics and include procedures over:
 - Revenues
 - Expenses
 - Capital assets
 - Internal controls

FDA Cost Recovery agreed-upon procedures

- Procedures performed related to cost recovery of direct and certain pass-through costs of manufacturing an investigative drug as required by the FDA
- Report issued in September 2021
- No findings were identified



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

December 16, 2021

AGENDA ITEM: Oversight of Compliance with Laws and Regulations

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Katharine Bonneson, Assistant Vice President, University Health and Safety

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee with an overview of the wide array of laws and regulations impacting the University system, and University Health and Safety’s responsibilities for compliance and oversight. The discussion will include:

- A better understanding of the breadth and scope of regulatory laws, statutes and guidelines that apply to the University, relating to Health and Safety.
- The complexity of managing those regulations across the enterprise.
- Opportunities to improve upon the University’s Health and Safety compliance programs.

BACKGROUND INFORMATION

University Health and Safety oversees ongoing compliance with a rapidly changing portfolio of laws and regulations. The unit serves as service partner, regulator, and consultant across the University of Minnesota system, including its five campuses, 10 research and outreach centers, and 20 research stations.

Oversight of Compliance with Laws and Regulations

Katharine Bonneson

Assistant Vice President, University Health and Safety

12/16/21

Agenda

- Overview of University Health and Safety (UHS)
- What does compliance look like?
- What are the challenges of managing compliance?
- Future trends
- Opportunities

Overview of UHS – Systemwide Support



A Complicated Mission

SERVICE PARTNER

- Support research, academics, outreach
- Safety partner

REGULATOR

- Provide required license or permit, certify facilities
- Inspect labs, work sites, food prep

CONSULTANT

- Subject matter expertise
- Advise on plans, procedures, operations



Our Role in Compliance

Regulatory Compliance Management – Licenses, permits, programs

Environmental Compliance (air, water, ground)

Building and Sanitary permits (food, wells, septic)

Federal Select Agent Program

OSHA Compliance

Drug and Alcohol Testing (DoT)

Hazardous Waste Licensure

Controlled Substances Program

Clery Act Exercises

Many more



National Institutes
of Health



By the Numbers – *In 2020*

- 5 Campuses, 10 ROC's, 20 Research Stations supported
- 52 Hazardous Waste licenses
- 7 Air Emission permits
- 24 storm or wastewater permits
- 60 training courses maintained
- More than 800 lab inspections/year
- More than 200 air quality assessments
- More than 3,450 Occupational Health records managed
- More than 40 federal/state or agency inspections



Compliance at Work, *what it looks like*

- A researcher or clinician wants to work with a radiological material, they must register the material with UHS (MN State Statute)
- Events or concerts at Huntington Bank Stadium, any temporary structures and power supplies must be permitted. (State Building Code)
- A Principal Investigator wants to work with African Swine Fever in a BSL-3 lab, they must work with UHS on mitigation strategies. (NIH)
- A Department uses chemicals listed on Homeland Security's Anti-Terrorism list, they must work with UHS on registration and monitoring. (Chemical Facility Anti-Terrorism Standards)
- A new employee driving a covered DOT vehicle must register with UHS and undergo drug and alcohol testing. (49 CFR Part 40)

Why Compliance is Complicated

- Distributed Model
 - Organizational structure can make it challenging to gain 'line of sight' and to influence behavior
- Blurred roles and responsibilities
 - *If everyone owns it, no one owns it*
- Navigating regulatory changes
- Broadening scope within the U of MN
 - Rapidly changing research portfolio
- U of MN Footprint, 5 campuses, 10 ROC's, 20 Research Stations



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Why Compliance is Complicated

- Unclear or overlapping University roles
 - Various compliance roles across campus (PEAK opportunity)
- Navigating staff turnover
 - Loss of key safety partners
- Siloed departments
- Risk tolerance is often undefined (ERM opportunity)



What Works Well

- The U of MN community of students, staff and faculty generally want to do the right thing
- UHS has excellent relationships with the System Campuses and regulatory partners
- UHS has developed deeper collaborations across departments and launched high functioning multidisciplinary work teams
- Talented workforce
- Reorganization of UHS to the Sr. Vice President's Office provides higher visibility of compliance work
- The University has well vetted, well managed research protocols

Opportunities for Improvement

Better prepare employees by improving the onboarding experience, training and orientation, as it relates to safety.

Similar to the PEAK theme, encourage centralization of compliance functions to avoid duplication and inefficiencies

Continue to promote a culture of safety through effective safety messaging and resource alignment

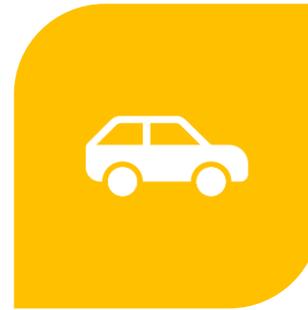
Future Trends and Challenges



REGULATORS WILL CONTINUE TO ADD COMPLEXITY, REPORTING REQUIREMENTS



PANDEMIC PREPAREDNESS AND PLANNING IN THE WORKPLACE WILL BE A REGULATED EXPECTATION



INNOVATIVE RESEARCH WILL DRIVE THE NEED FOR UHS TO BE A MORE ROBUST, FLEXIBLE, KNOWLEDGEABLE COMPLIANCE PARTNER



HIGHER EXPECTATIONS - EMPLOYEES AND STUDENTS **EXPECT AND CARE** ABOUT THEIR SAFETY

Questions?





BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit and Compliance

December 16, 2021

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Kelly Kuhns, Interim Chief Auditor
Boyd Kumher, Chief Compliance Officer

PURPOSE & KEY POINTS

Institutional Conflict of Interest Report

The purpose of this report is to inform the Board about institutional conflict of interest matters as required by the Board of Regents Policies: *Institutional Conflict of Interest* and *Board Operations and Agenda Guidelines*.

Semi-Annual Chief Compliance Officer’s Report

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

- Compliance Risk Assessment summaries
- UReport statistics

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.

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

The purpose of this item is to report engagements with external auditors, as required by Board policy:

- Clifton Larson Allen LLP was engaged by Community-University Health Care Center (CUHCC) to complete a Medicare Cost Report and Reimbursement Review. This engagement did not present an independence issue with regard to Clifton Larson Allen LLP. The fees for this engagement totaled \$11,991.
- Deloitte was engaged by the Department of Medicine within the Medical School to complete an agreed-upon procedures engagement, which reviewed cost reimbursement information

for FDA review. The engagement letter was reviewed by the controller's office. As this engagement was solely to perform agreed-upon review procedures, it did not present an independence issue with regard to Deloitte. The fees for this engagement totaled \$7,000.

- Deloitte was engaged to perform procedures in connection with the University's Bond and Commercial Paper Offering documents. As this engagement was solely to perform attest procedures in connection with the bond offerings, it did not present an independence issue with regard to Deloitte. The fees for this engagement totaled \$16,000.
- Ernst & Young was engaged by the Office of Investment and Banking to provide investment taxation consultation services. This engagement did not present an independence issue with regard to Ernst & Young. The fees for this engagement totaled \$14,036.
- Ernst & Young was engaged by the Office of the General Council to provide international taxation consultation services. This engagement did not present an independence issue with regard to Ernst & Young. The fees for this engagement totaled \$15,000.

BACKGROUND INFORMATION

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

2021 Institutional COI Report to Board of Regents

In 2021 the Conflict of Interest (COI) Program:

- Received 95 Financial Disclosures for University Officials (FDUO), a 100% compliance rate.
- Conducted its annual review of financial relationships the University has with business entities that fall into two or more of the following areas: technology commercialization licenses, gifts to the University of Minnesota Foundation, vendor contracts, and sponsored research. The COI Program did not identify any relationships that compromise the integrity of University research, teaching, outreach, and other mission-related activities.
- Did not identify any matters involving the following subject matter reserved to the Board of Regents for managing, reducing, or eliminating institutional conflict of interest:
 - (a) external relationships with an unusually significant financial impact that present a potential conflict;
 - (b) potential conflicts involving the president;
 - (c) potential conflicts that raise serious policy issues or have a significant public impact on the mission and reputation of the University; or
 - (d) potential conflicts arising in matters that otherwise require Board review and action under Board of Regents Policy: Reservation and Delegation of Authority.

The Institutional Conflict Review Panel (“Panel”) held four meetings this year to address the following:

- Seven clinical trials involving University licensed intellectual property. The Panel approved conflict management plans that enabled the conduct of the trials at the University of Minnesota. The clinical trials involve treatments for cancer, COVID-19, and Acute Respiratory Distress Syndrome.
- A review of the Amended and Restated University Card Royalty Agreement that was negotiated with Huntington Bank, at the request of the General Counsel. The Panel identified no institutional conflict of interest issue.
- A discussion of the administrative policy’s “rebuttable presumption” standard for greater than minimal risk human participant research involving University licensed intellectual property. The Panel’s assessment has been shared with the Executive Oversight Compliance Committee (EOCC), which is in the process of further evaluating the matter.

Community membership on the Institutional Conflict Review Panel changed in October, with Honorable Dr. Patricia Simmons, Regent Emeritus, replacing Honorable Dr. H. Bryan Neel III, Regent Emeritus. President Gabel and the COI Program recognized Dr. Neel for his fifteen years of dedicated service.

**REPORT OF THE CHIEF COMPLIANCE OFFICER
OFFICE OF INSTITUTIONAL COMPLIANCE
FOR THE AUDIT AND COMPLIANCE COMMITTEE OF THE BOARD OF REGENTS
ON THE UNIVERSITY COMPLIANCE PROGRAM
December 16, 2021**

INTRODUCTION

This report addresses the following: (I) Compliance Risk Review Summaries; (II) UReport Statistics.

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

I. COMPLIANCE RISK REVIEW SUMMARIES

The CRR process is designed to be a collaborative, cross-functional, and cross-educational strategy for the oversight of the management of significant compliance risks. The process involves detailed research into compliance topics, working with stakeholders to develop and implement topic specific compliance risk review tools, and providing support for stakeholders to take action on identified opportunities for compliance risk reduction. Currently there are 4 topics pending review. It is anticipated that information on the reviews of these topics will be included in a future report to the Audit and Compliance Committee of the Board of Regents. The topics pending review are:

- Clinical Services
- Campus Safety
- Immigration
- Athletics

Summary of recently completed reviews:

Programs for Minors

Background

The University has held programs for minors on all system campuses for decades. In 2020, there were 170 registered programs serving 250,000 minors and approximately 255 program leaders.

The Administrative Policy: Safety of Minors was developed and published in September 2013. The policy was comprehensively reviewed and revised in 2018 at which time there was new language added to the Health and Safety Appendix regarding accessibility and inclusive environments as well as addressing gender identity in housing. The most recent updates to the University Policy included:

- clarification that programs operated by one or two faculty or staff and volunteer experiences in labs/offices/research teams, excluding enrolled students, and excluding one-time info interviews, are covered by the policy;

- a prohibition of the use of social media with youth outside of formal program communications, and a statement that medication for youth can only be self-administered; and
- removal of the exclusion for youth programs conducted as research.

In addition to policy changes over the past three years, there have been significant personnel changes as well. One of the two policy owners left for a new position at another University and the primary contact for the policy has retired. A new policy owner has been identified from the Office of Human Resources and a manager of Youth Safety and compliance was hired in 2018 and has since taken over as the primary contact for the policy.

A 2017 CRR identified an opportunity to improve the monitoring of policy requirements such as background checks, training, and health and safety measures. Several actions were taken in response to this opportunity. First, a monitoring strategy was developed and implemented. Second, site visits began in 2018 with a total of 6 being completed in that year. And lastly, a new employee was hired to assist in this area in 2019 and then named as the Director of Youth Safety and Compliance (Director) in November 2020.

Findings from the review

The 2021 CRR found that the Safety of Minors policy continues to be enhanced to support the health and safety of minors. Covid-19 posed unique challenges to units who conduct programs for minors and many of these programs evolved into virtual programs. The Director developed new guidelines to address the change from in-person to virtual, conducted multiple training sessions and consulted with other individuals to guide the transition. The reviews of programs involving minors continued, in spite of the impact of Covid-19. In 2020 ten reviews were conducted virtually and one was held in-person. The monitoring that exists today covers all aspects of the University policy. Non-University organizations that operate programs or activities primarily intended for minors on campus or in a University facility, are required to certify that individuals who will have ongoing interaction with minors have undergone training as well as a background check that meets or exceeds the minimum requirements of the Safety of Minors policy. These organizations are also responsible for taking appropriate actions to protect the health and safety of minors. Facility use agreements for vendors who will be working with minors contain language obligating the 3rd party to comply with these requirements. This review identified an opportunity to examine the use of facility use agreements to ensure that 3rd parties are adequately obligated to meet University requirements. The Director is currently working with the Office of General Counsel, the Office of Institutional Compliance, and the Office of Risk Management to address this opportunity.

International Activities

Background

The Board of Regents Policy: *International Education, Research, and Outreach*, affirms the University's commitment to foster international education, research, and outreach throughout the University community. The policy requires the president or delegate to administer policies that effectively promote and encourage a comprehensive approach to international education, research, and outreach that includes four elements:

- International Experience for Students
- Enrollment and Inclusion of International Students
- Faculty and Staff Teaching, Research, and Outreach

- Collaboration with International Institutions

The Global Programs and Strategy Alliance (GPS Alliance) is the central international office for the University of Minnesota system. As stated on its website:

The GPS Alliance is the driving force for the University of Minnesota in globalizing teaching, learning, research, and engagement. We support the University's mission by working closely with campuses, colleges, units, faculty and staff, students, and the community to comprehensively internationalize the University of Minnesota.

In 2020, working primarily with the Director of Health, Safety and Compliance, GPS Alliance, this compliance risk review examined University administrative policies and procedures that apply to each of the listed elements, with the exception of the enrollment and inclusion of international students.

The University's administrative policy and procedures for students participating in education abroad activities facilitates international travel while encouraging sound health, safety, and security measures. Five separate education abroad offices (Carlson School, Twin Cities, Crookston, Duluth, and Morris) have policy compliance responsibilities for student international activities.

The University facilitates student education abroad through the following categories:

1. notifying students of opportunities not organized by or affiliated with the University;
2. supporting participation in an opportunity not organized by or affiliated with the University;
3. promoting a University affiliated program or opportunity not organized by the University;
4. organizing an opportunity abroad by University faculty or staff.

Study abroad participants must obtain approval from the International Travel Risk Assessment and Advisory Committee (ITRAAC) when planning to travel to a U.S. Department of State (USDOS) Level 3 or 4 Travel Advisory location. Study abroad participants may be required to obtain travel permission from the ITRAAC if a specific health, safety, or security concern is raised by other entities, such as the Centers for Disease Control and Prevention (CDC), World Health Organization (WHO), non-U.S. government authorities (e.g., Australian or Canadian authorities), and the University of Minnesota.

Organizing units or individual students who submit applications for ITRAAC review must demonstrate the academic value of the travel and the safety procedures in place to mitigate the concerns of the travel advisory or relevant authority.

There is no University-wide, comprehensive administrative policy that specifically addresses faculty international teaching, research, and outreach activities. Two University policies include provisions relevant to these activities:

- The Faculty Tenure Policy, at paragraph 7.11, provides that "International activities and initiatives should be considered when applicable" in tenure decisions.
- Administrative Policy: Traveling on University Business, requires faculty and staff to pre-register their international trip information and, if visiting countries subject to U.S. embargo, to consult with the University's Export Control Officer. Recent reviews conducted by the Office of Internal Audit and the Office of Institutional Compliance touched on these requirements.

In 2018, the University instituted a new travel registry system, employed use of a Travel Registry ID in ChromeRiver to enhance compliance in conjunction with expense reimbursement, and increased education on the required nature of the travel registration process for Faculty and Staff. These improvements have led to a significant increase in compliance.

The Board of Regents Policy: International Education, Research, and Outreach, states that the University will build international partnerships with universities, institutions, and organizations worldwide. There is no University-wide, comprehensive administrative policy or procedure that applies specifically to establishment of international partnerships.

The GPS Alliance International Health, Safety and Compliance (IHSC) team has 2.5 full time employees. In addition, others with compliance responsibility include 72 education abroad staff throughout the system, 175 study abroad program leaders, 11,500 travelers, and faculty and staff in units organizing international activities.

Findings from the Review

The CRR found that the administrative policy and procedures for student travel are robust and that the ITRAAC process functions well. Health Sciences has established a good procedure for establishment and storage of international agreements for its six colleges and schools. Use of OGC created affiliation agreement templates make it easy for decentralized establishment of international agreements by units and campuses.

The CRR found several opportunities for the GPS Alliance to consider:

- There is an opportunity for GPS Alliance to consider reducing its international agreement database procedure to writing. Per IHSC leadership there is potential for the PEAK initiative to create positive momentum on this topic.
- There is an opportunity for GPS Alliance to establish University-wide criteria or procedures to evaluate international entities being considered for University partnership. Per IHSC leadership, as of November 2021 existing policies have not yet been revised, but in practice the Forum on Education Abroad's Standards for Good Practice guidelines to vetting of partners are being used.
- There is an opportunity for GPS Alliance to consider requiring consultation with GPS Alliance before pursuing a new international agreement or study abroad program. Per IHSC leadership there is a standard practice and compliance has been improving since GPS Alliance professionalized the Contracts position within its International Health, Safety, and Compliance team. There is an opportunity for GPS Alliance to consider requiring all international agreements system-wide to be stored in a central database. Per GPS Alliance leadership this will be addressed through the PEAK process as GPS Alliance looks to create a greater systemization of international education activities.
- There is an opportunity for GPS Alliance to consider clarifying and updating language in ITRAAC procedures for recalling students from multiple or all locations. Per IHSC leadership this language will be addressed in the next revision of the *Student Travel and Education Abroad: Health and Safety* policy, although as of November 2021 no timeline for such revisions is yet available.

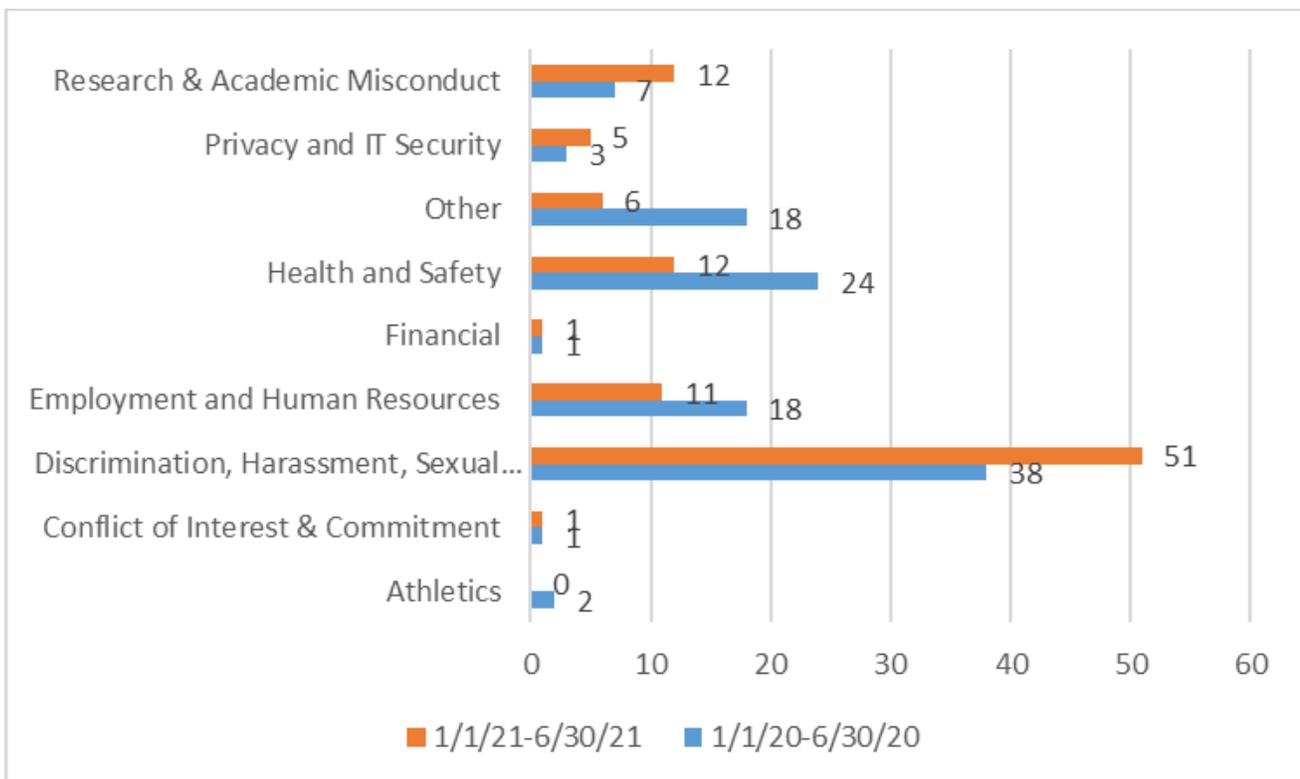
II. UREPORT STATISTICS

A. Statistics: January 1, 2021 through June 30, 2021

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

	January 1, 2021 to June 30, 2021	January 1, 2020 to June 30, 2020
Total Reports	99	112
Reviews Pending Completion	11 (11.1%)	0
Reviews Completed	88 (88.9%)	112
Substantiated	5 (5.7%)	15 (13.3%)
Unsubstantiated	83 (94.3%)	97 (86.7%)

UReports by Category with 1/1/21-6/30/21 to 1/1/20-6/30/20 Comparison



**University of Minnesota
Board of Regents Audit & Compliance Committee
Semi-Annual Controller's Report
December, 2021**

Since the June 2021 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

Financial Reports and Data

Two new financial dashboards were released in September; Forecast Year End Revenue and Expense for Non-Sponsored Funds and Balance Deficits by Fund and ZDeptID for Non-Sponsored Funds. Both provide units the ability to view financial information at various organizational levels.

This release marks the completion of the most frequently asked for reports and dashboards and a multi-year strategic reporting plan. The collaboration continues between finance leaders in central units, colleges, system campuses, the Office of Information Technology, and systemwide report consumers to create better, more efficient financial reports with additional functionality for generating and viewing reports or exporting the data.

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 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 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 year ending June 30, 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.

- In October 2021, the GASB Statement No. 98 (GASB 98), *The Annual Comprehensive Financial Report* replaces the term “comprehensive annual financial report” with “annual comprehensive financial report” and is effective for the fiscal year ending June 30, 2022.