



Audit & Compliance

June 2023

June 8, 2023

8:00 AM

Boardroom, McNamara Alumni Center

AUD - JUN 2023

1. Internal Audit Update

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

June 8, 2023

AGENDA ITEM: Internal Audit Update

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is an update on Internal Audit activities, results, and observations.

- Since the last follow-up for the February 2023 meeting, 35 percent of the outstanding recommendations rated as “essential” were resolved by University departments. This is slightly lower than the expected implementation rate of 40 percent, but a substantial increase from February’s 18 percent rate. Approximately 38 percent of the outstanding items are from more recent audits receiving first-time follow-up. Of the unresolved outstanding recommendations rated as “essential,” 40 percent are past due. Senior leadership is aware of this slightly lower implementation rate and continues to monitor and seek ways to expedite remediation efforts.
- All outstanding “essential” recommendations were resolved for one audit.
- An updated control evaluation chart is included for each audit to show progress made on remediation of “essential” items.
- Eight audit reports containing 33 recommendations rated as “essential” were issued in the last four months.
- Other summary information important to committee 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*, Section IV, Subd. 4, Audit & Compliance Committee Charter. The report is intended to help the committee fulfill its fiduciary responsibilities under its reserved authority for oversight of the internal audit function.

Internal Audit Update

University of Minnesota Regents Audit and Compliance Committee
June 8, 2023

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 2023
- SNAP Review Summary
- Recommendations with Remediation Plans that Involve PEAK

Details for any of the items in this report are available on request. Individual reports were sent to the President, SVP for Finance and Operations, Provost, UMTC Athletic Director, Vice Presidents, and Chancellors about the items in this report germane to their areas.

Audit Observations/Information

Status of Critical Measures

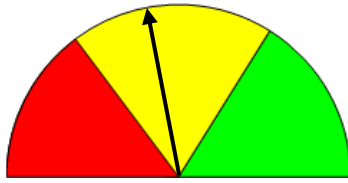
As part of our ongoing efforts to provide the Audit and Compliance Committee with critical information in as concise a format as possible, we have developed the following charts to present a quick overview of work performed by the Office of Internal Audit.

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 report.

The second chart, entitled “Progress on Audit Plan and Other Assurance Work” is our assessment of the amount of time we have been able to devote to planned audit work. This assessment includes our progress on completion of carryover audits from FY 2022, Tier 1 audits on the FY 2023 audit plan, and Tier 2 audits or their substitutes. Readings less than green could be influenced by a variety of factors (e.g., insufficient staff resources; or increased time spent on non-scheduled audits or investigations).

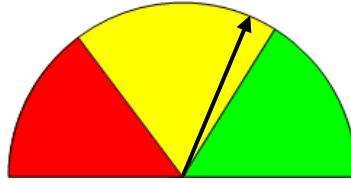
The final chart, “Time Spent on Non-Scheduled Audit Activities,” provides a status report on the amount of time consumed by investigative activities, special projects, and other management requests. We estimate a budget for this type of work, and the chart will indicate whether we expect that budget 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



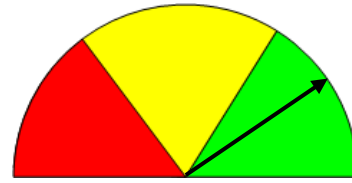
Implementation rates were 35% for the period; slightly lower than our expected rate of 40% and an increase from February's 18% rate.¹

Progress on Audit Plan & Other Assurance Work



Progress on audit plan and assurance audit work is slightly behind expectations due to staff openings.²

Time Spent on Non-Scheduled Audit Activities



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

¹Approximately 38% of the outstanding items are from more recent audits receiving first time follow-up, and only 40% of the outstanding issues are past management's planned remediation date.

²As communicated at the June 2022 and February 2023 Audit & Compliance Committee (ACC) meetings, the FY 2023 audit plan was built on the expectation of hiring all but one open position by the end of December 2022. Although we successfully hired most open positions, one IT auditor position was not filled until March 2023, and an additional financial auditor left the department this spring. This limited our ability to replace some deferred audit work especially related to IT.

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 2023 Audit and Compliance Committee meeting. The next written update will be provided in October 2023.

Status of Essential Recommendations

Current Period

Past Completion Rates

■ Past Due
 ■ On-Schedule
 ■ Complete

Total Recommendations **97** % Completed **35%**

Feb 2023 **18%**

Completed Recommendations **34** % of Open Recs Past Due **40%**

Oct 2022 **44%**

Report#	Audit Name	Open Recs - Past Due	Number of Essential Recs (Report)	Status (Follow-up Period)	
1919	UMD Fine Arts, School of FY19	1	7	Partially Implemented	■ 1
2106	University Health & Safety FY21	1	10	Partially Implemented	■ 1
2122	Telehealth Security & Compliance FY21	0	4	Completed	■ 2
2127	UMD HR FY21	0	4	Not Implemented	■ 1
				Partially Implemented	■ 1
2205	Dentistry, School of FY22	5	27	Completed	■ 5
				Partially Implemented	■ 5
2207	Canvas & Unizin FY22	2	5	Completed	■ 1
				Partially Implemented	■ 2
2220	UMD Health Services FY22	1	10	Completed	■ 3
				Not Implemented	■ 1
				Partially Implemented	■ 1
2301	Energy Management FY23	2	19	Completed	■ 6
				Not Implemented	■ 1
				Partially Implemented	■ 2 ■ 8
2302	Real Estate Office FY23	1	2	Completed	■ 1
				Partially Implemented	■ 1
2303	Systemwide Student Disability Resources FY23	0	1	Partially Implemented	■ 1
2305	Veterinary Medical Center FY23	1	12	Completed	■ 5
				Not Implemented	■ 3
				Partially Implemented	■ 1 ■ 3
2307	Research Animal Resources FY23	3	3	Partially Implemented	■ 3
2308	Genomics Center, University of Minnesota FY23	0	6	Not Implemented	■ 1
				Partially Implemented	■ 2
2312	CUHCC FY23	4	12	Completed	■ 8
				Partially Implemented	■ 4
2313	M&W Golf,W Gymnastics,W Tennis Compliance&Ops FY23	0	2	Completed	■ 1
				Partially Implemented	■ 1
2314	UMNTC Recreation & Wellness Center FY23	4	9	Completed	■ 2
				Not Implemented	■ 4 ■ 1
				Partially Implemented	■ 2
2315	UMD ITSS FY23	0	12	Not Implemented	■ 7
				Partially Implemented	■ 5

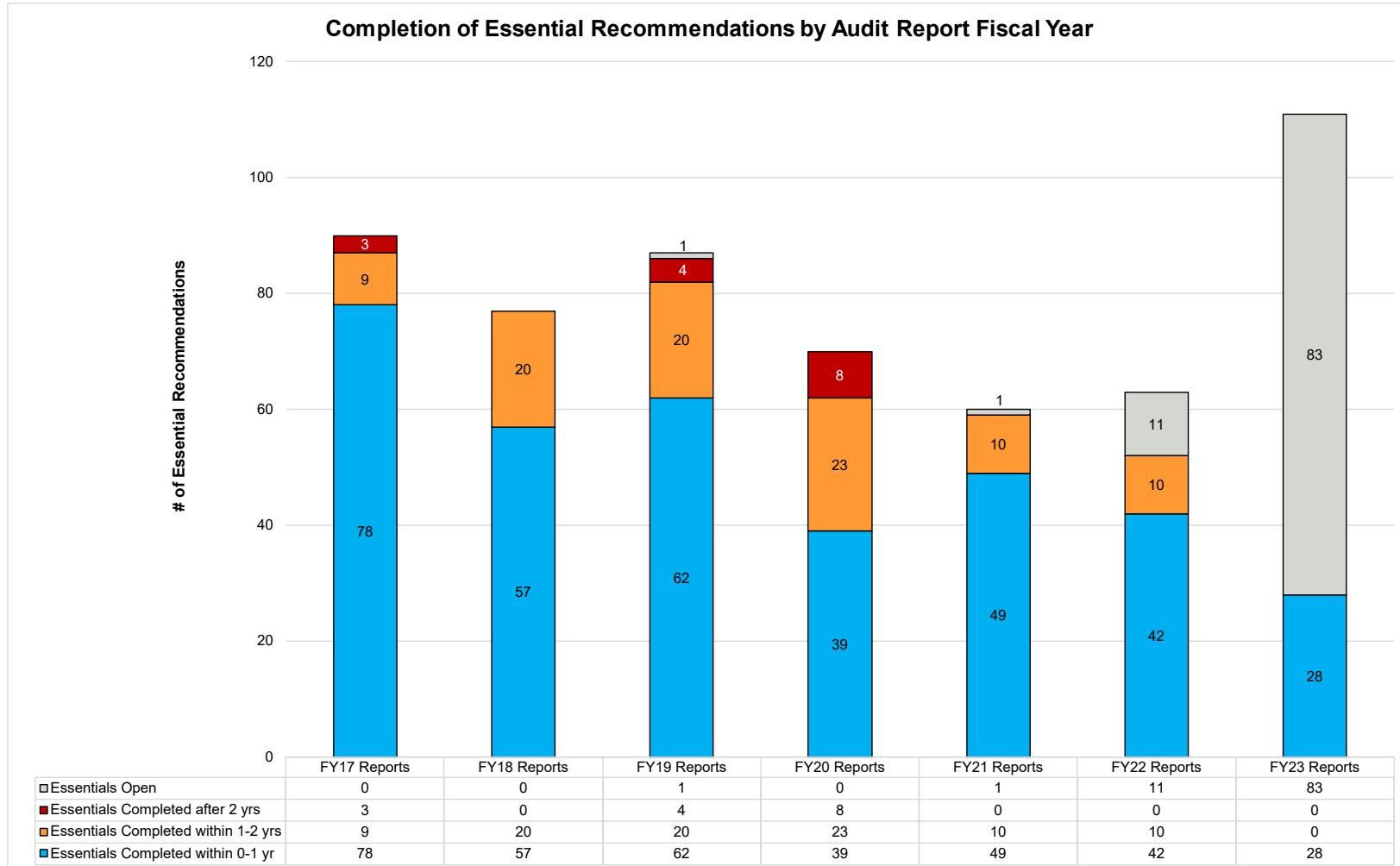
Current Status of Recommendations Rated as "Essential" That Are Over Two Years Old and Are Not Fully Implemented

Audit/Report Date	Status- Partially Implemented or Not Implemented	Responsible Administrator	Summary of the Issue/Risk Involved	Current Comments From Management
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: <ul style="list-style-type: none"> · 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. 	<p>The UMD College of Arts, Humanities, and Social Sciences (CAHSS) (i.e., the college formed from the merger of UMD School of Fine Arts and UMD College of Liberal Arts) efforts to complete a physical inventory of the Tweed Museum's collections were initially hindered by a lack of resources and the COVID-19 pandemic, which created limitations associated with in-person work on campus and impacted the Tweed's ability to conduct an inventory.</p> <p>In 2022, the President's Office offered support to assist CAHSS in remediating this recommendation. UMD subsequently contracted with a consultant to provide recommendations on how best to proceed with completing the Tweed Museum's inventory. CAHSS used these recommendations to create an inventory plan, which involves contracting with local museum professionals and hiring student employees to assist. CAHSS has started the process of identifying and hiring contractors who can take on this work. At this time, the project plan does not include the valuation of items in the inventory, which is a component of this audit recommendation.</p> <p>As mentioned in previous updates, the Tweed's ongoing staffing challenges continue to impact progress. Currently, Tweed remains without a permanent director; however, CAHSS reports they are making progress on hiring for this position. Despite Tweed's staffing challenges, the CAHSS Dean's Office and UMD Controller's Office assert they are committed to completing this work as quickly as possible.</p>
University Health and Safety Sept 2020 # of Items: 1	Partially Implemented	Katharine Bonneson	UHS and University management should consider establishing UHS as the central authority for University safety training. The central health and safety training authority would be responsible for: <ul style="list-style-type: none"> · Ensuring an accurate and complete course listing. · Tracking course completion and follow-up centrally. · Reviewing and approving the University safety training program periodically to ensure sufficient coverage and oversight. 	<p>A Health Safety and Risk Management (HSRM) Safety Training Centralization Project was chartered in November 2022 and the project began in January 2023. Project scope has been defined as:</p> <ul style="list-style-type: none"> -Verifying the current offering of general required safety courses provided by HSRM. -Identifying who needs required safety training and ensuring that we are communicating this appropriately. -Identifying pain points and improvement opportunities. -Implementing improvements for identifying who needs safety training and monitoring completion. <p>Proposed solutions for how HSRM can ensure an accurate and complete course listing and tracking completion for HSRM courses will be made by June 30th, 2023.</p> <p>Obstacles that could prevent progress include HSRM reliance on support and collaboration from multiple departments: OIT, OHR, OVPR, etc. in order to successfully map and link positions to courses. Cost may also be a factor as HSRM is paying for dedicated project management support in order to complete this work.</p>

Total: 2

Completion of Essential Recommendations by Audit Report Fiscal Year

The following chart shows the number of Essential recommendations identified in audit reports by fiscal year and associated implementation time. There were no essential items outstanding for more than two years from FY18 reports. This increased for FY19 and FY20 reports, but then subsided for FY21 reports. This change in extended implementation timelines coincides with the start of the pandemic in 2020 and is likely partially attributable to difficulties with remediation due to the pandemic and subsequent staffing constraints, which have begun to ease.



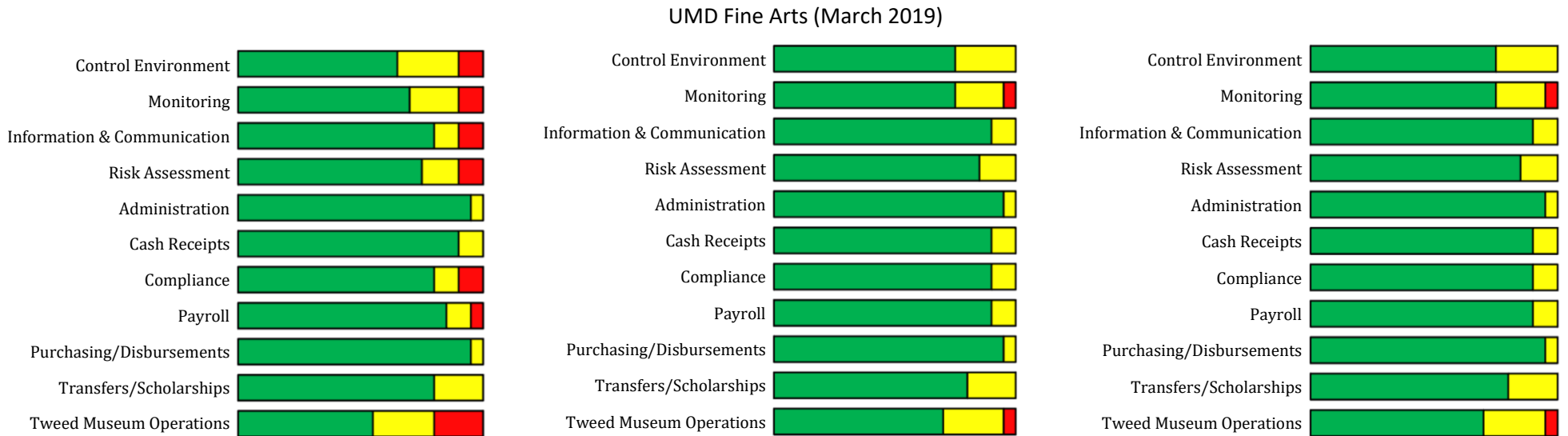
Progress on Implementation of Audit Recommendations

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 audit period 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 2023, 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 audit period are shown at the end of this report.

Original Report Evaluation

Previous Audit Period Evaluation

Current Audit Period Evaluation



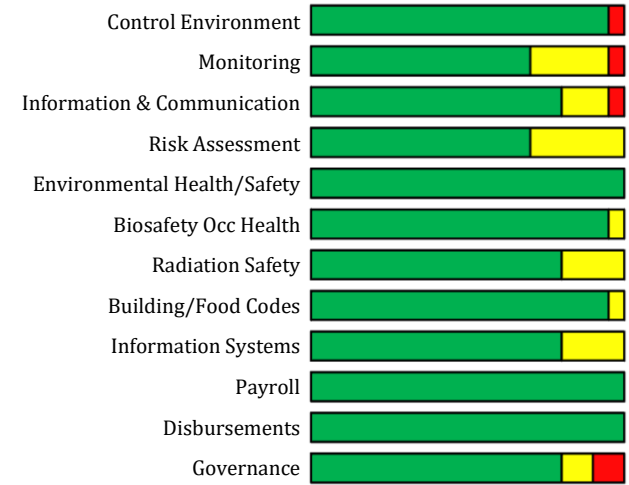
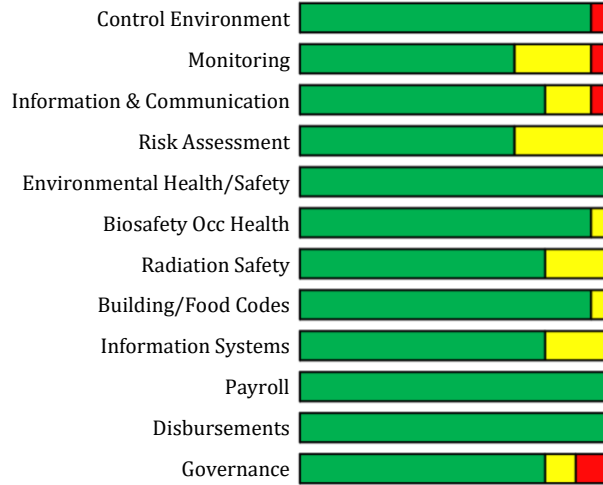
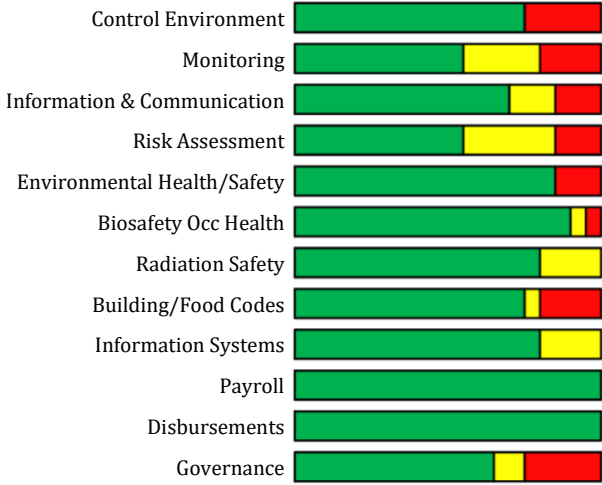
■ Adequate Control
 ■ Significant Control Issue(s)
 ■ Essential Control Issue(s)

Original Report Evaluation

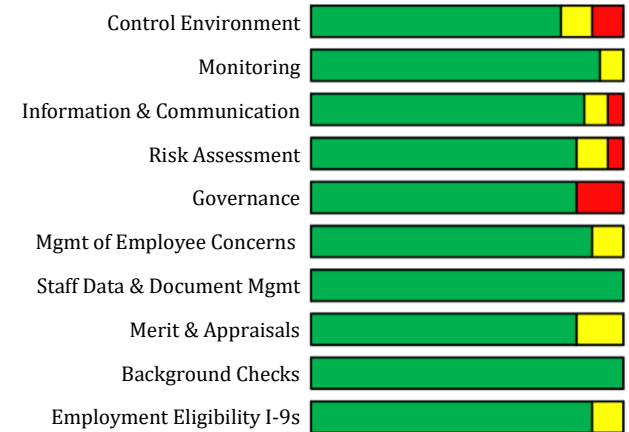
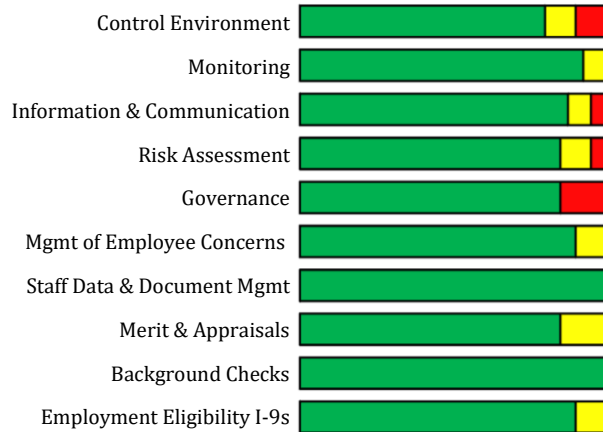
Previous Audit Period Evaluation

Current Audit Period Evaluation

University Health & Safety (September 2020)

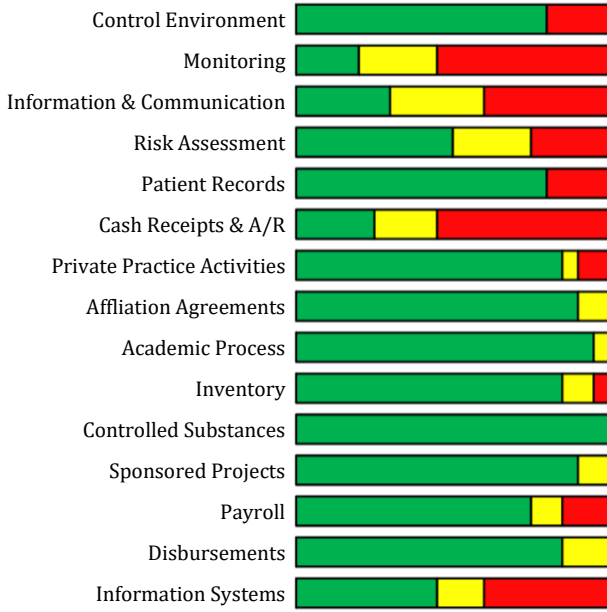


UMN Duluth Department of Human Resources (August 2021)

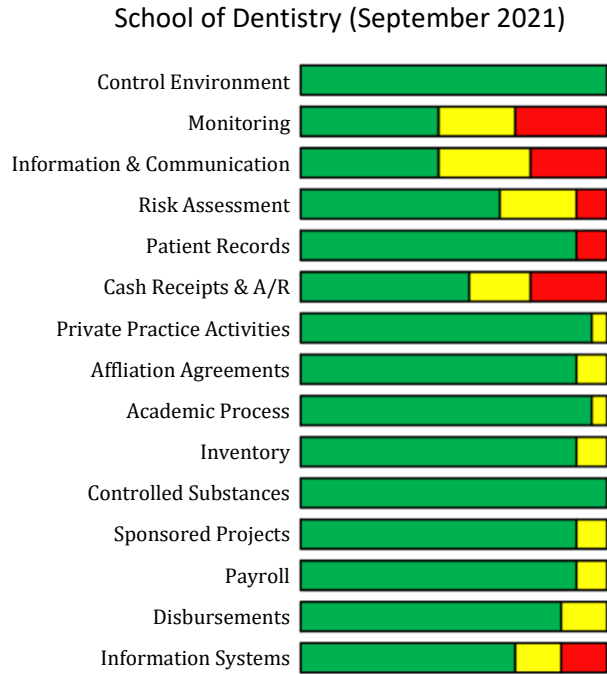


■ Adequate Control ■ Significant Control Issue(s) ■ Essential Control Issue(s)

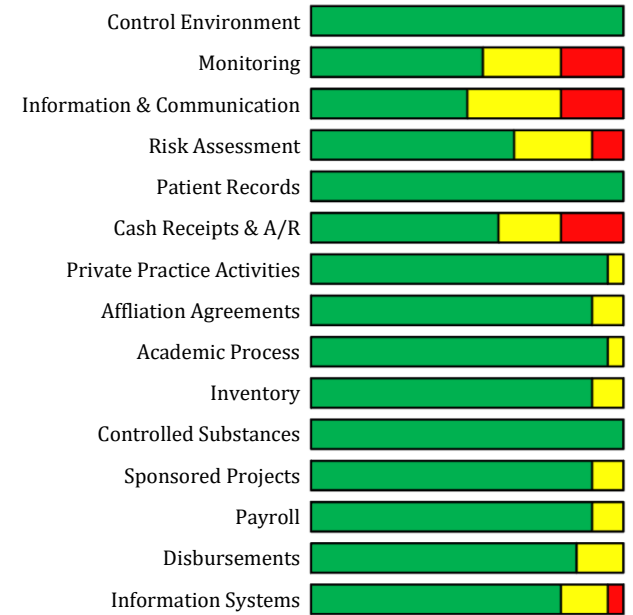
Original Report Evaluation



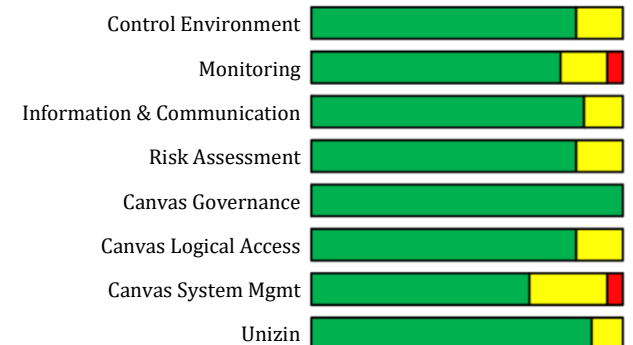
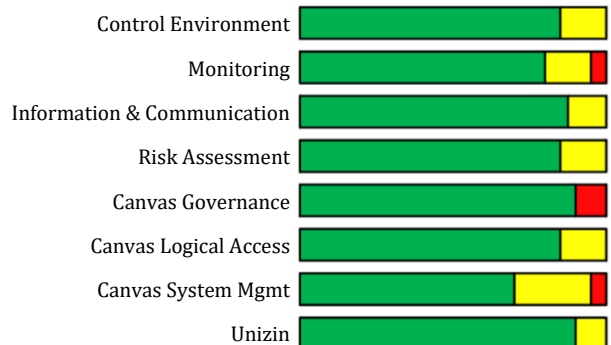
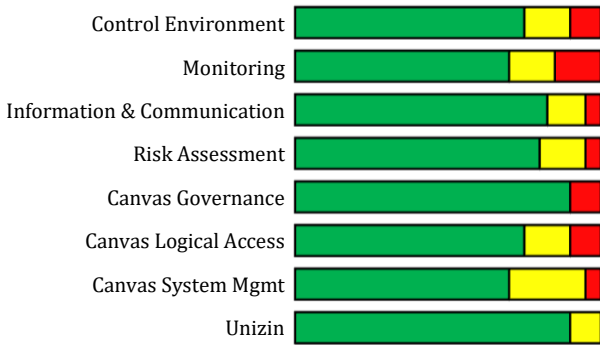
Previous Audit Period Evaluation



Current Audit Period Evaluation

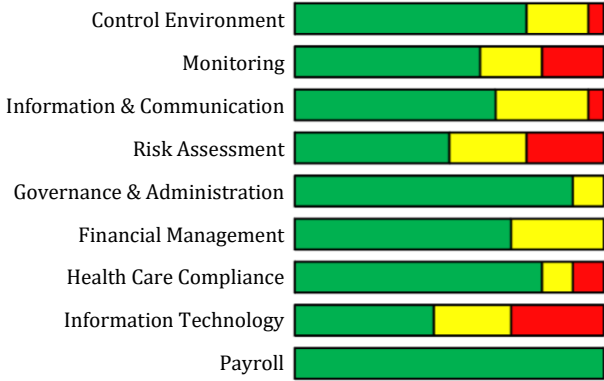


Canvas and Unizin (September 2021)

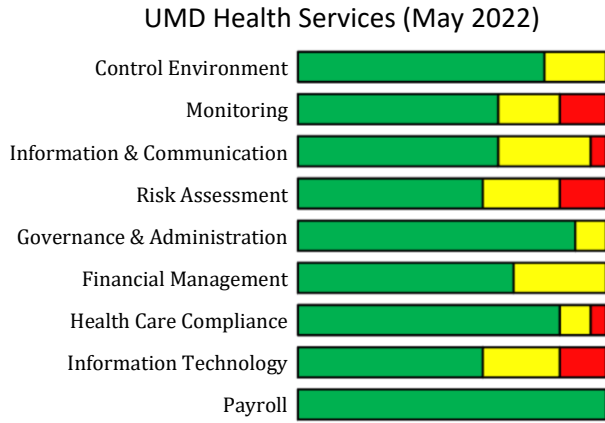


■ Adequate Control ■ Significant Control Issue(s) ■ Essential Control Issue(s)

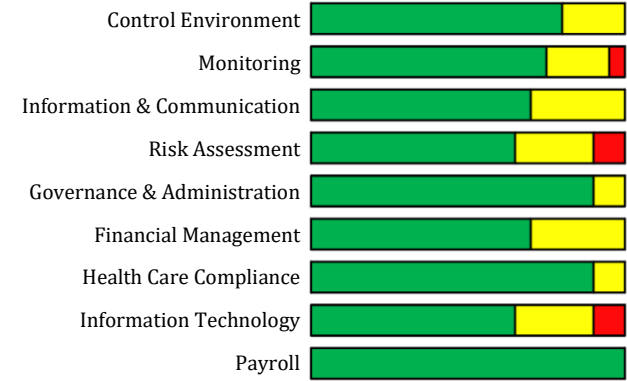
Original Report Evaluation



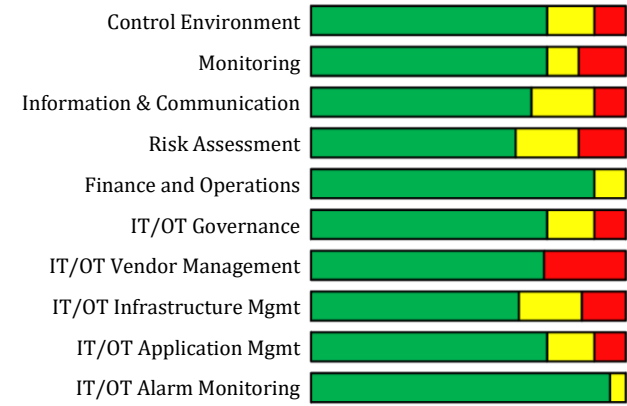
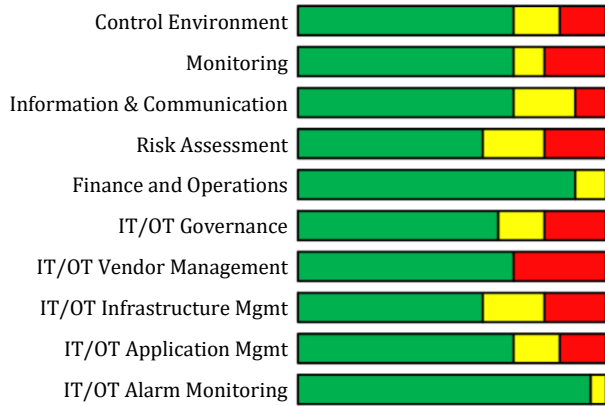
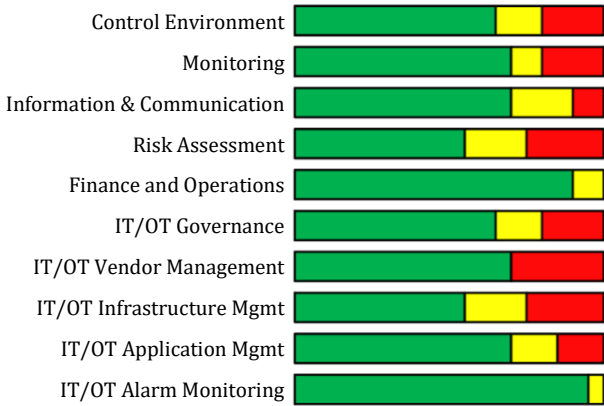
Previous Audit Period Evaluation



Current Audit Period Evaluation

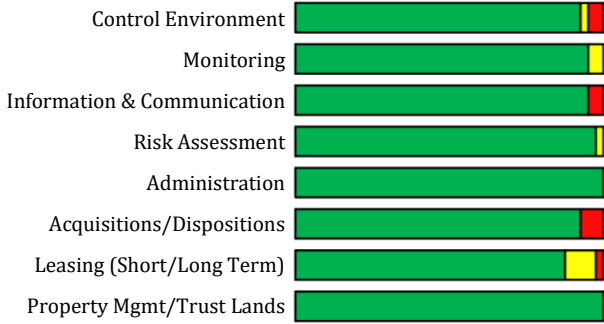


Energy Management (July 2022)



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

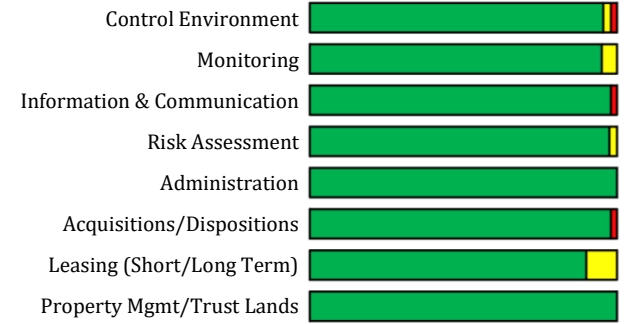
Original Report Evaluation



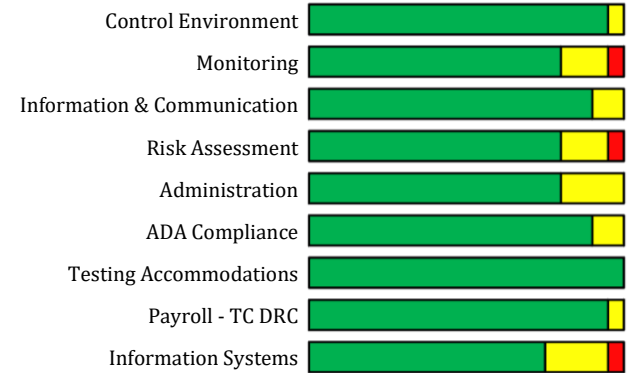
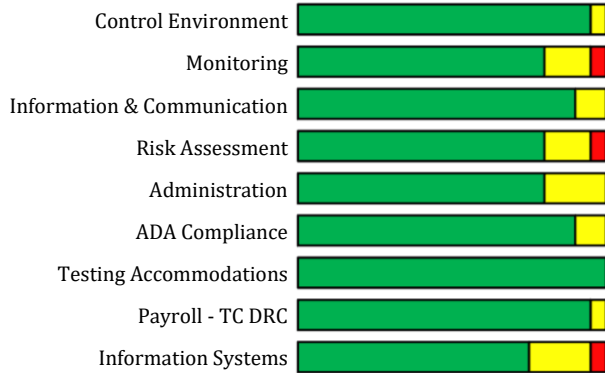
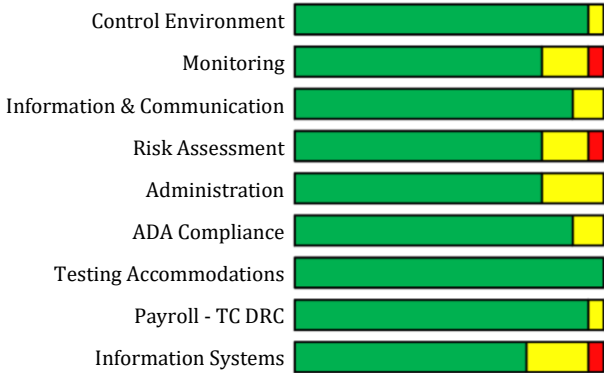
Previous Audit Period Evaluation



Current Audit Period Evaluation

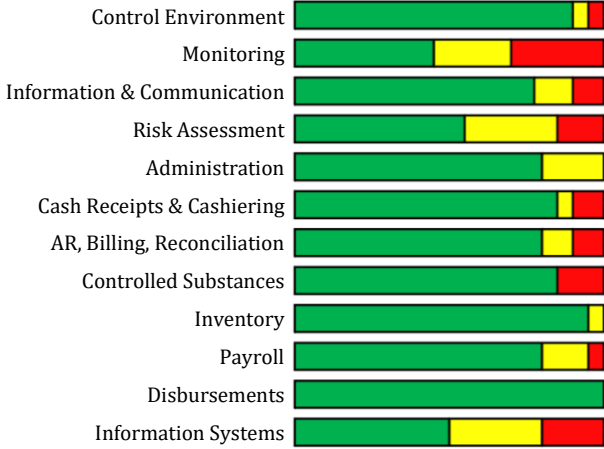


Systemwide Student Disability Resources (August 2022)

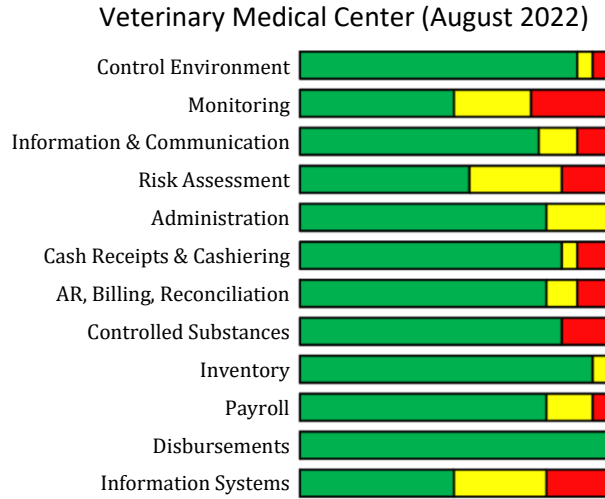


■ Adequate Control
 ■ Significant Control Issue(s)
 ■ Essential Control Issue(s)

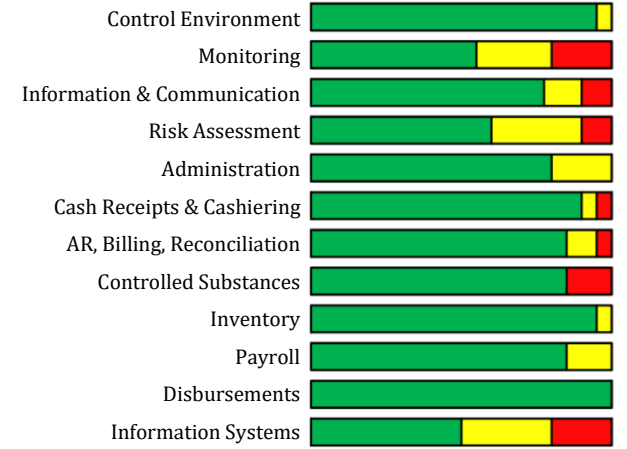
Original Report Evaluation



Previous Audit Period Evaluation

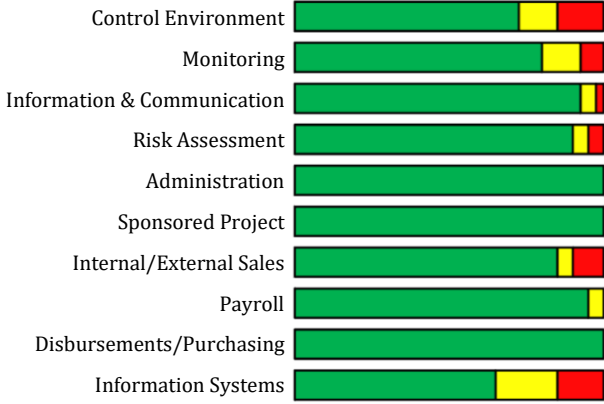


Current Audit Period Evaluation



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

Original Report Evaluation



Previous Audit Period Evaluation

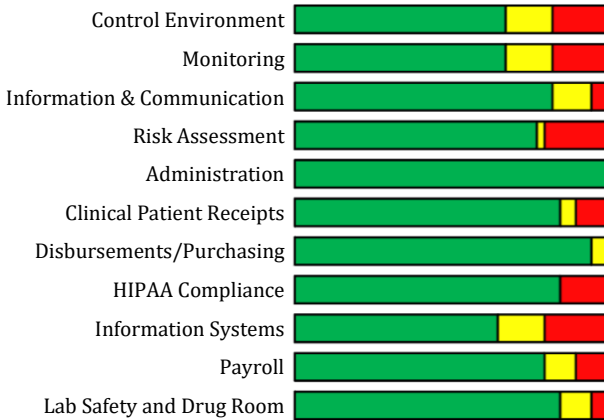
Univeristy of Minnesota Genomics Center (August 2022)



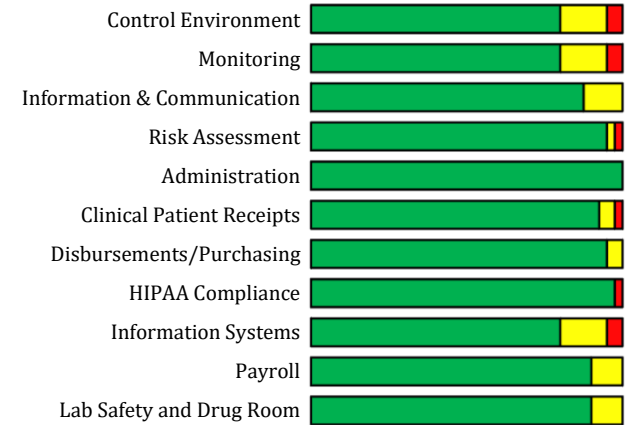
Current Audit Period Evaluation



Community-University Health Care Center (December 2022)



NO PREVIOUS CONTROL EVALUATION CHART



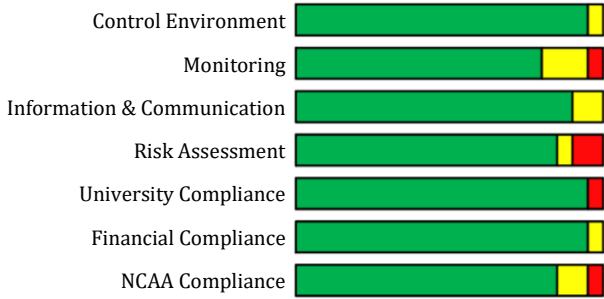
■ Adequate Control ■ Significant Control Issue(s) ■ Essential Control Issue(s)

Original Report Evaluation

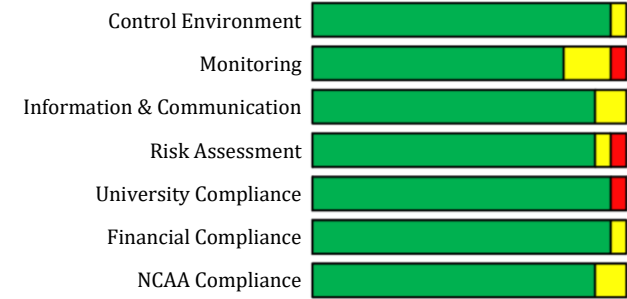
Previous Audit Period Evaluation

Current Audit Period Evaluation

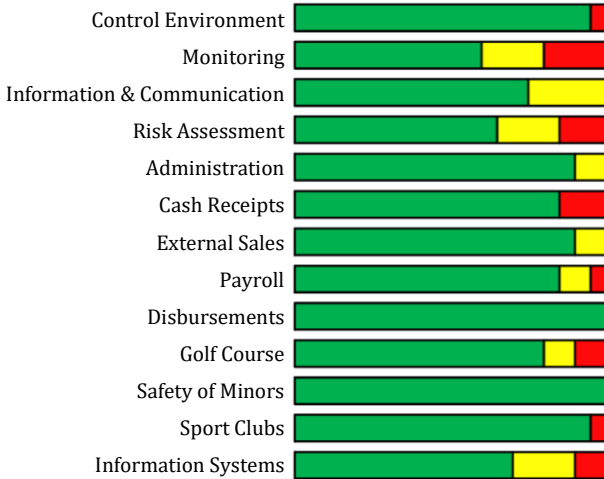
Men's Golf and Women's Golf, Gymnastics and Tennis Sport Compliance & Operations (January 2023)



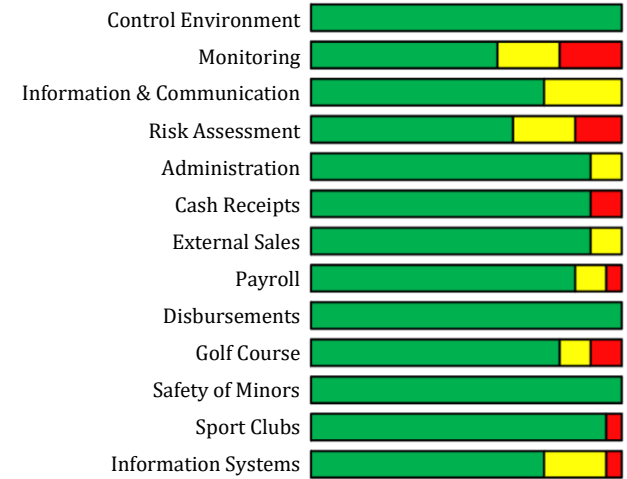
NO PREVIOUS CONTROL EVALUATION CHART



University Recreation and Wellness (January 2023)



NO PREVIOUS CONTROL EVALUATION CHART



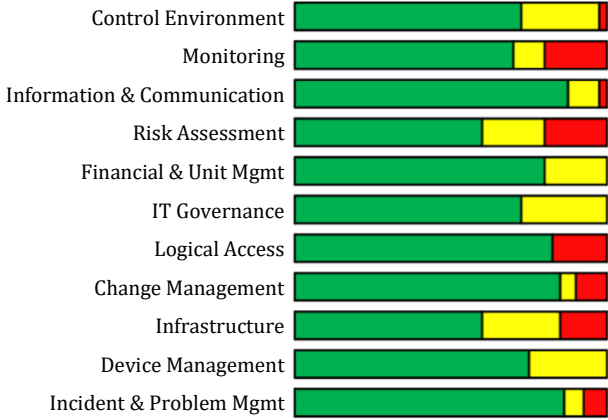
■ Adequate Control ■ Significant Control Issue(s) ■ Essential Control Issue(s)

Original Report Evaluation

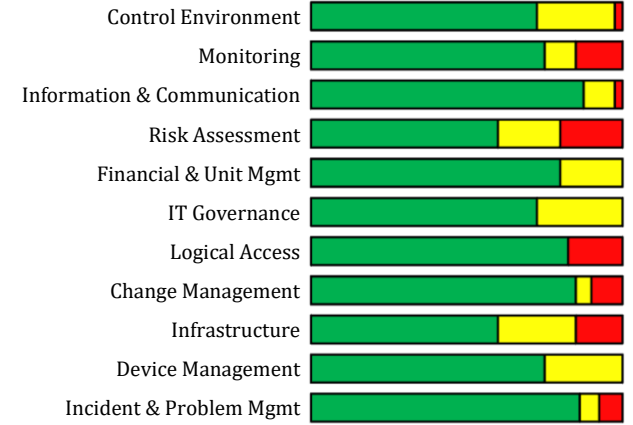
Previous Audit Period Evaluation

Current Audit Period Evaluation

UMD Information Technology Systems and Services (February 2023)



NO PREVIOUS CONTROL EVALUATION CHART



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

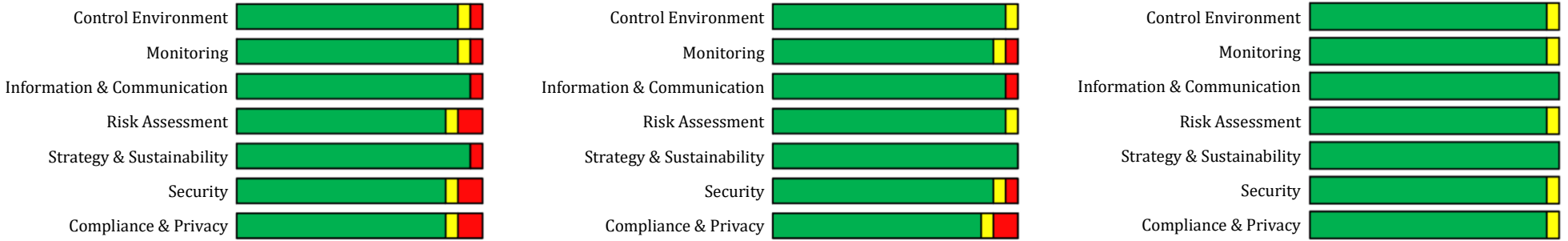
Fully Implemented "Essential" Recommendations During the Past Audit Period

Original Report Evaluation

Previous Audit Period Evaluation

Current Audit Period Evaluation

Telehealth Security and Compliance (Mar 2021)



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

Audit Activity Report

Scheduled Audits

Completed Audits Of:

- University Relations and University Services – Vice President Transition Review
- Bell Museum
- I-9 Temporary Process Compliance
- Department of Microbiology and Immunology
- Department of Civil, Environmental, and Geo-Engineering
- The Hormel Institute
- UMD Dining Services
- Institute on the Environment

Began/Continued Audits Of:

- Boynton Health Services
- OIT Server Administration
- UMD Athletics
- Global Programs and Strategy Alliance Transition Review
- Intercollegiate Athletics Ticket Office
- Aerospace Engineering and Mechanics
- eConsent
- NXT GEN MED
- President – Transition Review

Investigations

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

Special Projects

- Provided advisory services related to University payroll exception testing.
- Provided technology advisory services in several areas including: identity and access management, data center management, vendor management, logging and monitoring, and information security and compliance.

Other Audit Activities

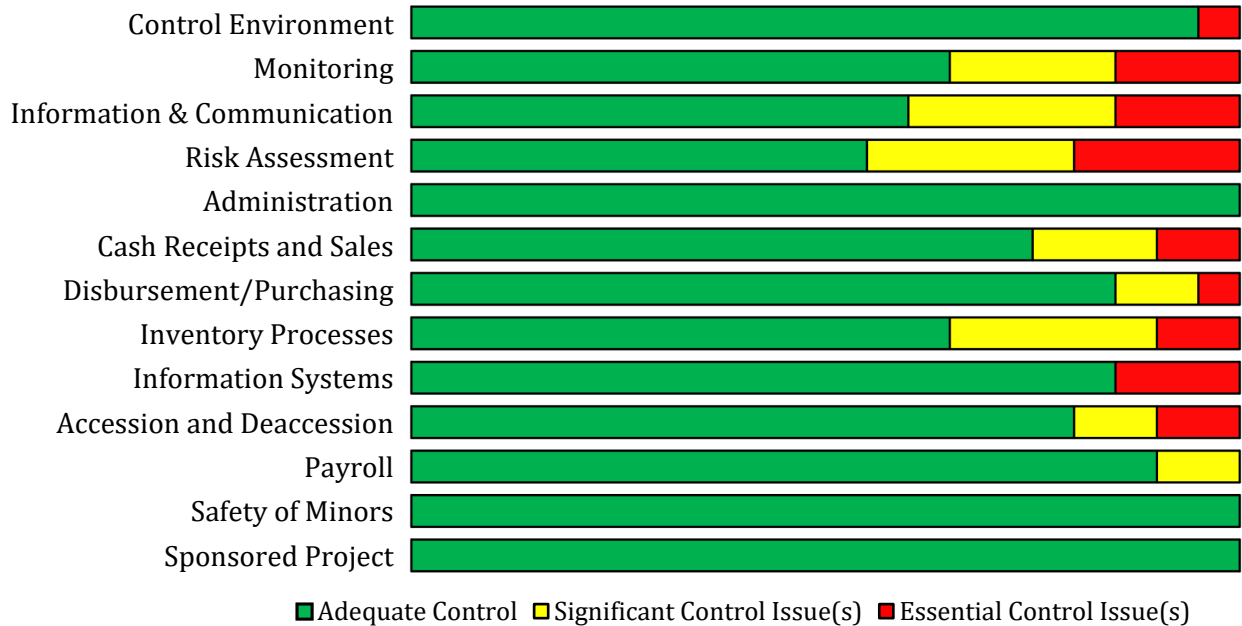
Participated in the following:

- 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 Integrity and Safety Collaborative

- Diversity Community of Practice
- PEAK Advisory Council
- University of Minnesota Foundation Audit Committee
- Metropolitan Council Audit Committee
- Association of College and University Auditors (ACUA) Committee on Athletics
- Associate Vice President for Research Integrity and Compliance Search Committee
- Enterprise Risk Management Task Force

Audit Reports Issued Since February 2023

Bell Museum Control Evaluation



Report Number:	2317	Issue Date:	April 2023
# of Essential Recs:	12	Total # of Recs:	27
Overall Assessment:	Adequate	Adequacy of MAP:	Good

The Bell Museum is Minnesota’s official natural history museum, established by the legislature in 1872 and held in trust by the University of Minnesota. As established by state mandate, the Bell is a state repository for scientific collections. These collections contain over one million specimens that represent every county in Minnesota and various locales around the globe. The new Bell Museum opened in 2019 on the St. Paul campus. The Bell demonstrates a strong commitment to its members and the community and continues to move forward with its mission, despite major hurdles during the new museum’s opening years due to the COVID-19 pandemic. Bell is also working to complete a strategic plan to further their impact in the community and address key museum risks while also staying attentive to their established control environment and compliance risks. However, Bell’s inventory procedures, information systems and some financial management processes warrant attention to ensure appropriate internal controls are in place, risks are mitigated, and monitoring is enhanced. Some of the inventory, facility, and IT issues likely stem from staffing and resource constraints.

I-9 Temporary Process Compliance

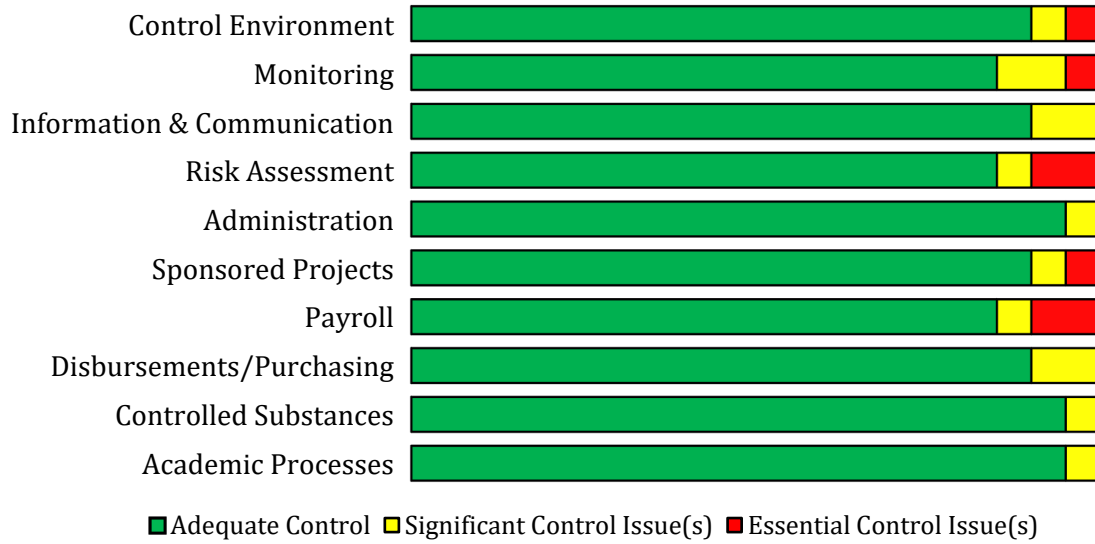
Given the limited scope of this process audit a control evaluation chart was not developed.

Report Number:	2318	Issue Date:	April 2023
# of Essential Recs:	2	Total # of Recs:	2
Overall Assessment:	Needs Improvement	Adequacy of MAP:	Good

When a new employee starts, Federal regulations require work eligibility to be confirmed through the I-9 process. University policy requires this process to be completed on or before their first day of work, which is normally completed in person. However, in the early stages of the COVID-19 pandemic (March 2020) the Federal government announced a temporary policy that included flexible guidance for I-9 completions. This guidance allowed for the use of expired identification documents and the remote inspection of documents. However, this did not apply to employees still physically present at an employer's work location during the pandemic, and employers were expected to physically obtain, inspect, and retain documents within three business days once "normal operations" resumed. The use of expired documents was allowed until April 30, 2022, and then it was expected unexpired documents would be reviewed by July 31, 2022. On April 1, 2021, the Federal government stated those who went through the temporary process but had since physically returned to work on a "regular, consistent, or predictable basis" were expected to provide documents in person; however, this was not clearly defined.

COVID-19 was a tumultuous time and I-9 completion proved challenging due to the large number of new University employees, varying work requirements and multiple work locations. While OHR did communicate the flexible Federal guidance, OHR did not institute clear University guidelines for units to follow nor did they enact monitoring processes during the flexible guidance period. It is unclear which units' HR staff physically obtained, inspected, and retained copies of documents within three business days once "normal operations" resumed, or whether employees who were always in-person had their documents inspected physically upon hiring as this was not tracked nor monitored by the University. At the start of our audit, 3% of University employees hired through a remote inspection still had not had their documents physically reviewed. OHR is now working to ensure all I-9s completed under the temporary relaxed provisions are being reviewed in person with valid documentation.

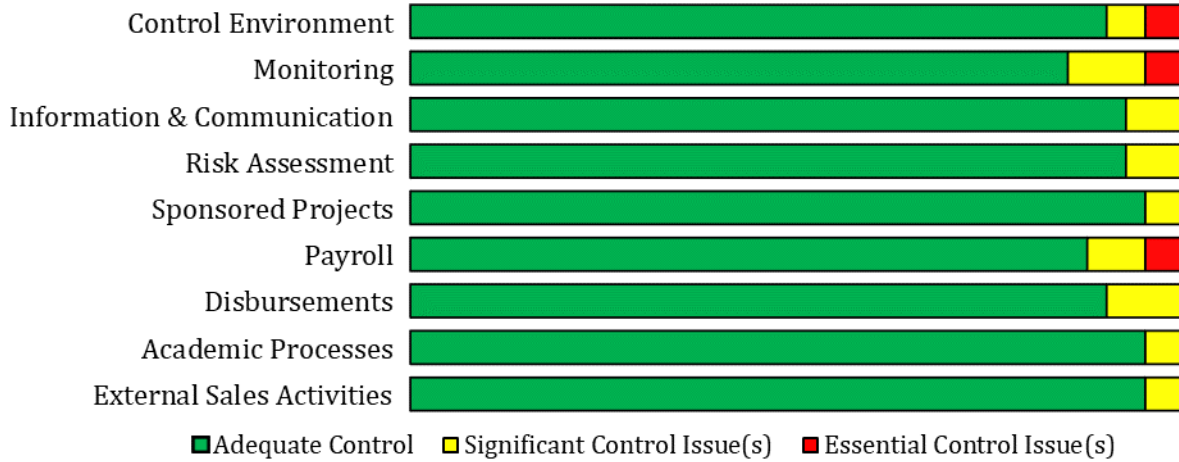
Microbiology and Immunology Control Evaluation



Report Number:	2319	Issue Date:	April 2023
# of Essential Recs:	3	Total # of Recs:	9
Overall Assessment:	Good	Adequacy of MAP:	Good

Founded in 1918, the Department of Microbiology and Immunology is an academic department within the Medical School of the University, focused on the study of microorganisms, the human immune system, and how they interact. The department is known for its innovative research in areas such as virology, bacteriology, immunology, and infectious diseases. It also has a strong commitment to training the next generation of scientists and healthcare professionals, and offers graduate and postdoctoral training programs, as well as undergraduate courses in these areas. The Department of Microbiology and Immunology has developed a control environment and a system of internal control that addresses most major business and compliance risks. However, some HR, financial, and operational management processes warrant attention. Recommendations considered essential include improving new hire I-9 confirmation and background check processes, and ensuring sponsor spending meets regulations and University policies.

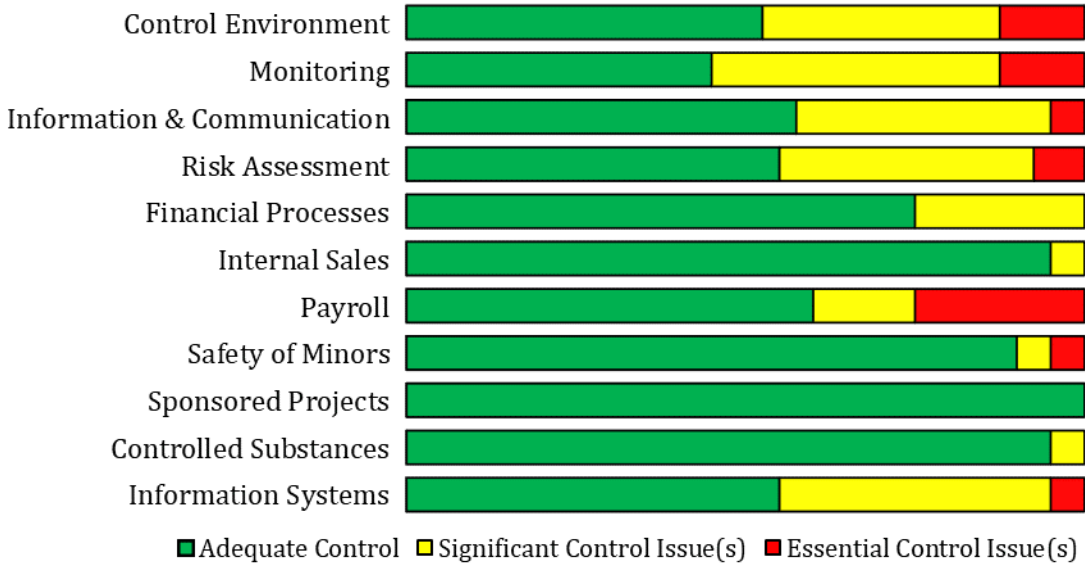
Civil, Environmental & Geo-Engineering Control Evaluation



Report Number:	2320	Issue Date:	May 2023
# of Essential Recs:	1	Total # of Recs:	8
Overall Assessment:	Good	Adequacy of MAP:	Good

Civil, Environmental, and Geo- Engineering (CEGE) is a department within the College of Science and Engineering (CSE). The department offers specializations in five broad areas: Environment, Geomechanics, Structures, Transportation and Water Resources. CEGE offers programs for undergraduate, Master of Science (M.S.), Master of Engineering (M.E.) and Ph.D. CEGE has several research facilities including faculty laboratories which provide research opportunities in at least eight different research areas. The Multi-Axial Subassemblage Testing (MAST) Laboratory is the largest test system of its kind in the world and provides a powerful tool for investigating the effects of earthquakes, hurricanes, and other extreme events on large structural components up to several stories tall. CEGE has developed a control environment and a system of internal control that addresses most major business and compliance risks. While only one recommendation was identified as essential, related to I-9s, other areas warrant attention including payroll processes, purchasing methods and monitoring, scholarships and fellowships, and reconciliation of external sales.

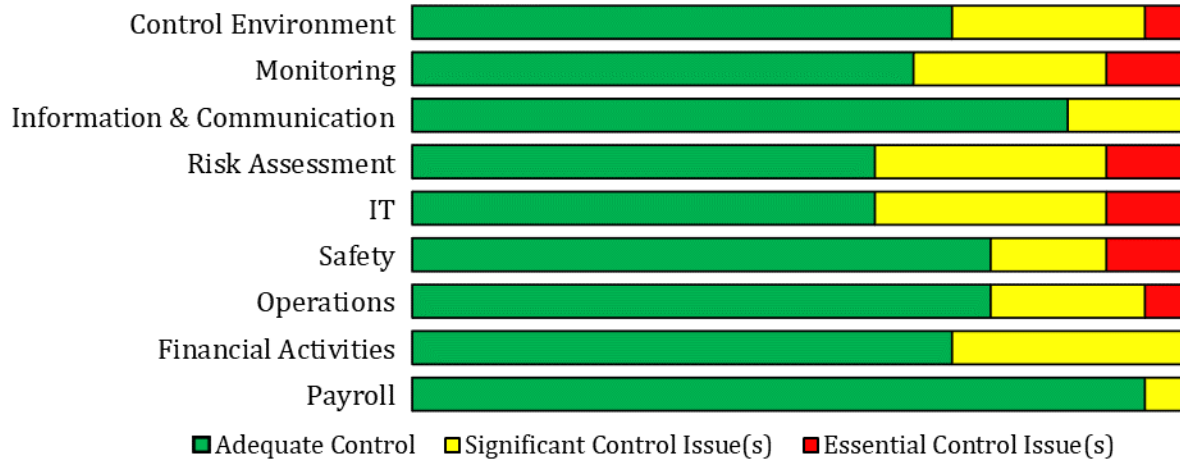
The Hormel Institute Control Evaluation



Report Number:	2321	Issue Date:	May 2023
# of Essential Recs:	7	Total # of Recs:	37
Overall Assessment:	Adequate	Adequacy of MAP:	Good

The Hormel Institute (HI), located in Austin, Minnesota, is a biomedical research department within the Office of the Vice President for Research (OVPR). HI was established in 1942 by an agreement between the Regents of the University of Minnesota and the Hormel Foundation to support initiatives that directly benefit the Austin community. HI collaborates with various research partners, including UMN's Masonic Cancer Center, Mayo Clinic, and many other leading research centers worldwide. Over the next few years, the Institute is poised to broaden its impact through innovative, world class research to improve human health. The Hormel Institute has developed a control environment and a system of internal control that adequately addresses most major business, compliance, and information technology risks, with the exception of payroll where we identified several errors and process gaps. While most of these issues occurred under previous HR and payroll management, additional oversight of these processes is needed. Other issues identified as "essential" include the need to establish an IT backup strategy and improving safety of minors' policy compliance.

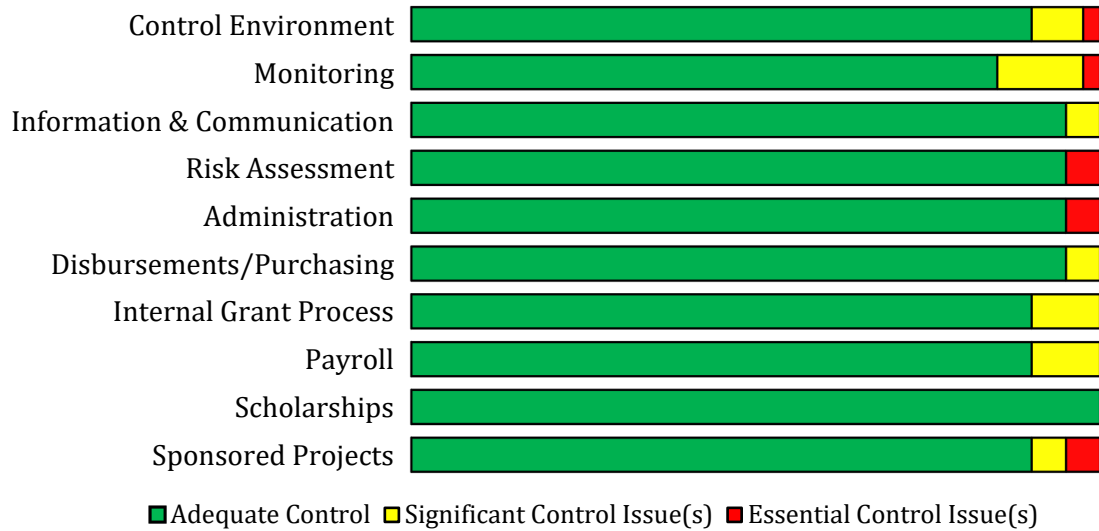
UMD Dining Services Control Evaluation



Report Number:	2322	Issue Date:	May 2023
# of Essential Recs:	6	Total # of Recs:	34
Overall Assessment:	Adequate	Adequacy of MAP:	Good

Dining Services serves UMD students, employees, and departments as well as the general public. Dining Services venues include the Superior Dining Center, Northern Shores Coffee Shop, Kirby Plaza Food Court, and The Grind coffee kiosk. Additionally, Fresh Leaf Catering provides catering services for meetings, conferences, weddings, etc. for UMD/internal and external customers. In addition to its dining operations, Dining Services manages the food vending machines on the UMD campus. Dining Services has a control environment and a system of internal control that adequately addresses most major business, compliance, and information technology risks. Many of the issues identified in the report at least in part stem from informal processes or process gaps that led to inconsistent practices and/or noncompliance with University policy, regulatory requirements, internal procedures, and/or best practices. While there is opportunity for Dining Services to implement more formal processes and documentation to reduce risk, the areas of noncompliance have not resulted in any known major issues. IT risks present the greatest challenge to Dining Services achieving their objectives as Dining Services increasingly relies on technology to support its operations and there is no central oversight of its IT function by an IT professional.

Institute on the Environment Control Evaluation



Report Number:	2323	Issue Date:	May 2023
# of Essential Recs:	2	Total # of Recs:	7
Overall Assessment:	Good	Adequacy of MAP:	Good

The Institute on the Environment (IonE), established in 2008, is a center within the Office of the Vice President for Research (OVPR). IonE’s mission is to lead the way toward a future in which people and the environment prosper together. IonE pursues research-based solutions to the biggest challenges of the 21st century related to climate adaptation, energy, food and land use, freshwater, urban resilience, whole systems and more. IonE provides leadership and education programs for faculty, students and staff and coordinates the UMTC undergraduate sustainability studies minor. In addition, IonE’s grants provide support for people and projects across the University of Minnesota system. IonE’s Mini grants are designed to support and spark collaborative projects focused on environmental and sustainability issues across the University of Minnesota five-campus system, Extension, and outreach centers. IonE has developed a control environment and a system of internal control that addresses most major business and compliance risks. While only two recommendations were identified as essential, related to sponsored projects and sponsorships, other areas requiring attention include management of sponsored projects, grants, disbursements, and payroll processes.

Transition Review Reports Issued Since February 2023

Due to the targeted scope of these audits no control evaluation charts are developed.

University Relations and University Services - VP

Report Number:	2316	Issue Date:	March 2023
# of Essential Recs:	0	Total # of Recs:	0
Overall Assessment:	Good	Adequacy of MAP:	NA

The activities of the former Vice President reflected a prudent use of University resources and thoroughness in the necessary administrative functions required for a smooth transition for the incoming Vice President and Interim Vice President. Interviews with core staff members, as well as a review of HR and financial data, noted no new/increased deferred compensation agreements or inappropriate spending. Administratively, all expense reports, vacation leaves, and Reports of External Professional Activities submissions of direct reports have been completed and approved. Additionally, all systems and building access have been removed. No report level issues were identified.

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 review we conducted during this reporting period.

Unreconciled Stale Checks

This SNAP review focused on the process for unreconciled stale paper checks and stale electronic fund transfers (EFTs). These stale checks and EFTs are payments made by the University that are outstanding and/or have expired via Wells Fargo Bank or US Bank

Management Remediation Plans that Involve PEAK

The following table includes recommendations and risks identified in Internal Audit reports for which management stated would be resolved at least in part through the PEAK Initiative.

Audit	Report Date	Summary of the Issue	Management Response	Function Area	Recommendation Rating	Status of Essential Recommendation
UMD Human Resources (UMD HR)	August 2021	Human resources' roles and responsibilities are not clearly defined and documented to ensure understanding, efficiency, and consistency.	UMD HR plans to assess the feasibility of a structural plan pending the results of PEAK.	Human Resources	Essential	Not Implemented
		There are opportunities to improve the efficiency and consistency of I-9 processing on the UMD campus.	At UMD, I-9 processing is the responsibility of the hiring unit and not UMD HR, which is neither staffed nor has the resources to process I-9s centrally. UMD HR plans to review I-9 processes for the campus alongside the results of PEAK.	Human Resources	Significant	N/A
Employee Visa and Immigration Support Collaborative Assessment	November 2021	The Collaborative Assessment report identified risks related to strategy, hiring, and visa processing.	Senior management plans to establish a task force comprising representatives from all units with visa-related duties to review the collaborative assessment report and the University's visa support processes holistically. This work is expected to be carried out as part of the broader PEAK initiative.	Human Resources	N/A - this Collaborative Assessment identified Medium and Low risk areas for improvement, but not as recommendations	N/A
UMD Information Technology Systems and Services (ITSS)	February 2023	A comprehensive evaluation of IT staffing and support services for the UMD campus has not been performed nor initiated by UMD leadership, which is likely resulting in inefficiencies and increased noncompliance risks.	ITSS plans to work with UMD leadership to comprehensively evaluate the current IT support structure for the campus. This review will be coordinated with the work being done as part of the broader PEAK initiative.	IT	Significant	N/A
UMD Dining Services	May 2023	Multiple units perform financial duties for Dining Services, and Dining Services' oversight of these activities is limited, which presents effectiveness and efficiency concerns.	Dining Services plans to evaluate its financial support model after the processes being addressed as part of PEAK are implemented.	Finance	Significant	N/A
		Dining Services IT support model involves various UMD units and responsibilities have not been formally defined. Additionally, there is no central oversight of Dining Services IT function by an IT professional.	Dining Services plans to work with ITSS to identify a lead IT support person. This new IT support structure will be determined, at least in part, through the changes implemented as part of PEAK.	IT	Significant	N/A



BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

June 8, 2023

AGENDA ITEM: Internal Audit Plan

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is discussion of the FY 2024 Internal Audit Plan. The recommended plan includes 18 audits of University processes and units. The plan continues to reflect the principles of the Integrated Framework of Internal Control. In addition to these planned audits, Internal Audit expects to perform audit work associated with any changes to the University’s healthcare partnerships, or with the PEAK implementation if the need arises.

The plan will also continue to perform gift testing in alignment with the memorandums of understandings with University foundations, and senior leader transition audits as they occur including for the following Twin Cities campus deans:

- Carlson School of Management
- College of Liberal Arts
- College of Design
- Law School

The FY 2024 plan maintains audit coverage of University units and processes and includes audits specifically selected to inform institutional leaders and the Board on areas where institutional risks exist. Selection of activities for inclusion in the annual audit plan considered alignment with the 2018 Institutional Risk Profile and MPact 2025. Audit coverage is balanced across University operations. The plan includes two tiers to reflect priorities considering current Internal Audit staffing and to continue to allow for plan flexibility if higher priorities arise.

BACKGROUND INFORMATION

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

FISCAL YEAR 2024
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 the Office of Internal Audit's (OIA's) accountability for our resources and our ongoing efforts to continually improve the University's internal audit program.

RECAP OF FY 2023 ANNUAL AUDIT PLAN

(Note: See Appendix B for the audit status for FY 2023)

Our audit planning begins with a review of past audit coverage and results. Appendix A recaps the audits completed for the last three fiscal years and the resulting overall control assessments. Appendix B details progress made against the FY 2023 audit plan and other audit work performed. To date, we have completed 24 audits in FY 2023. The risk management and control environments of 16% of the activities audited were rated as "Needs Improvement." The remaining 84% of audits were rated "Good" or "Adequate." These results continue to demonstrate an overall culture of compliance and risk management throughout the University.

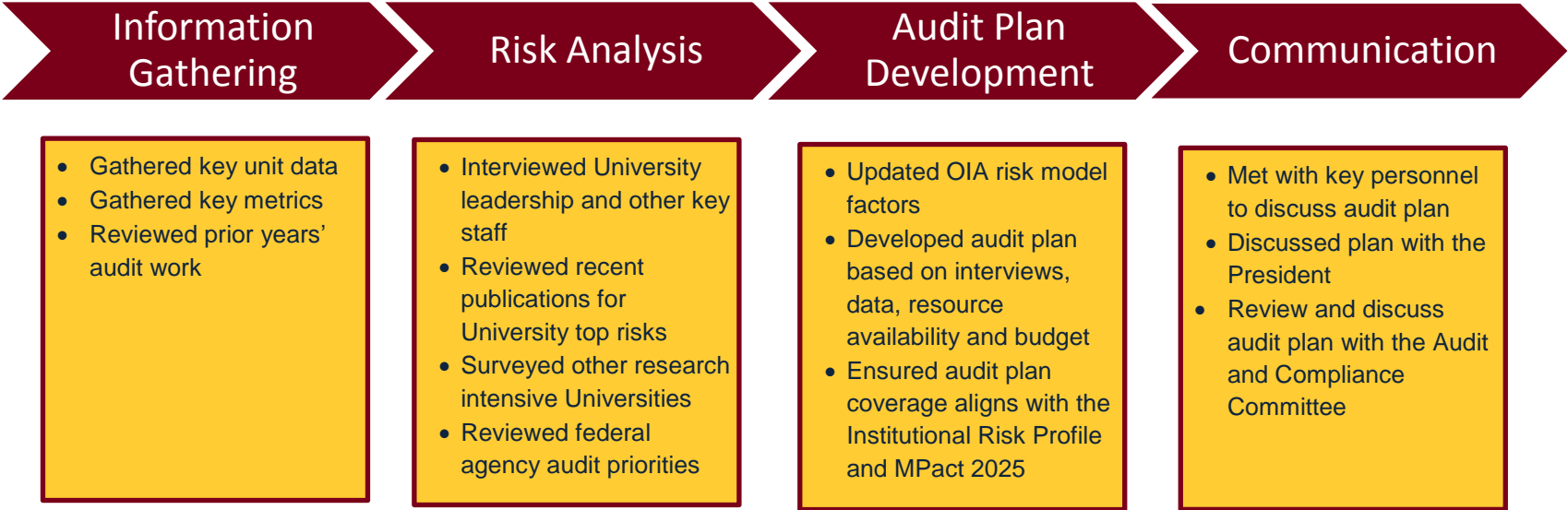
In addition to the 24 audits completed:

- **Audits In Progress:** 4 - audits are currently in progress and plan to be completed in FY 2023.
- **Completed Next FY:** 5 - audits are in progress and will be completed in FY 2024.
- **SNAP Reviews:** 3 - SNAP reviews were issued.
- **Deferred Audits:** 4 - Tier 2 audits from the FY 2023 audit plan were deferred to FY 2024 and 2 additional audits were added as communicated to the Committee in February. The FY 2023 audit plan was built on the expectation of hiring all but one open position by the end of December 2022. Although we successfully hired most open positions, one IT auditor position was not filled until March 2023, and an additional financial auditor left the department this spring. This limited our ability to replace some deferred audit work especially related to IT.
 - *Audits Deferred to FY 2024:* Parking & Transportation Services; Central Cloud Platform; Minnesota Supercomputing Institute; and Gramm-Leach-Bliley Act (GLBA).
 - *Replacement Audit Work:* Institute on the Environment (IonE), and Aerospace Engineering & Mechanics.
- **Employee Surveys:** 36 - employee surveys were sent out to 1085 participants as part of regular unit audit processes, with a 70% response rate.
- **Investigations:** 7 - investigations into financial or operational misconduct were conducted in accordance with the University Policy on Reporting and Addressing Concerns of Misconduct. OIA partnered as appropriate with the University of Minnesota Police Department (UMPD), Office of the General Counsel, Office of Institutional Compliance, Research Intelligence & Compliance Team, and other units to complete these reviews.

24 Audit Reports
Issued
7 Investigations
Conducted
3 SNAP reviews
Completed

DEVELOPMENT OF THE FY 2024 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:



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

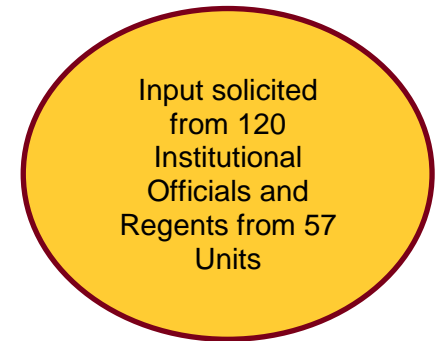
Regulatory Agencies: The areas receiving the most attention by federal agencies continue to be: research data security, management, reporting, and sharing; and foreign influence and recruiting.

Research Universities: Risks identified in our survey of other research universities found common themes around risks associated with: cybersecurity; recently and expected expanding federal research data security requirements; campus safety and crisis preparedness; financial impacts associated with inflation and declining state support; enrollments; safety of minors; and leadership and other staffing changes and challenges. Several also noted concerns regarding: diversity, equity, inclusion & belonging (DEIB); student mental health challenges; and the ongoing changing NCAA landscape including Name, Image, and Likeness (NIL) guidance.

Internal Risk Assessment Approach

We held discussions with 120 institutional officials and Regents from 57 units to solicit input on the University's institutional risks and any specific areas of concern. Themes identified include: changes to healthcare partnerships; leadership transitions; staffing changes and challenges; campus safety; cybersecurity; DEIB; enrollment and finances; PEAK implementation; federal data sharing and management; aging infrastructure; and impacts of changes in NCAA and NIL guidance and requirements.

We also reviewed the Institutional Risk Profile (established in 2018) 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 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 175 individual auditable units, of which 24 are considered to be high-risk, 110 moderate-risk, and 41 low-risk. A rating of "high-risk" does not mean that the activity is perceived to have control problems, but rather reflects the inherent risk associated with the criticality and/or centrality of the unit to the University's mission.

Key Themes Identified

- Healthcare Partnerships
- Enrollment & Finances
- Staffing: Leadership Turnover, Hiring and Return to Work
- Information Security & Data Management
- Campus Safety
- Diversity, Equity, Inclusion & Belonging
- Inflation Impacts

ALLOCATION OF AUDIT RESOURCES

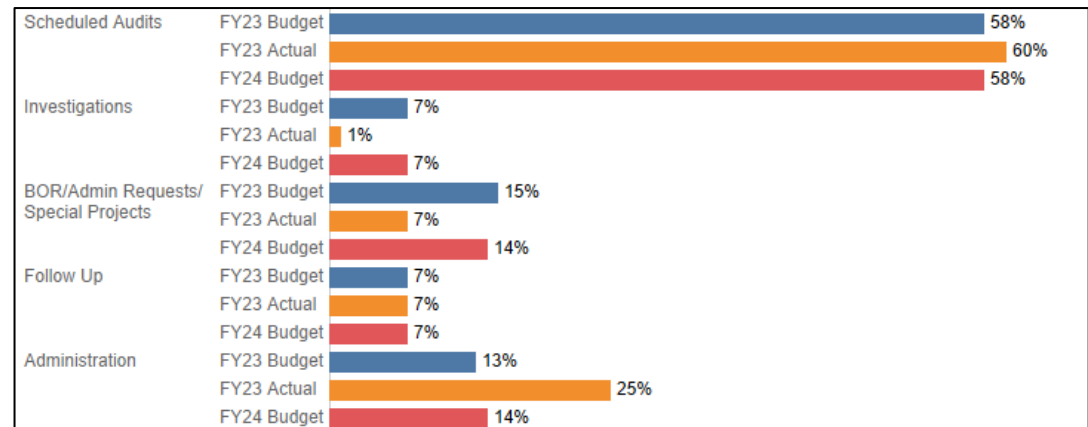
This year's allocation of resources is based on our current staffing complement of 13 FTE auditors, and an assumption that we will hire at least one additional auditor by January 2024, for a total of 13.5 FTE auditors for FY 2024 (see FY 2024 Staffing below for more details).

At 13.5 FTE auditors, approximately 58% of the Office of Internal Audit's resources will be committed to the completion of planned audit projects. This year 6% of those resources will be needed to complete carry-over work on the five audits started in FY 2023 that will be reported in FY 2024.

The remainder of our FY 2024 audit resources is reserved as follows:

- 7% has been reserved for investigations. The number of hours remains consistent with previous years.
- 14% has been reserved to accommodate special requests and projects including senior leader transition audits, SNAP reviews and requests from the President, the Board, or members of the senior leadership team. The number of hours remains consistent with the previous year.
- 7% has been reserved for follow-up procedures on outstanding report issues performed on behalf of the Audit and Compliance Committee. The number of hours remains consistent with previous years.
- 14% has been set aside for internal administrative functions, including: staff oversight, hiring and onboarding; annual audit planning; data analytics; and other continuous improvement efforts. This is an expected reduction in time. Last year we experienced significant staffing turnover including in the leadership team that was temporarily filled by an auditor assuming an interim audit director role. We expect time will continue to be needed for hiring and onboarding, but we expect less turnover and maintaining higher overall staffing levels will result in a higher percent of time spent on other audit work.

Percent of Audit Resources for FY 2024
Percent of Available Time



OVERALL RISK FOCUS AND IMPACT ON THE FY 2024 AUDIT PLAN

Our proposed internal audit plan for FY 2024 includes coverage of key risks and areas of interest including: enrollment and finances, information security and data management, athletics, campus safety, and impacts of inflation and staffing issues on unit's operations. Selected academic units and operational areas are also included in the plan to maintain reasonable cycles of audit coverage. In addition, other audit work will be performed to address risks associated with senior leader transitions, healthcare partnerships, PEAK implementation, or other areas as the needs arise.

In selecting areas for audit coverage, we were mindful of the risks included in the 2018 Institutional Risk Profile as well as the goals laid out in the MPact 2025 strategic plan. As applicable, we will continue to blend MPact 2025 goals into our work and highlight in our reporting how units and processes align with MPact 2025. We also recognize the importance of Diversity, Equity, Inclusion, and Belonging (DEIB) for creating a positive environment at the University and our community. We have worked to blend DEIB reviews into our audit work, including incorporating it into regular unit audit programs and surveys.

PROPOSED FISCAL YEAR 2024 AUDIT PLAN

Taking into consideration the risks identified externally as well as internally, and balancing all the above with our available resources, the audit plan recommended for FY 2024 includes the following:

Unit Audits

High Risk	Other Audits
NCAA Sport Parking & Transportation Services	Applied Econ/Environmental CFANS College of Education and Human Development Masonic Cancer Center UMD Facilities Management Biomedical Engineering College of Liberal Arts (CLA) School of Music/Arts Clinical Affairs Centers and Institutes College of Pharmacy Minnesota Supercomputing Institute Student Affairs Care Team UMD Registrar

Process Audits

High Risk	Other Audits
Effort Management HIPAA Governance and Oversight	Central Cloud Computing Gramm-Leach-Bliley Act (GLBA) Firewall Management

We approach the audit plan in two tiers to provide the Committee with an understanding of our current priorities and enable flexibility to accommodate performing audit work in response to emerging issues. The audits in bold are Tier 1 audits. These are higher-priority projects. The remaining audits are Tier 2 audits. Both tiers are expected to be completed based on the expected average of 13.5 FTE auditors. However, Tier 2 audits may be replaced/substituted if higher priority needs for audit coverage arise during the year. Changes made to the Tier 2 projects due to variances in staffing or priority changes will be communicated to the Committee. In addition to these listed audits, we also plan to perform audit work associated with any changes to the University's healthcare partnerships, or with the PEAK implementation if the need arises. We will also continue to perform 1) gift testing in alignment with the memorandums of understandings with University foundations, and 2) senior leader transition audits as they occur including for: the Deans of Carlson School of Management (CSOM), College of Liberal Arts (CLA), Law School, and College of Design.

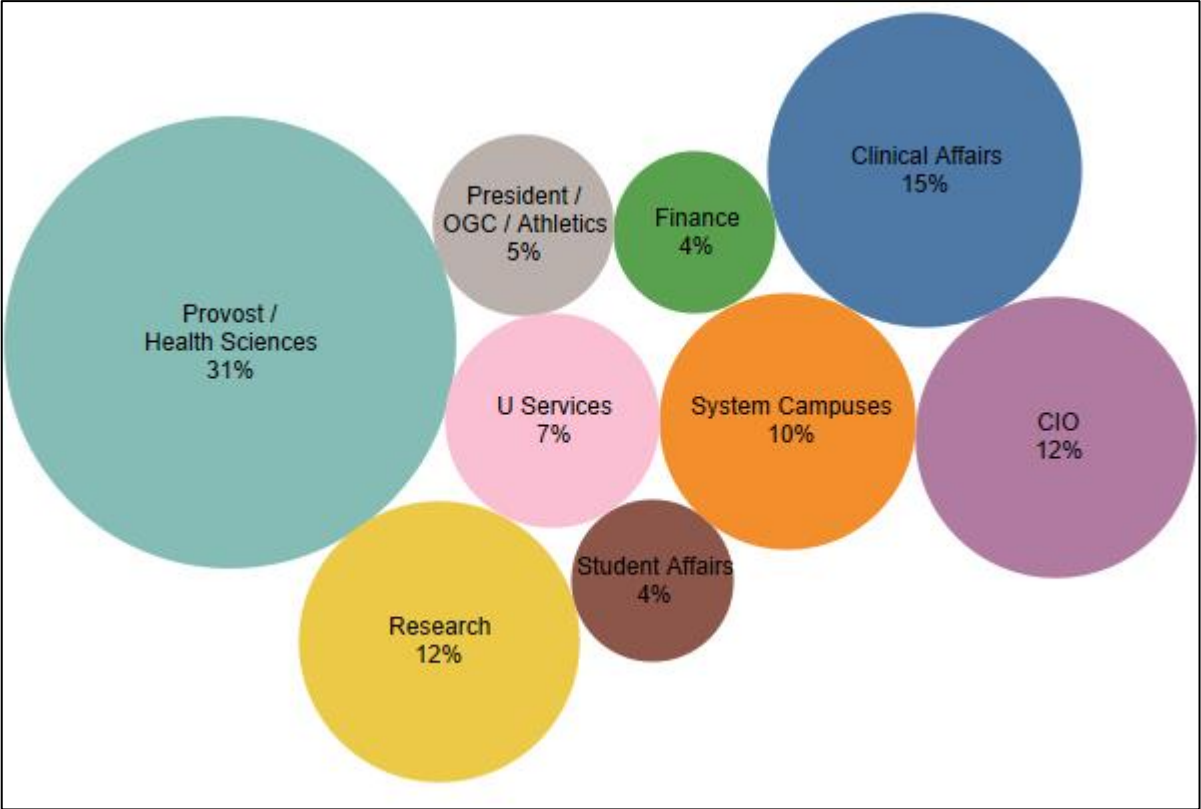
The proposed audit plan includes coverage of selected risks included on the 2018 Institutional Risk Profile as outlined in the table below (see Appendix C for more details).

Audit Coverage of Institutional Risks

Institutional Risk	FY 24	FY 23	FY 22
Clinical Partnerships	X	X	X
Collaboration w/ Externalities & Joint Ventures	X		X
Decentralization	X	X	X
Employee Demographics/Succession Planning	X	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
Legal & Regulatory Compliance	X	X	X
New & Disruptive Educational Models		X	
Public Funding Reliability, Economic Climate & Financial Sustainability	X	X	X
Representational Diversity			X
Shifting Enrollment Patterns	X	X	
High Risk Research	X	X	X
Research or Clinical Misconduct			X
Brand & Reputation Management	X	X	X
Campus Safety	X		X
Campus Climate & Free Speech	X		
Crisis Management	X		
Sexual Misconduct – Prevention, Training & Response			X

The FY 2024 plan continues to provide well-balanced coverage across the University. The following chart shows the distribution of audit coverage by University component for FY 2024, based on the number of hours allocated to each component.

FY 2024 Audit Coverage by University Components



SUMMARY

The proposed FY 2024 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 fluctuations in staffing and potential emerging needs throughout the year including potential changes to the University's healthcare partnerships.

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," and "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.

RELIANCE ON OTHER PROVIDERS

To avoid duplication of work and reduce 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 AND INITIATIVES

Compliance Partners

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, including: the Risk Intelligence and Compliance Team; the Human Research Protection Program; Health, Safety & Risk Management; University Information Security; the Health Information Privacy & Compliance Office; and the Office of the General Counsel. We work closely with each of these units during audits involving complex regulatory issues.

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 also 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. Along with the Office of Institutional Compliance, we serve on the triage team for managing UReport, the University's anonymous hotline. We are also working with the Office of Institutional Compliance to ensure that duplication does not occur between their risk assessments and our audits. Both offices are committed to sharing information and leveraging each other's work as appropriate to optimize resource usage and reduce impact on units involved.

Policy & Process Owners

Audit results are shared with policy owners and central support units such as the Office of Information Technology, Sponsored Projects Administration, Controller's Office, and the Office of Human Resources when policy non-compliance or the need for process enhancements are identified. In addition, best practices identified in local unit audits are shared with these central unit process owners for consideration of broader adoption. We also have regular meetings with leadership and other representatives from these offices to discuss audit results and trends, changes in regulations, policy interpretations, etc.

Enterprise Risk Management and PEAK Initiatives

Enterprise Risk Management (ERM) and Positioned for Excellence, Alignment and Knowledge (PEAK) are two major initiatives with current and future impacts to the audit function in the years ahead. The Chief Auditor is a member of the ERM Task Force and the PEAK Steering Committee to ensure we stay abreast of these initiatives. In FY 2024 we expect ERM will work with University leadership and the Board of Regents to establish a new institutional risk profile. We will ensure our audit work remains in alignment with the highest risks identified through this process. In addition, we expect ERM to play a larger and more consistent role in the Audit and Compliance Committee, which by policy is responsible for overseeing it. As PEAK implementation continues and streamlines administrative activities, it will likely continue to affect various process audits, risk levels and audit scoping in some unit audits. It may also impact the timelines of issue remediation as units elect to resolve issues identified in audits as part of broader PEAK efforts. In FY 2023 OIA implemented a regular report as part of our Internal Audit Activity update detailing issues management identified would be addressed as part of changes associated with PEAK. We will continue to update and maintain this document in FY 2024. As PEAK is implemented, we will also consider adjusting our audit work to ensure ongoing optimization of audit coverage; we will keep the Committee informed of any significant trends as they emerge.

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 audit staff are 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 and is supplemented with peer quality assessments. 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 our audit practice to 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 OIA. 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.

STAFF DEVELOPMENT, QUALIFICATIONS AND PROFESSIONAL INVOLVEMENT

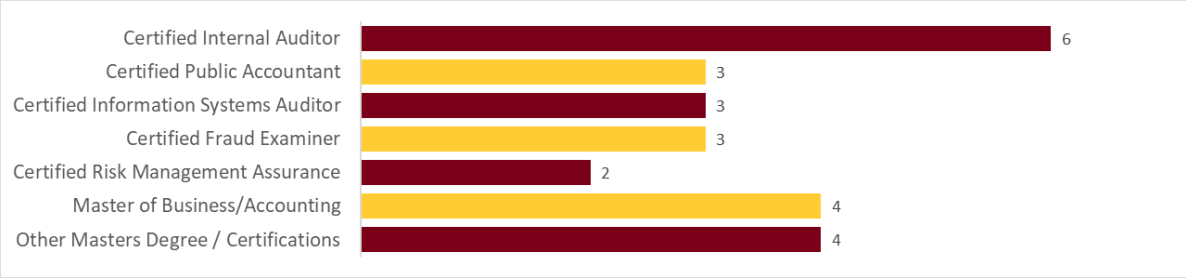
The Office of Internal Audit is committed to providing educational opportunities to our staff in order to continually enhance our audit knowledge and abilities. Ever-changing government regulations, new technologies, and new developments in auditing principles and methods dramatically affect not only what we audit, but how we audit. We 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 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.

In the first 10 months of FY 2023, the Office of Internal Audit provided approximately 1,000 hours of formal and informal training. These hours do not include the time associated with completing coursework partially funded by the University’s Regents Scholarship Program. For FY 2024, 1,150 hours have been budgeted for staff training. This ongoing training also provides the continuing professional development required to maintain the staff’s professional credentials.

Approximately
1000 Hours of
Formal and
Informal Training

All but three of our internal audit staff are professionally credentialed or hold advanced degrees. The remaining three have been with OIA less than a year and one is in the process of obtaining credentials. The number and combinations of certifications held by staff demonstrates 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



OFFICE OF INTERNAL AUDIT FY 2024 STAFFING

When fully staffed we have 16 auditors (9 financial/operational auditors, 2 IT auditors, 1 senior data analyst, 1 associate audit director, and 3 audit directors) in addition to the Chief Auditor. OIA has experienced an unusually high level of turnover in the last 18 months consistent with broader employment trends. We have worked to onboard five new auditors since April of 2022 including a new IT audit director. We are actively recruiting for two open financial/operational auditors with the assistance of the Office of Human Resources’ Talent Acquisition team. Our Audit Plan is built with the expectation that we will have hired at least one of these positions by January 2024.

OFFICE OF INTERNAL AUDIT BUDGET STATUS

The Office of Internal Audit reallocations from FY 2022 and FY 2023 were restored for FY 2023 to partially address a longstanding structural deficit, but our allocation will be reduced again in FY 2024 by a small amount. This reduction is consistent with those asked of all University units. However, we have no alternative revenue sources available and 94% of our expenses are salaries. In consultation with management and Board leadership, we plan to use carryforward balances accrued through previous years' salary savings associated with turnover to fund expected operational deficits in FY 2024. We plan to discuss with the administration options for long-term funding solutions for FY 2025.

We are receiving preliminary funding for a 3.75% merit pool compensation increase and an additional .25% for market adjustments consistent with the administration's expected pay plans.

We appreciate the thoughtful budgeting process, and the continued financial and operational support we receive from the administration.

AUDIT ASSESSMENTS FOR FY 2021 – 2023

APPENDIX A

Academic	Finance	Information Technology	System Campuses	Human Resources	Student	Other
Fiscal Year 2023						
<ul style="list-style-type: none"> ◆ Veterinary Medical Center ● Civil, Environmental, Geo-Engineering ● Microbiology and Immunology ● UM Genomics Center ■ Research Animal Resources ● Dean CBS Transition 	<ul style="list-style-type: none"> ● Energy Management - Finance 	<ul style="list-style-type: none"> ◆ Energy Management - IT 	<ul style="list-style-type: none"> ■ UMD Dining Services ■ UMD Information Technology Systems and Services ● UMD Chancellor Transition 	<ul style="list-style-type: none"> ◆ I-9 Temporary Process Compliance 	<ul style="list-style-type: none"> ● NCAA Sport Compliance FY22 ◆ Recreation and Wellness ● Student Disability Resources IP Athletic Ticket Office IP Boynton Health Services 	<ul style="list-style-type: none"> ■ Community-University Health Care Center ■ Bell Museum ■ Hormel Institute ● Institute on the Environment ● Real Estate Office ■ VP Research Transition ● VP Office of Equity and Diversity Transition ■ VP University Services Transition ● VP University Relations and Interim VP University Services Transition IP Presidential Transition IP Global Programs and Strategy Alliance Transition
Fiscal Year 2022						
<ul style="list-style-type: none"> ● Graduate School ◆ School of Dentistry ● Scholarship Funding, Metrics & Outcomes ● COVID 19 Testing Contract ● MN Partnership for Biotechnology ● SPH - Health Policy & Management ● Industrial & Systems Engineering ● CSE Dean Transition ● HHH Dean Transition ● SPH Dean Transition ● Family Medicine & Community Health 		<ul style="list-style-type: none"> ● OIT Help Desk ● Canvas & Unizin 	<ul style="list-style-type: none"> ■ Device Management ● UMD Human Resources ● UMN Morris Chancellor Transition ◆ UMD Health Services ● UMD Chancellor's Unit 	<ul style="list-style-type: none"> ● Retirement Incentive & Hiring Freeze 	<ul style="list-style-type: none"> ○ NCAA Eligibility Documents ● Housing & Residential Life 	<ul style="list-style-type: none"> ● COVID 19 Research ● Academic & Research Misconduct ○ Employee Visa & Immigration Support ● University Emergency Funds
Fiscal Year 2021						
<ul style="list-style-type: none"> ● Pharmacology ● Dean CEHD Transition ● CFANS Southern ROC ● Anatomy Bequest Program ● CSE Deans Off & Reporting Centers 	<ul style="list-style-type: none"> ● SVP Finance and Ops Transition ● CARES Act ● Prepaid Debit Card Program ● Idle Time Charged to Sponsored ● Retirement Transition ● Foreign Gifts and Contrt Reporting ● Compliance w Remote Purchasing 	<ul style="list-style-type: none"> ● OIT Job Scheduling ■ OIT Application Development 	<ul style="list-style-type: none"> ● UMD Student Life Admin ● UMD Labovitz Business & Economics 		<ul style="list-style-type: none"> ● NCAA Compliance Base/Softball 	<ul style="list-style-type: none"> ● International Scholars ● Executive & Dean Expenses ◆ University Health and Safety ■ UMarket ● Telehealth ● BOR Required Reporting ● Northrop ● Internally Granted Research ● Openness in Research ● VP for Research Transition
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <ul style="list-style-type: none"> ● Good ■ Adequate ◆ Needs Improvement ○ No Rating IP In Process </div>						

Audits Completed

High Risk

Energy Management
 Veterinary Medical Center

Moderate Risk

Civil, Environmental, Geo-Engineering
 Microbiology & Immunology
 Community-University Health Care Center (CUHCC)
 I-9 Temporary Process Compliance
 Bell Museum
 UMD Dining Services
 Hormel Institute
 UM Genomics Center
 Research Animal Resources
 NCAA Sport Compliance & Operations FY 22
 Recreation and Wellness Center (RecWell)
 UMD Information Technology Systems and Services (ITSS)
 Institute on the Environment (IonE)
 Real Estate Office
 Systemwide Student Disability Resources

Other Audit Work Performed

Transition Reviews

VP Research
 VP Office for Equity and Diversity (OED)
 Dean College of Biological Sciences (CBS)
 VP University Services
 VP University Relations and Interim VP University Services
 UMD Chancellor

Audits Expected to be Completed in FY 23

Completed in FY 23 Post-June Docket

Athletic Ticket Office
 Boynton Health Services
 President – Transition Review
 Global Programs and Strategy Alliance Vice Provost – Transition Review

Audits Started in FY 23 to be Completed in FY 24

In Progress

Central Server Administration
 eConsent
 UMD Athletics
 NXT GEN MED
 Aerospace Engineering & Mechanics

Tier 2 Audits Not Completed

Deferred to FY 2024

Parking & Transportation Services
 Central Cloud Platform
 Minnesota Supercomputing Institute
 Gramm-Leach-Bliley Act (GLBA)

SNAP Reviews

Faculty Development Leaves
 Absences Not Processed
 Unreconciled Stale Checks

Other Audit / Reviews

Testing of University of Minnesota Foundation (UMF) Transactions FY 22

AUDIT COVERAGE OF INSTITUTIONAL RISKS

APPENDIX C

Institutional Risk	FY 24 Audit(s) Aligned to Risk Area
Clinical Partnerships	<ul style="list-style-type: none"> • College of Pharmacy • Healthcare Partnerships Review (TBD)
Collaboration w/ Externalities & Joint Ventures	<ul style="list-style-type: none"> • Effort Certification
Decentralization	<ul style="list-style-type: none"> • University Foundation Gift Testing • Gramm-Leach-Bliley Act (GLBA) • Effort Certification • HIPAA Governance and Oversight
Employee Demographics/Succession Planning	<ul style="list-style-type: none"> • Unit/College Audits • Transition Reviews
Facilities – Maintenance, Scope & Alignment	<ul style="list-style-type: none"> • Parking & Transportation Services • UMD Facilities Management
Information Technology – Security/Failure/Resilience/Cost	<ul style="list-style-type: none"> • Central Cloud Platform • Minnesota Supercomputing Institute • Parking & Transportation Services • Firewall Management • HIPAA Governance and Oversight • Masonic Cancer Center • Gramm-Leach-Bliley Act (GLBA)
Intercollegiate Athletics	<ul style="list-style-type: none"> • NCAA Sport Compliance & Operations
Legal & Regulatory Compliance	<ul style="list-style-type: none"> • NCAA Sport Compliance & Operations • Gramm-Leach-Bliley Act (GLBA) • Parking & Transportation Services • HIPAA Governance and Oversight
Public Funding Reliability, Economic Climate & Financial Sustainability	<ul style="list-style-type: none"> • University Foundation Gift Testing • Unit/College Audits
Shifting Enrollment Patterns	<ul style="list-style-type: none"> • UMD Registrar • Unit/College Audits
High Risk Research	<ul style="list-style-type: none"> • Minnesota Supercomputing Institute • Masonic Cancer Center
Brand & Reputation Management	<ul style="list-style-type: none"> • University Foundation Gift Testing
Campus Safety	<ul style="list-style-type: none"> • Student Affairs Care Team • UMD Facilities Management
Campus Climate & Free Speech	<ul style="list-style-type: none"> • Student Affairs Care Team
Crisis Management	<ul style="list-style-type: none"> • Student Affairs Care Team

2024 Internal Audit Plan

Office of Internal Audit

Board of Regents Audit and Compliance Committee
June 8, 2023



UNIVERSITY OF MINNESOTA

Driven to DiscoverSM

Topics

- FY 2023 Audit Results
- Risk Assessment and Plan Development
- FY 2024 Audit Plan
- ERM & PEAK Coordination
- Other Communications



2023 Audit Results

- 24 Audits Completed
 - 84% had satisfactory results
 - 16% need improvement
 - Results continue to demonstrate an overall culture of compliance and risk management
 - Note: 4 additional audits are in progress and expected to be completed in FY 2023
- 7 Investigations
- 3 SNAP Reviews Completed

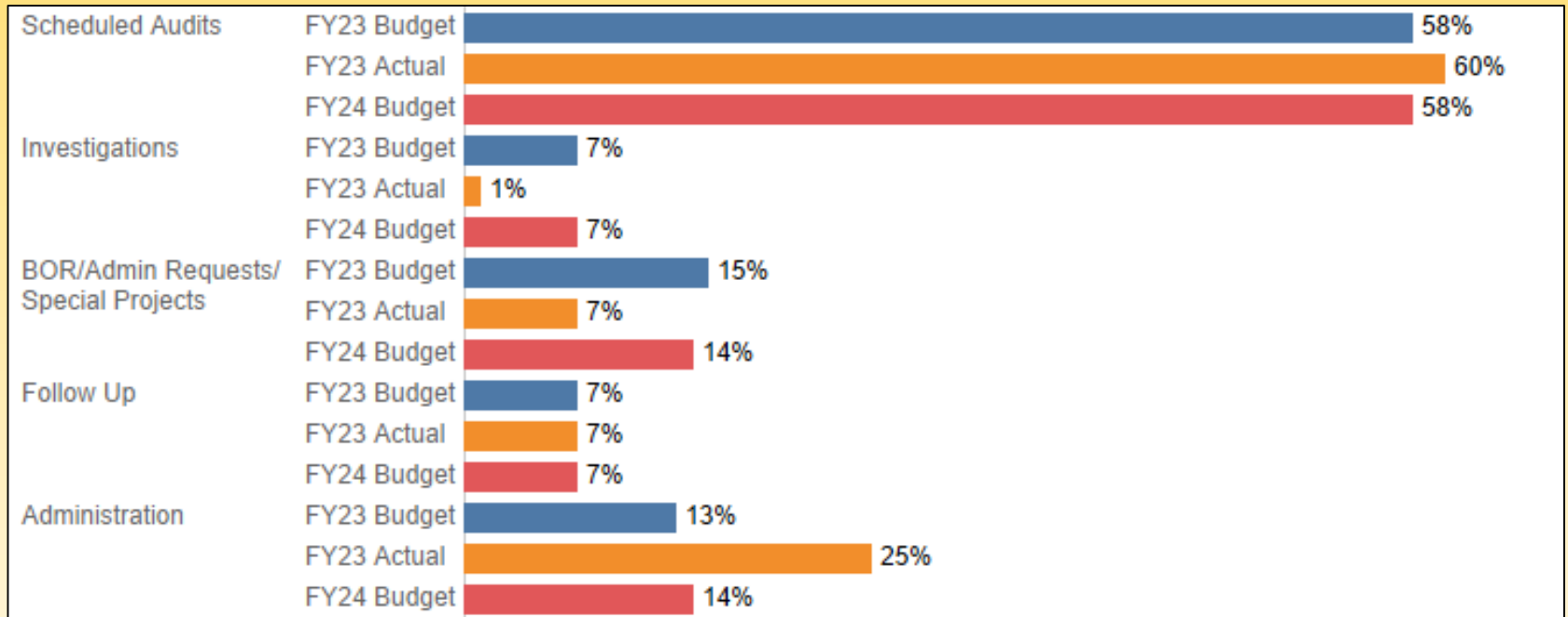


Development of FY 24 Plan



FY 2024 Allocation of Resources

COMPARISON OF AUDIT RESOURCES FOR FY 2023 AND FY 2024
Percent of Available Time

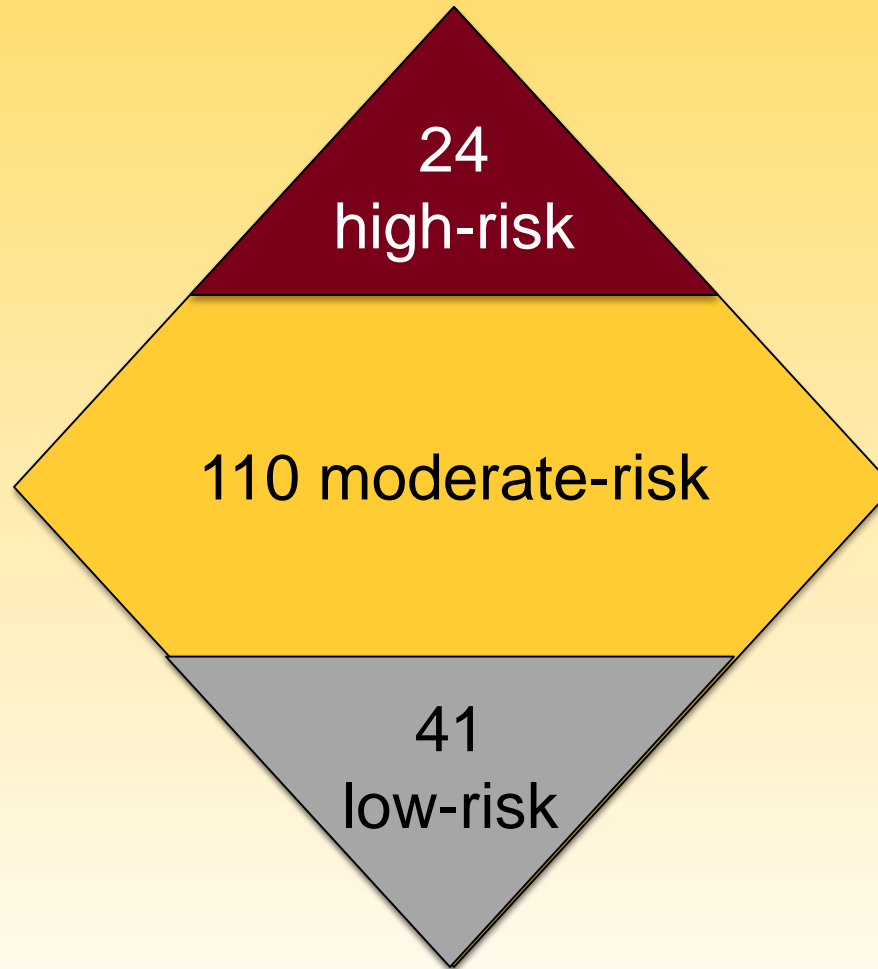


Deploying Audit Resources

- High-risk activities
- Major organizational components
- Institutional risk profile/risk mitigation plans
- Areas of strategic priority
- BOR & Management requests



Unit Audit Universe



Key Themes Identified

- Healthcare Partnerships
- Enrollment & Finances
- Staffing: Leadership Turnover, Hiring and Return to Work
- Information Security & Data Management
- Campus Safety
- Diversity, Equity, Inclusion & Belonging
- Inflation Impacts



FY 2024 Annual Audit Plan

Unit Audits

High Risk

- **NCAA Sport**
- **Parking & Transportation Services**

Moderate Risk

- **Applied Econ/Environmental CFANS**
- **College of Education and Human Development**
- **Masonic Cancer Center**
- **UMD Facilities Management**
- Biomedical Engineering
- College of Liberal Arts (CLA) School of Music/Arts
- Clinical Affairs Centers and Institutes
- College of Pharmacy
- Minnesota Supercomputing Institute
- Student Affairs Care Team
- UMD Registrar



FY 2024 Annual Audit Plan

Process Audits

High Risk
<ul style="list-style-type: none">• Effort Management• HIPAA Governance and Oversight

Moderate Risk
<ul style="list-style-type: none">• Central Cloud Computing• Gramm-Leach-Bliley Act (GLBA)• Firewall Management



Audit Coverage of Institutional Risks

Institutional Risk	FY 24	FY 23	FY 22
Clinical Partnerships	X	X	X
Collaboration w/ Externalities & Joint Ventures	X		X
Decentralization	X	X	X
Employee Demographics/Succession Planning	X	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
Legal & Regulatory Compliance	X	X	X
New & Disruptive Educational Models		X	
Public Funding Reliability, Economic Climate & Financial Sustainability	X	X	X
Representational Diversity			X
Shifting Enrollment Patterns	X	X	
High Risk Research	X	X	X
Research or Clinical Misconduct			X
Brand & Reputation Management	X	X	X
Campus Safety	X		X
Campus Climate & Free Speech	X		
Crisis Management	X		
Sexual Misconduct – Prevention, Training & Response			X



Institutional Risk Profile

Audit Coverage

Institutional Risk	FY 24 Audit(s) Aligned to Risk Area
Clinical Partnerships	<ul style="list-style-type: none"> • College of Pharmacy • Healthcare Partnerships Review (TBD)
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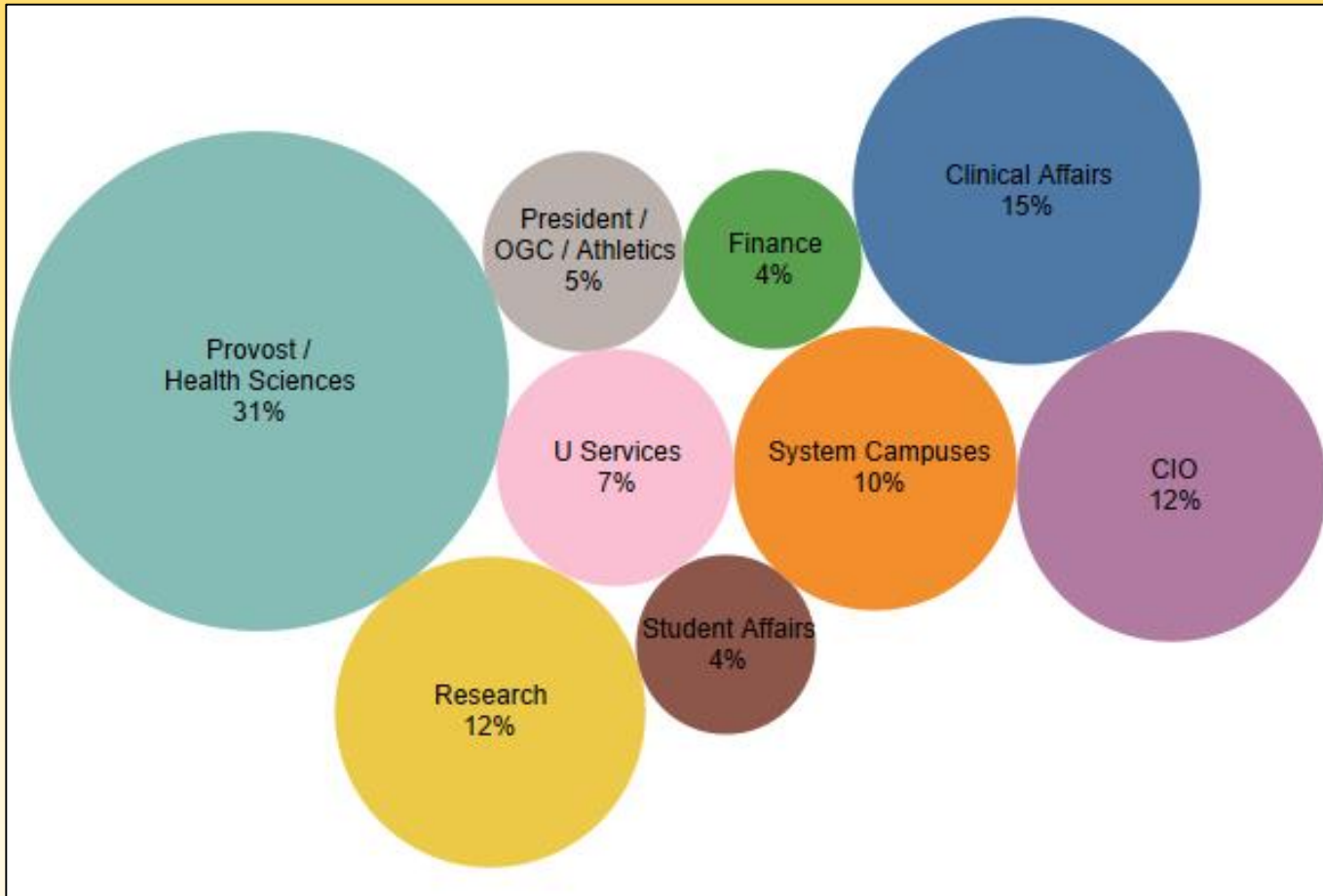
Institutional Risk Profile

Audit Coverage (Continued)

Institutional Risk	FY 24 Audit(s) Aligned to Risk Area
Intercollegiate Athletics	<ul style="list-style-type: none"> NCAA Sport Compliance & Operations
Legal & Regulatory Compliance	<ul style="list-style-type: none"> NCAA Sport Compliance & Operations Gramm-Leach-Bliley Act (GLBA) Parking & Transportation Services HIPAA Governance and Oversight
Public Funding Reliability, Economic Climate & Financial Sustainability	<ul style="list-style-type: none"> University Foundation Gift Testing Unit/College Audits
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Crisis Management	<ul style="list-style-type: none"> Student Affairs Care Team



FY 2024 Audit Coverage by Major Component



The 2024 Audit Plan

- Provides reasonable audit coverage across all major University components
- Addresses risks currently impacting the University
- Addresses risk areas identified by the Board of Regents as important



ERM & PEAK

- ERM Task Force and the PEAK Steering Committee
- Align audit work with ERM Risks
- Monitor and report on PEAK impacts to audit work and follow-up remediation



Other Communications

- No impairments to independence in FY 23
- Highly professional staff
 - All but three are credentialed or have an Advanced Degree
 - Actively recruiting for two open financial/operational auditors





BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

June 8, 2023

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

Annual Report on Institutional Risk and Financial Reports

This report combines two previous Board reports – the Annual Insurance and Risk Management report and the Controller’s Semi-Annual report – into a consolidated format anchored within the Enterprise Risk Management (ERM) framework. This is the first time these reports have been combined and it is anticipated that this report will evolve in complexity and scope with the committee’s feedback and maturation of the ERM program.

This report includes an overview of:

- The application of insurance toward risk reduction.
- Progress on risk reduction projects within the Office of Insurance.
- Overview of existing financial controls that help manage the University’s potential exposure to fraud and resource mismanagement.

Annual Report on Institutional Risk and Financial Reports

Enterprise Risk Management (ERM) at the University:

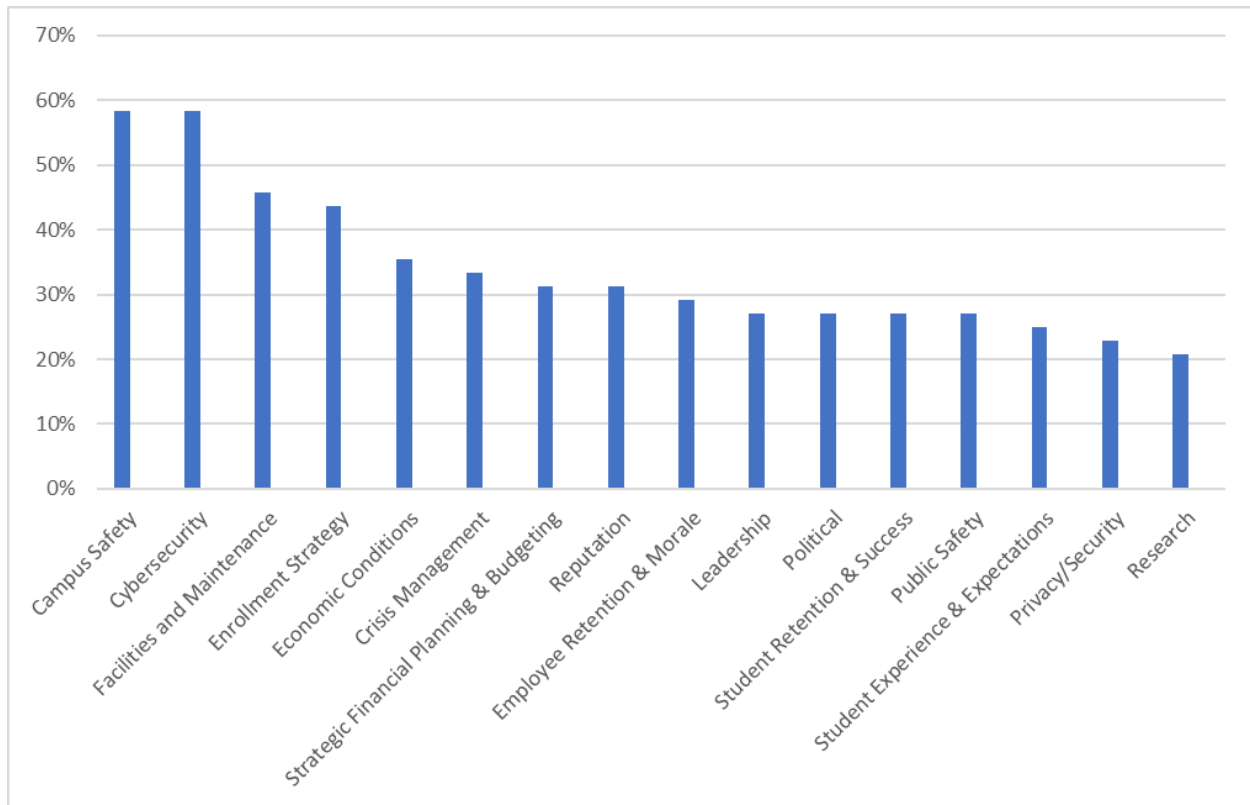
As part of MPact 2025, the University has committed to implementing Enterprise Risk Management (ERM) across the system as a means to proactively manage risk. This program will build upon existing mitigation strategies to provide a framework for leaders at all levels to think more strategically about risk as they navigate key decisions impacting the University's ability to fulfill its mission critical objectives. More specifically, ERM supports:

- Creating clear pathways for MPact 2025 success
- Provides decision makers with tools to maximize opportunities and reduce or avoid unnecessary risk.
- Better aligns mitigation strategies and investments and consistently scanning for emerging risks
- Assessing the impact of risks to the operations and mission

“At its core, risk management is a governance and management discipline - not an end but a means to the end, the end being the accomplishment of the institution's mission.” (Association of Governing Boards, Universities and Colleges, 2020). The Board has a critical role in institution risk management through discussions with senior leaders and the integration of risk considerations as part of Board deliberations.

This report will utilize the ERM framework to highlight work underway at the University aimed at reducing the institutional risk profile. As ERM at the University matures, this report will also mature to connect current and emerging risks with mitigation strategies. The focus in this initial effort is on financial controls along with strategies to enhance insurance efforts as a risk transfer tool. The information contained below was previously shared with the Committee via the *Annual Insurance and Risk Management Report* and the *Controller's Semi-Annual report*. These reports are now rolled into this broader ERM reporting framework. It should be noted that this document will not touch upon all risks impacting the University, many of those focus areas will be covered through other Committee efforts such as Mission Fulfillment and Finance and Operations, as examples. To anchor this discussion, mitigation work aligns with the developing Institutional Risk Profile which was shared with the Committee during the May meeting and is referenced below.

Below is the snapshot of University of Minnesota risks, as prioritized via 2023 Baker Tilly survey data, that will be relevant in this report and others to follow. The full risk profile will be consulted and socialized this fall.



There are a few strategies currently at work to mitigate financial risk, one is to transfer it via insurance, another is to implement strong internal controls to limit the likelihood of adverse events. Below is a summary of insurance related activity and financial control mechanisms aimed at reducing the University’s vulnerability through proactive business practices.

University Office of Insurance

One element of ERM involves identifying, assessing, and quantifying the economic consequences of bad things happening. Insurance is a form of risk management. Insurance products transfer the risk of negative financial outcomes to a third party (insurance companies) in exchange for a premium paid by the insured party.

The University Office of Insurance:

- Acts at the direction of University Finance to manage insurable risks;
- Provides consultation to many University units and departments;
- Identifies, analyzes, contractually treats, transfers and mitigates liability and property risks through the purchase of insurance; and
- Manages the services and activities of insurance vendors and suppliers.

Handling of Financial Consequences of Risk

The financial consequences of risk may be **Retained** or **Transferred**.

- **Risk retention** (often called “self-insurance”) is characterized by the assumption (retention) of financial risk consequences. This retention ranges from the cost of a deductible, to carrying no insurance whatsoever. Optimally, risk retention is the result of identification and analysis of risks that lead to an informed choice.
- **Risk transfer** is characterized by the passing of the financial consequences of risk to a third party (typically an insurer) via purchase of a contract (typically an insurance policy) that specifies the terms and conditions of the transfer.

The University handles the adverse financial consequences its risks as follows:

- Primary Liability – **Transferred** to captive insurer (RUMINCO, Ltd.)
- Property Deductible – **Transferred** to captive insurer (RUMINCO, Ltd.)
- Workers’ Compensation – **Retained**; Self-insured on a pay-as-you-go basis
- Excess Liability – **Transferred** to commercial insurers
- Property and Miscellaneous Insurance – **Transferred** to commercial insurers

Here are more details broken out by

- Transferred to RUMINCO, Ltd.
- Retained
- Transferred to Commercial Insurers

Transferred to RUMINCO, Ltd.

RUMINCO Ltd. (**R**egents of the **U**niversity of **M**innesota **I**nurance **C**ompany) is a captive insurance company and a wholly owned subsidiary of the University of Minnesota. It was incorporated in 1978 during a nationwide crisis in the medical malpractice insurance market.

RUMINCO Ltd. funds the University’s first layer of protection for:

- General Liability;
- Professional Liability (primarily Medical Malpractice);
- Automobile Liability;
- Non-Profit Organization Liability (Employment Claims),
- Cyber Liability and
- Property Deductible

Over one-third of a century, RUMINCO has proven itself to be a useful funding tool for the University. It is a formalized, disciplined way to finance risk, yet retains flexibility, and provides long-term stability.

Retained

Workers’ Compensation benefits are mandated and governed by Minnesota statute. Benefits include medical costs, wage loss and retraining costs for University employees who are injured

while acting in the scope of their duties. The University is a qualified self-insurer under Minnesota law, assuming liability up to \$2,000,000 in any one Workers' Compensation occurrence. The Workers' Compensation Reinsurance Association (WCRA), an excess insurer for catastrophic claims created by the State of Minnesota, insures individual losses that exceed \$2,000,000. Due to the large numbers of relatively small claims, the aggregate annual cost of benefits is predictable and amenable to a pay-as-you-go, retained cost approach.

Transferred to Commercial Insurers

Reasons to commercially transfer risk include:

- High cost of losses that would be difficult or impossible to self-fund, such as the loss of a building by fire
- Unacceptably high reputational risks
- A low cost to transfer the risk to third parties or
- Requirements for insurance imposed by third parties

Active Projects

The Office of Insurance is engaged in multi-year risk management efforts to:

- Mitigate Flood risk to our facilities on the Mississippi River
 - Flood damage to our cogeneration and steam facilities could cause major and prolonged utility outages and threaten mission continuity. We are working with Energy Management and our property insurer to minimize the impacts of river flooding.
- Mitigate Fire exposure to our library collections stored in caverns
 - We have hundreds of millions of dollars worth of collections in storage. We are working with Libraries, CPM, Codes, outside engineers and our property insurer to implement cost-effective fire containment improvements.
- Enhance processes around timely reporting of liability events to our Commercial insurers. We are currently completing a project to better ensure timely claim reporting. This will help protect our rights to recovery on an insured loss event.

The Role of Internal Controls in the University's Financial Reporting

Another important element in effective risk management is a sound internal control structure. Board of Regents Policy: *Internal Controls* establishes that the COSO Integrated Framework of Internal Controls will be the internal control model for the University. A good internal control environment provides safeguards against financial losses due to errors, fraud or theft. It also contributes to timely, accurate, and complete financial reports which are relied on for monitoring, oversight, and decision making.

The University's financial reporting control structure is built through a network of interactions between people and processes. It is necessary to create a framework from which University

staff execute activities with financial impact that supports stewardship of University resources, transparent financial reporting, and ensure compliance with University and external requirements.

Control environment: The Board of Regents along with Senior Leadership set the tone of the control environment by setting the direction of the University with their standards of conduct and expectation setting for adherence as such by others. The control environment drives the behavior of those transacting on behalf of the University and sets the tone for University staff in how day-to-day operations are executed. As noted above, the Board's adoption of the COSO Internal Control Framework has been an important step in setting the proper tone.

Risk assessment: Assessment of the University's financial risk helps inform the need or relevance for policies and procedures.

- Potential for fraud: Assessment can guide the need for oversight or key controls.
- Safeguarding of assets: With a balance of \$8.6 billion in total assets, the internal control framework works to protect those assets and ensure usage in alignment with the University's mission of education, research and public outreach. For example:
 - A complete inventory of capital assets is performed on a two-year cycle, which supports compliance with Uniform Guidance by verifying ongoing custody.
 - Investment strategies and the usage of available funds are governed by Board and Administrative policies.
- IT Systems: The University's financial reporting is driven by a network of information technology systems. In many instances, they are fully integrated in an automated manner. In some instances, ancillary systems are used and require some manual intervention, such as:
 - Medical billing is completed outside of the University's Enterprise Financial System (EFS). This supports proper protection of information in regards to HIPAA; however, at year end, Controller's Office teams work with the impacted units to ensure proper reporting of account receivable balances.
- Reporting requirements: The University has extensive external reporting requirements, including those of the Governmental Accounting Standards Board, Integrated Postsecondary Education Data System (IPEDS), Composite Financial Index (CFI) and others. Compliance with the various reporting requirements supports the financial reputation of the University.
- Areas of expertise: Areas of expertise allow for subject matter experts to provide a deeper level of technical understanding.
 - Accounting Services: University management regularly reviews new Governmental Accounting Standards Board statements for applicability to the University and implements as necessary.
 - Non Sponsored Accounts Receivable: University departments that accept payment cards (credit or debit cards) as a form of payment for goods and services are contractually obligated to follow the Payment Card Industry Data Security Standard (PCI DSS). Expertise in these compliance requirements

ensures that sensitive payment card information is handled safely and a high information security standard is maintained.

Board policies: Provide guiding principles for the University from which administrative policies are created for alignment to ensure alignment with University mission and vision.

Administrative policies: Administrative policies provide University staff with the requirements and expectations as to what types of activity are allowable, required, or prohibited.

Control Procedures: Create specific guidance regarding the execution of specific types of transactions. These often drive specific internal control activities.

- Preventative controls:
 - Access to certain systems is granted based on predetermined requirements, such as training and relevant job duties.
 - *Approvals:* Provide oversight at the most granular level to ensure activities are in alignment with the University mission, policies, and procedures. Approval responsibilities are determined based on perceived risk and dollar thresholds and may include departmental, central, or other leadership approvals.
- Detective or Monitoring activities:
 - Any unit desiring to conduct external sales activity must obtain initial approval for the general sales activity. The University would be unfairly competing with the public sector by leveraging state/federal supported infrastructure to sell goods/services or unmanaged risks related to insurance, tax liability, etc.
 - Query transactions from EFS comparing description of good/service with tax being charged, review with Tax Management Office (this is a manual review after data is queried).
 - Departments are required to monitor and reconcile transactions in a timely manner, which ensures proper financial reporting.

The University has incorporated internal controls and financial reporting into many established risk mitigation strategies. ERM can serve to tie all of these efforts together. Going forward, reporting activities will be grounded in the University's risk profile with some discussion about emerging risks that might warrant deeper discussion.