



Audit & Compliance Committee

May 2024

May 9, 2024

8:00 AM

Boardroom, McNamara Alumni Center

AUD - MAY 2024

1. Overview of the University's Approach to Privacy Compliance

Docket Item Summary - 3

Presentation Materials - 4

2. Enterprise Risk Management (ERM) Program Update

Docket Item Summary - 21

Presentation Materials - 22

3. Information Items

Docket Item Summary - 37

External Auditor Review and Summary of External Auditor Relationships
and Services Provided - 38



BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

May 9, 2024

AGENDA ITEM: Overview of the University's Approach to Privacy Compliance

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Seth Beccard, Compliance Officer, Office of Institutional Compliance

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee with an overview of data privacy management at the University. The presentation will include a summary of privacy laws, regulations, and standards and the areas responsible for compliance. This will include an overview of:

- The Office of Institutional Compliance and its oversight role of compliance activities;
- Discussion of the difference between data privacy and security;
- Current privacy management practices at the University; and
- The recently established Privacy, Confidentiality and Information Security Committee and its role in identifying and addressing gaps in privacy management.

Overview of the University's Approach to Privacy Compliance

Seth Beccard, Compliance Officer
Office of Institutional Compliance

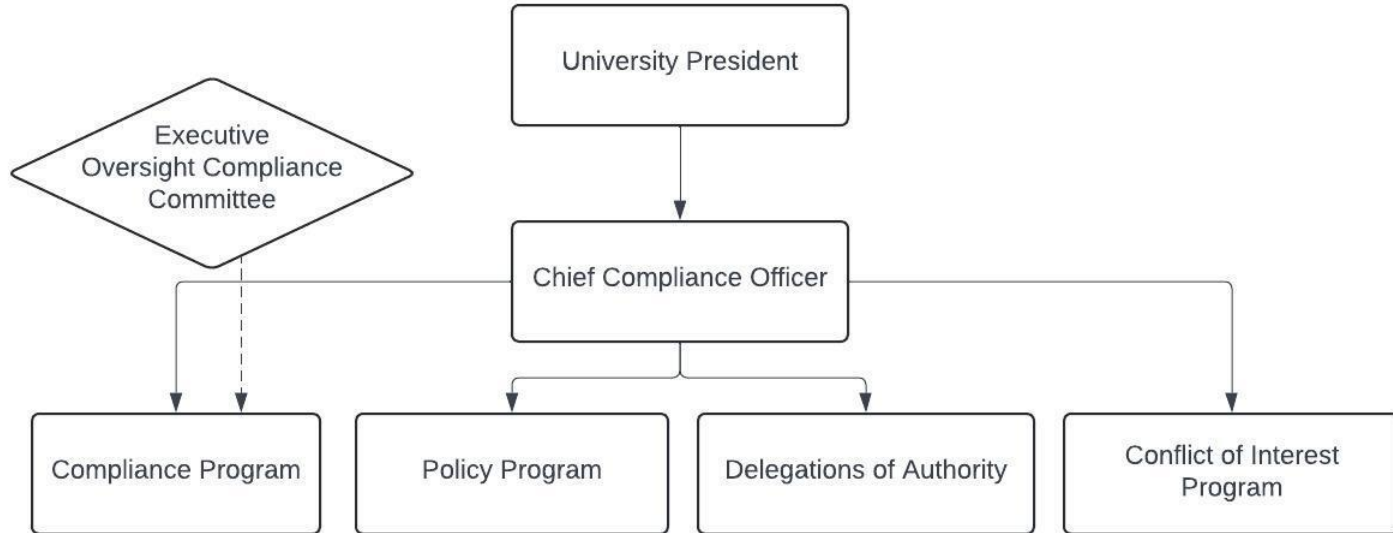
May 9, 2024



Office of Institutional Compliance (OIC)

- OIC consists of four programs that report to the University's Chief Compliance Officer:
 - Compliance Program
 - Policy Program
 - Delegations of Authority Program
 - Conflict of Interest Program

OIC Structure



Compliance Program

- Established in 2006 and follows the elements of the Federal Sentencing Guidelines
- The program manages approximately 250 hotline reports each year, annually conducts 2-3 in-depth compliance area risk reviews, and convenes triannual meetings of the Executive Oversight Compliance Committee and Compliance Partner Committee

Executive Oversight Compliance Committee

- Comprised of senior leadership appointed by the President
- Oversees the University's compliance activities and programs to ensure they are reasonably designed, implemented, enforced, and generally effective in preventing and detecting violations of the law

Data Privacy vs. Security

- Privacy: the right to have control over how your personal information and data are collected, stored, and used
- Security: the protection of personal information and data from potential breaches and leaks

Data Privacy vs. Security

- University Information Security, a division of OIT, has responsibility for data security policies, oversight and some key controls.
- Strictly looking at data privacy in this presentation
- Key privacy aspects:
 - What types of data should be collected?
 - Who has access to the data once collected?
 - How can someone limit or request deletion of their data once collected?



Privacy Management - HIPAA

- Applies to UMN units in the Health Care component or those supporting these units
- Privacy responsibility held by Health Information Privacy and Compliance Office (HIPCO) within the Medical School's Office of Academic Clinical Affairs
- Key privacy requirements include:
 - All employees/students that handle protected health information required to take HIPAA training
 - Business Associate Agreements (BAAs) established with external parties with access to HIPAA data



Privacy Management - FERPA

- Provides students rights around accessing, amending, and disclosure of their educational records
- Primarily overseen by Academic Support Resources under the Provost's Office
- Key privacy requirements include:
 - Academic Support Resources employees and all others that access student records must take required training

Privacy Management – PCI DSS

- Departments that accept payment cards as payment for goods and services are contractually obligated to follow
- Primarily overseen by the Payment Card Compliance Office in the Controller's Office
- Key privacy responsibilities include:
 - Training program for all employees who have access to a customer's cardholder data
 - Periodically confirming and reporting on compliance

Privacy Management – Other Regs

- Minnesota Government Data Practices Act
 - Data requests by the public handled by the Data Access and Privacy Office in the Office of the General Counsel
- Other regulations
 - Handled as needed by local colleges or units
 - Office of the General Counsel available to assist with data privacy regulation questions



PCIS Committee Charge

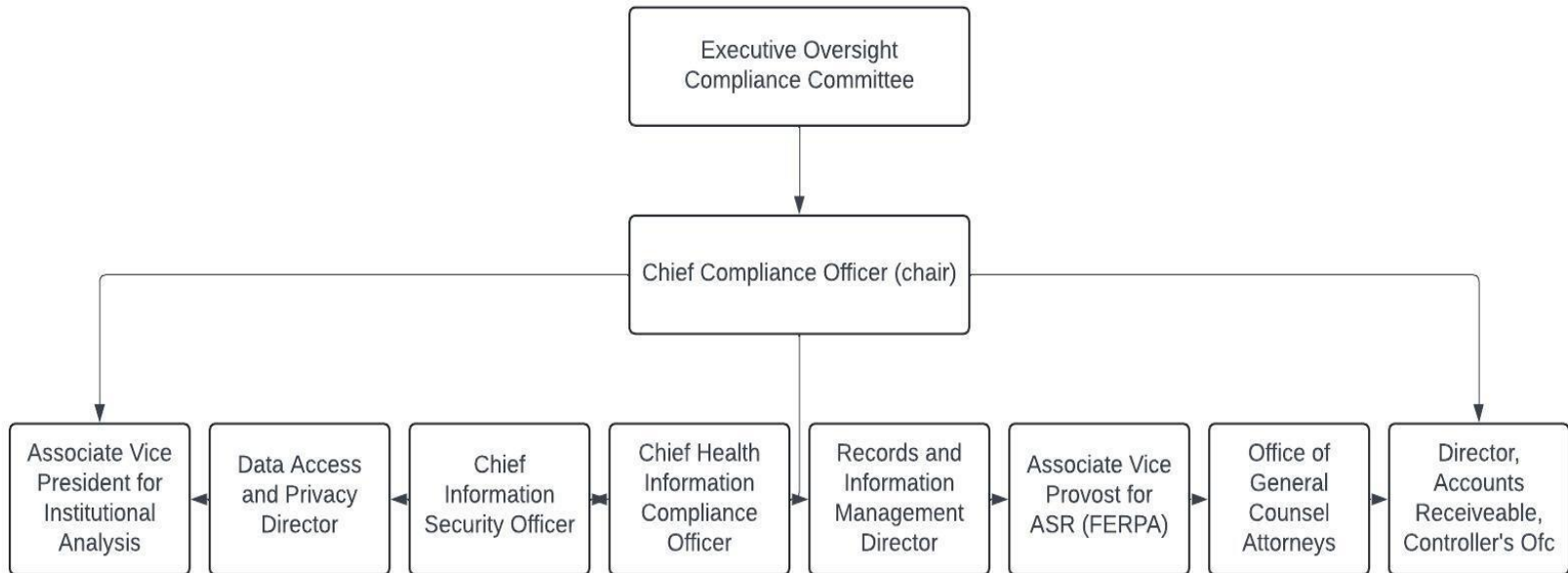
- The Privacy, Confidentiality, and Information Security (PCIS)
 - Charge is to monitor major developments to privacy, confidentiality and security on behalf of the Executive Oversight Compliance Committee, and identify issues and opportunities for improvement
 - Meets as needed including 3 times in FY24



Privacy Management – PCIS Committee

- PCIS Committee was tasked at the July 2023 Executive Oversight Compliance Committee meeting:
 - Strengthening oversight and coordination of data privacy functions
 - Identify, evaluate and escalate data privacy concerns identified by units' outside of regular responsibilities or current established review processes

PCIS Committee Membership



PCIS Committee Initiatives

- Established “guiding principles” for privacy to inform University and unit business decisions that may impact individuals’ privacy
 - Principles include: Privacy by design; transparency and notice; choice; information review and correction; information protection; and accountability

PCIS Committee Initiatives

- Creating a tracking tool where committee members can report privacy questions that they are fielding to get a sense of scope
- Taking an early look at the creation of a University-wide privacy policy to address privacy issues





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BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

May 9, 2024

AGENDA ITEM: Enterprise Risk Management (ERM) Program Update

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Katharine Bonneson, Associate Vice President, Health, Safety & Risk Management
Matt Reiersen, Senior Manager, Baker Tilly

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee with an update on the University’s Enterprise Risk Management (ERM) Program. Part of the discussion will outline the initial risk assessment of three top risks that were highlighted to the committee at the September 2023 meeting. The establishment of an ERM program, a component of the MPact 2025 Systemwide Strategic Plan, is underway. In alignment with the committee’s oversight responsibilities for enterprise risk management, the presentation provides an opportunity to solicit feedback and discuss program processes and progress.

This item will also include a discussion of:

- Overview of ERM program progress
- Summary of risk analysis work on crisis response, leadership, and facilities
- Overview of program next steps for finalizing analysis and mitigation plans

BACKGROUND INFORMATION

The ERM program was introduced to the Board in FY 2022. Previous presentations have included initial ERM planning and a discussion of attributes to include in a Request for Proposal (RFP) for an ERM consultant to support the program’s implementation. A contractor, Baker Tilly, was selected in fall 2022. Three initial risks have been analyzed since the updated risk profile was created and presented to the committee in September.

The Board previously discussed this topic at the following meetings:

- September 2023: *Updates to the Institutional Risk Profile, Audit & Compliance*
- May 2023: *Progress Report on the University’s Institutional Risk Profile, Audit & Compliance*
- February 2023: *Enterprise Risk Management (ERM) Program Update, Audit & Compliance*
- May 2022: *Enterprise Risk Management Update and Discussion, Audit & Compliance*
- December 2021: *Enterprise Risk Management Plan, Finance & Operations*

Risk Analysis and ERM Program Updates

Audit & Compliance Committee
May 2024

Agenda

- ERM work plan review
- Risk analysis process
- Overview of crisis response, facilities and leadership
- Broad risk overview, emerging risks
- Next steps

Enterprise Risk Management at the U of MN

- ERM program was launched in 2022 as a method to assess risk holistically and support achievement of the University's strategic goals
- Baker Tilly was hired in 2022 to help establish the Institutional Risk Profile, which was presented to the Committee in September, 2023
- The program lives within Health, Safety & Risk Management
- ERM reports to the Audit and Finance Committee at the Board level and to the Executive Oversight Compliance Committee (EOCC) at the executive level (on an interim basis)
- Over 75% of BIG 10 Universities have an ERM program.



ERM Work Plan, 2023-24

Task	Status
Risk Analysis - Selected 3 initial risks for analysis, developed process	Complete
Risk Analysis - Conducting interviews, data gathering	In progress
Risk Analysis - Completing risk inventory, 'what could go wrong'	In progress
Programmatic - Completed website development, selected risk management software, developed framework for assessments	Complete
Programmatic - Refresh annual risk inventory	Scheduled for summer

University Risk Profile - 2023-24

Goal was to provide analysis on three risks, highlighted in **Blue**
Looking for feedback on next year's 'deep dive' risks

1. Campus Safety	2. Cybersecurity	3. Facilities & Maintenance	4. Enrollment Strategy	5. Economic Conditions	6. Crisis Management
7. Strategic Financial Planning & Budgeting	8. Reputation	9. Employee Retention & Morale	10. Leadership	11. Political	12. Student Retention
		13. Student Experience & Success	14. Research		

Risk Analysis Process

Objective of risk analysis - identify and prioritize sub-risks that could impact achievement of our strategic goals

- Gather data, internally and externally (peer institutions). Review past events, MSU, AZ, UMN events
- Facilitate individual discussions with Subject Matter Experts
- Review existing risk related reports (Facility Condition Report for example)

Key Questions:

What could go wrong and how likely is it to occur?

How do we compare to our peers?

Which risks are the highest priority?

What would this look like in 3 to 5 years?



General Themes – Initial Risk Review (Crisis Response, Leadership and Facilities)

- **Strength**, in all categories, our employees ability to adapt and dedication to the University reduces risk, keeps the University working
- **Risk**, decentralized nature allows for variable levels of consistency and adoption of guidelines and standards
- **Observation**, the University is a map of ‘have and have nots’ with some schools and colleges in a much better position to reduce risk exposure than others
- High enthusiasm for hosting conversations about risk across units and all campuses

Crisis Response – (Defined as, *The University's performance during and after a crisis, Planning and actions that could improve or intensify and prolong the chaos associated with a crisis*)

- Analysis included: interviews, review of policies/procedures, event and incident reviews, after-action reports

Risk Summary

Medium risk. Plans and crisis response frameworks are in place however the effectiveness, communication and increased velocity of events equates to a higher inherent risk.

Overall Observations

- Lack of awareness of plans & processes
- Communication challenges, siloed behavior
- High community expectations
- Unpredictability of social media influence



Crisis Response

Areas of Strength

- Staff are experienced and capable
- Appropriate continuity and emergency plans and response frameworks exist
- COVID provided excellent training opportunities

Risks

- Unified command is not always supported (decentralized nature)
- Communication can be siloed
- Plans may not be effective due to lack of awareness or practice
- Leadership transitions lead to gaps in knowledge and decision-making
- Notification and data sharing expectations from the public lead to frustration



Leadership: (Definition - Importance of strong leadership, sound decision making, tone at the top and minimal disruption through transitions)

Top Themes/Observations

- The University of Minnesota is a desirable destination for senior leaders
- Onboarding is inconsistent
- Formalized succession planning does not consistently occur
- Leadership competencies can be less influential in selection than technical/academic competencies
- Complexity of the University and emphasis on relationships means longer wait times for new leaders to become fully effective
- Inconsistent or ineffective responses to struggling leaders
- Continuity of leadership, the ability to maintain momentum during transition can be challenging

Facilities and Maintenance (*Definition - declining condition of physical assets, ability to meet user demands, cost and safety challenges*)

Top Themes/Observations

- Highly skilled employees are a key reason that buildings, labs and classrooms maintain their functionality
- Funding is a challenge which creates a steep backlog of deferred maintenance
- There are have and have nots, within campuses and across the state
- The high volume of older buildings makes renovating and upkeep very challenging; minor projects can invoke numerous code requirements
- Transitioning space to become more flexible is expensive, creating space inefficiencies (outdated spaces that don't meet today's needs)
- Matching facility and space needs to changing student numbers and expectations is challenging



Current and Evolving Risks in Higher Education - National View

Current Risks

- Data Security
- Enrollment
- Recruitment and Hiring
- Operational Pressures
- Student Mental Health
- Financial Stability
- Facilities and Deferred Maintenance
- Regulatory and Legal Compliance
- Title IX
- External Pressures

Evolving Risks

- Artificial Intelligence and Emerging Technologies
- Student Mental Health
- Public Distrust in Education
- Climate Change
- Political Climate and Adversarial Regulation
- Admission Practices

Other Higher Education Challenges:

- Leadership turnover
- Public/private partnerships
- Athletics and evolution of NCAA rules

United Educators Top Higher Ed Risks of 2023

Next Steps

(1) Complete Risk Analysis/profile

- Finalize risk analysis for crisis, leadership & facilities
- Refresh institutional risk profile



(2) Define Current Mitigation Plans

- Identify current mitigation strategies
- Identify sub-risks with no or insufficient mitigation plans



(3) Evaluate Effectiveness

- Work with Subject Matter Experts to define effectiveness
- Develop key performance & risk indicators
- Develop improvement plan and monitor for effectiveness

ERM and Moving the University Forward

Full implementation of ERM promotes the following:

1. Enhanced speed of decision making
2. Improves likelihood strategic plan goal achievement, and future strategic plan success
3. Enhances accreditation and other rating measures by formalizing risk management practices
4. Supports efficiency of operations (PEAK) by aligning like functions in a coordinated manner, focusing risk mitigation appropriately
5. Improves organizational resilience and our ability to effectively navigate in a rapidly changing environment



Questions?





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Audit & Compliance

May 9, 2024

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

The purpose of this item is to report audit and non-audit services provided to the University by external audit firms and the related fees paid for those services related to FY 2023.

External Auditor Review (Section I)

Deloitte & Touche (Deloitte) contracted audit and non-audit fees were \$652,500 for FY 2023 engagements, with actual fees of \$648,000 paid to Deloitte. All FY 2023 engagements have been completed. The fees represent what was billed for engagements. A summary of management’s evaluation of Deloitte’s performance for FY 2023 engagement is also provided.

Summary of Audit and Non-Audit Services and Fees (Section II)

Total fees of \$809,858 have been paid for FY 2023 engagements to Deloitte and two other different public accounting firms for a variety of audit and non-audit services. A description of the services is included in the docket. All audit and non-audit services were reviewed by the Controller’s Office for audit independence and approved by or reported to the committee as required by Board of Regents Policy: *Board Operations and Agenda Guidelines*.

BACKGROUND INFORMATION

This report is prepared and presented to the Audit & Compliance Committee in conformity with Board of Regents Policy: *Board Operations and Agenda Guidelines*, Section IV, Subd. 4, Audit & Compliance Committee Charter.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT & COMPLIANCE COMMITTEE
May 9, 2024

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

Background

The Board of Regents is responsible for engaging and overseeing the University's independent external auditors, for reviewing the work of the auditor, and periodically reviewing the fees paid to the audit firm. Effective governance practice recommends that the Audit & Compliance Committee (ACC) of the Board should conduct such a review at least annually. The ACC conducted its last review of audit services and fees in May of 2023.

The Controller's Office presents the information below and on the accompanying schedules for the ACC's review of audit, audit related, and non-audit services fees paid to external audit firms including Deloitte & Touche, LLP (Deloitte), the University's appointed independent external auditor through FY 2023 engagements. Also included is management's assessment of Deloitte's performance for the FY 2023 engagements.

Section I - Annual Review of External Auditor Relationship and Performance

University management and the Deloitte engagement management team met in December of 2023 and reviewed Deloitte's services and performance during the FY 2023 audit. University management also meet with the Deloitte engagement management team regularly to discuss the progress of engagements. The overall conclusion was Deloitte continued to provide excellent service for the FY 2023 engagements.

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

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

- Management felt that the continuity of key Deloitte team members from the prior years' engagements contributed to the efficiency of the audit;
- Deloitte's audit approach was consistent to prior years;
- Each year, prior year knowledge is built upon and incorporated into the engagements, and as a result, efficiencies were seen by both Deloitte and the University staff;
- Annual engagement fees have aligned with the contract and budget amounts.

Review of Fees Paid to Deloitte

The accompanying schedule presents a summary of fees paid to Deloitte for the various FY 2023 audits and other services. The top portion of the fee schedule represents fees paid for the University's annual institutional audits and audit-related engagements. The contract amounts reported on the schedule are consistent with the amounts agreed to in the FY 2023 engagement letters and the firm's fixed price contract for FY 2023. The total audit fees paid to Deloitte for FY 2023 were \$4,500 under the contract amounts in total. These amounts are final.

The lower portion of the schedule contains a breakdown of fees paid to Deloitte for other services. During the year, Deloitte performed one other engagement for a specific unit of the University. In order to reduce audit costs and maintain greater oversight of audit and audit-related engagements across the University, the Controller's Office worked closely with Deloitte and University departments to use Deloitte whenever possible for additional external audit or attest services during their appointment as the University's appointed independent external auditor.

Services performed by Deloitte during FY 2023 that were not part of the annual audits and NCAA agreed-upon-procedures of the University included:

- An audit for the University's Job Skills Partnership (MN Deed grant) for the period ended February 28, 2023.
- An agreed-upon-procedures engagement which tested compliance with the provisions of the University's Faculty Retirement Plan, Optional Retirement Plan, and Section 457 Deferred Compensation Plan.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT & COMPLIANCE COMMITTEE
May 9, 2024
Schedule I - Fees Paid to Deloitte & Touche, LLP
FY 2023 Engagements

<u><i>Annual Institutional Audit and AUP Engagements</i></u>	<i>FY 2023 Engagements</i>			<i>Total FY 2022</i>
	<i>Contract Amount</i>	<i>Billed Amount</i>	<i>Over/(Under) Budget</i>	<i>Prior Year Billed Amount</i>
University Financial Statement Audit	\$ 459,000	\$ 451,430	\$ (3,470)	\$ 449,305
RUMINCO Financial Statement Audit	26,000	26,000		25,800
Compliance Audit (Federal 2-CFR 200 Subpart F & MOHE)	136,000	139,070	(1,030)	145,115
NCAA Agreed-Upon-Procedures – Twin Cities	16,500	16,500		16,300
NCAA Agreed-Upon-Procedures – Crookston	15,000	15,000		
Total Fees for Institutional Engagements	\$ 652,500	\$ 648,000	\$ (4,500)	\$ 636,520
 <u><i>Other Audit, Audit Related, and Non-audit Fees</i></u>				
Retirement Plan and Deferred Compensation Plan Agreed-Upon-Procedures	\$ 40,000	\$ 42,800	\$ 2,800	
MN DEED Grant	25,000	25,000		
Regenerative Medicine Agreed-Upon-Procedures				\$ 19,000
Consent procedures related to Bond Offerings				34,500
FDA Agreed-Upon-Procedures				7,000
Total Other Audit, Audit Related, and Non-Audit Fees	\$ 65,000	\$ 67,800		\$ 60,500
Total Fees	\$ 717,500	\$ 715,800	\$ (1,700)	\$ 697,020

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

In addition to the audits performed by Deloitte (the University's independent external auditors), other accounting and auditing firms performed a variety of audit and non-audit services at the University during FY 2023. These services were:

- CliftonLarsonAllen, LLP was engaged by the University of Minnesota Center for Farm Financial Management to assess the readiness for a SOC2 examination by describing the entity's FINPACK system and evaluate the design of controls related to the system.
- CliftonLarsonAllen, LLP was engaged by the Community University Health Care Center to provide a review and consultation of a Medicare reimbursement report.
- Ernst & Young, LLP was engaged by the Tax Management Office to provide a review and provide recommendations for tax implications for the Tsinghua University, Beijing, collaboration with the University Business Degree Program.
- Ernst & Young, LLP was engaged by the Office of General Counsel to provide legal services regarding international employment.

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

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS AUDIT & COMPLIANCE COMMITTEE
MAY 9, 2024**

Schedule II - Report of Fees Paid to Audit Firms for FY 2023 Engagements

<u><i>Audit Firm</i></u>	<u><i>FY 2023 Engagements</i></u>			<u><i>FY 2022</i></u>
	<u><i>Audit Fees</i></u>	<u><i>Non-Audit Fees</i></u>	<u><i>Total Fees</i></u>	<u><i>Total Fees</i></u>
CliftonLarsonAllen, LLP		\$ 80,313	\$ 80,313	\$ 82,206
Deloitte & Touche, LLP	\$ 648,000	67,800	715,800	697,020
Ernst & Young, LLP		13,745	13,745	94,435
Esterbrooks, Scott, Signorelli, Peterson, Smithson Ltd				7,000
KPMG LLP				575,000
Total Fees Paid	\$ 648,000	\$ 161,858	\$ 809,858	\$ 1,455,661