



Audit & Compliance Committee

September 2024

September 12, 2024

8:00 AM

Boardroom, McNamara Alumni Center

AUD - SEP 2024

1. 2024-25 Committee Work Plan

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2. Enterprise Risk Management Program: 2024-25 Initiatives

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3. Information Items

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4. Resolution to Conduct Non-Public Meeting of the Audit & Compliance Committee to Discuss Information Technology Security - Review/Action

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 12, 2024

AGENDA ITEM: 2024–25 Committee Work Plan

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Regent James Farnsworth
Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss the committee’s 2024–25 work plan.

BACKGROUND INFORMATION

Board of Regents Policy: *Board Operations and Agenda Guidelines* describes the role of the Audit & Compliance Committee as follows:

The Audit & Compliance Committee oversees the University’s system of risk assessment and internal controls, audits, financial reporting practices, and the institutional compliance program. The committee is to assist the Board in discharging its oversight responsibilities related to the audit and compliance functions by:

- promoting the development of an effective, efficient, and continuously improving control environment, in concert with the administration, to achieve the institution's objectives through an appropriate system of risk assessment and internal control;
- overseeing the University's integrated framework of internal control, risk management practices, and institutional compliance program to ensure that the administration executes the provisions of Board of Regents Policy: Internal Control;
- serving as an informed voice on the Board by relaying the audit and compliance perspective when related issues are brought before the Board and its standing committees; and
- providing a direct channel of communication to the Board for the chief auditor and the independent public auditor.

Consistent with Board of Regents Policy: *Reservation and Delegation of Authority* Article I, Section X, the Board reserves to itself authority to adopt policies regulating the audit function; approve selection of external public accountants and the chief auditor; review audit plans; and evaluate the performance of the independent auditor and, jointly with the president, the performance of the internal audit function.

Specific duties of the Audit & Compliance Committee include the following:

- (a) Oversight of the Independent Auditor. The independent auditor reports directly to the Board through the Audit & Compliance Committee. The committee shall recommend for Board approval the engagement and related fees of the independent auditor to perform the annual financial statement and federal compliance audits. The committee shall approve in advance all audit and non-audit services provided by the independent auditor with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in the United States General Accounting Office Government Auditing Standards. Engagements not requiring approval by the Board shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee. The committee shall annually review and evaluate the independent auditor's performance, independence, and effectiveness of coordination with other assessment activities, including internal audit.
- (b) Oversight of the Internal Audit Function. The Audit & Compliance Committee shall recommend for Board approval changes to the Office of Internal Audit's charter and any material revisions to internal audit plans or budgets. In consultation with management and the chief auditor, the committee shall review the annual internal audit plan and the extent to which it addresses high risk areas.
- (c) Review of the Annual Financial Report. The Audit & Compliance Committee shall review, in advance of final issuance, the proposed formats and wordings of the annual financial report, including the management's discussion and analysis, financial statements, footnotes, statistics, and disclosures.
- (d) Review of Audit Results. The Audit & Compliance Committee shall review the internal and external audit results and discuss significant issues of internal control and compliance with the independent auditor, chief auditor, and management. The committee shall monitor management's progress in addressing audit recommendations.
- (e) Investigation of Reported Concerns Regarding Accounting or Auditing Matters. The Audit & Compliance Committee shall be apprised of investigations conducted under administrative policy.
- (f) Requests for Audits. The Audit & Compliance Committee is authorized to request supplemental reviews or other audit procedures by the chief auditor, the independent auditor, or other advisors.
- (g) Approval of Engagements of Audit Firms Other Than the University's Principal External Auditors. The Audit & Compliance Committee shall approve all engagements of external audit firms to perform work or provide services with a value greater than \$100,000 or that may impair the audit firm's independence regarding the University. Such impairment of independence is currently limited to prohibited non-audit services as defined in (a) of this section. Engagements not requiring approval by the Board shall be reported to the committee at the next scheduled meeting of the committee.
- (h) This committee provides additional oversight of compliance initiatives and enterprise risk management processes, including risk identification and mitigation.

This committee also reviews:

- The annual financial statements, prior to issuance.
- annual report on institutional risk and financial reports.
- The independent auditor's annual audit and management letter.
- The chief auditor's annual audit plan.

- Responses to questions regarding audit issues, reports on enterprise systems, administrative program reviews, investigations conducted under administrative policy, and other items relevant to the audit function.
- annual institutional compliance report.
- The institutional conflict of interest report.
- External auditor engagements not requiring approval by the Board. Any engagements shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee.

**Audit & Compliance Committee
2024-25 Work Plan**

Date	Topics
2024	
September 12-13	<ul style="list-style-type: none"> • 2024-25 Committee Work Plan • Enterprise Risk Management Program: 2024-25 Initiatives This item will provide an update on the progress of the University’s Enterprise Risk Management (ERM) Program and Institutional Risk Profile. In alignment with the committee’s oversight responsibilities for risk management, the presentation will solicit feedback and direction on focus areas for the 2024-25 academic year. The discussion will also provide an opportunity for more in-depth discussion of specific areas of risk that were identified last year. • Information Items • Resolution to Conduct Non-Public Meeting of the Audit & Compliance Committee to Discuss Information Technology Security
October 10-11	<ul style="list-style-type: none"> • [Update on Outstanding Audit Findings] The committee will receive an update on remediation efforts and risk mitigation strategies in response to previous audit findings. The discussion will focus on specific audit findings that are overdue or present a complex remediation effort. • Discussion of Approval Requirements for Engagements with Auditors This item will start a discussion of potential changes to Board policy regarding the current thresholds and requirements for engagements of audit firms other than the University’s principal external auditors. Based on this discussion, potential amendments will return for review at a future meeting. • Overview of the University Insurance and Worker’s Compensation Programs The committee will receive an update on the University’s risk and liability insurance and worker’s compensation programs. Included as part of the discussion will be an overview of RUMINCO – the University’s wholly owned captive insurance company. • Internal Audit Update This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations. <p style="text-align: center;">-----</p> <p style="text-align: center;"><i>Review of Annual Financial Statements</i> <i>The committee is required to review the annual financial statements prior to their finalization. The committee will review the financial statements outside of the meeting and provide any feedback to the chair.</i></p>
December 12-13	<ul style="list-style-type: none"> • External Auditor Report & 2024 Annual Financial Report The committee will receive and discuss the results of the FY 2024 external auditor report and other audit-like work from the University’s external auditor. The item will also include the University’s 2024 Annual Financial Report. • External Quality Assurance Review The committee will discuss the results of the external quality assurance review (QAR) of the University’s internal audit function. • Institutional Compliance and Conflict of Interest Reports The Chief Compliance Officer will present the annually required reports.

2025	
February 13-14	<ul style="list-style-type: none"> • Review of External Audit Results The external auditor will discuss the results for the audit and audit-like services performed since July 2024. • FY 2025 External Audit Plan The external auditor will present its proposed plan for FY 2025 audit engagements including the financial statement audit and the federal uniform guidance audit. • Internal Audit Update This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations.
May 8-9	<ul style="list-style-type: none"> • Overview of Systemwide Research Administration Compliance This item will provide an overview of systemwide research administration processes and responsibilities associated with ensuring compliance with regulations and University and sponsor requirements. The discussion will provide the committee with insight on the unique challenges associated with systemwide research administration processes and compliance, highlighting how oversight is distributed between principal investigators, individual units, and the various compliance units within the Research & Innovation Office. • [Update on Recent Audit Reports] The committee will receive an update on remediation efforts and risk management strategies in response to specific audit findings from recent audit reports. Discussion will focus on audit findings that are particularly risky or have a complex remediation plan. • Amendments to the Office of Internal Audit Charter – Review The committee will review proposed amendments to the Office of Internal Audit Charter, and other potential Internal Audit process changes, informed by recent changes to Institute of Internal Auditors Standards. The charter establishes the purpose, authority, responsibilities, reporting, and independence for the Office of Internal Audit; any amendments to the charter require Board approval. The discussion will focus on how the proposed changes will impact Internal Audit processes. • Information Items <ul style="list-style-type: none"> ○ Review of External Auditor Relationship and Services Provided
June 12-13	<ul style="list-style-type: none"> • Amendments to the Office of Internal Audit Charter – Action • Title IX Compliance in the University’s D1 Athletic Programs This item will provide information on collegiate athletics compliance. Discussion will focus on Title IX compliance and the University’s preparation and response to recent changes. • Internal Audit Update This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations. • Internal Audit Plan The committee will review and discuss the Internal Audit plan for FY 2026. • Information Items <ul style="list-style-type: none"> ○ Annual Report on Institutional Risk and Financial Reports



BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 12, 2024

AGENDA ITEM: Enterprise Risk Management (ERM) Program: 2024–25 Initiatives

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Katharine Bonneson, Associate Vice President, Health, Safety & Risk Management

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 and Institutional Risk Profile, focusing on initiatives for 2024–25 academic year. The establishment of an ERM program, a component of the MPact 2025 Systemwide Strategic Plan, continues to progress. In alignment with the committee’s oversight responsibilities for the ERM program, this item provides an opportunity for the committee to provide direction on this year’s initiatives. Questions to help guide discussion include:

- Does the updated risk profile accurately capture major risks relevant to the University system?
- Are there key risk areas that should be more evident in the institutional risk profile?

This item will also include discussion of:

- Overview of ERM program progress in FY 2024
- Plan for the ERM program in FY 2025

BACKGROUND INFORMATION

The ERM program was introduced to the Board in FY 2022. Previous presentations have included initial ERM planning and 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. An updated risk profile was created and previously presented to the committee in September 2023, followed by an update on initial risk assessments in May 2024. Since then, the institutional risk profile was updated to reflect feedback received from University senior leaders and through an external scan of industry studies and reports.

The Board previously discussed this topic at the following meetings:

- May 2024: *Enterprise Risk Management (ERM) Program Update*, Audit & Compliance Committee
- September 2023: *Updates to the Institutional Risk Profile*, Audit & Compliance Committee
- May 2023: *Progress Report on the University's Institutional Risk Profile*, Audit & Compliance Committee
- February 2023: *Enterprise Risk Management (ERM) Program Update*, Audit & Compliance Committee
- May 2022: *Enterprise Risk Management Update and Discussion*, Audit & Compliance Committee
- December 2021: *MPact 2025: Enterprise Risk Management Plan*, Finance & Operations Committee

Audit & Compliance Committee

September 2024



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Agenda

Risk Profile Refresh

- Internal Scan
- External Scan
- System-Wide Risk Profile

Fiscal Year 2024 Accomplishments

Fiscal Year 2025 Plan



Internal Scan

The risk profile survey was sent to over 70 University leaders system-wide and received a 60% response rate. Top write-in responses included:

- Athletic Environment
- Academic Medical Center
- National Governmental Policy Changes
- Geopolitical & Global Disruptions
- Artificial Intelligence

The ERM team monitored and reviewed significant internal events impacting the University over the last year.



External Scan: Peer Benchmarking

The University's Risk Profile is generally consistent with peer institutions. Cybersecurity and the wellbeing of students and staff are universally considered top risks.

Not in UMN profile

- Athletic Operations
- Health System Success

Included in UMN profile

- Economic Conditions (Macro)
- Peers combined Student Retention and Student Experience & Success

The ERM team collaborated with: University of Wisconsin, The Ohio State University, University of Southern California, University of Illinois, Purdue University

External Scan: Industry Studies & Reports

The University's Risk Profile is generally consistent with external studies. Cybersecurity remains a top focus across organization types. Enrollment and student mental health remain leading concerns in higher education.

Current Risks

- Title IX
- Third-Party Risk
- Regulatory & Legal Compliance
(stand alone risk)

Emerging Risks

- Artificial Intelligence
- Public Distrust in Education
- Climate Change

The ERM team reviewed the results from 12 current risk reports released by organizations and associations such as; United Educators, Protiviti, Allianz, The World Economic Forum, and US Homeland Security.

Current Risk Profile

The current risk profile was presented to the Board of Regents in September 2023.

MPact 2025 Systemwide Strategic Plan				
1. Student Success	2. Discovery, Innovation & Impact	3. MNtersections	4. Community & Belonging	5. Fiscal Stewardship
Enrollment Strategy	Political	Cybersecurity & Privacy	Campus & Public Safety	Facilities & Maintenance
Student Retention	Research	Reputation	Crisis Management	Economic Conditions
Student Experience & Success		Leadership	Employee Retention & Morale	Strategic Financial Planning & Budgeting

Refreshed Risk Profile

MPact 2025 Systemwide Strategic Plan

1. Student Success	2. Discovery, Innovation & Impact	3. MNtersections	4. Community & Belonging	5. Fiscal Stewardship
Enrollment Strategy	Political	Cybersecurity & Privacy	Campus & Public Safety	Facilities & Maintenance
Student Experience & Retention	Research	Reputation	Crisis Management	Economic Conditions
Evolving Athletic Environment	Academic Health	Leadership	Employee Retention & Morale	Strategic Financial Planning & Budgeting



Risk Profile Categories

Newly Added Key Risks:

- Evolving Athletic Landscape
- Academic Health

Category Two

Category One

Campus & Public Safety
Cybersecurity & Privacy
Political

Crisis Management

Economic Conditions

Enrollment Strategy

Facilities & Maintenance

Leadership

Reputation

Research

Strategic Financial
Planning & Budgeting

Category Three

Employee Retention & Morale

Student Experience & Success

Student Retention

The ERM group is monitoring the evolution of the Academic Health risk.



Fiscal Year 2024 Accomplishments

- Assigned risk owner to all risks on the system-wide risk profile
- Completed “deep-dive” risk assessments and mitigation plans for three key risks
- Refreshed the system-wide risk profile
- Exercised the planned governance structure by reporting to and soliciting feedback from the Executive Oversight Compliance Committee and the Audit and Compliance Committee of the Board of Regents
- Published the University’s ERM website

Fiscal Year 2025 Plan

- Continue to consult on risk and seek feedback and endorsement as we refine ERM processes
- Management and the ERM team will coordinate to complete three “deep-dive” risk assessments and mitigation plans as well as track the implementation of mitigation plans over time
- The ERM team will reserve compacity for ad hoc assessments requested by management or the Board
- Complete the annual system-wide risk profile refresh including monitoring for emerging risks
- Cross-sectional risk identification survey



Why Implement ERM?

- Standing up an ERM program is not focused on developing new products and resources. The goal is to align and coordinate current risk management activities in an organized system-wide manner and to identify and prioritize gaps. Development costs to set up the program are minimal.
- ERM provides a structure and toolkit for leaders to understand risks and make quick informed decisions mitigating risks and maximizing opportunities.
- ERM provides a framework for the University to assess and respond to risk in a holistic systematic way by reducing silos, leveraging existing mitigation strategies, and appropriately elevating risks across the system.
- Development of an ERM program supports a risk aware culture across our campuses.





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Thank you for your support!

Please feel free to reach out with additional questions.



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 12, 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

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

The purpose of this item is to report the following engagements of less than \$100,000 with external auditors as required by Board policy.

- CliftonLarsonAllen LLP was engaged by Community-University Health Care Center (CUHCC) to complete a Medicare Cost Report and Reimbursement Review. This engagement did not present an independence issue with regard to CliftonLarsonAllen LLP and was completed when CliftonLarsonAllen LLP was not the University’s appointed external auditor. The fees for this engagement totaled \$9,450.
- CliftonLarsonAllen LLP was engaged by the Office of the Vice President of Research to provide financial analyses around standard costing for Research Animal Resources. This engagement did not present an independence issue with regard to CliftonLarsonAllen LLP and was completed when CliftonLarsonAllen LLP was not the University’s appointed external auditor. The fees for this engagement totaled \$33,150.
- Deloitte & Touche LLP (Deloitte) was engaged to perform an audit workpaper review for the transition of external auditor to CliftonLarsonAllen LLP. The fees for this engagement did not present an independence issue with regard to Deloitte. The fees for this engagement totaled \$10,500.

BACKGROUND INFORMATION

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



BOARD OF REGENTS DOCKET ITEM SUMMARY

Audit & Compliance

September 12, 2024

AGENDA ITEM: Resolution to Conduct Non-Public Meeting of the Audit & Compliance Committee to Discuss Information Technology Security

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Bernard Gulachek, Vice President and Chief Information Officer
Brian Dahlin, Chief Information Security Officer

PURPOSE & KEY POINTS

The purpose of this item is to act on the resolution to conduct a non-public meeting of the Audit & Compliance Committee to discuss information technology security and provide information on recent information security incidents, the University’s current information security posture, and additional mitigation strategies under consideration.

BACKGROUND INFORMATION

[Minnesota Statutes Section 13D.05, Subd. 3\(d\)](#) permits the committee to conduct a non-public meeting “...to receive security briefings and reports, to discuss issues related to security systems, to discuss emergency response procedures and to discuss security deficiencies in or recommendations regarding public services, infrastructure and facilities, if disclosure of the information discussed would pose a danger to public safety or compromise security procedures or responses.”



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION TO

**Conduct Non-Public Meeting of the Audit & Compliance Committee
to Discuss Information Technology Security**

BE IT RESOLVED, that in accordance with Minn. Stat. § 13D.05, Subd. 3(d), a non-public meeting of Audit & Compliance Committee be held on Thursday, September 12, 2024, in the Boardroom, 600 McNamara Alumni Center, for the purpose of discussing information technology security.