Audit & Compliance Committee

October 2025

October 9, 2025

11:30 a.m.

West Committee Room, McNamara Alumni Center

AUD - OCT 2025

1. 2025-26 Committee Work Plan

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BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **October 9, 2025**

AGENDA ITEM: 2025–26 Committee Work Plan

☐ **Review** ☐ **Review + Action** ☐ **Action** ☒ **Discussion**

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

PRESENTERS: Regent Kodi J. Verhalen
Quinn Gaalswyk, Chief Auditor

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss the committee's 2025–26 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 appointed independent external 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 the appointed independent external auditor and the chief auditor; review audit plans; and evaluate the performance of the appointed independent external 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 Appointed Independent External Auditor. The appointed independent external auditor reports directly to the Board through the Audit & Compliance Committee. The committee shall recommend for Board approval the appointment, engagement, and related fees of the appointed independent external 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 appointed independent external auditor that may impair the appointed independent external auditor'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 appointed independent external auditor's performance, independence, and effectiveness of coordination with other assessment activities, including those performed by the Office of 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 appointed independent external auditor, or other advisors.
(g) Engagements of External Audit Firms Other Than the University's Appointed Independent External Auditor. Engagements with external audit firms other than the University's appointed independent external auditor shall be reported to the Audit & Compliance Committee at the next scheduled meeting of the committee.
(h) This committee provides additional oversight of compliance initiatives and the enterprise risk management program, including risk identification, mitigation, and the institutional risk profile.

This committee also reviews:

- the annual report on institutional risk and financial reports;
- 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;
- the annual institutional compliance report; and
- the institutional conflict of interest report.

Audit & Compliance Committee
2025-26 Work Plan

Date	Topics
2025	
October 9-10	• **2025-26 Committee Work Plan** • **Annual Financial Statement Review** This item will provide an overview of the annual financial statements review process. The presentation will prepare committee members for the October review of the FY 2025 financial statements prior to issuance. • **Enterprise Risk Management Program** In alignment with the committee's oversight responsibilities for risk management, this item will provide an update on the University's Enterprise Risk Management (ERM) Program. • **Overview of the Internal Audit Process and Internal Audit Update** This item will provide the committee with an overview of the University's internal audit function and processes and with an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations. --- ***Review of Annual Financial Statements*** *The committee is required to review the annual financial statements prior to their finalization. The committee will be provided with the draft financial statements and provide any feedback they have to the chair.*
December 11-12	• **External Auditor Report & 2025 Annual Financial Report** The committee will receive and discuss the results of the FY 2025 external auditor report and other audit-like work from the University's appointed independent external auditor. The item will also include the University's 2025 Annual Financial Report. • **Institutional Compliance and Conflict of Interest Reports** The Chief Compliance Officer will present the annually required reports. • **Resolution to Conduct Non-Public Meeting of the Audit & Compliance Committee to Discuss Data Management and Information Technology Security – Review/Action**
2026	
February 12-13	• **Review of External Audit Results and FY 2026 External Audit Plan** The University's appointed independent external auditor will discuss the results for the audit and audit-like services performed since July 2025 and will present the proposed plan for FY 2026 audit engagements including the financial statement audit and the uniform guidance federal compliance audit. • **[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. • **Internal Audit Update** This item provides an update on Internal Audit activities, results, and observations, including the status of outstanding audit recommendations.

April 9-10	• **[Enterprise Risk Management and Institutional Risk Profile Process]** In alignment with the committee's oversight responsibilities for risk management, an update on the process for administrative oversight of the Enterprise Risk Management (ERM) Program and Institutional Risk Profile will be shared with the committee, with the discussion focusing on the key risks committee members see. • **University Compliance Landscape Analysis** This item will provide an overview of the recent compliance landscape analysis of all compliance offices and related activities across the University, including structure and organizational models, unit coordination, and compliance and risk management functions and responsibilities. • **Information Items** o Review of External Auditor Relationship and Services Provided
June 11-12	• **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 – Review/Action** The committee will review and discuss the Internal Audit plan for FY 2027. This item includes the annual review of the Office of Internal Audit Charter and the University of Minnesota Foundation Audit Plan. • **Information Items** o Annual Report on Institutional Risk and Financial Reports

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **October 9, 2025**

AGENDA ITEM: Annual Financial Statement Review

☐ **Review** ☐ **Review + Action** ☐ **Action** ☒ **Discussion**

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

PRESENTERS: Mollie Viola, Assistant Vice President for Financial Operations and Controller

PURPOSE & KEY POINTS

The purpose of this item is to provide the committee an overview of the annual financial statements review process. This item will prepare committee members for the October review of the FY 2025 financial statements prior to final issuance. The presentation for this item can be viewed here.

BACKGROUND INFORMATION

Advance review of the financial statements is required by Board of Regents Policy: *Board Operations and Agenda Guidelines,* Section IV, Subd. 6:

> (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.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
AUDIT & COMPLIANCE COMMITTEE

OVERVIEW OF REVIEW OF ANNUAL FINANCIAL STATEMENTS
OCTOBER 9, 2025

Background

As a result of the Sarbanes-Oxley Act of 2002, the Audit & Compliance Committee received a series of briefings and presentations on the Sarbanes-Oxley Act of 2002 in fiscal years 2002 & 2003. A series of "best practices" were recommended and adopted by the Audit & Compliance Committee, including a review of the financial statements for inconsistencies with your own knowledge prior to issuance to the public.

> Per the Board of Regents Policy: *Board Operations and Agenda Guidelines*, Section IV, Subd. 6, (c) Review of the Annual Financial Report states that 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.

Audit & Compliance Committee Member FY25 Annual Report Timeline

Task	Date
Draft Annual Financial Statement available for review	Wednesday, October 22, 2025
Meeting with Audit & Compliance Committee Chair & Vice Chair to address any outstanding questions or comments	Monday, October 27, 2025
Audit Sign-off & Report Issuance	Wednesday, October 29, 2025

Draft Annual Financial Statement for review – this review process is intended to support the Audit & Compliance Committee's oversight responsibilities by providing an opportunity to ensure that all material information in the report is consistent with the information received and/or acted upon in your capacity as members of the Audit & Compliance Committee. Recommendations for targeted review will be provided and specific financial impacts highlighted.

The report is **Draft – Subject to Audit Completion.** The University's appointed external auditor plans to sign off on the annual report Wednesday, October 29, 2025. To ensure that the Audit & Compliance Committee review is completed within the audit deadlines,

questions or comments about the report should be directed to Regent Verhalen, the Assistant Vice President for Financial Operations and Controller, or Director of Accounting Services at any time prior to the meeting with the Audit & Compliance Committee Chair & Vice Chair.

There are three major report sections;

- Management's Discussion and Analysis (MD&A) is typically about 10-15 pages in length. This is management's opportunity to provide a narrative explanation of the financial statements that enables readers to understand the University mission and priorities via the financial statements and to provide the context within which financial information should be analyzed.
- The financial statements for the University and its significant component units is typically 6-7 pages in length and include;
  - The Statements of Net Position
  - The Statements of Revenues, Expenses, and Changes in Net Position
  - The Statement of Cash Flows
- Footnotes are typically 55-60 pages in length. There are 16 footnotes, all providing the reader detailed information about specific sections of the financial statements. What is required as content in the various footnotes is defined by Governmental Accounting Standards Board (GASB).

Meeting with Audit & Compliance Committee Chair & Vice Chair – limited to Chair & Vice Chair, discussion on any feedback received and confirmation that there are no concerns related to finalizing and issuing the report.

Audit Sign-off & Report Issuance – report is provided to the State of Minnesota and parts of the report are relied upon for other institutional reports (SEFA, NCAA and other Compliance reports). The report is released publically after the December Board meeting. The finalized annual report is typically provided to the full Board at the December Board meeting.

Overview of Review of Financial Statements

Board of Regents | Audit and Compliance Committee | October 9, 2025

Mollie Viola
Assistant Vice President for Financial Operations and Controller

Overview of Review of Financial Statements

- Sarbanes-Oxley Act was implemented in 2002
- The University is not required to comply with the Act; however, best practices were put in place consistent with the spirit of the Act
- Board of Regents policy: *Board Operations and Agenda Guidelines*, Section IV, Subd. 6 (c) states:
    - 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.

Review Draft Annual Financial Statements

Draft will be provided October 22, 2025 for review with three major sections:

- Management's Discussion and Analysis: Narrative of the University's financial results
- Basic Financial Statements
  - Statements of Net Position, with corresponding statements for University of Minnesota Foundation (UMF) and University of Minnesota Physicians (UMP)
  - Statements of Revenues, Expenses, and Changes in Net Position, with corresponding statements for UMF and UMP
  - Statements of Cashflows
- Footnotes

Chair & Vice Chair Meeting and Issuance

- Meeting with Chair & Vice Chair Planned for October 27, 2025
  - Questions can be submitted in advance to Chair Verhalen, AVP for Financial Operations and Controller, or Director of Accounting Services
  - Feedback received will be discussed prior to confirm the reports are ready for finalization and issuance.
  - Limit the words on the slides. Instead, include very high level points and create script to read with the details you want to convey
- Audit sign-off and report issuance planned for October 29, 2025
  - Released publicly and final report shared during December Board meetings

Questions?

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **October 9, 2025**

AGENDA ITEM: Enterprise Risk Management Program

☐ **Review** ☐ **Review + Action** ☐ **Action** ☒ **Discussion**

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

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

PURPOSE & KEY POINTS

The purpose of this item is to provide an overview of the Enterprise Risk Management (ERM) program and work completed since the last update at the September 2024 meeting. The update aligns with the committee's oversight responsibilities for risk management. In 2022, the University established an ERM program as a component of the MPact 2025 Systemwide Strategic Plan. .

Discussion will include:

- an overview of ERM program progress;
- summary of risk analysis work; and
- an overview of program next steps as the University develops new administrative governance for the ERM program and Institutional Risk Profile in alignment with the proposed University strategic plan, which will serve as a roadmap to guide the University.

BACKGROUND INFORMATION

The ERM program was introduced to the Board in FY 2022. Those committee meetings 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 at the September 2024 meeting. Since then six initial risks have been analyzed.

The Board previously discussed this topic at the following meetings:

- September 2024: *Enterprise Risk Management (ERM) Program: 2024–25 Initiatives*, Audit & Compliance Committee
- 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: *Enterprise Risk Management Plan*, Finance & Operations Committee

Enterprise Risk Management Program

Board of Regents | Audit & Compliance | October 9, 2025

Katharine Bonneson
Associate Vice President
Health, Safety and Risk Management

Agenda

- Overview of ERM
- Discuss Evolving Risk Themes
- Discuss UMN and National Risk Intersections
- Deep Dive Risk Reviews
- Next steps

Roles and Responsibilities

Enterprise Risk Management (ERM) helps the University identify, assess, mitigate and monitor current and evolving risks to support the achievement of the University's strategic goals.

Why implement ERM? According to Deloitte, *ERM enables leaders and risk managers to integrate risk management across the organization, instill risk awareness and procedures, and get to the roots of the complexity of the new risk landscape.*

(https://www.deloitte.com/us/en/insights/industry/articles-on-higher-education/2025-us-higher-education-trends.html)

Big Ten ERM Consortium

Survey and Workshop Completed in 2025

Key Risks	1	Policy Pressures
	2	Cybersecurity
	3	Athletics
	4	Financial Sustainability
	5	Safety & Security
	6	Geopolitical Strife
	7	Wellbeing
	8	Enrollment
	9	Deferred Maintenance
	10	Talent Management
Watch List	11	Health Systems
	12	Research Integrity
	13	Third Party Management

- Penn State University
- Purdue University
- The Ohio State University
- University of California, Los Angeles
- University of Illinois
- University of Maryland
- University of Michigan
- University of Minnesota
- University of Oregon
- University of Southern California
- University of Washington
- University of Wisconsin

Industry Risk Reports

Survey Completed in 2024

United Educators

1. Enrollment
2. Data Security
3. Operational Pressures
4. Recruitment and Hiring
5. Regulatory and Legal Compliance
6. Facilities and Deferred Maintenance
7. Student Mental Health
8. Funding
9. Public Safety
10. *General Premises Safety
    *Title IX
    *Political and Societal Pressures

Survey resulted in a three-way tie in the 10th spot

Key Takeaways:

UMN 2024 risks generally align nationally except for regulatory, legal compliance and Title IX.

Risk Themes We Are Monitoring

- Rapidly changing political and government landscape
- Financial Stability
- Academic Health
- Changing Athletic Environment
- Emerging Risk or Opportunity: Disruptive Technology including Artificial Intelligence
- Siloed structure

2024 Institution Risk Profile

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

The 2025 risk profile update is paused to allow time for coordination with the University's forthcoming strategic roadmap and governance adjustments.

Deep Dive Risk Reviews

- Each year, three risk areas are identified from the risk profile for a deeper review. Those reviews provide risk themes, mitigation strategies and Key Risk Indicators (KRI's) to support proactive risk monitoring.

- In 2023-24, risk reviews were conducted on; crisis management, facilities & maintenance and leadership.

- The 2025-26 risk areas are; research, reputation and student experience.

2023-2024 Deep Dive Risk Reviews

Crisis Management

Risk Themes
- Planning & Preparedness awareness and education
- Emergency communication processes

Mitigation
- Training improvements with partners
- Dedicated planning with senior leaders
- Standardized, deployable, crisis communication plan

Facilities & Maintenance

Risk Themes
- Maintenance & renewal resources
- Rightsizing scale with scope and condition
- Operations and safety

Mitigation
- Multi-layered funding source for repair and replacement plan
- Strategic property plan

Leadership

Risk Themes
- Succession planning and talent pipeline
- Response to struggling leaders
- New leader onboarding

Mitigation
- New Leadership Talent Framework covering the full employment lifecycle

2025-26 Deep Dive Risk Reviews

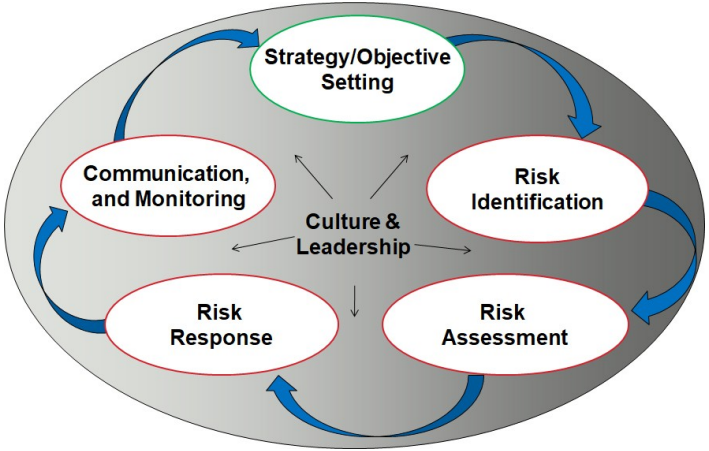
Research - Research risk is the potential challenges, uncertainties, and positive or negative outcomes associated with conducting research activities within the University

Student Experience - the uncertainties associated with factors that may impact students' academic, social, and personal development

Reputation - the potential for events, actions, or perceptions to impact the public image, credibility, or trustworthiness of the University

- Work is in progress
- Alignment with strategic road map, where appropriate, and governance structure are next steps.
- Rapidly changing risk environments add complexity to these reviews

Looking forward, aligning with the University's Strategic Roadmap



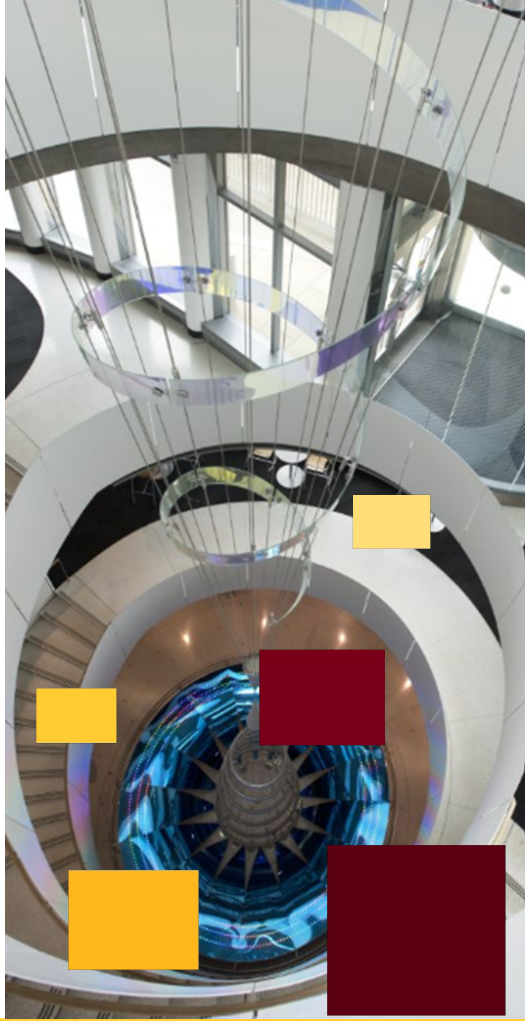
Courtesy of NC State University

ERM can be an impactful tool that supports an organization's strategic plan, specifically by proactively identifying and responding to risk, opportunities and uncertainty.

The ERM team is positioning itself to transition from MPACT 2025 to align with the updated strategic roadmap. This alignment will occur, where appropriate, with work plan items such as the risk profile, deep dives and annual reports.

Next Steps

- Work with the Administration on better defining the ERM and Institutional Governance structure.
- Coordinate ERM initiatives with the new strategic roadmap.
- Update the Institutional Risk Profile to align with the strategic roadmap and governance changes.
- Complete risk review deep dives within the updated governance structure, spring 2026.
- Develop ERM training and continue to improve upon our digital footprint.



Discussion

Thank you for your support!

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **October 9, 2025**

AGENDA ITEM: Overview of the Internal Audit Process and 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 to provide the committee an overview of the internal audit process and to provide an update on Internal Audit activities.

Overview of the Internal Audit Process

The overview of the internal audit process provides the committee with context about the Office of Internal Audit (OIA) and the internal audit process, including the scope of work, audit approach, development of the annual audit plan, and the Office of Internal Audit Charter. The presentation for the overview of the internal audit process can be viewed here.

Internal Audit Update

The Internal Audit Update provides information about audit activities, results, and observations to help the committee fulfill its fiduciary responsibilities under the Board's reserved authority for oversight of the internal audit function.

- Since the last Internal Audit Update at the June 2025 meeting, remediation of high-risk audit report items (i.e., issues with levels of residual risk rated as "high") was significantly less than a normal period with only 15 percent of outstanding items being fully resolved. However, only 24 percent of outstanding items are past management's planned remediation dates, 53 percent of the outstanding items are from recent audits receiving first time follow-up, and 68 percent have been open for less than a year.
- All outstanding "high" items were resolved for one audit.
- Four "high" items identified in three audits have remained open for more than two years; additional details on these items and the status of their remediation are included in the docket.
- While remediation results of outstanding "high" items are reasonable given the circumstances, leadership continues to demonstrate a commitment to remediate audit report issues effectively and sustainably. Sustained attention will be needed to ensure the

large number of newer open items do not result in lower implementation rates becoming a trend.
- Nine audit reports containing 32 items rated as “high” were issued in the last four months.
- Other summary information important to the committee for their oversight of the internal audit function is also included in the docket.

BACKGROUND INFORMATION

An overview of the internal audit process is provided periodically to the committee to ensure ongoing shared understanding of OIA’s processes and the committee’s responsibilities. The last presentation on this topic was provided at the committee’s September 2023 meeting.

The Internal Audit Update is prepared three times per year and is presented to the committee as required by Board of Regents Policy: *Board Operations and Agenda Guidelines*, Section IV, Subd. 6. Audit & Compliance Committee Charter.

Internal Audit Update

University of Minnesota Regents Audit and Compliance Committee
October 9, 2025

This report includes:

- Audit Observations/Information/Status of Critical Measures/Other Items
- Follow-Up on High Risk Audit Report Items
- Audit Activity Report
- Audit Reports Issued Since June 2025
- Management 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, Executive Vice President for Finance and Operations, Executive Vice President and 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

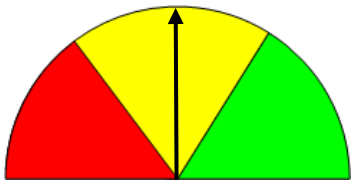
As part of our ongoing efforts to provide the Audit and Compliance Committee with critical information concisely, we have developed the following charts to present a quick overview of work performed by the Office of Internal Audit since our last Internal Audit Update.

The first chart, “Remediation of High-Risk Audit Report Items,” provides our assessment of management’s overall progress on addressing high levels of risk identified in audit report issues and their associated recommendations. Readings in the yellow or red indicate remediation rates less than, or significantly less than, what is normally expected in four months. Lower overall remediation rates could be due to a number of factors (e.g., complexity of remediation, or a large number of items added from newly issued reports) and does not necessarily mean a lack of focus or effort by management. Detailed information on follow-up, 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 2025, Tier 1 audits on the FY 2026 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).

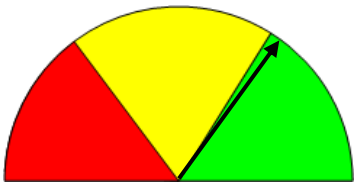
The final chart, “Time Spent on Non-Scheduled Audit Activities,” provides a status report on the amount of time consumed by investigative activities, special projects, and other management requests. We estimate a budget for this type of work, and the chart will indicate whether we expect that budget to be sufficient. Continued readings in the yellow or red may result in seeking Audit and Compliance Committee and Board of Regents approval for modifying the Annual Audit Plan.

Remediation of High-Risk Audit Report Items



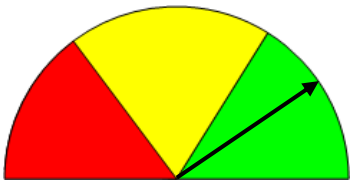
Remediation was significantly less than a normal period; however, very few items are past management's original target dates. Sustained attention will be needed to ensure the large number of newer open items do not result in this being a trend.[1]

Progress on Audit Plan & Other Assurance Work



Progress on audit plan and other assurance audit work is slightly behind expectations.[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.

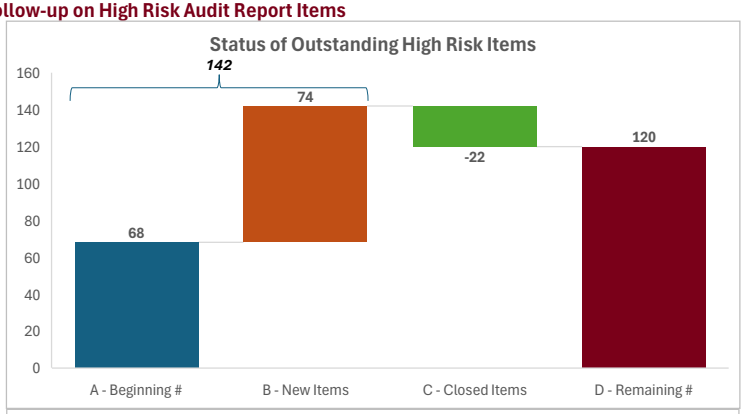
[1]As detailed in the "Follow-Up on High Risk Audit Report Items," there was an overall implementation rate of only 15%. However, 53% of the outstanding items are from recent audits receiving first time follow-up and 68% have been open for less than a year. Additionally, only 24% of all outstanding issues are past management's planned remediation date, which is the lowest rate of past due items in the last three years.

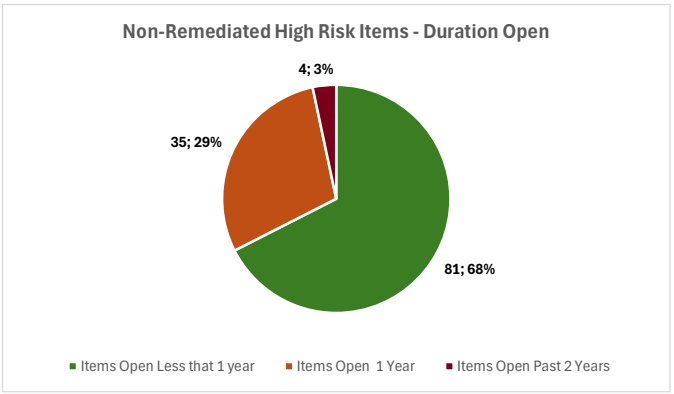
[2] Progress on the FY26 audit plan is slightly behind expectations primarily due to some FY25 carryforward audits taking longer than expected.

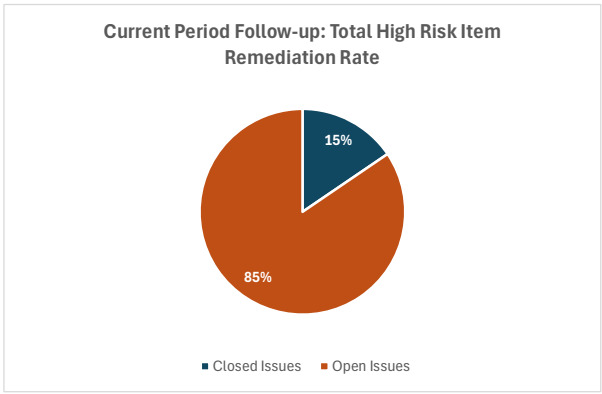
Other Items:

- FY26 Audit Plan Update – While progress on the FY26 audit plan is currently only slightly behind expectations, employee leaves in calendar year 2026 have the potential to considerably impact Internal Audit's ability to complete the FY26 audit plan. These leaves, related to: the new Minnesota Paid Family and Medical Leave Program; extended medical leave, and a military deployment, were not known when the FY26 audit plan was developed. The precise duration and impacts of these leaves is still unknown, but it could result in up to five Tier 2 audits from the Audit Plan not being initiated in FY26. Internal Audit will update the Committee regarding our progress, and the audits we expect to defer or cancel, in the February Internal Audit Update when we expect to have additional information.
- Internal Audit Staffing Update –The Office of Internal Audit is fully staffed at 16 auditors in addition to the chief auditor; however, there are currently two employees on approved, extended leaves.

Follow-up on High Risk Audit Report Items







A - The number of items opened at the start of this follow-up period.
B - The number of new items issued since the prior follow-up period.
C - The number of items closed this follow-up period.
D - The number of items remaining open at the end of this follow-up period.

Status of High Risk Items Follow-up by Audit

Audit Name	Audit Report Issue Date	Initial # of Items	Items Closed Previously	Items Open at the start of this Follow-up Cycle	Items Closed This Period	Items Partially Implemented: Not Past Target Date	Items Partially Implemented: Past Target Date	Items Not Implemented: Not Past Target Date	Items Not Implemented: Past Target Date	Items Remaining	% of All Items Complete	Time Since Report Issuance (6 Months / 1 Year / 18 Months / 2 Years)
University Health & Safety FY21	09-2020	10	9	1			1			1	90%	
Dentistry, School of FY22	09-2021	27	26	1			1			1	96%	
Bell Museum FY23	04-2023	12	10	2			2			2	83%	
OIT Central Server Administration FY24	01-2024	12	7	5		2	3			5	58%	
UMD Athletics FY24	01-2024	14	6	8	4		4			4	71%	
HIPAA Governance & Oversight FY24	07-2024	24	1	23	3	4	4	10	2	20	17%	
Parking & Transportation Services FY25	08-2024	11	5	6	1	3	1		1	5	55%	
Biomedical Engineering, Department of FY25	09-2024	6	5	1		1				1	83%	
CEHD FY25	11-2024	6	5	1			1			1	83%	
Neuroscience, Department of FY25	12-2024	11	2	9	1	6		2		8	27%	
Firewall Management FY25	01-2025	7		7	1	3	2	1		6	14%	
Pharmacy, College of FY25	01-2025	7	3	4	1	2	1			3	57%	
Design, College of FY25	***03-2025***	***3***		***3***	***2***				***1***	***1***	***67%***	
Morris Campus FY25	***04-2025***	***20***		***20***	***2***	***4***	***3***	***10***	***1***	***18***	***10%***	
Electrical and Computer Engineering, Dept of FY25	***05-2025***	***5***		***5***	***5***						***100%***	
BioSafety Level 3 Labs FY25	***05-2025***	***3***		***3***	***1***	***2***				***2***	***33%***	
Data Management FY25	***05-2025***	***11***		***11***		***2***		***9***		***11***	***0%***	
Cloud Computing and Oversight FY25	***05-2025***	***10***		***10***		***2***		***8***		***10***	***0%***	
Minnesota Landscape Arboretum	***06-2025***	***22***		***22***	***1***	***1***	***1***	***19***		***21***	***5%***	
Note: First time follow-up for items in ***bold/italics*** .		**221**	**79**	**142**	**22**	**32**	**24**	**59**	**5**	**120**	**46%**	

Month / Year of Follow Up Report

	Oct 2025	Jun 2025	Feb 2025	Oct 2024	Jun 2024	Feb 2024	Oct 2023	Jun 2023	Feb 2023	Oct 2022	Previous 3 Yr. Average
Total Items	142	99	88	74	86	86	96	97	76	59	-
Items Remediated	22	31	24	28	29	32	36	34	14	26	-
Remediation Rate	15%	31%	27%	38%	34%	37%	38%	35%	18%	44%	34%
Open Items Past Due	24%	34%	34%	61%	32%	57%	55%	40%	48%	45%	45%

Current Status of Recommendations Rated as "High" 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
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: · 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.	Work in Process: Training Questionnaire Development: The final development of the Training Questionnaire was completed in August 2025. This tool will allow for the assignment, tracking, and monitoring of all required training courses. The questionnaire is on schedule for a soft launch in late fall 2025 to include the University of Minnesota Duluth and the College of Food, Agricultural and Natural Resource Sciences (CFANS). The full launch is planned for the Spring of 2026, which will allow time to incorporate feedback from the soft launch. Additional colleges and departments will be allowed to submit their content for inclusion in the tool on an ongoing basis as part of the full launch. Timeline: Populate the Training Questionnaire with HSRM & CFANS questions and map training based on responses by October 2025. Complete a soft launch of the training questionnaire in late fall 2025 and refine as needed based upon feedback. Go Live with the Training Questionnaire for the entire University in the spring of 2026. Resource limitations could impede progress and system development costs could exceed budgeted amounts due to any unforeseen circumstances.
School of Dentistry (SOD) Sept 2021 # of Items: 1	Partially Implemented	Dr. Keith Mays	SOD should improve processes for collecting on outstanding receivables to minimize exposure from uncollectible receivables and to increase the integrity of the financial statements.	The School of Dentistry continues its efforts to improve the processes for collecting outstanding receivables. However, these efforts have faced significant challenges, including significant recruitment and impactful staff shortages in the patient billing area. Those shortages were directly linked to the changing employment landscape resulting from the COVID-19 pandemic. To support their billing and accounts receivable processes, the School of Dentistry partnered with an external revenue cycle management co-source for dental institutions beginning in fiscal year 2024. This partnership is still ongoing. The School of Dentistry's external partnership has yielded results, including a reduction of outstanding accounts receivable balances due from health insurers of 45%, streamlining of collections processes, and increased percentage collections on new claims. While normalized staffing levels and external partnership have supported the School of Dentistry's efforts, other factors have impacted work in this area. Primary impact was the Change Healthcare data breach in February 2024, which brought dental and medical claim payments and processing to a halt and significantly disrupted the School of Dentistry's billing. Additionally, one of the largest Medical Assistance (MA) insurance providers, UCare, changed its dental benefit manager in January 2025. Credentialing processes and delays with the dental benefit manager resulted in a significant disruption of billing and payments. The School of Dentistry continues to pursue additional processes and avenues to address this item and improve accounts receivable processes and collections for timeliness and efficiency, including reassigning workload distribution and cases, benchmarking and most notably, exploring outsourcing their complete dental billing operation to a revenue cycle management company. The School of Dentistry is currently in the Request for Proposal (RFP) phase for this initiative, with a target implementation date of January 2026.
Bell Museum April 2023 # of Items: 2	Partially Implemented	Holly Menninger	Bell should implement periodic physical inventory counts to ensure all art pieces are present and accounted for. This inventory count should be done by staff who do not have direct access to inventory documentation. Bell should implement a periodic valuation process of the art collection. Additionally, Bell management should work with the University's Office of Risk Management to ensure the valuations of Bell's collections submitted for insurance purposes are sufficient for reporting requirements and to mitigate the risk of loss.	The leak in the basement and the lack of progress to remedy this remain the issue. As stated in prior reports, the Bell experienced a major leak in the basement which was first discovered in June of 2024. This turned out to be caused by what was thought to be a faulty hood on a duct that leads to the roof. The leak has continued to be an ongoing problem for over a year. The issue was sent to U Construction to be managed, but the project is not scheduled at this time. As a result, a significant volume of Bell assets had to be temporarily relocated to secure locations, including the secure art storage space. The Bell is still experiencing significant leaks and damage (including as recently as the week of August 11, 2025). The Bell emphasized the need to restore the basement to working order for several reasons, including that it is preventing completion of essential items on their audit. All delays in completing recommendations are directly related to this. Until the work to solve the leak and replace the ceiling is finished, the art remains inaccessible. The Bell has brought this to the attention of the College of Food, Agricultural and Natural Resource Sciences (CFANS), and CFANS operations staff have been supportive and helpful in trying to escalate the project, and in suggesting ways that the leak's source could be investigated. No time estimate for completion can be provided.
Total: 4				

Audit Activity Report

Assurance Activity

Scheduled Audits

Completed Audits Of:

- UMD International Programs and Services
- Transition Review: Department of Public Safety (Chief of Police)
- Purchasing Services - Supplier Onboarding and Payments
- Executive Vice President and Provost Transition Review
- State Small Business Credit Initiative Venture Capital Programs
- Biostatistics and Health Data Science
- Institutional Animal Care and Use Committee
- University Threat Assessment
- NCAA Board of Governor's Policy on Campus Sexual Violence and Athletics Drug Testing on Twin Cities Campus

Began/Continued Audits Of:

- Clinical and Translational Science Institute (CTSI)
- Clinical and Translational Science Institute – IT Processes
- Department of Mechanical Engineering
- Department of Psychology
- Digital Identity Management
- Medical School Duluth Campus
- Transition Review: VP of IT and CIO
- UMD Recreational Outdoor Sports Program
- University Services – IT
- University Leave of Absence Process
- University of Minnesota Police Department

Other Audit Activity

SNAP Reviews

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.

No SNAP reviews were completed during this reporting period.

Limited Transition Reviews

Limited transition reviews are narrowly scoped reviews of senior University leader transitions focused on financial or other arrangements implemented by the outgoing leader. This review is to aid in transparency for the new leader and to identify any areas which may warrant additional administration or audit attention. These reviews involve interviews with the former leader's core staff members and a limited review of financial and human resource records.

No Limited Transition Reviews were completed during this reporting period.

Gift Testing
Completed gift testing for the University of Minnesota Foundation according to the memorandum of agreement.

Investigation Activity

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

Advisory Services

- Completed a targeted review of the Advanced Research and Diagnostic Laboratory's (ARDL's) operations to cover risks scoped out during the FY20 Lab Medicine and Pathology audit partly due to the COVID-19 pandemic.
- Consulted with the Provost's Office regarding gaps in University policy related to scholarship and admissions decisions, as well as policy and process gaps related to managing international activities. Ongoing follow-up of these items will continue.
- Provided advisory services related to University payroll exception testing.
- Provided technology advisory services in several areas including IT governance and oversight, Artificial Intelligence, data center controls, identity and access management, data management, vendor management, logging and monitoring, and information security and compliance.
- Discussions with the Office of Human Resources (OHR) continued regarding progress to address the recommendations from the Employee Visa and Immigration Support Collaborative Assessment issued in November 2021. None of the report recommendations were considered high risk and thus, are not being followed up on as part of our standard follow-up process. However, Internal Audit will continue to periodically meet with OHR to obtain status updates.
- Participated in the following University committees:
    - Senior Leadership Team
    - Select President Cabinet Meeting Presentations
    - Policy Advisory Committee
    - University Consultative Team (UReport Reviewers)
    - Institutional Conflict Review Panel
    - IT Leadership Committees
    - HRPP Advisory Committee
    - Research Integrity and Safety Collaborative
    - Diversity Community of Practice
    - Artificial Intelligence Task Force
    - VP of IT and Chief Information Officer Search Committee

Other Activities

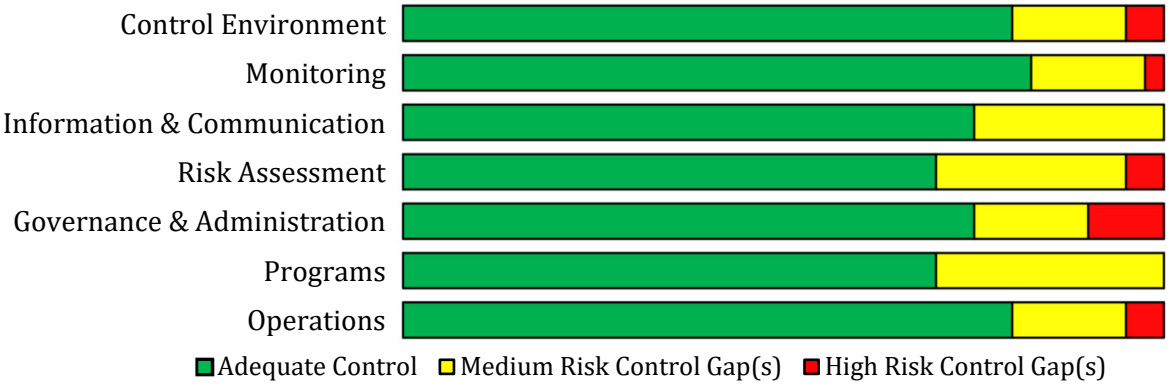
- Provided regular communications with the Office of the Legislative Auditor (OLA), to satisfy institutional and officer reporting requirements for the University to report allegations of misuse of public resources and/or disclosure or use of non-public data without authorization as specified in Minnesota Stat. sec. 3.971.
- Continued to implement improvements post the Quality Assessment Review (QAR) and update to the Institute of Internal Auditors (IIA) *Global Internal Audit Standards*. In December 2024, the results of Internal Audit's external QAR were presented to the Committee by the leader of the external review team. OIA developed a comprehensive project plan to track our implementation of these opportunities as well as process updates needed to meet new 2025 IIA requirements and additional departmental goals/priorities.

Key areas for the Committee's consideration were presented at the May 2025 Committee meeting. To date, we have: updated our audit charter; enhanced our deliverables, including audit reports and docket materials; expanded our annual internal ethics training; and implemented employee development initiatives, such as individual development plans (IDPs), revamped individual performance metrics, and a formal project-based evaluation process. OIA is also continuing to evaluate potential technology upgrades as recommended by the QAR, and plans to create a departmental strategic plan after the completion of the University's plan.

- Participated in the following outside professional committees:
    - University of Minnesota Foundation Audit Committee
    - Association of College and University Auditors (ACUA) Committee on Athletics

Audit Reports Issued Since June 2025

UMD International Programs and Services Control Chart



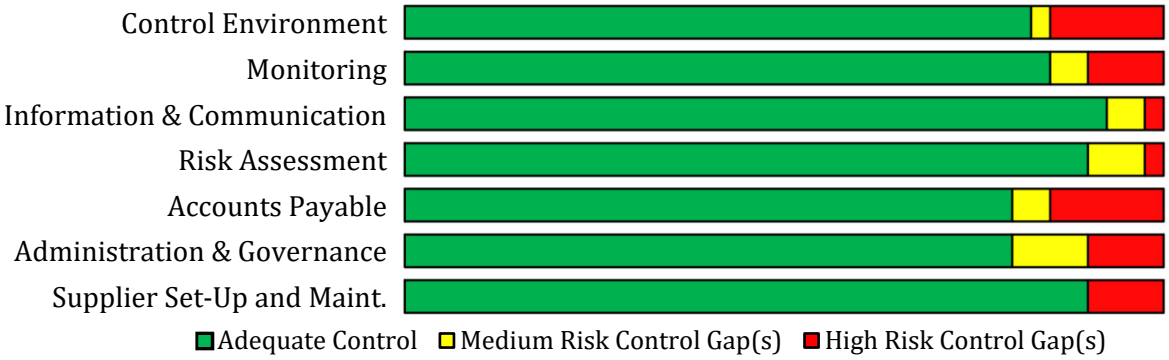
Report Number:	2523	***Issue Date:***	June 2025
# of High Recs:	3	***Total # of Recs:***	22
Overall Assessment:	Adequate	***Adequacy of MAP:***	See Below

UMD International Programs and Services (IPS) reports to UMD's executive vice chancellor and provost (EVCP). It provides programs and support services to promote internationalization and global engagement on the UMD campus, such as study abroad, international and domestic partnerships, the English Language & Culture Institute (ELCI), summer programs for international students, and a passport acceptance facility. IPS's primary program is study abroad, with approximately 200 students participating in study abroad programs each year. IPS also manages contracts with UMD's external affiliates and international partner institutions, and manages key documentation required for international student visas, referred to as I-20 forms, for the relatively small number of students enrolled in the ELCI program. In fiscal year 2024, IPS had approximately $2.2 million in revenues with primary sources of revenue being $1.7 million from study abroad (i.e., fees collected from UMD students) and $323K in O&M.

Our audit affirmed IPS's governance, risk management, and system of internal controls address some of its most important business and compliance risks. Despite being without a permanent director for more than a year and multiple staffing vacancies, IPS has continued to provide programs and support services. However, strategic, process, and operational improvements are needed. IPS's financial and payroll functions' roles and responsibilities need to be clarified, and issues with the I-20 forms they issue need to be addressed. In addition, IT issues including the use of an Office of the General Counsel rejected application need to be remediated. The resolution of some of these risks will likely require collaboration with other UMD departments, which are involved with and/or manage components of processes that relate to IPS's programs and activities.

IPS has developed a management action plan outlining how they intend to address the issues in the report with timelines for implementation. Some of these timelines are lengthy, extending up to two years before remediation will be complete. IPS states the extended timelines are due to the remediation complexity, the need to coordinate with other UMD departments, and/or the fact that the new IPS director, who will lead many of these efforts, did not begin until August 2025.

Supplier Onboarding and Payments Control Chart

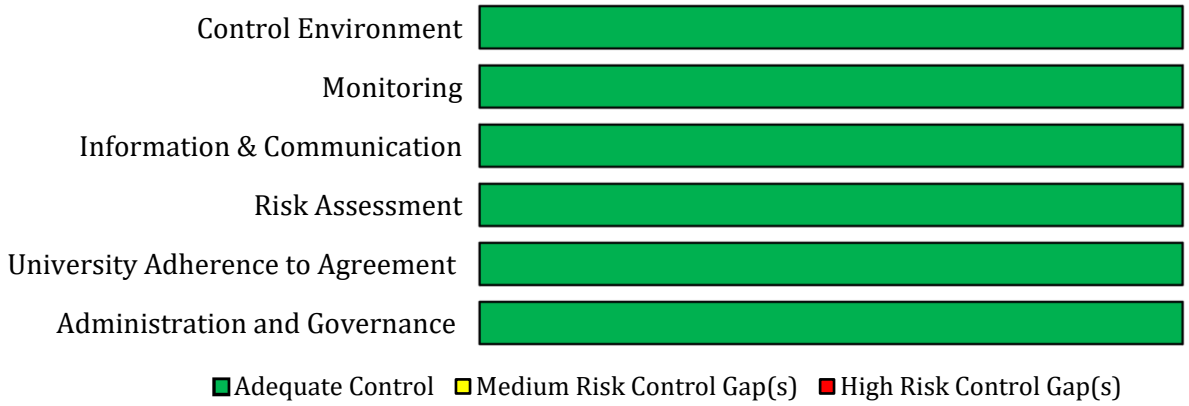


Report Number:	2602	***Issue Date:***	August 2025
# of High Recs:	6	***Total # of Recs:***	9
Overall Assessment:	Good	***Adequacy of MAP:***	Good

Supplier Onboarding and Payments is the first of three planned phases of audits of Purchasing Services. Purchasing Services is a unit within the Controller's Office that provides management, oversight, and facilitation of all University purchasing processes. Purchasing Services is responsible for the University's supplier maintenance and oversees the accounts payable business processes University-wide. The University currently has over 145,000 active suppliers open for purchase orders and made $1.06 billion in supplier payments through the AP process in PeopleSoft's Enterprise Financial System (EFS) in fiscal year 2024.

Our audit affirmed that Purchasing Services' system of internal controls addresses most major operational and compliance risks associated with supplier onboarding and payments. The majority of purchasing processes reviewed are accurate and effective at processing over a billion dollars of purchases every year across millions of transactions. However, risks remain related to the manual nature of many processes and the relatively small staff size given the scope of their operations. Internal procedures may be obsolete, and there are opportunities to improve controls. Six issues were identified with a "High" level of residual risk involving: monitoring, oversight and automation of purchasing practices, updating supplier set-up and maintenance processes to include additional oversight, decreasing the number of special handling payments, and reviewing single payment voucher and contingency checking account processes and reducing their use.

State Small Business Credit Initiative Venture Capital Programs Control Chart

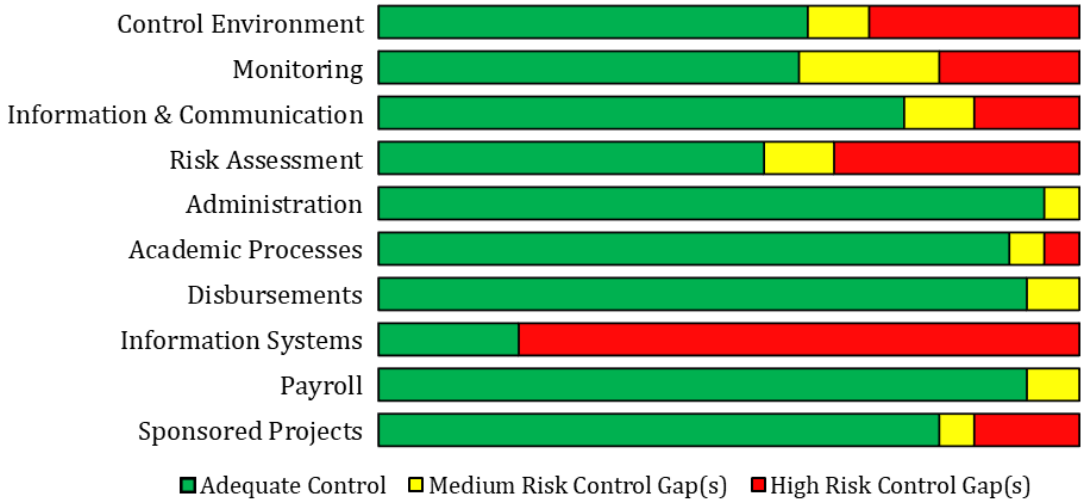


Report Number:	2604	***Issue Date:***	August 2025
# of High Recs:	0	***Total # of Recs:***	0
Overall Assessment:	Good	***Adequacy of MAP:***	NA

The Small Business Credit Initiative (SSBCI) Venture Capital Programs are part of the American Rescue Plan Act (ARPA) of 2021, through which the U.S. Treasury provided $100 million to the State of Minnesota to support small businesses. The University was enlisted by Minnesota's Department of Employment and Economic Development (DEED) to manage $34.5 million of these funds to support seed and early-stage startup investments as part of the SSBCI Venture Capital Programs. This funding is divided into two programs: a Multi-Fund Venture Capital (MFVC) program for fund investments and a Direct Investment Venture Capital (DIVC) program. The Office of Investments and Banking (OIB) is responsible for managing these programs, including sourcing deals and conducting due diligence, with support from University finance and accounting staff and the Office of the General Counsel. DEED retains final approval for all investments and responsibility for overall program compliance. A requirement from DEED is that 50% of the funds must be directed toward businesses owned by Socially and Economically Disadvantaged Individuals (SEDI). To date, the University has received $21.5 million of the total funding and has committed $9 million to 36 companies, which collectively employ over 300 Minnesotans.

Our audit affirmed OIB has established a framework of governance, risk management, and system of internal controls to effectively mitigate the risks inherent in administering the SSBCI Venture Capital Programs. Strong internal procedures implemented by the University are complemented by effective DEED oversight and approval of investments. While a formalized long-term plan for the program's sustainability is still under development, the OIB intends to address these strategic considerations as investment returns are realized.

Biostatistics and Health Data Science Control Chart



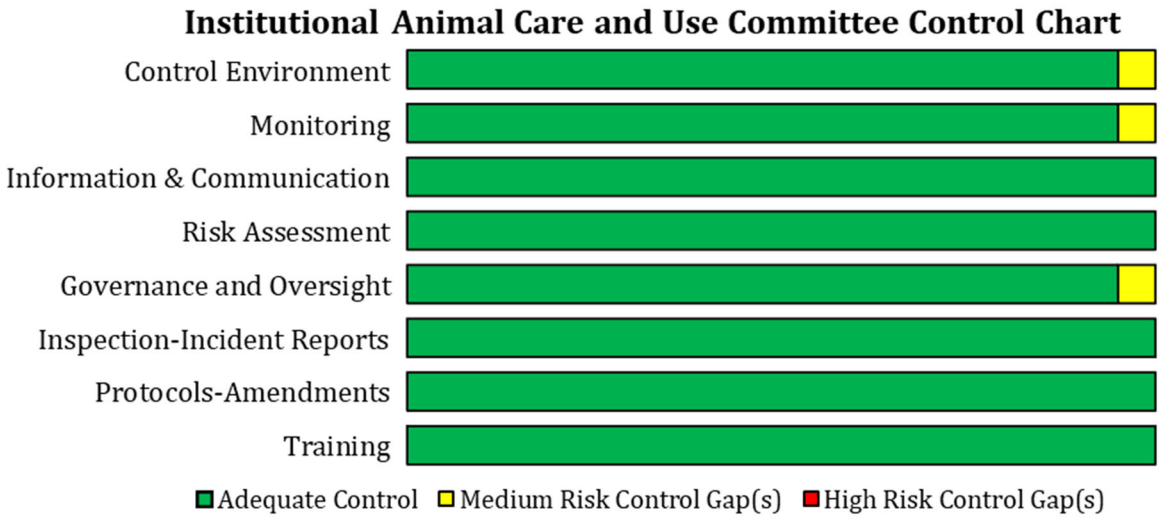
Report Number:	2605	***Issue Date:***	September 2025
# of High Recs:	16	***Total # of Recs:***	22
Overall Assessment:	Needs Improvement	***Adequacy of MAP:***	See Below

The division of Biostatistics and Health Data Science (BHDS) at the Twin Cities School of Public Health (SPH) is a research-intensive division with over 200 research grants totaling more than $250 million. The division has 35 faculty, 59 staff, and over 90 graduate and postdoctoral research employees. Academically, BHDS offers a range of programs including two undergraduate minors and 171 graduate students enrolled in its PhD and master's degree programs. Even though SPH is not officially designated as part of the University's Health Care Component, the division handles sensitive research data, some of which falls under the regulatory requirements of the Health Insurance Portability and Accountability Act (HIPAA) and General Data Protection Regulation (GDPR). While BHDS receives some central support for its technology, it maintains its own technology infrastructure and supports several servers and applications independently.

Our audit found BHDS has a strong foundation for managing financial risks, but its operational, compliance, and IT controls need improvement. The most pressing concerns lie within the independently managed IT infrastructure, where insufficient oversight, reliance on outdated technology, and a historical reluctance to use central IT services create considerable risk. This is particularly problematic given that the division handles sensitive data subject to regulations.

The audit found a total of 12 issues and 22 recommendations, with 16 of the issues carrying a "High" residual risk rating. These high-risk findings are primarily concentrated in the IT and compliance areas. Key recommendations include developing a comprehensive inventory of all servers and applications, consolidating IT support and defining clear roles, creating a plan to replace outdated technology, and further leveraging central support and/or ensuring all system management meets University requirements. Other “High” risk items involve critical compliance and administrative issues. The remaining six issues, rated as "Medium" risk, address the need for improvements in areas such as sponsored project management, payroll, and purchasing.

Management has established an action plan to address the issues in the report. Extended timelines are related to IT issues and the sensitivity of remediation involving research activity.



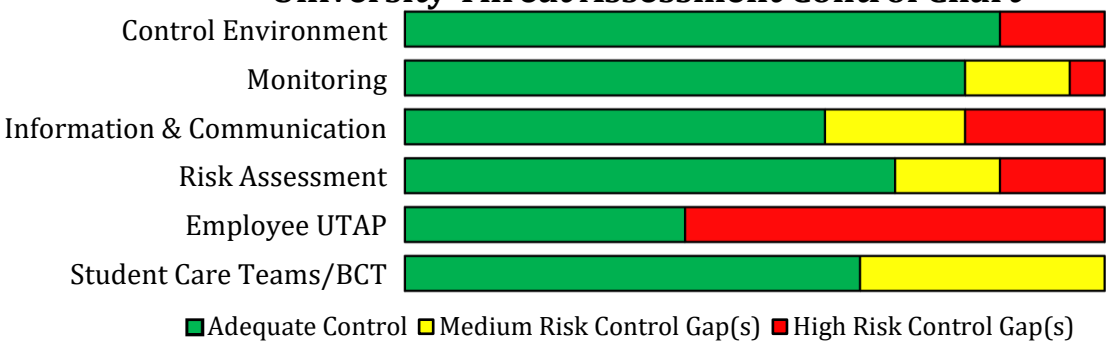
Report Number:	2606	***Issue Date:***	September 2025
# of High Recs:	0	***Total # of Recs:***	1
Overall Assessment:	Good	***Adequacy of MAP:***	Good

The Institutional Animal Care and Use Committee's (IACUC) primary role is to oversee all University programs and facilities that use vertebrate animals for any purpose. This includes reviewing project proposals to ensure the benefits of animal use outweigh the ethical costs and that animal welfare is a priority. The IACUC also periodically conducts inspections and program re-evaluations of previously approved proposals. There are approximately 375 principal investigators handling 1,050 active protocols involving animals for research and teaching purposes University-wide.

The IACUC has nine staff supporting a committee that comprises more than 18 members and 20+ alternates. The Committee is structured to align with requirements from key federal bodies, including the federal Animal Welfare Act (AWA) and Public Health Services (PHS) policy; it includes faculty, staff, students, and community members. The IACUC's practices are accredited by the American Association for Accreditation of Laboratory Animal Care (AAALAC), and it maintains a current Animal Welfare Assurance designation from the National Institutes of Health (NIH), which is essential for receiving PHS funding for animal activities.

Our audit found the IACUC effectively manages its operational and compliance risks, ensuring that animals are used and cared for humanely in accordance with both scientific and regulatory standards. The audit did identify one "Medium" level risk that requires further mitigation. The recommendation focuses on improving the documentation of committee renewals, conflicts of interest, and the delegation of authority to sign agreements relying on other institutions' IACUC reviews.

University Threat Assessment Control Chart



Report Number:	2607	***Issue Date:***	September 2025
# of High Recs:	4	***Total # of Recs:***	11
Overall Assessment:	Care Team/BCT – Good & ETAT – Needs Improvement	***Adequacy of MAP:***	See Below

Threat assessments are managed through decentralized, distinct processes based on whether the concern involves a student or an employee/affiliate. The student process is handled by a Care Team on each campus, with the Twin Cities campus escalating critical cases to an oversight body called the Behavioral Consultation Team (BCT). Care Teams provide brief case management and resources for student well-being and use a nationally recognized risk rubric to assess potential threat levels. The BCT includes staff from across the University with expertise in an array of areas. During the 24-25 Academic Year, the Twin Cities campus' Care Team received 636 referrals, with about 6% of concerns identified as threats to others that were escalated to the BCT.

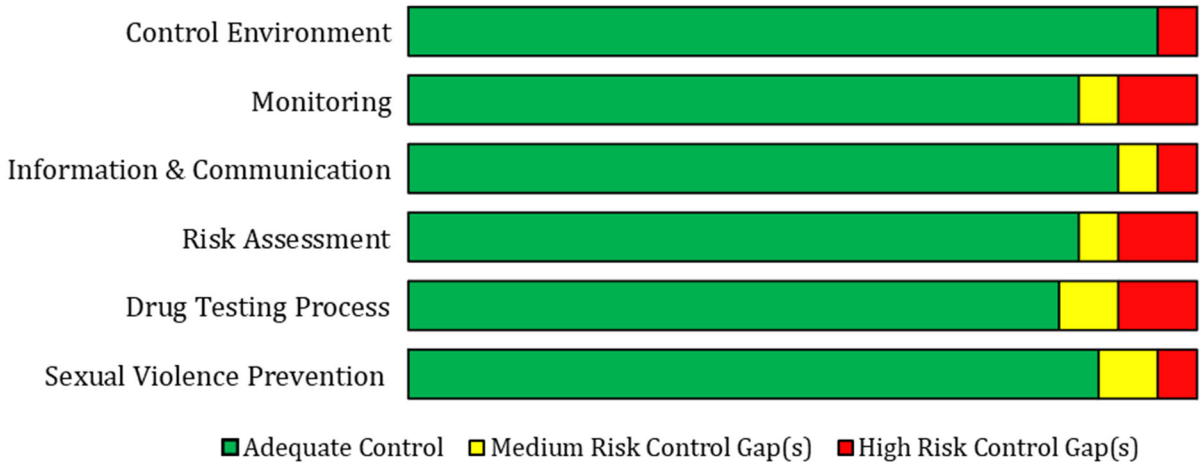
The faculty and staff threat assessment process has historically been handled in a less formal and more decentralized manner, managed by local HR units on each campus with support from a volunteer-based Employee Threat Assessment Team (ETAT) on the Twin Cities campus. The ETAT, coordinated by a staff member from the Disability Resource Center, lacked formal structure. The perceived gaps with ETAT led the University to formalize a new University-wide Threat Assessment Program (UTAP) in July 2025. This new office is housed in Health, Safety, and Risk Management. However, since the UTAP processes were still in development at the time of the audit, the audit reviewed primarily the existing processes in place that were managed by ETAT.

Our audit affirmed that the student-focused Care Teams and BCT have overall effective governance and internal controls, which address most major risks. Our testing of the higher-volume Twin Cities campus evidenced the positive impact of their formalization efforts, as we found general compliance and consistency. Opportunities exist to enhance controls and monitoring, including implementing a shared resource structure and processes across the campus Care Teams.

In contrast, our audit found the University's employee-focused threat assessment processes need improvement. There has historically been inadequate governance and controls, resulting in HR units managing concerns independently and inconsistently. While the University has taken a crucial first step by establishing the UTAP, substantial risk remains due to a lack of formal processes, consistent documentation, available training, and University-wide communication. The audit identified four high-risk issues related to employee threat assessment processes.

Separate management action plans to address risks identified in this report were provided by UTAP, BCT, and campus Care Teams. While some remediation activities have already been completed, several employee-focused threat assessment risks have long remediation timelines given the need to establish and disseminate many new components of the program.

NCAA Board of Governor's Policy on Campus Sexual Violence and Athletics Drug Testing on Twin Cities Campus Control Chart



Report Number:	2608	***Issue Date:***	September 2025
# of High Recs:	3	***Total # of Recs:***	6
Overall Assessment:	Good	***Adequacy of MAP:***	Good

The University is subject to the National Collegiate Athletic Association's (NCAA) Board of Governors Policy on Campus Sexual Violence and the Athletics Drug Testing Policy. The NCAA's Policy on Campus Sexual Violence, revised in 2021, emphasizes individual accountability and requires annual disclosure from student-athletes regarding any past or pending Title IX investigations or criminal convictions for acts of violence. The NCAA also authorizes random drug testing, with member schools having the discretion to establish their own programs and penalties. In this case, Twin Cities Athletics has established a program with a third-party to conduct random testing.

Our audit affirmed that both processes are well managed and are adhering to NCAA requirements. Athletics management was praised by stakeholders and University compliance functions for their emphasis on prevention and for prioritizing student-athlete health and safety. We observed considerable effort to educate and train student-athletes and staff on both policies and overall health and safety. Through interviews and review of drug testing by sport, we found controls exist to ensure drug testing is being performed randomly and confidentially. The effectiveness of these efforts is further demonstrated by high attendance rates at educational sessions and the low number of cases requiring review by the Athletics committees that handle drug and sexual violence cases.

Despite the overall positive assessment, the audit identified six recommendations to further strengthen internal controls, with three of these being classified as "High." These high-risk items cover: establishing clearer timeframes for review and conclusions by the two committees that handle drug and sexual violence cases; taking additional steps to ensure all sensitive information related to drug testing is stored securely in a University compliant manner; and having the contract with the third-party organization performing drug tests reviewed by the Office of the General Counsel and signed by an authorized signer.

Transition Review Reports Issued Since June 2025

Due to the targeted scope of these audits no overall assessments or control evaluation charts are provided.

Department of Public Safety – Chief of Police

Report Number:	2601	***Issue Date:***	July 2025
# of High Recs:	0	***Total # of Recs:***	0
Overall Assessment:	NA	***Adequacy of MAP:***	NA

The transition review of the Chief of Police of the Department of Public Safety (DPS) focused on the administrative aspects of the transition, including any financial or other arrangements made by the departing chief of police, and whether all administrative tasks were current. Financial activities reviewed were from FY25 and up to three years prior. We found the activities of the former chief of police were consistent with expected administrative practices and supported a smooth transition to the interim chief of police. We identified opportunities for financial and HR administrative improvements that were beyond the scope of this review indicative of the need for general process improvements; these were communicated separately to DPS leadership.

Executive Vice President and Provost

Report Number:	2603	***Issue Date:***	August 2025
# of High Recs:	0	***Total # of Recs:***	0
Overall Assessment:	NA	***Adequacy of MAP:***	NA

The transition review of the Executive Vice President and Provost (EVPP) focused on the administrative aspects of the transition, including any financial or other arrangements made by the departing EVPP, and whether all administrative tasks were current. Financial activities reviewed were from FY25 and up to three years prior. We found the activities of the former EVPP were consistent with expected administrative practices and supported a smooth transition to the new EVPP. We identified no new/increased deferred compensation agreements or inappropriate spending, and necessary administrative tasks were performed. We identified opportunities for financial and HR administrative improvements that were beyond the scope of this review indicative of the need for general process improvements; these were communicated separately to the EVPP's office.

Management Remediation Plans that Involve PEAK

The following table includes recommendations and risks identified in Internal Audit reports issued to date for which management stated would be resolved at least in part through the PEAK Initiative and these items' current status.

Audit	Report Date	Summary of the Issue	Management Response	Recommendation Rating	Status of Recommendation	PEAK Service Area	PEAK Phase (of unit)	Comments
Fiscal Year 2026								
NCAA Board of Governor's Policy on Campus Sexual Violence and Athletics Drug Testing on Twin Cities Campus	September 2025	Separation of duties for background checks of student athletes is not optimized as only one Athletics staff member receives the results.	Campus HR will be taking over the responsibility of background checks as part of PEAK. At that time, Athletics will request that multiple individuals, including a member of the Office of Athletic Compliance, are copied on the background check results.	Medium	N/A	Human Resources	Phase 3	This recommendation is rated "Medium" and thus will not be reviewed as part of our standard follow-up of "High" items.
Fiscal Year 2025								
Department of Theatre Arts & Dance	March 2024	Completion of I-9 documents and background checks were not timely for some newly hired employees.	The Department of Theatre Arts & Dance plans to work with the College of Liberal Arts (CLA) human resources function to improve procedures and timeliness.	High	Completed	Human Resources	Phase 2	CLA HR streamlined the college's hiring procedures in conjunction with its transition to PEAK in December 2024.
School of Music	April 2024	Completion of I-9 documents and background checks were not timely for some newly hired employees.	At the time the audit report was issued, the School of Music stated they restructured hiring processes, developed shared documentation, provided training, and enhanced communication.	High	Completed	Human Resources	Phase 2	CLA HR streamlined the college's hiring procedures in conjunction with its transition to PEAK in December 2024.
Environment Sciences, Policy, Management (ESPM)	December 2024	Completion of I-9 documents and background checks were not timely for some newly hired employees.	The College of Food, Agricultural and Natural Resource Sciences (CFANS) human resources function plans to implement streamlined hiring procedures for all CFANS departments, including for completing I-9s and background checks (i.e., in preparation for the college's transition to PEAK).	High	Completed	Human Resources	Phase 2	CFANS HR streamlined the college's hiring procedures in conjunction with its transition to PEAK.
University of Minnesota Morris	April 2025	Completion of I-9 documents and background checks were not timely for some newly hired employees.	UMN Morris Human Resources will ensure new employees are completing I-9 documents timely and will work with the Human Resources Operations Center to develop and implement systems that ensure background checks are being performed timely.	High	Partially Implemented	Human Resources	Phase 1	This resolution of this recommendation is in process.

Minnesota Landscape Arboretum	June 2025	Completion of I-9 documents and background checks were not timely for some newly hired employees.	The Arboretum is addressing this with new hiring processes through PEAK.	High	Completed	Human Resources	Phase 2	The Arboretum enhanced their processes for ensuring timely I-9s and background checks and is monitoring these processes to ensure they are effective.
		Disbursement processes are not consistently compliant with University policy.	The Arboretum stated that this is completed, as their purchasing processes have transitioned to the PEAK Finance Operations Center and transactions that do not meet University requirements are not processed.	Medium	N/A	Finance	Phase 2	This recommendation is rated "Medium" and thus will not be reviewed as part of our standard follow-up of "High" items.
Fiscal Years 2022 - 2024								
All previously reported recommendations from fiscal years 2022-2024 for which management initially stated would be resolved at least in part through the PEAK Initiative were followed up on as part of the June 2024 reporting period and are now being resolved separate from PEAK.								

Overview of the Internal Audit Process

Office of Internal Audit

Board of Regents Audit and Compliance Committee
October 9, 2025

UNIVERSITY OF MINNESOTA
Driven to Discover℠

Auditing at the University

- External Auditors: CliftonLarsonAllen
  - Financial Statement Audit
  - Audit of Federal Programs (Uniform Guidance)
  - Minnesota Office of Higher Education (OHE) Financial Aid Programs
  - NCAA Agreed Upon Procedures
- Office of the Legislative Auditor (OLA)
- Federal Auditors
- Office of Internal Audit (OIA)

OIA Background

The University's only Internal Audit function

Chief Auditor reports directly to the Board of Regents

- Functionally: Audit & Compliance Committee
- Administratively: Board leadership

16 Auditors in addition to the Chief Auditor

- 3 audit directors and 1 associate audit director
- 9 financial/operational auditors
- 2 IT auditors
- 1 senior data analyst

What OIA Does

Audit Assurance

Planned audits (Audit Plan and/or continual risk assessments)

Special audit requests (from the Committee and/or senior leaders)

Investigations into Allegations of Misconduct

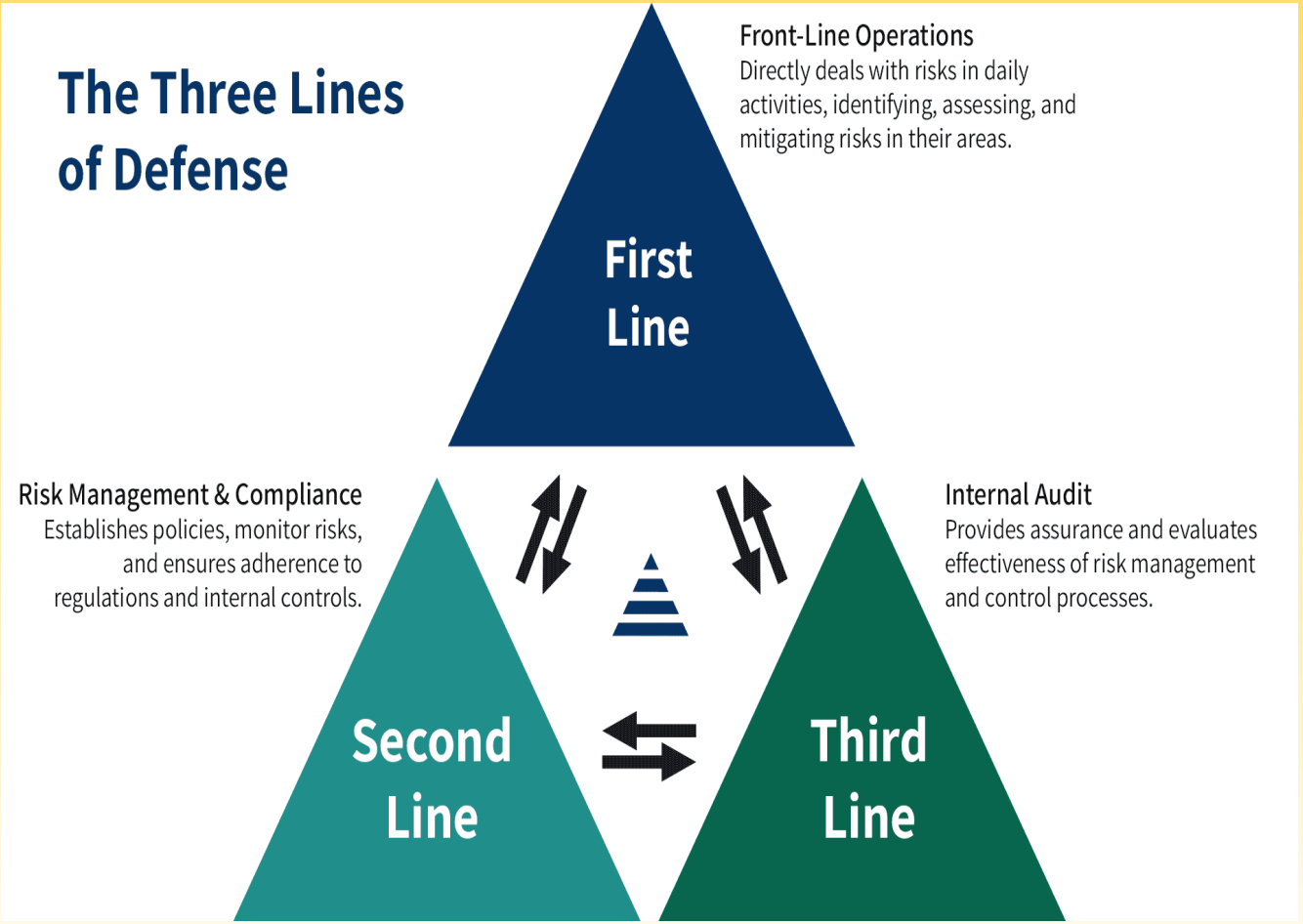
Advisory Services

Formal reviews of risks or operations issued to management

Informal discussions with leaders and/or committees

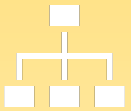
How OIA Approaches Auditing

- Institute of Internal Auditors (IIA) standards
  - Updated in 2025
- Broad mandate to review risk in any form:
  - Compliance with regulations and University policies
  - Emerging risks & potential impacts to strategic initiatives
  - Process improvements (efficiency)
- Third Line of Defense



Developing the Annual Audit Plan

Broad Consultation



Risk Assessment

External & Internal

"Audit Universe" Assessment

Align with Institutional Risk Profile and Strategic Plan

Identify Unit and Process Audits

Approved by Committee & Board in June

Unique Types of Audit Engagements

Senior Leader Transition Review Audits

- Limited and Full Reviews

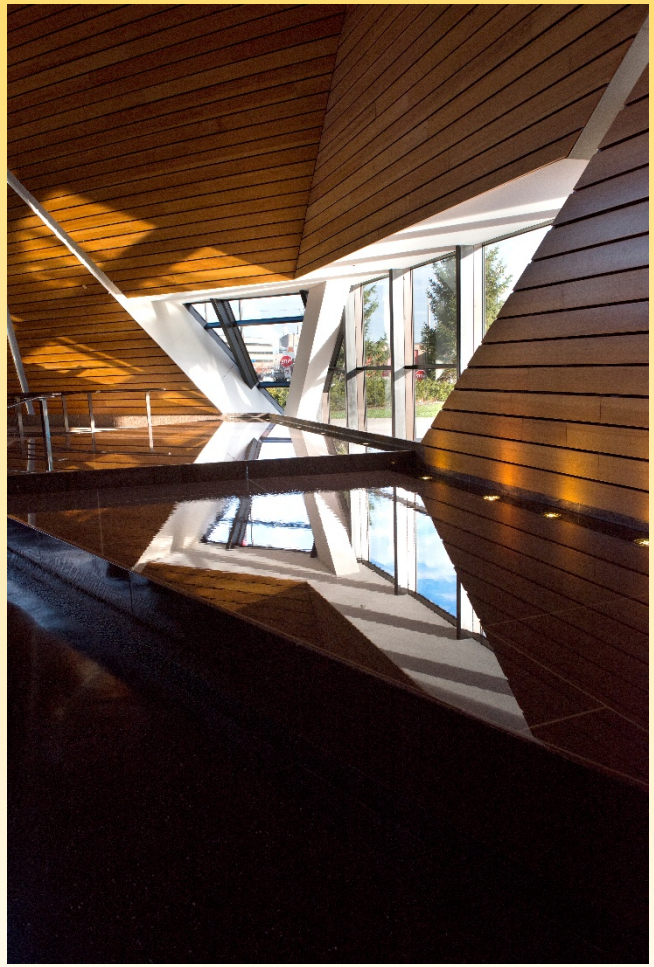
SNAP Reviews

- Targeted process or activity review
- Timely information to process owners
- Often leverage data analytics

Collaborative Assessments

- Multi-unit and complex processes
- Joint risk assessment

How OIA Conducts an Audit



Review controls in place to manage risks

- Risk = Likelihood x Impact
- Residual Risk = Inherent risk - Controls

Audits conducted in three phases

- Planning (survey and scoping)
- Fieldwork (process reviews & testing)
- Reporting (includes Management Action Plan)

Management Action Plan & Follow-Up

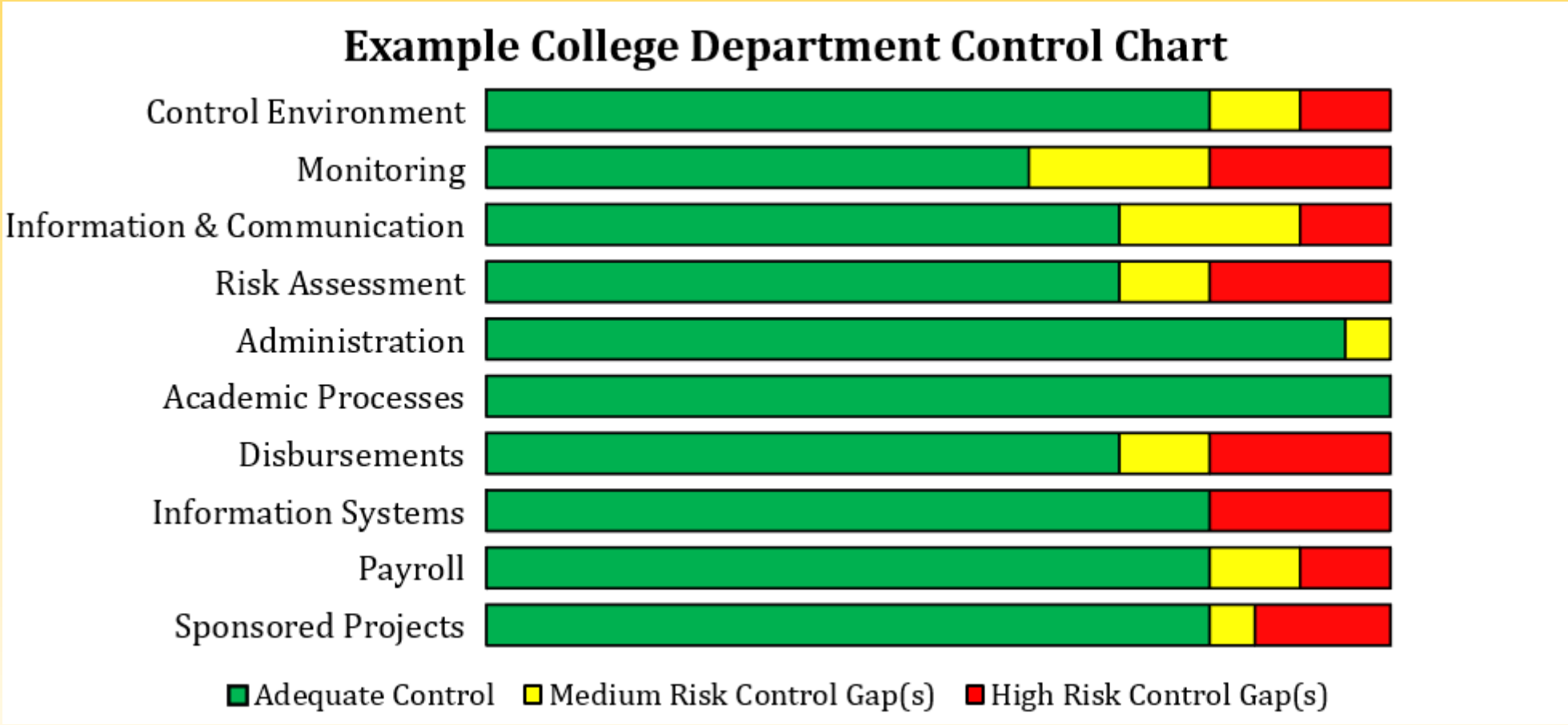
Leadership provides a response to audit issues

- Appended to the audit report
- Includes remediation plan and timeline for each High & Medium risk identified

OIA performs follow-up on High risk items

- Results reported 3 times a year to Audit & Compliance Committee in Internal Audit Updates
- Follow-up until remediated or risk accepted

Example Control Chart



Internal Audit Charter

- Defines OIA's: purpose, authority, responsibilities, reporting, and independence
- Aligns with Board of Regents Policy: *Reservation and Delegation of Authority*
- Updated in 2025 to cover new IIA Standards
- Reviewed annually with the Audit & Compliance Committee
  - Approved by the Board in June 2025

Quality Assessment Reviews (QARs)

External Review of OIA function:

- External assessment performed by outside audit professionals
- Covers all aspects of the audit function: internal management, operations, audit processes, reporting, etc.
- Reviews and verifies results of internal self-assessment
- Required by IIA standards every 5 years

Results of Last QAR (December 2024):

- Conducted by Chief Auditors from: Virginia Tech, University of Washington, Rutgers, and Boston University
- Found: “OIA is a high-performing audit function that Generally Conforms to IIA standards” (highest rating)
- Suggested opportunities to consider for improvement; reviewed recommendations and actions with the Committee in May 2025

OIA Recent and Potential Process Changes to Highlight

Updated audit report format and risk rating system

- Clarified focus on underlying residual risk and management's ownership of controls and/or risk acceptance
- Simplified rating titles to High/Medium/Low

Updated Docket Materials

- New follow-up metrics and trend visualization
- Removed some schedules
- Update annual resource usage metrics

Establish a strategic plan (after completion of University plan)

Reviewing potential technology replacements or enhancements

Other Important Things About OIA

- Established in 1929
- Our audit reports are generally public documents
- Units & process owners can accept risk
  - Residual high levels of risk are presented to the Audit & Compliance Committee

Additional Information

- We have a fulsome website with additional information
  - Charter, contact information, audit approach, recent audits, reports to the Board, etc.

audit.umn.edu

BOARD OF REGENTS
DOCKET ITEM SUMMARY

Audit & Compliance **October 9, 2025**

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 engagements with the University's appointed independent external auditor and external audit firms other than the University's appointed independent external auditor, as required by Board policy.

Engagements with the University's Appointed Independent External Auditor Requiring After-the-Fact Reporting

- CliftonLarsonAllen LLP, the University's appointed external auditor, was engaged to perform an agreed upon procedure for certain University of Minnesota retirement plans for the years ended December 31, 2022 and 2023. This engagement does not impair independence with CliftonLarsonAllen LLP. The fees for this engagement are estimated to be $53,000.

Engagements of External Audit Firms Other Than the University's Appointed Independent External Auditor Requiring After-the-Fact Reporting

- Ernst & Young was engaged by the Carlson School of Management to provide international taxation consultation services for a period through June 30, 2027. This engagement did not present an independence issue regarding Ernst & Young. The fees for this engagement are estimated to be $75,000.

BACKGROUND INFORMATION

Engagements with the University's appointed independent external auditor that do not impair independence are reported after the fact to the committee as required by Board of Regents Policy: *Board Operations and Agenda Guidelines,* Section IV, Subd. 6(a).

Engagements with external audit firms other than the University's appointed independent external auditor are reported after the fact to the committee as required by Board of Regents Policy: *Board Operations and Agenda Guidelines,* Section IV, Subd. 6(g).