

Senate Research Committee
Minutes of the Meeting
April 14, 2014

These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Campus Delegation; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate or Delegation, the Administration, or the Board of Regents.

PRESENT: Maria Gini, chair, Kyla Wahlstrom, Brian Johnson, Kristine Fowler (for Philip Herold), Lynn Zentner, John Bischof, Goran Hellekant, Hinh Ly, Seung-Ho Joo, Richard Nho, James Orf, JT Vaughan, Kathleen Thomas, Sue Paulson, LaDora Thompson, J. Michael Autry, Daniel Habchi, and Michael Kyba

REGRETS: Brian Herman, Jayne Fulkerson, Jeannette Gundel, and Joel Waldfogel

ABSENT: Emily Saunoi-Sandgren, Arlene Carney, Frances Lawrenz, Michael Schmitt, Tucker LeBien, Scott McIvor, Amanda Maxwell

GUESTS: Michael Volna, associate vice president and controller (Budget and Finance), Peggy Sundermeyer, executive director, Collaborative Research Services (OVPR), Al Levine, liaison for special initiatives (Provost's Office), and Jane Pribyl, director, Treasury & Internal/External Sales (Controller's Office)

In these minutes: [ISOs, Interdisciplinary issues, and the Compliance Office's annual report]

Professor Gini called the meeting to order at 2:00, welcomed everyone and asked that they introduce themselves. She then turned to Michael Volna, associate vice president and controller, Budget and Finance and Peggy Sundermeyer, executive director, Collaborative Research Services, to discuss Internal Service Organizations (ISOs).

Internal Service Organizations (ISOs)

With the PowerPoint displayed on the screen, Mr. Volna began by explaining as the associate vice president and controller for the University, and the ISO department, the group of individuals responsible for conducting the day-to-day oversight and compliance aspect of ISOs report to him. He then explained he and Ms. Sundermeyer would be addressing the questions submitted by Professor Gini (last page of the slides) as well as explaining what an ISO is; the difference between ISOs and auxiliaries; requirements and external and internal rules and regulations applicable to ISOs; and what is going on with those rules and regulations; and finally, they want to hear from members about their experiences with ISOs and hear any questions they might have.

An ISO is a department/entity within the institution that has been formed to provide goods or services primarily within the institution to academic departments or faculty members. Sometimes they don't provide products or services to research projects, but often times they do. Some examples of University-wide ISOs that may or may not support research include Fleet Services, Facilities Management, and OIT Network & Telecommunication. Common research ISOs include: Center for Magnetic Resonance Research (CMRR), Characterization Facility, and Surgery Islet Processing Services. An ISO provides goods and services to the University only. Conversely, when an ISO is selling to a University department or project, they don't have to charge sales tax. An

auxiliary is a University department or activity that has been formed to be primarily self-supporting, but most of the customers of an auxiliary are what is considered to be outside of the University. For example: students, athletics, University Bookstores, Residential Halls, and food services. An ISO and an auxiliary are similar in that they both have to develop rates to price their goods or services. The rate setting process is different depending on who their primary customers are.

Mr. Volna went on to provide some general information about ISOs:

- The University has about 255 active ISOs – which is not uncommon for an institution
- In FY13 the ISOs cross-charged about \$218 million worth of internal sales – mostly money moving from department to department
- The Resource Responsibility Centers (RRC), which is the budgetary unit that defines the institution. The University has 50 RRCs (system-wide). Typically, the RRC is part of a college or a vice presidential unit. Twenty-six of the 50 have some sort of internal sales organization.
- The largest ISO, Facilities Management, cross-charged Steam Operations \$39.8 million; the smallest, the Biomedical Image Center, charged \$3,500 for the entire year for scanning. The largest research based ISO is Research Animal Resources (RAR) with sales of approximately \$8.9 million.

Next, Ms. Sundermeyer talked about the research infrastructure that is separate but part of the ISO mixture. Research infrastructure can be an ISO, but they don't have to be. The VP for Research is directly involved with research infrastructure regardless of its financial structure, she said. The OVPR supports different projects whether or not they are ISOs. She explained they meet periodically with the research infrastructure directors; conduct surveys to pull out the needs; and most importantly in the last few years, they have been able to garner a stream of money from the state legislature to support research infrastructure reinvestment. A series of requests for proposals have been done to provide needed capital into these research infrastructures. She noted that it doesn't have to be capital, it can be funding for training of personnel, etc. She clarified they don't support personnel because generally that would be an ongoing commitment. The funding is for an injection of monies for short term needs.

The OVPR maintains an on-line directory to help faculty members who are new or have a need for something new, find resources, and/or facilitate sharing.

At this point, Professor Gini invited members to ask questions. Professor Kyba asked if ISOs are allowed to profit year after year. Mr. Volna thanked him for providing a great lead in for his next comments.

Mr. Volna went on to explain what an ISO can do and what it cannot do:

- A-21 defines what you can and cannot charge to a sponsored project
- An ISO must pay attention to whether or not costs they are including in the rate are allowable.
- An ISO must also make sure that even if a cost is allowable, it is allocable to the ISO – for example, if a unit is looking at an ISO to pay for a budget problem in the department, and the costs charged are not allocable whomever you are charging, then it is a problem.
- Regarding profits, an ISO can only recover actual costs – no profits are allowed.
- There must be non-discriminatory pricing – cannot charge federal accounts/customers more than other accounts/customers. Parties outside of the University that are using the ISO may be charged more, but they cannot be charged less.

- Using capital equipment purchases as an example, Mr. Volna explained that if you paid \$10,000 for a piece of equipment, you are not supposed to charge all of the acquisition cost to the customer the next year. You should instead depreciate it and include the annual depreciation expenses in the rates, he said, and you are not allowed to build any kind of reserve for future equipment purchases.

Professor Orf asked if he could charge a different rate if the project was funded federally or by the state or by an agriculture type. Mr. Volna responded that if the project was a federal appropriation, it might be viewed as an external party, however, he would want to look at the facts and circumstances. Mr. Volna offered Professor Orf an invitation to talk with him independent of the committee, because of the complexities. Mr. Volna added they do expect everyone to price and charge comparably because of federal requirements that address consistency.

Professor Vaughan asked how to get approval to set up an ISO. Mr. Volna suggested he contact Jane Pribyl, who will give guidance on how to set one up. Ms. Sundermeyer noted the policy attached to the agenda outlines the requirements for setting up an ISO.

Professor Thomas inquired about changes in rates. She said she has been told that a rate on a grant can change any time and it can change retroactively. Does this come from policies at the University level or is specific to one ISO? That is unusual, responded Mr. Volna. If you read through policies and procedures, one would interpret that shouldn't happen. However, there are so many complexities in setting rates. Most ISOs set their rates once every one-two years, depending on how big they are.

Professor Kyba asked about the mechanics of paying ISOs. ISOs charge and then will pull the money from his account before his approval. Why do they do that? Mr. Volna responded this is a question he has struggled with for about 20 of the 22 years he has been at the University. He explained a model whereby the ISO doesn't get paid until the customer goes in and approves the transaction has been proposed and from his perspective, that would make sense. It adds a lot of technical complexity, he said, and then went on to use RAR as an example. RAR has thousands of transactions it runs every month. The way the transactions are processed is if one person on one project were to say, "No, I don't approve that transaction," all other transactions get held up. He said his office struggles to find the balance between not having the ISO spend hundreds of thousands of dollars to change the technology used, but still giving the customer the accuracy and transparency they need.

Professor Hellekant asked Mr. Volna about the costing or pricing strategy and if his office thought about ways to keep costs down. Mr. Volna talked about the variations of how units do it, depending on how complex their activities are. For example, RAR happens to be very complex because they have hundreds of different categories of animals that have different cost components to them. The University could possibly save money if it did more price averaging, he said. The challenge with bundling costs, he said, is if you are running an ISO, it could create uncertainty and instability. It could mean the rates would swing even more so. There are pros and cons to really, really, good pricing versus a more average pricing. Mr. Volna said he would encourage people to have the simplest level of pricing that meets their business needs. However, some do want to have more granularity. Mr. Volna suggested if the committee wanted to know more about some of those ISOs, it might be best to invite a couple of units to come and talk about it.

Mr. Volna noted that the University policy on ISOs is relatively short and the meat is in the procedures. The procedures provide guidance on some of the activities one must do to set rates, etc. The policy and procedures were sent to the committee.

Next, Mr. Volna walked through the challenges facing ISOs. From their perspective, the challenges are:

- The complexity of disciplines and practices for ISO accounting
- Lack of specialized IT, accounting support, business acumen
- Scaling requirements and practices to manage risks
- Financial realities – many ISOs need subsidies or external sales to cover costs
- Consequences of non-compliance (financial & operational)

Mr. Volna proceeded to walk the committee through the status of regulations and policies:

- Impact of OmniGuidance
 - Evaluation is still being done
 - Little effect expected on ISOs
- . Risk recalibration proposals
 - Define risk-based policy
 - Evaluate opportunities to eliminate annual requirements by central
 - Rates updated every two years versus annually for some lower-risk ISOs
- . Status of U Policy revisions
 - On hold due to OmniGuidance

At this point, Mr. Volna asked committee members about the challenges they or their colleagues face with regard to ISOs and to provide him with any suggestions or considerations they might want to offer.

Professor Ly inquired about ISO subsidies. A lot of ISOs that require subsidies may not have external sales as a component of its portfolio, Mr. Volna said. ISOs that have an external customer component can subsidize internal rates. However, there has to be a market for whatever service the ISO is providing.

Mr. Volna's office provides administrative oversight. His office wants to work with individuals to set up the ISO and then will do a periodic review of the rate setting process and practices. Ms. Sundermeyer said it is common practice for colleges to have periodic financial reviews as well.

When asked about the financial threshold needed to become an ISO, Mr. Volna provided the following:

- The first threshold is \$25,000 (if never charging sponsored projects)
- \$25,000-\$250,000 (involves another set of oversight activities)
- \$250,000 - \$1 million (involves further oversight)
- Over \$1 million (his office will be paying close attention)
- When charging sponsored projects, attention is paid to every dollar

Professor Gini thanked Mr. Volna and Ms. Sundermeyer for their informative presentation.

Interdisciplinary Issues

Professor Gini welcomed Dr. Al Levine, Provost's Office, to discuss interdisciplinary issues. He was asked to look at interdisciplinary issues after Provost Hanson and VP Herman were asked by President Kaler to look at interdisciplinary studies. The report he and his staff wrote has not gone anywhere because they are in the midst of the Strategic Plan, which is talking about interdisciplinary studies in so many ways. Dr. Levine asked members if they thought there were problems with conducting interdisciplinary research. After talking with faculty and deans, he said the deans said it was on the instructional end, not the research end. However, the faculty he spoke to did not feel the same way. One key issue is that all of the research is dependent on graduate students. Other issues he has heard about include:

- Training grants – people are not encouraged to write training grants because the indirect cost recovery from them are so small some administrators were not encouraging faculty to apply for them.
- If you are engaged in interdisciplinary study, who is the PI on the study and who is going to do the sharing – especially cost sharing?
- Space can be an issue – depending on the cost pool for space.
- Graduate School – served as the home for interdisciplinary programs and now that doesn't exist.

Other comments:

- It is difficult for junior faculty members who are trying to establish themselves as independent investigators to then be asked to do more interdisciplinary work with senior faculty - it is very difficult for them during the tenure process – the problem is during the tenure process, how to give a number to the interdisciplinary work.
- As a University we are working in the direction of working across disciplines and working together so it is important we put together a means of dealing with it rather than getting in each other's way and not solving the problem.

How should we deal with the issue, Dr. Levine asked?

Professor Orf spoke about a dossier he was asked to review from another institution. For each research project the person listed, they indicated what their role was and what percent of the project they estimated they contributed to it. Professor Gini said she didn't like percentages and questioned the objectivity. She questioned quantity versus quality. Professor Ly talked about his own situation and then asked about resources at the University level to start pilot programs. Professor Vaughan encouraged administrators to engage directly with faculty.

On the resource side, Dr. Levine said there are some dollars that have been put aside to do interdisciplinary work. A lot of people do not like smaller seed grants because you can't get a lot of work done; however, he thinks they are good because it allows some work that you could not do otherwise. Money has been put aside for education, graduate student fellowships, and Minnesota Futures; it is for everything so it is not enough to spread across the University. One issue that continues to come up is grad students. Over time, Dr. Levine opined, national agencies will not fund tuition for graduate students.

Professor Bischof said there is a number of seed grant programs on campus such as CTSI and inquired if there was a website to obtain comprehensive information about seed grant programs. Ms. Sundermeyer provided the website information: http://www.collaborate.umn.edu/explore/internal_funding.cfm. For additional assistance, committee members were invited to contact Ms. Sundermeyer directly.

Dr. Levine asked if members had encountered any additional barriers.

Professor Vaughan commented he would like to see some of the money from fees for service with industry or IP generated licenses and royalties, etc. that come back to the University, returned to the inventors, as stated in the Board of Regents policy, to support their research. Dr. Levine noted the royalties are split 1/3, 1/3, 1/3. On grants, ICR is variable according to colleges and departments, he added. Royalties should go back to the project. Professor Vaughan said this had not been his experience.

Professor Thomas spoke about the differences in resources in terms of data management across colleges such as information technology and computer support services as a barrier. She mentioned she couldn't always get access to people who help her do something such as getting IQueryable database, which makes it very difficult when trying to do interdisciplinary work.

Professor Gini asked if there would be any changes in graduate student funding. She noted how difficult it is for graduate students to do interdisciplinary work and they tend to fall between the cracks, which creates a barrier. Dr. Wahlstrom suggested Dr. Levine talk to some graduate students about their experiences in terms of interdisciplinary work.

Annual Update: Office of Institutional Compliance

Lynn Zentner, director, Office of Institutional Compliance, distributed a slide presentation outlining the four components of the office:

- Institutional Compliance Program
- University-wide Conflict of Interest Program
- University Administration Policy Program
- Delegations Management (not a program, but a tracking system of who and which units in colleges have responsibility for signing off on contracts at certain dollar levels)

Ms. Zentner explained her offices' responsibilities with respect to the Compliance Program are oversight, with the exception of conflict of interest, which is a risk area, for which her office has operational responsibility. If it appears that it looks like someone has a potential conflict of interest, the matter is reviewed and resolved through a committee review process. Her office has responsibility for three different conflict of interest committees at the University. Two address individual conflicts of interest and one addresses institutional conflict of interest. Any final management plan resulting from that review is issued by her office and reflects the decision of the particular committee that reviewed the matter. In all other areas of compliance, her office has an oversight role. Her compliance partners across the University have the responsibility to keep her advised as to what compliance issues and failures they identify and how they are dealing with it.

Next, she walked the group through the document she disseminated to the Committee members, highlighting the majority of the bullet points. (For information about each of the four areas and what is in each of the programs go to: <http://www.compliance.umn.edu/complianceHome.htm> or refer to slide presentation.) Ms. Zentner welcomed members' comments or questions.

The Office of Institutional Compliance reports to the President's Office and is not an ISO, Ms. Zentner said in response to a question about reporting lines and whether her office was an ISO. As an example, she noted that Mike Volna, Controller's Office, has been a compliance partner with her office for many years and if there would be a significant compliance issue involving an ISO, Mike's office would address and resolve the issue but he would also report it to her office.

Responding to a question about the budget of her office, she said it is just under a \$1 million for nine staff (8.3 FTE) to run the four programs. In response to a question asked by a member of the Committee, she said she could not know what the budgets are of the many offices that she interfaces with.

What is the process that takes place when a policy comes into place? Professor Thomas referred to the administrative policy instituted by the University in September on the Safety of Minors. She noted the policy states: “every employee will undergo mandatory training on mandated reporting.” However, she said, no training exists now. She discovered this when the IRB pointed her to the policy when she submitted a research application for working with children. Ms. Zentner confirmed no training exists right now. However, training is currently being developed and procedures instigated in accordance with other aspects of the policy. Training will be mandatory for those who are directly involved in programs for children. Faculty who only interact with minors in their courses typically will be exempted from training. The Office of Human Resources is the policy owner, she noted. How did this policy get on the books without consultation with faculty members who do this work all of the time, it was asked? It went through the administrative policy advisory process, which involves a review by the Policy Advisory Committee and the President’s Policy Committee, Ms. Zentner replied. It went through the same administrative policy review as any other administrative policy. The proposed policy was also posted on the website of the Policy Program for the 30-day review.

Another question arose about whether there were any policies regarding people who develop materials intended for good use but could be misused. What should be considered publishable, or should some information be suppressed due to dual usage? How much of the information should be in the public domain? She said to the best of her knowledge, there were no policies on this issue but she would want to work through the Office of the Vice President for Research to bring a policy of this nature forward, if one is needed.

Regarding training, Ms. Zentner said she asks each compliance partner to tell her office annually what training they are requiring and/or offering and when they do make a change, they let her office know. Her office does not evaluate the effectiveness of the training, because they don’t have the expertise. With respect to training, how user friendly is it, does it actually work, and how much time does it take faculty to accomplish it, another member asked. A quantitative matrix on how effective the training program works is important. Ms. Zentner responded that effective training programs are on the minds of the vice presidents and just in the past few weeks, she learned her office may have some responsibility for looking into it.

Ms. Zentner invited members to contact her directly with any further comments, frustrations or concerns. She concluded by saying if there is not enough input from faculty on policies, it is a concern.

Hearing no further business, Professor Gini adjourned the meeting.

Vickie Courtney
University Senate Office