

Joint Meeting of the Senate Committee on Finance & Planning & Senate Research Committee

Minutes of the Meeting

January 20, 2015

[These notes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these notes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.]

In these minutes: [Research outlook, initiatives, and strategic planning; internal auditing and institutional risk assessments and profiles]

PRESENT:

Senate Committee on Finance & Planning: Gary Cohen, chair; Dan Feeney, Russell Luepker, Erik van Kuijk, Jayne Fulkerson, Jennifer Gunn, Kara Kersteter, Bob Lewis, Quinn Jurgens, Fred Morrison, Jill Merriam, Paul Olin, Megan Wiza, Karen Seashore, Karen Ho, Cathy Fitch, Tracy Peters, Michael Korth, Taylor Barker, Salem Murat, David Fisher, Samantha Jensen

Senate Research Committee: Maria Gini, chair, Senate Research Committee; Bill Arnold, Scott McIvor, Al Levine, Melissa Koenig, Pamela Webb, Dan Habchi, Elizabeth Steinert, Hinh Ly, LaDora Thompson, Paul Taylor, Frances Lawrenz, Suzanne Paulson

REGRETS: Renee Cheng, Seung-ho Joo, Linc Kallsen, James Orf

ABSENT: Pam Wheelock, Laura Kalambokidis, Richard Pfutzenreuter, Tommy Vaughn, Teresa Rose-Hellekant, Joel Waldfogel, Michael Schmitt, Brian Johnston, Sarah Waldemar, Nicole Victoria, Jeanette Gundel, Philip Herold, Michael Kyba, Beth Stadler

GUESTS: Brian Steeves, Lisa Warren, Gail Klatt

Professor Cohen welcomed the Senate Research Committee and noted it was a joint meeting of the Finance and Planning and Research Committees.

1. Research Outlook, Initiatives, and Strategic Planning

Cohen welcomed Brian Herman, vice president, Office of the Vice President for Research. Herman drew committee members' attention to information on the web page for the OVPR: <http://www.research.umn.edu/news/reports.html#.VLgnk3ssBAM>.

Herman said last year was a banner year for the University in terms of research activity, and the beginning of 2015 showed continued vigor. There were increases in federal and state funding, contracts and collaborations in industry, and other private funding. Herman discussed a \$10M fund the Office of the Vice President for Research (OVPR) has established for investments and strategic initiatives aligned with the grand challenges of the strategic plan.

Cohen noted the importance of funding as a measure of the University's ability to support research efforts, and its ability to compete in a highly competitive arena. He referred to the

OVPR's report and questioned the adequacy of statistics on research grant funding as a measure of research productivity in the University. He asked why there were no references to the impact, quality, creativity, and influence of the research being done at the University.

Herman said numbers did not tell the whole story, and further enumerated:

- The OVPR was working with academic affairs and the Provost's office on gathering a variety of measures of impact other than research funding or citation indexes
- The OVPR is also in partnership with the Provost's office in contacting all the deans and asking them to list the top three programs in their school, and to list the metrics used to determine those rankings
- The OVPR is also working to collect information on various kinds of faculty honors.

Herman noted that some impacts are more difficult to measure in absolute quantitative terms, and a working group had been assembled to discuss this.

Professor Gini noted one issue the Senate Research Committee had discussed was support for graduate and postdoc students and institutional support for training grants. She said one of the key reasons the University exists as a research enterprise is because of its spectacular students, and they need to be cared for. Additionally, in many fields there are no positions for postdocs, yet students are being trained for jobs that do not exist. Gini asked what the University could do to improve the outlook for graduate students and postdocs and signal more support for training grants.

Herman said his office is working with Henning Schroeder, Dean of the Graduate School, around graduate student support issues. These issues include funding, tuition, stipends, and how to create alternate career paths for students, such as internships or externships with companies and nonprofits. Herman said that President Kaler fully supports training grants as a way of funding graduate students, which, Herman noted, are difficult to get. Some committee members noted that the message from the President on the importance of training grants should be disseminated to the deans and department chairs to ensure that training grant applications are not discouraged.

The committee discussed the following issues:

Professor Feeney noted the University has to pay about 30 cents for every research dollar brought in, and asked how sustainable that was. Herman said they had been working with the Budget and Finance Office to get a handle on institutional support for research, and said 26-28% of research expenditures are institutionally funded compared to the national average of 19%. Herman said they were conducting an analysis about where money is being spent and what the return on the investment is. He said the University would have to become more strategic with how it invests in order to realize a good return.

To the committees' concerns about clinical research funding, Herman acknowledged the rules have changed regarding what the National Institute of Health is willing to fund. He emphasized clinical research is important to the University and that it be a leader in clinical research.

The committee members asked how support from foundations was affecting research initiatives. Herman said that his office encourages every type of research, and they encourage people to be as proactive as possible in getting funded irrespective of the level of indirect cost payments.

The committees discussed the burden of dealing with increased reporting requirements. Herman said regulatory requirements continue to grow at an exponential rate and there were no commonalities among multiple agencies for their requirements and timetables. Thus, it is difficult to get ahead of the curve, and the federal government has been resistant to easing its regulatory philosophy. Herman noted it was going to be a stringent environment for continued funding, and the University was focusing on philanthropy and corporate investment to gain additional revenue sources for research.

To the committees' questions about public-private partnerships, Herman said such partnerships are high risk. The University must not be seen as being inappropriately aligned in any way with any entity at the expense of its public land grant mission. Herman said the University's goal is to create synergies that allow both the companies and the University to gain some benefit in the partnerships, while ensuring that academic freedom is not compromised.

Members of the committees asked if there would be any change in the decentralized financial model, noting that academic units get cost pool charges that increase annually, yet the amount of funding is less. Herman said this was an issue to be discussed with the CFO and President, and added that at the end of the day, someone has to decide where the money goes and how it is distributed. There will be a time, he noted, when the University will have to have serious conversations about how it finances its mission and if everything in the mission holds the same value.

2. Internal Auditing and Institutional Risk Assessments and Profiles

Cohen introduced Gail Klatt, associate vice president, Office of Internal Audit. Klatt referred to materials distributed to the committee and discussed risk assessments and profiles. Klatt noted that the materials were the work product of other senior leaders, with the information presented to the Board of Regents Audit Committee. Presented with these reports, the audit committee then focused on where they see the greatest risks from a governance standpoint and created the Institutional Risk Profile.

Institutional risk assessment is also undertaken as part of the audit function when annual planning is conducted, and helps in identifying where the University's limited audit resources should be allocated.

Klatt described the audit risk assessment process, saying the assessment first reviews the national landscape around higher education. This year there were three broad areas of concern to research universities:

- The government's college ranking system, which is to be operational by the start of the 2015 academic year
 - There is uncertainty about what the ranking system would be based on, and how the government would obtain and measure that information

- Division 1 athletics and the unionization of athletes
 - What the financial implications would be in providing stipends to college athletes and how to manage that changing landscape
- Cyber security

In the second part of the process, there was a two-fold internal risk assessment. They had a discussion with each Regents' committee chair as to what they felt were the significant risks for the University from a governance standpoint.

Among the Regents' committees, three areas were identified:

- 1) Enrollment management and related financial implications
- 2) Public relations and communications;
 - a) Negative media reports and the distraction they cause the institution;
 - b) Effectively managing crisis communications
- 3) Issues regarding the academic health center:
 - a) Stature and funding of the medical school
 - b) Relationship with Fairview and UMPhysicians
 - c) Impact of the Affordable Care Act

Klatt also discussed the conversations conducted with leaders within the University. She noted that out of 84 conversations there was no single concern, but three themes emerged:

- The Enterprise System Upgrade Project (ESUP) was on everyone's radar, but there was general optimism it would be successful despite the unknowns
- Several colleges expressed how critical it was to meet enrollment targets, yet others did not express this concern
- There was optimism about the strategic plan

Klatt continued, reporting that then an operational risk assessment was conducted. Every unit at the University is evaluated against a set of criteria, which was then applied to a decision support model that indicates a ranking of units at risk. Klatt emphasized that "risk" did not mean problematic, but rather how critical it was to the success of the institution. This, she said, provided a road map for how the units are evaluated against major risks.

The committee asked what points in the assessment arose from policy issues or financial decisions, to which the University may need to pay attention. Klatt said this assessment is intended to inform the allocation of audit resources and is not intended to queue up policy decisions on behalf of the activities/units included in the audit plan. Those policy implications may be identified when the audit actually occurs, however.

The committee asked about those units that are not reaching enrollment goals and wondered how resources were being realigned in order to ensure everyone can meet budgetary requirements. Klatt said that was a question most appropriate for the CFO and the Budget and Finance Office. Generally, however, the Budget and Finance Office works out plans with affected units to help bridge the financial impact. Klatt said this has raised everyone's level of attention in watching

enrollment targets, and there needed to be conversations about over-enrollment with the intention of assuring a proper yield.

Cohen asked about the monitoring of the progress of the Enterprise System Upgrade Project (ESUP) and if was different than how the implementation of the Enterprise Financial System was monitored. Klatt said ESUP is a considerable larger project, and that a project manager has been engaged for the project. In the current effort, he has applied disciplines that were not in place for EFS. Since ESUP will affect every single person at the University, there has been significant user input for every phase of the project.

Klatt discussed the University approach to enterprise risk management, saying the goal was to ensure that leadership and the governing board were aware of the most significant risks facing the institution that needed to be managed. This was initially done in early 2000, and then updated in 2009. Because of the significant leadership changes with President Kaler's arrival, the Audit Committee decided to completely refresh the institutional risk assessment and completed this process with the finalization of the Institutional Risk Profile in December 2014. One of the uses of the profile is to consider what they want to examine more closely.

Brian Steeves, executive director, Board of Regents, said one of the fundamental things a governing board offers is perspective on risk, identifying issues that the administration may not be considering or has not adequately prepared for.

Feeney noted said that while there may be redundancies in some functions in the University, cost-cutting efforts may be placing additional burdens on units that were already lean. Eventually, Feeney posited, faculty will be doing what have staff done previously, and he questioned if that was the goal of the exercise. The question then becomes what faculty can and cannot do because there is no support staff.

Klatt acknowledged the traditional business model of higher education would have to undergo some change, and agreed that something had to give. She cited the rapidity and velocity of the changes in the environment and suggested that the greater risk may be in taking for granted that some things will be around forever.

At this point the committee agreed to go off the record for the brief remainder of the discussion.

Cohen thanked Klatt for the information and adjourned the meeting.

Mary Jo Pehl
University Senate Office