UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

Audit Committee

Thursday, September 11, 2008

8:45 - 10:00 a.m.

600 McNamara Alumni Center, East Committee Room

Committee Members
Linda Cohen, Chair
Clyde Allen, Vice Chair
Dallas Bohnsack
John Frobenius
Venora Hung
Dean Johnson

Student Representatives
Jordan Bronston
Dustin Norman

A G E N D A

1. External Audit Update - G. Klatt/D. Seck/D. Loberg (p. 2)
2. Compliance Officer Report - L. Zentner (pp. 3-13)
3. Internal Audit Update - G. Klatt (pp. 14-22)
4. Committee Workplan, 2008-29 - L. Cohen/G. Klatt (pp. 23-24)

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Audit Committee **September 11, 2008**

Agenda Item: External Audit Update

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Associate Vice President Gail Klatt
Associate Controller, Denise Seck
Don Loberg, Principal, LarsonAllen

Purpose:

☐ **policy** ☒ **background/context** ☐ **oversight** ☐ **strategic positioning**

The Audit Committee requested to receive an update on the financial statement audit, which is currently underway.

Outline of Key Points/Policy Issues:

Update on LarsonAllen's progress on the June 30, 2008 annual external audits.

Background Information:

The External Audit Plan was presented to the Audit Committee at the May 2008 meeting. This presentation serves to update the Audit Committee on the progress of the external audits.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Audit Committee **September 11, 2008**

Agenda Item: Compliance Officer Report

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Lynn Zentner, Director of the Office of Institutional Compliance

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

This presentation provides the Audit Committee with information on the activities of the Office of Institutional Compliance to help the Committee carry out its oversight responsibilities for the University's compliance program.

Outline of Key Points/Policy Issues:

1. The Legal Compliance Reporting process has been completed for the Twin Cities Compliance Partners. During this process, the Compliance Partners articulated appropriate approaches to manage and reduce currently identified risk areas.
2. From a risk perspective, those programs that merit particular attention during the next year include the Conflict of Interest Program, The University-wide Occupational Health and Safety Program, and the animal research program.
3. Responsibility for the University's Conflict of Interest Program was transferred from the Office of Regulatory Affairs, Office of the Vice President for Research, to the Office of Institutional Compliance effective September 1, 2008. Arrangements are being made to retain outside consultants to conduct a review of our current structure, policies, and procedures and to provide feedback and input regarding any recommended process improvements.
4. The University Policy Office merged with the Office of Institutional Compliance in April 2007. Efforts are currently underway to transfer the Delegations Management Program to OIC.

Background Information:

The Institutional Compliance Officer provides reports on the institutional compliance program two times each year.

September 11, 2008
Board of Regents Audit Committee
Report of the Director, Office of Institutional Compliance

Overview

The scope of responsibilities managed by the Office of Institutional Compliance (OIC) has recently expanded and is now comprised of four components: the University Compliance Program, the Conflict of Interest Program, the University Policy Office, and Delegations Management. The merging of the University Policy Office into OIC became effective April 1, 2007. The transfer of the Conflict of Interest Program from the Office of Regulatory Affairs, Office of the Vice President for Research, to OIC became effective September 1, 2008. The transfer of Delegations Management from the Office of General Counsel to OIC is currently underway. The discussion below summarizes the current work of each of the four components, with greater emphasis on the Compliance Program and the Conflict of Interest Program.

The University Compliance Program

The University's compliance program is modeled in large part after the Federal Sentencing Guidelines. OIC interfaces with and has compliance-related oversight responsibility for approximately twenty-nine different risk areas, e.g. athletics, human subjects research, equal opportunity and affirmative action, housing, public safety, conflicts of interest, and environmental health and safety. On an ongoing basis, OIC partners closely with the Office of the General Counsel (OGC) and the University's Office of Internal Audit to ensure a coordinated approach to the identification and resolution of compliance-related issues and to establish compliance-related priorities.

1. *OIC's Interface with its Compliance Partners*

In connection with its partnership with OGC and the Office of Internal Audit, OIC manages the Legal Compliance Reporting process which requires each Compliance Partner to submit twice annually a report of identified legal risks and to categorize each identified risk as either Significant, Major or Minor. Each Compliance Partner also provides a narrative summary describing identified risks and the efforts undertaken to manage or eliminate those risks. In connection with the submission of these reports, OIC meets one-on-one at least annually with each of its Compliance Partners for the purpose of exploring identified risk areas and the efforts currently underway to manage those risks. This two-part process facilitates the identification and management of risks, the identification of trends, and furthers the resolution of issues that might otherwise expose the University to liability for failure to comply with applicable local, state, and federal laws and regulations. This process also focuses on compliance with University policies to ensure consistency in the implementation and application of such policies. In addition, OIC hosts six Compliance Partner Education lunches each year. The agendas for these meetings utilize the expertise of both University and external experts on a range of compliance-related issues, for example, "Keeping Up With Changing Regulations" and "Current

Enforcement Challenges". These combined efforts are intended to further the University's commitment to the ethical conduct of education, research, and community outreach.

During the spring and summer of 2008, OIC's Director and Coordinator met with Compliance Partners located on the Twin Cities Campuses to address the following compliance risk areas:

- Athletics
- Boynton Health Service
- Community University Health Care Center
- Conflict of Interest
- Copyright
- Dining Services
- Disability Services
- Environmental Health & Safety
- Equal Opportunity & Affirmative Action
- Facilities Management
- Fiscal Operations
- Grants Management
- HIPAA Compliance
- Housing and Residential Life
- Human Resources & Payroll Operations
- Information Technology
- Internal Audit
- International Programs
- Occupational Health & Safety
- Privacy
- Public Safety
- Research – Animal Subjects
- Research – Human Subjects
- Research – BioSafety
- Research – Controlled Substances
- School of Dentistry (billing compliance)
- Student Finance
- Tax Management
- Technology Commercialization

During these one-on-one meetings, the Compliance Partners articulated appropriate approaches to managing and reducing currently identified risk areas. OIC's Director and Coordinator plan to visit each of the coordinate campuses this fall and to engage in a similar process with our Compliance Partners at these locations.

From a risk perspective, those programs that merit particular attention during the next year include the Conflict of Interest Program, the University-wide Occupational Health and Safety Program, and the animal research program. The Conflict of Interest Program is addressed in some detail in the next section of this report. A brief summary of the status of the issues surrounding the Occupational Health and Safety (OHS) Program and the animal research program is set forth below.

- Occupational Health & Safety. The University's OHS Program is currently under review by a specifically convened steering committee under the leadership of Vice President Kathleen O'Brien and Senior Vice President Frank Cerra. This program is a significant one given that it involves providing a safe environment for faculty, staff, students,

volunteers, and guests to our campuses. The responsibilities and programs that fall within the scope of this program are many and varied and fall under the leadership of eight different vice presidents. The goal at this juncture is to provide an integrated and carefully coordinated program, utilizing the expertise that exists within the many departments with responsibilities for various aspects of this program while at the same time closing all existing gaps in services and training and reducing redundancy in the same.

A few years ago, at the request of President Bruininks, Vice Presidents Carol Carrier, Tim Mulcahy and Kathleen O'Brien formed a Work Group charged with evaluating the then current status of the University's OHS programs. The Work Group interviewed the University's key stakeholders, reviewed programs at other industry and academic institutions and, in June 2006, prepared a comprehensive interim report. Former OIC Director Thomas Schumacher played a significant role in this initiative. As a result of the findings and recommendations of the Work Group, the current steering committee was formed to resolve the outstanding issues. Efforts are currently underway to retain an outside consultant to review the status of our current programs and provide feedback regarding the most effective ways to:

- integrate the operations of our current programs;
- identify, evaluate and manage all related risks;
- develop comprehensive standards, policies, and procedures; and
- establish a leadership model that will maximize the utilization of current expertise and, at the same time, ensure compliance with all federal, state and local laws, and regulations as well as the University's own internal standards.

In addition, a national search will soon be initiated to select a Director of the University's OHS Program.

- Animal Research. In early 2007 the Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC) conducted a reaccreditation site visit. As a result of that visit, AAALAC placed the University's program on probation and scheduled a follow-up site visit for February 2008. Following the site visit that occurred in February of this year, AAALAC concluded that the program still requires significant improvement and, as a result, placed the University's animal care and use program on continued probationary accreditation. In the summer of 2009, AAALAC will conduct a mandatory site revisit and, in the interim, the University will remain on probationary accreditation status. A significant focus of AAALAC's concern is what this accrediting body views as a lack of sufficient oversight, leadership and expertise of the membership of the Institutional Animal Care and Use Committee (IACUC). Another area of concern

involves the OHS program. Two issues were raised: that the use of Personal Protective Equipment (PPE) was variable and, in several instances, appeared to be inadequate, and that certain biohazard containment practices may have been insufficient to properly contain the hazard and minimize the risk to personnel. Vice President Mulcahy has recently taken action to change the leadership and membership of the IACUC and Ross Janssen, under the direction of Senior Vice President Cerra, will lead the OHS component of this accreditation process. The OIC Director will interface with both Vice President Mulcahy and Mr. Janssen to track the University's progress with addressing AAALAC's continuing concerns.

2. <u>UReport</u>

OIC also manages a confidential web-based and call center reporting service which provides members of the University Community with an avenue through which to report, anonymously if desired, violations or suspected violations of local, state, and federal laws and University policies. This reporting system is available seven days a week, 24 hours per day and accommodates the submission of reports in several different languages. Interim Director Susan Rafferty provided a detailed report on this service in April of this year. In connection with that report, she provided the then current figures for FY 08. The final figures for that fiscal year are now available and are as follows:

- A total of 161 reports were submitted;
- Of this number, 139 reports were submitted on-line, 19 were received via the call center, two were received via the mail, and one was created after an office visit by the reporter;
- Twenty-nine percent of the reports submitted in FY '08 were anonymous reports; and
- Of the total number of reports received and closed, 20 percent were deemed to be credible reports of a violation of law or policy.

3. <u>Other OIC Activities</u>

OIC also sponsors, supports, and participates on several compliance-related committees or programs to include the Research Compliance Committee, the HIPAA Steering Committee, the Occupational Health and Safety Steering Committee, the Council of Research Associate Deans, and the Executive Oversight Compliance Committee which is the guiding body for OIC. In addition, in partnership with OGC and the University Office of Internal Audit, former Director Schumacher and Interim Director Rafferty made significant contributions to the International Risks and Liabilities Committee which also included substantial faculty representation. Recognizing the University's goal of expanding its global presence, the Committee's efforts are currently focused on the identification of risks associated with international educational and research programs and initiatives. OIC's current Director is currently participating in this work.

<u>The University Conflict of Interest Program</u>

The University's Conflict of Interest Program arises out of two Board of Regents policies – the Board of Regents Institutional Conflict of Interest policy, adopted June 10, 2005, and the Individual Business or Financial Conflict of Interest policy, adopted April 8, 1994, and most recently amended on July 6, 2005. These two policies are vital to the continued high esteem with which the University is viewed in the state, the nation, and internationally as articulated in the Guiding Principles set forth in the Institutional Conflict of Interest Policy: "Because it is critical to the mission and reputation of the University to maintain the public's trust, University research, teaching, outreach, and other activities must not be compromised or perceived as biased by financial and business considerations."

1. *Conflict of Interest Policies and Procedures*

Under these Board policies, an *individual business or financial conflict of interest* is defined as "a situation that compromises a covered individual's professional judgment in carrying out University teaching, research, outreach, or public service activities because of an external relationship that directly or indirectly affects a business or significant financial interest of the covered individual, an immediate family member, or an associated entity, as defined in related administrative policy." An *institutional conflict of interest* is defined as "a situation in which the research, teaching, outreach, or other activities of the University may be compromised because of an external financial or business relationship held at the institutional level that may bring financial gain to the institution, any of its units, or the individuals covered by this policy." The Institutional Conflict of Interest Policy applies to members of the Board, University officials, department/unit heads, and "other individuals" as defined by administrative policies and procedures. *University officials* are defined under the Board's Policy as "persons holding certain senior positions to include chancellors and vice chancellors; deans, associate deans, and assistant deans; division I athletic director; general counsel; president and president's chief of staff; provosts, vice provosts, associate vice provosts, and assistant vice provosts; and senior vice presidents, vice presidents, associate vice presidents, and assistant vice presidents.

Under both policies, the Board has delegated responsibility to the President to further delegate authority at the operational level to establish an oversight process and administrative policies and procedures to address individual and institutional conflicts of interest and to identify situations in which either type of conflict of interest may arise. The University currently reviews and manages conflicts of interest through a three-committee process. One committee addresses and manages institutional conflicts of interest. The other two address and manage individual conflicts of interest. One of the two individual conflict review committees addresses and manages conflict of interest issues involving faculty with appointments in the Academic Health Center ("the AHC Conflict Review Committee"). The other addresses and manages individual conflicts of interest involving faculty with appointments outside the Academic Health Center (the "Provost's Conflict Review Committee").

Two administrative polices have been developed to guide the work of the conflict of interest review committees. One addresses the institutional conflict of interest process and the other addresses the individual conflict of interest process. Both can be accessed on the UWide Policy Library on the University's website. In addition, the UWide Policy Library houses several procedures related to the management of conflicts of interest. For example, in the context of institutional conflicts of interest, procedures regarding conflicts of interest arising out of gifts, licensing and technology transfer, purchasing, and investments guide the conflict review process. Another procedure guides the process when the financial or business relationship involves the conduct of research involving human subjects.

2. Disclosure of Conflicts of Interest

Actual or potential conflicts of interest come to the Conflicts of Interest Program through several avenues, for example:

- An Annual Financial Disclosure form which is to be completed at the time of appointment, and annually thereafter not later than September 30 by University officials as defined by the Board's Institutional Conflict of Interest Policy and "other individuals" as defined by the administrative policy entitled Managing Potential Institutional Conflicts of Interest: Disclosures by University Officials and Other Individuals;
- A Proposal Routing Form which is an internal University of Minnesota document that accompanies all proposals submitted through Sponsored Projects Administration (SPA) to external sponsoring agencies;
- A Report of External Professional Activities (REPA) form which must be filed by faculty and staff at least annually, irrespective of the existence of any potential conflict of interest, and which must also be submitted each time that a new potential conflict arises during the following 12-month period (completion must take place within 30 days of the change in circumstances); and
- A Report of Outside Consulting and Other Commitments (ROC) which must be completed for each external professional activity that the individual anticipates he or she will engage in for more than an average of one day per month in any single term of University appointment.

Additional conflict of interest reporting requirements may occur in the following contexts:

- When submitting a new or continuation application form to the Institutional Review Board, the Institutional Animal Care and Use Committee, or the Institutional Biosafety Committee;
- When receiving a contribution or gift that has the potential of creating or appearing to create a conflict of interest;
- When involved in review or advisory activities;

- When involved with technology transfer; or
- When communicating with external entities.

3. The Conflict of Interest Review Process

Whether the actual or potential conflict of interest involves an individual or institutional conflict, the process for review is essentially the same:

- An identified potential conflict is referred to the Conflict of Interest Program and initially reviewed by staff with expertise in reviewing conflict of interest issues. If the facts are straight forward and a determination is made that no actual or potential conflict exists, or that the conflict has previously been identified and managed, the faculty member is advised of this determination and no further action is required.
- If further review is required, the matter is referred to the Executive Committee of the appropriate Individual Conflict Review Committee, depending on the appointment of the faculty member, or to the Institutional Conflict Review Committee. Resolution of the conflict may be achieved at this stage of the review process. The Executive Committee consists of the Committee Chair, counsel from the Office of the General Counsel, Conflict of Interest Program staff, and a representative from OIC.
- If resolution is not achieved through the Executive Committee process, the matter is referred to the full committee. The faculty member is invited to attend the full committee meeting and engage in discussion with committee members. The final resolution of the conflict is reached by the Committee.
- If it is determined that an actual conflict of interest exists, consistent with Board of Regent policy, the faculty member may not engage in the activities that give rise to the conflict. Typically, the faculty member is required to select which activity he or she will withdraw from or which financial interest he or she will divest.
- Ultimately, a management plan is developed and agreed to by the appropriate conflict review committee and the faculty member, in the case of a conflict of interest, or a university official, in the case of an institutional conflict of interest. Efforts are currently underway to develop a system to track and monitor established management plans for the life of the plan, in other words, so long as the circumstances which give rise to the conflict continue to exist.

4. Managing Conflicts of Interest

Potential or actual individual conflict of interest matters are managed in one of several ways, for example:

- The faculty member may be excluded from the decision making process if he or she has a significant financial interest in a company that is doing business with the University.

- The faculty member's research may be monitored by an independent body to ensure that undue influence is not being exerted on the results.
- A research plan may be modified in a manner that will avoid conflict, bias, or undue influence.
- The faculty member may be required to divest certain financial interests.
- The faculty member may be disqualified from participating in a research program affected by financial interests.
- The faculty member may be required to resign from a management position in a company or from a government board where such relationships create actual or potential conflicts.

Similar approaches may be used to manage potential or actual institutional conflicts of interest:

- Where there is overlap between a University official's responsibilities to the University and the official's responsibilities to an outside commercial entity, the University official may be required to resign from his or her position as Chair of the Board of Directors of the commercial entity.
- A University official may be precluded from involvement in any decisions or bid processes to procure goods or services from, or award contracts to, any companies in which the official is reasonably aware that he or she has an equity interest.
- Where the spouse of a University official owns and operates a business which sells its services to the University, the University official may be precluded from any involvement in the vendor selection process, contract negotiation, contract award or any other arrangement between the University and the spouse's company.

5. Current Conflict of Interest-Related Activities

Since the decision was made to transfer the COI Program to OIC, the Director has worked closely with the current COI team (Committee Chairs, program staff, legal counsel and OVPR staff) to facilitate the transition. In late August, correspondence was sent to the members of each of the three Committees, advising them of the transition of the Program to OIC and the activities that will take place during the transition process. On September 5, OIC's Director met with representatives of the Twin Cities Deans Council, Faculty Consultative Committee and the Council of Research Associate Deans to advise them of the transition, answer any questions they might have and to request their input on issues relating to the transition and the current conflicts of interest review process. A decision has also been made to retain one or two outside consultants to review our current process and related policies and procedures and to provide feedback and input regarding any recommended process improvements. This decision was shared with the attendees of the September 5 meeting. OIC is currently working to identify and retain the consultant(s) and prepare for their visit to the Twin Cities campus. OIC's Director

anticipates that the transition of the Program to OIC will be completed by the end of the calendar year, to include the completion of any revised and/or new administrative policies and procedures.

The University Policy Office

The University establishes administrative polices to align operations, set behavioral expectations across the University system, and communicate policy roles and responsibilities. As set forth in the administrative policy entitled *Establishing Administrative Policies,* the President is responsible for establishing administrative polices by means of a comprehensive and strategic framework that provides:

- A means for determining the need for administrative policy;
- A consistent, transparent, and inclusive development process;
- An identified authority for approving administrative policy;
- A mechanism for regular review of policy need, compliance, and effectiveness; and
- A consistent policy format and accessible electronic policy library.

The University Policy Office (UPO), under the leadership of Michele Gross, supports policy owners, the President's Policy Committee (PPC), and responsible University officers throughout the lifecycle of an administrative policy which includes the initiation, development, and implementation of new and/or revised policies and the subsequent maintenance of them. The PPC is a standing committee of University executives authorized by the President to provide final institutional review and approval of administrative policies.

To further the work of this office, Director Gross convened a Policy Advisory Committee (PAC). The PAC is a standing committee of University administrators authorized by the PPC to work in partnership with policy owners to review policy plans to ensure that policies are needed and aligned with the institutional mission, goals, and priorities. The PAC also reviews proposed policies and policy revisions to ensure clarity and consistency in format and scope. The PAC also makes recommendations for action to the PPC. The ultimate oversight of this work rests with the President's Office in coordination with the PPC.

The University Delegations Management Program

The University Delegations Management Program arises out of the Board of Regents Reservation and Delegation of Authority policy, initially adopted on April 5, 2001, and most recently amended on July 9, 2008. Under this policy, the Board reserved several authorities to itself and delegated to the President the authority to assert general executive management and administrative authority over the University as required to carry out the policies and directives of the Board. The Board also delegated to the President the authority to delegate general executive management and administrative authority to other executive officers and employees. Such delegations and revocation of delegations are to be in writing and must be electronically

tracked. Until very recently, the management and tracking of the President's delegations have been the responsibility of the Office of General Counsel (OGC). The transfer of this program to OIC is currently underway and should be completed by the end of this calendar year.

OIC's Future Focus

In addition to the future actions described above, OIC intends to partner with General Counsel Mark Rotenberg and University Auditor Gail Klatt and others to develop a University-wide process for addressing and implementing internal inquiries and investigations resulting either from UReports or other reporting systems, to include establishing reporting and response times as well as a system for effectively coordinating communications and efforts.

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Audit Committee **September 11, 2008**

Agenda Item: Internal Audit Update

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Associate Vice President Gail Klatt

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

To update the Audit Committee on Internal Audit activities, results, and observations.

Outline of Key Points/Policy Issues:

Nine audit reports containing 66 recommendations rated as "essential" were issued in the last four months.

Background Information:

This report is prepared on a quarterly basis and is presented to the Audit Committee in conformance with Board Operations and Agenda Guidelines.

Internal Audit Update

University of Minnesota Regents Audit Committee
September 11, 2008

This report includes:

- Audit Observations/Information/Status of Critical Measures
- Audit Activity Report
- Audit Reports Issued Since May 1, 2008

Details for any of the items in this report are available on request. Individual reports were sent to the President, Provost, Vice Presidents, and Chancellors about these internal audit issues.

Audit Observations/Information

Status of Critical Measures

In the development of our FY 2009 Annual Audit Plan, which was approved by the Audit Committee at the July 2008 meeting, we proposed an unusual approach to the deployment of our resources. Because of the July 1 implementation of EFS and the impact this has had throughout the University, we made a conscious decision to limit our audit work during the first two months of its operation. We have devoted our resources during this time to the completion of necessary internal administrative activities. These include: the completion of our internal self-study in preparation for our external peer review, retooling our internal processes for, and the training of our staff on, the EFS system, and completing a longitudinal analysis of trends in audit findings. We also have worked with appropriate institutional officials on reducing the number of outstanding audit recommendations related to information system technology (see below) and proactively addressing the frequently encountered control issues.

Recently we sought, and obtained approval for, the postponement of our audit follow-up that normally occurs in August and is reported to the Audit Committee in September. The temporary delay in completing the follow-up is in deference to the heavy workloads being experienced by individuals in University units that are implementing EFS. Follow-up on "essential" recommendations will occur during October, and results will be reported to the Audit Committee at the November meeting.

Because of these changes, our typical reporting on "Essential Recommendation Implementation" and "Progress Towards Annual Audit Plan Completion" is not being provided. We can report that "Time Spent on Investigative Activities" has been normal during the first two months of this fiscal year.

Improving Implementation of Information Technology (IT) Recommendations

Internal Audit has been working with the CIO to develop new strategies to reduce the number of outstanding IT findings. Currently 47% of the outstanding findings are IT related. Many of these IT findings are associated with audits of administrative and collegiate units. The CIO has recognized the need to assist administrative and collegiate units so they can quickly resolve the concerns. The CIO also recognizes that it is important to develop strategies and tactics that will help the institution get ahead of these issues.

The CIO is putting in place processes to consistently monitor the actions and time frames associated with resolving outstanding findings that are specifically OIT's responsibility as well as the other IT findings throughout the institution. The CIO has assigned one of his staff to focus on this issue.

The CIO and his staff are committed to partnering with the Collegiate IT Directors group to identify strategies and tools that will streamline the resolution of the outstanding concerns and identify ways to help collegiate IT directors assist their units in better managing IT risks.

The Collegiate IT Directors group, at their last monthly meeting, established two subgroups to work with OIT and Internal Audit on this issue. The first subgroup is firming up actions and tools that can be immediately leveraged to resolve common theme findings. That subgroup is initially focusing on strategies and tools to quickly resolve IT findings associated with disaster recovery findings, which represent about a fourth of the outstanding IT findings. The Collegiate IT Directors group believes that with collaborations between collegiate units and leveraging of the new OIT template for collecting and building disaster recovery plans, many of the findings will be able to be quickly addressed. The second subgroup is working on developing tools and standards to help collegiate units expand its ability to identify and manage IT risks.

Work to be Performed for the Office of the Legislative Auditor

As we reported to the Audit Committee at their May 2008 meeting, we have been asked by the Office of the Legislative Auditor (OLA) to assist them with a state-wide review they are performing on the use of general obligation bond funding authorized by the 2006 legislative session. We have completed all audit work at the University on this project, and our report was recently issued. The OLA will, at a later date, be issuing a state-wide report that will incorporate the issues noted during our University review.

Audit Activity Report

Scheduled Audits

- Completed audits of: UMD Police, UMD Kirby Student Center, the College of Food, Agricultural, and Natural Resource Sciences, Molecular and Cellular Therapeutics, the AudienceView ticketing system implementation for Athletics, the Department of Obstetrics and Gynecology, a University-wide purchasing review, and a review of capital and HEAPR projects funded by 2006 state general obligation bond debt. Details are shown on the following charts.

- Began/continued audits of: the College of Education and Human Development, the Department of Mechanical Engineering, UMD Housing & Residence Life, the Department of Biomedical Engineering and the Institute for Engineering in Medicine, NCAA Compliance Review in Women's Basketball, and the UMD Cashier's Office.

Non-Scheduled Audits

- Completed an audit of the Minnesota Population Center. This audit was requested by the Vice President for Research due to a change in reporting structure. Details are shown on the following chart.

Investigations

- Performed investigative work on 10 issues in accordance with the University Policy on Reporting and Addressing Concerns of Misconduct.

Special Projects

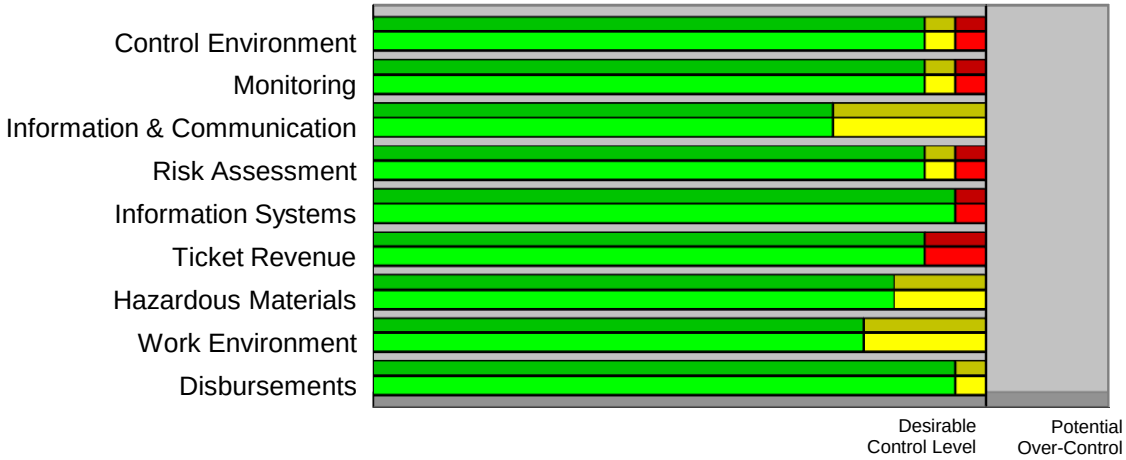
- Provided consulting services related to: data security, disaster recovery planning, PCI compliance and University payroll exception testing. Distributed a white paper on computer losses.

Other Audit Activities

- Participated in the following:
  - HRMS PeopleSoft Steering Committee
  - Fairview Health Systems Audit Committee
  - University of Minnesota Foundation Audit Committee
  - Enterprise Financial System Executive Steering Committee
  - Research Compliance Committee
  - Executive Compliance Oversight Committee
  - Institutional Conflict of Interest Committee
  - NCAA Self-Study Committee
  - Search Committee for Director of Research Integrity and Oversight
  - Committee for Defining a Strategy for Research Compliance
  - International Risk Advisory Committee
  - IT Collegiate Leaders Audit Finding Taskforce
  - OSH Steering Committee

Audit Reports Issued Since May 2008

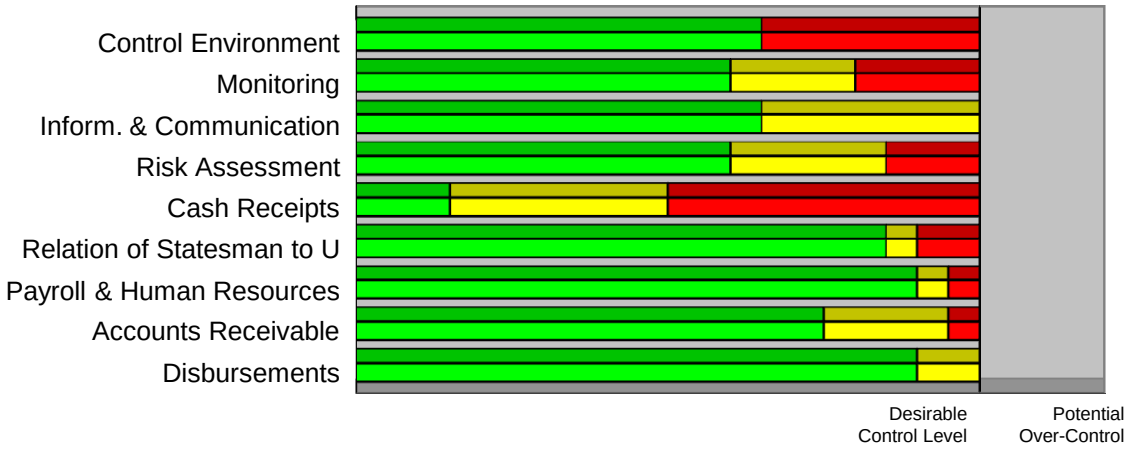
UMD Department of Police



Report #	825	Issue Date	Jul-08
# of Essential Recs.	3	Total # of Recs.	11
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The financial and operational controls within the UMD Department of Police are generally effective. Our audit disclosed a number of issues that warrant the attention of Police administration, and we feel the department has the capability to successfully address each of these issues. The three recommendations rated as "essential" are those we believe address the greatest risks. They pertain to compliance with data security standards and controls over ticket revenue.

UMD Kirby Student Center

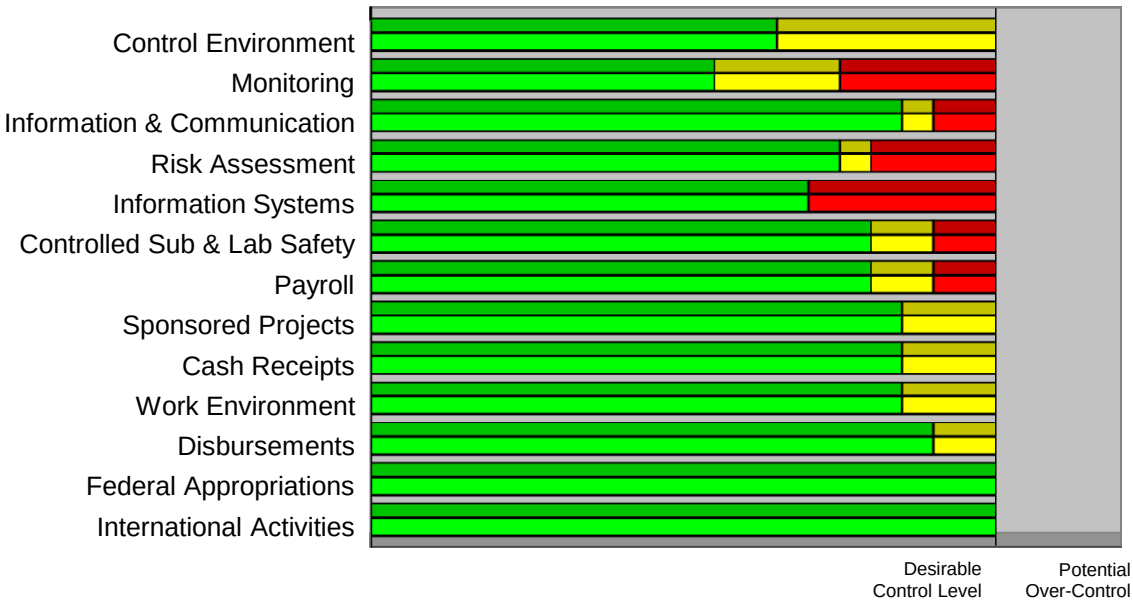


Report #	826	Issue Date	Jul-08
# of Essential Recs.	14	Total # of Recs.	30
Overall Assessment	Needs Improvement	Adequacy of MAP	Satisfactory

The operational and financial controls within Kirby Student Center are quite strong in certain areas and in need of significant improvement in other areas. On the positive side, we feel the work environment has improved since our previous audit of Kirby, as evidenced by the positive results of our employee survey. On the other hand, we found numerous instances where financial controls do not meet University standards. Correcting the deficiencies in processing cash receipts should specifically be a high priority for Kirby management.

Adequate Control | Significant Control Level | Critical Control Level | Potential Over-Control

College of Food, Agricultural, and Natural Resource Sciences



Report #	900	Issue Date	Jul-08
# of Essential Recs.	6	Total # of Recs.	13
Overall Assessment	Good	Adequacy of MAP	Satisfactory

CFANS has developed a control environment and a system of internal control that addresses most major business and compliance risks. Issues identified for which resolution is considered essential included: improving disaster recovery plans, enhancing program change & testing procedures, improving data center controls, evaluating server and workstation configurations for compliance with OIT standards, enhancing controls over controlled substances, and strengthening processes over payroll.

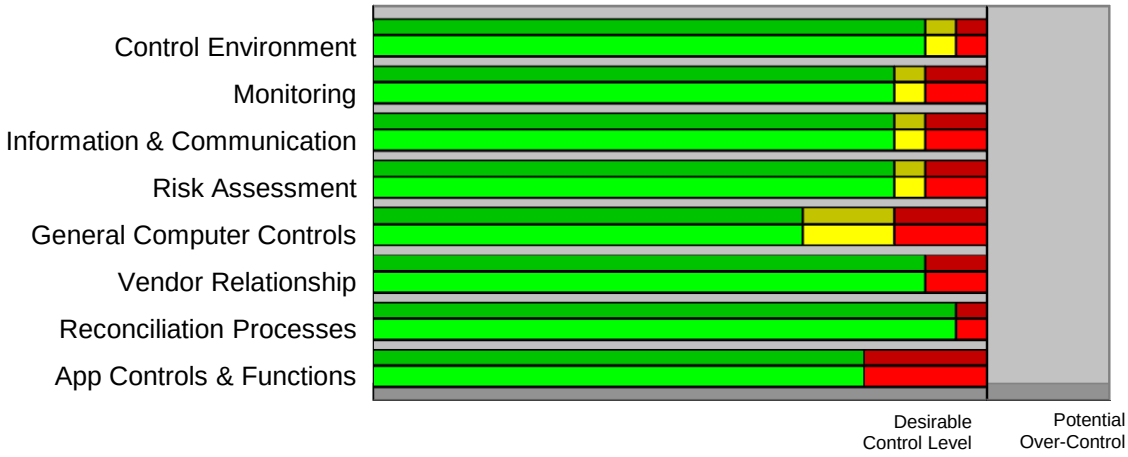
Molecular and Cellular Therapeutics

Report #	901	Issue Date	Aug-08
# of Essential Recs.	8	Total # of Recs.	35
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

MCT units currently have in place an effective system of controls that addresses most of their major risks. Our review did note several issues resulting in “essential” recommendations related to administration, sponsored project oversight, and ISO/ESO rates.

Adequate Control | Significant Control Level | Critical Control Level | Potential Over-Control

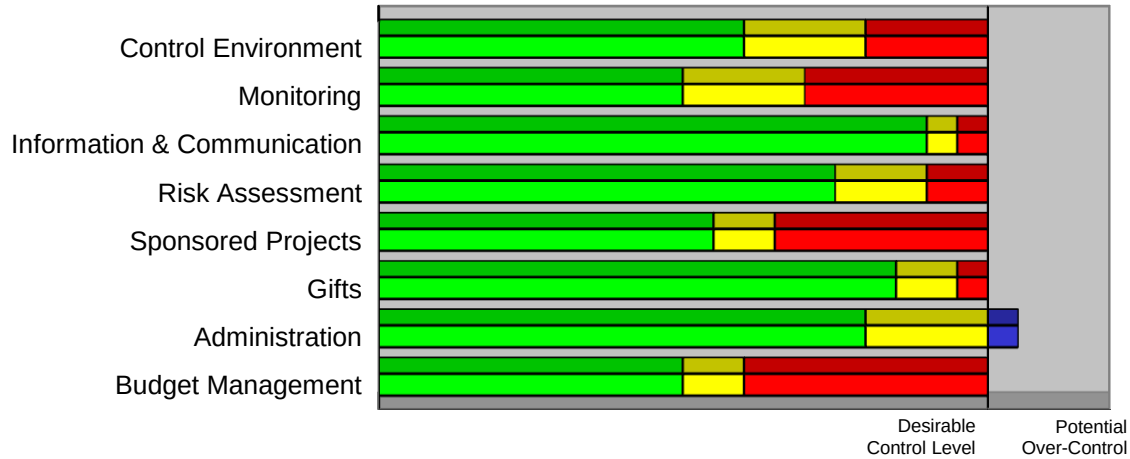
AudienceView - Ticketing System



Report #	902	Issue Date	Aug-08
# of Essential Recs.	7	Total # of Recs.	10
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

The implementation of the new ticketing system for Athletics has been a challenging process. The AudienceView system as delivered did not adequately address many of Athletics business needs. To address and mitigate the problems Athletics and OIT staff have worked hard and creatively to get the base needs of Athletics ticketing operations accomplished. Currently, the AudienceView ticketing system is functioning in a predictable manner with many features that support key controls. While a number of material concerns were identified in the audit, they should not overshadow the impressive efforts that have been taken to establish AudienceView as a workable solution for addressing Athletics ticketing needs.

Obstetrics, Gynecology and Women's Health

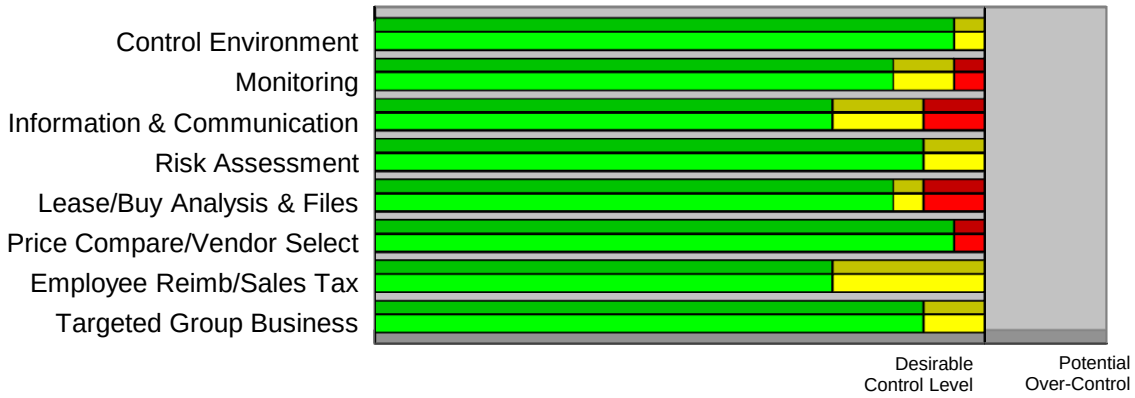


Report #	903	Issue Date	Sep-08
# of Essential Recs.	10	Total # of Recs.	19
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

The Department of Obstetrics, Gynecology and Women's Health has established an effective system of controls that addresses most of its major risks. The major risks facing the department are its financial challenges, which were identified in every aspect of their business. At the end of FY 2008, the department faced a large deficit in non-sponsored funds, including outstanding loans of almost $2 million. Clinical profits are dropping, however, the department has initiated plans to improve. Several recommendations were made to minimize these risks, including limiting unnecessary or excessive cost sharing, fully capturing all expenses when negotiating clinical trial projects, and eliminating delays in invoicing sponsors for clinical trials.

Adequate Control | Significant Control Level | Critical Control Level | Potential Over-Control

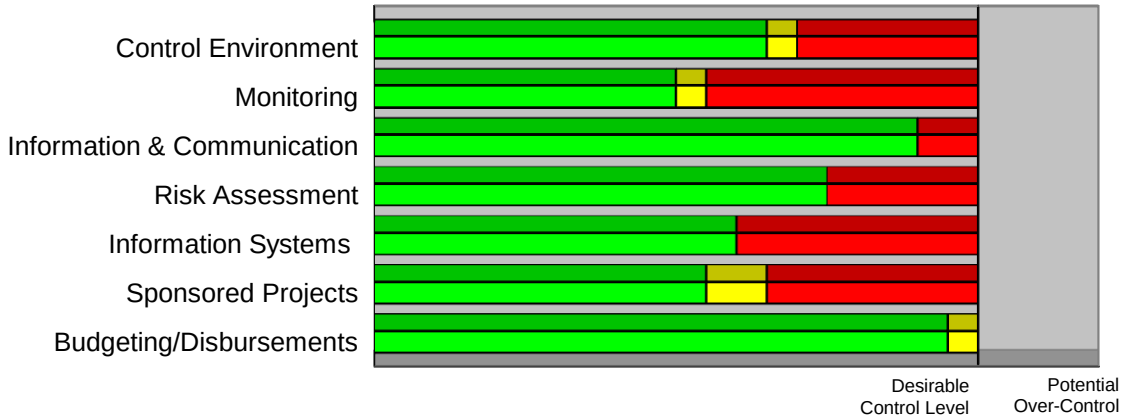
University Purchasing



Report #	904	Issue Date	Sep-08
# of Essential Recs.	3	Total # of Recs.	11
Overall Assessment	Good	Adequacy of MAP	Satisfactory

Purchasing Services has developed a control environment and system of internal controls that address most major business and compliance risks. Purchasing Services has worked with University departments to effectively decentralize a high percentage of University purchasing transactions. Thus, we reviewed procedures completed both in central Purchasing Services and in departments throughout the University. The processes most in need of strengthening include: completion of lease vs. buy analysis by Purchasing Services buyers, effective bid file retention in Purchasing Services, and documentation of basis for vendor selection and price reasonableness in departments.

Minnesota Population Center

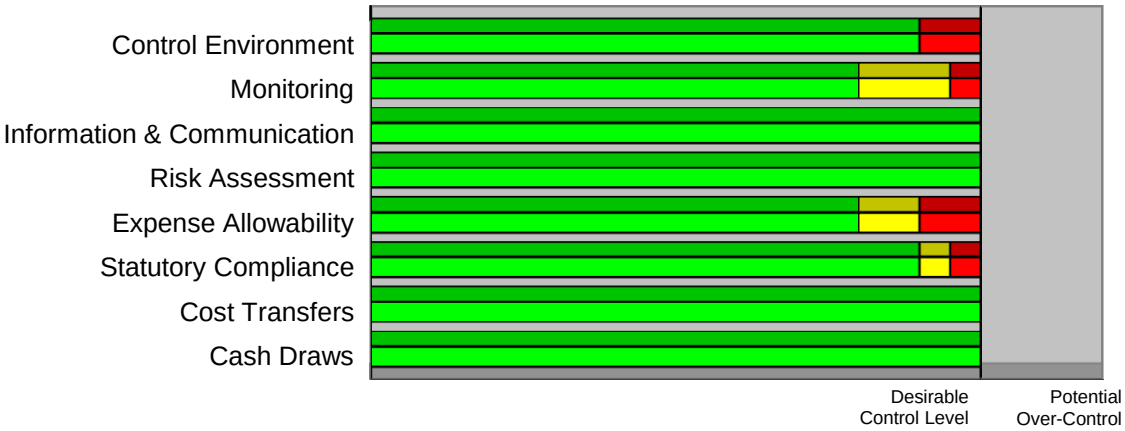


Report #	905	Issue Date	Sep-08
# of Essential Recs.	12	Total # of Recs.	13
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

The Minnesota Population Center has established an effective system of controls that addresses most of its major risks. The results of the employee survey support this conclusion as the responses were generally very positive. We did, however, note several issues resulting in "essential" recommendations including: physical security weaknesses of spaces housing MPC computer systems, lack of comprehensive processes/procedures to ensure all of the servers are properly and consistently configured, limited program change management procedures, weak disaster recovery preparations/documentation and testing, inadequate processes to ensure workstations are configured in compliance with OIT standards, and improving their management of sponsored projects.

Adequate Control | Significant Control Level | Critical Control Level | Potential Over-Control

A Review of Capital and HEAPR Projects
Funded by 2006 State General Obligation Bond Debt



Report #	906	Issue Date	Sep-08
# of Essential Recs.	3	Total # of Recs.	6
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The University has established an effective system of controls that addresses most of its significant risks related to the receipt and use of state general obligation debt funding. The overall control environment was determined to be good, with substantial oversight being performed by various groups and units within the University. There are effective systems in place to track and report expenditures by project, and cash draws from the state were supported by appropriate documentation. Management will need to work with the State Dept. of Finance to resolve issues regarding certain costs charged to state-funded debt accounts.

Adequate Control | Significant Control Level | Critical Control Level | Potential Over-Control

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS

Audit Committee **September 11, 2008**

Agenda Item: Committee 2008-2009 Workplan Discussion

☐ **review** ☐ **review/action** ☐ **action** ☒ **discussion**

Presenters: Regent Linda Cohen
Associate Vice President Gail Klatt

Purpose:

☐ **policy** ☐ **background/context** ☒ **oversight** ☐ **strategic positioning**

The purpose of this discussion is to present the committee workplan for the upcoming year.

Outline of Key Points/Policy Issues:

The workplan focuses on the oversight and monitoring of risks associated with University's strategic initiatives to further its goal to become one of the top three research universities in the world. Topical discussion items were selected based on their relevancy to the Audit Committee's institutional risk assessment and their import to these strategic positioning outcomes.

The workplan also ensures the Committee receives the information necessary to carry out the governance responsibilities assigned to it in its Charter, including the supervision of the external auditor and oversight of the internal audit and institutional compliance programs.

Background Information:

Each standing committee of the Board of Regents establishes an annual workplan. The workplan is a means to assist the Committee in discharging its responsibilities under its Charter and provides a structure to ensure the topics of highest priority receive the Committee's attention.

Board of Regents Audit Committee
Committee Workplan
FY2009

September: Audit Committee Workplan (L. Cohen)
External Audit Update (LarsonAllen, D. Seck)
Compliance Officer Report (L. Zentner)
Internal Audit Update (G. Klatt)

October: Even though the committee is not expected to meet in October, it will need to review the annual financial statements prior to their finalization. In previous years this has been handled by the Chair via a conference call.

November: External Auditor Report (LarsonAllen, D. Seck)
Evolving the University's Research Infrastructure to Support Emerging Trends in Federal Funding Opportunities (T. Mulcahy)
Revisit of the Institutional Risk Profile (L. Cohen, G. Klatt)
Information Item: Semi Annual Controller's report

February: External Auditor's Review of Completed Audit Work and Letters to Management (LarsonAllen, D. Seck)
Conflict of Interest Programs (L. Zentner)
Internal Audit Update (G. Klatt)

March: External Auditor Review (Fees and 2010 Engagement) (D. Seck)
Peer Review Report for the Office of Internal Audit (tentative)
Compliance Officer Report (L. Zentner)
Information Item:
- External Auditor Relationships and Services Provided

NOTE: The external audit contract will be in the fourth of its five year term. The committee may want to begin discussion on rebidding the contract.

May External Audit Plan (LarsonAllen, D. Seck)
Risk Management in the International Arena (M. McQuaid)
Internal Audit Update (G. Klatt)
Information Item: Semi-Annual Controller's Report

July Internal Audit Plan (G. Klatt)