

Internal Audit Update

University of Minnesota Regents Audit and Compliance Committee
June 13, 2019

This report includes:

- Audit Observations/Information/Status of Critical Measures/Other Items
- Status of “Essential” Recommendations & Bar Charts Showing Progress Made
- Audit Activity Report
- Audit Reports Issued Since February 2019
- SNAP Audit Summary

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

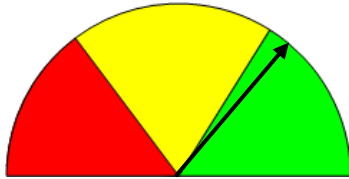
As part of our on-going efforts to provide the Audit and Compliance Committee with critical information in as concise a format as possible, we have developed the following three charts to present a quick overview of work performed by the Office of Internal Audit.

The first chart, “Essential Recommendation Implementation,” provides our overall assessment of the success University departments had during the last period in implementing our essential recommendations. Readings in the yellow or red indicate implementation percentages less than, or significantly less than, our expected University-wide rate of 40%. Detailed information on this topic, both institution-wide and for each individual unit, is contained in the next section of this Update Report.

The second chart, entitled “Progress Towards Annual Audit Plan Completion,” is our assessment of how we are progressing towards completion of the FY 2019 Annual Audit Plan. Readings less than green could be influenced by a variety of factors (e.g., insufficient staff resources; increased time spent on non-scheduled audits or investigations).

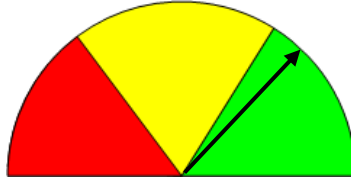
The final chart, “Time Spent on Non-Scheduled Activities,” provides a status report on the amount of time consumed by investigative activities, special projects and other management requests. Our annual plan provided an estimated budget for this type of work, and the chart will indicate whether we expect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

Essential Recommendation Implementation



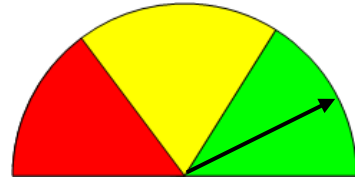
Implementation rates were 42% for the period, more than our expected rate of 40%.

Progress Towards Annual Audit Plan Completion



Time spent to date on the FY 2019 audit plan is what was expected and budgeted for the year to date.

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.

Other items:

One of our Office's Audit Managers, Quinn Gaalswyk, was recently appointed to be an external member to the Metropolitan Council's Audit Committee. External members are selected to provide the Committee with professional expertise in such areas as: finance, accounting, auditing, information systems, management, operations and program performance. His term will run through January 2021.

Status of Essential Recommendations

■ Not Started
 ■ Partial
 ■ Complete

Current Period Metrics

Total Recommendations: **83**
 Completed Recommendations: **35**
 % Recommendations Completed: **42%**

Past Completion Percentages

Oct 2018 **34%**
 Feb 2019 **41%**

Project Overview

Audit	Year..	Month of ..	Status		Overall Progress Towards Implementation:
Admissions, Office of FY18	2017	October	Past Due		Satisfactory
AHC-IS FY19	2018	December	On-Schedule		Satisfactory
Athletics IT FY17	2017	May	Past Due		Satisfactory
Dentistry School of FY17	2016	October	Past Due		Completed
Employment Eligibility Verification FY19	2018	August	Past Due		Satisfactory
Family Medical Leave Act Review FY18*	2018	May	Past Due		Satisfactory
Global Programs and Strategy Alliance FY18	2018	April	Past Due		Satisfactory
Libraries, FY19	2019	January	On-Schedule		Satisfactory
Mathematics, School of FY18	2017	October	Past Due		Completed
Mechanical Engineering FY19	2018	September	On-Schedule		Completed
			Past Due		
ObGyn, Department of FY 19	2018	November	Past Due		Completed
Public Health IT, School of FY18	2018	January	On-Schedule		Satisfactory
			Past Due		
Public Safety, Department of FY18	2018	January	On-Schedule		Satisfactory
			Past Due		
Residency Determination, FY19	2019	January	On-Schedule		Satisfactory
Review of Controlled Substances in Resear..	2018	November	Past Due		Completed
Review of ROC & REPA Processes, FY19	2019	January	On-Schedule		Satisfactory
UMC, FY19	2019	January	On-Schedule		Satisfactory
			Past Due		
UMD Fine Arts, School of FY19	2019	March	On-Schedule		Satisfactory
			Past Due		
UMDPD, FY19	2019	January	On-Schedule		Satisfactory
			Past Due		
University Information Security FY18	2018	May	On-Schedule		Satisfactory
			Past Due		

* One issue closed, but not implemented as the unit is accepting the associated risk. See the following page for further details.

Notes on Status of Essential Recommendations

Response for FMLA tracking issue in the Family Medical Leave Act Review FY18 audit

Per Kathryn Brown, Vice President for Human Resources:

The Office of Human Resources reviewed the recommendation for the tracking of employee FMLA time in the Absence Management system and determined this is not a feasible approach for the following reasons:

1. The Absence Management system only tracks out of office time for employee groups that receive earned paid time off for different reasons (i.e., vacation, sick time, comp time, etc.). Therefore, the Absence Management system can not track time away from work when there isn't earned paid time off, i.e. faculty and P&A employee do not earn sick time by the hour, without reprogramming.
2. Additionally, the Absence Management system is not designed to handle retroactive processing of FMLA, and attempting to process it retroactively puts the overall University payroll at greater risk of being able to complete it in a timely manner.
3. Reprogramming the system to address these issues, and other minor issues, is expensive and not cost effective given that we will be looking at the viability of the Absence Management system in the next 12-18 months.

Given the reasons cited above, the tracking of continuous FMLA time will be managed out of PeopleSoft job data system for all employee groups. This will be effective and not add additional costs.

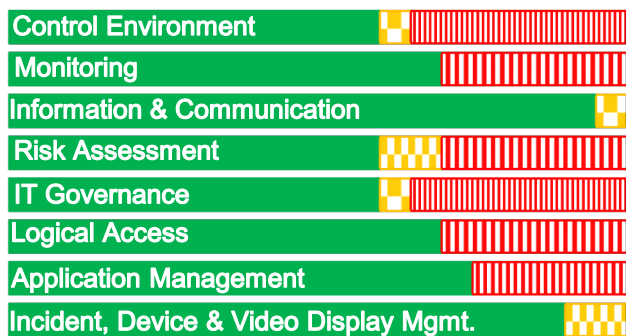
Current Status of Recommendations Rated as "Essential" That Are Over Two Years Old and Are Not Fully Implemented

Audit/ Report Date	Status- Partially Implemented (P) or Not Implemented (N)	Senior Management Contact	Summary of the Issue/Risk Involved	Current Comments From Management
Athletics IT May 2017	Not Implemented Not Implemented	Rhonda McFarland	<p>Athletics should implement processes to obtain logs for AHMS to ensure that the system captures all pertinent user access and activity as required by HIPAA and University policy.</p> <p>Athletics should implement patient record view monitoring for the AHMS system to demonstrate compliance with HIPAA requirements regarding audit controls. Athletics should implement procedures to review all such activity on a regular basis and notify the Health Information Privacy & Compliance Office in the event the monitoring indicates that any patient records are being viewed without patient authorization or for purposes other than treatment, payment or health care operations.</p>	<p>Two recommendations for issue #3 from the 2017 Intercollegiate Athletics IT audit remain open. Athletics is in the process of replacing its health management system by switching to Fairview's Electronic Medical Record system. While this system is expected to provide the most effective controls and be the most efficient for Athletics staff, the migration has been delayed due to the lengthy contract negotiations between the University and Fairview. A scope agreement has now been created that outlines the project to implement the EMR system. As soon as Fairview and the University of Minnesota Physicians execute the necessary documents, Athletics plans to begin using Fairview's EMR and implement the necessary monitoring controls. Based on the timeline for the project provided by Fairview, the legacy system shut-down, the implementation, and monitoring control processes are expected to be completed by the fall of 2019.</p>
# of Items	2			

Total: 2

The bar charts shown below are presented to provide pictorial displays of the progress units are making on implementing audit recommendations rated as "essential." The bar chart included in the original report is shown in the left column, along with updated bar charts showing the previous quarter and the current status of the "essential" recommendations only (those bars that have red segments). The chart in the center column displays the status as of February 2019, while the chart on the right represents the current status. Charts are not presented for investigations. Charts for those units having implemented all "essential" recommendations during the current quarter are shown at the end of this report.

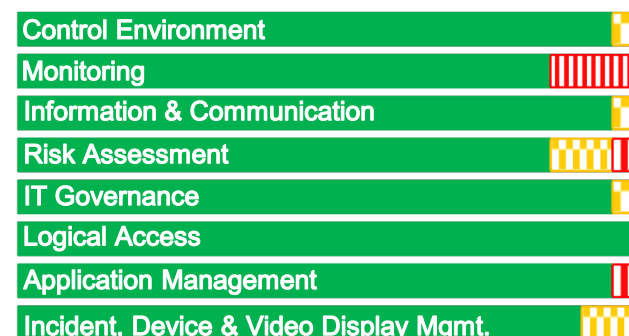
Original Report Evaluation



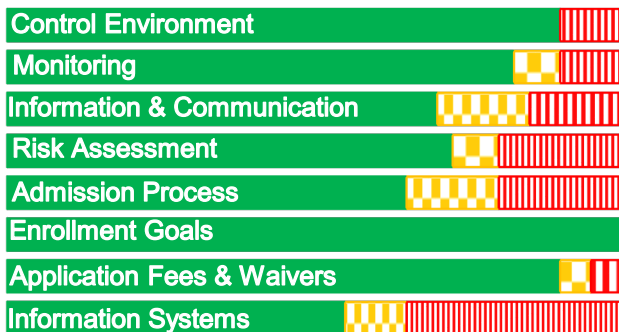
Previous Quarter Evaluation
Athletics IT (May 2017)



Current Quarter Evaluation



Office of Admissions (Aug 2017)



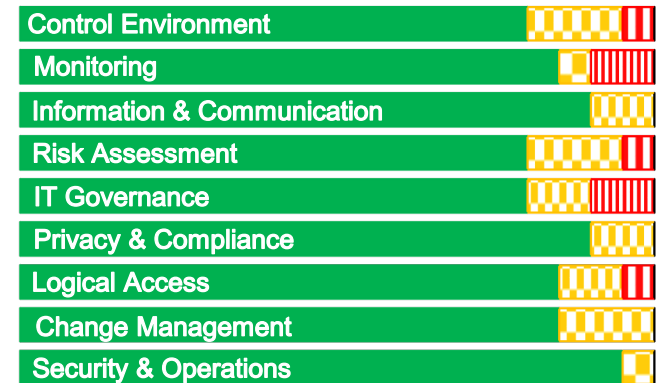
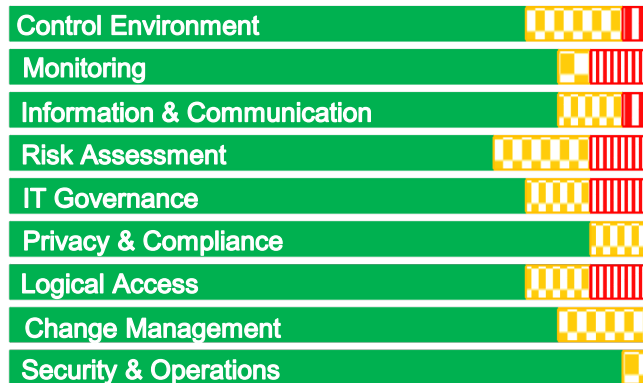
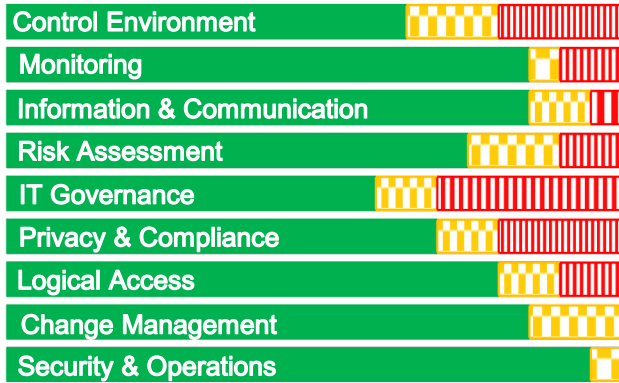
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

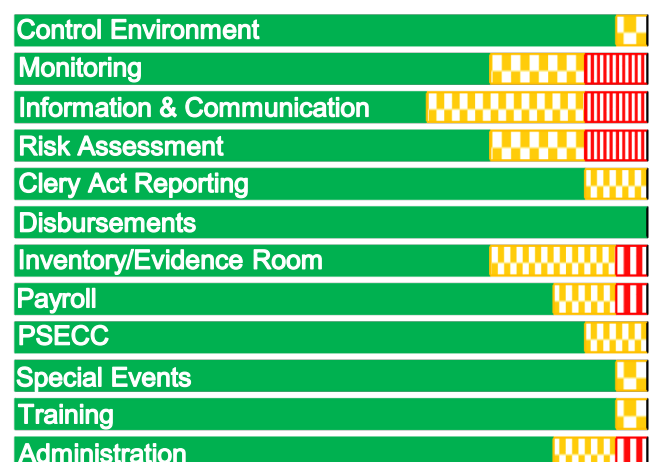
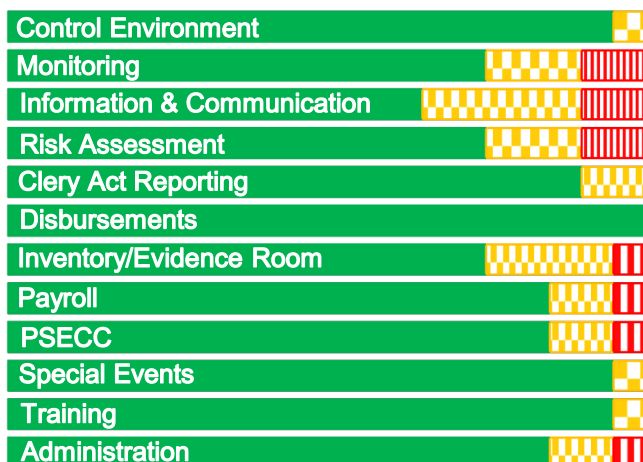
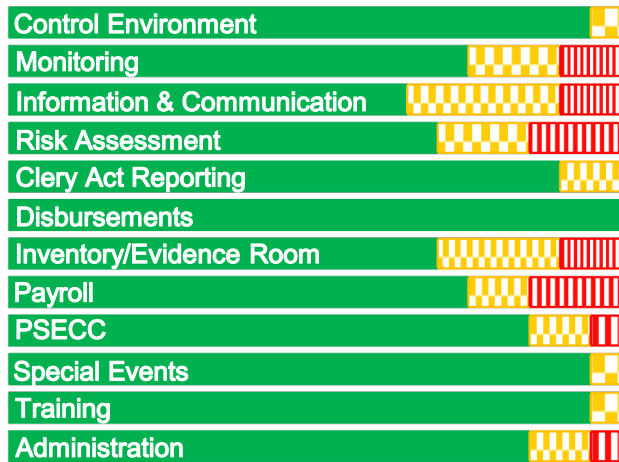
Previous Quarter Evaluation

Current Quarter Evaluation

School of Public Health IT (Jan 2018)



University Public Safety (Jan 2018)



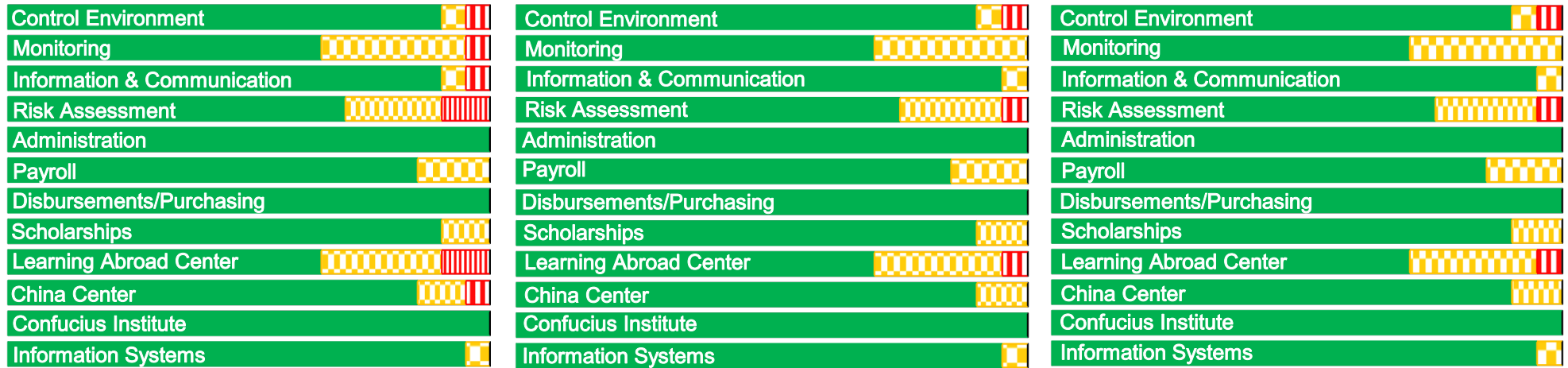
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

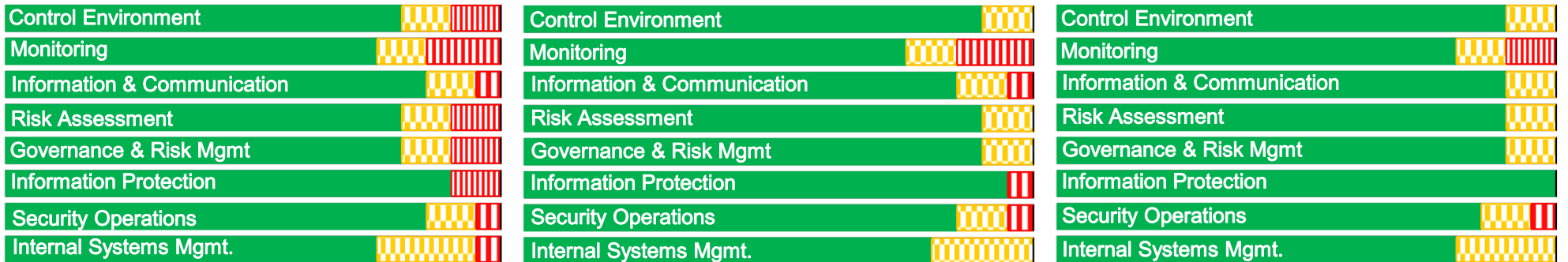
Previous Quarter Evaluation

Current Quarter Evaluation

Global Programs and Strategy Alliance (Apr 18)



University Information Security (May 2018)



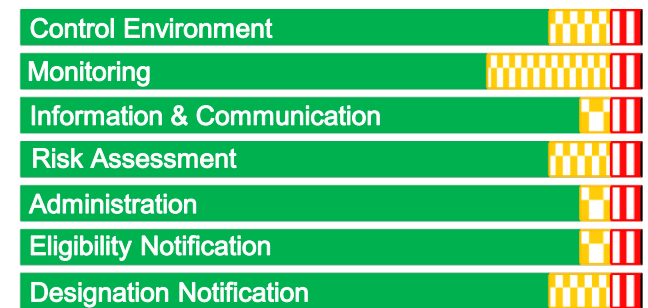
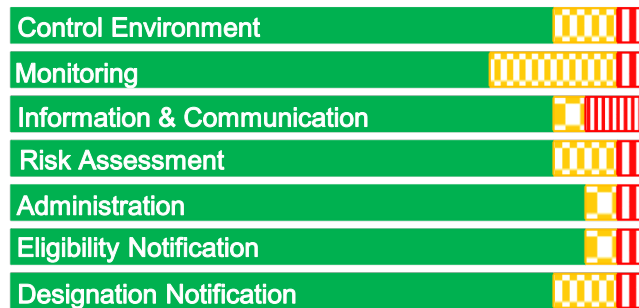
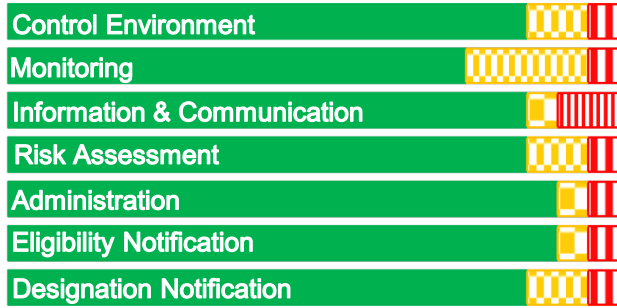
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

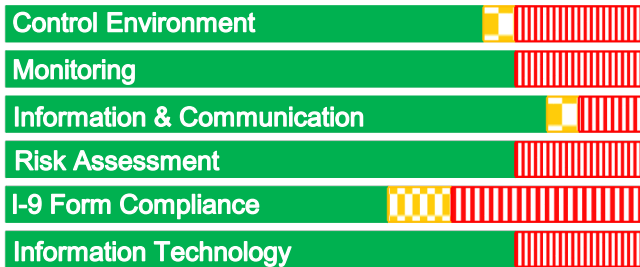
Previous Quarter Evaluation

Current Quarter Evaluation

Family Medical Leave Act Review (May 2018)



Employment Eligibility Verification (Aug 2018)



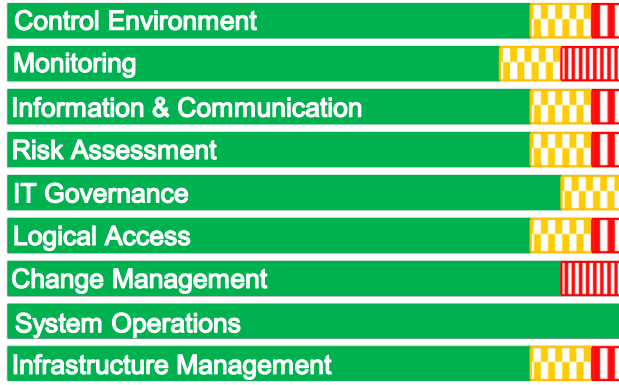
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Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation

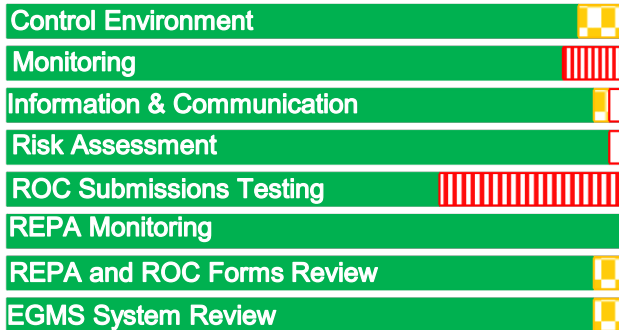
Academic Health Center Information Systems (Dec 2018)



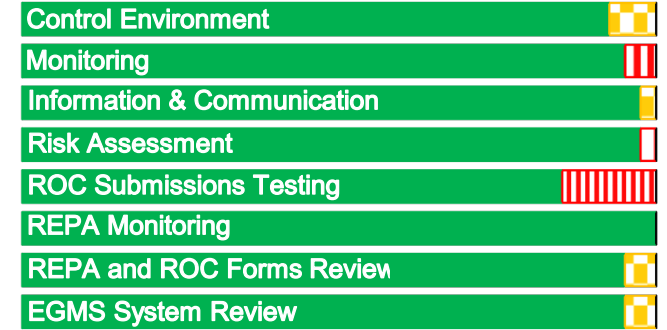
NO PREVIOUS
CONTROL EVALUATION
CHART



ROC and REPA Processes (Jan 2019)

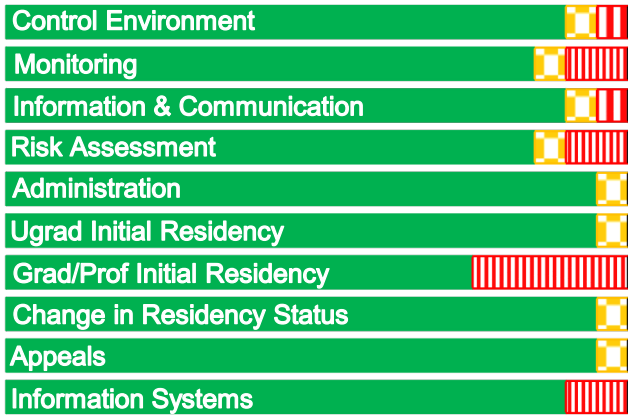


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■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

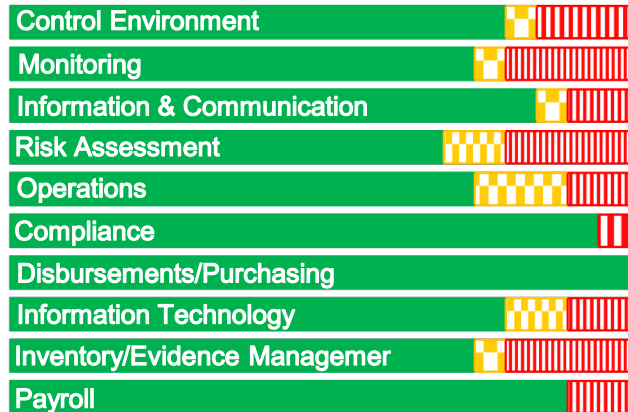
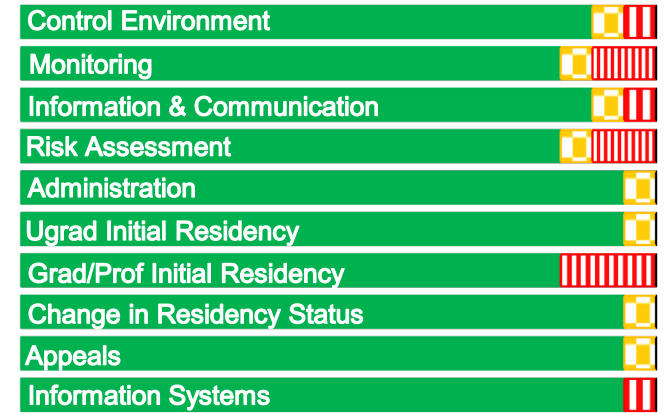


Previous Quarter Evaluation

Residency Determination (Jan 2019)

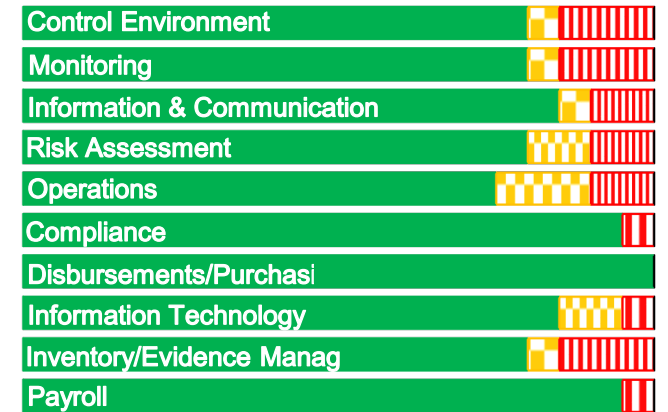
NO PREVIOUS
CONTROL EVALUATION
CHART

Current Quarter Evaluation



UMD Police Department (Jan 2019)

NO PREVIOUS
CONTROL EVALUATION
CHART



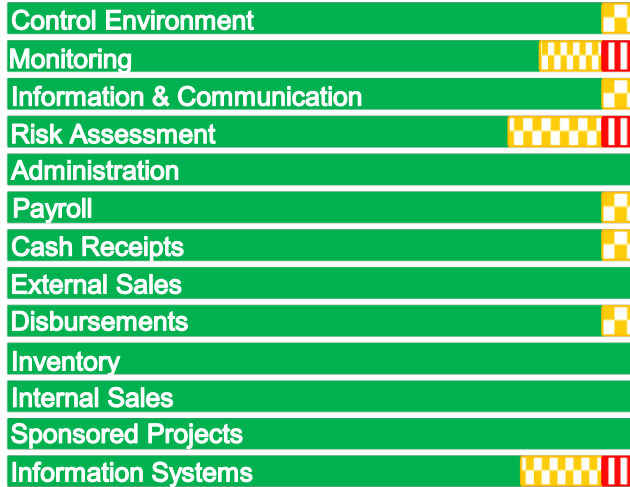
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

Previous Quarter Evaluation

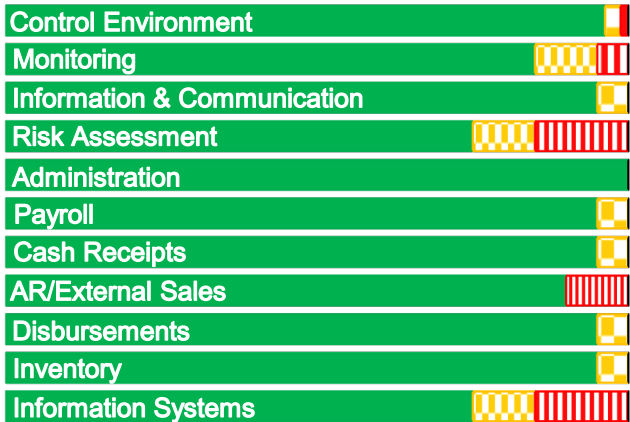
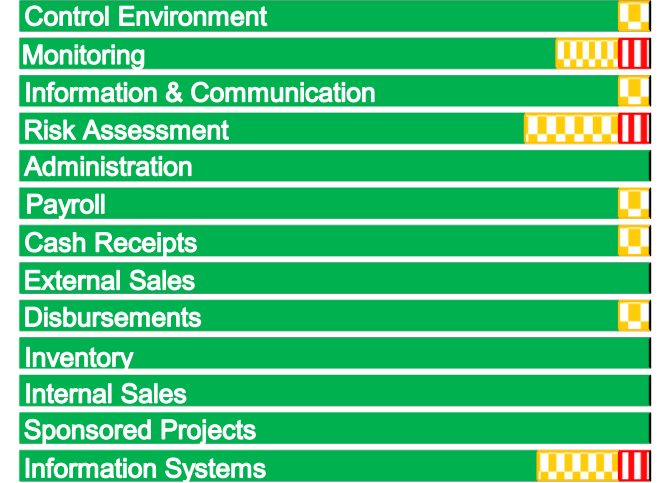
Current Quarter Evaluation

University of Minnesota Libraries and Minitex (Jan 2019)



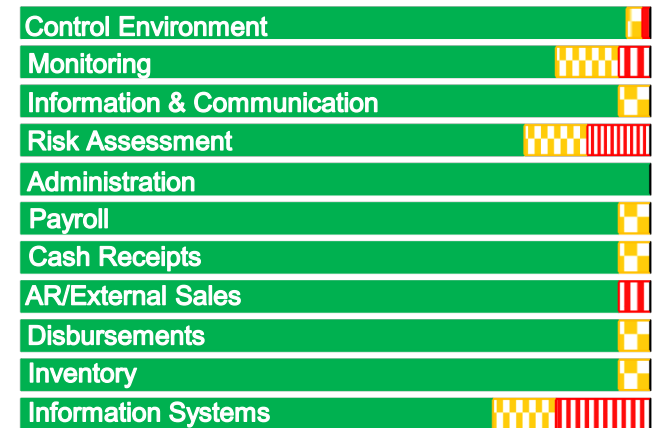
Libraries

NO PREVIOUS
CONTROL EVALUATION
CHART



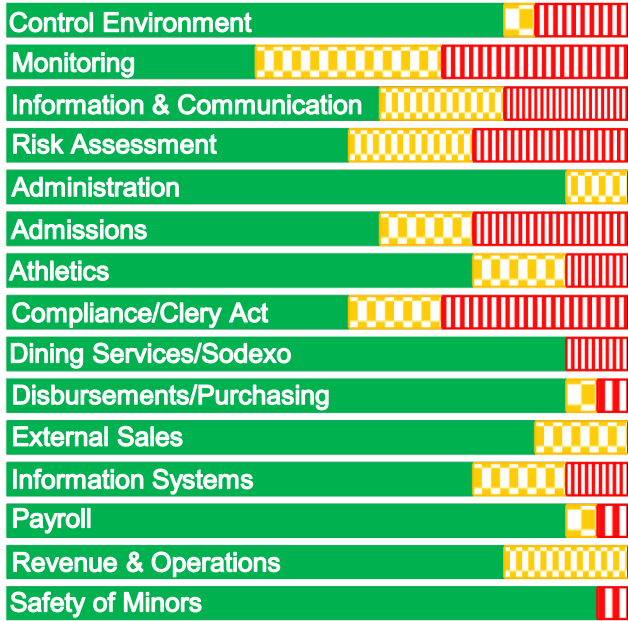
Minitex

NO PREVIOUS
CONTROL EVALUATION
CHART



■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

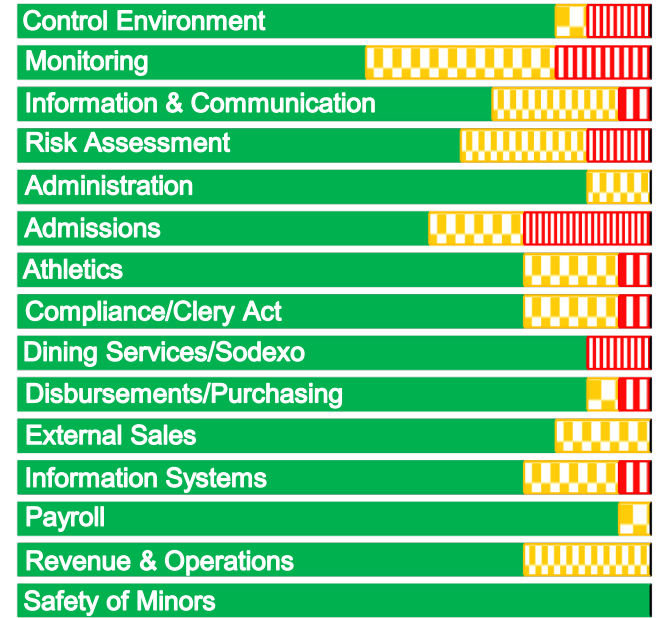


Previous Quarter Evaluation

University of Minnesota Crookston (Jan 2019)

NO PREVIOUS
CONTROL EVALUATION
CHART

Current Quarter Evaluation



■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

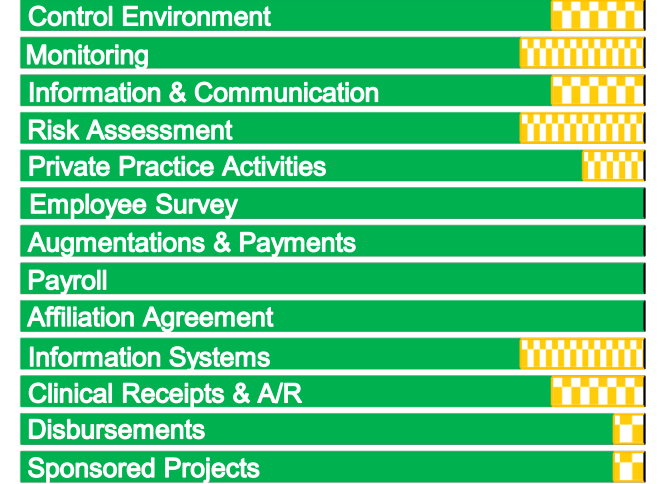
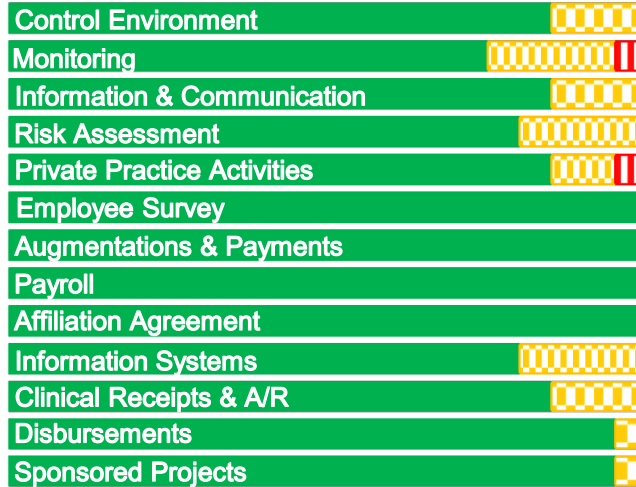
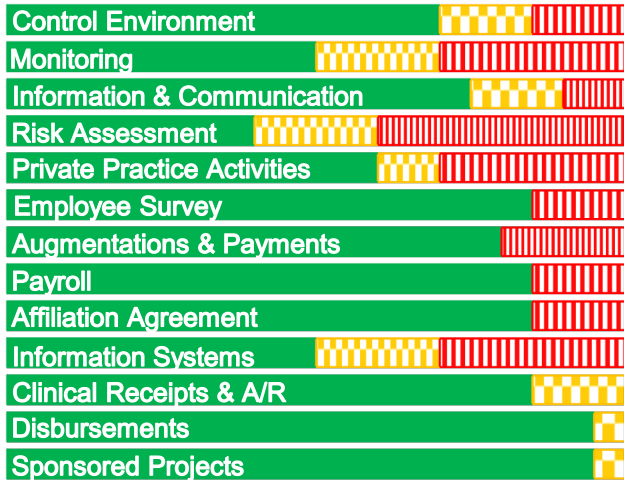
Units with Charts that Fully Implemented their "Essential" Recommendations During the Past Quarter

Original Report Evaluation

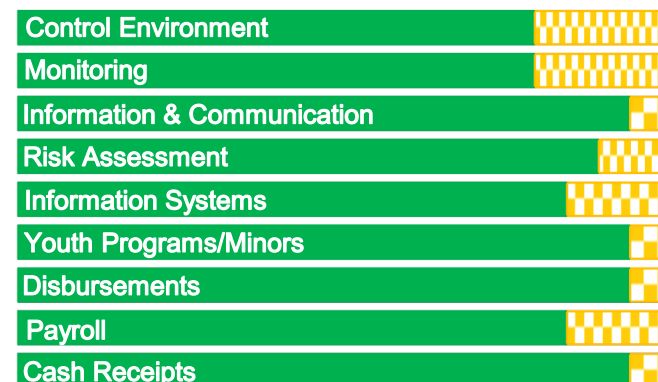
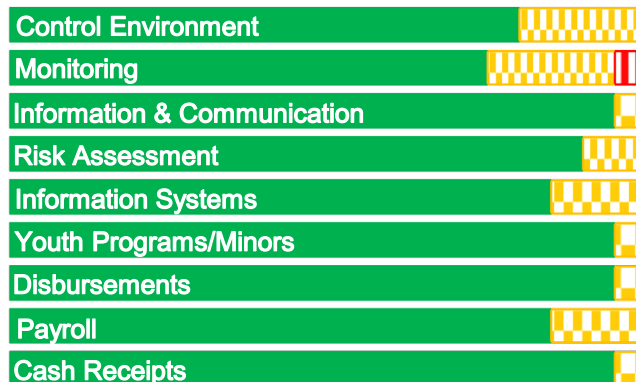
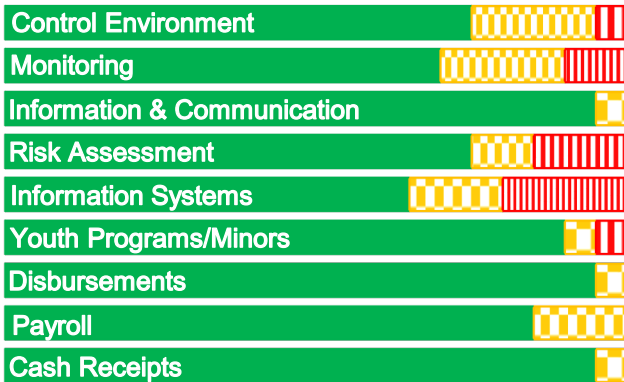
Previous Quarter Evaluation

Current Quarter Evaluation

School of Dentistry (Oct 2016)



School of Mathematics (Oct 2017)



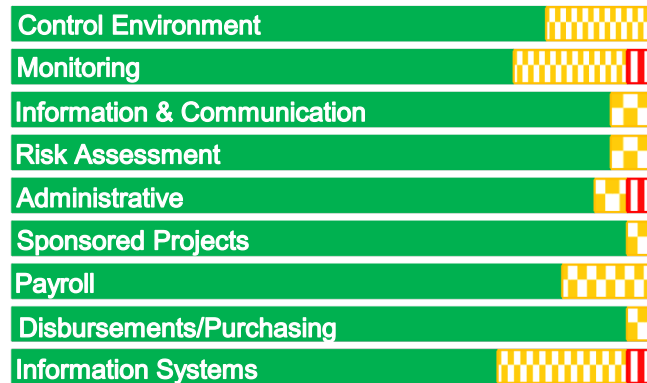
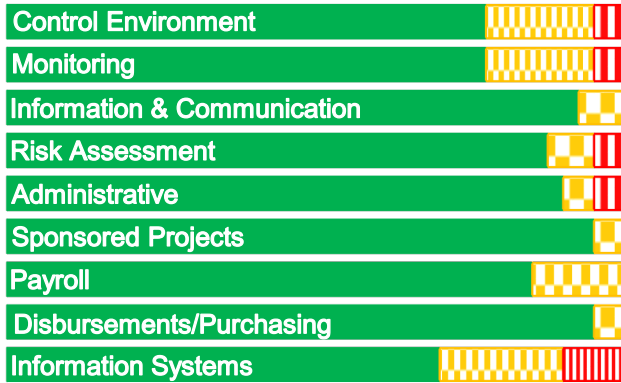
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation

Mechanical Engineering (Sep 2018)



Obstetrics, Gynecology and Women's Health (Nov 2018)



NO PREVIOUS
CONTROL EVALUATION
CHART



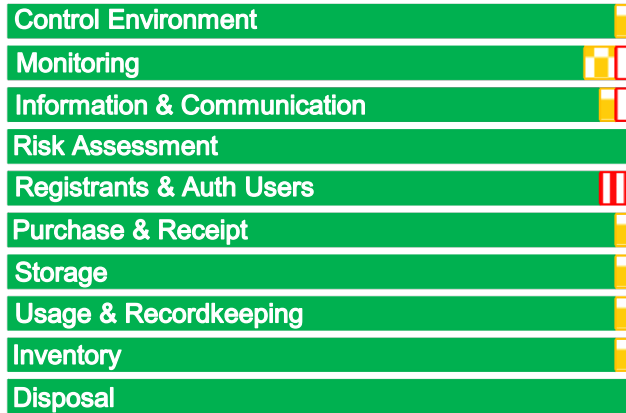
■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Original Report Evaluation

Previous Quarter Evaluation

Current Quarter Evaluation

Review of Controlled Substances in Research (Nov 2018)



NO PREVIOUS
CONTROL EVALUATION
CHART



■ Adequate Control ■ Significant Control Issue(s) ■ Critical Control Issue(s)

Audit Activity Report

Scheduled Audits

Completed Audits Of:

- UMD School of Fine Arts
- OIT Business Office
- Office of Investments and Banking
- Technology Commercialization
- The Hormel Institute
- College of Veterinary Medicine
- Office for Community Standards

Details are shown on the following charts.

Began/Continued Audits Of:

- Review of Hospitality Expenses (Systemwide)
 - Disaster Recovery
 - Business Continuity and Emergency Preparedness
 - UMD Stores
 - Advancing Human Research Protections 2019
 - Department of Psychiatry
 - Weisman Art Museum
 - Facilities Management Districts
 - CFANS Plant Sciences and BBE Division
 - Athletic Compliance- Football
 - UMD Admissions
 - OIT Account Management
 - Athletics Other Revenue
-
- Finalized results of gift testing for reporting to the UMF Committee in compliance with the Memorandum of Understanding between UMF and the University.
 - Began collaborative review of University Mental Health services with the Provost's Office.
 - Continued to engage the next generation network (NGN) upgrade team regarding their progress. No major issues have been identified to date; the project continues to be well managed and considerate of security risks.
 - Completed two "SNAP Audits": one on employee personal holiday usage, which included suggested remediation steps and one on the effect merit increases may have on augmentation rates, which did not include remediation steps.

Investigations

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

Special Projects

- Provided consulting services related to University payroll exception testing.

- Provided technology consulting in several areas including: vendor management and purchasing processes, HIPAA security, system logging and monitoring, account management, and the IT security framework and policies.
- Began management requested review of faculty research support and course assignments at UMD's Swenson College of Science and Engineering.

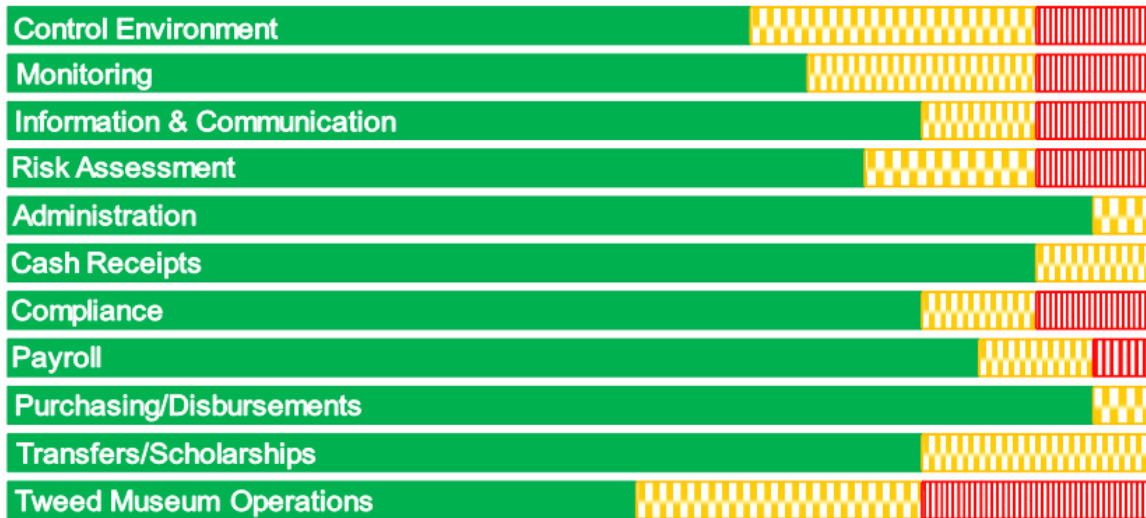
Other Audit Activities

Participated in the following:

- President's Cabinet
- Senior Leadership Group
- President's Policy Committee
- Policy Advisory Committee
- Board of Regents Policy Committee
- Executive Compliance Oversight Committee
- Institutional Conflict of Interest Committee
- University of Minnesota Foundation Audit Committee
- Fairview Health Systems Audit Committee
- IT Leadership and Operational Excellence Committees
- NSF audit oversight committee
- HRPP Advisory Committee
- Research Compliance Committee
- GDPR Consultation Committee
- Use Case Categorization Scheme Committee
- P & A Senate
- SVP Senior Leadership Academy
- Data Center Co-Location Initiative
- Data Storage Council
- Security Vulnerability Task Force

Audit Reports Issued Since February 2019

UMD School of Fine Arts



Report #	1919	Issue Date	Mar-19
# of Essential Recs.	7	Total # of Recs.	23
Overall Assessment	Adequate	Adequacy of MAP	Satisfactory

Results of the audit work performed show that UMD SFA has developed a system of internal controls that address most major business, compliance and information technology risks with the exception of the Tweed Museum, where we identified multiple material concerns. The issues associated with Tweed, and most other issues identified in this report, likely stem from insufficient centralized college oversight.

OIT Business Office



Report #	1920	Issue Date	Apr-19
# of Essential Recs.	0	Total # of Recs.	12
Overall Assessment	Good	Adequacy of MAP	Satisfactory

OIT Business Office is the administration department of OIT. The office oversees OIT's: finances, inventory management, human resources, IT policy and compliance coordination, and communications. From the results of the audit work performed, we believe OIT Business Office has developed a strong control environment and a system of internal control, which addresses most major business and compliance risks. Their staff is highly capable and knowledgeable of University policies and practices. This competency was evident across all areas reviewed, but especially for payroll and disbursement processes where our testing identified fewer errors than typically seen in similar audits.

Office of Investments and Banking



Report #	1921	Issue Date	Apr-19
# of Essential Recs.	0	Total # of Recs.	3
Overall Assessment	Good	Adequacy of MAP	Satisfactory

The Office of Investments & Banking (OIB) is responsible for all treasury and investment activities at the University of Minnesota. The OIB considers itself to have three core functions and many ancillary functions. The core functions include managing the investment of the University's endowment, managing the investment of the University's operating pool, and overseeing the University-wide treasury operations. The ancillary functions include work with the retirement plans, supplemental investment programs, discovery capital, natural gas hedging, and ad hoc projects and analysis. We believe OIB has developed a control environment and a system of internal control that addresses most of its major business and compliance risks.

Technology Commercialization



Report #	1922	Issue Date	Apr-19
# of Essential Recs.	1	Total # of Recs.	10
Overall Assessment	Good	Adequacy of MAP	Satisfactory

Technology Commercialization (Tech Comm), a unit within the Office of the Vice President for Research, helps University research move beyond the lab and into the marketplace and is one of the leading technology transfer offices in the US. The transfer of research to licensee companies furthers the development of new products and services that benefit the public good, fosters economic growth, and generates revenue to help support the University's research and education goals. From the results of the audit work performed, we believe Tech Comm's control environment and system of internal controls is generally good. The audit resulted in one issue considered

and system of internal controls is generally good. The audit resulted in one issue considered “essential”: the distribution percentage used in royalty payments was not in compliance with Board of Regents policy.

■ Adequate Control □ Significant Control Issue(s) ■ Critical Control Issue(s)

The Hormel Institute



Report #	1923	Issue Date	Apr-19
# of Essential Recs.	0	Total # of Recs.	3
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

The Hormel Institute is a leading cancer research department of the University with faculty that are members of the Masonic Cancer Center, an NCI Designated Comprehensive Cancer Center. Its research focuses on accelerating answers to cancer by determining the basic molecular mechanisms of cancer development and finding better ways to prevent, detect and treat cancer. This audit was performed to determine compliance obligations regarding reporting and involvement with foreign institutions, based on Federal laws and University policies and procedures. From the results of the audit work performed and interviews conducted, we did not find any significant evidence to cause concern of violations of any laws or University policies around intellectual property; however, we also determined that at The Hormel Institute, as well as elsewhere research is conducted, there are inherently limited controls to prevent the potential for misappropriation of intellectual property beyond communication of applicable laws and policies. Certain issues that had potential legal implications were forwarded to the Office of the General Counsel for further review.

College of Veterinary Medicine



Report #	1924	Issue Date	May-19
# of Essential Recs.	4	Total # of Recs.	6
Overall Assessments:	Good	Adequacy of MAP	Satisfactory

Established in 1947, the University of Minnesota College of Veterinary Medicine (Vet Med) is Minnesota’s only veterinary college. Vet Med is comprised of three departments; Veterinary and Biomedical Sciences, Veterinary Clinical Sciences, and Veterinary Population Medicine. Vet Med

leadership recently recognized a need for improvement in managing department budgets. They implemented proactive efforts to meet with each department once or twice a month, an improvement from the past practice of meeting annually to discuss budgets. This has forced each department to stay focused and attentive to their budget. This process improvement moved two Vet Med departments out of financial trouble, leaving only one department with room to tighten financial controls. Issues marked as "essential" include activities related to external sales and training for sponsored project activities.

■ Adequate Control □ Significant Control Issue(s) ■ Critical Control Issue(s)

Office for Community Standards



Report #	1925	Issue Date	May-19
# of Essential Recs.	0	Total # of Recs.	4
Overall Assessment:	Good	Adequacy of MAP	Satisfactory

The Office for Community Standards (OCS), a unit under the Office for Student Affairs, is responsible for addressing potential Student Conduct Code violations in and outside the classroom. The office meets with students to resolve alleged violations using student development and restorative justice practices when possible. We believe OCS has developed a control environment and a system of internal control that addresses most operational and compliance risks. The audit resulted in no issues considered "essential" to minimizing existing operational and compliance risks. However, four issues were rated significant and involve improving processes related to student discipline, communication regarding syllabi language around academic dishonesty, and periodic access review for the student conduct database.

SNAP Audit Summary

SNAP audits are highly-focused reviews conducted on a single University process or activity. These audits 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. The following is a summary and associated results of the Snap audits we conducted this reporting period.

- **Merit Increases - Effect on Augmentation Rates**

Employee's receiving augmentation pay do not have merit increases handled consistently. There are instances where merit increases are calculated from the combination of base pay and an augmentation, and other times when it is not. The administrative procedure entitled, "Determining Salaries for Academic Professional and Administrative Employees" says that "Any salary adjustments during the term of administrative office are appropriately divided between the base and the augmentation." We received clarification from the business process owner that unit managers have latitude when deciding whether to increase the augmentation or not when providing merit increases. We advised OHR to consider reviewing and clarifying the language of the policy's administrative procedure to reflect this interpretation.

- **Personal Holiday Usage**

In our PS Upgrade Audit in 2016 we identified HRMS did not have a control in place to prevent employees from taking more than eight hours of personal holiday in a fiscal year as required by policy. OHR subsequently implemented this control and our testing during our follow-up in 2018 found it to be working effectively. However, recent queries showed employees with more than eight hours of personal holiday. Our review found the HRMS control only worked for employees who submitted and approved time through HRMS directly. Employees that used other systems linked with HRMS (e.g., Kronos) were able to submit more than eight hours of personal holiday. In addition, we reviewed whether employees were systematically able to split personal holiday time in third-party systems as this is also not allowed by policy. However, we could not verify whether a control is in place to prevent this from occurring. We advised OHR to implement controls in HRMS that would not allow more than one personal holiday or split holiday hours from a third-party system to be paid through HRMS.