# Internal Audit Update

University of Minnesota Regents Audit and Compliance Committee
June 11, 2020

This report includes:
- Audit Observations/Information/Status of Critical Measures/Other Items
- Audit Activity Report
- Audit Reports Issued Since February 2020
- SNAP Review 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 charts to present a quick overview of work performed by the Office of Internal Audit.

The first chart, entitled "Progress Towards Annual Audit Plan Completion," is our assessment of how we are progressing towards completion of the FY 2020 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 second 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.

No chart on the implementation rate of essential recommendations is provided as we did not perform follow-up on these outstanding items given disruptions and demands placed on University resources due to the ongoing COVID-19 pandemic. We discussed this decision with the Chair and Vice Chair of the Audit and Compliance Committee, and informed senior management in April. We will resume follow-up on outstanding essential items for the next reporting period, and intend to work with management to ensure remediation efforts continue in the interim.
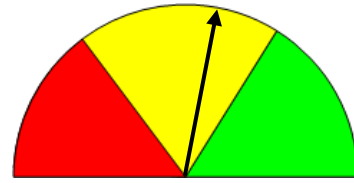
| **Essential Recommendation Implementation** | **Progress Towards Annual Audit Plan Completion** | **Time Spent on Non-Scheduled Audit Activities** |
|---|---|---|

# N/A

Follow-up on outstanding essential recommendations was not performed this period.
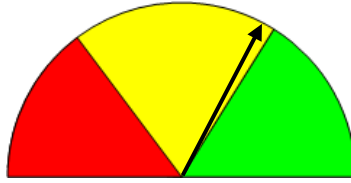
Time spent to date on the FY 2020 audit plan is less than was expected and budgeted for the year to date.

Time spent on investigations, special projects and management requests is more than expected and budgeted for the year to date.

**Other items:**

- All Office of Internal Audit staff transitioned to working remotely in March due to the COVID-19 pandemic. Audit work continues relatively smoothly because of the ongoing prompt and helpful assistance of University personnel.

# Audit Activity Report

## Scheduled Audits

**Completed Audits Of:**
- Internal/External Sales Organizations
- Office of Student Finance
- OHR Vice President Transition Review
- Computer Science and Engineering
- Carlson School of Management
- Department of Public Safety IT
- Executive Vice President and Provost Transition Review
- University Purchasing Contract Management
- UMN Duluth College of Liberal Arts
- The Aurora Center for Advocacy and Education
- University Identity and Access Management

**Began/Continued Audits Of:**
- Executive and Dean Expenses
- Anatomy Bequest Program
- International Scholars
- Laboratory Medicine & Pathology
- Prepaid Debit Cards
- University Health and Safety
- U Market
- CFANS Research Outreach Center (Waseca)
- UMN Duluth Student Life Administration
- UMN Duluth Labovitz School of Business and Economics (LSBE)
- OIT Job Scheduling
- OIT Application Change Management

- Continued a collaborative review of University Mental Health services with the Provost's Office. This included collaboration with University professionals from Boynton Health Services, Student Counseling Services, Student Affairs, Office of the Provost, Office of the President, and Office of Measurement Services. This team developed an electronic survey to compile an inventory of student mental health services, programs, and initiatives offered across the University of Minnesota system. The survey categorized student mental health services, programs, and initiatives into five main areas: Clinical Services, Non-Clinical Program/Services, Committees/Task Forces, Training/Educational Programs, and Peer/Student Programs. The survey found the University has several initiatives in place related to Mental Health with varying levels of coordination. Further work on this initiative is continuing and will be presented at a Mission Fulfillment Committee in the future.
- Continued a review of the Enterprise Access Management (EAM) implementation project management to confirm ongoing oversight of: budget, timelines, and deliverables.
- Completed four "SNAP Reviews" on the following topics: Alcohol Expenses on Sponsored Funds, Temporary/Casual Appointments, PI Effort Certification, and P&A Vacation Review.

## Investigations

- Performed investigative work on five 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.
- Completed a review of the University process to enroll new employees in the Preventing and Responding to Sexual Misconduct Training (PRSM) training course and the tracking of completion of this training.
- Provided technology consulting in several areas including: HIPAA security, system logging and monitoring, IT service ticketing solution migration, account and vulnerability management, and the IT security framework and policies.
- Assisted with a project to validate current software being used to obtain electronic consent from human participants under FDA guidelines as the use of electronic consent grew considerably under the pandemic.
- Began work to assess processes associated with the distribution of funds to students provided from the CARES act.

## 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 Committees
- HRPP Advisory Committee
- Research Compliance Committee
- P & A Senate
- Data Center Co-Location Initiative
- Data Storage Council
- Metropolitan Council Audit Committee
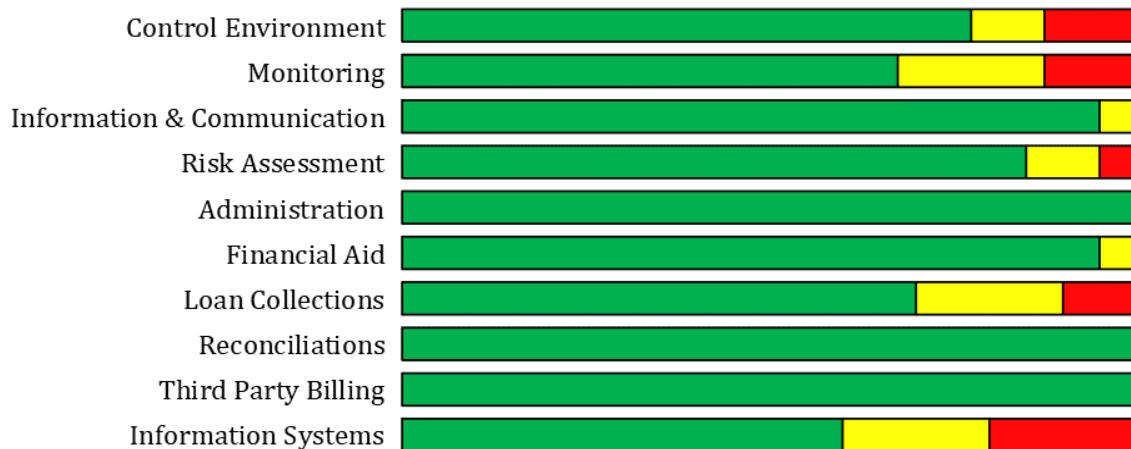
# Audit Reports Issued Since February 2020

## Internal/External Sales Office

| Category | |
|---|---|
| Control Environment | 🟩 |
| Monitoring | 🟩 |
| Information & Communication | 🟩 |
| Risk Assessment | 🟩 |
| Administration | 🟩 |
| Internal Sales Org | 🟩 |
| External Sales Org | 🟩 |

| | | | |
|---|---|---|---|
| Report # | 2015 | Issue Date | Feb-20 |
| # of Essential Recs. | 0 | Total # of Recs. | 0 |
| Overall Assessment | Good | Adequacy of MAP | NA |

The Internal/External Sales Office (IESO) is a unit within the Controller's Office. The IESO is responsible for the initial review and facilitation of the institutional approval of the internal/external sales activity and rates, risk based review of the internal/external sales activities and oversight. The department also consults with University departments or units wanting to sell goods or services to other University units or customers outside of the University. IESO policies and procedures were determined to be clear, concise and complete.

## Office of Student Finance

| Category | |
|---|---|
| Control Environment | 🟩🟨🟥 |
| Monitoring | 🟩🟨🟥 |
| Information & Communication | 🟩🟨 |
| Risk Assessment | 🟩🟨🟥 |
| Administration | 🟩 |
| Financial Aid | 🟩🟨 |
| Loan Collections | 🟩🟨🟥 |
| Reconciliations | 🟩 |
| Third Party Billing | 🟩 |
| Information Systems | 🟩🟨🟥 |

| | | | |
|---|---|---|---|
| Report # | 2016 | Issue Date | Mar-20 |
| # of Essential Recs. | 5 | Total # of Recs. | 14 |
| Overall Assessments: | Good | Adequacy of MAP | Satisfactory |

The Office of Student Finance (OSF) on the Twin Cities campus has oversight for the entire lifecycle of student finances for all University of Minnesota students. OSF calculates financial aid eligibility and manages the awarding, origination, and disbursement of financial aid as well as billing, accounts receivable, student loan entrance and exit interviews, and loan and account collections. From the results of the audit work performed, we believe that OSF's control environment and system of internal controls is good and addresses most major business and compliance risks. However, five recommendations rated as "essential" address system authentication and activity logs, shared accounts, two contracted vendor systems lacking two-factor authentication, improvements for following the terms and conditions for federal health professions loans, and implementing improved processes regarding the review of loans that are cancelled or marked as "pending write off."

🟩 Adequate Control  🟨 Significant Control Issue(s)  🟥 Critical Control Issue(s)

# Office of Human Resources VP Transition Review

| Report # | 2017 | Issue Date | Mar-20 |
|---|---|---|---|
| # of Essential Recs. | 0 | Total # of Recs. | 0 |
| Overall Assessments: | Good | Adequacy of MAP | NA |

From the results of the review, we believe the activities of the former Vice President for Human Resources reflects a prudent use of University resources and thoroughness in the necessary administrative functions required for a smooth transition for the interim VP. Interviews with the interim VP and the Director of OHR Strategy, as well as a review of HR and financial data, indicate that there were no financial or employment-related off-book commitments, no larger than expected salary increases to direct reports, no significant new/increased deferred compensation agreements, and no large financial transfers to the former VP's new unit. Contractual obligations to the former VP that were previously approved by prior University Presidents were updated and approved by the Senior Vice President for Finance and Operations and provided to President Gabel. Administratively, all expense reports, vacation leaves, performance appraisals, and Reports of External Professional Activities submissions of direct reports have been completed and approved.

## Computer Science and Engineering



| Report # | 2018 | Issue Date | May-20 |
|---|---|---|---|
| # of Essential Recs. | 3 | Total # of Recs. | 7 |
| Overall Assessment | Good | Adequacy of MAP | Satisfactory |

CS&E is a department within the College of Science and Engineering and was established in 1970 as an initiative to manage computing resources on campus. Today this department is expanding at an incredible rate to meet the technology demands of a rapidly changing world. This is hindered due to resource restrictions such as lack of faculty and space. From the results of the audit work performed, we believe CS&E has developed a control environment and a system of internal control that addresses most major business and compliance risks. However, the audit resulted in three issues considered "essential" to minimizing existing operational and compliance risks including establishing compliance with the Safety of Minors policy including background checks, training and approved waiver forms, instituting procedures to ensure human resource processes conform to federal and University I-9 and background regulations, and implementing proper approval processes from Risk Management and Office of the General Council for charter bus rentals.

■ Adequate Control   □ Significant Control Issue(s)   ■ Critical Control Issue(s)
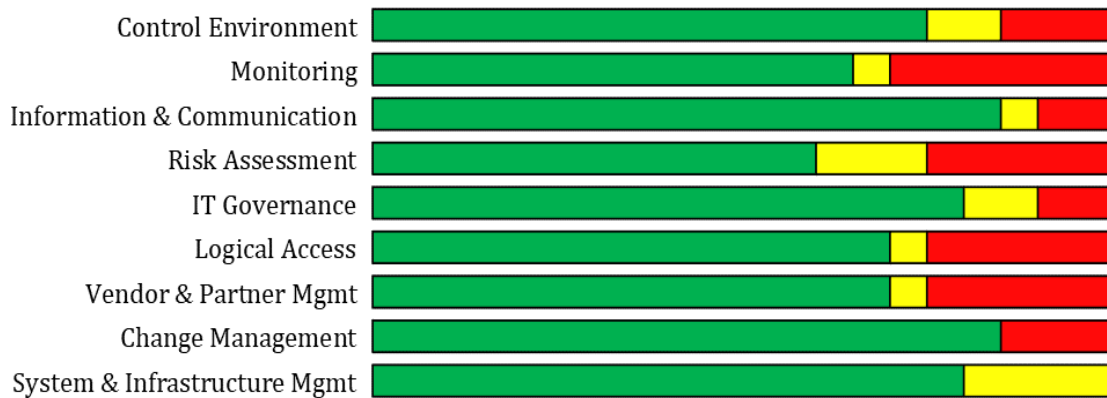
# Carlson School of Management

| Category | Assessment |
|---|---|
| Control Environment | ████████████████████ ░ |
| Monitoring | ████████████████████ ░ ▓ |
| Information & Communication | ████████████████████ ░ |
| Risk Assessment | ████████████████ ░ ▓ |
| Administration | ████████████████████ |
| Sponsored Projects | ████████████████████ ▓ |
| Payroll | ████████████████████ ░ |
| Disbursements/Purchasing | ████████████████████ ░ |
| Scholarships/Admissions | ███████████████████ ░ |
| Carlson Global Institute | ███████████████████ ░ |
| Carlson Funds Enterprise | ████████████████████ |

| | | | | | |
|---|---|---|---|---|---|
| Report # | 2019 | Issue Date | | May-20 | |
| # of Essential Recs. | 1 | Total # of Recs. | | 5 | |
| Overall Assessments: | Good | Adequacy of MAP | | Satisfactory | |

The Carlson School of Management (CSOM) recently celebrated 100 years as the University of Minnesota's business school. Financial management and operations of the School are very good. This is especially noteworthy as it relates to their centennial celebrations where they effectively managed numerous events by establishing and adhering to a comprehensive budget and appropriately tracking associated expenses. The Carlson Global Institute and Carlson Funds Enterprise (CFE) programs are both overall well-managed with sufficient oversight and policies in place. One issue considered "essential" was identified in the sponsored project reviewed involving two unallocable expenses which have since been removed.

# Department of Public Safety IT

| Category | Assessment |
|---|---|
| Control Environment | ████████████ ░ ▓▓▓ |
| Monitoring | ██████████ ░ ▓▓▓▓▓▓ |
| Information & Communication | ████████████████ ░ ▓▓ |
| Risk Assessment | ██████████ ░░ ▓▓▓ |
| IT Governance | ███████████████ ░ ▓ |
| Logical Access | ████████████ ░ ▓▓▓ |
| Vendor & Partner Mgmt | ████████████ ░ ▓▓▓ |
| Change Management | ██████████████████ ▓ |
| System & Infrastructure Mgmt | █████████████████ ░░░ |

| | | | | | |
|---|---|---|---|---|---|
| Report # | 2020 | Issue Date | | May-20 | |
| # of Essential Recs. | 8 | Total # of Recs. | | 15 | |
| Overall Assessments: | Needs Improvement | Adequacy of MAP | | Satisfactory | |

The Department of Public Safety (DPS) consists of the University of Minnesota Police Department (UMPD), University Security, and the Public Safety Emergency Communications Center (PSECC); these units report to the chief of police. DPS demonstrates a strong commitment to maintaining the safety and security of the University of Minnesota. However, given the high-risk nature of the operations they support, DPS' IT control environment and associated system of internal controls needs improvement. There are several processes that are not in compliance with the University's Information Security Policy and require further improvements to minimize risk to data confidentiality, integrity, and system availability. IT professionals supporting DPS systems are highly capable and well-trained. However, the roles and responsibilities amongst the various DPS' support teams should be more clearly defined, and in some cases support processes should be re-evaluated.

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

# Executive Vice President and Provost Transition Review

Due to the limited scope of the audit and no issues being identified a control evaluation chart was not developed for this report.

| Report # | 2021 | Issue Date | May-20 |
|---|---|---|---|
| # of Essential Recs. | 0 | Total # of Recs. | 0 |
| Overall Assessment: | Good | Adequacy of MAP | NA |

From the results of the audit work performed, we believe the activities of the former Executive Vice President and Provost reflect a prudent use of University resources and thoroughness in the necessary administrative functions required for a smooth transition for the new Executive Vice President and Provost. Interviews with the Chief of Staff, Finance Director, and HR Director, as well as a review of HR and financial data noted no significant new/increased deferred compensation agreements, and no large financial transfers to the former Provost's new unit. Administratively, all expense reports, vacation leaves, performance appraisals, and Reports of External Professional Activities submissions of direct reports have been completed and approved.
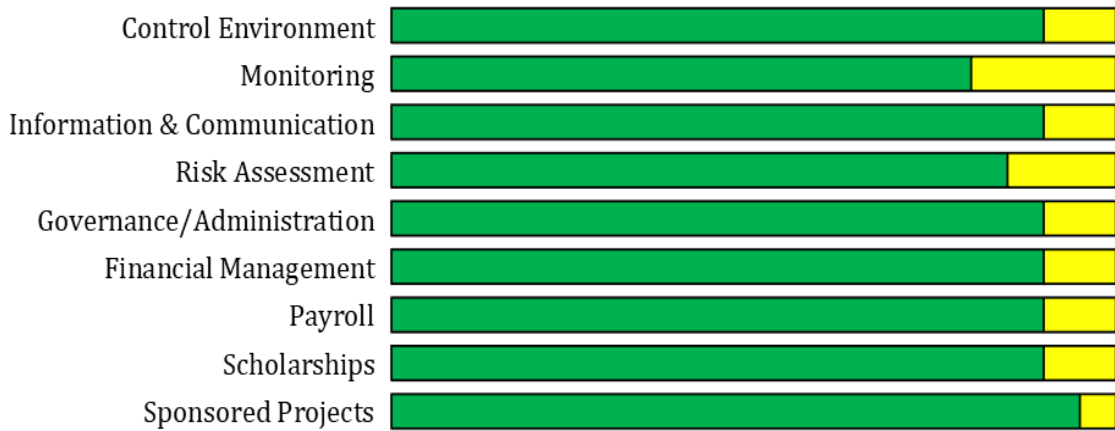
# University Purchasing Contract Management

Control Environment
Monitoring
Information & Communication
Risk Assessment
Purchasing Services Mgmt
Unit Mgmt

| Report # | 2022 | Issue Date | May-20 |
|---|---|---|---|
| # of Essential Recs. | 2 | Total # of Recs. | 13 |
| Overall Assessment: | | Adequacy of MAP | Satisfactory |

Unit Contract Management = Good; Contract Management Program= Adequate

Guidance for contract management was established by the Senior Vice President for Finance and Operations in Fall 2017 through a Contract Management Program. This program is intended to provide more guidance on the expectations around contract management. The types of contracts to be tracked centrally were to include U-Wide and U-Market contracts, contracts over $1 million (Regents approved), and any contract over $50 thousand with multi-year terms and conditions. From the results of the audit work, we believe there is an opportunity to further circulate and communicate the Contract Management Program and to establish Purchasing Services' role within this program. There is opportunity to strengthen the Contract Management Program in order to ensure clear guidance for contract monitoring and oversight of the University's approximately 300 purchasing contracts that flow through Purchasing Services.

■ Adequate Control  □ Significant Control Issue(s)  ■ Critical Control Issue(s)
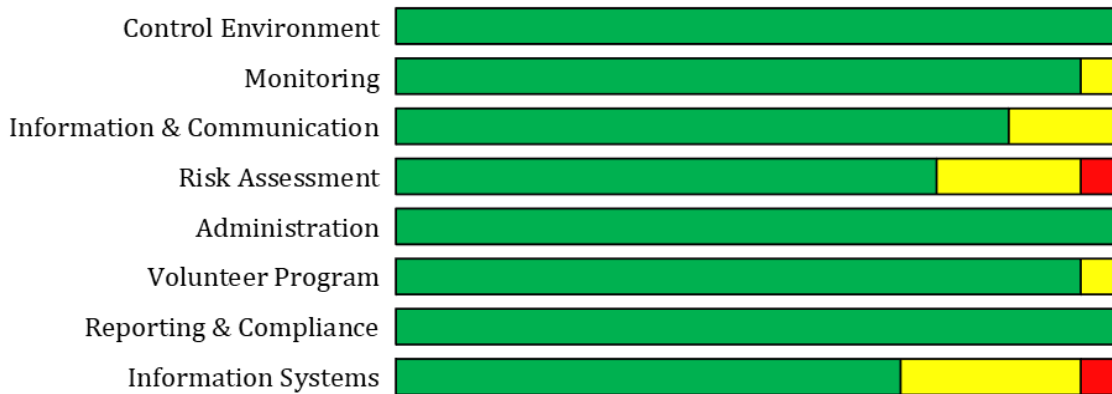
## UMN Duluth College of Liberal Arts

| Category | Assessment |
|---|---|
| Control Environment | Adequate Control (with Significant Control Issue) |
| Monitoring | Adequate Control (with Significant Control Issue) |
| Information & Communication | Adequate Control (with Significant Control Issue) |
| Risk Assessment | Adequate Control (with Significant Control Issue) |
| Governance/Administration | Adequate Control (with Significant Control Issue) |
| Financial Management | Adequate Control (with Significant Control Issue) |
| Payroll | Adequate Control (with Significant Control Issue) |
| Scholarships | Adequate Control (with Significant Control Issue) |
| Sponsored Projects | Adequate Control (with Significant Control Issue) |

| | | | |
|---|---|---|---|
| Report # | 2023 | Issue Date | May-20 |
| # of Essential Recs. | 0 | Total # of Recs. | 10 |
| Overall Assessment | Good | Adequacy of MAP | Satisfactory |

Shortly after the start of the audit, UMN Duluth leadership announced that CLA will merge with UMN Duluth School of Fine Arts (SFA) effective FY 2021 as part of the campus' strategy for addressing its financial shortfall. The impending CLA-SFA merger did not impact the audit scope as the time period under review was the preceding 12 months. From the results of the audit work performed, we believe CLA has developed a control environment and a system of internal control that addresses most major business, compliance and information technology risks. CLA's effective management of these processes should provide a strong foundation for establishing control processes for the combined CLA-SFA college.

## Aurora Center for Advocacy and Education

| Category | Assessment |
|---|---|
| Control Environment | Adequate Control |
| Monitoring | Adequate Control (with Significant Control Issue) |
| Information & Communication | Adequate Control (with Significant Control Issue) |
| Risk Assessment | Adequate Control (with Significant and Critical Control Issues) |
| Administration | Adequate Control |
| Volunteer Program | Adequate Control (with Significant Control Issue) |
| Reporting & Compliance | Adequate Control |
| Information Systems | Adequate Control (with Significant and Critical Control Issues) |

| | | | |
|---|---|---|---|
| Report # | 2024 | Issue Date | May-20 |
| # of Essential Recs. | 1 | Total # of Recs. | 5 |
| Overall Assessment | Good | Adequacy of MAP | Satisfactory |

The Aurora Center (TAC) was established on the Twin Cities campus in 1986. TAC has eight full-time staff, five paid student positions, and about 100 volunteers. From the results of the audit work performed, we believe TAC has developed a control environment that addresses its most significant business and compliance risks. Through interviews and testing, we have concluded that TAC is adhering to confidentiality requirements, providing adequate employee and volunteer training, and complying with applicable federal and state laws. The issues noted all pertain to the Aurora Client Application used by TAC staff to schedule appointments and store information of clients. Elimination of shared accounts, establishment of formal documentation of user application procedures, addition of multifactor ACA access and implementation of University authentication to the web portal would strengthen controls on an application that contains sensitive data.

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

# University Identity and Access Management

A control chart was not developed for this audit as it was performed as a collaborative assessment.

Report #                    2025        Issue Date                    Jun-20

A collaborative assessment is an audit approach being piloted by Internal Audit. Its goal is to foster additional collaboration with management on the assessment of risk and developing potential mitigation solution strategies for process audits where there is a mutual understanding and general agreement on known critical risks. The audit reviewed risks associated with Identity and Access Management (IAM) throughout the institution. IAM are the processes for confirming users' identity and managing their access to IT systems. Internal Audit and management jointly agreed a high level of risk exists with IAM processes and identified 16 of 25 categories assessed as currently high risk. Management has developed a long-term mitigation strategy to address these issues. Internal Audit and the VP and Chief Information Officer plan to provide additional details related to the collaborative assessment approach, IAM results, and the plan for remediating risks and following-up on results in a presentation to the June Audit & Compliance Committee.

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

# SNAP Review Summary

SNAP reviews are highly-focused reviews conducted on a single University process or activity. These reviews are designed to be completed quickly, and often leverage data analytics to minimize unit disruptions. They are intended to provide prompt results to business process owners so that potential problems can be addressed prior to formal audit reviews. The following is a summary of the SNAP reviews we conducted this reporting period.

**Alcohol on Sponsored Awards**

We reviewed alcohol charged to sponsored awards to determine allowability and monitoring performed by Sponsored Financial Reporting (SFR).

**Temp/Casual Employees**

We reviewed temporary and casual appointments to determine compliance with University and federal policies.

**PI Effort**

We reviewed Principal Investigator (PI) effort reporting and monitoring to determine whether all PIs are reporting at least 1% effort on their projects.

**P&A Vacation**

We reviewed P&A employee compliance with taking vacation in four or eight hour increments as required by University policy.