



June 20, 2023

Office of Internal Auditing

Joint Meeting: Audit and Workforce and Organizational Effectiveness Committee

Project Results – Ethics, Employee Conduct, and Fraud Review

(Advisory Project)

MINNESOTA STATE

Project Background & Objectives

The objective was to assess the current practices for managing activities related to ethics, employee conduct, and fraud to gain an understanding of the relevant policies and procedures, regulations, communication channels, and supporting tools to manage the various areas.



Scope and Approach



Selected five (5) colleges and universities based on diverse size and location, along with the system office, to focus interviews and evaluation



Reviewed documentation, conducted interviews, benchmarked against peer institutions, assessed policy alignment with applicable state statutes, evaluated monitoring efforts of training requirements, and gathered insight into escalation and investigation procedures for ethics, employee conduct, and fraud allegations

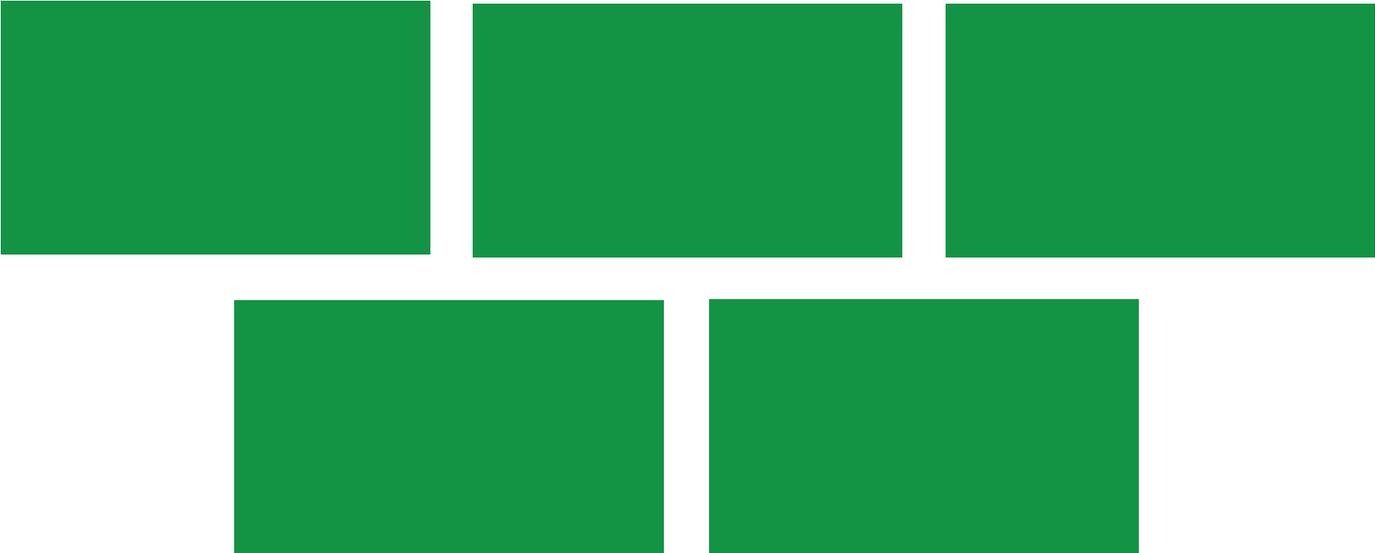


Developed recommendations to address gaps noted and improve practices aligned with the culture, budget, and context of Minnesota State and advise on how to implement a more proactive approach to managing risks related to ethics, employee conduct, and fraud



Conclusion

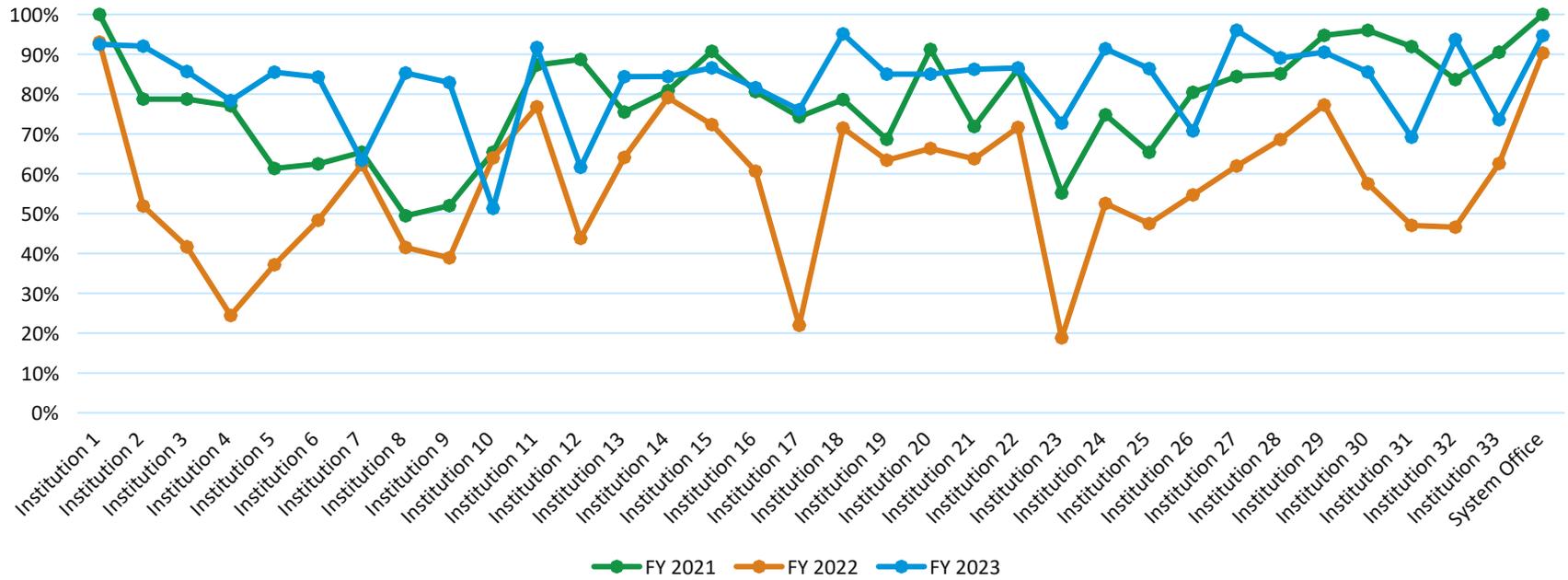
Minnesota State has an opportunity to enhance its ethics, employee conduct, and fraud related practices in the following areas:



Code of Conduct Training Data

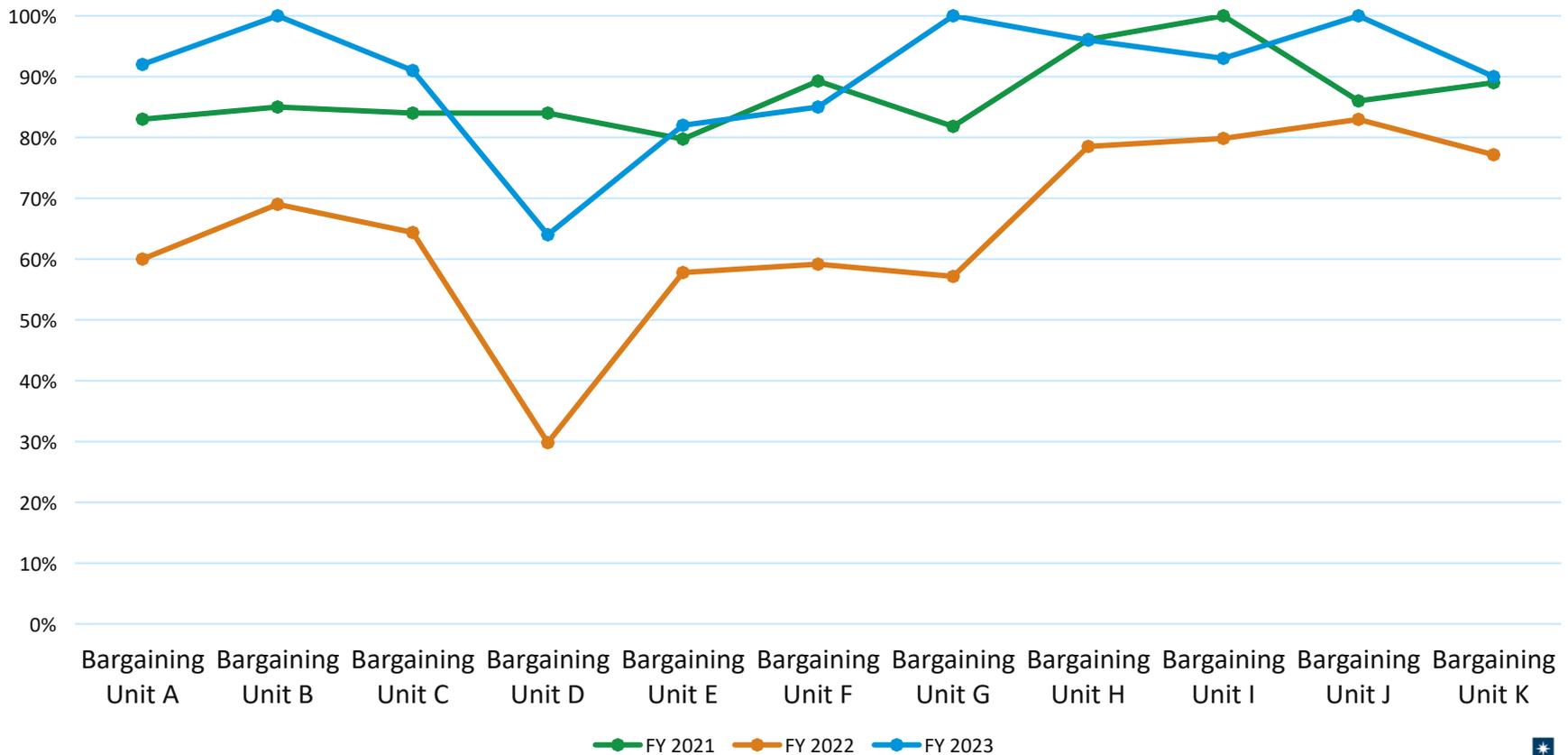
We reviewed and analyzed the completion rates of the Code of Conduct Training for FY 2021, FY 2022, and FY 2023. The data in the following diagrams are sourced from the Code of Conduct Training Completion Data provided by the Human Resources Division as of May 31, 2023.

Diagram 1: Code of Conduct Training Completion by Institution



Code of Conduct Training Data by Bargaining Unit

Diagram 2: Code of Conduct Training Completion by Bargaining Unit



Code of Conduct Training Data by year based on System Completion

Diagram 3: Average Code of Conduct Training Completion Rate by Year



Risk

Why does it matter?



Improvement Opportunities and Recommendations

Goals and Objectives related to Ethics, Employee Conduct, and Fraud



Update the Code of Conduct, Core Commitments, Core Values, and Strategic Framework, to reinforce expectations around the ethical environment. Implement a communication plan to communicate expectations related to ethics, employee conduct, and fraud. Identify an owner of ethics-related processes to define responsibility and enhance tone at the top.

Policies and Procedures Alignment with Industry Best Practice



Update the Code of Conduct to ensure alignment with state regulations and consider including leading practices of peer institutions. Additionally, add specific instances of recent investigations to FAQs to provide lessons learned.

Implementation and Sufficiency of a Conflict of Interest Process



Create a documented Conflict of Interest (COI) policy and formalize the COI process. This should include:

- Disclosure requirements and education on requirements
- Procedures for reviewing COI
- Development and monitoring of COI management plans

Implementation, Tracking, and Monitoring of Training and Awareness Activities



Further define potential consequences related to Code of Conduct Training completion rates and continue monitoring efforts past the deadline. Define specific thresholds for completion rates and define impacts in accordance with each.

Improvement Opportunities and Recommendations, *cont.*

Implementation and Sufficiency of Investigations: Intake



In the short term, document reporting capabilities in a centralized location for easy identification of reporting avenues. In the long term, implement system-wide reporting platform for complaints and allegations. Allegations reported outside the platform should be recorded on the platform to ensure comprehensive data.

Implementation and Sufficiency of Investigations: Escalation



Inform the Office of Internal Audit of fraud allegations at the inquiry stage. Consider an institutional committee model to help guide institution-level investigations. IA and the system office should work with institutions in building a consistent process across the system. Maintain a list on the status of all ethics and employee conduct allegations.

Implementation and Sufficiency of Investigations: Execution



Leverage the Minnesota State Labor Relations Investigations Guidebook and associated training to implement consistent processes for investigations. Each institution should document the individuals designated as investigators and decision makers, as well as the process for identifying outside investigators and decision makers.

Management Response Next Steps

The Vice Chancellor for Human Resources and the General Counsel will develop responses related to next steps to implement the recommendations presented in this project.

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