

# **Assessment of the University of Wisconsin System's Internal Audit Function System-wide**

**July 11, 2013**

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# Assessment Overview

- > A review of the University of Wisconsin System (UWS) Internal Audit function was requested by System leadership.
- > Focused on fully optimizing the Internal Audit function system-wide.
- > Recommends changes to ensure that the System leaders and the Director of the Internal Audit function can proactively position the System to address audit, enterprise risk management, and compliance issues.
- > An independent review team, comprised of experts in higher education internal audit from Duke University and the accounting and advisory firm Baker Tilly, interviewed over 25 individuals, including representatives from the Board of Regents, the UW System Office, campus executive leadership, and institution Internal Audit staff.

# Assessment Overview - Interviewees



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- > Board of Regents
- > Institution Chancellors
- > Institution Chief Business Officers
- > Institution Internal Audit Directors and Staff
- > System Leadership & Management
- > System Internal Auditors
- > Former Internal Audit Directors
- > Former Institutional-based Auditors

# Presenter Introductions

**Michael L. Somich, CPA**  
**Executive Director of Internal Audits**  
**Duke University**



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- > Mike Somich is the Executive Director of Internal Audits at Duke University, responsible for all internal audit activities of the Duke University, Duke Management Company (DUMAC, LLC), and Duke Medicine.
- > Manages the Institutional Ethics and Compliance program and facilitates the enterprise risk management process for Duke University. Mike also chairs the Conflict of Interest Advisory Committee and the Administrative Conflict of Interest Committee.
- > Mike has participated in five quality assurance review teams of peer institutions and is a frequent speaker at national meetings on the topics of compliance, enterprise risk management, and internal audit department operations.
- > Prior to joining Duke University in November 2004, Mike had 31 years of experience, including 20 as a partner, specializing in hospital and related health care audits in the Deloitte & Touche accounting firm in Chicago, St. Louis, and Rochester, NY.

# Raina Rose Tagle, CPA, CISA, CIA

## Partner and National Higher Education Industry Leader, Baker Tilly



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- > Raina Rose Tagle is a Partner with Baker Tilly, an accounting and advisory firm with more than 1,800 personnel nationwide.
- > Leads Baker Tilly's national higher education and research institutions industry practice.
- > Serves as leader for Baker Tilly's internal audit and risk advisory services, including internal audit, financial and operational risk management, construction audit, fraud investigation, technology risk consulting, and organizational governance.
- > Raina has led four peer reviews of major research institutions' internal audit functions, regularly presents at conferences of the Association of College and University Auditors, the National Council of University Research Administrators, and has co-authored articles in NCURA Magazine and Research Global.
- > Clients include the University of California System, the University of North Carolina at Chapel Hill, Stanford University, Columbia University, Princeton University, University of Pennsylvania, and Georgetown University.



# Summary of Recommendations

- > Governance Structure
- > Title and Reporting Relationship
- > Oversight of System-wide Internal Audit Function, Enterprise Risk Management Process, and Compliance Program
- > Chief Audit Executive Position
- > Institutional Internal Audit Structure
- > Internal Audit Resources
- > Internal Audit Reporting

# 1. Governance Structure



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To effectively fulfill its fiduciary responsibility, the Board of Regents (the Board) should establish a separate Audit Committee with a defined Charter and oversight responsibilities for:

- > The audit process (including external audit and internal audit),
- > Financial reporting process
- > Compliance and monitoring
- > Internal controls
- > Enterprise risk management process
- > Ethics and code of conduct

## 2. Title and Reporting Relationship



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The title of the Internal Audit Director should be changed to Chief Audit Executive (CAE).

- > This individual should report directly to the Audit Committee of the Board of Regents with a dotted line to the President.
- > This is equivalent to best practice within private sector and conforms to the Institute of Internal Auditors (IIA) *Standards*.
- > Ensures the necessary level of authority and autonomy for the chief executive of the Internal Audit function.

### 3. Oversight of System-wide Internal Audit Function, Enterprise Risk Management Process, and Compliance Program



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In exercising its responsibility for oversight of these areas, the Audit Committee should ensure that a degree of System-wide facilitation and monitoring exists for:

- > Internal Audit function
- > Enterprise risk management process
- > Institutional compliance programs

## 4. Chief Audit Executive Position



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The Board should appoint a seasoned Chief Audit Executive to focus on assisting the Audit Committee in meeting its Charter responsibilities by positioning effective audit, enterprise risk management, and compliance programs System-wide.

The incumbent of this position must:

- > Possess a clear vision for an effective, central Internal Audit function
- > Be able to navigate the politics of a system environment
- > Promote collaboration with the Board and all UW institutions

## 5. Institutional Internal Audit Structure



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To improve the effectiveness of the Internal Audit function, Internal Audit staff at all institutions should report directly to the System Internal Audit Office with a specific process defined to allow for collaborative prioritization of audit plans and programs between the CAE and institution Chancellors and Chief Business Officers (CBOs). This structure will:

- > Assure appropriate authority for oversight of the institutional Internal Audit functions to meet the Board's fiduciary responsibility.
- > Allow institutions to also request audits specific to their operations.

## 6. Internal Audit Resources



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Internal Audit resource allocations should ensure that subject matter specialization is accessible System-wide such as:

- > Technology audit expertise
- > Specialty compliance knowledge

Transition to the regional-based structure should include careful consideration of how to meet management's needs relative to investigation, monitoring and audit support functions that are currently being performed by institution-based Internal Audit staff.



## 7. Internal Audit Reporting



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The Audit Committee should receive regular reporting on Internal Audit activities and results that:

- > Is System-wide (all campuses and central System);
- > Includes status of prior Internal Audit recommendations; and
- > Offers consistent reporting on compliance and significant risk exposures.

# Contact Information

Thank You



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