

**UW System Board of Regents
Audit Committee
December 5, 2013
1920 Van Hise Hall**

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 8:03 a.m. by Regent Gerald Whitburn. Roll call was taken and Regents Whitburn, Mueller, Higgins, and Pruitt were present.

Regent Whitburn stated that this was the initial meeting of the free-standing Audit Committee and the committee remains in transition. He said the Board of Regents' decision to have a free-standing Audit Committee elevates the function of the Committee and has implications on all the programs in our respective institutions. Regent Whitburn continued by saying he wants to encourage and foster an informal line of communication between the chairman of the Committee and individual UW institutions which should relate any significant or material event that may occur across the campuses. He said that this new structure with regard to the role of the Audit Committee and the role of the chair of the Audit Committee is generally considered a "best practice."

a. Update on Chief Audit Executive (CAE) Hiring

Regent Mueller stated the national search is progressing and there are good candidates, however, not as many as were expected. The search and screen committee met on December 4 and has narrowed the list of candidates. Telephone interviews are currently being scheduled. The plan is to interview finalists in January and forward three to five names to the chair of the Audit Committee and the incoming President of the UW System for consideration.

b. Discussion of Dual Employment Audits

Steve Mentel, Assistant Director of the Office of Internal Audit, gave an overview of the dual employment and overload audits. The dual employment audit was part of the 2013 Audit Plan and it was decided that all four-year campuses, UW Colleges and Extension, and UW System would be audited. He explained the terminology of dual employment and overloads or overload payments, as well as outlining the audit timeline, sampling, objectives, and process used. He noted that the sampling of employees was judgmental and was based on individuals who were close to or over the \$12,000 cap previously imposed by state of Wisconsin and UW policy. In addition, Assistant Director Mentel said the \$12,000 overload cap had been in effect since 1994 and was lifted for the UW System on July 1, 2013. Assistant Director Mentel said there were numerous discrepancies regarding the coding of payments within the HRS system. He said that codes from the former legacy system had carried over into the Human Resource System (HRS), HRS currently utilizes multiple codes, and these codes do not cap all payments in total but cap

the payments associated with each code at \$12,000. Therefore all payments totaled for an individual could exceed the \$12,000 cap. In addition, the audit revealed concerns across the UW System involving timing of approvals, lack of supporting documentation, and reasonable timing of payments. The Committee discussed how an employee qualifies for a dual employment/overload payments, who is responsible for institutional controls or processes and for enforcing current policy, and why the dollar limit was initially imposed and subsequently lifted. Sr. Vice President Miller said the rules for making, processing, and approving overload/overload payments are still in effect; however, the statutory cap on the amount of these payments was eliminated for UW employees. He also said that overloads are used because they are an efficient way to increase productivity in handling small projects. Regent Whitburn said that Assoc. Vice President Al Crist has met with UW Chancellors to determine best practices with regard to compliance in an environment without the \$12,000 cap. Regent Whitburn also urged Chancellor Telfer (interim UW System President) to carefully monitor the implementation of the new policies across the System. Regent Pruitt asked Mr. Mentel what the size of the problem or error rate is in relation to all payments. Assistant Director Mentel said due to the sampling group, which was developed based on professional judgment, extrapolating an error rate based on the population would be difficult due to all the coding errors and the identified payments that were included in the sample and, by design, totaled close to or over \$12,000. Regent Mueller said she was optimistic that with HRS and consistent coding, the Committee would be able to get the desired data. She also said a follow up audit is not needed, but she is interested in a tracking system for monitoring.

c. Status Update of the Office of Internal Audit

Assistant Director Mentel introduced the UW System Administration audit staff to the Committee. He also provided the status update to the Audit Committee stating that the last audit in the 2013 Audit Plan, Physical Security and Access to Facilities Used in Camps and Programs for Children, had been started and all the other audits were either coming to a close or were at least partially completed. The next audit report the Committee will receive pertains to IT Backup and Disaster Recovery Procedures. Mr. Mentel noted that the strongest recommendation thus far is that back up data is not being stored far enough away from the primary data location. Regent Whitburn encouraged Chancellor Telfer to follow up with the Chancellors and push for best practice standards that call for IT backups to be an appropriate and secure distance from the primary site. Sr. Vice President Miller said he would work with the new UW System IT director and institutional CIOs to come up with safe backup options. Regent Whitburn asked Mr. Mentel about COBRA and said he understood it was not a routine process. Assistant Director Mentel said the Office of Internal Audit is currently completing the COBRA audits and writing the reports which will be available in early 2014. In addition, he agreed with Regent Whitburn's comments and said there are issues including who is responsible for COBRA notifications and timeliness of reporting. Regent Whitburn asked Chancellor Telfer to follow up on the COBRA issue.

d. 2014 Audit Plan

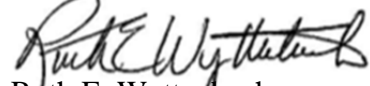
Assistant Director Mentel said the 2014 Audit Plan is being developed. A survey had been sent to approximately 140 individuals across the System forsaking to identify risk-based topics of concern. He said the Audit Plan will be brought to the Committee for approval in February. In addition he asked the Committee to be open to discussing the need for any project carry-over and/or any other projects or concerns that need to be reviewed by the Audit Office. Regent Mueller asked to receive the 2013 year-end tally of codes for dual employment at the February meeting. Regent Whitburn said the new Chief Audit Executive (CAE), the chair, and the co-chair will develop strategies for audit presentations focusing on substance going forward. He again encouraged campuses for input and feedback on audit issues and projects.

e. Committee Goals and Priorities

Regent Mueller said the Committee had accomplished much in its short existence and specifically mentioned the development of the Committee charter and a reconfigured office. She said the next step is to operationalize all that has been done to this point. She also said the audits need to be heard in a comprehensive way, our stakeholders expect us to be more accountable and transparent, and the University System needs to be more productive and efficient. Regent Whitburn said he looks forward to working with an experienced audit professional and encouraged the Committee to take advantage of the new ideas and impressions of the new Chief Audit Executive.

The meeting was adjourned at 8:50 am.

Respectfully submitted,



Ruth E. Wyttenbach

Recording Secretary