

7/29/14

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.5. Audit Committee

Thursday, August 21, 2014
UW-Oshkosh, Alumni Welcome
and Conference Center
Sodexo Grand Ballroom C
Oshkosh, Wisconsin

7:45 a.m. Audit Committee – Sodexo Grand Ballroom C

- a. Discussion of UW System update to Joint Legislative Audit Committee on Legislative Audit Bureau report 14-3, “University of Wisconsin System Fiscal Year 2012-13,” and report 14-4, “Oversight of the Human Resource System and Payroll and Benefits Processing”
- b. Discussion of Human Resource System security and internal control efforts
- c. Discussion of recent UW System Office of Internal Audit reports
- d. Report of the Chief Audit Executive
 1. Office update
 2. Initial observations

UPDATE ON LEGISLATIVE AUDIT BUREAU RECOMMENDATIONS

BACKGROUND

Since receiving the reports of the Legislative Audit Bureau in February 2014, the UW Service Center has been driven by clear priorities, all which aim to improve the access, security, financial reconciliation and administration of staff compensation and benefits. President Cross's letter of July 1, 2014 provides a detailed progress report on each of the issues raised in Legislative Audit Bureau reports 14-3 and 14-4.

REQUESTED ACTION

For information only.

DISCUSSION

UW Service Center staff efforts were first focused on external risks such as social security numbers and bank accounts. Once those concerns were addressed, staff attention was turned to internal risks such as proper user access, separation of duties, mitigating controls, and program change controls. Solutions to the issues have included implementation of change management software, reducing access to HRS, new reconciliation processes, routine management reviews, and drafting formal policies, among others. While much progress has been made, management clearly understands that much work still remains and is committed to continuing improvements. Immediate priorities of the UW Service Center include security and internal control, financial reconciliation, and the benefits administration process.

UW System Administration management has had ongoing dialogue with the Legislative Audit Bureau staff to communicate progress on major issues, such as security and internal control.

RELATED REGENT POLICIES

None.

HUMAN RESOURCE SYSTEM SECURITY AND INTERNAL CONTROL EFFORTS

BACKGROUND

In February, 2014 the UW Service Center launched an intense project to improve security and internal controls within the Human Resource System (HRS) and the UW System's payroll and benefits processes. The project goals address a number of concerns raised by the Legislative Audit Bureau in their reports 14-3 and 14-4. The prime goal of the project is to address the LAB's determination of a material weakness in the UW System's 2013 financial statements.

REQUESTED ACTION

For information only.

DISCUSSION

Legislative Audit Bureau report 14-3, the University of Wisconsin System's annual financial audit, recommended that the UW System report to the Joint Legislative Audit Committee by July 1, 2014 the status of its efforts to resolve HRS security concerns. In February, the UW Service Center launched a project to address security and internal control issues that involve HRS and the processing of human resources transactions, including payroll and benefits. The project addressed four major areas:

- Reduced access of technical IT staff, to lower the potential for fraud or mis-configuration of the system.
- Reduced access of functional HR staff, to lower the potential for fraud or inappropriate use of data.
- Enforced separation of duties, to reduce the potential for fraud by preventing a single staff member from being able to complete the entire HR workflow for an individual.
- Strong mitigating controls, to monitor and approve any conflicting transactions which are performed by a single staff member.

In an effort to critically review the project and its likelihood of meeting the stated goals, UW System Administration management engaged PricewaterhouseCoopers (PwC) to perform a review of HRS security and internal controls related to our human resources, payroll and benefits processes. PwC submitted a number of recommendations for improvement, some of which were implemented immediately. Other recommendations are being reviewed for action in coming months.

RELATED REGENT POLICIES

None.

AUDIT UPDATE

BACKGROUND

The Office of Internal Audit provides objective review and analysis services in order to add value to, protect, and strengthen the University of Wisconsin System.

REQUESTED ACTION

No action requested.

DISCUSSION

The attached document provides an overview of items to be discussed during the Board of Regents Audit Committee meeting on August 21, 2014, including activities of the Office of Internal Audit since April 10, 2014. Specifically, the following will be covered:

1. Major Project Activity
2. Audits on Hold or Deferred
3. Chief Audit Executive Update and Initial Observations

RELATED REGENT POLICIES

None.

AUDIT UPDATE

Agenda Items 3, 4

August 21, 2014

Agenda Item 3

Major Project Activity

Title	#	Status
Audit of Purchasing Card Expenditures		
• River Falls	2013-52	Report Date – March 5, 2014
• Platteville	2013-53	Report Date – February 4, 2014
• Oshkosh	2013-64	Report Date - May 12, 2014
• Stevens Point	2013-65	Report Date – April 29, 2014
• Extension	2013-67	Expected Date – August 2014
• Green Bay	2013-68	Report Date – March 10, 2014
• La Crosse	2013-69	Report Date – March 6, 2014
• Superior	2013-70	Report Date – May 7, 2014
• Whitewater	2013-71	Report Date – June 4, 2014
• Colleges	2013-72	Expected Date – August 2014
• Eau Claire	2014-01	Report Date – June 9, 2014
• UW System Administration	2014-02	Report Date – June 16, 2014
• Milwaukee	2014-23	Active

Major Project Activity, Continued

Title	#	Status
Audit of Compliance with Animal Research Requirements		
• Madison	2014-03	Active
• La Crosse	2014-04	Report Date – June 9, 2014
• Eau Claire	2014-05	Report Date – June 9, 2014
• Stevens Point	2014-06	Report Date – June 9, 2014
• Stout	2014-08	Report Date – June 9, 2014
• Milwaukee	2014-09	Expected Date – August 2014
• Oshkosh	2014-10	Report Date – June 9, 2014
• River Falls	2014-11	Active
• Whitewater	2014-12	Report Date – July 14, 2014
• Platteville	2014-13	Active
• Parkside	2014-14	Report Date – June 26, 2014

Major Project Activity, Continued

Title	#	Status
Audit of NCAA Division III Athletics		
• Oshkosh	2014-15	Active
• River Falls	2014-16	Active
• Platteville	2014-17	Active
• Superior	2014-18	Active
• Stout	2014-19	Active
Audit of Query Library Data Integrity		
• System Administration/Madison	2014-20	Active
Audit of Physical Security and Access		
• Milwaukee	2013-57	Active
• Madison	2013-58	Active
• Whitewater	2013-66	Active
Audit of Employee Payroll Information		
• Madison	2013-63	Report Date – April 16, 2014
• Colleges	2013-19	Report Date – May 30, 2014
Audit of System Travel Regulations		
• Madison	2013-48	Report Date – April 10, 2014

Major Project Activity, Continued

Title	#	Status
Audit of Limited Term Employment (LTE)		
• La Crosse	2014-07	Active
• Colleges	2014-21	Active
• Eau Claire	2014-22	Active
• Green Bay	2014-24	Active
• Madison	2014-25	Active
• Milwaukee	2014-26	Active
• Oshkosh	2014-27	Active
• Parkside	2014-28	Active
• Platteville	2014-29	Active
• River Falls	2014-30	Active
• Stevens Point	2014-31	Active
• Stout	2014-32	Active
• Superior	2014-33	Active
• System Administration	2014-34	Active
• Whitewater	2014-35	Active
• Extension	2014-36	Active

Audits on Hold Due to Lack of Staff

Title

Strategic

- Flexible Degree Option
- Governance/Ethics

Financial

- Donor Intent

Compliance

- PCI Compliance

Operational

- Grading Data Security

Audits Deferred

Title

- Affordable Care Act Reporting Requirements

Consulting/Committee Work

Title

- HRS Controls
- Travel Management and Operations Committee

Agenda Item 4

Chief Audit Executive Office Update and Initial Observations

Title
• Relationship with Legislative Audit Bureau
• Relationship with System Leaders
• System Audit Staffing
• Potential Integration with Institutional Auditors
• Audit Workpaper Tool