

**UW System Board of Regents  
Audit Committee  
UW-Oshkosh, Alumni Welcome and Conference Center  
Sodexo Grand Ballroom C  
August 21, 2014**

**MEETING OF THE AUDIT COMMITTEE**

The meeting of the Audit Committee was called to order at 7:46 a.m. by Regent Gerald Whitburn. Roll call was taken and Regents Whitburn, Farrow, Higgins, Mueller, and Pruitt were in attendance.

**I.5.a. Discussion of UW System update to Joint Legislative Audit Committee on Legislative Audit Bureau reports 14-3 and 14-4.**

Steve Wildeck, Vice Chancellor for Administration and Finance, UW Colleges and UW Extension and Former Interim Vice President for Finance, UW System led a discussion of the two reports issued by the Legislative Audit Bureau (LAB) in February 2014. In the first report, Mr. Wildeck stated that the LAB determined that the System had a material weakness because of deficiencies in internal control related to HRS. It was the second consecutive year that the System had a material weakness. The two reports recommended that the System report to the Legislative Audit Committee by July 1, 2014 on the status of eleven issues highlighted in the review. Steve Wildeck discussed that the System report was delivered to the Legislative Audit Committee and led a discussion on two of the eleven issues.

**I.5.b. Discussion of Human Resource System security and internal control efforts.**

Steve Wildeck discussed efforts made since February of 2014 on HRS security and internal controls. He discussed the co-existence of two security conditions. In February 2014, a security and internal control project was launched. Steve discussed four outcomes of the project. In May, PricewaterhouseCoopers (PwC) was engaged to provide a critical and independent review of the security and internal control project. PwC provided twelve observations resulting from their review with one of the observations rated as high risk, meaning that it should be resolved immediately. The high risk observation dealt with the potential for programming changes being placed in production without review or approval. System has embraced the LAB and PwC recommendations and believes that the reviews have provided a basis for improved internal control security and created a strong work plan going forward. A short discussion on Service Center staffing levels followed.

**I.5.c. Discussion of recent UW System Office of Internal Audit reports.**

Lori Stortz, Chief Audit Executive, provided an overview of the audits in progress. She provided an overview on the progress of P Card, Animal Research, NCAA Division III compliance, Limited Term Employment, and Physical Security and Access audits. Lori also discussed projects that have been put on hold due to the lack of staff and agreed to report back to

the committee once the open audit positions were filled to get these audits finished in accordance with the 2014 Audit Plan.

**I.5.d. Report of the Chief Audit Executive**

Chief Audit Executive, Lori Stortz, provided the committee with her initial observations of the Office of Internal Audit. Lori discussed the staffing levels of the office and the current recruitment of auditors to fill open positions. Lori also has been consulting with Steve Wildeck and his team on the HRS control issues. The Office is re-engaged with the Travel Management and Operations Committee (TMOC) to further streamline System's policies and hold discussions with leadership at System institutions. Lori has met several times with the Legislative Audit Bureau to be an observer to the discussions regarding the work performed by PwC and the HRS review. Lori is attending internal meetings to understand important strategic and operational issues from System leadership and the President's Cabinet and any possible audit risks and strategic initiatives. Finally, Lori discussed the potential integration with the institutional auditors which she plans to make a study and analysis of this matter a priority over the next month.

The meeting was adjourned at 8:36 a.m.

Respectfully Submitted,



Steve Mentel  
Recording Secretary