

**UW System Board of Regents
Audit Committee
UW-Madison
Gordon Dining and Event Center, Concerto Room
Madison, Wisconsin**

December 10, 2015

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 1:00 p.m. by Chair Regent Michael Grebe. Roll call was taken and Regents Grebe, Farrow, Mueller, and Whitburn were in attendance. Regent Pruitt was unable to attend.

I.5.a. Approval of the minutes of the September 10, 2015 meeting of the Audit Committee

Upon the motion of Regent Whitburn and the second of Regent Farrow, the Committee unanimously approved the minutes of the September 10, 2015 meeting.

I.5.b. Discussion of Recently Issued Reports

Regent Grebe, in his new role as Audit Committee Chair, provided introductory remarks expressing his appreciation to the campuses for their cooperation in the audit process. In addition, he emphasized the importance of ensuring that audit comments are followed up on and addressed in a timely manner.

Steve Mentel, Audit Director, briefly reviewed the audit reports that were issued since the last meeting including LTE Reports for UW-Colleges, UW-Extension, and UW-Whitewater, the Confucius Institute Audit for UW-Platteville, and the Physical Security and Access Audit for UW-Extension. The Confucius Institute Audit is unique to UW-Platteville and was requested as part of their agreement with the Office of Chinese Council International, therefore, was not part of the 2016 Audit Plan.

Compliance with University of Wisconsin Payroll and Leave Accounting Personnel Entry, New Hires and Terminations – UW-Madison: Lori Stortz, Chief Audit Executive, reviewed audit comments from the Compliance with University of Wisconsin Payroll and Leave Accounting Personnel Entry, New Hires and Terminations audit for UW-Madison. Issues of primary concern pertained to a lack of documentation of completed I-9 forms and background checks.

Vice Chancellor Darrell Bazzell and Assistant Vice Chancellor Bob Lavigna discussed their plans to address the comments and actions taken to date.

Regent Grebe thanked Mr. Bazzell and Mr. Lavigna for taking the time to discuss these important issues with the Audit Committee. Vice Chancellor Bazzell agreed that there has been a heightened sense of responsibility in this area.

There was brief discussion regarding past audit findings related to payroll processes. Ms. Stortz noted that the 2016 audit plan includes a continuous monitoring component for payroll which she expects will begin in early 2016.

I.5.c. Fiscal 2016 Audit Plan Progress

Ms. Stortz briefly reviewed a document summarizing the status of audits that were approved as part of the fiscal 2016 audit plan. Approximately half of the planned audits have been started. Ms. Stortz noted that the audits titled System Security and Access and Data Integrity, Definition, Governance, and Ownership – Top Three Systems/Applications will not be completed this year given the lack of System level data governance and information security policies. The nature of an audit is to review processes against existing policies and standards which do not currently exist at the System level and are disparate across the institutions. The committee noted that cybersecurity and data privacy are matters of significant concern, and asked Ms. Stortz to work with President Cross to identify strategies for engaging all institutions across the System to work together to address this critical situation and develop a coherent System policy. All other audits in the 2016 plan are expected to be completed.

I.5.d. Discussion of Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Model for Accountability – The Three Lines of Defense

Ms. Stortz provided an overview of The Three Lines of Defense Model (Model) which clarifies the roles and duties within the organization to further enhance the understanding of risk management, especially the need to identify and maintain segregated duties for operating management, leadership, and internal audit. The Model is derived from the publication “Leveraging COSO Across the Three Lines of Defense”. COSO, or the Committee of Sponsoring Organizations of the Treadway Commission, is considered the gold standard in the audit industry. Ms. Stortz has shared the Model with the Chief Business Officers, Controllers, Chancellors, and the President’s Cabinet. Regent Grebe noted that it is important that internal audit maintain its independence as the third line of defense.

I.5.e. Report of the Chief Audit Executive

Ms. Stortz provided a brief update on the hotline, noting that the second wave of communication occurred in October. There were no instances of fraud or theft and no formal personnel actions were taken as a result of the incidents reported to date.

Ms. Stortz reported that Amanda Nehmer has accepted the audit director position for UW-Madison. Ms. Nehmer will start on January 4, 2016.

On a related note, Regent Whitburn inquired about the UW-Green Bay Athletics Audit which will be reviewed by the Board of Regents at their meeting on Friday. Given that this audit

was issued prior to the integration of the institution auditors under System, it did not go through the normal distribution channels. Ms. Stortz assured the committee that all future audits will be issued through the UW System Office of Internal Audit and the Audit Committee.

The meeting was adjourned at 1:49 p.m.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Renee Thums".

Renee Thums
Recording Secretary