

**UW System Board of Regents  
Joint Meeting of the Audit Committee  
and the Business and Finance Committee  
UW-Green Bay  
University Union, Phoenix AB  
Green Bay, Wisconsin**

**April 7, 2016**

**JOINT MEETING OF THE AUDIT COMMITTEE AND THE BUSINESS AND FINANCE COMMITTEE**

The joint meeting of the Audit Committee and the Business and Finance Committee was called to order at 3:23 p.m. by Audit Committee Chair Regent Michael Grebe. Roll call was taken and Regents Grebe, Farrow, Mueller, Pruitt, Whitburn, Bradley, Hall, and Harsy were in attendance. Regents Delgado and Vasquez were absent.

**I.6. Independent Auditor's Report on the Financial Statements and Other Reporting Required by Government Auditing Standards**

Regent Grebe welcomed Legislative Audit Bureau (LAB) Financial Audit Director Carolyn Stittleburg and Assistant Financial Audit Director, Erin Scharlau, audit lead for the University of Wisconsin (UW) System audit. Also present were David Miller, Vice President of Administration, Julie Gordon, Interim Vice President of Finance, and Lori Stortz, Chief Audit Executive.

Ms. Stittleburg reviewed the process followed by LAB to complete their annual financial audit of UW System. The LAB concluded their financial audit and issued an unmodified opinion on February 15, 2016. Ms. Stittleburg noted that the financial portion of the audit did not include an audit of internal controls or compliance.

**I.6. Legislative Audit Bureau Report 16-3, "University of Wisconsin System"**

Report 16-3 outlined weaknesses in information technology security policies, procedures, and controls for several UW institutions increasing the risk that unauthorized transactions could be processed or personally identifiable information could be maliciously exposed. These weaknesses are considered a significant deficiency in internal control.

Committee members expressed their disappointment that State Auditor, Joe Chrisman, was not in attendance as expected. Discussion followed with members of the Audit Committee and Business and Finance Committee seeking clarification on the LAB's findings around information technology security. Committee members expressed interest in receiving more detailed information regarding the audit findings so they can carry out their fiduciary responsibilities to the Board of Regents. The LAB was reluctant to discuss these details publicly as they felt there was an increased risk to the various institutions. Tom Stafford, UW System

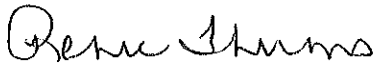
General Counsel, suggested this could be accomplished via a future closed session of the board or a written confidential memo to the board.

Ms. Scharlau discussed the findings for the Program Revenue Balances portion of the audit. Recommendations for improved reporting of program revenue balances from Report 15-1 were implemented. Recommendations from Report 16-3 included a more thorough review of institution reserves policies by UW System Administration followed by a status report to the Legislative Audit Committee by July 29, 2016. Ms. Stortz added that the Office of Internal Audit will issue its Program Revenue Balances audit report prior to the June Audit Committee meeting.

Ms. Stittleburg reviewed findings for the Investments portion of the audit. Recommendations focused on oversight and administration including improved reporting to the Board and regular monitoring of external investment managers. The Committee emphasized the importance of looking at investment performance over time as it can be difficult to measure in one year. Management will continue to work with the Board to provide timely reports that meet their needs.

The meeting was adjourned at 4:03 p.m.

Respectfully Submitted,

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

Renee Thums  
Recording Secretary