

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

December 8, 2016

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 10:15 a.m. by Chair Regent Michael Grebe. Roll call was taken and Regents Grebe, Petersen, Mueller, Steil, and Whitburn were in attendance.

I.5.a. Approval of the minutes of the October 6, 2016 meeting of the Audit Committee

Upon the motion of Regent Steil and the second of Regent Peterson, the Committee unanimously approved the minutes of the October 6, 2016 Audit Committee meeting.

Regent Grebe expressed the board's continued concerns over the recent information technology (IT) breach involving student data at UW-Madison Law School. He reemphasized the importance of information technology security. Regent Whitburn also suggested that management provide an update on their progress addressing IT security at an upcoming Audit Committee meeting, and semiannually after that.

I.5.b. Fiscal 2017 Audit Plan Progress

Lori Stortz, Chief Audit Executive, briefly reviewed the status of audits that were approved as part of the fiscal 2017 audit plan. Ms. Stortz noted that the Office of Internal Audit was making satisfactory progress through the audit plan. Items highlighted included System Security and Access and Data Integrity and the intended plan to audit selected policies in the fourth quarter of the fiscal year. Ms. Stortz also noted that senior leadership informed the audit team of a large project involving the Division of Information Technology (DoIT) at UW-Madison regarding the *IT Management and Governance Structure*. As a result of this project, the plan is for internal audit to serve in a consultative role versus perform the DoIT audit per the plan. Regent Grebe asked if there were any concerns in the progress that had been made. Ms. Stortz replied that she was not concerned.

I.5.c. Discussion of Recently Issued Reports

Amanda Nehmer, Audit Director, reviewed the Auxiliary Services – Union Financial Statements report for UW-Madison (overall rating: *unsatisfactory*). This is the third and final report issued for the Union. The focus of the audit was to assess the control environment as well

as the internal controls over the balance sheet and revenue cycles for the Wisconsin Union. This report contained a total of 19 audit comments, including 14 that had a “high” priority rating.

Regent Grebe asked how much revenue goes through these programs and Ms. Nehmer replied that it is approximately \$50 million annually.

Mark Guthier, Director of the Wisconsin Union discussed plans to address the comments identified in the Auxiliary Services – Union Financial Statements report. The committee indicated that they will invite Mr. Guthier back to provide a status update on the implementation of the recommendations.

Regent Whitburn and Regent Mueller both indicated concerns about the “tone at the top” and the duplicate system, which can be costly to administer and prone to errors.

Paul Rediske, Audit Director, reviewed the UW-Eau Claire Cash Handling report (overall rating: *unsatisfactory*). This report contained a total of 38 audit comments, including 12 that had a “high” audit priority rating.

Regent Whitburn expressed his concern that there were delays in 17 out of 18 deposits, including one of seven weeks.

Dr. William Featherstone, Chief Business Officer from UW-Eau Claire discussed plans to address the comments identified in the Cash Handling report. UW-Eau Claire is taking the recommendations very seriously and is moving aggressively to improve controls based on the recommendations. He noted that 29 of the 39 comments have been resolved at this time and the rest would be resolved by May 2017.

Paul Rediske also described the International Education report for UW-Eau Claire (overall rating: *unsatisfactory*). This report contained a total of seven comments including one that had a “high” audit priority rating.

Dr. Patricia Kleine from UW-Eau Claire discussed plans to address the comments identified in the International Education report.

Regent Grebe noted that the committee invites representatives to speak in regard to any unsatisfactory reports so they have the chance to respond in person.

In addition, Paul Rediske reviewed the International Education report for UW-Superior (overall rating: *unsatisfactory*). This report contained a total of five comments including one that had a “high” audit priority rating.

Georgette Koenig, Vice Chancellor of Administration and Finance from UW-Superior discussed plans to address the comments identified in the International Education report.

Amanda Nehmer also summarized the Emergency Preparedness report for UW-Madison (overall rating: *excellent*).

Paul Rediske then summarized the Emergency Preparedness reports for UW-Colleges, UW-Green Bay, UW System Administration, and UW-Whitewater. All of these Emergency Preparedness audits achieved an overall rating of *satisfactory, with opportunity for improvement*.

The committee asked Ms. Stortz to work with System Risk Management leadership to provide a summary of tabletop and live exercises that were conducted to test emergency preparedness. They also suggested that the full Board consider a session addressing emergency preparedness across the UW System.

I.5.d. Management Response Progress

Amanda Nehmer reviewed a summary of progress management has made toward resolving the comments and recommendations included in previously issued and open audit reports.

I.5.e. UW System Waste, Fraud and Abuse Hotline

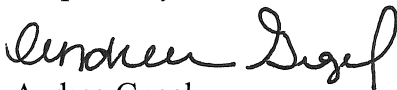
Ms. Stortz provided an update to the UW System Waste, Fraud and Abuse Hotline for the period of February 15 through November 15, 2016. During that time, 26 incidents were reported, and 22 had been closed by November 15th.

I.5.d. Move into closed session, as permitted by s. 19.85(1)(f), Wis. Stats., to consider personal histories or disciplinary data of specific persons and the investigations of charges against specific persons, which, if discussed in public, would be likely to have a substantial effect upon the reputation of such persons

Upon the motion of Regent Peterson and the second of Regent Muller, the motion to move into closed session was adopted on a roll call vote, with Regents Grebe, Petersen, Mueller, Steil, and Whitburn voting in the affirmative. There were no dissenting votes and no abstentions.

The meeting was adjourned at 12:15 p.m.

Respectfully Submitted,



Andrea Gugel
Recording Secretary