

6/8/2016 REVISED

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.5. Audit Committee

Thursday, June 9, 2016  
10:45 a.m. - 12:15 p.m.  
UWM Union, 1<sup>st</sup> Floor, Fireside Lounge  
2200 East Kenwood Blvd.  
Milwaukee, Wisconsin

- a. Approval of the minutes of the April 7, 2016 meeting of the Audit Committee and the April 7, 2016 joint meeting of the Audit Committee and Business and Finance Committee
- b. Fiscal 2016 Audit Plan Progress
- c. Fiscal 2017 Audit Plan Review and Approval  
[Resolution I.5.c.]
- d. Discussion of Recently Issued Reports
- e. Management Response Progress
- f. Move into closed session to confer with legal counsel regarding pending or potential litigation, as permitted by s. 19.85(1)(g), Wis. Stats.

June 9, 2016

Agenda Item I.5.b.

**UW SYSTEM ADMINISTRATION  
OFFICE OF INTERNAL AUDIT  
FISCAL 2016 AUDIT PLAN PROGRESS**

**BACKGROUND**

One of the responsibilities of the Audit Committee, as outlined in the committee charter, is to review and approve the annual internal audit plan and receive interim progress reports at least quarterly.

**REQUESTED ACTION**

No action requested. Item for information and discussion only.

**DISCUSSION**

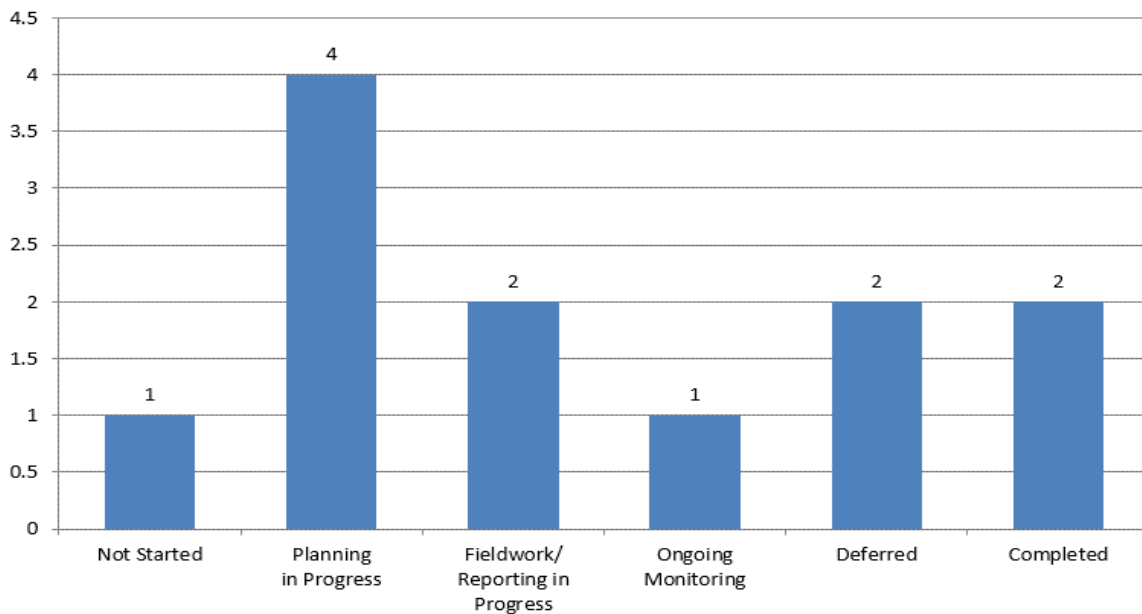
The following chart provides a summary of audit progress for the Fiscal 2016 Audit Plan.

**RELATED BOARD OF REGENTS POLICIES**

NA

**UW SYSTEM ADMINISTRATION  
OFFICE OF INTERNAL AUDIT  
FISCAL 2016 AUDIT PLAN PROGRESS**

	<b>Title and Audit Type</b>	<b>Status</b>
<b>1</b>	Code of Ethics, Conduct, and Governance (Operational)	Planning complete
<b>2</b>	Reserves and Reporting (Financial)	Completed
<b>3</b>	Purchasing Cards (Continuous Monitoring)	Two reports issued and monitoring is ongoing
<b>4</b>	Travel and Expense Reimbursement (Continuous Monitoring)	Not started as data is not yet available
<b>5</b>	Cash Handling (Financial)	Three reports issued and fieldwork and reporting are in progress
<b>6</b>	Payroll (Continuous Monitoring)	Planning has begun
<b>7</b>	Auxiliary Services (Operational)	UW-Madison Union fieldwork in progress Parking at other institutions planned
<b>8</b>	Emergency Preparedness (Operational)	Planning is complete
<b>9</b>	System Security and Access (Information Technology)	Deferred
<b>10</b>	Data Integrity, Definition, Governance, and Ownership – Top Three Systems/Applications (Information Technology)	Deferred
<b>11</b>	International Education (IE) (Operational)	Three reports issued and fieldwork and reporting are in progress
<b>12</b>	NCAA Athletics Division I and II Audits	Completed



UW System Administration  
Office of Internal Audit  
Fiscal Year 2017 Audit Plan

AUDIT COMMITTEE:

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Fiscal Year 2017 Audit Plan.

June 10, 2016

Agenda Item I.5.c.

**UW SYSTEM ADMINISTRATION  
OFFICE OF INTERNAL AUDIT  
FISCAL YEAR 2017 AUDIT PLAN  
EXECUTIVE SUMMARY**

**BACKGROUND**

The Office of Internal Audit (Office) provides independent, objective assurance and consulting services designed to add value to, protect, and strengthen the management of the University of Wisconsin System (System) and its universities, colleges, and extension. Annually, the Office develops a risk-based audit plan to determine internal audit activity priorities, consistent with the organization's goals.

**REQUESTED ACTION**

Adoption of Resolution I.5.c., approval of the Fiscal 2017 Audit Plan.

**DISCUSSION**

The audit plan was developed using feedback gathered from various System and institutional leaders via a risk survey conducted this spring. In addition, the office considered emerging issues as well as the results of audits and investigations in fiscal 2016.

The *2017 Audit Plan* highlights proposed topics to be audited during fiscal year 2017.

Additionally, it should be noted that this plan assumes full staffing within the Office of Internal Audit and does not include reserves for unplanned projects, such as investigations. During the year should significant modifications to the 2017 audit plan be deemed necessary for any reasons, the Chief Audit Executive (CAE) will notify the Chair of the Audit Committee of the Board of Regents as soon as practicable.

**RELATED BOARD OF REGENTS POLICIES**

NA

**Office of Internal Audit  
Fiscal 2017 Audit Plan**

**Engagement Topics**

Continuous Auditing	Objectives/Procedures
Purchasing Cards	<ul style="list-style-type: none"> <li>• Risk-based identification of purchasing card expenditures that may not be allowable, using automated techniques.</li> <li>• Determination and evaluation of whether systematically-identified expenses are allowable.</li> <li>• Ensure consistent testing methodology for institution data submitted to UW System Administration.</li> </ul>
Travel and Expense Reimbursement	<ul style="list-style-type: none"> <li>• Risk-based identification of travel expenditures that may not be allowable, using automated techniques.</li> <li>• Determination and evaluation of whether systematically-identified expenses are allowable.</li> </ul>
Payroll	<ul style="list-style-type: none"> <li>• Systematic identification of payroll conditions or trends that warrant further review or investigation. Examples may be overload payments, termination payments, supplemental pay and pay adjustments.</li> <li>• Retired and rehired annuitants.</li> </ul>
Audits (FY2016-FY2017)	Objectives/Procedures
Cash Handling	<ul style="list-style-type: none"> <li>• Review internal controls over the process.</li> <li>• Test a sample of transactions for compliance.</li> <li>• Recommend possible closure of accounts.</li> <li>• Given large scope, audits will be performed in fiscal 2016 and 2017.</li> </ul>
International Education (IE)	<ul style="list-style-type: none"> <li>• Review policies in place over the IE Department business practices.</li> <li>• Test a sample of students in the program.</li> <li>• Review international programs (travel arrangements, health insurance).</li> <li>• Given large scope, audits will be performed in fiscal 2016 and 2017.</li> </ul>

**Engagement Topics (continued)**

<b>FY2016 Audits In Process</b>	<b>Objectives/Procedures</b>
Code of Ethics, Conduct and Governance	<ul style="list-style-type: none"> <li>• Review and evaluate applicable policies.</li> <li>• Validate management’s processes to comply with policies.</li> <li>• Test compliance with policies.</li> </ul>
Auxiliary Services <ul style="list-style-type: none"> <li>• UW-Madison – Union</li> <li>• Other Institutions – Parking</li> </ul>	<ul style="list-style-type: none"> <li>• Review of policies and activities.</li> <li>• Testing of transactions and activities for compliance.</li> <li>• Review and evaluate chargebacks.</li> </ul>
Emergency Preparedness	<ul style="list-style-type: none"> <li>• Review policies in place for different scenarios.</li> <li>• Interview staff responsible for the emergency plan.</li> <li>• Audit the emergency plans.</li> </ul>
<b>FY2016 Audits Deferred</b>	<b>Objectives/Procedures</b>
System Security and Access (Information Technology)	<ul style="list-style-type: none"> <li>• Uniform information technology framework and standards across the System.</li> <li>• Review structure, governance, implementation, etc.</li> <li>• Review information technology security framework.</li> </ul>
Data Integrity, Definition, Governance, and Ownership – Top Three Systems/ Applications (Information Technology)	<ul style="list-style-type: none"> <li>• Document the users of the data and those with ownership.</li> <li>• Review provisioning, de-provisioning, and administrator, application, and operating system access.</li> <li>• Review current standard definitions</li> </ul>
<b>FY2017 New Audits</b>	<b>Objectives/Procedures</b>
Federal TriO Programs <ul style="list-style-type: none"> <li>• TriO consists of Upward Bound, Talent Search, Student Support Services, Educational Opportunity Centers, and the Ronald E. McNair Post-Baccalaureate Achievement Program.</li> </ul>	<ul style="list-style-type: none"> <li>• Examine services, activities and expenses for federal eligibility and allowability.</li> <li>• Review and test physical and administrative controls over payments and distributions to participants.</li> <li>• Review and determine if there is appropriate oversight of the program activities, particularly those involving minors.</li> </ul>
Facilities <ul style="list-style-type: none"> <li>• Scope limited to supplies inventory used for maintenance, repairs and construction</li> </ul>	<ul style="list-style-type: none"> <li>• Review and test physical and administrative controls over inventory.</li> <li>• Review and test methodology and procedures for chargebacks.</li> <li>• Examine how inventories are valued and presented for financial reporting purposes.</li> </ul>

**Engagement Topics (continued)**

<b>FY2017 New Audits</b>	<b>Objectives/Procedures</b>
Payment Card Industry Compliance	<ul style="list-style-type: none"> <li>• Review internal controls over the process.</li> <li>• Test for compliance with policies, procedures and The Payment Card Industry Data Standard (PCI DSS).</li> <li>• Given large scope, audits will be performed in fiscal 2016 and 2017.</li> </ul>
Human Resource System Segregation of Duties (SOD)	<ul style="list-style-type: none"> <li>• Review the SOD matrix.</li> <li>• Evaluate the matrix for inappropriate “conflicts”.</li> <li>• Review the policy for the conflict review reports at institutions and test the process.</li> </ul>
DoIT	<ul style="list-style-type: none"> <li>• Review and evaluate roles, governance and project prioritization for internal and external clients.</li> <li>• Evaluate and test the external and internal billing processes.</li> </ul>
Research	<ul style="list-style-type: none"> <li>• Inquire of institutions as to the status of implementation of <i>Uniform Guidance</i> and its impact on proposal submission, pre-award, post-award monitoring; and project close-out.</li> <li>• Review and test status of implementation of <i>Uniform Guidance</i> with respect to sub-awards.</li> </ul>
Internal Control and Compliance Structure and Governance	<ul style="list-style-type: none"> <li>• Review and assess how the System and institutions organize, manage, and coordinate internal controls and compliance.</li> <li>• Compare current structure to peers and professional standards.</li> </ul>
Clery Audit Follow-up	<ul style="list-style-type: none"> <li>• Review Clery audits performed by an independent consultant in fiscal 2016.</li> <li>• Obtain evidence of management’s work to address material findings.</li> </ul>
Fair Labor Standards Act	<ul style="list-style-type: none"> <li>• Review management’s plan to comply with an increase in the minimum income threshold for exempt employees.</li> <li>• Test selected employee payroll information for compliance.</li> </ul>
Tuition and Enrollment Management	<ul style="list-style-type: none"> <li>• Review policies for collection of tuition as it relates to enrollment and changes to enrollment (i.e. drops).</li> <li>• Test compliance with policies at selected institutions.</li> </ul>



**Engagement Topics (continued)**

<b>FY2017 New Audits</b>	<b>Objectives/Procedures</b>
NCAA Athletics Division I and II Audits	<ul style="list-style-type: none"><li>• Agreed upon procedures audits over financial matters (Green Bay, Milwaukee).</li><li>• Audit of compliance with NCAA rules (Madison).</li></ul>

**Consulting/Committee Work**

<b>Title</b>
UW-Madison Financial Internal Control Initiative
Travel and Expense Reimbursement Operations
UW Information Assurance Committee
Performance Workgroup

**UW SYSTEM ADMINISTRATION  
OFFICE OF INTERNAL AUDIT  
ISSUED REPORTS**

**BACKGROUND**

One of the responsibilities of the Audit Committee, as outlined in the committee charter, is to take appropriate actions to strengthen the University of Wisconsin System's compliance, internal controls, and ethics.

**REQUESTED ACTION**

No action requested. Item for information and discussion only.

**DISCUSSION**

Below is a summary of reports issued since the last meeting:

- Purchasing Cards Systemwide
- Grading Data Security UW-Eau Claire  
UW-Green Bay  
UW-Milwaukee  
UW-Stout
- NCAA Athletics UW-Green Bay
- Program Revenue Balances Systemwide
- Counseling Center UW-Stout

**RELATED BOARD OF REGENTS POLICIES**

NA

**UW SYSTEM ADMINISTRATION  
OFFICE OF INTERNAL AUDIT  
MANAGEMENT RESPONSE PROGRESS**

**BACKGROUND**

One of the responsibilities of the Office of Internal Audit as outlined in the charter is to establish a follow-up process to monitor and identify whether corrective actions have been effectively implemented, or whether senior management has accepted the risk of not taking action. The Audit Committee has requested regular progress reports on this monitoring.

**REQUESTED ACTION**

No action requested. Item for information and discussion only.

**DISCUSSION**

The following chart presents audits issued during fiscal 2014 and 2015 and the progress management has made toward resolving the comments and recommendations included in the audit reports. Management's corrective action plans were audited by the Office of Internal Audit to determine if they were implemented.

**RELATED BOARD OF REGENTS POLICIES**

NA

**UW SYSTEM ADMINISTRATION  
OFFICE OF INTERNAL AUDIT  
MANAGEMENT RESPONSE PROGRESS**

