

UW System Board of Regents
Audit Committee
Gordon Dining and Event Center, 2nd Floor, Overture Room
770 W. Dayton Street
Madison, Wisconsin

April 5, 2018

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 9:15 a.m. by Regent Janice Mueller. Roll call was taken and Regents Mueller, Millner, Peterson, and Whitburn were in attendance; Regents Atwell and Grebe were absent. Regent Mueller then provided an opportunity for anyone to declare a conflict of interest: none were stated.

I.5.a. Approval of the minutes of the February 8, 2018 meeting of the Audit Committee

Upon the motion of Regent Whitburn and the second of Regent Peterson, the Committee unanimously approved the minutes of the February 8, 2018 Audit Committee meeting.

I.5.b. Fiscal Year 2018 Audit Plan Progress Report

Lori Stortz, Chief Audit Executive, briefly reviewed the progress to date on the fiscal year 2018 audit plan. Currently, Internal Audit has a number of audits in the field concerning IT security, purchasing and contract management, transactions with foundations, as well as business operations within student services. Ms. Stortz has begun the preliminary planning for the 2019 fiscal year audit plan, to be presented in June. Regent Mueller asked about information security, and Ms. Stortz stated that she and her team are working with front-line managers in that area regularly.

I.5.c. Discussion of Recently Issued Reports

Steve Mentel reviewed three positive Bank Account Creation, Management, and Oversight audits for UW-Eau Claire, UW-River Falls, and UW-Stout. Regent Mueller asked if there are more reports like this planned, and Mr. Mentel replied that he believed there are approximately five more that will be presented in June. Regent Mueller asked if the chancellors involved had any comments, and if they are working hard to correct these issues. She commended the Office of Internal Audit for their work because they are looking at not only what they can see, but also perhaps at accounts that have been created, that System officials were unaware of. Ms. Stortz commented that they have engaged with System Office of Finance leaders to share the methods and tools that were used as part of this audit to allow them to periodically perform searches for bank accounts in the future.

Mr. Mentel then reviewed the Clery Audit Follow-up for the following 13 institutions: UW Colleges, UW-Eau Claire, UW-Green Bay, UW-La Crosse, UW-Milwaukee, UW-Oshkosh, UW-Parkside, UW-Platteville, UW-River Falls, UW-Stevens Point, UW-Stout, UW-Superior, and UW-Whitewater. He mentioned the restructuring of the two-year colleges and making sure that

the four-year institutions understand the additional Clery responsibilities they are undertaking, that were previously under Colleges. He also discussed a Best Practices letter for the Clery Audit Follow-up. Regent Mueller asked him if he had a sense of urgency here too, and Mr. Mentel replied yes, based on the risk and the potential of significant fines for lack of compliance with the Clery Act.

Paul Rediske reviewed the final Federal TRIO audit for UW-River Falls. He stated that Internal Audit has now completed the Federal TRIO audit at all 15 institutions. Regent Whitburn inquired about the traveler that used the P-card to pay for travel expenses to France for herself, and her spouse – and if those expenses had been paid back. Mr. Rediske replied that it was not paid back, but it was transferred out of the Federal grant. Ms. Stortz commented that they had consulted with System Legal regarding the resolution of that matter, and it was determined not to have them repay it, as there were a lot of extenuating circumstances. Regent Mueller also expressed concern over this instance. Chancellor Van Galen then addressed the Committee to state after consultation with System Legal, it was decided not to pursue repayment. Regent Whitburn questioned whether it is appropriate for the State to be paying for this type of spouse travel. The Chancellor stated that it is important to foster a culture of compliance. Regent Whitburn stated we should have straight forward parameters, that state what is okay, and what isn't okay, and then abide by them.

Mr. Mentel reviewed the P-card Continuous audit for the UW System, for the July 1, 2017 to December 29, 2017 testing cycle. This testing cycle was longer than the previous ones reported (six months vs. three and a half months). As part of their follow-up work, Mr. Mentel stated Internal Audit would definitely be following up to understand if those items that were shipped to personal residences are legitimate System purchases. Ms. Stortz stated they would make this part of their formal review process to ensure that management has satisfactorily addressed these matters. Regent Mueller stated P-cards could be easily abused, and we cannot defend sloppiness in this area. Ms. Stortz added that President Cross has asked the Office of Internal Audit for potential suggestions for consideration for potential policy enhancement, based on items they find recurring in P-card audits. Regent Mueller stated she was particularly concerned over technology items that were purchased, due to the high security risk to the UW System. Ms. Stortz agreed that this could be not only a potential fraud, but also an IT security risk. Regent Mueller stated she hopes campuses will continue to make progress and tighten controls in this area.

Mr. Mentel reviewed the University of Wisconsin Trust Fund audit at UW System Administration. The audit comments concerned investment review policy for minor word changes and responsibilities, and reimbursement of lodging rates slightly in excess of the maximum. Regent Mueller stated there would be a lengthy discussion regarding our investment program and related policies in the Business & Finance Committee meeting.

I.5.d. Progress on Management Responses to Audit Reports

Next, Mr. Mentel updated the Committee on management progress in taking identified corrective actions to audit comments and confirmed that management at each institution was responding effectively. He stated that since the last Audit Committee meeting, 43 comments have been closed. Mr. Mentel noted that going forward; our audit plan has included items for policy and system changes, which are less straightforward than previous items have been. Because of this,

implementation times by management will likely lengthen and going forward, the number of comments closed will most likely decrease. Ms. Stortz commented that the nature of our comments are more complex and difficult to adopt, so we probably will not have the large number of closed going forward. Regent Mueller said that was understood, and a point well taken.

Ms. Stortz provided the report of the Chief Audit Executive to the Committee, concerning progress on risk assessment, and preliminary planning of the fiscal year 2019 audit plan, which will be presented in June. She has been conferring with Chancellors, and/or their designees regarding their ideas for the upcoming audit plan. The next step will be to take to President Cross, and his key cabinet members to discuss. She will then bring the plan to the Regents, to further flush out what will be included. The 2019 audit plan will take into consideration the restructuring of the UW System. Regent Peterson asked if she saw any commonalities, and Ms. Stortz responded that IT security, enterprise risk, procurement management and disposal of hazardous materials were discussed. There are also a number of items that may not be something Internal Audit can audit per se, but Chancellors would like Internal Audit's input in a consultative manner. Regent Millner asked about consultation and communication, and Ms. Stortz affirmed that they want to bring ideas and best practices to leadership. Regent Mueller mentioned prioritizing to maximize efficiency which fits into the 2020 strategic plan to execute operational efficiencies wherever possible.

Regent Mueller inquired about the institutional relations with foundations, and Ms. Stortz replied that President Cross has a team that is meeting weekly to address the findings in the LAB audit. Ms. Stortz indicated that the 2019 audit plan would include looking at the processes, controls, and enhancements that were reported by the LAB. Regent Whitburn referenced the most recent LAB report, and Regent Mueller asked how things overall are going for the Office of Internal Audit. Ms. Stortz reported that they are preparing their quality audit review, that will be presented sometime in the next fiscal year. From her prospective, the relationship with management at the institutions and system is going very well. Regent Mueller thanked Ms. Stortz and her team for doing a good job and stressed the Committee's concern over information security.

The meeting adjourned at 9:55 a.m.

Respectfully Submitted,

Erika Laabs
Recording Secretary