

5/24/2018

BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.6. Joint Meeting of the Business and Finance and Audit Committees

Thursday, June 7, 2018
8:00 a.m. – 8:55 a.m.
1st Floor, Fireside Lounge
UW-Milwaukee Union
2200 East Kenwood Boulevard
Milwaukee, Wisconsin

- a. Plante Moran External Financial Audit Engagement
 - b. Information Security Program Update
 - c. Move into closed session to discuss information security audit findings and responses as required by s. 19.85(1)(d), Wis. Stats.
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I.5. Audit Committee

Thursday, June 7, 2018
10:45 a.m. – 12:00 p.m.
1st Floor, Fireside Lounge
UW-Milwaukee Union
2200 East Kenwood Boulevard
Milwaukee, Wisconsin

- a. Approval of the minutes of the April 5, 2018 meeting of the Audit Committee
- b. Fiscal Year 2018 Audit Plan Progress Report
- c. Fiscal Year 2019 Audit Plan Review and Approval
[Resolution I.5.c.]
- d. Discussion of Recently Issued Audit Reports
 - Bank Account Creation, Management, and Oversight UW-Stevens Point
UW-Whitewater
 - Payroll Continuous Auditing UW System
- e. Progress on Management Responses to Audit Reports
- f. Report of the Chief Audit Executive

June 7, 2018

Agenda Item I.5.b.

**UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2018 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

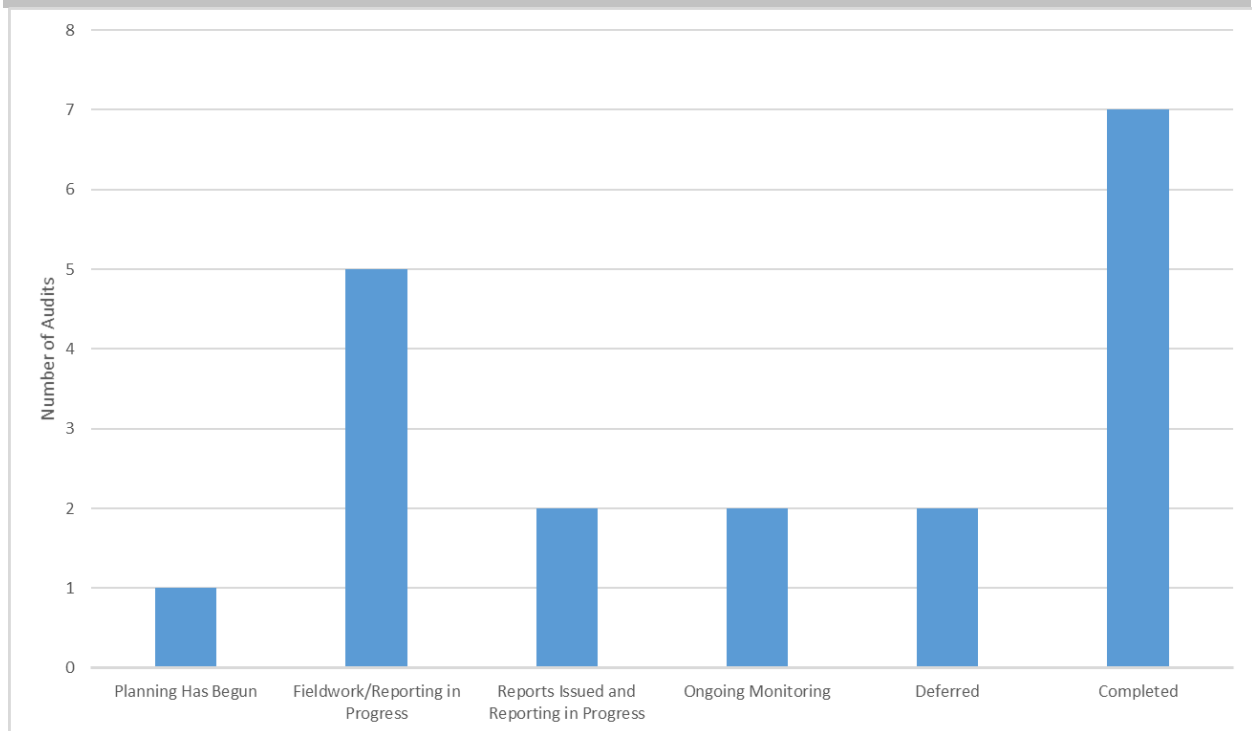
The attached chart provides a summary of audit progress for the Fiscal Year 2018 Audit Plan.

RELATED BOARD OF REGENTS POLICIES

NA

**UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2018
AUDIT PLAN PROGRESS**

	Title and Audit Type	Status
1	Payroll (Continuous Monitoring)	Three reports issued and monitoring is ongoing
2	Purchasing Cards (Continuous Monitoring)	Two reports issued and monitoring is ongoing
3	Travel and Expense Reimbursement (Continuous Monitoring)	Planning has begun
4	System Security and Access (Information Technology)	Four reports issued and fieldwork in progress
5	Federal TRIO Programs	Completed
6	Payment Card Industry Compliance	Deferred
7	Human Resource System Separation of Duties	Completed
8	Research	One report issued and reporting in progress
9	Internal Control and Compliance Structure and Governance	Completed
10	Clery Audit Follow-up	Completed
11	Tuition and Enrollment Management	Completed
12	Data Integrity, Definition, Governance, and Ownership – Top Three Systems/Applications (Information Technology)	Deferred
13	Transactions with Foundations	Fieldwork in progress
14	University of Wisconsin Trust Fund	Completed
15	Bank Account Creation, Management and Oversight	Reports issued and reporting in progress
16	Contract Management	Fieldwork and reporting in progress
17	Purchasing	Fieldwork and reporting in progress
18	Business Operations in Auxiliaries or Student Services	Fieldwork in progress
19	NCAA Athletics Division I	Completed



UW System Administration
Office of Internal Audit
Fiscal Year 2019 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 2019 Audit Plan.

June 8, 2018

Agenda Item I.5.c.

**UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2019 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 institutions. 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 Year 2019 Audit Plan.

DISCUSSION

The audit plan was developed using feedback gathered from various System and institutional leaders via individual and group meetings conducted this spring. In addition, the office considered emerging issues as well as the results of audits and investigations conducted in fiscal year 2018.

The *2019 Audit Plan* highlights proposed topics to be audited during fiscal year 2019. Additionally, it should be noted that this plan assumes consistent staffing of the Office of Internal Audit and does not include time contemplated for unplanned projects, such as investigations or audits requested by institutional leaders during the year. Approximately 10 to 15% of audit time is reserved for such matters. Should significant modifications to the 2019 audit plan be deemed necessary, the Chief Audit Executive (CAE) will consult the Chair of the Audit Committee of the Board of Regents and President of the System as soon as practicable.

Finally, we would like to confirm that the Office of Internal Audit meets the Organizational Independence Standard of the Institute of Internal Auditors.

RELATED BOARD OF REGENTS POLICIES

NA

Office of Internal Audit Fiscal Year 2019 Audit Plan

Engagement Topics	
Continuous Auditing	Objectives/Procedures
Payroll	<ul style="list-style-type: none"> • Systematic identification of payroll conditions or trends that warrant further review or investigation. Examples may be overload payments, termination payments, rehired annuitants, supplemental pay and lump sum payments. • Providing results of testing to institution/UW System management to improve compliance and support potential enhancement of policy.
Purchasing Cards	<ul style="list-style-type: none"> • Risk-based identification of purchasing card expenditures that may not be allowable, using automated techniques. • Determination and evaluation of whether systematically-identified expenses are allowable. • Providing results of testing to institution/UW System management to improve compliance and support potential enhancement of policy.
Shop@UW	<ul style="list-style-type: none"> • Risk-based identification of transactions that may not be allowable, using automated techniques. • Determination and evaluation of whether systematically-identified expenses are allowable. • Providing results of testing to institution/UW System management to improve compliance and support potential enhancement of policy.
Fiscal Year 2018 Audits in Process	Objectives/Procedures
System Security and Access (Information Technology)	<ul style="list-style-type: none"> • Test compliance with UW System Regent Policy 25-5 <i>Information Technology: Information Security</i> and the related Information Technology Administrative Policies and Procedures.
Transactions with Foundations	<ul style="list-style-type: none"> • Evaluate the propriety of transactions between our institutions and their affiliated foundations. • Select a sample of transactions and review the supporting documentation to evaluate compliance with <i>Foundation Principles, Best Practices and Requirements</i>.

Fiscal Year 2018 Audits in Process	Objectives/Procedures
Contract Management	<ul style="list-style-type: none"> • Test compliance with UW System Regent Policy 13-1 <i>General Contract Approval, Signature Authority, and Reporting</i>. • Assess and evaluate the oversight and on-going due diligence over the delegation of contract signature authority.
Purchasing	<ul style="list-style-type: none"> • Test compliance with UW System Administrative Policy 505 <i>Purchasing Responsibility and Authority</i>. • Assess and evaluate the oversight and on-going due diligence over the delegation of purchasing authority.
Business Operations in Auxiliaries or Student Services	<ul style="list-style-type: none"> • Evaluate management's processes to determine that business operations which support auxiliaries or student services are being managed in accordance with UW System Administration Policy 306 <i>Accounting and Budget Control</i>.
Fiscal Year 2017 - 2018 Audits Deferred	Objectives/Procedures
Payment Card Industry Compliance	<ul style="list-style-type: none"> • Review internal controls over payment card acceptance including, but not limited to, processing and account reconciliations. • Test for compliance with policies, procedures and The Payment Card Industry Data Standards (PCI DSS).
Data Integrity, Definition, Governance, and Ownership – Top Three Systems/ Applications (Information Technology)	<ul style="list-style-type: none"> • Document the users of the data and those with ownership. • Review provisioning, de-provisioning, and administrator, application, and operating system access. • Review current standard definitions.
Fiscal Year 2019 New Audits	Objectives/Procedures
Hazardous and Universal Waste	<ul style="list-style-type: none"> • Evaluate the effectiveness of physical and administrative controls over hazardous and universal waste as defined by the United States Environmental Protection Agency, Resource Conservation and Recovery Act, including training. • Evaluate and test the waste management life cycle including generation, identification, minimization, neutralization, storage, treatment, recycling, transportation and disposal.
Regent Policies 14-2 Sexual Violence and Sexual Harassment and 14-8 Consensual Relationships Follow-up	<ul style="list-style-type: none"> • Evaluate institutional progress in adopting and effectuating procedures to comply with the policies.

Fiscal Year 2019 New Audits	Objectives/Procedures
Information Technology Procurement	<ul style="list-style-type: none"> • Evaluate the policies governing the purchase of information technology (hardware and software) exclusive of large or high risk information technology projects. • Capture and analyze purchase data for information technology during fiscal year 2018. Provide recommendations for management to consider to improve the efficiency of purchasing as well as an enterprise approach to enhancing information security.
Tax Cuts and Jobs Act of 2017 (the “Tax Act”)	<ul style="list-style-type: none"> • Evaluate UW System and institutional managements’ processes for determining the impact of the Tax Act and designing and implementing policies and procedures to ensure compliance.
DoIT System Services Group	<ul style="list-style-type: none"> • Review and evaluate roles, governance and project prioritization. • Evaluate and test the project time and expense capture and billing processes.
NCAA Athletics Divisions I and II Audits	<ul style="list-style-type: none"> • Agreed upon procedures audits over financial matters (Green Bay, Milwaukee and Parkside). • Audit of compliance with NCAA bylaws (Madison).
Institutional Relationships with Foundations	<ul style="list-style-type: none"> • Test compliance with Regent Policy Document 21-9. • Evaluate and test the actions taken by management in response to the Legislative Audit Bureau Audit 18-4, to ensure timely implementation and compliance.
Advisory Services	
Restructuring	
Support of transition to new external financial statement auditors	
Other topics, at request of system and institutional management	

June 7, 2018

Agenda Item I.5.d.

**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

The reports listed below have been issued since the last meeting and will be discussed by the Audit Committee:

Approved Audit Plan

- Bank Account Creation, Management, and Oversight UW-Stevens Point
UW-Whitewater
- Payroll Continuous Auditing UW System

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.

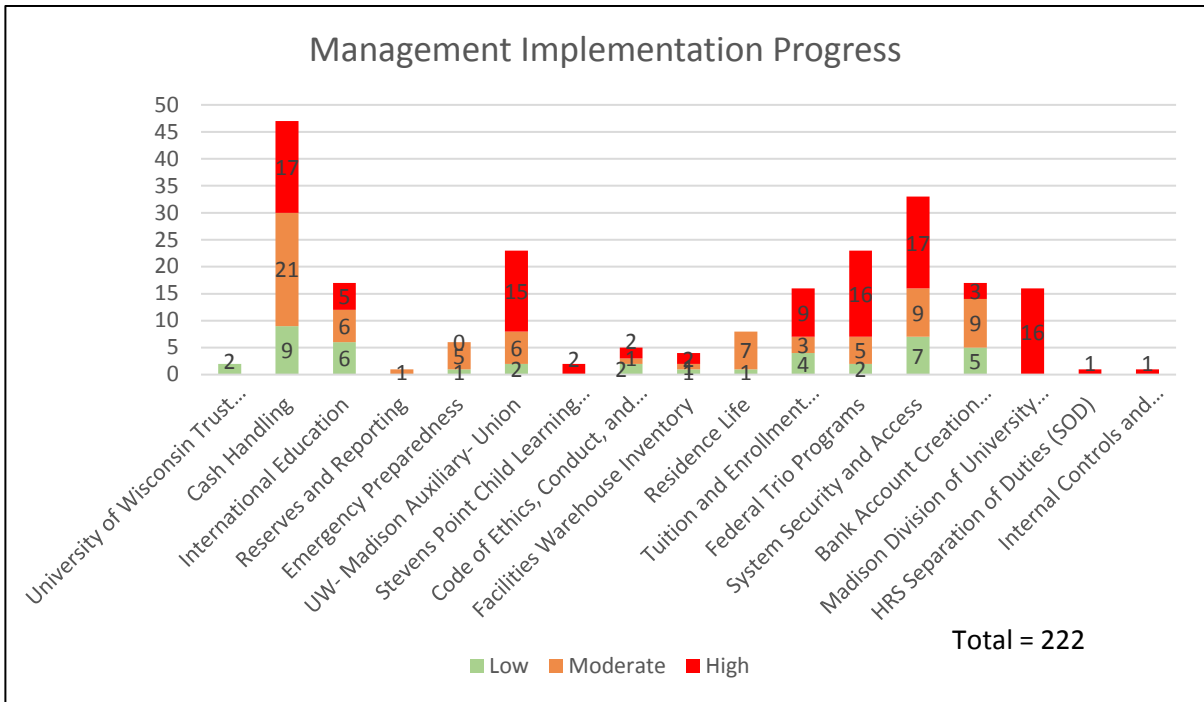
DISCUSSION

The following charts present audits issued during fiscal 2016 through fiscal 2018 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.

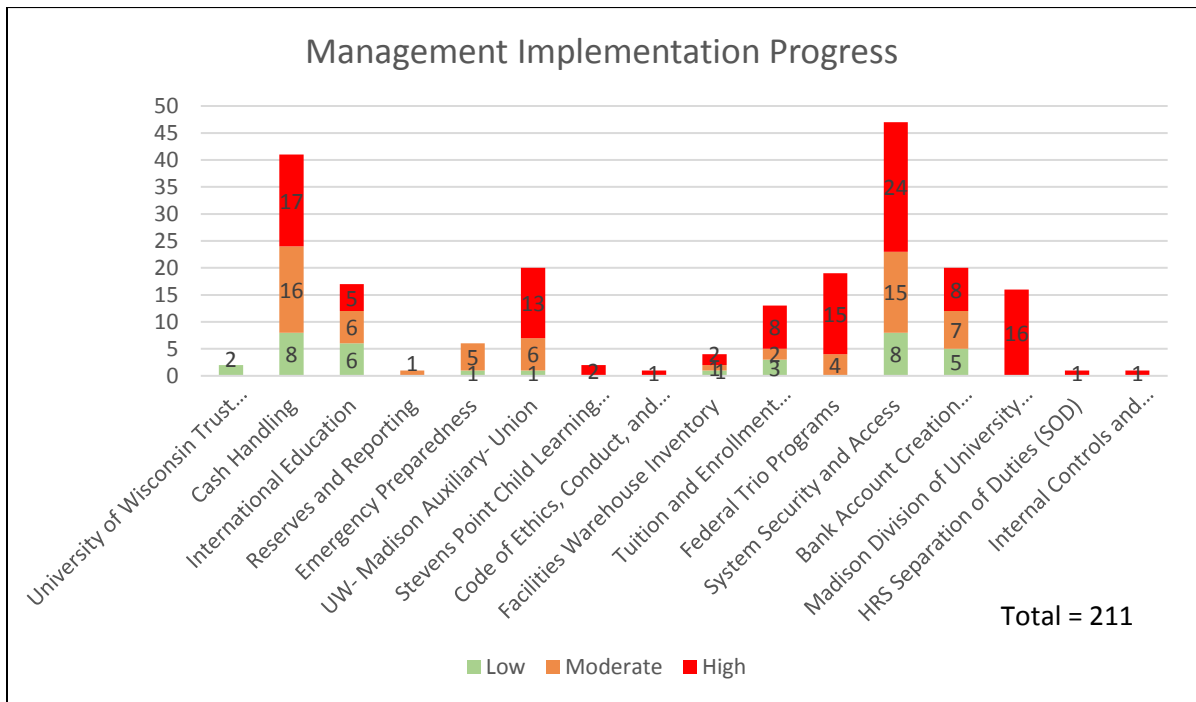
RELATED BOARD OF REGENTS POLICIES

NA

Prior Reporting Period



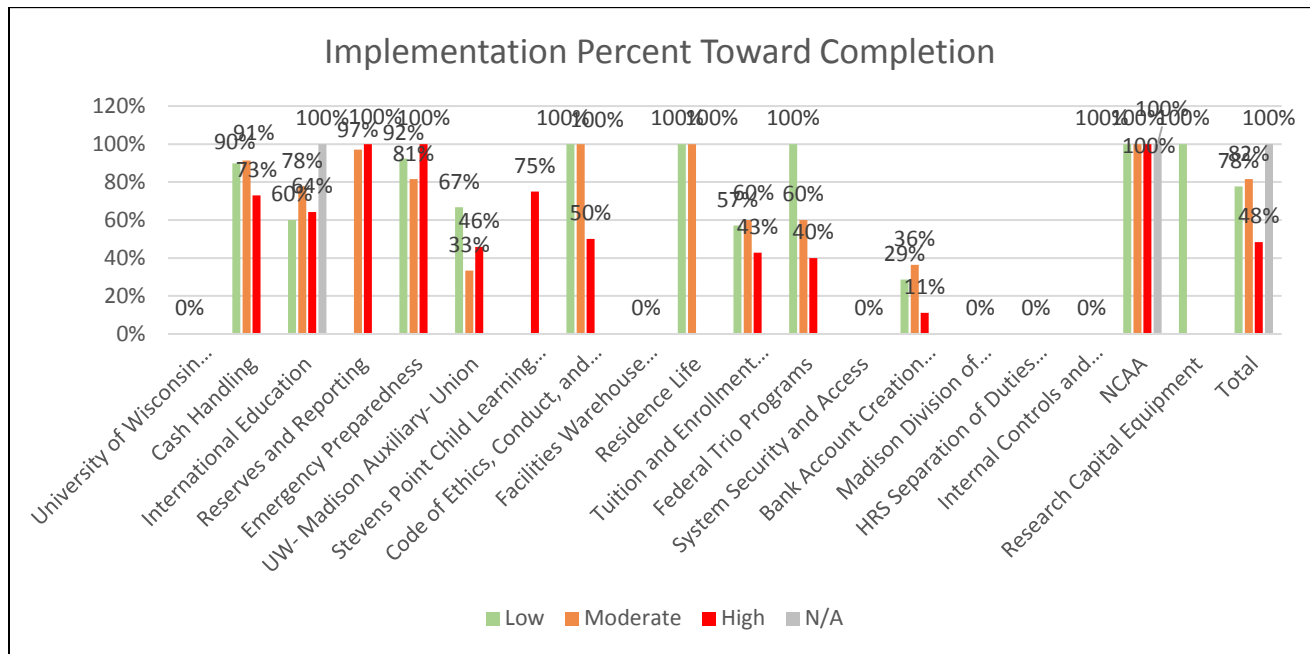
Current Reporting Period



Roll-forward from Prior Reporting Period to Current Reporting Period

Audit	Previously Reported Open Comments	Comments Issued	Comments Closed	Current Open Comments
Cash Handling	47	0	6	41
International Education	17	0	0	17
Reserves and Reporting	1	0	0	1
Emergency Preparedness	6	0	0	6
UW- Madison Auxiliary- Union	23	0	3	20
Stevens Point Child Learning Center	2	0	0	2
Code of Ethics, Conduct, and Governance	5	0	4	1
Facilities Warehouse Inventory	4	0	0	4
Residence Life	8	0	8	0
Tuition and Enrollment Management	16	0	3	13
Federal TRIO Programs	23	0	4	19
System Security and Access	33	14	0	47
Bank Account Creation Mgmt. and Oversight	17	10	7	20
Madison Division of University Housing	16	0	0	16
HRS Separation of Duties (SOD)	1	0	0	1
Internal Controls and Compliance Structure	1	0	0	1
University of Wisconsin Trust Fund	2	0	0	2
Total	222	24	35	211

Current Reporting Period



The above charts and graphs do not necessarily represent all audit comments outstanding due to timing issues