

**UW System Board of Regents
Audit Committee
UW-Milwaukee
2200 East Kenwood Boulevard
UWM Union, Fireside Lounge, 1st Floor
Milwaukee, Wisconsin
June 7, 2018**

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 10:45 a.m. by Regent Michael Grebe. Roll call was taken, and Regents Atwell, Grebe, Mueller, and Whitburn were in attendance; Regent Millner was absent. Regent Grebe then provided an opportunity for anyone to declare a conflict of interest: none were stated.

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

Upon the motion of Regent Mueller and the second of Regent Whitburn, the Committee unanimously approved the minutes of the April 5, 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. Ms. Stortz confirmed that the remaining audits that are part of this plan that have not otherwise been deferred for reasons that the Committee has discussed, will be finished early in fiscal year 2019, and presented at the upcoming August or October Audit Committee meetings. Regent Grebe commended Ms. Stortz and her team for getting through a lot of work again this year.

Ms. Stortz then provided a draft of the proposed 2019 Audit Plan for discussion and adoption. She described in detail the specific audits that would take place, as well as the collaborative process that her team took to develop the plan, working with Chancellors and their teams, UW System executives and Big Ten peers.

After a discussion regarding the proposed audit related to evaluating institutional effectiveness in adopting procedures to comply with the Regent policies related to Sexual Violence, Sexual Harassment, and Consensual Relationships, the Committee asked that in addition to the plan, Internal Audit collaborate with the Task Force on Sexual Misconduct to ensure that its policies are implemented, communicated and enforced. Regent Grebe stated this issue is serious enough to warrant very serious attention. The Committee requested that Internal Audit work with General Counsel to determine whether additional actions should be taken, and how; asking for a response to be provided at the August meeting. Regent Grebe stressed that it is vital to do the right thing, in the right way.

Regent Whitburn questioned the indebtedness in the NCAA audits, and how the two types of debt (multi-year deficit and bonding debt) are reflected in their financial statements. Ms. Stortz

replied that Paul Rediske in the Office of Internal Audit can look into this, and that they would address this issue when they report back to the Committee.

Ms. Stortz discussed the potential advisory services that her office could provide in fiscal year 2019, including the restructuring of UW System (internal controls, policies), support the transition with exterior auditors, and other projects that are important to the institutional leaders.

I.5.c. Fiscal Year 2019 Audit Plan Review and Approval

[Resolution I.5.c.]

The Audit Committee voted to adopt the 2019 Audit Plan as presented. Upon the motion of Regent Whitburn and the second of Regent Grebe, the Committee unanimously approved the fiscal year 2019 Audit Plan.

Regent Mueller discussed the possibility of a hearing regarding the Institutional Relationships with Foundations issue, and inquired if the Office of Internal Audit was preparing to note that the Foundation audit is part of the 2019 Audit Plan, to which Ms. Stortz answered that yes, she has been working with President Cross and his management team, and that it is included in the draft of the prepared remarks.

Regent Mueller also discussed the proposed Hazardous and Universal Waste audit, and requested that while conducting this audit, could the Internal Audit team also look for proper disposal of hard copies of confidential documents (such as medical records). Ms. Stortz agreed that this could be included.

Regent Grebe thanked Ms. Stortz for her work on preparing this new audit plan. He stated that her work during this process had been very thoughtful, and he especially appreciated her working closely with Chancellors, CBOs and others on campuses to develop the new audit topics.

I.5.d. Discussion of Recently Issued Reports

Steve Mentel reviewed two Bank Account Creation, Management, and Oversight audits for UW-Stevens Point, and UW-Whitewater, concerning compliance with UW System Administration Policy 310. Mr. Mentel discussed the report for UW-Whitewater first, and there were no additional questions.

Secondly, Mr. Mentel reviewed the audit report for UW-Stevens Point. The Regents asked various questions regarding the details, and shared their concerns. Chancellor Bernie Patterson and Vice Chancellor Kristen Hendrickson, of UW-Stevens Point addressed the Committee and stated their commitment to correct the issues noted. The Office of Internal Audit will follow up once management has completed the reconciliations.

Mr. Mentel then reviewed the Payroll Continuous audit for UW System for the October 1, 2017 to December 31, 2017 testing cycle. There was only one instance of an inappropriate payment, compared to the last testing cycle in which seven instances were identified. Mr. Mentel also stated that Senior Associate Vice President & Chief Human Resource Officer, Shenita Brokenburr, requested that he, and lead auditor Amy McHugh present this topic at their upcoming HR conference later this summer. Ms. Stortz shared that her office is collaborating with HR

management, as well as Vice President Rob Cramer and it is an opportunity to help with the training and education of staff on the frontlines on the importance of controls, and how we can improve efficiency. This is a good example of working with management to improve items.

I.5.e. 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 35 comments have been closed since the last Audit Committee meeting.

I.5.f. Report of the Chief Audit Executive

Ms. Stortz provided the report of the Chief Audit Executive to the Committee, stating that the Office of Internal Audit will be going through a quality assessment review in fiscal year 2019, which will then be verified by independent parties in 2020. She also stated that the office is in the process of requisitioning a cloud-based workpaper solution.

Regent Grebe then noted that the format of the Audit Committee meetings would be likely to change somewhat in fiscal year 2019.

In September 2013, the Board of Regents adopted the Audit Committee Charter (Charter). As outlined Charter, the Audit Committee shall have charge of the oversight of all audit-related matters, internal and external; compliance with laws and regulations; internal controls; enterprise risk management; and ethics. In order to comply fully with our Charter, beginning in fiscal 2019, the agendas for our meetings will be set to reflect the most relevant and important matters reflected by our charter.

Regent Grebe has asked our Chief Audit Executive, General Counsel and Vice President of Administration to work with him on selecting the matters most pertinent to discuss at our public meetings. Given our continuing efforts to improve internal controls, formalize enterprise risk management and demonstrate our commitment to compliance and ethics we expect our meetings to be robust. The Board is fully committed to our important role in ensuring that UW System continues to operate in a manner worthy of the public trust.

The meeting adjourned at 11:37 a.m.

Respectfully Submitted,

Erika Laabs
Recording Secretary