BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.5.   Audit Committee   Thursday, April 4, 2019
                                                            9:00 a.m. – 10:15 a.m.
                                                            1920 Van Hise Hall
                                                            1220 Linden Drive, Madison, WI

a.   Approval of the Minutes of the February 7, 2019 Meeting of the Audit Committee

b.   Internal Audit

   1.   Fiscal Year 2019 Audit Plan Progress Report

   2.   Summarized Results of Audits Recently Issued

   3.   System Security and Access Audit Status and Comment Themes

   4.   Progress on Management Responses to Audit Reports

   5.   Report of the Chief Audit Executive

      • Hotline report

      • Fiscal year 2020 audit planning

c.   Internal Controls and Enterprise Risk Management

   1.   Enterprise Risk Management Update

d.   Compliance with Laws and Regulations

   1.   Introduction of the UW System Office of Compliance

   2.   Risk, Compliance and Internal Audit Collaboration

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

RELATED BOARD OF REGENTS POLICIES

NA

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2019
AUDIT PLAN PROGRESS

	Title	Audit Type
1	Payroll (Continuous Monitoring)	Financial
2	Purchasing Cards (Continuous Monitoring)	Financial
3	Shop @ UW (Continuous Monitoring)	Financial
4	System Security and Access	Information Technology
5	Transactions with Foundations (FY 2018)	Compliance
6	Contract Management	Compliance
7	Purchasing	Compliance
8	Business Operations in Student Services[1]	Financial
9	Auxiliary Operations - Housing[1]	Financial
10	Payment Card Industry Compliance	Compliance
11	Data Integrity, Definition, Governance, and Ownership – Top Three Systems/Applications	Information Technology
12	Hazardous and Universal Waste	Operational
13	Regent Policies 14-2 Sexual Violence and Sexual Harassment and 14-8 Consensual Relationships Follow-up	Compliance
14	Information Technology Procurement	Information Technology
15	Tax Cuts and Jobs Act of 2017 (The "Tax Act")	Compliance
16	DoIT System Services Group	Operational
17	NCAA Athletics Division I, II	Financial
18	Institutional Relationships with Foundations (FY 2019)	Compliance
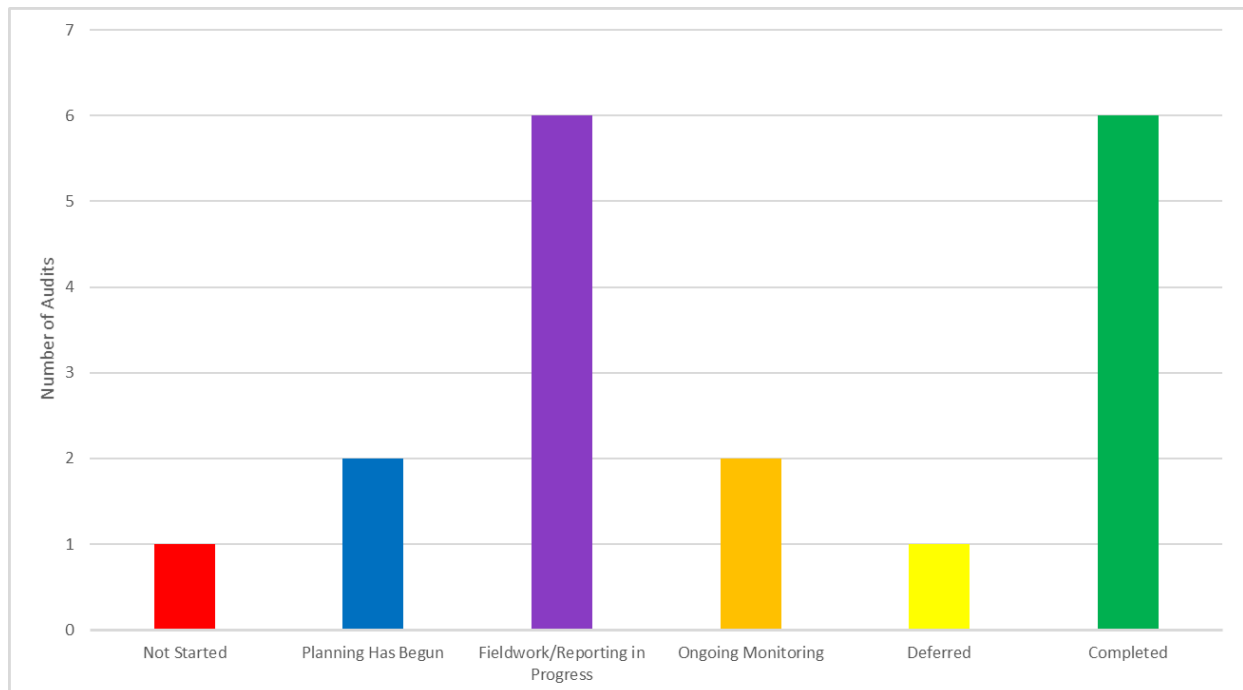
[1]Previously reported as one audit: *Business Operations in Auxiliaries or Student Services*

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
SUMMARIZED RESULTS OF AUDITS RECENTLY ISSUED

BACKGROUND

One of the responsibilities of the Audit Committee, as outlined in the committee charter, is to summarize results of audits recently issued.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

Since the February 7, 2019 meeting of the Audit Committee, the Office of Internal Audit has issued a number of reports including:
- Chancellor's Business Account Audit for UW-La Crosse
- Hazardous and Universal Waste Audit for UW System
- Payroll (Continuous Monitoring)
- Purchasing Cards (Continuous Monitoring)

Lori Stortz, Chief Audit Executive, will provide highlights of these documents.

RELATED BOARD OF REGENTS POLICIES

NA

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
SYSTEM SECURITY AND ACCESS AUDIT STATUS AND COMMENT THEMES

BACKGROUND

The Board of Regents delegates to the President of UW System the authority to implement and maintain an information security program (Program). The Audit Committee has oversight responsibility over this Program.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

The attached chart provides a summary of audit progress for the System Security and Access audits. It also lists the most prevalent audit comments and matters encountered during the audits.

RELATED BOARD OF REGENTS POLICIES

Regent Policy Document 25-3, Acceptable Use of Information Technology Resources
Regent Policy Document 25-5, Information Technology: Information Security

System Security and Access Audit Status

	UWSA	Eau Claire	Green Bay	La Crosse	Madison	Milwaukee	Oshkosh	Parkside	Platteville	River Falls	Stevens Point	Stout	Superior	Whitewater
Audit Status	green	green	green	green			green			yellow	green	green	green	green

Report issued, and comments closed

Report issued, and Internal Audit is auditing management's response to close comments

Report issued, and management is addressing comments

Audit fieldwork in process (Plan to issue reports in April and May 2019)

System Security and Access Audit Comment Themes:

- Authentication requirements, including multi-factor
- Data classification and protection
- Audit documentation requirements
- Varying interpretations of risk and policies

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

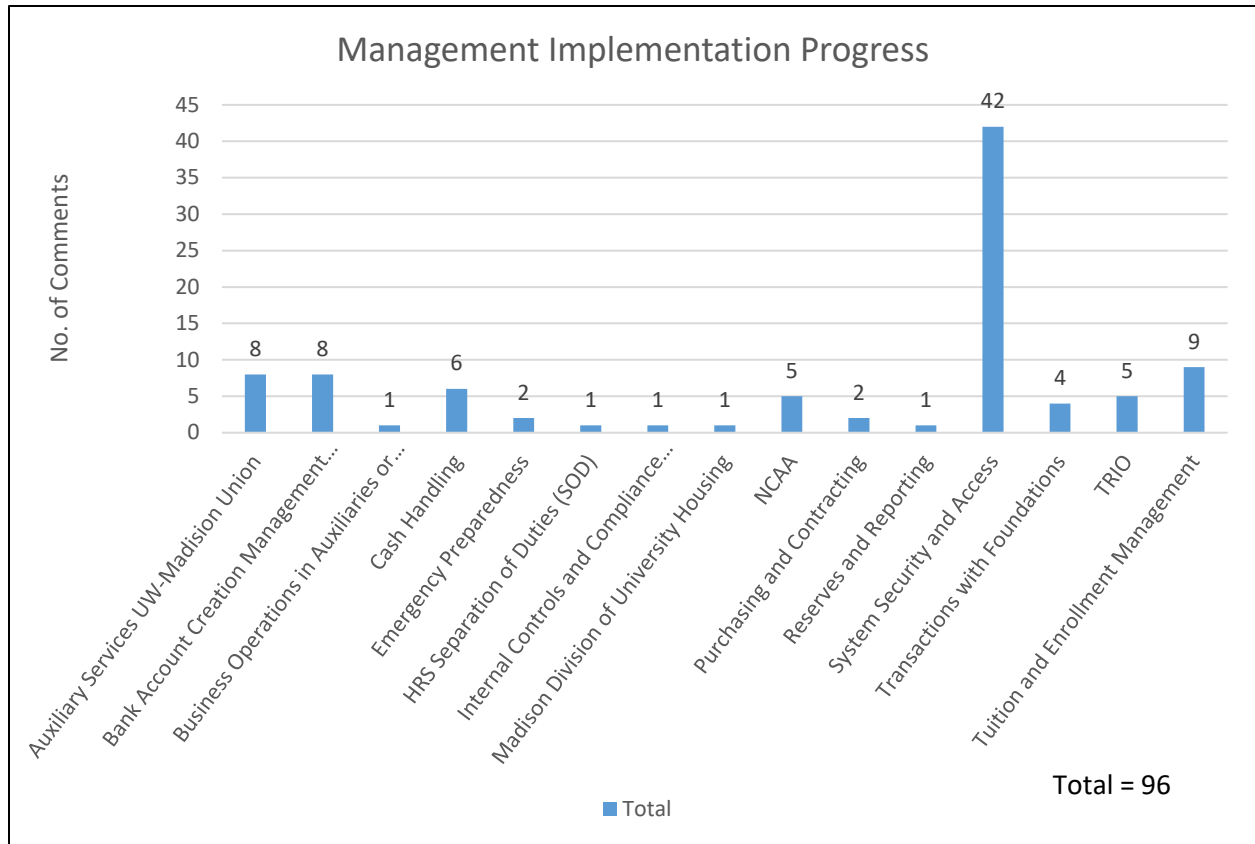No action requested. Item for information and discussion only.

DISCUSSION

The following charts present audits issued during fiscal 2016 through fiscal 2019 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.
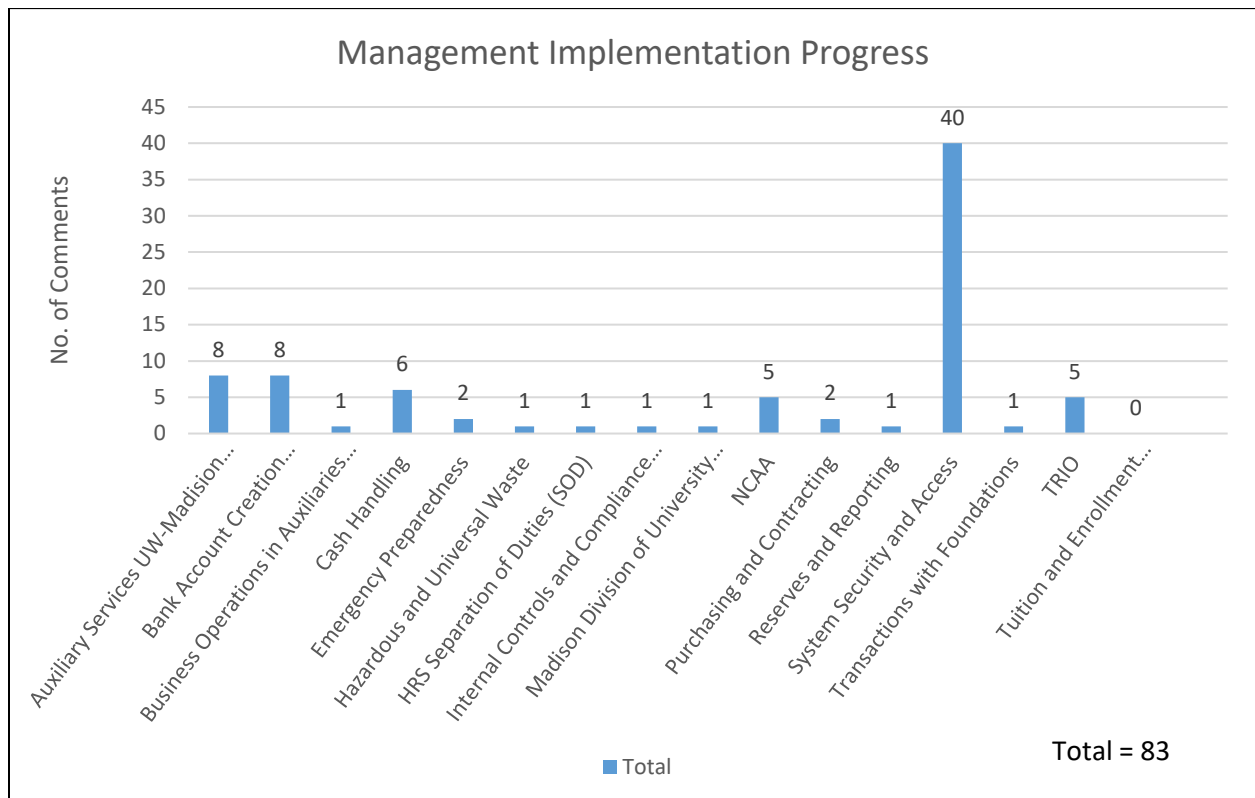
**RELATED BOARD OF REGENTS POLICIES**

NA

Prior Reporting Period

Management Implementation Progress

No. of Comments

Auxiliary Services UW-Madison Union: 8
Bank Account Creation Management...: 8
Business Operations in Auxiliaries or...: 1
Cash Handling: 6
Emergency Preparedness: 2
HRS Separation of Duties (SOD): 1
Internal Controls and Compliance...: 1
Madison Division of University Housing: 1
NCAA: 5
Purchasing and Contracting: 2
Reserves and Reporting: 1
System Security and Access: 42
Transactions with Foundations: 4
TRIO: 5
Tuition and Enrollment Management: 9

■ Total

Total = 96

Current Reporting Period

Management Implementation Progress

No. of Comments

Auxiliary Services UW-Madison...: 8
Bank Account Creation...: 8
Business Operations in Auxiliaries...: 1
Cash Handling: 6
Emergency Preparedness: 2
Hazardous and Universal Waste: 1
HRS Separation of Duties (SOD): 1
Internal Controls and Compliance...: 1
Madison Division of University...: 1
NCAA: 5
Purchasing and Contracting: 2
Reserves and Reporting: 1
System Security and Access: 40
Transactions with Foundations: 1
TRIO: 5
Tuition and Enrollment...: 0

■ Total

Total = 83

Roll-forward from Prior Reporting Period to Current Reporting Period

Audit	Previously Reported Open Comments	Comments Issued	Comments Closed	Current Open Comments
Auxiliary Services UW-Madison Union	8	0	0	8
Bank Account Creation Management and Oversight	8	5	5	8
Business Operations in Auxiliaries or Student Services	1	0	0	1
Cash Handling	6	0	0	6
Emergency Preparedness	2	0	0	2
Hazardous and Universal Waste	0	1	0	1
HRS Separation of Duties (SOD)	1	0	0	1
Internal Controls and Compliance Structure	1	0	0	1
Madison Division of University Housing	1	0	0	1
NCAA	5	0	0	5
Purchasing and Contracting	2	0	0	2
Reserves and Reporting	1	0	0	1
System Security and Access	42	0	2	40
Transactions with Foundations	4	0	3	1
TRIO	5	0	0	5
Tuition and Enrollment Management	9	0	9	0
Total	96	6	19	83
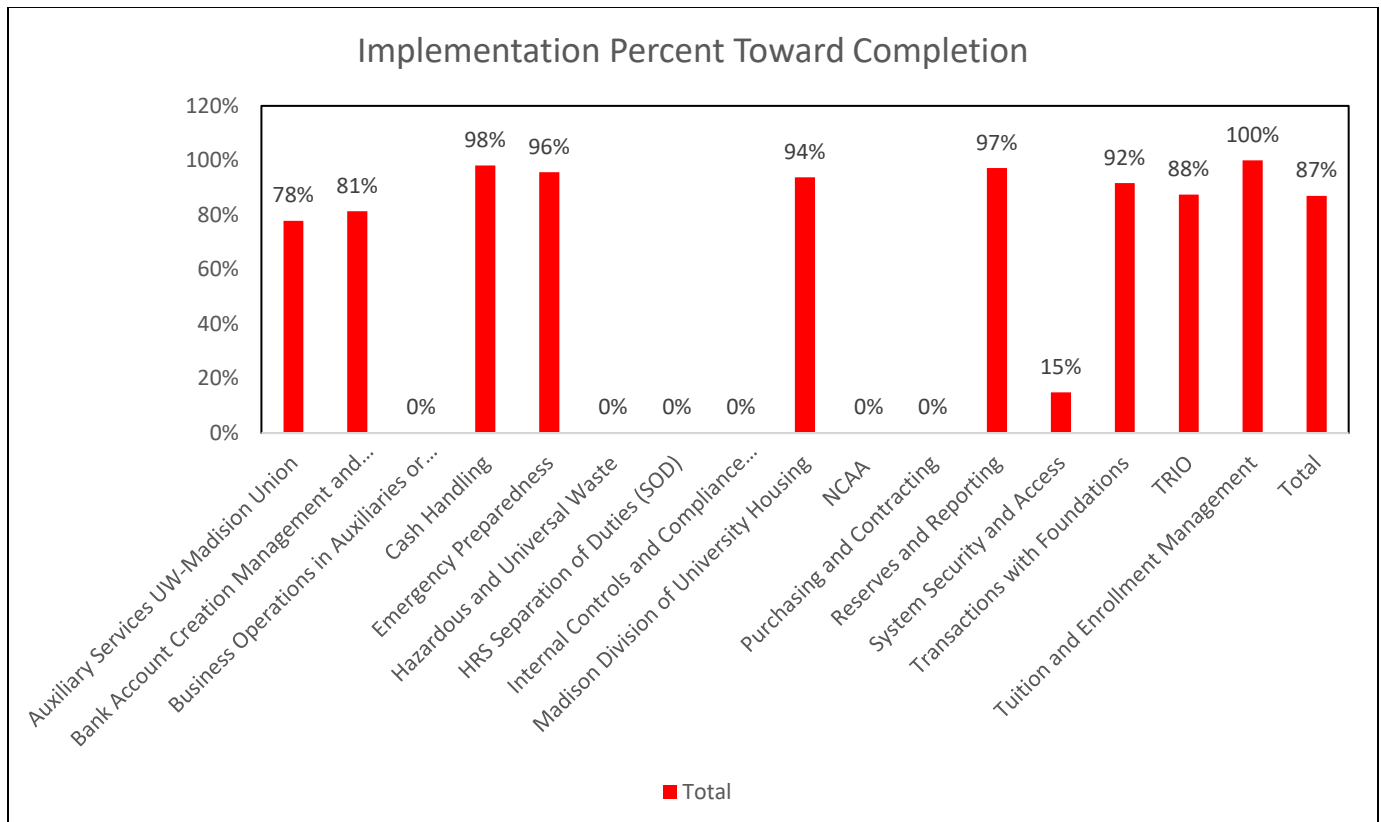
The above charts and graphs do not necessarily represent all audit comments outstanding due to timing issues

UW SYSTEM ENTERPRISE RISK MANAGEMENT
EXECUTIVE SUMMARY

BACKGROUND

Enterprise Risk Management (ERM) is a framework to systematically identify, evaluate and manage risks to the organization and its business goals and operations.

UW System is a $6 billion organization with a complex set of risks. With a primary purpose of teaching and learning, UW institutions also manage many employees, house and feed students, manage athletic teams, conduct cutting edge research and have employees and students who travel internationally. All of these operations bring risks to the system.

While there are many risks, there are also many employees who manage risks within their operations. The UW System also has systems in place to manage risks including: internal controls, standardized policies, risk transfer through insurance or through the use of suppliers, and health and safety programs. However, an ERM program would create a process to systematically identify and prioritize the key risks across the operation.

UW System Administration is providing an update on the development of the UW System ERM framework and risk assessment process.

The UW System is developing an ERM framework with Aon, who has been contracted to provide these services. The current report provides an update on the progress of the project.

REQUESTED ACTION

This item is for information only.

DISCUSSION AND RECOMMENDATIONS

Aon and UW System Risk Management have conducted a survey and held interviews to gather cross-functional perspectives on key risks. Both the survey and interviews were done at the UW System level. Data from the survey and interviews were aggregated to create an enterprise risk register.

The UW System Risk Committee gathered for a workshop to assess, prioritize and build consensus on risks. A list of Key Risks was created. They are being shared with the Board of Regents Audit Committee for analysis and oversight.

Next steps for the Risk Committee are to create a heat map and stoplight chart.

UW SYSTEM ADMINISTRATION
OFFICE OF COMPLIANCE
INTRODUCTION OF THE UW SYSTEM OFFICE OF COMPLIANCE

BACKGROUND

In 2018, UW System made the decision to create an Office of Compliance, led by a Director of Compliance. This decision is consistent with recent national trends by universities to dedicate resources to creating institutional compliance structures, as shown by a survey conducted by the National Association of College and University Attorneys (NACUA) in the spring of 2018. In total, 213 member institutions responded to this survey.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

The attachments highlight the responses to the 2018 NACUA survey, specifically regarding benefits of a dedicated compliance office and top compliance risks facing institutions of higher education.

In February 2019, UW System hired Katie Ignatowski as Director of Compliance. Katie is in the process of establishing an Office of Compliance to support compliance functions systemwide and assist leadership at each campus in establishing a framework that incorporates best practices. The Office of Compliance will focus on creating a compliance matrix that identifies regulations that govern the UW System and compliance owners for each compliance category and at each campus. Immediate focus areas for the Office of Compliance include Public Records, Title IX, and Clery Act.

RELATED BOARD OF REGENTS POLICIES

NA

| Characteristic | Percentage of Respondents That | | | |
| | 2018 | | | 2013 |
	Have a compliance office or offices	Are planning or developing a compliance office	Total	Total
All institutions	47.2%	27.1%	74.3%	70.3%
Single unit institution	43.5%	29.6%	73.1%	68.5%
Institution within a system	62.5%	15.0%	77.5%	78.3%
System Office	50.0%	27.2%	77.2%	69.2%
Public	48.1%	25.9%	74.0%	71.6%
Private	46.0%	29.0%	75.0%	68.6%
Doctorate-granting universities	60.8%	22.4%	83.2%	82.2%
Master's colleges and universities	24.4%	34.1%	58.5%	54.7%
Baccalaureate colleges	25.0%	30.0%	55.0%	57.2%
Associate's colleges	29.5%	35.3%	64.8%	54.6%
Annual budget less than $100 million	30.8%	30.8%	61.6%	54.9%
Annual budget $100-200 million	14.2%	45.3%	59.5%	54.3%
Annual budget $200-500 million	59.9%	23.5%	83.4%	74.5%
Annual budget $500 million to $1 billion	44.0%	28.0%	72.0%	75.0%
Annual budget $1 billion or more	76.5%	13.8%	90.2%	88.4%
Enrollment of fewer than 5,000 students	29.1%	34.6%	63.6%	55.1%
Enrollment of 5,000 to 9,999 students	38.9%	27.8%	66.7%	70.0%
Enrollment of 10,000 to 15,999 students	50.0%	29.4%	79.4%	75.9%
Enrollment of 16,000 to 24,999 students	50.0%	25.0%	75.0%	84.6%
Enrollment of 25,000 to 34,999 students	82.4%	5.9%	88.3%	73.7%
Enrollment of 35,000 or more students	59.2%	25.9%	85.1%	74.1%

Compliance Program Benefits

Benefit of an Effective Compliance Program	2018	2013
Sharpens focus of internal audits and improves ability to work with external auditors and risk management consultants	59.6%	58.6%
Reduced negative experiences with external compliance audits and inspections	55.3%	56.9%
Supervisors are more aware of the importance of compliance in evaluating employee performance	50.3%	52.0%
Substantially reduced complaints in internal university proceedings and in external courts and government agencies	47.2%	45.8%
Improved insurance claims experience and substantially reduced insurance premiums	37.6%	36.1%

Areas of Greatest Compliance Risk (cont.)

2018 Survey Top Ten Areas of Highest Risk Relative to Compliance		
Rank	**Identified Area of Highest Risk**	**%**
1	Title IX	26.6%
2	Information Security	17.2%
3	Human Resources	7.4%
4	Financial Aid	5.9%
5	Athletics (including NCAA)	4.4%
6	Accreditation	3.9%
6	Americans with Disabilities Act	3.9%
6	Environmental Health and Safety	3.9%
9	Sexual Harassment	3.0%
10	Three areas: Governance, Public Safety/Clery/Crime & Fire Rpt, Research	2.5% (each)

Areas of Greatest Compliance Risk (cont.)

2013 Top 5 High-Risk Areas	%
Human Resources	15.2%
Financial Aid	9.4%
Athletics (incl. NCAA)	6.3%
Title IX	5.8%
Information Security	5.8%

2018 Top 5 High-Risk Areas	%
Title IX	26.6%
Information Security	17.2%
Human Resources	7.4%
Financial Aid	5.9%
Athletics (incl. NCAA)	4.4%