

**UW System Board of Regents
Audit Committee
Gordon Dining and Event Center
770 West Dayton St.
Madison, Wisconsin
July 11, 2019**

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 9:02 a.m. by Committee Chair Gerald Whitburn. Roll call was taken. Regents Whitburn, Mueller, Delgado, Manydeeds, and Walsh were in attendance. Regent Grebe was also in attendance. Regent Whitburn asked if anyone had a conflict for the items on the agenda to be discussed: none were stated.

I.5.a. Approval of the minutes of the June 6, 2019 meeting of the Audit Committee

Upon the motion of Regent Mueller and the second of Regent Walsh, the committee unanimously approved the minutes of the June 6, 2019 Audit Committee meeting.

I.5.b. Internal Audit

I.5.b.1. Fiscal Year 2020 Audit Plan Progress Report

Regent Whitburn asked that Lori Stortz, Chief Audit Executive, review the priorities of the fiscal year so that the three new regents on the committee would be aware of them. Regent Whitburn also asked that the committee members bring to him any potential items they identify as concerns that should be considered by the committee. Ms. Stortz then discussed the 2020 Audit Plan and its creation with input from both internal and external parties. She stated that the Office of Internal Audit is making good progress and the staff is currently planning the work. In October, the Office of Internal Audit will bring several reports for the Committee's review including continuous auditing for Payroll, Purchasing Cards, and Shop@UW, as well as audits of IT Procurement, Transactions with Foundations, and the Tax Cuts and Job Act of 2017. She also mentioned additional special projects that have been requested by UW System Administration management; some that are named on the plan and some that are not. Management has asked the Office of Internal Audit to partner with them and are working on planning those special projects as well.

I.5.b.2. Progress on Management Responses to Audit Reports

Ms. Stortz presented the charts on management's progress and responses and explained the beginning and ending balances and the progress made since the last report. The previous report had 83 open comments. The report for this period shows that 21 comments remain open. She reported that most of the remaining comments will be closed by the October Audit Committee meeting and that we are receiving cooperation from management.

I.5.b.3. System Security and Access Audit Status and Comment Themes

Ms. Stortz discussed the status of the System Security and Access Audits. The audits were broad in scope and addressed IT policies and general computer controls. The Office of Internal Audit is working with management to determine key issues going forward. Regent Whitburn asked if there was any reluctance or excuses by management in addressing these comments. Ms. Stortz stated that it is a matter of priority setting and time commitment. Reports have recently been issued to UW-Milwaukee and UW-Parkside with UW-Madison being the last institution to be audited and is on track for completion with a wrap meeting scheduled for later this month. Regent Mueller asked about data classification in regard to these audits. Ms. Stortz discussed the three levels of data; high, medium and low, and provided social security numbers as an example of high level that require stronger IT security.

I.5.c. UW System Response to Legislative Audit Bureau's Report 19-5 on the University of Wisconsin System Fiscal Year 2017-2018 Financial Audit

Regent Whitburn discussed three areas of concern from LAB's report. The first included the new personnel systems that were put in place in 2011 and that LAB found that some institutions still did not have policies to comply with the Regent policy. Second, the pay plan implementations and the fact that no performance evaluations were being held with staff. These individuals were assumed to be at or above expectations. Regent Whitburn asked management if there is a requirement for annual performance evaluations and if so, who owns this process? Finally, that the merit-based adjustment policies did not comply with System policy. Regent Whitburn then asked for management to respond.

Vice President for Finance Sean Nelson and Senior Associate Vice President and Chief Human Resource Officer Shenita Brokenburr responded to Regent Whitburn and discussed the recently issued LAB Report 19-5.

Mr. Nelson focused his response on three areas including tuition and enrollment trends over the last ten years, including increases in nonresident enrollment as well as board policy for the percentage of non-residents gaining admission into UW System institutions. Mr. Nelson stated that there seemed to be concern that Wisconsin residents were being supplanted by non-resident students. However, Mr. Nelson stated that the rate shall not exceed 27.5% and that non-resident students make up the same percentage as they did in 2009.

Next Mr. Nelson went on to discuss program and revenue balance reporting for the System including providing guidance on spending plans, budget revenue models, and creating a better management tool than the one currently in use for the report.

Mr. Nelson stated that guidance has already been provided on spending plans. And that more work is under way in how to create a better management tool, including the budgeting revenue model.

Finally, there was a discussion of the UW-Oshkosh Program Revenue Balance Transfer that was noted in the report. Regent Delgado questioned the operations of the Housing Units. Mr. Nelson commented that he is now comfortable with the changes to the overall operations at UW-Oshkosh.

Ms. Brokenburr then focused on another eight recommendations from the LAB report. First, she discussed the themes noted and the improvements needed to University Personnel System policies which include non-compliance, lack of consistency, and lack of accountability. She clarified that the implementation of the new personnel system occurred in 2015 for UW System Administration. She then went on to discuss the creation of work groups to address six subject matter areas including performance management, merit-based pay, extraordinary salary ranges, and HRS entry codes for pay actions. She went on to say that one of the most important things is the tone at the top for performance evaluations and the responsibility to see that this is occurring, and that Internal Audit is a partner with her and her team to hold institutions accountable regarding compliance with policy.

Regent Mueller noted that granting merit-based adjustments is difficult across the System as some institutions have money for these adjustments, but some do not, and some institutions are able to give raises to many faculty and staff while some institutions give raises to only a few. Ms. Brokenburr went on to say that there was confusion on whether an adjustment was merit-based or a one-time lump sum. The policy needs to be complied with and revised.

Ms. Brokenburr then stated that she will come back to the committee in October to discuss the most recent response to the LAB report. Regent Grebe then stated that the Audit Committee should approve the response to the report and the Legislative Fiscal Bureau. Rob Cramer, Vice President for Administration stated that management will have the response completed by August 10th. A decision was made to hold a special session of the Audit Committee to discuss the response.

Finally, Ms. Brokenburr discussed the need for a cultural shift so UW System Human Resources can provide technical assistance in the development of institution policies and procedures to ensure uniformity and consistency with University Personnel System policies as well as provide training.

Regent Walsh talked about the need for performance evaluations at all levels, including deans down to department chairs and making sure that the message does not get lost. Ms. Brokenburr replied that institutions provide supervisor training, but there is a gap in accountability.

I.5.d. Compliance with Laws and Regulations

UW System's General Counsel Quinn Williams introduced Sarah Harebo to the committee as System's Title IX and Clery Administrator in the Office of Compliance. Ms. Harebo described her background, her goal to build the Office of Compliance as a resource for all, and her work to date. She is looking forward to collaboration across the System including working with Internal Audit. The UW System has joined the Action Collaborative on Preventing Sexual Harassment in Higher Education with the National Academy of Sciences. Regent Whitburn asked about the biggest challenge or most immediate need. Ms. Harebo noted the institutions are performing to the best of their ability. There may be inconsistencies across campuses in application of policy and how they are counting complaints, and she believes that an enterprise-wide approach will work best to implement policy at System.

I.5.e Move into closed session to consider strategy for crime detection and prevention as permitted under s. 19.85(1)(d) Wis. Stats.

Upon the motion of Regent Whitburn, the vote to move into closed session was adopted on a roll call vote, with Regents Whitburn, Mueller, Delgado, Manydeeds, and Walsh voting in the affirmative. There were no dissenting votes and no abstentions by the regents in attendance.

The meeting was adjourned at 10:30 a.m.

Respectfully submitted,

Steve Mentel
Recording Secretary