

**UW System Board of Regents
Audit Committee**
University of Wisconsin-Milwaukee (UWM)
UWM Student Union, Fireside Lounge
2200 East Kenwood Boulevard
Milwaukee, Wisconsin
June 6, 2019

MEETING OF THE AUDIT COMMITTEE

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

I.5.a. Approval of the minutes of the April 4, 2019 meeting of the Audit Committee

Upon the motion of Regent Whitburn and the second of Regent Atwell, the committee unanimously approved the minutes of the April 4, 2019 Audit Committee meeting.

I.5.b. Internal Audit

I.5.b.1. Fiscal Year 2019 Audit Plan Progress Report

Lori Stortz, Chief Audit Executive, briefly reviewed the progress to date on the fiscal year 2019 Audit Plan. She stated that work on the plan is “substantially” complete. However, Internal Audit expects to issue reports at the July and/or October Board meetings associated with the Shop@UW, Tax Cut and Jobs Act, IT Procurement, Housing, System Access and Security and PCI audits.

Ms. Stortz also stated that the Data Integrity, Definition, Governance and Ownership Audit is being “pulled” from the plan for the time being due to work that UW System is planning on an ERP project and digital strategies which will further define the subjects of this audit. This will also provide opportunities for Internal Audit to perform consulting in these areas.

I.5.b.2. Fiscal Year 2020 Audit Plan Review and Approval

Ms. Stortz presented the Fiscal Year 2020 Audit Plan. She explained that the plan was the result of a thorough risk assessment that included a review of risks identified during the recent ERM initiative; input from the Chief Business Officers and other System leaders; and discussion with Big Ten peers and on their most valuable audits. As such, the plan has a new element – a column entitled “risks” which links to the UWS Enterprise Risk Management (ERM) heat map.

Ms. Stortz discussed the audits included in the plan by starting with the three continuous audits (Payroll, Purchasing Cards, and Shop@UW). She noted these are the same three as are in

the Fiscal Year 2019 plan. She stated that additional continuous audits are dependent on the availability of consistent and reliable data. The three continuous audits in the Fiscal Year 2020 plan are in high-risk areas and remain of benefit to management. Regent Mueller inquired as to the nature of Shop@UW. Ms. Stortz described Shop@UW as UW System's e-procurement application and analogous to "Amazon for UW."

Next, Ms. Stortz described each of the four audits in the Fiscal Year 2020 plan that carryover from the Fiscal Year 2019 plan: (1) The Payment Card Industry Compliance Audit will leverage work already done by UW System, the campuses, and a consultant/vendor who conducted a self-assessment; (2) the Information Technology Procurement Audit is currently ongoing and a report is anticipated in October; (3) the DoIT System Services Group Audit is in planning with work to be performed later in summer and fall; and (4) the Institutional Relationships with Foundations and Other Affiliated Organizations is well into testing for compliance regarding foundations with a report anticipated in October while a December report is anticipated for testing for compliance regarding other affiliated organizations.

The following new audits for Fiscal Year 2020 were presented and briefly explained by Ms. Stortz:

- Oversight of Programs with Minors: includes camps and clinics and high risk with respect to physical safety and security.
- Discrimination, Harassment and Retaliation: primarily discrimination and harassment with focus on complaint handling process.
- Offboarding of Employees: focus is on cutting off access to buildings and systems.
- Human Resource System (HRS) Segregation of Duties at UW-Madison: requested by UW-Madison in advance of ERP project; audit will use automated techniques to complete testing.
- Student Information Systems and Databases Security: each institution hosts its own student information system application; audit will focus on change management, patching and privacy of student information.
- Laboratory Safety: this audit was identified by Big Ten peers as valuable; it's a natural evolution from our Fiscal Year 2019 audit of Hazardous and Universal Waste. Planning for this audit has already generated a certain amount of "positive excitement."
- NCAA Athletics Division I - Consulting Engagements: this work will be similar to work performed for Fiscal Year 2019.
- Other Affiliated Organizations – this will be the first time through testing compliance with UWSA Policy 362.
- External Assessment (Self-Assessment with Independent Validation) – needed to permit Internal Audit to say its work is in conformance with professional standards.

Regent Whitburn then raised a question concerning the Fiscal Year 2020 plan and post-tenure review of tenured faculty members. He observed that the applicable Regent policy (20-9) is meant to be consistent across all campuses. Regent Whitburn stated that the Chancellor's "own," and are responsible for, this policy; it can't be delegated. Regent Whitburn observed that the LAB may soon examine this topic. He raised the question as to whether a review of post-tenure review is primarily the responsibility of Internal Audit, the Office of General Counsel or the new Compliance Office. Ms. Stortz reported that she had a conversation with President Cross on this

subject earlier in the week. President Cross informed Ms. Stortz that (1) he will ask the Chancellors to perform a self-assessment and send the results for UW-System for review and (2) he will ask Internal Audit to review the results. Regent Whitburn asked Chancellors Blank (UW-Madison) and Wachter (UW-Superior) to comment on implementation of post-tenure review at their respective campuses. Both Chancellors reported success, with Chancellor Blank noting that UW-Madison's Faculty Senate had passed a uniform policy which is in the process of being adopted. Regent Mueller raised concern over the quality of these reviews which may not be known until after work is performed by Internal Audit. In concluding discussion on post-tenure reviews, Ms. Stortz stated that (1) she would ask President Cross to document the process he is proposing and (2) she would present an update on the subject to the Audit Committee in July or October. Regent Grebe affirmed Ms. Stortz's timeline for reporting on the subject.

Ms. Stortz then discussed the "Advisory Services" and the "Audits/Projects as Requested by Management" components of the Fiscal Year 2020 Audit Plan. She anticipates that the Internal Audit Leadership Team would be actively involved in four advisory service areas: (1) dissolution of Colleges and Extension; (2) Shared Services; (3) Enterprise Risk Management and (4) pre-planning for a Shared Financial System and Human Resource System projects. She observed that these four areas represent important strategic initiatives and pose substantial risk. Internal Audit has pledged to be engaged at the appropriate times to ensure that important controls are not overlooked as each of these initiatives progress.

Ms. Stortz also noted that, as requested by System, 10% of available audit time in the Fiscal Year 2020 Audit plan is being reserved to respond to requests by System and institutional leaders. In Fiscal Year 2019, five projects were initiated at the request of management. These five projects included fraud investigations, the role of advisory boards and contribution policies. Ms. Stortz stated that Internal Audit has a reasonable process in place to evaluate management requests.

Regent Grebe remarked that he appreciated the "risk column" in the Fiscal Year 2020 Plan. He said this was evidence that Internal Audit, Risk Management, the Office of General Counsel, and Compliance are maturing and working together.

Following all discussion related to Agenda item I.5.b.2, *Audit Plan Review and Approval*, a motion was made by Regent Atwell that the resolution referenced below be approved. Motion seconded by Regent Mueller. Motion approved unanimously by voice vote.

Resolution I.5.b.2: That upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Fiscal Year 2020 Audit Plan.

I.5.b.3. Summarized Results of Audits Recently Issued

Ms. Stortz summarized a recently issued best practices letter that was associated with the audit of Hazardous and Universal Waste (HUW). In doing so, Ms. Stortz observed that the HUW audit represented a "good effort" between Internal Audit and Risk Management and demonstrated how the two offices can work together.

I.5.b.4. System Security and Access Audit Status and Comment Themes

Ms. Stortz discussed the status of the System Security and Access Audits. She noted that all audits are in the reporting or wrap-up stage. Internal Audit is continuing to work on the follow-up of certain comments and there is good engagement and focus in the resolution process.

Regent Grebe then asked the Audit Committee to go out of order from the published agenda and proceed to take-up item I.5.d, *Protecting the Integrity of the UW System Admissions Process*. There being no objections, I.5.d was taken up next.

I.5.c. Internal Controls and Enterprise Risk Management

I.5.c.1. Enterprise Risk Management

UW System's Director of Risk Management, Angela Ryan and UW System's Associate Vice President for Administrative Services, Ruth Anderson shared an update on the Enterprise Risk Management Program. They began by referencing a hand-out.

Ms. Anderson noted that the Enterprise Risk Committee voted on 13 previously identified enterprise risks based upon three factors: (1) likelihood, (2) impact and (3) ability of UW System to influence the risk. The results were plotted on the *UW System ERM Heat Map* included in the hand-out.

Ms. Anderson noted that the larger the circle associated with a risk on the Heat Map, the more opportunity UW System to influence or impact that risk.

Ms. Ryan reported that, based upon results of the voting as depicted in the Heat Map, the Enterprise Risk Committee will focus on four risks during Fiscal Year 2020: (1) cyber security (assigned to/owned by Vice President Cramer - scope is System wide); (2) data availability (assigned to/owned by Associate Vice President Ben Passmore - scope is System wide); (3) physical safety and security (assigned to/owned by Associate Vice President Anderson - scope is UWSA); and (4) Title IX (assigned to/owned by Director Ignatowski - scope is UWSA).

Regent Grebe inquired as to why "enrollment" (one of the 13 risks voted on; it is plotted high on the Heat Map) did not make the top four. Ms. Anderson explained that enrollment requires a more campus-based solution (hence a lower ability for UW System to influence the risk).

Ms. Ryan described next steps as (1) meeting with the risk owners to discuss mitigation strategies, etc.; (2) generating risk tolerance for the focus risks and (3) reporting back to the Board of Regents on progress in October.

Regent Mueller observed that she liked the methodology and structure that the Enterprise Risk Committee is using.

I.5.d. Protecting the Integrity of the UW System Admissions Process

The discussion on this agenda item immediately followed agenda item I.5.b.4.

Regent Grebe began by saying there was no reason to believe that the admissions scandals publicized earlier this year extended to the University of Wisconsin System. Nonetheless, the Audit Committee had a fiduciary duty to ask related questions.

UW-Madison's Chancellor, Rebecca Blank; Vice Provost for Enrollment Management, Steven Hahn; and Deputy Athletic Director (AD) Chris McIntosh were invited to participate. Chancellor Blank stated that they would discuss what UW-Madison is doing to reduce risk and identify problems in this area. She pointed out that no admissions offices were involved in any of the publicized cases.

Vice Provost Hahn observed that publicized cases were not an admissions integrity problem but were rather a cheating scandal. Appropriate controls are in place. These include educating the appropriate UW-Madison staff (including Athletics). No undergraduates are admitted to UW-Madison without going through the admissions process. With respect to Athletics, Admissions is independent. Admissions provides annual "boot camps" to all coaches and certain other administrators by walking them through the admissions process. We are all ambassadors for UW-Madison who need to understand the admissions process. There is no-side door, no minimum cut-off, and no formula. Instead, a holistic approach is used to assess academic preparation. All admissions applications go through two reads. With respect to admission decisions, University leadership does not weigh in; alumni legacy does not enter in; and development information does not factor in. The Admissions Office has used the publicized scandals as an opportunity reinforce the importance of process among its staff.

Deputy AD McIntosh noted that UW-Madison Athletics adheres to the Big Ten Standards of Institutional Control in this area. All admitted student athletics are coded as athletes in the student system and occupy a roster spot for one year which cannot be released. Only the Athletics Department Liaison to Admissions can code students as athletes. In response to the scandal, the following changes will occur in UW-Madison Athletics: (1) each coach will now attest that the coded student is an athlete; (2) the Athletics Department Liaison to Admissions will no longer be able de-code student athletes; and (3) the Athletics Department Compliance Office will reconcile students coded as athletes with athletes on their sports rosters.

Regent Whitburn reported that he studied Chancellor Blank's blog on this subject. He observed that people often ask a coach how they were able to recruit a particular athlete when every university wanted that student athlete. He went on to say that how we communicate is important; stakes are high; and damage can be done. Chancellor Blank responded that it's important to distinguish the recruitment process from the admissions process. Deputy AD McIntosh noted that coaches look for students who can fit the UW-Madison profile and be

successful. Madison admission standards are higher than peers. Coaches must learn about the student and then build a case for an athlete's admission but that's where it ends. It's up to Admissions, not Athletics to decide. Recruiting can take place years before an admission. Vice Provost Hahn stated that Admissions knows who is coming in as an athlete. Coaches know standards. If there is an issue regarding a particular applicant, Admissions communicates that early on. If Admissions has questions about an applicant, not just an athlete, Admissions may convene a group with a Dean's staff. There is a process to solicit outside opinion, when needed, for any student.

Regent Atwell noted that he was thankful there were no side-doors and that we comply with Big Ten standards. Regent Atwell also inquired as to whether Admissions looks at "disparate impact" and whether Admissions goes back and tests for disparate impact. Regent Atwell further noted that he understands there are quantitative factors and qualitative elements and he understands that subjective elements may have a disparate impact. Vice Provost Hahn responded that subjective elements used in admissions are listed on their website. Admissions works to "build a class." Holistic admission allows a reader to use their judgment. In response to the question whether UW-Madison back tests for disparate impact (i.e., underrepresented groups), Vice Provost Hahn responded, "yes." He further stated that UW-Madison follows applicable university policy, federal statutes and court cases. Every year, Admissions does an assessment of relevant laws on admissions decisions.

Regent Mueller inquired as to the timing of admissions and early admissions for athletes. Athletes sometimes graduate from high school early. In the context of all decisions, Vice Provost Hahn stated that all admissions are subject to a review of final transcripts, even those that are in-cycle. Vice Provost Hahn noted that a decision with respect to an off-cycle admission can be revoked after admission. Chancellor Blank observed that athletics are more likely to start in the summer.

Regent Mueller also inquired as to how letters of recommendation and reference are treated. Vice Provost Hahn responded that when letters of recommendation come into Admissions with a comment from a campus administrator, the comment is stripped before the letter is admitted into the admission process. Only the letter is entered. Chancellor Blank reported that she is regularly approached for help with an applicant's admission, but she always makes it very clear that she cannot be involved.

Regent Grebe concluded this discussion by saying it was excellent; it answered many questions; and we can now feel assured that UW-Madison is running a tight ship.

I.5.e. Compliance with Laws and Regulations

UW System's Director of Compliance Katie Ignatowski introduced Sarah Harebo as the new Title IX and Clery Administrator in the Office of Compliance.

Ms. Harebo described her background and noted she was originally from Wisconsin and most recently worked for the University of Maine System.

Ms. Ignatowski observed that Title IX is a key risk as identified in the Heat Map in the presentation by Risk Management.

Ms. Ignatowski reported that Ms. Harebo's focus areas will include:

- Primary representative to the National Academy of Sciences Action Collaborative.
- Continue to implement recommendations of the Task Force on Sexual Violence and Harassment.
- Lead Title IX Coordinators' Council.
- Training for Shared Services.
- Spearheading compliance efforts when new regulations come out.
- Evaluate Title IX issues across campuses and identify risks and remediation strategies.

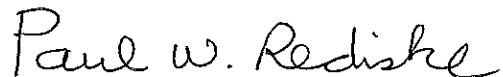
"Institutional compliance" is currently a focus of Ms. Ignatowski. She has been to all campuses except for Superior and Milwaukee. In this regard, she is working on establishing the framework for a governance structure. This involves identifying a compliance representative on each campus and developing certain tools including a matrix. She will report again to the Regents in October on progress.

Regent Grebe asked Ms. Ignatowski if she is receiving the support and cooperation needed. Ms. Ignatowski responded there is a fair amount of education required but with respect to support "yes." She is starting to have conversations on compliance at each campus and the capacity that will be needed. Regent Grebe acknowledged the importance of resources in this area.

Regent Mueller asked Ms. Ignatowski if she needed to put out any fires yet. Ms. Ignatowski responded "no" and explained she was currently looking at structure and putting building blocks in place.

The meeting was adjourned at 12:06 p.m.

Respectfully submitted,



Paul W. Rediske
Recording Secretary