BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.6.   Joint Meeting of the Audit Committee & Business and Finance Committee

Thursday, June 6, 2019
7:45 am - 8:55 am
UW-Milwaukee
2200 East Kenwood Boulevard
UWM Union, 1st floor, Fireside Lounge
Milwaukee, WI 53211

a.   Briefing on FY2019 External Audit Engagement by Plante Moran

b.   UW System Update on Completed and Ongoing Work Regarding Primary Fundraising Foundations and Other Affiliated Organizations

c.   UW System Response to Legislative Audit Bureau's Report 19-5 on the University of Wisconsin System Fiscal Year 2017-18 Financial Audit

d.   Approval of Changes to Appendix A of Regent Policy Document 21-9
        [Resolution I.6.d.]

e.   Approval of the Minutes of the Joint Meeting with the Business & Finance Committee on December 6, 2018

I.5.   Audit Committee

Thursday, June 6, 2019
10:45 am - 12:00 pm
UW-Milwaukee
2200 East Kenwood Boulevard
UWM Union, 1st floor, Fireside Lounge
Milwaukee, WI 53211

a.   Approval of the Minutes of the April 4, 2019 Meeting of the Audit Committee

b.   Internal Audit

1.   Fiscal Year 2019 Audit Plan Progress Report

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

3.   Summarized Results of Audits Recently Issued

4.   System Security and Access Audit Status and Comment Themes

c.   Internal Controls and Enterprise Risk Management

1.   Enterprise Risk Management Update

d.   Protecting the Integrity of the UW System Admissions Process

e.   Compliance with Laws and Regulations

I.6. Joint Meeting of the Audit Committee and Business & Finance Committee

See materials for Business and Finance Committee.

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	Financial
9	Auxiliary Operations - Housing	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
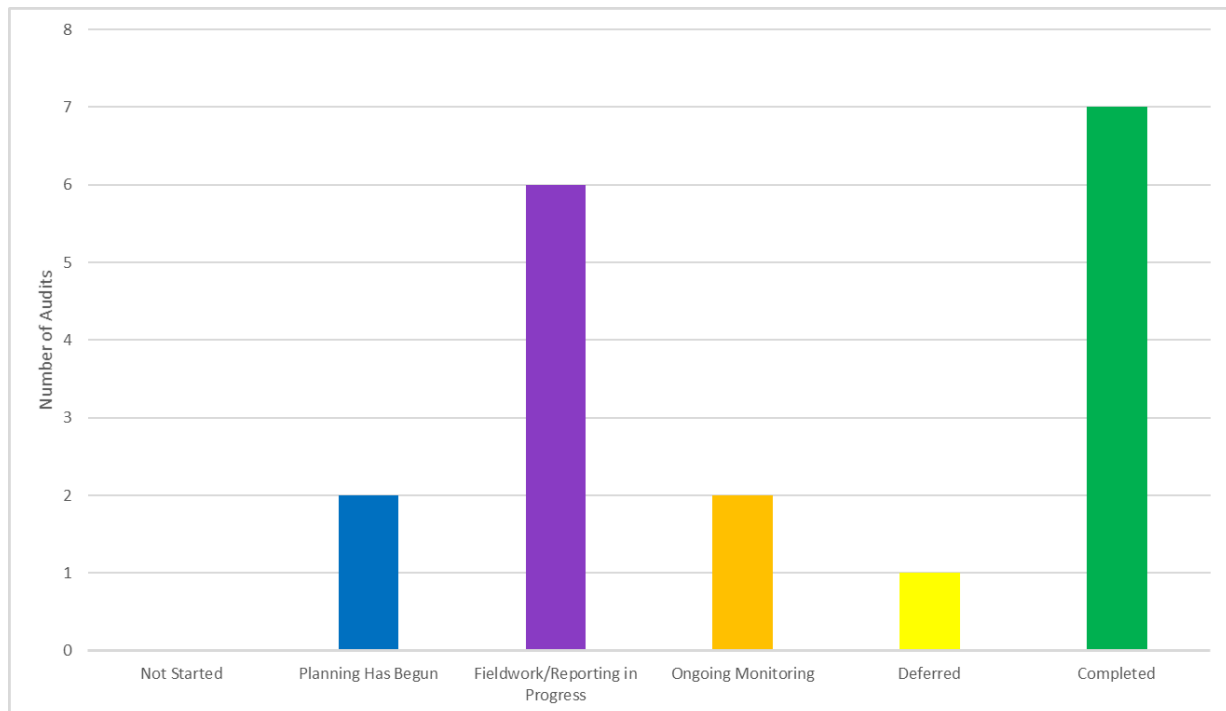
AUDIT COMMITTEE:

Resolution:

That, upon the recommendation of the President of the University of Wisconsin System, the Board of Regents approves the Fiscal Year 2020 Audit Plan.

Office of Internal Audit Fiscal Year 2020 Audit Plan

Continuous Auditing	Risks	Objectives/Procedures
Payroll	• Fraud	• 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	• Fraud • Embezzlement	• 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	• Fraud • Embezzlement	• 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 2019 Audits in Process	Risks	Objectives/Procedures
Payment Card Industry Compliance	• Data Breach of Personally Identifiable Information (PII)	• Review internal controls over payment card acceptance. • Test for compliance with policies, procedures and The Payment Card Industry Data Standards (PCI DSS).
Information Technology Procurement	• Fraud • Security • Waste • Recording • Safeguarding	•IT hardware and software are purchased in accordance with policies. •IT hardware and software are monitored through the life cycle of the device/application to ensure proper recording and safeguarding of assets, including data. •IT hardware and software are disposed/removed in accordance with policies.
DoIT System Services Group	• Billing • Monitoring • Proper Prioritization	• Review and evaluate roles, governance and project prioritization. • Evaluate and test the project time and expense capture and billing processes.
Institutional Relationships with Foundations and Other Affiliated Organizations	• Fraud • Embezzlement • Reputation	• Test compliance with *Regent Policy Document 21-9.* • Test compliance with UWSA Policy 362 *University Administrative Support of Affiliated Organizations.*
Fiscal Year 2020 New Audits	**Risks**	**Objectives/Procedures**
Oversight of Programs with Minors	• Physical Safety and Security	• Review and evaluate whether the institutions have a policy as required by *Regent Policy 20-19.* • Test compliance with each institution's policy and practices as they relate to oversight.
Discrimination, Harassment and Retaliation	• Physical Safety and Security • Legal Compliance	•Test compliance with each institution's practices per their policies and procedures related to student and employees' reported complaints.
Offboarding of Employees	• Physical Access to Buildings • Access to Systems	•Test whether each of the institution's management of terminating/retiring employees is proper, especially as it relates to access to facilities, digital

		assets and determination of employee benefits.
Human Resource System (HRS) Segregation of Duties at UW-Madison	• Fraud • Breach of Protected Information • Data Accuracy	•Review and evaluate the assignment of roles in HRS, especially as it relates to access and incompatible duties. •Review and evaluate the design of management level controls over HRS processing.
Student Information Systems and Databases Security	• IT Security • Breach of Protected Information	•Test access change management and patching controls related to each of the institution's student information application systems and databases. •Evaluate the results of the audit testing on the privacy of student information.
Laboratory Safety	• Physical Security and Safety • Legal Compliance	•Evaluate the design and effectiveness of laboratory safety programs at each of the institutions. •Review and evaluate the design and effectiveness of the incident response process.
NCAA Athletics Division I Consulting Engagements	• Regulatory Compliance • Revenue Loss • Data Accuracy	•Agreed upon procedures engagements over financial matters (Green Bay and Milwaukee). •Compliance with NCAA bylaws (Madison).
Other Affiliated Organizations	• Fraud • Embezzlement • Reputation	• Test compliance with UWSA Policy 362 *University Administrative Support of Affiliated Organizations.*
External Assessment (Self-Assessment with Independent Validation)	• Conformance with Standards and Code of Ethics	•Perform and summarize a self-assessment of the internal audit activity. •Engage an independent assessment team from outside the organization to validate the work of the internal audit activity's self-assessment.
	Advisory Services	
	Dissolution of UW Colleges and Extension	
	UW-Shared Services business process design	
	Enterprise risk management implementation	
	UW System Shared Financial System and Human Resource System preplanning project	

	Audits / Projects as Requested by Management
	Ten percent of audit time is available for audits and special projects as requested by System or institutional leaders.
	Past projects have included assistance with fraud investigations, program assessments, compliance with policy assessments and special audits.

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 April 4, 2019 meeting of the Audit Committee, the Office of Internal Audit has issued the following report:

- Best Practices Letter – Hazardous and Universal Waste

Lori Stortz, Chief Audit Executive, will provide highlights of this document.

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	🟦	🟦	🟦	🟦	⬜	⬜	🟦	⬜	🟨	🟨	🟦	🟦	🟦	🟦

🟩 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 reporting in process (Plan to issue reports in June 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 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. Regent Policy Document 1-1 sets forth the shared mission of the UW System and its institutions. In pursuit of the shared mission and the core missions of the doctoral and comprehensive institutions, UW System Administration and the 13 institutions manage many employees, house and feed students, field athletic teams, conduct cutting-edge research and engage globally. All of these operations bring risks to the system and its institutions.

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.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

In January, UW System Administration started laying out the framework for a UW System ERM program. The framework and methodology has been used with many Fortune 500 companies and universities to develop ERM capabilities.

The benefits of ERM are:
- Improves strategy development by integrating key risk information into strategic planning process
- Provides the opportunity to enhance performance
- Provides senior management a cross-functional understanding of the risk profile
- Improves communication across the organization

The decision was made to conduct the first phase of this project solely at the System level. It allows UW System to develop and test the framework. But it means campus level risks may not

be identified in this first phase, since they were not surveyed. The intent is for campus level risks to be incorporated at a later phase in the ERM program.

The first step in the ERM project was to design and administer an online risk identification survey to UWSA department heads. The survey asked each to identify three critical risks that could diminish UW System's ability to achieve its goals and objectives in the next one to three years. Using a survey as the first source of gathering information allowed anonymity to encourage open dialogue.

The survey allowed UW System to capture cross-functional perspectives on potential risks and raise awareness about the ERM project. Survey results were gathered from a mix of participants from Academic Affairs, Administration, Audit, Finance, Legal Affairs and University Relations.

In February, interviews were conducted with President Cross, the four Vice Presidents, the Chief Audit Executive and General Counsel. The interviews allowed an open dialogue about what each felt was the greatest risks to the System. A common set of key questions were used with all interviewees to capture consistent information.

Data from the survey and interviews were consolidated to create a list of Key Risks. Along with the list that developed from the survey and interview process, Aon Risk Services (the consultant supporting the ERM project) compared the UW System's top risks to lists from other university clients. UWSA's Director of Risk Management also gathered risk lists from other universities in her research regarding ERM. These lists were compared to UWSA's list to look for risks that could have been overlooked in this process.

At the end of March UW System held a risk assessment and prioritization workshop. The workshop was attended by the UWSA Risk Committee and each was able to assess the Key Risks using a scale of one to five for Likelihood, Impact and Effectiveness.

The Key Risks were shared with the Board of Regents during the April 2019 meeting.
In April the UWSA Risk Committee met to discuss where the focus should be for fiscal year 2020 as it relates to the Key Risks. Two risks were removed during reviews, resulting in a set of 15 Key Risks for consideration.

Financial	Human Capital	Operational	Strategic	Legal / Regulatory
Expenditures	Attract and Retain Talent	Data Availability	Competition	Data Privacy & Protection
Funding	Diversity	Cyber Security	Enrollment Rates	Fraud / Theft / Embezzlement
		Physical Infrastructure		Title IX
		Physical Safety & Security		Ethics
		Digital Infrastructure		

The following risks were then identified to be focused on in FY 20:

- <u>Cyber Security</u> - The risk that UWS is negatively affected by a network security breach, computer virus, or attack leading to major system disruption
- <u>Physical Safety and Security</u> - The risk of harm to students, faculty / staff or the public while involved in or performing activities related to the University's programs or on-going operations; includes damage to physical property (facilities, equipment, research, etc.)
- <u>Title IX</u> - Risk that a person, based on gender, is excluded from participation in, denied the benefits of, or subjected to discrimination under any education program or activity receiving federal financial assistance; includes the risk of responding appropriately to reports of sexual harassment and sexual violence against students
- <u>Data Availability</u> - Inability to collect and access, in a timely manner, accurate information and data from internal and external sources that are needed to support decisions

A small group of risks are chosen so the UWSA Risk Committee can focus and follow through on risk mitigation initiatives.

Risk owners will be identified for these four risks. Each risk will be evaluated to identify current mitigation strategies, polices, procedures and accountabilities. A gap analysis will be performed to see where changes can be made to mitigate and reduce the risk. Strategies will also be developed to practice our response and/or mitigation plans.

The goal of this focus and mitigation will be to lower the likelihood, impact or both scores in the future and develop a risk tolerance for each. The UWSA Risk Committee will ensure the risks are effectively managed, risk owners are held accountable and weigh in on risk strategies or emerging risks. The President will provide oversight and management guidance and the Board of Regents will approve risk appetite levels.

The UW System and its institutions face many risks. This new ERM process will shed light on some of our greater risks and allow more focus on a select few each year. This focused approach will not diminish the valuable work that is already taking place to mitigate risks around the system.

A report to the Board of Regents will occur bi-annually to update on ERM progress.

UW-MADISON
PROTECTING THE INTEGRITY OF THE UW-MADISON ADMISSIONS PROCESS

BACKGROUND

In March 2019, a federal criminal investigation of fraudulent college admissions practices received national media coverage. The alleged activities include falsification of entrance exams, submission of fraudulent application information, and bribery of university officials. Affected universities have announced efforts to conduct comprehensive reviews of their admissions practices and oversight. UW-Madison was not among the affected universities.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

Although, UW-Madison was not among the affected universities, in due diligence, Steve Hahn, Vice Provost for Enrollment Management at UW-Madison, will provide a review of UW-Madison admissions processes, and will address Regent questions on the topic of policies and procedures designed to protect the institution from efforts to defraud the admissions system.

RELATED BOARD OF REGENTS POLICIES

RPD 7-3. University of Wisconsin System Freshman Admissions Policy