

**UW System Board of Regents  
Audit Committee  
UW-Superior Yellowjacket Union  
Room 203  
1605 Catlin Avenue  
Superior, Wisconsin  
October 10, 2019**

**MEETING OF THE AUDIT COMMITTEE**

The meeting of the Audit Committee was called to order at 10:50 a.m. by Committee Vice Chair Janice Mueller. Roll call was taken. Regents Mueller, Delgado, Manydeeds, and Walsh were in attendance. Regent Whitburn was absent. Regent Mueller asked if anyone had a conflict of interest for the items on the agenda: none were stated.

**A. Approval of the minutes of the August 16, 2019 meeting of the Audit Committee**

**B. Internal Audit**

**1. Fiscal Year 2020 Audit Plan Progress Report**

Lori Stortz, Chief Audit Executive, stated the Office of Internal Audit is making solid progress on the 2020 Audit Plan, and will have more reports ready in December. Significant planning for audits they intend to conduct in the third and fourth quarter are underway. She also mentioned an additional audit of *Post-Tenure Review* which was added to the 2020 Audit Plan, and the office plans to bring that report to the committee in June.

**2. Approval of the Office of Internal Audit Charter**

Ms. Stortz presented the updated charter for the Office of Internal Audit, for the committee to approve. She explained that this revision illustrates that the office conforms to the Institute of Internal Auditors (IIA) Standards and had last been updated in 2015. Regent Mueller asked if Ms. Stortz felt her office was able to act independently; to which Ms. Stortz replied yes, absolutely. Upon the motion of Regent Delgado and the second of Regent Walsh, the committee unanimously approved the new charter.

**3. Summarized Results of Audits Recently Issued**

Ms. Stortz gave a high-level summary of recently issued audits. *Payroll* continuous monitoring showed that the results have not materially improved since the auditing began. Ms. Stortz has met with President Cross and Vice President for Administration, Robert Cramer, who share her concerns and as an action item, have asked her to discuss with Executive Director of UW-Shared Services, Steve Wildeck, to improve the result of these audits. *Purchasing Cards* continuous monitoring (P-card) again showed improved results that she is pleased with. Regent Mueller inquired about taxes charged, and Ms. Stortz indicated that with p-cards in the hands of so many individuals, it is important to get the proper training to ensure employees are using the tax exemption, as required.

Next, she discussed the new *Shop@UW* continuous audit, which shed light on the need for policy oversight and monitoring. She stated that some policy work is needed to ensure that this is put in place, and President Cross has asked Vice President Cramer to see that it is done. Regent Mueller asked if the p-card issues were merely being transferred to the use of Shop@UW, to which Ms. Stortz replied that some issues are the same, and really emphasizes the need for policies, internal controls, and oversight. Regent Delgado inquired if this involves training, and Ms. Stortz replied in the affirmative; that training, clear expectations, and follow-up and monitoring are needed.

Ms. Stortz wrapped up with three more audits, *Payment Card Industry (PCI) Compliance*, *Institutional Relationships with Foundations – Compliance with Regent Policy 21-9*, and *Tax Cuts and Jobs Act of 2017*. The PCI compliance audit showed that the bigger institutions had fairly well established policies and procedures, and some smaller institutions did not have the same level of rigor. The office found no exceptions with the Institutional Relationships thus far, the work is ongoing, and they will have more results in December. The audit of Tax Cuts resulted in no findings – which Regents Delgado and Mueller were glad to hear.

#### **4. System Security and Access Audit Status**

### **C. Interaction Between Enterprise Risk Management, Compliance, and Audit**

#### **1. Approval of the charters for the UW System Office of Compliance and Integrity and the UW System Enterprise Risk Management and Compliance Council**

Ms. Stortz discussed a chart of the three lines of defense at UW System, which illustrated responsibilities and how the departments of Enterprise Risk Management, Compliance, and Audit collaborate and work together.

Director of Compliance, Katherine Ignatowski, presented the new charters for approval for the UW System Office of Compliance and Integrity and the UW System Enterprise Risk Management and Compliance Council. She also stated that her office has added the word “integrity” to their name – indicating the commitment to promoting a culture of good. Regent Mueller voiced her concerns about what happens when someone is found not compliant – and how exactly the aforementioned offices work together after an incident occurs. Ms. Ignatowski responded that they would work together to identify gaps and create a remediation plan. Regent Mueller also inquired about how risks are ranked, and Director, Risk Management, Angela Ryan answered that they created the four focus risks, and obviously cyber security is one of them. Regent Walsh asked what the campus reaction has been thus far, and Ms. Ignatowski stated that it has been good and getting better. Regent Delgado and Ms. Ignatowski discussed the challenges of keeping up with regulations across the UW System. Ms. Ignatowski stated her goal to identify subject matter experts, and to work alongside management to help maximize efficiency, identify gaps, and share best practices and resources. The committee discussed the importance of “tone-at-the-top” and the interplay between risk management, audit, and compliance.

Upon the motion of Regent Walsh and the second of Regent Manydeeds, the committee unanimously approved the new charter for the UW System Office of Compliance and Integrity. Secondly, upon the motion of Regent Delgado and the second of Regent Walsh, the committee

unanimously approved the new charter for the UW System Enterprise Risk Management and Compliance Council.

**D. Internal Controls and Enterprise Risk Management**

**1. Enterprise Risk Management Update**

Ms. Ryan provided the committee an update on Enterprise Risk Management and touched on active, and reactive controls, and the future mitigation steps being taken in the form of planning workshops for Title IX and cyber-security. Associate Vice President, Administrative Services, Ruth Anderson spoke about a physical safety and security risk mitigation plan for UW System Administration (UWSA), improving the emergency notification system, and reexamining the crisis management plan. She also said they want to strengthen new employee safety training, such as the active threat response training held recently at UWSA.

Associate Vice President for Policy Analysis and Research, Ben Passmore, discussed the rapidly evolving risks and complexity associated with data management in the 21<sup>st</sup> century. He stated they are working to not only to address the immediate needs, but also to effectively set up long-term solutions. Mr. Passmore shared his commitment to build a good foundation for the next generation.

**E. Compliance with Laws and Regulations**

**1. Establishment of the Office of Compliance**

Ms. Ignatowski reviewed her efforts to establish the new Office of Compliance and spoke of the broad magnitude her office faces with the decentralized, complex structure of the UW System.

**2. UW System Compliance Governance Structure and 3. Office of Compliance Work Plan**

Ms. Ignatowski discussed the development of a “Compliance Officer Working Group” with representatives from each campus and introduced many of the members who were in attendance at the meeting. She expects to present to the committee each June on the progress being made. Lastly, she shared a brief video of President Cross introducing the newly created Office of Compliance – exemplifying it truly is about promoting a culture of doing what is right. Regent Walsh summed up the Committee’s sentiment when she stated that integrity is so important and something we should all be aware of.

Regent Mueller closed by thanking the speakers and stated the trajectory of the Audit Committee is changing and expanding. On behalf of the committee, she said they appreciate the work being done and look forward to more.

The meeting was adjourned at 12:03 p.m.

Respectfully submitted,

Erika Laabs  
Recording Secretary