

UW System Board of Regents
Audit Committee
Via WebEx Videoconference
1511 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin
October 8, 2020

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 8:50 a.m. by Committee Chair Karen Walsh.

A. Calling of the Roll

Roll call was taken. Regents Bogost, Colón, Delgado, Walsh, and Woodmansee were present.

B. Declaration of Conflicts

Regent Walsh asked if anyone had a conflict of interest for the items on the agenda: none were stated.

C. Approval of the minutes of the August 20, 2020 meeting of the Audit Committee

Regent Walsh made a motion to approve the minutes of the August 20, 2020 Audit Committee meeting; seconded by Regent Woodmansee. The minutes were approved unanimously.

D. State of Wisconsin Legislative Audit Bureau

1. Beginning of Audit Letter for the June 30, 2020 UW System Financial Statements Audit

Financial Audit Director for the Legislative Audit Bureau (LAB), Erin Scharlau, discussed the background and current status of the UW System Financial Statements Audit for fiscal year 2020. Regent Walsh asked when she expects the audit to be completed, to which Ms. Scharlau acknowledged there may be delays due to the pandemic, but they have a good relationship with management and would work through the issues together. Regent Walsh thanked Ms. Scharlau and said they look forward to hearing the results of the audit.

E. Internal Audit

1. Fiscal Year 2021 Audit Plan Progress Report

Lori Stortz, Chief Audit Executive, reviewed the progress to date on the fiscal year 2021 audit plan. She stated that her office continues to make excellent progress and they are on track to complete the audit plan this year. In addition, her office was asked to do special projects, based around helping management discharge their duties. Regent Walsh asked for further clarification, to which Ms. Stortz replied that specifically these involve utilities at each institution and a high-level overview of UW Shared Services (UWSS). The results of the UWSS overview were shared with the new interim director, Stacey Rolston. Regent Walsh asked if they were running into any difficulties getting information, and Ms. Stortz

stated that they continue to work with management to get the information that they need to carry out their audit duties.

Regent Woodmansee asked if there would be a follow-up report to the CARES Act audit, perhaps by next March and Ms. Stortz answered yes, she can certainly provide that. Regent Walsh agreed this was important.

2. Summarized Results of Audits Recently Issued

Ms. Stortz then provided a high-level summary of the results of audits recently issued by the Office of Internal Audit. This included the *Internal Audit Responses to Independent Validation*, *Laboratory Safety Best Practices Report*, *Laboratory Safety Executive Summary*, *Pcard Continuous Audit*, and *Payroll Continuous Audit*. Overall, she was comfortable with managements' responses.

The *Internal Audit Responses to Independent Validation* presented observations of areas of potential improvement. Ms. Stortz highlighted the two most material – one: documenting the process of compiling the annual audit plan risk assessment. Her team is well on their way of getting this in place for this year's audit plan and gathering input for fiscal year 2022. The second observation was better documentation of our planning processes and really taking a risk-based approach. Ms. Stortz said this was well underway and will really help them be more effective and efficient as they plan and execute their work.

Regent Walsh asked if there were ever audits that they drop from the audit plan, and Ms. Stortz replied that yes, that has happened a couple times. Furthermore, if that were to be the case, she would bring that before the committee for input and approval before removing from the audit plan. It does not happen often, but, as we know with the rapid changes in the world, they want to be good stewards of the resources they were granted and not spend time on things that may no longer be relevant or of great risk. Regent Walsh gave her assent to that process.

Ms. Stortz gave a high-level summary of the *Laboratory Safety Best Practices Report* and *Laboratory Safety Executive Summary* and discussed the scope with the committee. Regent Delgado inquired how this compared to previous audits, or other research universities and Ms. Stortz indicated that an audit like this has not been done for the last 5-6 years, however, compared with results of our peers – they did not find anything alarming. All in all, they were very pleased with the results of this audit and found the institutions are taking safety seriously.

Next Ms. Stortz discussed the *Pcard Continuous Audit Report* and explained that the number of pcards has decreased by approximately 500 since March 2020, and the amount of credit outstanding has decreased by about five million dollars. President Thompson is quite interested in this report as this has been an area of focus for him and he has asked for Internal Audit to meet with Sean Nelson and his team at UW System to go over the findings, and from there, President Thompson will set some goals to further reduce the number of cards outstanding. We can all agree this is an area that we can continue to work on.

Lastly, Ms. Stortz reviewed the *Payroll Continuous Audit Report* and stated that the results were relatively consistent and they have met with Ms. Rolston from UWSS to discuss the report. Ms. Rolston is very interested in working with the institutions for business process improvement. Ms. Stortz affirmed that she and her office will continue to be a resource as Ms. Rolston works with the institutions to get tighter and better control over payroll.

F. Compliance

1. Update on the Office of Compliance and Integrity Restructuring

Katie Ignatowski, Director of Compliance and Integrity reviewed the context of her office and the compliance plan and compliance governance structure across UW System. As of September 2020, they now report to the President of the UW System, instead of the Office of General Counsel (OGC). Ms. Ignatowski is looking into a dual reporting structure to report to the Chair of the Audit Committee and will bring that proposal to the committee by next spring. She stated that they are taking these steps to bring us in line with the leading institutions in the area of compliance.

Regent Walsh asked Ms. Ignatowski how the communication has been with the institutions since she started and if she has everything she needs. Ms. Ignatowski replied that all-in-all it has been going well, obviously there have been challenges due to COVID-19, but the institutions are increasingly appointing a person solely or primarily to compliance – which is encouraging.

Regent Walsh also asked about civil rights reporting requirements and Ms. Ignatowski said it is our practice and policy to do so; Title IX has been the focus of their efforts, but they are also looking at what they can take from Title IX procedures and expand to other civil rights investigations as well. Ms. Ignatowski will get back to the committee if this is outlined in a specific policy. Ms. Ignatowski said it was great to have the support of the OGC while they were establishing the office, but reporting to the President is more in line with best practices.

Regent Bogost asked for a tangible example of how the independence of her office differs from reporting to OGC, and now to the President of UWS. Ms. Ignatowski replied that it is in the best interest of compliance to report separately because what is in the best interest of compliance could differ from the best interest of the OGC.

The committee discussed the risk-based approach taken to compliance and the robust list that Ms. Ignatowski and her team have created.

The newly appointed Director of Youth Protection and Compliance, Prenicia Clifton, gave an update to the committee on youth protection and compliance. She shared information about reimagining the *Wisconsin Idea* through the precollege pathways. Ms. Clifton discussed creating an architecture of compliance and a precollege database – for a framework of protection. Regent Walsh thanked Ms. Clifton and welcomed her to UW System, and asked for an update, perhaps in December.

Regent Walsh closed the meeting and thanked her colleagues.

The meeting was adjourned at 10:01 a.m.

Respectfully submitted,

Erika Laabs
Recording Secretary