

**UW System Board of Regents**  
**Audit Committee**  
Via WebEx Videoconference  
**April 8, 2021**

**MEETING OF THE AUDIT COMMITTEE**

The meeting of the Audit Committee was called to order at 10:30 a.m. by Committee Chair Karen Walsh.

**A. Calling of the Roll**

Roll call was taken. Regents Bogost, Miller, Walsh, and Woodmansee were present; Regent Colón was absent. We welcomed our newest member to the Audit Committee – Regent John Miller.

**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 February 4, 2021 meeting of the Audit Committee**

Regent Bogost made a motion to approve the minutes of the February 4, 2021 Audit Committee meeting; seconded by Regent Woodmansee. The minutes were approved unanimously.

**D. 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 she expects to bring more audit reports before the committee in June and July.

**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 executive summaries for the *Foreign Influence*, *Independent Contractors*, *IT Disaster Recovery*, and *Non-Competitive Negotiations* audits. Overall, she was comfortable with the responses from management.

The *Foreign Influence* audit was conducted with the support of the Office of Compliance and examined how the campuses complied with Section 117 of the Higher Education Act of 1965, 20 U.S.C. § 1011f, (Section 117) which requires U.S. institutions of higher education receiving Federal funding to report any gifts from, or contracts with, “foreign sources” with an aggregate value of \$250,000 or more in a twelve-month period. They found in general, that our institutions were making a good faith effort to comply with this requirement. There currently is not a UW System foreign

influence policy , so they recommend a policy be developed. Furthermore, once this policy is created, they recommend that the institutions adjust their procedures to comply with it – ensuring proper documentation is created and retained.

Katie Ignatowski, Director of Compliance & Integrity was a subject-matter expert for this audit and addressed the committee further explaining how complex this issue is. It concerns funds in many different areas such as license fees, tuition, research grants, gifts-in-kind, etc., and while individual amounts could be under the threshold for reporting – when aggregated they meet the reporting requirement. They plan to create a System-level policy to ensure that there are processes and awareness for this requirement across the campuses at a central source. They have already used the Compliance Matrix Tool (agenda item E.2.) for this purpose as well. Regent Walsh asked if they had a timetable for developing a Systemwide policy for review, and Ms. Ignatowski stated that it will take approximately a year and they still need to analyze whether this needs to be a Board-level or System-level policy, and she will keep this committee apprised.

The committee next heard from Kim Moreland, Associate Vice Chancellor for Research and Sponsored Programs, UW-Madison, who expounded on the three key sources to watch for the aggregate foreign payments within a calendar year: licensing fees from intellectual property, student tuition, and gifts and contracts.

Ms. Stortz discussed the *Independent Contractors* audit, which examined the distinction between an independent contractor and an employee. If someone is an employee, they should be getting paid through our payroll system; if someone is an independent contractor – they are a vendor and should be paid through the purchasing system. The Office of Internal Audit recommended that the policy be amended to have a documentation requirement and be very clear that that analysis was done and retained, so that if questioned about the reasoning, there would be support for the decision. Furthermore, they recommended that the questionnaire be used for consistency across the UW System.

Stacey Rolston, Interim Executive Director, UW-Shared Services, addressed the committee and expressed her agreement with the audit findings and thanked Ms. Stortz and her team for their analysis. She agreed that there should be a very clear line of distinction between employee and independent contractor. Ms. Rolston stated they are working on revising the HR and Procurement policies that deal with this issue and they plan to adopt the audit recommendation to store documentation, which will be accomplished through the new Procure-to-Pay (P2P) system. There was discussion about the form used for status determination and Ms. Rolston and Ms. Stortz clarified that currently the form is kept at the campus-level, but may as this process matures, be retained at the System-level for enhanced internal controls. Brent Tilton, Director of Procurement, UW-Shared Services, also spoke and agreed with the aforementioned recommendations made by the Office of Internal Audit.

*Information Technology (IT) Disaster Recovery* was the third audit Ms. Stortz discussed. She explained this is one component of a Continuity of Operations Plan. Through this audit they found that UW System does not have an IT disaster recovery policy or a defined structure as to what the institutions should be doing. They recommend that System develop an IT disaster recovery strategy and develop tools that each institution can then utilize to better document what they would do in the event of a disaster. Furthermore, it is critical that the people involved in creating these plans work

with the people in charge of the Continuity of Operations Plan and the IT staff to determine the priority of what information is needed and when it is needed.

Steven Hopper, Associate Vice President for Learning and Information Technology Services and Chief Information Officer added his thanks to Ms. Stortz and her team for their recommendations that he called “spot on” and said his office will take up and start doing. Mr. Hopper stated this fits in with IT as a service strategy that President Thompson has spoken about and how they are working to help the campuses accomplish this in a much more streamlined and cost-effective manner. Regent Walsh raised the question of how to create a policy around the myriad complexities within the UW System and Mr. Hopper agreed – stating that even two years ago, something like COVID-19 would not have been included in anything they were planning for. They currently are looking at what are the most probable scenarios and articulate how they can respond. He reiterated the importance of IT and business management working together to develop the priorities, in the event of a disaster. Regent Woodmansee inquired about the interim and Mr. Hopper explained their efforts around phishing and ransomware. Ms. Stortz further explained that each of the institutions were issued a management letter with observations on their critical systems and are committing to deal with the issues reported on a timely basis.

Ms. Stortz discussed the last audit, *Non-Competitive Negotiations* – which focused on circumstances when a competitive procurement cannot be performed. Management letters are in the process of being sent to each institution, but she spoke about a few overarching themes. One being that segregation of duties are not always being practiced, and they recommend that conflicting roles be removed, and management review the segregation of duties matrix to ensure that does not happen going forward. Furthermore, the *State Procurement Manual* has very strict specifications that must be adhered to if a procurement does not follow a competitive bid process. They recommend that the documentation be completed thoroughly and consistently, and that management test the forms to verify that the justification of the decision stands alone. The *State Procurement Manual* requires that management review purchasing authority granted and Ms. Stortz stated they recommend management reviews in all cases be documented and available for review. They also recommend that purchasing delegation authority be documented and current.

Mr. Tilton summarized System’s response to the audit comments and stated they have committed to follow the audit recommendations and the new P2P system will aid in these efforts. Regent Walsh asked about the Department of Administration (DOA) professional development training courses to which Mr. Tilton responded.

### **3. Hotline Report**

Ms. Stortz presented information to the committee regarding the UW System Waste, Fraud, and Abuse hotline. She has been working on a collaborative basis across the System to refresh the communication strategy to rebrand and rename the hotline. The goal is to ensure all members of our campus community understand that the hotline is a tool at their disposal and that cases submitted are addressed and resolved in a timely manner. Ms. Stortz indicated a soft-launch is planned in June and she expects to bring updated information to the committee when they next meet.

The committee discussed the importance of this hotline and stressed the need for the chancellors and everyone to take it seriously and use it to its full potential.

#### **4. Progress on Closing Audit Comments**

Lastly for the Office of Internal Audit, Ms. Stortz gave the committee an update on the progress they have made towards closing audit comments. Understandably, the pandemic shifted priorities across the System, but they have made good progress and management has been responsive at both the campus and system levels. Ms. Stortz plans to have her office continue working on closing audit comments in the next three-six months.

#### **E. Compliance**

##### **1. Title IX Update**

Title IX and Clery Administrator, Sarah Harebo gave an update to the committee about the progress being made toward compliance with the new Title IX requirements. The final draft of Regent Policy Document 14-2: *Sexual Violence and Sexual Harassment* is expected to come before this committee in June. There has been good collaboration during this process, and they continue to evaluate ways they can support the campuses, answer questions, and work with the Office of General Counsel.

Regent Bogost asked for an update on the status of training for advisors. Ms. Harebo stated she was not involved with UW-Madison's advisor training but has been involved elsewhere and there is a trained pool of advisors ready to go.

##### **2. Compliance Matrix Tool Demonstration**

Director of Compliance & Integrity, Katie Ignatowski provided a demonstration to the committee regarding the Compliance Matrix Tool, which was modeled after a tool used by UW-Madison. It currently contains over 500 obligations under Federal laws, State laws, and Regent policies. All campuses have responded and have identified the responsible parties for each item. Ms. Ignatowski explained that for items with a due date, the matrix tool will automatically generate email reminders to the responsible parties 90, 60, and 30 days in advance of the due date in order to facilitate compliance. This tool can be used for collaboration with peers across campuses and can house reference materials that will be useful during times such as onboarding new employees. She also stated that they are starting to gain national attention for this compliance tool.

The regents remarked how impressive this new tool was.

Regent Walsh closed the meeting and thanked her colleagues.

The meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Erika Laabs  
Recording Secretary