

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

MEETING OF THE AUDIT COMMITTEE

The meeting of the Audit Committee was called to order at 10:48 a.m. by Committee Chair Kyle Weatherly.

A. Calling of the Roll

Roll call was taken. Regents Weatherly, Miller, Bogost, Jones, and Petersen were present.

B. Declaration of Conflicts

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

C. Approval of the minutes of the June 3, 2021 meeting of the Audit Committee

Regent Petersen made a motion to approve the minutes of the June 3, 2021 Audit Committee meeting; seconded by Regent Bogost. The minutes were approved unanimously.

D. Internal Audit

1. Fiscal Year 2022 Audit Plan Progress Report

Lori Stortz, Chief Audit Executive, reviewed the progress to date on the fiscal year 2022 audit plan. There were a few audits carried forward from last year, but those are concluding. She confirmed that her office is making solid progress on the plan and expects to bring more reports to the committee in October and December.

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 since we last met in June. This included an executive summary for the *Change Requests of Bank and Contact Information Audit* and the *Purchasing Cards Continuous Audit Results Summary*. Overall, she was pleased with the responses from management.

Ms. Stortz discussed the *Purchasing Cards Continuous Audit Results Summary* and reported that we continue to be good stewards in the management of our purchasing cards. In the latest analysis, we have had a decrease of about 400 cards and a decrease of outstanding credit of approximately \$6,000,000. There were a few exceptions, but nothing largely material or concerning. In addition, she has worked with Vice President Nelson, at President Thompson's request, to learn what impact our moving to ShopUW+ will have on our use of purchasing cards. He and his team are putting together

an analysis looking at trends, and will respond to President Thompson yet this month, and will make a presentation to this committee in October. Vice President Nelson addressed the committee stating that the goal is to reduce the number of p-cards by 30%. The Regents discussed the matter of p-cards and the risk of fraud, and the required oversight and approval. Ms. Stortz was asked to get back to the committee regarding whether the System is responsible for fraud perpetrated using p-cards.

The next audit discussed, *Change Requests of Bank and Contact Information* – follows UW System Administrative Policy 363, which requires that management verify that the person requesting that a change be made, is in fact who they purport to be – by doing an out-of-band verification. This audit had three main parts: 1. any refunds sent to students, 2. payroll, and 3. payment to vendors. Ms. Stortz stated that management has responded well to the findings and put controls in place that will help more effectively monitor this area.

Regent Weatherly noted how helpful he has found the audit report website, and that if any other regents are interested in reading past issued reports, to contact Erika Laabs, Executive Staff Assistant, for access.

E. Compliance

1. Approval of Fiscal Year 2022 Compliance Plan

Chief Compliance Officer, Katie Ignatowski gave background information regarding her role and the Office of Compliance and Integrity – illustrating how compliance should serve as an umbrella across the UW System. Their multi-prong approach to compliance is effective, efficient, and nimble – helping to build transparency across the System. Ms. Ignatowski then presented the *Fiscal Year 2022 Compliance Plan* to the committee for approval, which was passed unanimously. The Regents discussed the merits of this plan, and expressed their strong support for the compliance function, stressing the importance that each UW institution make compliance a high priority and dedicate appropriate resources.

F. Approval of Chief Compliance Officer Reporting Line and Update to the University of Wisconsin System Board of Regents Audit Committee Charter

Ms. Ignatowski then requested the committee approve revisions made to the *Chief Compliance Officer Reporting Line*, and Ms. Stortz joined her in presenting an update to the *University of Wisconsin System Board of Regents Audit Committee Charter* (Charter), both of which were supported and approved. The discussion included our revamping of the UW System hotline. Periodic updates regarding the hotline relaunch will be provided to the committee by Ms. Ignatowski and Ms. Stortz.

The Regents inquired about the use of the hotline and expressed their wish to encourage people across the UW System to use this valuable tool. Ms. Stortz and Ms. Ignatowski will present the “Three Lines of Defense” model when we meet in October. The model is a best practice for the design of internal controls and how the board, management, internal audit, compliance, and risk management can operate most efficiently and effectively.

Ms. Stortz stated the Charter had not been updated since 2013 and provided a high-level overview of the proposed changes in the 2021 draft. One key element updated was the purpose of the Audit Committee: to provide oversight.

Since the UW System now has a Chief Compliance Officer (CCO), it was vital to add the reporting structure to the Charter. Reporting similar to that of the Chief Audit Executive (CAE) – however, the CCO reports dually to the Audit Committee and to the UW System President, the CAE reports with a solid line to the Audit Committee and a dotted line to the UW System President. Ms. Stortz indicated that the changes proposed better reflect how the Audit Committee has been operating.

Regent Petersen stated the changes to the Charter aligned with our best practices.

Regent Weatherly closed the meeting and thanked his colleagues.

The meeting was adjourned at 11:48 a.m.

Respectfully submitted,

Erika Laabs
Recording Secretary