

**UW System Board of Regents**  
**Audit Committee**  
Suzanne and Richard Pieper Family  
Foundation Green Room (Room 171)  
Zelazo Center  
2419 E. Kenwood Blvd.  
UW-Milwaukee  
Milwaukee, Wisconsin Via Webex Videoconference  
**June 9, 2022**

**MEETING OF THE AUDIT COMMITTEE**

The meeting of the Audit Committee was called to order at 8:47 a.m. by Committee Chair Regent Kyle Weatherly. He introduced and welcomed new Regent, Jennifer Staton, who joined the meeting.

**A. Calling of the Roll**

Roll call was taken. Regents Weatherly, Miller, Bogost, Jones, and Staton 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 April 7, 2022, meeting of the Audit Committee**

Regent Weatherly made a motion to approve the minutes of the April 7, 2022, Audit Committee meeting; seconded by Regent Jones. 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. Ms. Stortz recommended that the *Information Technology Separation of Duties* audit be cancelled. She confirmed that her office is making solid progress on the plan and expects to bring more reports to the committee in August.

**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 (Office) since last meeting in April. This included executive summaries for the *Engagement and Management of Independent Contractors*, *Information Security Program Accountability (phase two)*, *Information Technology Disaster Recovery Backups (phase two)*, and the *Internal Assessment* of the Office of Internal Audit.

Ms. Stortz explained their recommendations for the *Engagement and Management of Independent Contractors* audit. The UW System, like many organizations, engages independent contractors – from research, to administration, to information technology. The audit found that there is not a separate policy on the management of independent contractors, and clarification is needed on how they are overseen, and the physical access they are given to our facilities, what access they have to our information technology systems, who is accountable for making sure they produce what they are contractually required to produce, and then, when they leave our facilities, who is responsible for turning off their IT access, etc. The auditors recommend that the UW System Office of Human Resources develop expectations and provide guidance for current policy, so that it is clear for our staff what their roles and responsibilities are. Management has responded and will evaluate these suggestions.

The committee next discussed the *Information Security Program Accountability (phase two)* audit and Regent Weatherly inquired whether or not the Board of Regents (Board) should establish a policy – to which Ms. Stortz replied that the Board office will need to work with management to determine if this is something they want to have in their policies, or if they will delegate that to management. Ms. Stortz said she would ask the IT Security Director to touch base with the Board office and then report back to the committee.

Part of the challenge identified during the *Information Technology Disaster Recovery Backups (phase two)* audit is due to how decentralized the UW System is. There are thousands of systems across the UW System, hundreds of which are considered high-risk. They found that the risk posture could improve by taking steps to create a Shared Services approach to the recovery of data. This audit provided evidence that trying to protect systems and as they are currently being exist is a heavy lift and this is a critical area to manage. Ms. Stortz stated that UW-Madison has suggested solutions that they believe would be a cost savings benefit as well as improve our risk posture .

Ms. Stortz then discussed the results of the *Report on Self-Assessment and Quality Assurance and Improvement Program (QAIP)*, Internal Assessment of the Office of Internal Audit which was done per the charter of the Audit Committee. The audit concluded that the office is “generally conforming” with the standards and code of ethics of the Institute of Internal Auditing (IIA) – which is the highest level that can be obtained. Regent Jones stated it was great to have an independent check of our internal audit office.

Overall, Ms. Stortz stated the results were excellent and she was pleased with the responses from management.

### **3. Approval of Fiscal Year 2023 Audit Plan**

After that, Ms. Stortz presented the proposed *Fiscal Year 2023 Audit Plan* – which was approved unanimously by the Audit Committee. She discussed how audits were proposed and selected for inclusion in the audit plan for the new fiscal year. They sought input from peers across the institutions, used issues that came up during the year, and considered areas that had not been reviewed for some time. A rationale document was given to stakeholders in the process of vetting topics to be considered for the audit plan. Ms. Stortz shared the draft plan with the UW System President, Cabinet, Chancellors, CBOs, and the Controllers for the purpose of gathering their input. The committee discussed the audits included in the proposed plan at a high-level.

Regent Weatherly moved to approve Resolution D.3. the *Fiscal Year 2023 Audit Plan*. Which passed unanimously.

#### **4. Independence Statement**

Lastly, Ms. Stortz provided the annual Independence Statement of the Office of Internal Audit.

### **E. Compliance**

#### **1. Report of the Chief Compliance Officer**

Chief Compliance Officer, Paige Smith, presented her report to the committee. She highlighted the significant accomplishments they have made and touched on the goals for fiscal year 2023. Ms. Smith stated that her office is working with the Office of Internal Audit and the President to further system engagement and to provide training to institutions as needed. She explained that annual training is in place and they have established automated updates to the Compliance Matrix.

Ms. Smith is pleased they are creating a culture that moves beyond regulation to one that embraces ethics and integrity. She strives to understand each institutions' unique challenges and issues, respect the decisions of the leaders of those campuses, and find ways to support their priorities. Illustrating the *Three Lines Model*, Ms. Smith stated that compliance is in the second line of defense, working along with the Office of Internal Audit and the Board of Regents to protect the UW System.

The committee discussed the recent changes to Title IX and items concerning youth protection. The Regents asked that Ms. Smith provide periodic updates to how the implementation of the Youth Protection Policy is proceeding.

### **F. Internal Controls**

#### **1. UW System Administration Fiscal Misconduct Policy and Procedures**

Ms. Stortz concluded by providing an update on the UW System Administrative Fiscal Misconduct Policy and Procedures – which is excellent. She stated that the original policy was put in place about six years ago and as the issues are generally quite complex, they will work with campuses to ensure they know it exists.

Regent Weatherly closed the meeting by thanking the presenters, and his colleagues on the committee.

The meeting was adjourned at 9:54 a.m.

Respectfully submitted,

Erika Laabs  
Recording Secretary