

**UW System Board of Regents
Audit, Risk, and Compliance Committee**

Virtual via Zoom Videoconference
April 16, 2025

MEETING OF THE AUDIT, RISK, and COMPLIANCE COMMITTEE

The meeting of the Audit, Risk, and Compliance Committee was called to order at 10:00 a.m. by Regent Angela Adams.

A. Calling of the Roll

Roll call was taken. Regents Adams, Adongo, Colón, Goitom, Jenkins, Salzwedel, Traynor, and Underly were present. No one was absent.

B. Declaration of Conflicts

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

C. Approval of the minutes of the February 6, 2025 meeting of the Audit Committee

Regent Adams raised the minutes of the February 6, 2025 Audit, Risk, and Compliance Committee meeting for approval, which were approved unanimously without discussion.

D. Office of Internal Audit

1. Fiscal Year 2025 Audit Plan Progress Report

Chief Audit Executive Lori Stortz reviewed the progress to date on the *Fiscal Year 2025 Audit Plan*. Ms. Stortz affirmed that her office is making excellent progress on the plan and expects it to be substantially complete by the end of the fiscal year. She has suggested that the *Information Technology (IT) Distributed Units* audit be deferred until fiscal year (FY) 2026, because the same people that would be involved are currently occupied with the Administrative Transformation Program (ATP), due to go live in July. Ms. Stortz felt it would be more effective and efficient if they were to audit this in the next fiscal year.

Ms. Stortz reported they are actively working on several audits and she anticipates the following will be ready to present in June: *Commitments Made By System to the Wisconsin Legislature per Board of Regents Resolution Dated December 13, 2023 (paragraphs 1-8)*, the *\$31.89 Million Funding in Biennium for Workforce Development in 4 High-Demand Areas*, our *Office of Internal Audit self-assessment*, and the *Youth Protection and Compliance* audit. Additionally, she expects to bring their draft *Fiscal Year 2026 Audit Plan* to the committee in June.

2. Summarized Results of Audits Recently Issued

Ms. Stortz then provided a high-level summary of the results of reports recently issued by the Office of Internal Audit since the last meeting in April. This included executive summaries for the *April A - September B 2024 Payroll Bi-Annual Audit*, the *Auxiliary Unit - Housing Audit*, *IT Privacy - Policy 1040 Audit*, and the *Records Retention Audit*.

She began with the *April A - September B 2024 Payroll Bi-Annual Audit* and noted the results were similar to those that were last reported. Ms. Stortz said two of the areas that are recurring during this audit continue to be, appropriate approval for overloads before they are paid, and timely submission of payroll

documentation. Both of which should be substantially rectified once the transition to ATP has been made. She noted that several members of her team are undergoing Workday and ATP training so they are well equipped to understand these processes as the universities move forward with Workday for payroll processing.

Next, they discussed the *Auxiliary Unit - Housing Audit*. Overall they found that University Housing has procedures in place to help have effective governance and oversight over budgeting financial reporting. The internal auditors encouraged management to complete their work to update UW System Administrative Policy 314: *Financial Management of Auxiliary Operations*, (Policy 314), and management agreed. This policy is technically considered obsolete by management and is in the process of being redrafted. Their second recommendation concerned financial management – that the university should develop policies related to budgeting, forecasting, and appropriate reserving, and to conduct a look-back analysis. At the time of this audit, accrual-based accounting was not being heavily used across the Universities of Wisconsin system, that will change when the move to Workday is complete. The audit reminded university staff of training opportunities, with regard to accrual accounting, that can assist them in navigating the budgeting and oversight of these operations. Each university can determine what software to use to manage their housing operations. The vast majority use a system from one vendor, but they each have their own contract. Ms. Stortz indicated there may be an opportunity to conduct a request for proposal, (RFP), to evaluate getting a vendor who could be used across all UW platforms and perhaps could drive better efficiency, effectiveness, and pricing.

Regent Goitom questioned when the revision and implementation of Policy 314 should be expected, and Senior Associate Vice President for Finance, Josh Smith, responded that most of the recommendations will be incorporated as they start the budget process this fall for the next fiscal year. He did not have a specific timeline when the policy will be through the revision review process, but they plan to start it concurrently with the budget process this fall.

Afterwards they discussed the *IT Privacy - Policy 1040 Audit* – an area inherently vast and contains much risk. The objective was to gauge how the basic understandings of our policies under IT privacy are working. Ms. Stortz stated we are early in our process of privacy, so this provided a check-in of our current standing. The auditors recommended that the Universities of Wisconsin establish a privacy program to assist the universities in their compliance. Stacey Rolston, Senior Associate Vice President of UW-Shared Services, joined the conversation and shared a brief update on what her team is doing in this area.

The last report mentioned was the *Records Retention Audit*. The objectives of this audit were to evaluate compliance with UW System records and schedules, to gain an understanding of records management, prior to implementation of new UW System Administrative Policy 650: *Public Records Management Roles and Responsibilities*, (Policy 650). Ms. Stortz said the audit revealed that in general, records are being retained longer than they need to – which is preferable from a risk standpoint than disposing of records too early. The Office of Internal Audit noted there is no maximum time to store records, and suggested that UW management should review their risk appetite and the costs associated with retaining records past the schedule date, as well as the usefulness, and determine if someone in a position of authority should have a more definitive policy. Ms. Stortz praised the records managers at each of the universities and UWSA, for being a very dedicated and committed group. Furthermore she stated generally these are positions that do not have access to senior leadership on campus. The internal auditors suggested consideration be given to what training they have and where their authority lies, for the policy. Ms. Stortz reported that several best practices were identified and felt there was a lot of good work being done in this area.

E. Office of Compliance and Risk Management (OCRM)

1. Overview of Office of Compliance & Risk Management's alignment with Audit, Risk, and Compliance (ARC) Committee's revised Charter, adopted February 6, 2025

Next, the committee heard from Chief Compliance and Risk Officer, Paige Smith, and Joseph Rayzor, Director of Risk Management, who gave a high-level overview of the Office of Compliance and Risk Management's alignment with the Audit, Risk, and Compliance Committee's revised Charter, adopted February 6, 2025. Ms. Smith discussed the Risk, Compliance, and Audit program, (RCA), that assists in assessing and evaluating the major risks that impact our universities, as well as how the OCRM supports the ARC Committee to ensure the Universities of Wisconsin are compliant with applicable laws. By working closely with compliance representatives at each campus, OCRM strives to build a solid compliance foundation and culture. Ms. Smith further stated that her team aids management teams at the universities to provide resources, facilitate training, general oversight, and address gaps in compliance or controls, in response to audit findings. She expects to bring the OCRM Annual Plan and progress report to this committee for approval in June.

Mr. Rayzor addressed internal controls and stated the OCRM will continue to assist the committee by identifying key risks and / or weaknesses through the RCA process. The RCA process will also develop plans and timelines to address mitigation and opportunities, such as the UW-Shared Services investigations and trainings. Mr. Rayzor asserted the OCRM is committed to working with the Office of Internal Audit on their critical work, and the Office of Information Security, (OIS) on cyber security and AI activities.

Regent Adams raised a point relevant to the revised committee charter – and requested the committee discussions focus on top strategic risks. It is the committee's desire to spend the bulk of their time understanding and proactively discussing risk management moving forward, such as operational pressures including financial stability, and the business model. The regents expect data trends and dashboards with the introduction of ATP as a basis for enhanced risk management by the board.

Regent Salzwedel thanked everyone for their work, and indicated that the committee would like to spend less time reviewing the results of audits and more time discussing current risks and their mitigation strategy. He also requested that the staff who support this committee be proactive in bringing emerging risks to their attention. The regents discussed follow-ups to audit comments, and Ms. Stortz affirmed she will be presenting the status at the June meeting.

In response, President Rothman confirmed that Ms. Smith and her group are actively involved in the Federal working group that is charged with overseeing compliance with executive orders. He further emphasized that Risk Management leaders are involved in leadership meetings as they work through the major risk issues, including characterizing the actions that can be taken and how the UW responds to executive orders.

Finally, the committee extended its gratitude to Regents Colón and Jenkins for their dedication and contributions to the committee during their time of service. Both said they were honored to serve on the committee and commended colleagues, staff, faculty, chancellors, and everyone involved for their great work. Regent Adams concluded by adding it has been her pleasure to serve as chair for the Audit, Risk, and Compliance Committee and thanked everyone for their service.

The meeting concluded at 10:57 a.m.

Respectfully submitted,

Erika L. Laabs
Recording Secretary