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

Virtual via Zoom Videoconference
**July 16, 2026**

## MEETING OF THE AUDIT, RISK, and COMPLIANCE COMMITTEE

The meeting of the Audit, Risk, and Compliance Committee was called to order at 8:45 a.m. by Chair Regent Karen Walsh.

### A. Calling of the Roll

Roll call was taken. Regents Adams, Bogost, Goitom, Nixon, Palzewicz, and Walsh were present. No regents were absent.

### B. Declaration of Conflicts

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

### C. Proposed Consent Agenda

Next, Regent Walsh read the items on the proposed consent agenda, which consisted of the minutes of the June 4, 2026, Audit, Risk, and Compliance Committee Meeting and the Office of Internal Audit Fiscal Year 2026 Audit Plan Progress Report. The materials were approved as distributed.

### D. Office of Internal Audit

#### 1. Results of Reports Recently Issued

Chief Audit Executive Lori Stortz provided a high-level results summary of the Employee-Owned Businesses Contracting with Universities audit, issued since the July meeting. She noted that a few chief business officers had requested the audit and while the review initially appeared straightforward, it became more complex because conflicts of interest are inherently subjective and require interpretation of multiple statutes and policies. Ms. Stortz cited Wisconsin Administrative Code, Chapter 8, *Unclassified Staff Code of Ethics* which prohibits employees from using their university position or university resources for the private benefit of the staff member, his or her immediate family, or any organization with which the staff member is associated. The audit excluded research-related businesses because they present separate considerations and would have significantly expanded the scope of the review, stated Ms. Stortz. Although an outside activity reporting process exists and resources are available through the systemwide compliance and integrity program, the audit found that universities do not consistently evaluate or document these situations.

Recommendations included strengthening processes for identifying potential conflicts of interest, providing additional guidance and training for employees and supervisors, establishing consistent documentation requirements, and enhancing disclosure and communication practices. The audit also identified a discrepancy between statutory outside activity reporting requirements and current Board policy, which limits reporting requirements to employees with appointments of one-half time or greater. The Office of General Counsel agreed to further evaluate that issue.

Committee discussion addressed the scope of the audit, including businesses associated with athletics and the arts, as well as the distinction between employee-owned businesses and consulting activities. Regent Walsh expressed appreciation for the collaborative relationship between university leaders and Internal Audit.

Regent Nixon asked whether the Office of Internal Audit conducts spot checks of employees who have not reported outside activities. Ms. Stortz explained that the audit team used data analytics techniques to compare employee-owned business information against submitted outside activity reports and identify possible undisclosed relationships.

Regent Goitom asked whether the findings represented a compliance issue, a governance issue, or both. Ms. Stortz responded that the issue involves both compliance with applicable statutes and governance challenges, particularly ensuring supervisors and employees understand their responsibilities and have access to the resources necessary to make sound decisions. The committee also discussed the financial and reputational risks associated with employee-owned businesses, with Ms. Stortz noting that the risks are primarily reputational, ethical, and fairness-related rather than financially material.

**2. Fiscal Year 2027 Audit Plan**

Ms. Stortz presented the proposed *Fiscal Year 2027 Audit Plan*, which was developed using enterprise and campus risk assessments, stakeholder input, industry trends, and discussions with peer institutions. The proposed plan is organized around strategic risk, financial and operational controls, and compliance-related work. Cybersecurity and third-party risks remain significant areas of focus. Based on stakeholder feedback, several IT-related audits were deferred to allow institutions additional time to manage ongoing technology initiatives and implementations. The plan also includes a review of Automated Clearing House (ACH) transaction controls to address evolving fraud prevention requirements. Ms. Stortz noted that Internal Audit will continue to perform independent compliance audits when appropriate, reducing the need to engage external audit firms while providing visibility into key compliance areas.

The committee discussed a proposed audit of Shared Services. Ms. Stortz explained that this review was deferred during Fiscal Year 2026 because the Shared Services model remained under development. The office now intends to focus on service-level agreements and performance monitoring practices, supplying management with feedback during the early stages of implementation.

In response to questions raised by Regents Palzewicz and Nixon, Ms. Stortz explained that audit cost-per-hour estimates are based on direct salary and benefit costs, with actual hours tracked throughout the year. She responded that the office continues to invest in professional development, data analytics, and specialized training, emphasizing that Workday offers a substantial amount of standardized data that enhances analytical capabilities. Chief Compliance and Risk Officer Paige Smith added that compliance and risk management efforts complement audit activities by striving to help universities take steps to prevent and detect issues before they occur.

Following discussion, Regent Goitom moved approval of Resolution D.2, *Fiscal Year 2027 Audit Plan*. The motion was seconded by Regent Palzewicz and approved unanimously.

**3. Audit Recommendation Follow-Up Report**

Ms. Stortz then gave an update on audit recommendation follow-up activities. She explained that the committee's charter directs the Office of Internal Audit to monitor implementation of management action plans and assess progress toward resolving audit findings.

She reported continued commitment from UW System Administration and university management to addressing recommendations. Although some implementation timelines have been extended due to the complexity of certain initiatives, management remains engaged and recommendations continue to be actively monitored and closed.

Ms. Stortz also informed the committee that a new feature within the audit management software will soon provide university audit liaisons and management personnel direct access to information regarding open findings, commitments, deadlines, and supporting documentation. The enhancement is intended to improve efficiency and continuity, particularly during leadership or staffing transitions.

During discussion, Regent Walsh emphasized the importance of maintaining audit resources to respond to emerging issues and investigations. Ms. Stortz affirmed that such matters would be communicated to leadership as appropriate. Regent Goitom suggested including original audit issuance dates in future follow-up reports to offer additional context on open recommendations, and Ms. Stortz agreed and indicated that future reports would incorporate that information.

Regent Walsh thanked participants and adjourned the meeting.

Respectfully submitted,

Erika L. Laabs
Recording Secretary