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

Virtual via Zoom Videoconference
June 4, 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 Jack Salzwedel.

A. Calling of the Roll

Roll call was taken. Regents Adams, Fritz, Goitom, Palzewicz, Salzwedel, Traynor, and Underly were present. No regents were absent.

B. Declaration of Conflicts

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

C. Proposed Consent Agenda

Regent Goitom made a motion to approve the consent agenda, seconded by Regent Adams, which consisted of the minutes of the April 20, 2026, Audit, Risk, and Compliance Committee Meeting, and the Office of Internal Audit: Fiscal Year 2026 Audit Plan Progress Report, and the Office of Compliance and Risk Management: Fiscal Year 2027 Annual Plan and Fiscal Year 2026 Progress Report. The consent agenda was passed without comment.

D. Office of Internal Audit

1. Results of Reports Recently Issued

The committee then heard from Lori Stortz, Chief Audit Executive, who provided a high-level results summary of the audits recently issued since the meeting in April. This included the Office of Internal Audit's Internal Assessment, consisting of an Executive Summary, Report on Self-Assessment, and Quality Assurance and Improvement Program (QAIP) report. As well as Executive Summaries for the Physical Plant Services Chargebacks, Purchasing Cards (Bi-Annual Auditing) June 21, 2025 - January 2, 2026, and Third-Party Risk Management audits.

Ms. Stortz reported that the internal assessment is done annually per the specifications of the Office of Internal Audit Charter, which requires the internal auditors to comply with *The Institute of Internal Auditor's (IIA) Global Internal Audit Standards*™, in all material respects. She was pleased to say the overall opinion was that the office achieved a rating of "general conformance" with the standards. There were no material conformance gaps and any items found in last year's assessment have been addressed and closed.

For the Purchasing Cards (Bi-Annual Auditing) June 21, 2025 - January 2, 2026 report, Ms. Stortz noted that this was the first Purchasing Card (P-card) transaction cycle they tested where the process was used in Workday and approved in Workday. P-card administration as part of the Workday implementation was centralized for all universities, other than UW-Madison, in July of 2025 and the workflow process in Workday is now being used. She was pleased to say this process has worked very well. Part of the Workday implementation was to try to encourage and route people to the most efficient and effective way of purchasing, and this cycle showed a substantial decrease in the number of P-cards outstanding as well as in the P-card total credit. She added that the approval process of the supervisors had substantially improved. The internal audit team will work with UW-Shared Services management to understand how to approach testing moving forward in light of the substantial changes made to business processes.

The next report discussed was for the Third-Party Risk Management audit. Understanding third-party risks and how they are managed is increasingly important as organizations such as the UW are becoming more focused on core competencies and have shifted some of their operations to third parties. Examples of third parties used by the UW are Workday, Canvas, and food services provided at our universities Ms. Stortz explained that her office follows the IIA's third party topical requirement to guide their work and noted the review was high level – designed to understand at a baseline the current practices. They found, in general, that there is a foundation of policy processes and functions to support third-party management. Furthermore she noted there are especially good policies with regard to the procurement process and information security contracts, but there is not an overall approach and policy for how to manage third-party risk. The audit report recommended management develop a strategy to manage third-party risk, considering everything from sourcing, to how contracts are drafted, onboarding vendors, ongoing monitoring, and offboarding to bring these elements together. Ms. Stortz stressed the importance of ensuring risks are managed throughout the cycle and that everyone knows who has what responsibility in the process.

Regent Goitom thanked Ms. Stortz and inquired how the audit recommendations to establish a form of third party risk management framework and to develop a more consistent proactive approach to third-party risk management is going to fit into enterprise risk management (ERM). The committee discussed how vendor risk management is a component of ERM. Ms. Smith responded that Mr. Rayzor has met with a number of UWSA applicable offices and stakeholders to discuss these issues. She stated that they are developing a working group to look specifically at the particular areas that were identified in the audit and determine where additional frameworks should be developed. She stressed the importance of ensuring responsible parties are known and that they develop a more consistent strategy to address these types of issues going forward. The regents asked Ms. Smith to provide an update on the third-party risk management framework development at a future meeting. It is critical to enterprise risk management given the current climate.

Ms. Stortz then moved on to the Physical Plant Services Chargebacks audit report, which had been requested by several audit clients at the universities. She provided the background that there is a system policy regarding how universities should develop the cost of facilities to charge back to self-sustaining units. Examples of that would be housing, food services, the student union, and federal grants. The audit evaluated the policy, each of the universities' compliance with that policy, and the results. The audit concluded that some work is needed in this area and management has agreed with the assessment. Ms. Stortz indicated that Senior Associate Vice President for Finance Josh Smith and his team have agreed to take this on. She summarized by stating it comes down to the following:

- making sure to capture what should be the chargeback from a labor, materials, and overhead standpoint;
- making sure it complies with policy, then charging it back consistently; and
- updating the rates regularly.

Tools and templates could be developed to assist with this process, remarked Ms. Stortz, and emphasized the importance of maintaining integrity over the cost accounting that is being charged back to those operations. The audit recommended that management at the university-level do a periodic oversight review.

Regent Salzwedel stated he was struck by the complexity built into something that should be relatively straightforward and updated fairly often. He observed that making this process more streamlined would be beneficial for all involved and thanked Ms. Stortz for her report.

2. Independence Statement

Next, Ms. Stortz discussed the independence statement for the Office of Internal Audit. Per their office charter they are required to ensure the office retains their independence to represent the Board of Regents and free to conduct their work without any outside interference. She reaffirmed they have completed an evaluation and believes they remain independent.

E. <u>Office of Compliance and Risk Management</u>

1. Overview of Risk Journey, Leadership Observations, and Next Steps

For the final agenda item, the committee called upon Chief Compliance and Risk Officer Paige Smith and Director of Risk Management Joseph Rayzor who presented an Overview of Risk Journey, Leadership Observations, and Next Steps. They were joined by a panel including UW-Madison Interim Chancellor Eric Wilcots, Interim UWs President; UW-Superior Chancellor Renée Wachter, UW-Whitewater Chancellor Corey King, and UW-Stout Chancellor Katherine Frank.

Ms. Smith highlighted the steps taken to date by the UWSA Risk and Compliance Council and the Risk, Compliance, and Audit (RCA) Pilot model – comprised of nine universities. Mr. Rayzor then added the goal is to ensure that ERM serves as a critical bridge linking risk considerations to strategy and resource allocation. As we move into the second half of 2026, identified risks continue to evolve, at both the strategic and enterprise levels due to federal priorities, enrollment, demographics, and the public perception of the value of higher education, stated Ms. Smith.

The committee had a robust discussion on enterprise risk management with the four chancellors. Each shared at a high level how risk management is approached on their campus and how the framework developed through the pilot program has informed decision making and long-term planning. All agreed that risk at the enterprise level needs to be informed by each of the universities' risks. Mitigation efforts will continue to be primarily managed by university leaders. The System leaders need to focus on overall risks such as cybersecurity, their funding model, and student demographics. The regents need data which they can use to govern the risks and to ensure that they can advocate for the funding and strategy to mitigate the enterprise risk. The committee appreciated the participants attending today's meeting and sharing their prospectives.

Respectfully submitted,

Erika L. Laabs
Recording Secretary