BOARD OF REGENTS OF THE UNIVERSITY OF WISCONSIN SYSTEM

I.5.   Audit Committee   Thursday, February 7, 2019
                                                          10:45 a.m. – 12:00 p.m.
                                                          UW-Madison, Union South, 3rd floor
                                                          Northwoods Room
                                                          1308 W. Dayton Street, Madison, WI

   a.   Approval of the Minutes of the December 6, 2018 Meeting of the Audit Committee

   b.   Internal Audit

        1.   Fiscal Year 2019 Audit Plan Progress Report

        2.   Summarized Results of Audits Recently Issued

        3.   System Security and Access Audit Status and Comment Themes

        4.   Progress on Management Responses to Audit Reports

        5.   Report of the Chief Audit Executive

   c.   Internal Controls and Enterprise Risk Management

        1.   Enterprise Risk Management Update

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2019 AUDIT PLAN PROGRESS

BACKGROUND

One of the responsibilities of the Audit Committee, as outlined in the committee charter, is to review and approve the annual internal audit plan and receive interim progress reports at least quarterly.

REQUESTED ACTION

No action requested. Item for information and discussion only.


DISCUSSION

The attached chart provides a summary of audit progress for the Fiscal Year 2019 Audit Plan.

RELATED BOARD OF REGENTS POLICIES

NA

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
FISCAL YEAR 2019
AUDIT PLAN PROGRESS

	Title	Audit Type
1	Payroll (Continuous Monitoring)	Financial
2	Purchasing Cards (Continuous Monitoring)	Financial
3	Shop @ UW (Continuous Monitoring)	Financial
4	System Security and Access	Information Technology
5	Transactions with Foundations (FY 2018)	Compliance
6	Contract Management	Compliance
7	Purchasing	Compliance
8	Business Operations in Auxiliaries or Student Services	Financial
9	Payment Card Industry Compliance	Compliance
10	Data Integrity, Definition, Governance, and Ownership – Top Three Systems/Applications	Information Technology
11	Hazardous and Universal Waste	Operational
12	Regent Policies 14-2 Sexual Violence and Sexual Harassment and 14-8 Consensual Relationships Follow-up	Compliance
13	Information Technology Procurement	Information Technology
14	Tax Cuts and Jobs Act of 2017 (The "Tax Act")	Compliance
15	DoIT System Services Group	Operational
16	NCAA Athletics Division I, II	Financial
17	Institutional Relationships with Foundations (FY 2019)	Compliance
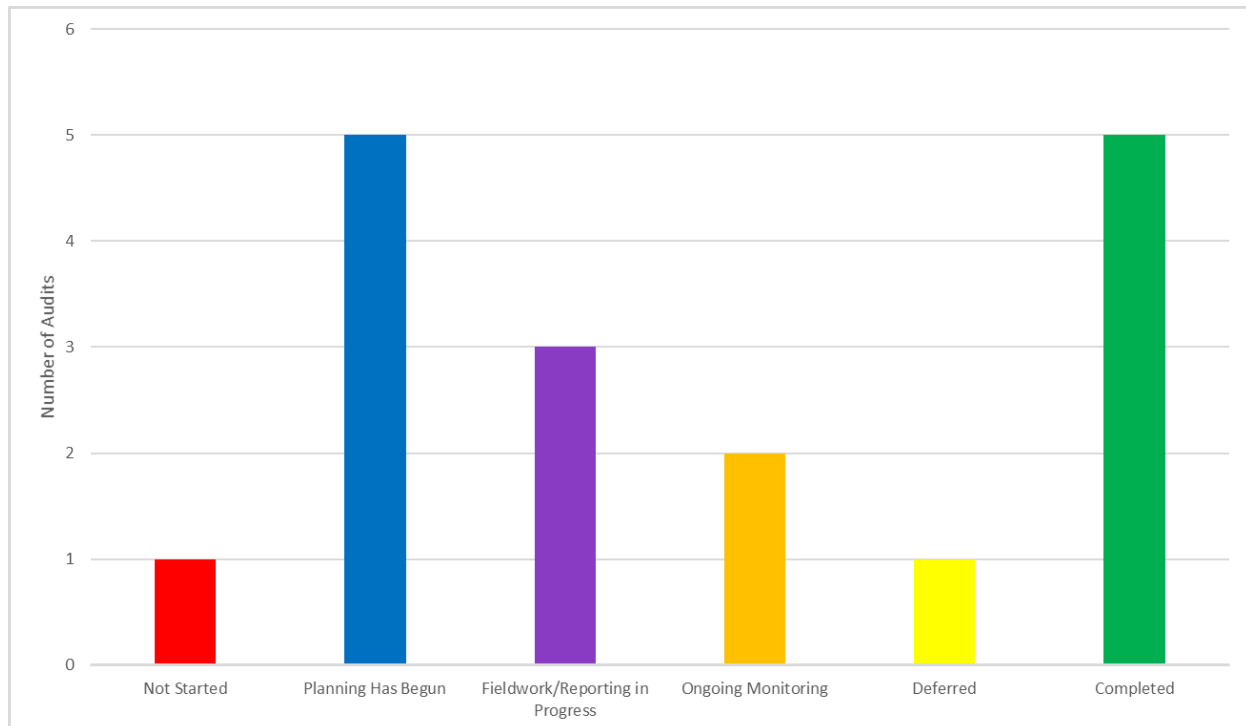
UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
SUMMARIZED RESULTS OF AUDITS RECENTLY ISSUED

BACKGROUND

One of the responsibilities of the Audit Committee, as outlined in the committee charter, is to summarize results of audits recently issued.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

Since the December 6, 2018 meeting of the Audit Committee, the Office of Internal Audit has issued a number of reports including:

- NCAA Athletics for UW-Madison, UW-Milwaukee, UW-Green Bay and UW-Parkside
- Business Operations in Student Services for UW System Administration

Lori Stortz, Chief Audit Executive, will provide highlights of these documents.

RELATED BOARD OF REGENTS POLICIES

NA

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
SYSTEM SECURITY AND ACCESS AUDIT STATUS AND COMMENT THEMES

BACKGROUND

The Board of Regents delegates to the President of UW System the authority to implement and maintain an information security program (Program). The Audit Committee has oversight responsibility over this Program.

REQUESTED ACTION

No action requested. Item for information and discussion only.

DISCUSSION

The attached chart provides a summary of audit progress for the System Security and Access audits. It also lists the most prevalent audit comments and matters encountered during the audits.

RELATED BOARD OF REGENTS POLICIES

Regent Policy 25-3
Regent Policy 25-5

System Security and Access Audit Status

	UWSA	Eau Claire	Green Bay	La Crosse	Madison	Milwaukee	Oshkosh	Parkside	Platteville	River Falls	Stevens Point	Stout	Superior	Whitewater
Audit Status	🟩	🟨	🟨	🟩	⬜	🟥	🟨	⬜	⬜	⬜	🟨	🟨	🟩	🟨

🟩 (dark green) Report issued, and comments closed

🟩 (light green) Report issued, and internal audit is auditing management's response to close comments

🟨 Report issued, and management is addressing comments

⬜ Audit fieldwork in process (Plan to issue reports in January and February 2019)

🟥 Audit has not started (To start January 2019)

System Security and Access Audit Comment Themes:

- Authentication requirements, including multi-factor
- Data classification and protection
- Audit documentation requirements
- Varying interpretations of risk and policies

UW SYSTEM ADMINISTRATION
OFFICE OF INTERNAL AUDIT
MANAGEMENT RESPONSE PROGRESS

BACKGROUND

One of the responsibilities of the Office of Internal Audit as outlined in the charter is to establish a follow-up process to monitor and identify whether corrective actions have been effectively implemented, or whether senior management has accepted the risk of not taking action. The Audit Committee has requested regular progress reports on this monitoring.

REQUESTED ACTION

No action requested. Item for information and discussion only.
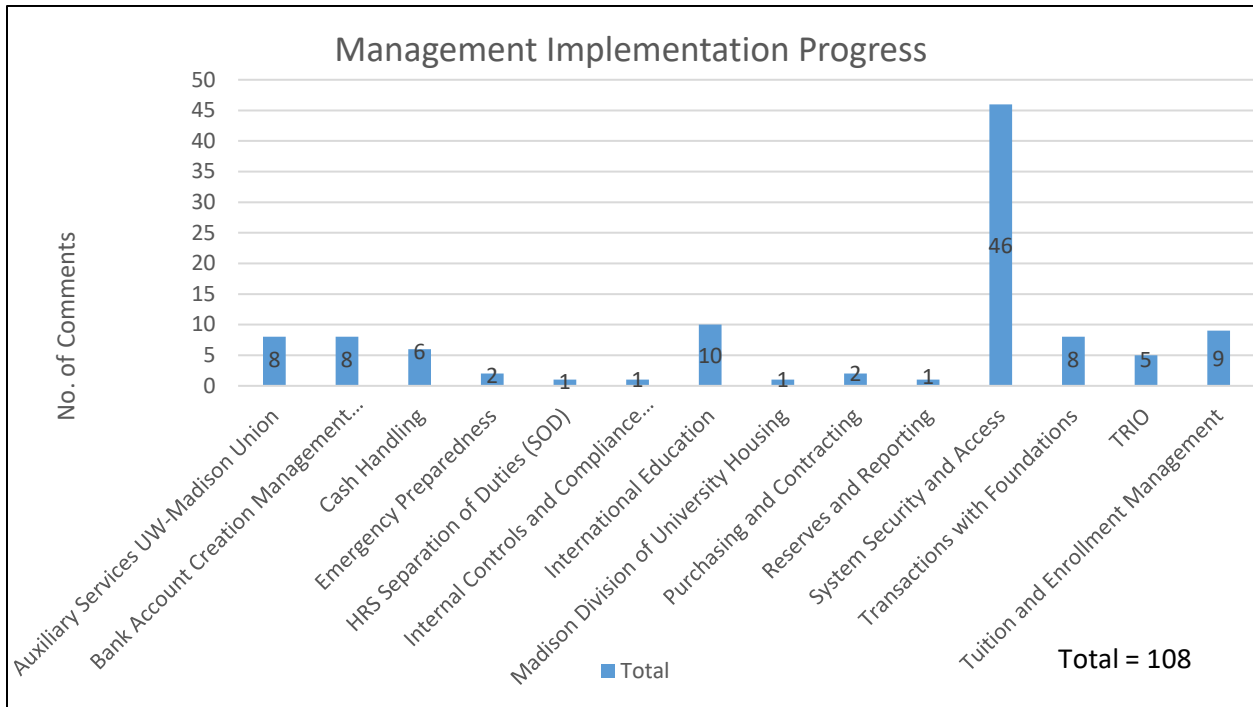

DISCUSSION

The following charts present audits issued during fiscal 2016 through fiscal 2019 and the progress management has made toward resolving the comments and recommendations included in the audit reports. Management's corrective action plans were audited by the Office of Internal Audit to determine if they were implemented.
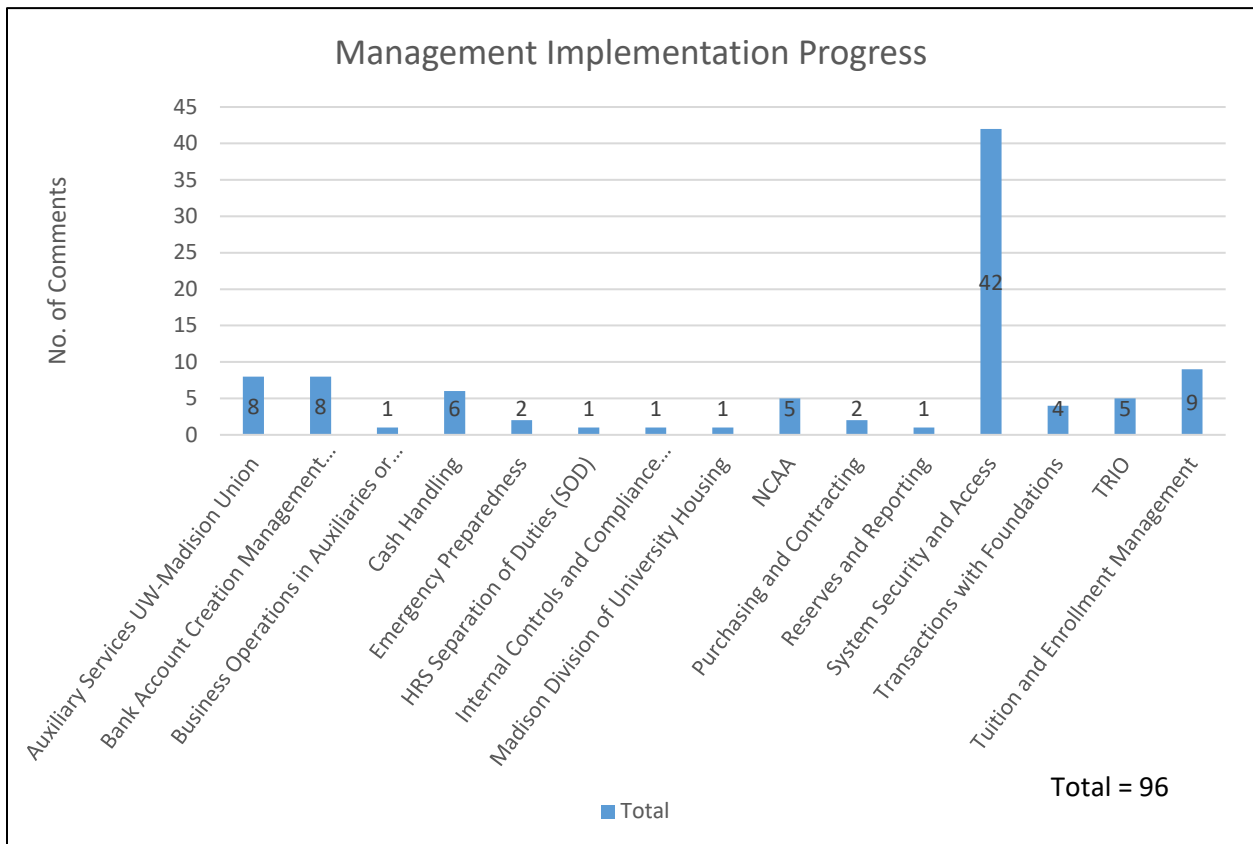

**RELATED BOARD OF REGENTS POLICIES**

NA

Prior Reporting Period

Management Implementation Progress

No. of Comments

Category	Value
Auxiliary Services UW-Madison Union	8
Bank Account Creation Management...	8
Cash Handling	6
Emergency Preparedness	2
HRS Separation of Duties (SOD)	1
Internal Controls and Compliance...	1
International Education	10
Madison Division of University Housing	1
Purchasing and Contracting	2
Reserves and Reporting	1
System Security and Access	46
Transactions with Foundations	8
TRIO	5
Tuition and Enrollment Management	9

■ Total

Total = 108

Current Reporting Period

Management Implementation Progress

No. of Comments

Category	Value
Auxiliary Services UW-Madision Union	8
Bank Account Creation Management...	8
Business Operations in Auxiliaries or...	1
Cash Handling	6
Emergency Preparedness	2
HRS Separation of Duties (SOD)	1
Internal Controls and Compliance...	1
Madison Division of University Housing	1
NCAA	5
Purchasing and Contracting	2
Reserves and Reporting	1
System Security and Access	42
Transactions with Foundations	4
TRIO	5
Tuition and Enrollment Management	9

■ Total

Total = 96

Roll-forward from Prior Reporting Period to Current Reporting Period

Audit	Previously Reported Open Comments	Comments Issued	Comments Closed	Current Open Comments
Auxiliary Services UW-Madison Union	8	0	0	8
Bank Account Creation Management and Oversight	8	0	0	8
Business Operations in Auxiliaries or Student Services	0	1	0	1
Cash Handling	6	0	0	6
Emergency Preparedness	2	0	0	2
HRS Separation of Duties (SOD)	1	0	0	1
Internal Controls and Compliance Structure	1	0	0	1
International Education	10	0	10	0
Madison Division of University Housing	1	0	0	1
NCAA	0	5	0	5
Purchasing and Contracting	2	0	0	2
Reserves and Reporting	1	0	0	1
System Security and Access	46	0	4	42
Transactions with Foundations	8	0	4	4
TRIO	5	0	0	5
Tuition and Enrollment Management	9	0	0	9
Total	108	6	18	96

Implementation Percent Toward Completion
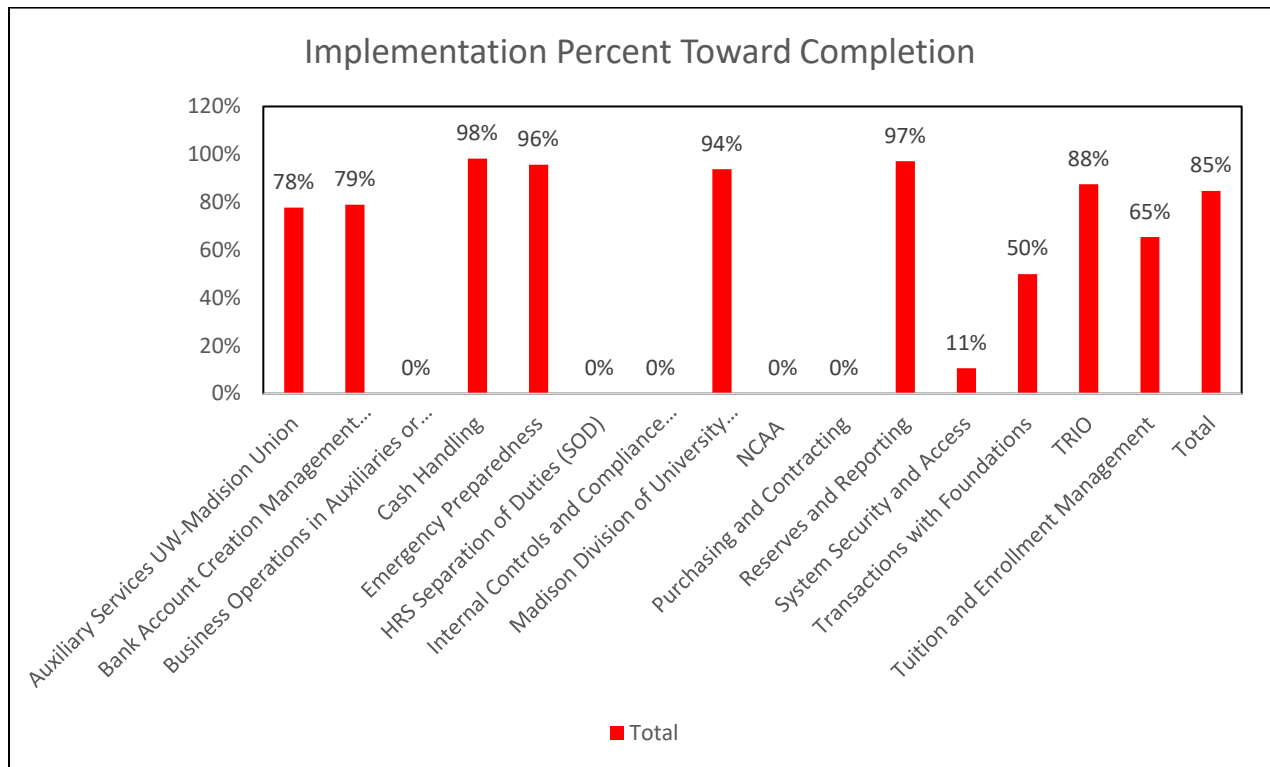
The above charts and graphs do not necessarily represent all audit comments outstanding due to timing issues

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UW SYSTEM ENTERPRISE RISK MANAGEMENT

EXECUTIVE SUMMARY

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BACKGROUND

Enterprise Risk Management (ERM) is a framework to systematically identify, evaluate and manage risks to the organization and its business goals and operations.

UW System is a $6 billion organization with a complex set of risks. With a primary purpose of teaching and learning, UW institutions manage many employees, house and feed students, manage athletic teams, conduct cutting edge research and have employees and students who travel internationally. All these operations bring risks to the UW System.

While there are many risks, there are also many employees who manage risks within their operations. The UW System has systems in place to manage risks including: internal controls, standardized policies, risk transfer through insurance or using suppliers, and health and safety programs. However, an ERM program would create a process to systematically identify and prioritize the many risks across the operation.

The UW System is developing an ERM framework with assistance from AON. Today is an update on the progress of the project.

REQUESTED ACTION

This item is for information only.

DISCUSSION AND RECOMMENDATIONS

UW System management established a System level Risk Committee. The Risk Committee would evaluate and rank risks to the organization and identify the priority risks. The prioritization would result in a heat map for the UW System. The Committee would work with risk owners to establish risk management plans, if they are not already in place, and work to allocate resources to address critical risks in the system.

Goals of a UW System ERM program are:

1) All levels of the organization to consider risks to operations, plans, goals and projects
2) Senior Leadership to be aware of the critical risks to the organization
3) Ensure critical risks are being managed

The UW System is developing the ERM program with a review of risks at the system level, not the individual UW institution level. Management will provide periodic updates to the Audit Committee on the ERM program and its implementation.