

Meeting Minutes of the Audit and Compliance
Committee University of Kentucky
Thursday, September 10, 2020

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, September 10, 2020, via Zoom Webinar.

I. Call to Order

Chair Claude “Skip” Berry III called the meeting to order at 4:32 p.m.

II. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Kimberly Scott McCann, Elizabeth McCoy, Derrick Ramsey and Sandra Shuffett.

III. Approval of Minutes

Chair Berry reported that the minutes of the June 18, 2020 ACC meeting had been distributed. Trustee McCoy moved for approval of the minutes, and Trustee McCann seconded the motion. The minutes from the June 18, 2020 ACC meeting were approved as presented.

IV. Reports and Discussion Items

A. University of Kentucky Internal Audit (UKIA) Information Technology Update

Chair Berry introduced Marc Blevins, information technology audit manager for the University of Kentucky Internal Audit (UKIA) Department to discuss UKIA’s Information Technology (IT) audits. This presentation included an update on IT audits and data analytics.

Mr. Blevins began by discussing the core IT services UKIA provides, which are IT reviews and data analytics reviews. Mr. Blevins stated that IT is something that transcends those services and permeates through every type of review. Mr. Blevins continued by explaining that IT reviews utilize industry-standard frameworks, including Control Objectives for Information and Related Technology (COBIT) and National Institute of Standards and Technology (NIST) to evaluate cybersecurity and operational effectiveness. Data analytics, on the other hand, includes three phases. The first phase entails determining the requirements (objectives) and the data sources; the second phase involves scripting via Audit Command Language (ACL) analytics and Structured Query Language (SQL); the third phase is the validation stage in which the results are reviewed to verify any exceptions.

Mr. Blevins discussed changes to UKIA’s IT organizational structure including the promotion of Wes Justice to IT audit manager and Jared Hicks to IT auditor. Mr. Blevins then presented a summary of UKIA’s current IT audits. This included one IT review, one consultation and six comprehensive reviews. Of these, Mr. Blevins focused on one specific

review (2020 IT01) related to a cybersecurity event that occurred earlier in 2020. UKIA engaged in that review in March of 2020. Mr. Blevins walked through the phases of the review, which included a risk assessment, scope development, fieldwork and a closing meeting, which occurred on September 4, 2020.

Mr. Blevins updated the Committee on changes to UKIA's data analytics and investigations teams. The data analytics team added three new roles, Quality Assurance Coordinator Marianne Bush is now in charge of requirements documents, IT Audit Manager Marc Blevins is in charge of analytics development and Senior Auditor Lee Walker, Senior Auditor Amanda Witt and Audit Assistant Melissa Feddes handle verification/validation. In the investigation team, Marc Blevins oversees predication evaluation, Lee Walker and Amanda Witt are responsible for fraud theory, and Lee Walker, Amanda Witt and Melissa Feddes perform fraud examinations.

Mr. Blevins then discussed UKIA's current investigations, which included seven contract management reviews, one conflict of interest, one academic unit, one student financial aid and one disbursement review. Mr. Blevins also discussed UKIA's current data analytics review, whose objectives are to identify employee conflicts of interests that are not disclosed to the university via various UK and public data sources.

B. UKIA Quality Assessment Review

Chair Berry introduced Martin Anibaba, audit director for UKIA to discuss UKIA's Quality Assessment Review (QAR). Mr. Anibaba stated that the UKIA charter and the Institute of Internal Auditors (IIA) Standard 1300 requires UKIA to communicate its quality assurance and improvement program status to the Committee. This includes results of ongoing internal assessments and external assessments conducted. Mr. Anibaba then discussed UKIA's governance structure and adjustments for better effectiveness, which include a work prioritization plan, work operation and work communication. Mr. Anibaba then explained UKIA's continuous improvement adjustments focusing on key internal audit processes. This included workflow management, which includes three levels of work paper review and approval, weekly audit project prioritization meetings, data visualization and analysis, department and individual metrics, standardized work paper templates, process updates, auditor training and UKIA internal committees.

Mr. Anibaba then provided an update on UKIA's QAR, which included UKIA's QAR history, internal audit maturity model framework, how UKIA scores on the internal audit maturity model framework, improvements completed since UKIA's last QAR and enhancements currently in progress.

Mr. Anibaba stated that UKIA's first QAR was in 2009, the second was in 2014 and the third was scheduled to start in 2019. Mr. Anibaba then discussed some improvements completed since the last QAR in 2014, which included organizational independence, acknowledgment and adherence to the IIA Definition of Internal Auditing and Standards annually, independence for each audit engagement and a formalized Quality Assurance and Improvement Program. Mr. Anibaba then went over some of the improvements currently in progress. This includes updating the administrative and process manuals,

which consists of the rationale for the assignment of resources to the engagement in both the work papers and audit communications and documenting the consideration of fraud risk on each audit project. Finally, Mr. Anibaba discussed UKIA's QAR timeline which includes the request for proposal for a QAR auditor in July 2020, engaging the audit firm in September 2020 and presenting the QAR results in December 2020.

C. UKIA FY 2019-20 Annual Report

Chair Berry introduced Joe Reed, chief audit executive of UKIA to discuss UKIA's FY 2019-20 annual report. Mr. Reed began by discussing UKIA's nine audit services: assessments, comprehensive reviews, consultations, data mining, follow-up reviews, inquiries and investigations, IT reviews, repetitive reviews and trainings.

Mr. Reed then discussed UKIA's FY 2019-20 achievements, including UKIA's changes due to the COVID-19 virus including working remotely, increasing IT reviews, expanding data analytics and continuing inquiries and investigations as priorities. Other achievements include changes to the organizational structure to expand the IT and data analytics functions. Additionally, UKIA began trending and bundling audit results to provide a more meaningful analysis of risks. Lastly, UKIA engaged multiple student teams to work with UKIA liaisons and university partners on the Finance and Administration Training Transformation project.

Mr. Reed talked about UKIA's transition to a risk-based, agile auditing program in FY 2018-19, along with the development of a work prioritization plan in FY 2019-20. This approach allows UKIA to "go where needed" and does not stipulate particular units to review.

Mr. Reed then discussed UKIA's metrics for FY 2019-20. He began with audit coverage, which showed that UKIA completed 27 reviews and achieved 90 percent coverage of the 21 risk areas of the work prioritization plan, with 100 percent of the high-risk processes and applications addressed by at least one review. Furthermore, 67 percent of the high-risk units were covered by at least one review. Mr. Reed then discussed the remediation metric, which calculates the percent of findings that had been remediated by the time UKIA conducted a follow-up review with scores ranging from 80-95.2 percent. Mr. Reed reported the contacts metric was 35 – the number of people who contacted UKIA for guidance in FY 2019-20. UKIA's client satisfaction rating, which ranks audit clients' satisfaction with the audit process, was 3.82 on a scale of 1-5. The training participant satisfaction score was 4.33 out of 5 and included attendees' scores of training courses conducted by UKIA. The number of partnerships was 22 and included UKIA's collaborations across the university. The productivity metric was scored at 73.29 percent and included the percentage of total charged hours focused on constructive audit work.

Mr. Reed explained that UKIA's transition from a static annual work plan to a dynamic work prioritization plan, which adjusts and expands in response to emerging risks, made calculating UKIA's audit duration by weeks no longer feasible. He explained that audit duration is now calculated through an hourly budget for each audit type based on historical data. As a result, audit duration was scored at 22.71 percent under budget.

Mr. Reed then discussed one of the largest projects ever undertaken by UKIA, a university-wide conflicts of interest review. Mr. Reed stated that the review is not complete and is in the reporting stage. UKIA engaged the consulting firm, Deloitte, to review the various mechanisms used to capture conflicts of interest and assess the adequacy of the information being captured. Mr. Reed then stated that UKIA logged more than 1,800 hours on this review.

Mr. Reed then detailed changes to UKIA's FY 2019-20 budget, which is \$1.9 million. This included the departure of two members, but also the internal promotion of one employee and the addition of another. Mr. Reed then shared UKIA's FY 2020-21 goals, which include the creation of a data analytics team to detect deviations in university workflows. Finally, UKIA will adjust trainings to be in a more accessible format due to the COVID-19 environment.

V. Adjournment

With no further business to come before the Committee, Chair Berry asked for a motion to adjourn. The motion was made by Trustee McCann and seconded by Trustee McCoy. The motion was carried, and the meeting was adjourned at 5:08 p.m.

Respectfully Submitted,

Alan Wood
Editorial Assistant
UK Internal Audit