

Meeting Minutes of the Audit and Compliance
Committee University of Kentucky
Thursday, September 9, 2021

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, September 9, 2021, in the Gatton Student Center Harris Ballroom.

Chair Claude “Skip” Berry III called the meeting to order at 1:32 p.m.

I. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Joe Bowen, Michael Christian, Kimberly Scott McCann, Elizabeth McCoy, Paula Pope, Derrick Ramsey, Sandra Shuffett and Bryan Sunderland.

II. Approval of Minutes

Chair Berry reported that the minutes of the May 3, 2021, ACC meeting had been distributed. Trustee Shuffett moved for approval of the minutes, and Trustee McCann seconded the motion. The minutes were approved as presented.

III. Reports and Discussion Items

A. University of Kentucky Internal Audit (UKIA) Annual Report

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed to present the UKIA annual report for FY 2020-21. Mr. Reed began by discussing the cover photograph of the annual report and its significance, as it depicted the first time the entire UKIA team had been together since the beginning of the COVID-19 pandemic. He then briefly discussed sections of his introductory letter in the report, which summarized UKIA’s achievements and activities for the year.

Mr. Reed listed a few of UKIA’s achievements, which included the web-based trainings on fraud that were developed as part of the Finance and Administration Specialized Training (FAST) initiative, devoting additional resources to its analytics program, launching cybersecurity repetitive reviews and the progress that has been made in the Office of Accountability to focus on policy congruence, external audit reviews, contract compliance and conflicts of interest reporting. He also discussed UKIA’s consultations and partnerships, noting, in particular, the virtual cybersecurity tours conducted with UK Information Technology (IT) Services and UK HealthCare IT which involved sharing information security risks with deans, administrators and IT personnel. Other new partnerships were established with process owners, including Purchasing, University Financial Services, Human Resources and UK HealthCare.

Mr. Reed then shared the results of UKIA's Quality Assessment Review which was conducted by the Institute of Internal Auditors (IIA). UKIA was awarded the highest ranking given for the Standards and the IIA Code of Ethics, generally conforms. However, the IIA did recommend that UKIA develop its own Strategic Plan, a project that UKIA undertook almost immediately.

Mr. Reed then discussed UKIA's financials by noting that expenses decreased due to gatherings being canceled and staff working from home, as well as a lack of travel expenditures.

He detailed where UKIA falls in some benchmarking conducted by the University of South Carolina. Out of Southeastern Conference and Big XII schools, only the University of South Carolina and the University of Texas at Austin had better ratios for auditors per student. UKIA's staff ranked sixth in terms of audit staff and budget, consisting of 0.4 percent of the university's \$4.4 billion budget. UKIA was also sixteenth in terms of budget size.

Next, Mr. Reed presented UKIA's metrics. He explained that follow-ups could not be conducted due to the COVID-19 environment so there was no metric to report for remediation. The training was also excluded due to the cancelation of all in-person training. Metrics that were included were: 1) Partnerships – Eight unique partnerships were established compared to a goal of six. 2) Contacts – 26 contacts were estimated, based on 13 being recorded during the first half of the year and historical averages, as staff departures and an unexpected office relocation inadvertently precluded the recording of contacts later in the year (goal of 48). 3) Productivity – This metric accounts for the total hours dedicated to audit projects. Managers exceeded their productivity goal, achieving 61 percent compared to a goal of 60 percent, while audit consultants achieved their goal of 75 percent productivity. 4) Client Satisfaction – Surveys of audit clients resulted in a score of 4.0 out of 5.0 possible. 5) Audit Coverage – Which measures the degree to which the processes, units and applications were evaluated and addressed throughout the year, was 88 percent (Goal: 100 percent). 6) Audit Duration – UKIA was 4.74 percent over its budgeted time for FY 2020-21. This overage is attributed to adapting to the new virtual working environment.

Mr. Reed concluded by explaining UKIA's organizational structure, which currently has two vacancies and is organized into four audit teams: The financial and business operations team handles comprehensive and repetitive business process audits; the analytics and investigations team works to validate inquiry events, identify fraud and leverage technology to review large amounts of data and substantiate any anomalies; the IT team validates the efficiency and effectiveness of IT resources, assesses data integrity and confirms compliance with UK's IT policies and procedures. Finally, the accountability team focuses on policy congruence, external audit reviews, contract compliance and conflicts of interest management.

Chair Berry then asked Mr. Reed to discuss the orientation of new hires. Mr. Reed remarked that it had been a learning lesson, there had been struggles due to the lack of physical presence, but UKIA has made it work.

IV. Adjournment

With no further business to come before the Committee, Chair Berry asked for a motion to adjourn. The motion was made by Trustee Ramsey and seconded by Trustee Sunderland. The motion was carried, and the meeting was adjourned at 2:10 p.m.

Respectfully Submitted,

Alan Wood
Editorial Assistant
UK Internal Audit