

Meeting Minutes of the
Audit and Compliance Committee
University of Kentucky
Thursday, April 28, 2022

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, April 28, 2022, in the Gatton Student Center Harris Ballroom.

Chair Claude “Skip” Berry III called the meeting to order at 1:01 p.m.

I. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Ray Daniels, Michael Hawse, Elizabeth McCoy, Derrick Ramsey, Bryan Sunderland and Hollie Swanson.

II. Approval of Minutes

Chair Berry reported that the minutes of the February 17, 2022, ACC meeting had been distributed. Trustee McCoy moved for approval of the minutes, and Trustee Hawse seconded the motion. The minutes were approved as presented.

III. Reports and Discussion Items

A. Fiscal Year (FY) 2021-22 Quarter 3 Activity Update

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed, to present the activity update for the third quarter of FY 2021-22. Mr. Reed opened by explaining the audit cycle, which consists of work prioritization, assignment, engagement, reporting, client check-ins and follow-up reviews. Work prioritization is the first step which includes the University of Kentucky Internal Audits (UKIA) risk assessment. The second step is the assignment where the project is assigned to the audit staff and all planning work is completed. Next is engagement, which is when the audit is announced. This is followed by the reporting stage, during which all of the results from the review are communicated to the client. UKIA then conducts client check-ins three to six months later to see how risk mitigation is proceeding and determine whether UKIA can offer any assistance. The last stage is where UKIA conducts a follow-up review to assess the remediation progress. Mr. Reed then discussed UKIA’s risk assessment which consists of seven business risk factors with 20 components.

Mr. Reed moved on to UKIA’s completed reviews for the third quarter of FY 2021-22. This included one comprehensive review and seven repetitive audits. Mr. Reed stated that UKIA will stay committed to academics regarding procurement cards. Trustee Swanson asked if these reviews were going to be done on an annual basis. Mr. Reed responded that they would not be done annually, explaining that “these reviews are being done enterprise division by enterprise division so when these are done, UKIA will move on to another enterprise division.” He then presented UKIA’s active reviews, which consisted of five

comprehensive reviews, 13 procurement card repetitive audits, five web application repetitive audits, as well as one consultation, two data analytic reviews, two follow-ups and three inquiries/investigations. Trustee Daniels asked for clarity on what an industry compliance component would be for procurement cards. Mr. Reed replied that industry standards could consist of accounting standards or legal standards.

B. Mitigating Risk Through UKIA Communications

Chair Berry introduced Deputy Accountability Officer and Audit Executive Martin Anibaba, to discuss how UKIA mitigates risk throughout the enterprise. To begin, Mr. Anibaba stated that internal audit is required by the Institute of Internal Auditors' International Professional Practices Framework to communicate audit results and relay any risk to university management. He also stated that UKIA must have a process to make sure that identified risks are remediated and specified that these standards are represented in UKIA's charter.

Mr. Anibaba then discussed the types of UKIA communications at each phase of the audit cycle. These communications include notification, progress updates, results and remediation reports, for which he showed the workflow. He also explained UKIA's process for concerns noted that are out of the scope of the review. These findings, which are referred to as "R99" issues, are added to UKIA's audit universe and addressed at a later date, according to the risk assessment.

Chair Berry then asked Mr. Reed to discuss all the additional ways UKIA communicates risk and UKIA activities to clients, stakeholders and university executive leadership, including trending and metrics. Mr. Reed began by discussing UKIA's quarterly report to the university administration, which goes to the President's Cabinet. He also discussed UKIA's new program, Lessons Learned, through which UKIA shares common concerns trending across the university or at other institutions of higher education and what faculty and staff can do to mitigate those risks at UK. Mr. Reed then showed UKIA's last three annual reports which communicate UKIA's metrics. Mr. Reed then discussed UKIA's sponsored workgroups, individual meetings, partnerships and committees/task forces. Trustee Swanson asked Mr. Reed how information is accessible through a complex university like UK. Mr. Reed answered that information is disseminated via individual meetings.

C. FY 2021-22 Audit Engagement Letter and Agreed-Upon Procedures Letters for the NCAA, Department of Behavioral Health, Developmental and Intellectual Disabilities and Kentucky Medical Services Foundation (KMSF)

Chair Berry introduced Treasurer Penny Cox, to present the FY 2021-22 Audit Engagement Letter and Agreed-Upon Procedures Letters for the NCAA, Department of Behavioral Health, Developmental and Intellectual Disabilities and KMSF. Ms. Cox began by discussing the agreed-upon announcement letters for these three entities. She reported that there were no notable changes in the procedures and that they can move forward with the procedures.

D. Baird, Kurtz and Dobson (BKD) Pre-Audit Report to the ACC

Chair Berry introduced BKD Engagement Partner Mary McKinley and Director Joanie Duckworth to present the planning process for their upcoming audit. Ms. McKinley began by announcing that BKD's name would soon change to "FORVIS," effective June 1, 2022, as a result of a new partnership. This name is a combination of the words forward and vision. Ms. McKinley then began discussing the audit, noting that the planning process for the audit has already begun and that the scope and services will remain similar to what it has been in the past. Furthermore, noted risks continue to be the same as in past years. Ms. Duckworth then presented the pre-audit summary beginning with the timeline and ongoing communication for the review. She also shared the new GASB pronouncements going into effect during Fiscal Years 2022 and 2023. For FY 2021-22, these new accounting pronouncements included GASB 87, 89, 92, 93 and 97. For FY 2022-23, they include GASB 91, 94, 96 and 97. Ms. Duckworth concluded with the steps they take as part of their planning for the review in consideration of errors or fraud. These steps include engagement team brainstorming, inquiries of management, and evaluating business rationale for significant or unusual transactions or transactions with related parties.

IV. New Business Items

A. ACC and UKIA Charters

Chair Berry introduced Mr. Reed, to present the second reading of the proposed revisions to the ACC and UKIA Charters, reminding the Committee that the first readings of the proposed revisions were presented at the February 17, 2022, ACC meeting.

ACC 1 Revisions to Audit and Compliance Committee Charter

Mr. Reed introduced ACC 1, a recommendation that the Audit and Compliance Committee approve revisions to the Audit and Compliance Committee Charter effective April 28, 2022.

Chair Berry asked for a motion to approve ACC 1. Trustee McCoy moved approval, Trustee Ramsey seconded the motion, and ACC 1 passed without dissent.

ACC 2 Revisions to the University of Kentucky Internal Audit Charter

Mr. Reed introduced ACC 2, a recommendation that the Audit and Compliance Committee approve revisions to the UK Internal Audit Charter effective April 28, 2022.

Chair Berry asked for a motion to approve ACC 2. Trustee Sunderland moved approval, Trustee McCoy seconded the motion, and ACC 2 passed without dissent.

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 Sunderland and seconded by Trustee

McCoy. The motion carried, and the meeting adjourned at 1:53 p.m.

Respectfully Submitted,

Alan Wood
Editorial Assistant
UK Internal Audit