

Audit and Compliance Committee Meeting  
Gatton Student Center, Harris Ballroom  
Thursday, June 16, 2022

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, June 16, 2022 in the Gatton Student Center Harris Ballroom.

I. Call to Order

Chair Claude “Skip” Berry III called the meeting to order at 1:45 p.m.

II. Roll Call

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

III. Approval of Minutes – April 28, 2022

Chair Berry reported that the minutes of the April 28, 2022 meeting had been distributed. Trustee McCoy motioned to approve the minutes, and Trustee Hawse seconded. The motion carried without dissent.

IV. New Business Items

A. UK Internal Audit FY 2022-23 Risk Assessment and Work Prioritization

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed. Mr. Reed opened by explaining that an annual work prioritization is required per industry standards and must be brought before the Audit and Compliance Committee each year for approval, per both the Audit and Compliance Committee Charter and the Internal Audit Charter. He explained that the audit universe is comprised of all possible audits, which consist of units, processes and applications/information technology. He then noted that UKIA assesses the audit universe annually to ensure that it reflects current organizational strategies and directions. Mr. Reed further explained that UKIA must adhere to best practices and models as it goes about this process but that the Chief Audit Executive (CAE) is responsible for creating new models when existing ones are insufficient to address a problem or situation.

Mr. Reed then outlined the steps in UKIA’s risk assessment process, the first of which is how UKIA compiles the information it receives from various sources, such as information from units, process owners such as Accounts Payable, reported events or concerns, comply line submissions, industry news and trends, regulatory updates, management requests, enterprise division assessments to understand personnel roles, audit findings and enterprise data analytics. The second step is information processing, which entails analyzing, categorizing and storing this information into its repository. The third step is risk assessment, which includes recurring risk assessment meetings, assigning a risk rating and

storage within the audit universe platform. The fourth step is reporting, which includes the work prioritization plan, information requests and audit pre-planning data which is provided to auditors to assist with their audits.

Mr. Reed then briefly reviewed the seven business risk factors UKIA uses to quantify and provide a risk rating. He presented examples of units, processes and information systems to expand on how the audit universe connects to these risk factor components. These risk factors include external factors like public exposure and federal regulations as well as internal factors such as materiality, audit interval, the workplace control environment, the Information Technology (IT) control environment and management requests. Following these examples, Mr. Reed detailed additional risk assessment considerations that UKIA uses to rate risk, including previous audit activities, regulatory concerns, the current environment, industry events, UK's strategic plan, university resources and UKIA's expertise.

Mr. Reed then went over UKIA's audit coverage for FY 2021-22, which focused on the following: 1) processes for accounts payable, employee lifecycle, compensation, procurement, conflicts of interest and sponsored projects; 2) units including third-party vendors, academic departments and health care services; and 3) information systems, including web applications, in-house applications and server configuration.

Mr. Reed concluded his presentation by discussing specific UKIA work prioritization areas for FY 2022-23. The processes that are part of this work program include asset management, employee lifecycle, endowments and gift accounting, fringe benefits, procurement, travel, export controls, student aid and the UK HealthCare revenue cycle, the last three of which are carried over from FY 2021-22. The information systems included on the work prioritization program include governance, cybersecurity operations and data centers, the last of which is carried over from the prior year. The units that are part of the FY 2022-23 work prioritization program include academics, athletics, UK HealthCare services and research centers, the last of which is carried over from 2021. Mr. Reed then listed the items that are consistently part of UKIA's work prioritization, which are inquiries, follow-ups, and partnerships and consultations as well as data analytics.

Chair Berry then opened the floor for questions. Trustee Swanson asked, "What one thing keeps Joe Reed up at night?" Mr. Reed responded, "Cybersecurity because it is all of our responsibility, and it drives the business," noting in particular the risk of in-house applications.

#### B. ACC-1 FY 2022-23 UK Internal Audit Work Prioritization

Chair Berry introduced ACC-1, the Approval of UK Internal Audit's FY 2022-23 Work Prioritization Plan and asked for a motion to approve. Trustee Sunderland motioned to approve, and Trustee McCoy seconded. The motion carried.

V. Adjournment

With no further business to come before the Committee, Chair Berry asked for a motion to adjourn. Trustee Sunderland motioned to adjourn, and Trustee McCoy seconded. The motion carried, and the meeting adjourned at 2:12 p.m.

Respectfully Submitted,

Skylar Bensheimer  
Editorial Assistant  
UK Internal Audit