

# UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

UK Internal Audit (UKIA) and Accountability Office



# UK INTERNAL AUDIT FY 2021-22 Q1 ACTIVITY UPDATE

Joe Reed, Chief Accountability Officer and Audit Executive



# Audit Cycle



# UKIA BUSINESS RISK FACTOR COMPONENTS

<b>Business Risk Factor</b>	<b>Definition/Measurement</b>	<b>Component</b>	
<b>Public Exposure</b>	Media Coverage Intensity and Type of Clientele	1. Media Coverage 2. Customer Type	3. Current Affairs 4. Program Visibility
<b>External Factors</b>	Federal and State Regulations and Industry Standards	5. State Regulations 6. Federal Regulations	7. Industry Compliance
<b>Materiality</b>	Financial and Budgetary Impact	8. Sources of Revenue 9. Transaction Volume	10. Budget Breakdown 11. Transaction Complexity
<b>Audit Interval</b>	Duration Since Last External and/or Internal Audit	12. Internal Audits 13. External Audits	14. Other Audits
<b>Control Environment I</b>	Workplace Culture and Practices	15. Operational 16. Event Identification	17. Key Position Turnover Rate
<b>Control Environment II</b>	Information Technology Culture and Practices	18. Information System (IS) Applications 19. Data Centers	
<b>Management Requests</b>	Review Request Made by University Management	20. Management Requests	

# Work Prioritization

## **Inquiries**

- Comply line calls
- First-hand accounts
- UKIA website

## **Processes**

- Accounts payable
- Employee lifecycle
- Compensation
- Student aid
- Procurement
- Conflict of interest
- Sponsored projects
- Export controls
- Health care revenue life cycle

## **Units**

- Third-party vendors
- Research centers
- Academic units
- Health care services

## **Follow-ups**

- Comprehensive reviews
- Consultations
- Data mining
- Information technology
- Inquiries/investigations
- Repetitive audits

## **Information systems**

- Web applications
- Data centers
- In-house applications
- Server configuration

## **Other activities**

- Committee membership
- Partnerships
- Taskforce participation

## COMPLETED REVIEWS FY 2021-22 Q1

Project		Name	General Objective	Project Conclusion	
Audit Service	Work Prioritization	Audit Number and Title	Engagement Purpose	Risk Areas Identified	Distribution Date
Data Analytics (DA)	<ul style="list-style-type: none"> <li>Academic units</li> <li>Procurement</li> </ul>	2021 DA02 Vehicle Fueling	Evaluate processes related to the fueling of vehicles leased for UK business purposes	<ul style="list-style-type: none"> <li>Oversight</li> <li>Inventory Management</li> </ul>	7/2/2021
	<ul style="list-style-type: none"> <li>Conflicts of interest</li> <li>Account payables</li> <li>Compensation</li> </ul>	2022 DA01-A 2022 DA01-B Employee Vendor Payments	Identify potential conflicts of interest between employees and vendors	<ul style="list-style-type: none"> <li>Conflicts of interest</li> <li>Compensation</li> </ul>	2022 DA01-A 8/20/2021  2022 DA01-B 8/27/2021
Repetitive Audits (RA)	<ul style="list-style-type: none"> <li>Web applications</li> <li>Server configuration</li> <li>In-house applications</li> </ul>	2021 RA03 College of Health Sciences Web Application Security	Evaluate cybersecurity posture of unit applications, data and IT resources	<ul style="list-style-type: none"> <li>Cybersecurity operations</li> <li>Existing vulnerabilities</li> </ul>	8/18/2021
		2022 RA08 College of Education Web Application Security		<ul style="list-style-type: none"> <li>IT governance</li> <li>Cybersecurity operations</li> <li>Existing vulnerabilities</li> </ul>	9/23/2021

## ACTIVE REVIEWS AS OF FY 2021-22 Q1

Project		Name	UKIA 20 Business Risk Components		General Objective
Audit Service	Work Prioritization	Audit Number* and Title	Rating	Top Three Risk Components	Engagement Purpose
Comprehensive Reviews  *CC refers to non-UK HealthCare reviews; MC refers to UK HealthCare reviews	<ul style="list-style-type: none"> <li>Health care services</li> <li>Sponsored projects</li> </ul>	2019 MC04 Ryan White Grant Review	High	6 12 20	Validate governance, protected health information, and fiscal affairs
	<ul style="list-style-type: none"> <li>Health care services</li> <li>Account payables</li> <li>Health care revenue lifecycle</li> </ul>	2019 MC05 UK HealthCare Patient Financial Services	Medium	9 12 16	Ensure receiving, depositing, posting, refunding, and reconciliation of patient payments are appropriate
	Academic units	2020 CC01 Rosenberg College of Law	Medium	12 16 17	Validate the appropriateness of operational and financial administrative activities; expanded scope
	Conflicts of interest	2020 CC02 Conflicts of Interest	High	6 16 20	Evaluate practices associated with the identification, communication, documentation and monitoring of pertinent activities
	Academic units	2020 CC05 College of Public Health	Medium	3 6 12	Evaluate operational efficiency, financial integrity, information security, regulatory adherence and the strategic alignment of the college; expanded scope



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Project		Name	UKIA 20 Business Risk Components		General Objective
Audit Service	Work Prioritization	Audit Number and Title	Rating	Top Three Risk Components	Engagement Purpose
Follow-up Reviews (FR)	<ul style="list-style-type: none"> <li>Academic units</li> <li>Sponsored projects</li> </ul>	2020 FR04 College of Public Health Grants Review Follow-Up	Medium	6 8 12	Verify remediation activities related to observations from original grants review
	<ul style="list-style-type: none"> <li>Third-party vendors</li> </ul>	2021 FR01 Student Center Construction Final Reconciliation Follow-Up	High	4 9 16	Perform final reconciliation of construction project to ensure change order appropriateness
Data Analytics (DA)	<ul style="list-style-type: none"> <li>Conflicts of interest</li> <li>Account payables</li> <li>Compensation</li> </ul>	2021 DA01 Employee Vendor Match	High	3 15 16	Identify potential conflicts of interest between employees and vendors
	<ul style="list-style-type: none"> <li>Third-party vendor</li> <li>Compensation</li> <li>Comply line</li> </ul>	2022 DA03 UKHC Kronos Time Editing	Medium	12 15 16	Evaluate timekeeping practices for proper internal controls and third-party vendor contract for compliance and amendments



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Repetitive Audits (RA)	<ul style="list-style-type: none"> <li>• Web applications</li> <li>• Server configuration</li> <li>• In-house applications</li> </ul>	2022 RA10 College of Design Web Application Security	High	3 7 18	Evaluate cybersecurity posture of unit applications, data and IT resources
		2022 RA11 College of Pharmacy Web Application Security	High		
		2022 RA12 College of Social Work Web Application Security	High		
		2022 RA13 College of Nursing Web Application Security	High		
		2022 RA21 College of Dentistry Web Application Security	High		

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Repetitive Audits (RA)	<ul style="list-style-type: none"> <li>Academic units</li> <li>Procurement</li> </ul>	2022 RA01 Gatton College of Business and Economics ProCard	Medium	1 9 15	Evaluate university-wide procurement card process for associated weaknesses
		2022 RA02 College of Pharmacy ProCard			
		2022 RA03 College of Social Work ProCard			
		2022 RA04 College of Design Procard			
		2022 RA05 College of Health Sciences ProCard			
		2022 RA06 Library Administration ProCard			
		2022 RA15 College of Communication and Information ProCard			
		2022 RA16 College of Nursing ProCard			

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Repetitive Audits (RA)	<ul style="list-style-type: none"> <li>Academic units</li> <li>Procurement</li> </ul>	2022 RA18 College of Engineering ProCard	Medium	1 9 15	Evaluate university-wide procurement card process for associated weaknesses
		2022 RA19 College of Fine Arts ProCard			
		2022 RA20 College of Education ProCard			

## ACTIVE REVIEWS AS OF FY 2021-22 Q1

Audit Service	Work Prioritization	Audit Number	Concern Category
Inquiries/ Investigations	<ul style="list-style-type: none"> <li>• Comply line</li> <li>• Health care services</li> <li>• Compensation</li> </ul>	2021 INQ08	Compensation
	<ul style="list-style-type: none"> <li>• Comply line</li> <li>• Health care services</li> </ul>	2022 INQ03	Asset Misappropriation
	<ul style="list-style-type: none"> <li>• Comply line</li> <li>• Compensation</li> <li>• Health care services</li> </ul>	2022 INQ04	Compensation
	<ul style="list-style-type: none"> <li>• Conflicts of interest</li> </ul>	2022 INQ06	Compensation
	<ul style="list-style-type: none"> <li>• Academic units</li> <li>• Inventory management</li> </ul>	2022 INQ07	Asset Misappropriation

## CHECK-INS AND REMEDIATION STATUS

Name	Project Conclusion		Client Check-Ins		
Original Report No./Title	Risk Area Identified	Distribution Date	Check-in Date	Status	Follow-Up Required?
2020 CC06 Facilities Management Garage Shop	<ul style="list-style-type: none"> <li>• Oversight</li> <li>• Inventory management</li> <li>• Procurement</li> </ul>	11/17/2020	10/5/2021	Client states a number of MAP* items already implemented. Follow-up underway November 2021.	Yes
2019 AS01 Institutional Research Data Management	<ul style="list-style-type: none"> <li>• Oversight</li> <li>• Reputation</li> </ul>	5/10/2019	11/1/2021	Unit has been reorganized and client reports communication has been enhanced; good progress on the MAP	Yes
2022 DA01-A and 2022DA01-B Employee Vendor Payments	<ul style="list-style-type: none"> <li>• Conflicts of interest</li> <li>• Procurement</li> </ul>	Ongoing	Ongoing	Noted potential conflicts of interest between employees and vendors are communicated via monthly meetings with University Financial Services and the Purchasing Division	N/A

\*Management Action Plan

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2020 INQ10 Gill Heart	<ul style="list-style-type: none"> <li>Cash handling</li> <li>Oversight</li> </ul>	6/14/2021	10/13/2021	Cash no longer accepted due to UK HealthCare's new enterprise health record system. Follow-up delayed until new cash audit protocols can be developed for new enterprise system.	No
2020 IT01 Cyber Incident Preparedness and Response	<ul style="list-style-type: none"> <li>Cybersecurity operations</li> <li>IT governance</li> <li>Existing vulnerabilities</li> </ul>	3/3/2021	10/26/2021	Both UK Information Technology Services and UK HealthCare Information Technology Services report they are making progress with their respective MAPs.* Follow-up in February 2022.	Yes
2021 MC01 Center of Excellence in Rural Health (CERH)	<ul style="list-style-type: none"> <li>Inventory management</li> <li>Contract management</li> <li>Existing vulnerabilities</li> <li>Physical security</li> </ul>	2/23/2021	11/3/2021	Client states many items on MAP have been completed. UKIA to work with UK Information Technology Services regarding issues outside the CERH's purview.	Yes

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2021 INQ07 Student Success Imprest	<ul style="list-style-type: none"> <li>Cash handling</li> </ul>	4/16/2021	10/25/2021	Imprest accounts are closed. In lieu of a follow-up, UKIA will review reconciliations for the three remaining imprest accounts for August/September.	No
2020 INQ10 Cheerleading	<ul style="list-style-type: none"> <li>Conflicts of interest</li> <li>Procurement</li> <li>Oversight</li> </ul>	9/30/2020	10/13/2021	Cheerleading program has successfully transitioned into athletics program. Follow-up to be conducted in third quarter.	Yes
2020 IR02 College of Education	<ul style="list-style-type: none"> <li>Oversight</li> <li>Procurement</li> <li>Inventory management</li> </ul>	10/20/2020	10/20/2021	Client reports they are making progress with each element of the MAP.* Follow-up in third quarter based on unit's progress.	Yes
2020 INQ09 College of Education CIE Travel and Personal Services	<ul style="list-style-type: none"> <li>Oversight</li> <li>Procurement</li> <li>Grant management</li> </ul>	3/1/2021		UKIA will verify that charges in question have either been cleared or removed as appropriate. This unit is no longer part of the university.	No

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2018 RA04 College of Dentistry Cash Handling Review	<ul style="list-style-type: none"> <li>Physical security</li> <li>Cash handling</li> </ul>	3/23/2018	10/18/2021	UK HealthCare's new enterprise health record system has significantly impacted cash-handling processes and the number of imprest accounts. UKIA to conduct follow-up in third quarter to verify how other forms of payment (checks), as well as exceptions, are handled.	Yes	
2019 INQ02 College of Dentistry Scrap Metal	<ul style="list-style-type: none"> <li>Oversight</li> <li>Inventory management</li> </ul>	3/26/2019		Client reports new procedures for tracking valuable inventory. Follow-up to be performed jointly with project above.	Yes	
2020 INQ08 Faculty Start-Up Account Review	<ul style="list-style-type: none"> <li>Oversight</li> </ul>	6/5/2020		Per client, appropriate actions have been taken to mitigate the risk. UKIA will verify progress.	No	
2021 RA02 College of Communication and Information Web Application	<ul style="list-style-type: none"> <li>Cybersecurity operations</li> <li>Existing vulnerabilities</li> <li>IT governance</li> </ul>	5/27/2021	11/8/2021	College is taking steps to remediate the reported concerns. Follow-up in third quarter.	Yes	
2021 RA03 College of Health Sciences Web Application Security	<ul style="list-style-type: none"> <li>Cybersecurity operations</li> <li>Existing vulnerabilities</li> <li>IT governance</li> </ul>	8/20/2021	11/10/2021	Per client, they are making progress on remediating the noted concerns. UKIA working with process owner to address concerns that are outside of unit purview. Follow-up in third quarter.	Yes	

## WORK PRIORITIZATION METRIC – COMPLETED REVIEWS ONLY

Processes		Units		Information Systems	
Type	Project Count	Name	Project Count	Type	Project Count
Accounts payable	2	Third-party vendors	-	Web applications	2
Employee lifecycle	-	Research centers	-	Data centers	-
Compensation	2	Academic units*	3	In-house applications*	-
Student aid*	-	Health care services	-	Server configuration*	2
Procurement	-				
Conflict of interest*	2				
Sponsored projects*	-				
Export controls	-				
Health care revenue life cycle	-				

## **CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING**

**Level of Conformance with the IIA Standards** - Generally conforms with all associated IIA Standards.

1. Internal auditors have an annual confirmation of compliance with the Institute of Internal Auditors (IIA) Code of Ethics and the organization's code of conduct/ethics.
2. Internal audit team members who are certified internal auditors have completed ethics-related continuing professional education requirement.
3. Skills, credentials and experience are managed using a competency framework.
4. Internal audit embraces the use of technology and data analysis to support work performed.
5. Work of subject matter experts is effectively integrated into work performed.
6. Internal assessments are performed, but not on an annual basis.
7. Results are communicated per requirements.

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# CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

## Action Plan and Ongoing Implementation

UKIA is in the process of developing a protocol for a periodic internal assessment designed to evaluate conformance with the IIA Standards and the IIA Code of Ethics in periods between external assessments.

- Enhance UKIA auditor knowledge through training and certification support.
- Evaluate Audit Board software.
- Ensure internal audit projects are adequately structured through biweekly meetings with audit management.
- Co-source with internal and external auditors and/or subject matter experts on projects that require niche expertise.
- Conduct a holistic internal assessment annually to evaluate conformance with the IIA Standards and the IIA Code of Ethics.

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# QUESTIONS







# UK INTERNAL AUDIT MISSION STATEMENT

*To support UK in its pursuit of excellence by providing expert analyses and advice to champion the achievement of management objectives.*



AN EQUAL OPPORTUNITY UNIVERSITY