FY2019-20 Second Quarter Activity Update

Joe Reed, Chief Audit Executive
UK Internal Audit (UKIA)

February 21, 2020

Processes		Units		Applications	
1	Contract Management	1	Alumni Associations	1	In-House Applications
2	Family Educational Rights and Privacy Act (FERPA)	2	Shared Services	2	Server Configuration
3	Health Insurance Portability and Accountability Act (HIPAA)	3	Service Centers	3	Unit Applications
4	Conflicts of Interest	4	501(c)(3) Entities		
5	Regulatory Compliance	5	Unit Reviews Required by Kentucky Revised Statutes (KRS)		
6	Student Fees	6	Academic Units		
7	Agency Accounts				
8	ProCard				
9	Cash Handling				
10	Vendor Master File				
11	Deprovisioning				
12	Capital Construction				

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Business Risk Factor	Component	Business Risk Factor	Component
Public Exposure	(1) Media Coverage	Audit Duration	(12) Internal Audits
	(2) Customer Type		(13) External Audits
	(3) Current Affairs		(14) Other Audits
	(4) Program Visibility		
External Factors	(5) State Regulations	Control Environment 1	(15) Operational
	(6) Federal Regulations		(16) Event Identification
	(7) Industry Compliance		(17) Key Position Turnover Rate
Materiality	(8) Source(s) of Revenue	Control Environment 2	(18) Information System (IS) Application
	(9) Transaction Volume		
	(10) Budget Breakdown		(19) Data Centers
	(11) Transaction Complexity		
(20) Management Requests			

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Project		Name	General Objective	Project Conclusion	
Audit Service	Work Prioritization	Audit Number and Title*	Engagement Purpose	Risk Areas Identified	Distribution Date
Comprehensive Reviews	Service Centers	2018 CC04A UK Information Technology	Evaluate business operations associated with a service center	• Reconciliations • Billing Rates	11/25/2019
	Contract Management	2019 CC01 HR Benefits Application	Review third-party voluntary benefits program for governance, data security and payment verifications	• Contract Adherence • Vendor Access • Server Configuration • Workstation Security	10/23/2019
	Unit Reviews Required by Kentucky Revised Statutes (KRS)	2020 MC01 Center of Excellence in Rural Health	Provide an audited statement of business operations for rural health activities	• Information Security • Physical Access Security	12/19/2019
Repetitive Auditing Program	Regulatory Compliance	2020 RA03 UK HealthCare Nursing Trauma and Acute Care Surgery Services	Review timekeeping procedures; meal and rest break policies; and compensation practices	• Timekeeping Practices • Time Recording per the Fair Labor Standards Act	10/25/2019

* In the Audit Number, MC refers to a UK HealthCare related review; CC refers to a non-UK HealthCare review; and FR refers to a Follow-Up Review, while RA refers to a Repetitive Audit.

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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
Comprehensive Reviews	Contract Management	2019 MC03 Crothall	High	• 7 • 15 • 16	Validate fiscal responsibility, equipment reconciliation, and performance metrics
	Contract Management and Regulatory Compliance	2019 MC04 Ryan White Grant Review	High	• 6 • 12 • 20	Validate governance, protected health information, and fiscal affairs
	Cash Handling	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

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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
Comprehensive Reviews	Conflicts of Interest (COI)	2020 CC02 Conflicts of Interest	High	• 6 • 16 • 20	Evaluate practices associated with the identification, communication, documentation and monitoring of pertinent COI activities
	Student Fees	2020 CC03 Student Tuition Rates	High	• 15 • 16 • 18	Validate the calculations for tuition and fees
	Service Centers	2020 CC06 Facilities Management Garage Shop Review	High	• 9 • 15 • 16	Evaluate protocols, purchasing practices, usage, and tracking of physical inventory

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** Refer to Slide 3, *UKIA Business Risk Factors*, for the UKIA 20 Business Risk Components.

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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	Family Educational Rights and Privacy Act (FERPA)	2020 FR02 Gatton College of Business and Economics	Medium	• 6 • 12 • 15	Verify remediation activities related to original audit observations
	Regulatory Compliance	2020 FR03 UK HealthCare Hospital Security	High	• 5 • 6 • 16	Verify timekeeping procedures associated with the Fair Labor Standard Act
Information Technology Reviews	Deprovisioning and Server Configuration	2018 CC04B UK Information Technology	High	• 15 • 18 • 19	Evaluate governance related to information security
Repetitive Auditing Program	Vendor Master File	2020 RA05 Facilities Management Vendor Reconciliation	High	• 11 • 15 • 16	Evaluate process for vendor selection and monitoring vendor work

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** Refer to Slide 3, *UKIA Business Risk Factors*, for the UKIA 20 Business Risk Components.

Audit Service	Project Category	Audit Number*
Inquiries / Investigations	Asset Misappropriation	2018 INQ10
		2020 INQ03
		2020 INQ04
	Financial Statement Fraud	2018 INQ11
	Regulatory Compliance	2018 INQ12
		2020 INQ05

* In the Audit Number, INQ refers to an Inquiry.

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Quality Assurance and Improvement Program*

- *IIA 1311:* Internal assessment

- *IIA 1312:* Timing of external assessment

- *IIA 1320:* Communication of the quality assurance and improvement program

* See the Appendix at the end of this presentation for policy details.

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Internal Audit Charter

Purpose

University of Kentucky Internal Audit (UKIA) is an independent and objective assurance and consulting function which assists units of the University of Kentucky in the effective performance of their operational and fiduciary responsibilities with respect to proper internal controls. UKIA aids in the achievement of management's objectives by reviewing areas of potential vulnerability and furnishing unit management and executive leadership (President, Executive Vice President for Finance and Administration, Executive Vice President for Health Affairs, and Provost) with expert analyses, information, and recommendations concerning the activities examined. UKIA has no authority over, nor direct responsibility for, any of the activities reviewed. The services performed by UKIA provide advisory assurance and guidance *only*, and in no way relieve these units of their responsibilities to achieve their unit's objectives in compliance with federal, state, and University regulations, policies, and procedures.

Standards

UKIA governs its activity in accordance with The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*. In addition, the Internal Audit function adheres to the University of Kentucky *Ethical Principles and Code of Conduct* and other internal professional policies. UKIA staff members will carry out the mission of the department by exhibiting professionalism, ethics, strong communication skills, and knowledge of federal, state, and University regulations. Each member of the department shall consistently demonstrate high standards of conduct, as well as appropriate judgment and discretion.

Authority

UKIA provides assurance and advisory services to all entities and affiliates of the University of Kentucky. UKIA's activity is independent and free from interference in determining the scope of audits, performing audit work, and communicating results. This independence is ensured through UKIA's reporting relationship to the President through the Executive Vice President for Finance and Administration and to the Audit and Compliance Committee (ACC) of the Board of Trustees. In carrying out these responsibilities, UKIA personnel have unrestricted access to all data, records, files, property, and personnel of the University. Per *GR XIV, Ethical Principles and Code of Conduct*, University employees are required to assist UKIA in fulfilling its roles and responsibilities.
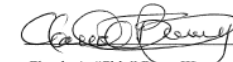
Revised February, 2019

Responsibilities of Internal Audit

1. Internal Audit Charter: At least annually, UKIA will review this Charter with the Audit and Compliance Committee (ACC) for possible revisions based on industry standards; all charter revisions will be approved by the ACC.

2. Audit Project Prioritization: At least quarterly, UKIA will submit its risk-based, dynamic Work Plan to the ACC for review and approval; any significant interim changes will also be submitted.

3. Progress Reports: At each ACC meeting, and other times as requested, UKIA will provide a progress report summarizing audit activity to both University executive management and members of the ACC. In addition, UKIA will provide regular updates to the ACC regarding the effectiveness of the University's system of internal controls and compliance with applicable laws, regulations, and University policies.

4. Final Audit Reports: UKIA will issue final audit reports to a distribution list devised for each audit communication to ensure appropriate communication of results. The distribution list of final audit reports shall always include members of the ACC, University executive leadership, and the University's independent external auditors.

5. Quality Assurance: UKIA will communicate its quality assurance and improvement program status, including results of ongoing internal assessments and external assessments conducted to both University executive leadership and the ACC at least annually.

6. Collaborations: UKIA will work collaboratively with the University's independent external auditors to ensure that efforts are not duplicated and resources are leveraged. Additional relationships and collaborations will be formed with other University functions for improved University operation and to promote the achievement of management objectives.

Dr. Eli Capilouto
University President

Claude A. "Skip" Berry III
Chair, Audit and Compliance Committee

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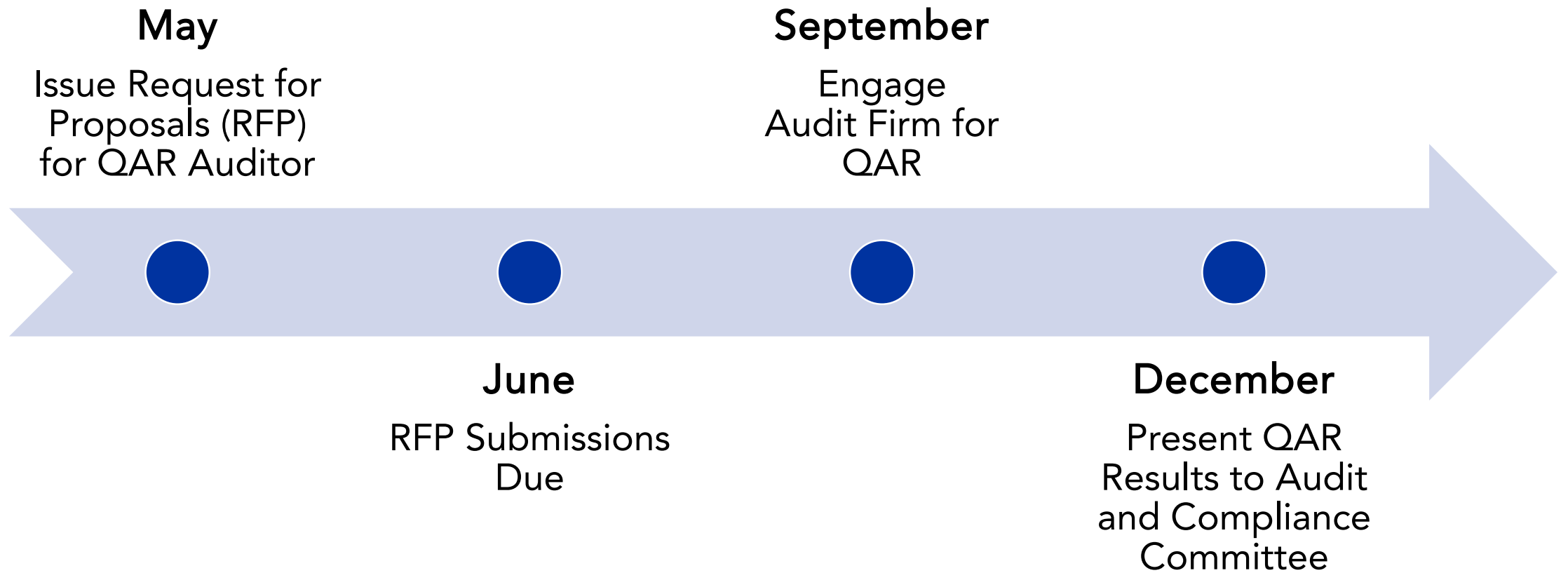
Dr. Eli Capilouto
University President

Claude A. "Skip" Berry III
Chair, Audit and Compliance Committee

2014
Second QAR

2007
QAR Readiness
Assessment

2009
First QAR

2020
Third QAR
Scheduled
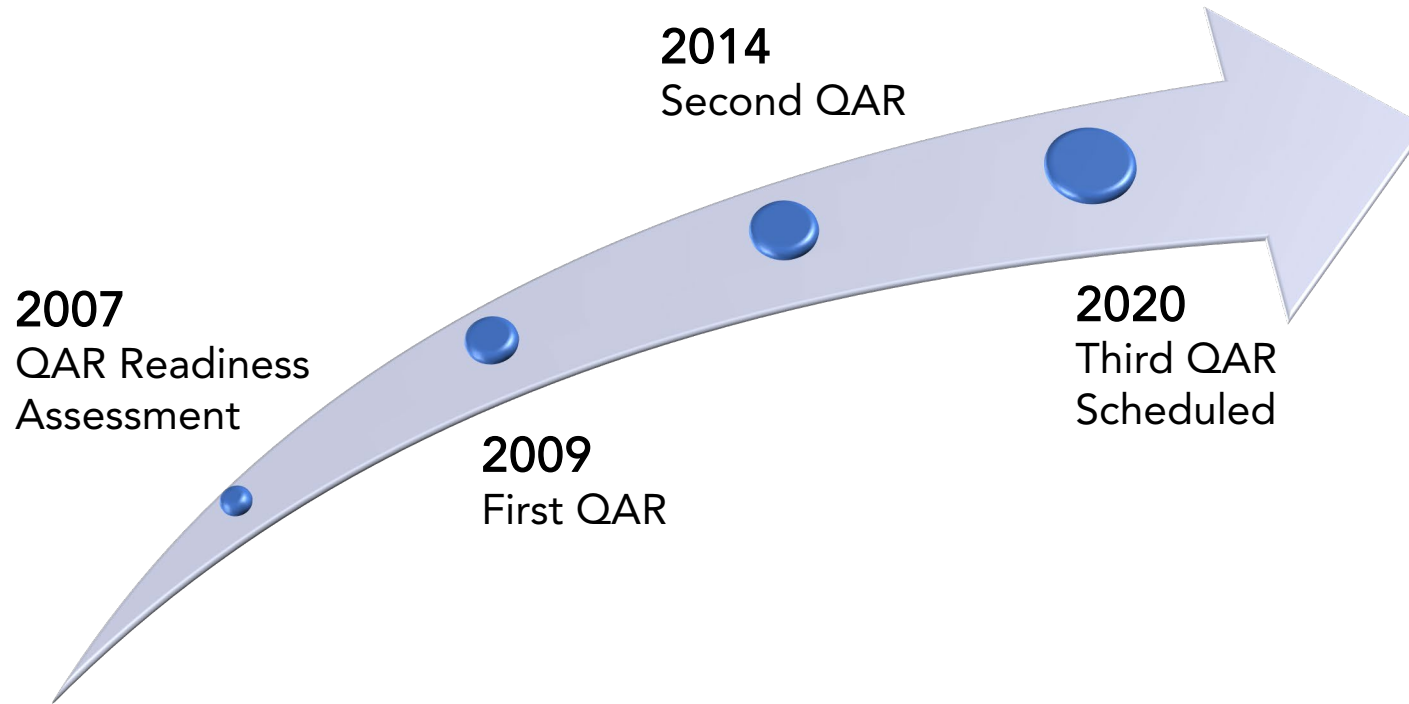
The Institute of Internal Auditors (IIA) standards requires
an external quality assessment every five years.

IIA 1311 – Internal assessments must include: 1) Ongoing monitoring of the performance of the internal audit activity; and 2) Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

IIA 1312 – External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The chief audit executive must discuss with the board the type of assessment and qualifications of the assessor.

IIA 1320 – Reporting on the Quality Assurance and Improvement Program: The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the Board. Disclosure should include:

1) The scope and frequency of both the internal and external assessments;

2) The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest;

3) Conclusions of assessors; and

4) Corrective action plans. The quality assurance and improvement program must include both internal and external assessments.

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