

Audit and Compliance Committee Meeting  
Woodward Hall, Gatton College of  
Business and Economics  
September 12, 2024

The Audit and Compliance Committee (ACC) met on September 12, 2024 in the Gatton College of Business and Economics, Woodward Hall.

I. Call to Order

Chair Ray Daniels called the meeting to order at 1:02 p.m.

II. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Cathy Black, Janie Greer, Elizabeth McCoy, Paula Leach Pope and Hollie Swanson.

III. Approval of Minutes – June 13, 2024

Chair Daniels reported that the minutes of the June 13, 2024 meeting had been distributed. Trustee McCoy motioned to approve the minutes, and Trustee Pope seconded. The motion carried without dissent.

IV. Reports and Discussion Items

A. UK Internal Audit FY 2023-24 Annual Report

Chair Daniels introduced Chief Accountability Officer and Audit Executive Joe Reed, Deputy Accountability Officer and Audit Executive Martin Anibaba and Communications Manager Julie Hoover-Ernst to present UK Internal Audit’s (UKIA) annual report for FY 2023-24. Mr. Reed began by explaining the annual report’s introductory message, which outlined how UKIA has increased its work capacity and focused on proactive services to keep pace with the University’s recent growth.

The next section of the report, “Operational Achievements,” was divided into three categories: people, commitment to continuous improvement and services. Beginning with “people,” Mr. Reed said that UKIA awarded its second annual Powers Jones Award, a staff-nominated recognition, to Principal Information Technology (IT) Auditor, now IT Manager, Chris Canjar for his excellent performance and outstanding accomplishments. Additionally, UKIA hired four new employees in FY 2023-24: Audit Assistant Esther Rugerio, Administrative Assistant Alaka Boston, IT Auditor Randy Ellis and Audit Assistant Briana Turner. Each new employee brought a diverse background and unique skillset to UKIA’s office.

Transitioning to the “Continuous Improvement” section, Mr. Reed discussed UKIA’s strategic committees, which focus on improving operations. The Project Planning Committee developed an audit retrospective survey to gain feedback from UKIA’s audit staff. The Recruitment and Retention Committee enhanced the onboarding experience through the

creation of new-hire welcome kits and a mentorship program. The third committee, focused on professional development, revised UKIA's training policy to align with current industry standards and office needs. Two new committees were formed in FY 2023-24, one focused on stress, balance and workload and another focused on addressing the results of the 2023 UK@Work survey. These two committees collaborated on a survey to gauge employee stress levels, identify stressors and develop strategies for enhancing work-life balance.

"Services," the final section of UKIA's operational achievements, focused on how UKIA has increased the number of projects it can perform and augmented its expertise to meet the growing healthcare and cybersecurity risks facing the University. UKIA supplemented its in-house staff by working with an external consulting team to not only cover more risks in these areas, but also to further develop the skillsets of UKIA's auditors.

Mr. Reed then transitioned to the "Educational Achievements" section of the report, beginning with UKIA's student programs. UKIA hosted student interns in the fall of 2023 and the spring and summer of 2024. Working with interns enables UKIA to provide valuable experience to University students, and UKIA's staff learns by guiding students through the audit process. Mr. Reed concluded by noting that UKIA has implemented a system to track where interns work after graduating, which will allow UKIA to identify trends.

Communications Manager Julie Hoover-Ernst then discussed UKIA's remaining educational achievements, beginning by highlighting the crucial principle of knowledge at UKIA. Auditors must know federal and state laws, University regulations as well as enterprise policies such as the Business Procedures Manual. Additionally, each review requires auditors to learn the unit's unique policies and procedures as well as industry requirements related to the unit's operations.

Beyond gaining knowledge, UKIA prioritizes sharing this expertise throughout the University and the Commonwealth. One way UKIA accomplishes this goal is through the annual Kentucky College and University Auditors Meeting, which UKIA has hosted and produced for more than a decade. The meeting enables university auditors from across Kentucky to share experiences and knowledge about emerging risks, services and tools to work more efficiently and effectively. Following a call for entries, the 2024 meeting included a presentation on Artificial Intelligence from Western Kentucky University. The meeting also featured a presentation on business continuity planning from UKIA.

Another way UKIA spreads knowledge is through its webinar series titled *Lessons Learned*. This webinar focuses on trending concerns and information regarding activity at the University and other higher education institutions across the nation. UKIA hosted its tenth edition of *Lessons Learned* in May 2024, which was the final part of a three-part series on contract management during the fiscal year.

The final section of UKIA's educational achievements focused on knowledge sharing. Mrs. Hoover-Ernst explained that UKIA begins each staff meeting by having a staff member recite the office's mission statement and four core values: professionalism, ethics, communication and knowledge. The employee then gives a brief presentation on a topic related to one of the values. Similarly, each employee who attends a work conference presents during a staff meeting on one class they attended. In FY 2023-24, UKIA sent staff to

the Association of Healthcare Internal Auditors' Annual Conference, the Association of Certified Fraud Examiners' Global Fraud Conference and the College Business Management Institute, which every UKIA employee attends until they have graduated from the three-year program.

Deputy Accountability Officer and Audit Executive Martin Anibaba then presented on UKIA's metrics. Mr. Anibaba opened by expanding on Mr. Reed's comments regarding co-sourcing. Per the Institute of Internal Auditors' *Global Internal Audit Standards*, auditors may not review an area if they do not possess the necessary expertise. While UKIA welcomed new staff in FY 2023-24, co-sourcing has enabled UKIA to audit more areas of the University, including areas that require highly specialized expertise.

Transitioning to UKIA's metrics, Mr. Anibaba explained that UKIA measures its performance through six indicators: audit duration, productivity, audit coverage, consultations and partnerships, remediation and client satisfaction. UKIA also tracks its hours dedicated to inquiries and investigations as well as stakeholder outreach.

UKIA's first metric, audit duration, measures the total number of hours auditors expended during an audit compared to the number of hours budgeted for that project. For FY 2023-24, UKIA was 57.6 percent over budget. One factor that contributed to this overage was UKIA's comprehensive audits exceeding their budgeted hours by nearly double. Several comprehensive reviews had their scopes expanded due to concerns noted in similar areas. Another factor in the audit duration overage was UKIA's follow-up reviews, which were 31.3 percent over budget. UKIA attributed this overage to extra time spent meeting with clients to discuss findings and time spent connecting clients with process owners so that clients can develop unit-specific remediation strategies. Conversely, UKIA's consultations were substantially under budget, requiring only 40 percent of their budgeted hours. Additionally, a procurement card review and an asset verification review in the same college were expanded to 16 separate reviews and reports, resulting in UKIA's repetitive audits exceeding their budget by six percent. To improve UKIA's budgeting accuracy, UKIA has implemented a scope and budget adjustment meeting at the end of the planning phase of each audit to ensure that budgets accurately reflect the scope of each audit's objectives. UKIA will also hold monthly metrics management meetings to identify any adjustments that may be necessary.

Mr. Anibaba then discussed UKIA's productivity metric, which measures the time auditors and managers spend on "productive" activities, such as audits, accountability projects, stakeholder outreach and partnerships. Audit staff had a productivity rate of 72.5 percent, just under their goal of 75 percent, while managers had a productivity rate of 64.4 percent, exceeding their goal of 60 percent. Mr. Anibaba noted that "non-productive" time refers to hours that cannot be applied directly to audit activity, such as strategic planning, hiring, general administrative work and professional development.

Mr. Anibaba then detailed UKIA's third metric: audit coverage. This metric measures the progress made in evaluating the risks associated with UKIA's work priorities for the fiscal year. FY 2023-24 had 17 work priorities, divided among 10 processes, three units and four information systems, with an audit coverage of 58.8 percent. UKIA's activity focused significantly on procurement cards and asset management, resulting in some priorities without a completed activity for the year. However, five priorities had active reviews at the end of the

fiscal year, which would have increased the coverage to 88 percent had they been completed.

Moving to metric four, consultations and partnerships, Mr. Anibaba said that UKIA had engaged in seven ongoing partnerships and had completed two consultations during the fiscal year. One consultation focused on protecting patient data, while the other focused on the security of the UK Smart Campus Initiative's iPad storage and distribution process. Two additional consultations were in progress at the end of FY 2023-24.

Mr. Anibaba then detailed metric five: remediation. This metric measures the progress each client makes in mitigating the risks associated with audit findings in their unit. Each finding during the follow-up is assigned a score of either zero, two or three. Zero indicates that remediation to date is insufficient, two indicates the remediation is partially satisfactory and three indicates that the concern has been resolved. UKIA completed five follow-up reviews during FY 2023-24 with an average score of 81 percent. Only one follow-up had a score of less than 75 percent, which requires a formal management action plan detailing how the unit plans to resolve the outstanding findings.

Client satisfaction was the sixth and final metric. This metric is divided between two audiences: audit clients and Lessons Learned attendees. All audit clients who had two or more interactions with UKIA staff during an engagement receive a survey asking them to rate their satisfaction with the 1) audit staff's knowledge and professionalism, 2) the care taken to minimize disruptions to the unit, 3) the clarity with which the audit communications detailed the findings and 4) the value they felt the audit provided. Overall, UKIA received an average satisfaction score of 3.8 out of five. Audit staff received a score of 3.9, the audit process received a score of 3.9 and both audit communications and value received a score of 3.8. The auditors' preparedness and organization received the highest overall score of 4.1.

UKIA distributes a similar survey to *Lessons Learned* attendees, focused on the applicability of the webinar content to the attendees' units. UKIA received an overall satisfaction score of 4.6 out of 5 and an applicability score of 4.2 out of 5, while 100 percent of respondents said they were likely to attend another *Lessons Learned*. Additionally, UKIA has worked with the University's Finance and Administration Specialized Training's (FAST) team to incorporate *Lessons Learned* content into the FAST course material.

Mr. Anibaba then discussed UKIA's two additional performance indicators: inquiries/investigations and stakeholder outreach. Due to the variability of their required hours and scopes, UKIA accounts for these activities in the audit coverage and productivity metrics but not Audit Duration. UKIA completed nine inquiries/investigations during FY 2023-24, which primarily focused on conflicts of interest. Inquiries and investigations typically stem from anonymous tips. UKIA received 12 tips from its online form, while more than 300 came through the University's anonymous Comply Line. Although several entities review the Comply Line reports, UKIA works independently then shares its activity with other units as needed.

Transitioning to stakeholder outreach, Mr. Anibaba explained that UKIA partnered with the University Budget Office, University Financial Services, UK HealthCare, Procurement Services, the Office of Legal Counsel, Vice President for Research, UK Libraries, Information Technology Services and Finance and Administration to reduce risk across the enterprise. These activities included the UKIA Accountability Office's continued work on developing a

centralized conflicts of interest and commitment program as well as a records management program, totaling nearly 1,600 hours of stakeholder outreach. Mr. Anibaba noted that these hours do not include the time spent drafting audit communications nor organizing meetings.

Mr. Reed then concluded UKIA's report by discussing UKIA's audit services. These ten services are divided into seven assurance activities and three advisory activities. Additionally, UKIA's Accountability Office focuses on the compliance of high-risk activities across the enterprise. In FY 2023-24, the Accountability Office worked on projects related to international travel and the University's Willed Body Program.

Trustee Swanson asked what UKIA's typical response rate is for the client satisfaction surveys. Mrs. Hoover-Ernst said that UKIA has tried different distribution intervals to increase the response rate, and that the overall response rate is about 45 percent.

Chair Daniels said that he appreciated the thoughtfulness and thoroughness of the report.

#### VI. Adjournment

With no further business to come before the Committee, Chair Daniels adjourned the meeting at 1:40 p.m.

Respectfully Submitted,

Skylar Bensheimer  
Editorial Assistant  
UK Internal Audit