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MINUTES OF THE AUDIT AND COMPLIANCE SUBCOMMITTEE
OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
June 10, 2014, 8:00 am
Suite A, 18th Floor Patterson Office Tower

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Subcommittee Members Present
Bill Britton, Chair, Keith Gannon, Bill Gatton, David Hawpe and Jim Stuckert

Approval of Minutes
The minutes of the May 9, 2014 Audit and Compliance Subcommittee (ACS) meeting were approved as presented.

Reports and Discussion Items

UK Internal Audit Update
Mr. Joe Reed, Senior Director of Internal Audit (UKIA) reviewed the FY 2014 Activity Update as of April 26, 2014:

- Mr. Reed noted that the first quadrant represents the FY 2014 UKIA Amended Approved Work Plan. Most audit projects will either be in the Reporting Phase (blue) or Report Issued (green) on June 30, 2014. He noted that the Research (UKRF) Data Center review will not be completed (will remain yellow) until July; this unit is currently undergoing an Assessment.

- Mr. Reed reported that the second quadrant represents the FY 2014 Unplanned Reviews that have been engaged. Mr. Reed noted that these reviews are as a result of calls to UKIA (reactive) or audit work performed where weaknesses are identified that warrant additional examination (proactive). He reported that most of the outstanding projects (yellow) will be in the Reporting Phase (blue) by June 30, 2014.

- Mr. Reed reviewed the third quadrant that lists the FY 2014 UKIA Audit Coverage by Enterprise Division, including the number of projects and project hours.

- The fourth quadrant lists the FY 2014 UKIA Metric Update. Mr. Reed reported that UKIA continues to achieve five of the six metrics as of April 26, 2014. Mr. Reed forecasts that the Work Plan Completion Rate will be 83-94% by June 30, 2014.

Action Items

ACSR 1 Proposed Revisions to Internal Audit Charter
Chair Britton noted that the ACS had reviewed the proposed revisions to the UKIA Charter at the May meeting. Questions and discussion followed.

Mr. Keith Gannon moved to approve ACSR 1. Seconded by Mr. Bill Gatton. Approved.

ACSR 2 Proposed Internal Audit Fiscal Year 2014-15 Work Plan
Mr. Reed expounded on the *Internal Audit Proposed FY 2015 Work Plan* handout as follows:
- Work Plan Narrative-The Work Plan is designed to provide reasonable assurance regarding Financial Reporting, Operations, Information Systems & Security, Compliance and Strategic Alliance. It is divided into five categories: (1) Compliance Program (2) Business/Operations Audits (3) Information Technology (IT) Audits (4) UKIA Infrastructure and (5) Unplanned Activities. All FY 2015 projects will include concerns identified in the UKIA risk assessment process. The Work Plan is also based on skill sets and available hours of existing staff.

- Work Plan for Approval-Mr. Reed explained each category as follows:
  1) Compliance Program-The hours listed are performed by UKIA Business Auditors. The reviews include three types of continuous audits and four types of continuous auditing projects.

  2) Business/Operations Audits-The hours listed are performed by UKIA Business Auditors. Ten projects (including Follow-up Audits) are planned for FY 2015.

  3) Information Technology (IT) Audits-The hours listed are performed by UKIA IT Auditors. They include the information system components for the Compliance Program and Business/Operations Audits. Other projects include HIPAA, Enterprise Applications, Data Center Reviews and Follow-up Audits.

  4) UKIA Infrastructure-The hours listed are performed by both Business and IT Auditors which include preparation for UKIA's upcoming Quality Assessment Review and evaluation of other electronic work paper formats. Also, UKIA plans to conduct ten educational seminars.

  5) Unplanned Activity-The hours listed are performed by both Business and IT Auditors. They include activities requiring further examination resulting from requests received by UKIA. Also included are proactive reviews based on indicators from planned audit work.

- Enterprise Division Assignments-This page shows the Work Plan by Enterprise Division to demonstrate audit coverage for FY 2015. Questions and discussion followed.

Mr. James Stuckert moved to approve ACSR 2. Seconded by Mr. Gannon. Approved.

Other Business
Other business included an explanation of the "Reporting Phase" for UKIA audit reports by Mr. Reed. Mr. Eric Monday, EVPFA, mentioned having more detailed discussion and inviting subject matter experts around topics of interest for future ACS meetings such as Enterprise Risk Management, Cyber Security and Research Compliance.

There being no further business, the meeting was adjourned.

Next Meeting
Friday, September 5, 2014
- Internal Audit FY 2014 Final Activity Update

Respectfully submitted,

Catherine Miller