

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE
University of Kentucky Board of Trustees
May 1, 2018
8:00 a.m. – 9:00 a.m.

Committee Members Present

Claude “Skip” Berry, Jennifer Barber, Angela Edwards, David Hawpe, and James Booth

Approval of Minutes

The minutes from the February 23, 2017 Audit and Compliance Committee (ACC) meeting were approved as presented.

Chair Update

Chair Skip Berry addressed the recent Lexington Herald Leader story concerning a UK Employee’s actions related to theft of equipment. With no further questions or comments Chair Berry proceeded to the next item on the agenda.

Reports and Discussion Items

Executed Fiscal Year 2017-18 Audit Engagement Letter

Presented by: Susan Krauss, Treasurer

Ms. Krauss discussed Baird, Kurtz & Dobson’s scope of services for the fiscal year ending June 30, 2018 financial statement audit, as detailed in the audit engagement letter. A separate audit will not be conducted for Athletics. Athletic transactions and programs will be subject to the latest version of NCAA guidelines. This will be the last fiscal year that the UK Center on Aging Foundation, Inc. is audited, as the Board of Trustees voted for the Foundation to be dissolved as of July 1, 2018. Ms. Krauss stated that the audit engagement fees increased three percent over the prior year, per the contract agreement.

Baird, Kurtz & Dobson partner, Mary McKinley has returned as the engagement partner lead, from her two-year timeout per National association of College and University Business Officers (NACUBO) recommendations to incorporate Sarbanes Oxley standards for universities: there is to be a timeout of the lead audit partner for two years every seven years of an engagement with the same client. New for this fiscal year is the adoption of Government Accounting Standards Board (GASB) 75.

There were no questions from the Board.

Baird, Kurtz & Dobson Pre-Audit Report to the Audit and Compliance Committee

Presented by: Mary McKinley, Partner, and Joanie Duckworth, Senior Manager

Ms. McKinley stated that while on her two-year timeout as the liaison with UK on the External Audit she was able to take the time to more extensively review higher level trends and risk areas. The Pre-Audit Report kicks off the process by laying out the scope and outlines for this fiscal year. New for Fiscal Year 2018-19 is the adoption of Government Accounting Standards Board 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. In addition. Ms. Duckworth advised on future impactful Government Accounting Standards Board updates that Baird, Kurtz & Dobson will be reviewing in the upcoming fiscal years, Government Accounting Standards Board 83 – Certain Asset Retirement Obligations, Baird, Kurtz & Dobson 84 – Fiduciary Activities, Government Accounting Standards Board 86 – Certain Debt Extinguishment Issues, and Government Accounting Standards Board 87 – Leases. The Commonwealth of Kentucky’s reporting deadline is October 5,

2018, and Baird, Kurtz & Dobson has stated they will have their report completed by this date and will present results of the audit at the December 2018 Audit and Compliance Committee meeting.

There were no questions from the Board.

University of Kentucky Internal Audit Student Projects

Presented by: Stacey Myers-Wilson, Special Projects Auditor and Julie Hoover-Ernst, External Liaison

Ms. Myers-Wilson reviewed the genesis of the Internal Audit Student Program, noting the Program has steadily grown to encompass additional academic areas, and work directly with the School of Accountancy. An overview of all five projects the students worked on during the Spring 2018 semester also were reviewed. Mrs. Hoover-Ernst spoke on the mutual benefits to the students and Internal Audit.

There were no questions from the Board.

Risk Assessment Process

Presented by: Joe Reed, Chief Audit Executive

Mr. Reed detailed the steps that make up the Risk Assessment Process for selecting the audit work. Within two years, Internal Audit will run this audit process on demand for every audit assignment. Currently this is conducted manually for each quarter. Trustee Ramsey asked about conducting penetration testing, to which Mr. Reed deferred to Chief Information Officer for UK HealthCare Cecilia Page. Ms. Page addressed the Audit and Compliance Committee stating that they are monitoring and responding to penetration vulnerabilities, staying apprised of all trends, and working collaboratively to put more initiatives in place. There is a standing meeting between Mr. Reed and Ms. Page to review current affairs and industry trends.

Internal Audit has an implementation plan for the change to the automated Risk Assessment tool. Fiscal Year 2019, (year one) of the implementation process will focus on the execution of the Process Profile, allowing UKIA to select the priority projects annually.

There were no additional questions from the Board.

Other Business

No other business was discussed.

Adjournment

With no further business to discuss, Chair Berry asked for a motion to adjourn the meeting. A motion to adjourn was initiated by Trustee Barber and seconded by Trustee Hawpe.

The meeting was adjourned.

Next Meeting

June 21, 2018

Respectfully submitted,
Aleigha Colwell