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Office of the President
February 18, 2021

Members, Audit and Compliance Committee:

EXECUTE FISCAL YEAR 2020-21 AUDIT ENGAGEMENT LETTER

Recommendation: that the Audit and Compliance Committee authorize the Treasurer to execute the Engagement Letter with BKD, LLP for the audit of the University of Kentucky's financial statements for the year ending June 30, 2021.

Background: BKD, LLP was retained as the University's independent auditor as a result of a competitive bid proposal in fall 2015. The initial contract period is a term of five years (July 1, 2016 – June 30, 2021) with up to four additional one-year renewal options for a total term not to exceed nine years (through June 30, 2025).

The Treasurer recommends exercising the fifth year of the contract for the fiscal year 2020-21 audit engagement based upon satisfactory service to date and the contract's fixed price components.

The Fiscal Year 2019-20 audit engagement fees totaled \$435,000 which consisted of \$428,000 base and \$7,000 in additional fees. The additional fees were for work required due to the number of research programs that had expenditures in excess of \$3,000,000 as required by the federal government. The 2020-21 engagement is expected to be approximately \$441,000 due to a three percent increase included in the contract and the anticipation of not incurring the additional research program fees. The engagement will include the following services:

- audit of the basic financial statements of the university and its affiliates for the Fiscal Year ending June 30, 2021;
- audit of the basic financial statements of the university organizational units, UK Healthcare Hospital System, the Kentucky Tobacco Research and Development Center, Alumni Association and WUKY-FM Radio; and
- other services including reports on internal controls and compliance as required by the State and federal government, reports on various agreed-upon procedures and a report on the estimated bond arbitrage liability.

The Engagement Letter will be provided to the Audit and Compliance Committee at its May 2021 meeting, prior to the start of the Fiscal Year 2020-21 audit.

Action taken: Approved Disapproved Other _____