

Audit and Compliance Committee Meeting
Gatton Student Center, Harris Ballroom
Thursday, September 15, 2022

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, September 15, 2022 in the Gatton Student Center Harris Ballroom.

I. Call to Order

Chair Claude “Skip” Berry III 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, Ray Daniels, Derrick Ramsey and Hollie Swanson.

III. Approval of Minutes – June 16, 2022

Chair Berry reported that the minutes of the June 16, 2022 meeting had been distributed. Trustee Daniels motioned to approve the minutes, and Trustee Ramsey seconded. The motion carried without dissent.

IV. Reports and Discussion Items

A. UK Internal Audit Student Programs

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed. Mr. Reed opened by explaining that UK Internal Audit (UKIA) operates an internship program and a graduate assistant program. These align with the first principle of UK’s strategic plan, “Putting Students First,” by providing students with practical, professional experience. Mr. Reed then explained that the internship program began in the summer of 2008 with student interns from the Gatton College of Business and Economics (CoBE). Then, in 2013, the program was expanded to include classroom projects during the semester.

Mr. Reed then discussed how the COVID-19 pandemic affected the internship program, noting that UKIA began the Spring 2020 semester by accepting three additional student groups from the CoBE. When the pandemic began, many organizations ceased their internship programs; however, UKIA and its student interns transitioned to a virtual work environment and successfully completed their projects by the end of the semester. Mr. Reed commented that a major complication, such as the pandemic, was “part of the work life” and provided the students with additional, though unexpected, work experience.

Mr. Reed then explained that the students currently involved in the programs are working with UKIA to complete an information technology project.

Mr. Reed then introduced the new graduate assistant program, noting that UKIA currently employs two graduate assistants who are working on projects related to records retention and UK HealthCare. Mr. Reed expressed hope that this program separates UKIA's graduate assistants from others and noted that they indicated an interest in auditing as a career.

At that time, Mr. Reed opened the floor for questions. Trustee Swanson asked if UKIA tracks where students go after they participate in the programs and how this experience impacts their careers. Mr. Reed responded that UKIA plans to collect such data moving forward. Chair Berry then commended UKIA for how enthusiastic the students have been during their internships. Mr. Reed commented that UKIA's staff learns from the interns and noted that having staff members from many different generations has been beneficial for the office.

Chair Berry asked Mr. Reed to share an anecdote about the UKIA employee who organizes social events for the office, Melissa Feddes. Mr. Reed explained that part of UKIA's strategic plan is to assign all employees to an internal committee. One committee, "Our People," was split into a retention and onboarding committee and a social committee. Ms. Feddes was assigned to lead the social committee and has since enthusiastically organized numerous events for the office that have been approved by the staff. Mr. Reed called her event coordination an "unintended consequence" that has been great for the office.

B. Annual Report

Chair Berry introduced UKIA's Annual Report for FY 2021-22. Mr. Reed described the front and back covers, which display UKIA's facility, staff and mission statement. Mr. Reed then explained that the report's theme was "building bridges," noting the importance of establishing and maintaining relationships across the university following the move back to the office.

Mr. Reed then discussed the "Achievements" section of the report, which highlights the chief accomplishments of the unit over the past year. Accordingly, Mr. Reed described the first Kentucky College and University Auditors Meeting held since 2019, noting that the participants find the meetings so helpful that they elected to hold a virtual meeting halfway through the year to supplement the annual in-person event. Mr. Reed then explained that, as part of UKIA's goal to enhance communication across the university, UKIA developed a new, quarterly program called "Lessons Learned" to disseminate insights and opportunities noted during audit activity to UK faculty and staff. Mr. Reed then explained changes made to the Executive Quarterly Report, which now covers completed work and work in progress by cabinet area. Mr. Reed then outlined UKIA's task forces, through which UKIA communicates audit findings and concerns common across the university to process owners and stakeholders. One such task force is record retention. The final achievement listed in the Annual Report is the check-ins, which allow clients to update UKIA on their remediation progress. Mr. Reed commented that check-ins build positive relationships with clients and help them prepare for follow-up reviews.

Mr. Reed then transitioned to the strategic plan portion of the report, noting that the career ladder approach has been a successful outcome of the “Our People” committee.

This approach provides new employees with a clear path for advancement, thereby helping to improve UKIA’s employee retention. Mr. Reed highlighted one employee, Jared Hicks, who progressed from student intern to Senior Auditor and now leads the “Our Skills” committee for training. Another committee, “Our Tools,” helped the office transition to a new audit management system, AuditBoard. The last committee, “Our Products,” focuses on improving UKIA’s project planning and forecasting.

Transitioning to the report’s Budget and Service Lines section, Mr. Reed explained that, among universities in the Southeastern Conference, UK ranks fourth in internal audit budget and fourth in the number of internal audit employees. He noted that the expenditure increases seen in the report stem from the move to a new facility with higher lease payments, the purchase of AuditBoard and the addition of new personnel.

Mr. Reed then discussed the report’s final section, Metrics. He explained that the move to the new office and the implementation of AuditBoard together reduced UKIA’s productivity and increased the audit duration. However, AuditBoard should assist in audit performance and planning moving forward, helping to improve those metrics. Mr. Reed also outlined the Audit Coverage metric, which tracks how much audit activity occurs across areas throughout the university.

Mr. Reed then explained that UKIA’s assurance services include, but are not limited to, comprehensive reviews and repetitive audits, while its advisory services comprise consultations, stakeholder outreach and training. Mr. Reed then described how UKIA measures its consultations performed and partnerships established to promote collaboration and transparency throughout UK. He noted that UKIA also surveys its clients to gauge their satisfaction and received a 3.8/5 from audit clients and 3.9/5 from Lessons Learned participants. Mr. Reed then explained that UKIA performed one follow-up review during FY 2021-22 and observed that the client remediated 100% of the concerns identified in a previous review.

Mr. Reed concluded his remarks with an anecdote about a new Chief Audit Executive (CAE) from a Power Five conference university. The CAE commented that among the approximately 70 university internal audit websites that he reviewed, UKIA had the best. Mr. Reed attributed the site’s quality to Communications Manager Julie Hoover-Ernst. Mr. Reed then opened the floor for questions.

Trustee Swanson asked if Mr. Reed senses that the university is improving in terms of audit findings. Mr. Reed replied that this improvement shows up in audit check-ins and follow-ups as well as in meetings with process owners.

Trustee Ramsey then commended UKIA for developing and investing in its employees, explaining that statewide and national competition for employees will increase in the coming years.

V. Adjournment

With no further business to come before the Committee, Chair Berry adjourned the meeting at 1:35 p.m.

Respectfully Submitted,

Skylar Bensheimer
Editorial Assistant UK Internal Audit