

**MINUTES OF THE AUDIT AND COMPLIANCE SUBCOMMITTEE
OF THE FINANCE COMMITTEE**

University of Kentucky Board of Trustees

June 18, 2015 5:00 p.m.

Hilary J. Boone Center, The Hunt Room

Subcommittee Members Present

Bill Britton (Chair), Brit Brockman, Angela Edwards, David Hawpe and Jim Stuckert

Approval of Minutes

The minutes of the May 7, 2015 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) reported on the following items:

FY 2015 Activity Update

Mr. Reed reviewed the FY 2015 Activity Update as of April 30, 2015. The top left quadrant represents the FY 2015 UKIA Approved Work Plan. Mr. Reed estimates that the work plan completion rate will be approximately 60% for FY 2015. The top right quadrant lists unplanned activity as of April 30, 2015; the current rate of unplanned activity is 41% of total direct hours. The bottom left quadrant depicts audit work performed by Enterprise Division; the majority of hours have been spent in the UK HealthCare and Campus Divisions. The bottom right quadrant lists UKIA metrics and the status of each. Mr. Reed noted that UKIA's Productivity Rate as of April 30, 2015 was 84%.

FY 2016 Budget Review

Mr. Reed distributed the *UKIA FY 2015 & 2016 Budget Review* handout. He reviewed the following UKIA budgetary information: (1) FY15 YTD Actual and Forecast (2) FY16 Staff Proposal (3) UKIA FY16 Organization and (4) FY16 Budget Review. Discussion and questions followed the presentation. Chair Britton concluded the Budget Review by noting that the FY16 Budget for UKIA shows a commitment by the ACS that demonstrates the support for the work being performed by UKIA.

Proposed GR Revision Reading

Marcy Deaton, Associate General Counsel reviewed CR1 *Proposed Revision to Governing Regulation: Audit and Compliance Committee*. She reported that it proposes to change the ACS from a subcommittee of the Finance Committee to a regular standing committee of the Board. CR1 will come before the full Board of Trustees for the first reading on June 19, 2015. Following discussion, Chair Britton noted that it is a strong desire of the ACS to move CR1 forward for approval.

Action Items

ACSR 1 Proposed Internal Audit Fiscal Year 2015-16 Work Plan

Mr. Reed gave the presentation *UKIA FY16 Work Plan* and disseminated the following information:

- UKIA objectives for the annual work plan are to achieve transparency, have flexibility and base the work plan on a documented Risk Assessment that includes input of Senior Management and the Board.
- The consolidation for the work plan creation involves refinement of risk assessment results utilizing the following steps: audit coverage, external factors, management concerns, unplanned activities and infrastructure.
- The infrastructure hours focus on continuous improvement and continuous learning through QAR recommendations, application enhancements, process improvements, UKIA seminars/workshops, UK student interns and professional organization presentations.
- Unplanned activity hours include both proactive (e.g. fraud testing, data mining exceptions, inquiries/investigations and current affairs) and reactive (such as management requests and consultations).
- Commitment hours for FY 2016 include those projects that carry forward from FY 2015 as well as those audit cycle reviews involving Student Affairs, Athletics, HIPAA, FERPA and Pledges.
- UKIA's FY 2016 framework considers emerging risks (trends), current affairs (events) and management concerns. UKIA addresses these elements by doing continuous audits including cash handling, non-exempt compensatory time, Procard and FERPA compliance. Grants are slated to be added as a fifth continuous audit type. Potential commitments (noted as high scoring auditable entities via Risk Assessment results) are listed by Enterprise Division. Mr. Reed noted that if necessary, UKIA may decide to do an audit immediately instead of waiting.
- Mr. Reed concluded by presenting the proposed FY 2016 Work Plan that totals 17,150 hours. It is comprised of assignments under the following headings: Compliance Program, Business/Operations Audits, Information Technology Audits, UKIA Infrastructure Plans and Unplanned Activities. Questions and discussion followed.

Mr. David Hawpe moved to approve ACSR 1. Seconded by Mr. Jim Stuckert. Approved.

There being no further business, the meeting was adjourned.

Next Meeting

Friday, September 11, 2015

- Audit Request for Proposals Summary
- Internal Audit FY 2015 Final Activity Update

Respectfully submitted,

Catherine Miller