

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE

University of Kentucky Board of Trustees

June 24, 2016

9:00 a.m. – 10:00 a.m.

Board Room, 18th Floor, Patterson Office Tower

Committee Members Present

Mark Bryant (Chair), Skip Berry, Angela Edwards, Bill Britton, Jim Booth, Keith Gannon and David Hawpe

Approval of Minutes

The minutes of the May 3, 2016 Audit and Compliance Committee (ACC) meeting were approved as presented

Reports and Discussion Items

UK Internal Audit Presentation

UK Internal Audit, Joe Reed Chief Audit Executive

Mr. Reed gave the following report on UKIA Budget.

Mr. Reed stated that the budget vs actual shows three years plus the current year. The budget has increased in each of the past four years. This budgetary change is reflected in increases in both operating and personnel costs; these costs increase proportionally. UKIA was \$5,000 under budget this fiscal year. Mr. Reed then reviewed the budget for fiscal year 2017 and its corresponding increases from the prior year. UKIA added a new information technology auditor and new data center specialist. There were other budgetary increases due to certifications and internal promotions, increased travel and the added current expense for rent that is included in the budget. The largest increases are additional personnel and rent. The total increase in budget for FY17 represents a 24% increase over the prior year.

Chair Bryant asked if anyone had any questions on the budget that Mr. Reed presented. Chair Bryant noted that he was really surprised as to how much Internal Audit does. Chair Bryant stated that he is proud of the Administration's support of the budget and how two additional staff have been approved for Fiscal Year 2017. Since Fiscal Year 2013 you can see the benefit of the investment in the audit function.

Mr. Hawpe stated that with budget cutting expenses across state government, Internal Audit's importance is even greater.

Mr. Britton stated that Internal Audit does a lot of training seminars, cash audits, procedural and accounting reviews.

Office of Treasurer Update

Office of Treasurer Report Presented by: Susan Krauss, Treasurer

Susan Krauss gave the following report.

Ms. Krauss stated that at the May audit meeting we shared UK's engagement letter with BKD for the 2016 audit engagement. Subsequent to the May meeting, UK executed two engagement letters for certain agreed-upon procedures which are included in the meeting materials. The first engagement letter outlines the services and responsibilities of BKD regarding procedures to be performed on financial data submitted to the NCAA in accordance with NCAA audit guidelines. The second

engagement letter outlines procedures to be performed to review compliance with the terms of UK's contract with the Commonwealth of Kentucky for the management of Eastern State Hospital and Central Kentucky Recovery Center.

Chair Bryant asked if there were questions about the engagement letters and none were asked.

Action Items

Joe Reed presented the First Quarter 2017 Fiscal Year Work Plan for Approval.

Mr. Reed discussed the framework for the dynamic work plan. The budgeted hours include the use of other resources such as partnerships with process owners and co-sourcing. The budget shows the hours and the audits that are going to be engaged this quarter and the head count of staff assigned to these audits. The plan demonstrates UKIA's agility and flexibility. Data mining, which takes time, is continuously being performed. UKIA has four current data mining audits and 15 additional activities that are currently in progress. These activities include an array of UKIA services such as advisories, follow-ups, comprehensive audits and more.

Chair Bryant asked if there were any questions about the ACC 1 or Internal Audit's first quarter work plan proposal?

Chair Bryant asked if a motion for approval for ACC1 with the motion carrying.

Other Business

Chair Bryant asked General Counsel Thro to discuss the need for revisions to the Charter of the Audit and Compliance Subcommittee of the Finance Committee. General Counsel Thro noted that this had slipped through the cracks and we need to amend the Charter to match the government regulations name change to the Committee instead of a Subcommittee. The first reading is today and the second will be at the September board meeting.

Adjournment

Chair Bryant noted that with no further business to discuss and meeting was adjourned.

Next Meeting

Friday, September 9, 2016

- Audit and Compliance Committee and Internal Audit Charters presented for approval

Respectfully submitted,

Ralph Kimbrough