

MINUTES OF THE AUDIT AND COMPLIANCE COMMITTEE
University of Kentucky Board of Trustees
September 15, 2017
9:30 a.m. – 10:15 a.m.

Committee Members Present

Claude A. “Skip” Berry, III (Chair), Mark Bryant, David Hawpe, Jennifer Barber, and Angela Edwards.

Approval of Minutes

The minutes of the June 16, 2017 Audit and Compliance Committee (ACC) meeting were approved as presented.

Reports and Discussion Items

UK Internal Audit Presentations

Joe Reed, Chief Audit Executive

Metrics Review Fiscal Year 2017

Mr. Reed provided an overview of UKIA’s metrics since they have changed to a dynamic Work Plan. UKIA has two efficiency metrics; the first being audit duration and the second being productivity. The productivity metric is used for forecasting assignments. Audit duration indicates how long UKIA is actively engaged with the client.

The next area of metrics focuses on effectiveness.

- The first metric measures Audit Coverage which is designed to measure UKIA’s communication of University wide risk from recently completed engagements. This risk is measured by UKIA communicating the known risk to the other enterprise divisions. UKIA has segmented UK into six enterprise divisions: Administration, Academics, Affiliates, Campus Operations, Finance and Administration, and HealthCare.
- Contacts & Partnerships measure interactions and relationships, and UKIA’s capability to reach out and engage with campus units. UKIA’s goal is to have two active partnerships and four contacts each month.
- Remediation was only previously measured for comprehensive reviews; now all UKIA services include some type of remediation proposal which will be measured.
- The last metric is Survey Results. Surveys have a rating from 1-4 with, 1 being very poor and 4 being excellent; UKIA’s goal is for an average rating of three.

Mr. Reed asked if there were any questions before he proceeded to review the End of Year FY 2017 Metrics results.

- Trustee Hawpe asked as to the best guess of how the operation was perceived on campus and willingness of individuals to come forward? Mr. Reed stated that the chances that individuals would come forward were 50/50. The reason for this was due to the fact that most interactions with UKIA were experienced through an audit. Additionally, many people do not seek out and/or inform UKIA, because they are not aware of the Internal Audit function at the University. UKIA is still trying to strategize how best to get the message out that we are here to assist the University.

Reed then proceeded to the 2017-year end metric review:

- The goal of the Audit Duration metric is between 6-12 weeks. The mid-year average was 16 weeks and the year finished at a duration of 20 weeks. The longer period occurred because several unplanned projects were engaged, placing several planned projects on hold. Additionally, UKIA experienced

extended leave time for the lead auditor on another planned project causing another delay. Thus the increase to the 20-week metric.

- UKIA achieved the mid-year Productivity rating of 85% and by fiscal year end the Productivity metric was at 81%.
- At mid-year the Audit Coverage metric was at 33%, and was 53% by fiscal year-end. UKIA did not do enough to communicate confirmed risks from one enterprise division to another. The goal is 80%.
- The Contacts metric goal is to obtain 48 contacts over the course of the fiscal year, or an average of one per week. At mid-year this metric was 13, UKIA rounded out the fiscal year at 18.
- The Partnerships metric goal is set for 2 per month; by midyear UKIA had 4, and completed the fiscal year with 14.
- UKIA's Remediation goal is 80%. Although this goal used to be 100%, UKIA's recommendation to remediate is not always necessary so this goal was reduced to 80%. The Remediation metric was at 81% at the mid-year and dropped to 71% by the end of the fiscal year.
- The last UKIA metric is client feedback via surveys. This metric was not measured at the mid-year point; when evaluated at year-end the result was a 30%. These goals are not easily attainable and it takes effort and commitment to get better.

Strategies are being developed to both improve operations and metric achievements. Mr. Reed asked if there were any questions regarding FY17 metrics.

Trustee Edwards asked, if Internal Audit has formulated any strategies yet for how to address the customer feedback surveys? Mr. Reed stated that we need to reach down into the organization. Going forward we are going to send surveys to those that were in direct contact with UKIA. This is an important feedback.

Trustee Barber asked if a voluntary disclosure form was used to make contacts with UKIA? Mr. Reed stated that a form was not used; however, information is kept private and not disclosed when possible.

Trustee Hawpe made the statement, that the board appreciates that UKIA is upfront about their metric results when reporting on the system. Accountability begins right here with the audit, and if audit itself is going to be accountable, UKIA needs this kind of reporting. Trustee Hawpe also commented that new board members may not know that the audit function is more equipped today than was possible 4-5 years ago. Mr. Reed stated that without Administration's support UKIA could not do an adequate job.

Joe Reed, Chief Audit Executive
2nd Quarter Work Plan Approval

Mr. Reed introduced the 2nd Quarter Work Plan. In the future this plan will be approved monthly and eventually it will be project focused. Meaning that when UKIA is ready to engage a new project, the risk assessment will be conducted and submitted for ACC approval. Currently, the Work Plan will be submitted for approval quarterly. UKIA has 3.5 support staff and 11.5 audit staff. IT and Business staff hours for the quarter are forecasted by taking into account approved leave time, scheduled trainings, and meetings. Resulting in a breakdown of the 2nd Quarter with 3,436 hours for the Business auditors, and IT auditors having more than 900 hours. Our audit commitments and current activity that will carry forward are forecasted to be about 1,375 hours. Due to our shortage in staff, UKIA will not have any new scheduled activity this quarter.

Mr. Reed asked if any questions regarding the work plan?

Trustee Hawpe asked what is the CoBit model? Mr. Reed stated that there are certain standards in auditing. CoBit is a standard used by the IT Governance Institute and the Information Systems Audit and Control Association (ISACA).

Action Items

Chair Berry introduced ACC1 2nd Quarter Work Plan for approval. Motion made by Trustee Bryant, and Seconded by Trustee Hawpe
ACC1 is approved

Other Business

None

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

Respectfully submitted,
Ralph Kimbrough