

Audit and Compliance Committee Meeting
Gatton Student Center, Harris Ballroom
Thursday, September 14, 2023

The Audit and Compliance Committee met on Thursday, September 14, 2023, in the Gatton Student Center.

I. Call to Order

Acting Chair Robert D. Vance called the meeting to order at 1:00 p.m.

II. Roll Call

The following members of the Audit and Compliance Committee (ACC) were in attendance: Brenda Baker Gosney, Lance Lucas, Elizabeth McCoy, Paula Leach Pope and Hollie Swanson.

Trustee Cathy Black and Chair of the ACC, Claude “Skip” Berry III, attended the meeting via Zoom.

III. Approval of Minutes – June 15, 2023

Acting Chair Vance reported that the minutes of the June 15, 2023, meeting had been distributed. Trustee McCoy motioned to approve the minutes, and Trustee Baker Gosney seconded. The motion carried without dissent.

IV. Reports and Discussion Items

A. UK Internal Audit FY 2022-23 Annual Report

Acting Chair Vance introduced Chief Accountability Officer and Audit Executive Joe Reed to present the University of Kentucky (UK) Internal Audit’s (UKIA) annual report for FY 2022-23. Mr. Reed explained that UKIA is nearing the two-year mark since returning to the office after the COVID-19 pandemic began. Since then, UKIA has resumed its normal communication schedule including leadership and staff meetings, newsletter distributions y and project status meetings.

Transitioning to the annual report, Mr. Reed explained that UKIA’s reviews support the university by mitigating risk, improving efficiency, ensuring compliance and driving continuous improvement. This work led to several notable achievements during the fiscal year including expanding UKIA’s services through consultations, proactive analytics and co-sourcing with audit consultants to assist with health care and information technology (IT) activities. Additionally, UKIA hosted the 2023 Kentucky College and University Auditors Conference, which focused on innovation strategies. Mr. Reed then discussed Lessons Learned, UKIA’s quarterly webinar focused on communicating audit trends, which has entered its third year of production.

Another achievement Mr. Reed discussed was the growth of UKIA's student programs, which had nine total participants. One group of students assisted UKIA during the fall, and another worked with the office in the spring. Two graduate students also joined the office for the entire year.

Mr. Reed reported on the progress of UKIA's strategic planning committees, each of which focuses on improving a different aspect of the operation. UKIA also implemented an annual service award to recognize an employee nominated by the staff. The inaugural recipient was UKIA's Communications Manager, Julie Hoover-Ernst.

Mr. Reed then transitioned to the "Resources" section of the report. UKIA's budget increased approximately nine percent over the previous fiscal year, noting that the increase was primarily due to personnel costs. Mr. Reed then introduced UKIA's Deputy Accountability Officer and Audit Executive Martin Anibaba to discuss UKIA's metrics.

Mr. Anibaba explained that UKIA has two categories of metrics: efficiency and effectiveness. Efficiency includes audit duration and productivity, while effectiveness comprises audit coverage, consultations remediation and client satisfaction. UKIA improved in five of its six metrics, with the largest gains in productivity and audit duration due to several contributing factors, including UKIA's new audit management system as well as more precise metric calculations.

The first metric, audit duration, compares the actual hours expended on each audit to the hours budgeted for that project but does not include inquiries and investigations due to their high variance. UKIA's audit duration decreased 76 percent from the previous year, averaging 112 percent in FY 2022-23.

Mr. Anibaba introduced the second metric, productivity, noting that managers met their goal of spending 60 percent of work hours on productive activity. Such activities include audits, stakeholder outreach and work prioritization. Audit staff reached 72 percent productive time, just short of their 75 percent goal. Mr. Anibaba noted that hours spent on infrastructure, process improvement activities and professional development time contributed to staff not meeting their goal. However, two staff members received their master's degrees, and two others obtained professional certifications.

Audit coverage, the third metric, measures UKIA's progress toward validating the prevalence of risks noted in its annual work prioritization plan. This metric's goal is 100 percent. Mr. Anibaba noted that UKIA completed 33 reviews during the year and reached 87.5 percent audit coverage. The reviews focused on procurement risks in academia as well as information technology (IT) governance and UK HealthCare's (UKHC) revenue cycle. UKIA's fourth metric, consultations measures how many consultations were completed during the fiscal year, with a goal of two per quarter. UKIA completed three consultations, investing 970 hours in this activity.

UKIA's fifth metric is remediation, which measures the progress units have made to mitigate risks identified in previous audits. UKIA evaluates this progress through follow-up reviews. Combined, these units achieved an average of 80.75 percent remediation. Mr. Anibaba noted that only one of six completed follow-up reviews had a remediation score of

less than 75 percent, which requires the unit to create a management action plan to resolve the outstanding concerns.

The final metric is client satisfaction, rated on a scale of one to five and measured via surveys. This metric evaluates client satisfaction with the audit staff, performance and final communication. Only personnel who had at least two contacts with audit staff during the review received this survey. Out of a goal of 5.0, UKIA achieved an average score of 3.79. UKIA also asked Lessons Learned attendees to evaluate their satisfaction with the three webinars produced during the fiscal year. For these events, UKIA received an average score of 4.4 out of a 5.0 goal. Topics for this year included separation of duties, fraud and procurement card risks.

Mr. Anibaba then discussed two components tracked by UKIA but not considered formal metrics: 1) stakeholder outreach and 2) inquiries and investigations. UKIA defines stakeholder outreach as any communication outside of the audit engagement that provides insights and information to clients. These interactions also allow clients to inform UKIA about emerging and unit-specific risks. UKIA invested more than 1,000 hours into this activity. Mr. Anibaba also noted that UKIA devoted about 2,700 hours to inquiries and investigations.

Mr. Anibaba transitioned to UKIA's audit services, explaining that all college and university internal audit functions use the International Professional Practices Framework as their governing standards. UKIA's services are divided between assurance services and advisory services. Assurance activities include comprehensive audits, repetitive audits, IT reviews and investigations. Advisory activities include consultations, stakeholder outreach and training (e.g., Lessons Learned).

The ACC had no questions for Mr. Anibaba.

B. UK Internal Audit Organizational Restructuring

Mr. Reed returned to the podium to discuss UKIA's restructuring. Mr. Reed explained that UKIA's communications team plays a critical role by enabling audit staff to focus on their area of expertise: audit activity. Mr. Reed then described how each area within UKIA relates to the work prioritization plan and their associated partnerships. These partnerships focus on information sharing and transparency, creating greater trust within the organization. The Office of Accountability affects all areas of UKIA's work prioritization and has partnerships with the Office for Faculty Advancement, Office of Legal Counsel, Office of Sponsored Project Administration, Office of Corporate Compliance, Athletics Compliance and the Office of Institutional Equity and Equal Opportunity.

The IT and Analytics area covers the applications noted in the work prioritization and includes partnerships with UK IT Services, UKHC IT and Institutional Research, Analytics and Decision Support.

UKIA's investigations team addresses unplanned activity and maintains partnerships with UK Police, Office of General Counsel, Human Resources, Office of Corporate Compliance, Office of Sponsored Projects Administration and the Office for Faculty

Advancement.

The Financial and Business Operations area for UKIA addresses various processes and units within the work prioritization and partners with the University Budget Office, University Financial Services and Procurement Services.

The UKIA consulting team covers numerous processes, units and applications within the work prioritization and partners with the Business Support Center. Mr. Reed concluded his presentation by describing UKIA's UKHC area, which addresses many processes, ancillary units and applications in the work prioritization. This area partners with UKHC Finance, Ambulatory Services, Pharmacy Services and the Office of Corporate Compliance.

The ACC had no questions for Mr. Reed.

V. Adjournment

With no further business to come before the Committee, Acting Chair Vance adjourned the meeting at 1:42 p.m.

Respectfully Submitted,

Skylar Bensheimer
Editorial Assistant
UK Internal Audit