

Audit and Compliance Committee Meeting  
Harris Ballroom, Gatton Student Center  
December 1, 2025

The Audit and Compliance Committee (ACC) met on December 1, 2025, in the Gatton Student Center, Harris Ballroom.

I. Call to Order

Trustee Elizabeth McCoy served as acting chair for this meeting due to Chair Claude “Skip” Berry III’s absence. Acting Chair McCoy called the meeting to order at 12:30 p.m.

II. Roll Call

The following members of the ACC were in attendance: Jim Gray, Janie Greer, Elizabeth McCoy, Hannah Miner Myers, Paula Leach Pope and Hollie Swanson.

Chair Berry joined the meeting later via Zoom.

III. Approval of Minutes – September 12, 2025

Chair McCoy reported that the minutes of the September 12, 2025, meeting had been distributed. Trustee Pope motioned to approve the minutes, and Trustee Swanson seconded. The motion carried without dissent.

IV. Reports and Discussion Items

A. UK Internal Audit FY 2025-26 Q1 Activity Report

Chair McCoy introduced Chief Accountability Officer and Audit Executive Joe Reed to share UK Internal Audit’s (UKIA) activity report for the first quarter of FY 2025-26. Mr. Reed explained that UKIA’s activity is informed by its annual work priorities, which are reviewed and approved by the ACC each June. They are divided into processes, units, information systems and continuous/unplanned activity, representing areas of focus rather than individual projects. This structure allows UKIA to address one or more work priorities through each review and identify trends across University units. UKIA determines its work priorities through an annual risk assessment, using seven business risk factors and 20 associated components to evaluate risk levels at the University. UKIA continually reevaluates the risk environment to ensure its work priorities remain relevant throughout the year.

Mr. Reed then transitioned to UKIA’s enterprise-wide activity, which includes all activity outside of healthcare. UKIA was engaged in two comprehensive reviews, one Information Technology (IT) review of enterprise data centers, three repetitive audits related to unit-level data centers and the Kentucky Specialty Plate Fund and seven follow-up asset verification reviews.

UKIA was also engaged in six inquiries/investigations regarding potential

misappropriation, contract compliance, potentially fraudulent vendors, conflicts of interest and compensation. There are four information sources from which UKIA may initiate an inquiry, which are direct contacts to UKIA, the University's anonymous Comply Line, UKIA's website contact form and audit activity. Although not all concerns are substantiated, UKIA may identify process vulnerabilities during its inquiries and communicate them to the appropriate unit(s).

Mr. Reed then detailed UKIA's three active data analytics programs. The first was employee vendor match, the objective of which is to review relationships between employees and vendors for compliance. The second was supplemental software applications, focusing on compliance with University purchasing protocols related to software and subscription licenses. The third program was fictitious employees, which helps to identify individuals — real or fabricated — who are on the payroll but do not provide agreed-upon services to the University.

Additionally, UKIA was engaged in two consultations. This count excludes UKIA's capital construction project, which is a consultation being performed under UKIA's Accountability Office. The scope and procedures for consultations must be agreed-upon with the client. Unlike assurance reviews, UKIA does not distribute final consultation reports to the ACC.

Mr. Reed then noted UKIA's one enterprise-wide review that was completed during quarter one, an asset verification follow-up audit.

Transitioning to the healthcare activity, UKIA was engaged in five comprehensive reviews. These included an evaluation of procedures for individuals to access their protected health information as well as parallel reviews of drug diversion prevention and emergency department charge capture processes at both UK HealthCare and UK King's Daughters. UKIA was also engaged in five repetitive audits related to non-exempt overtime compensation, 13 follow-up reviews in the areas of work relative value units, procurement card practices and asset verification, as well as one assessment of UK HealthCare's revenue cycle. Additionally, UKIA had two active inquiries/investigations related to contract compliance and potential misappropriation and one active consultation.

In total, UKIA was engaged in 24 active enterprise-wide projects and 27 active healthcare projects as of September 30, 2025.

Trustee Swanson asked whether there are any red flags that indicate a vendor may be fraudulent. Mr. Reed said the vendor name may be slightly off, or the business address may be suspicious. Referring to UKIA's evaluation of lunch break regulation adherence during its non-exempt overtime compensation reviews, Trustee Swanson said that missed lunches in healthcare environments often stem from staffing issues and asked how UKIA accounts for this during its audits. Mr. Reed said that UKIA does not advocate for additional resources in its recommendations, but that UKIA works with its clients and other pertinent units as needed to determine a solution.

Mr. Reed then asked Deputy Accountability Officer and Audit Executive Martin Anibaba to provide an overview of UKIA's capital construction consultation. Mr. Anibaba said UKIA has partnered with the University's Capital Project Management division to provide reasonable

assurance that issues identified in past audits do not occur during new capital construction projects. UKIA has ongoing meetings with Capital Project Management leadership as well as with Turner Construction and Walsh Construction. UKIA's areas of focus during this consultation include contract and sub-contract compliance, change order management, payroll and lease equipment.

#### B. Report on FY 2024-25 Audited Financial Statements and Independent Audit

Chair McCoy introduced Partner Jennifer Williams and Director Joanie Duckworth from Forvis Mazars to discuss the results of the University's FY 2024-25 financial statement audit. Forvis Mazars expressed an unmodified or "clean" opinion on the financial statements and delivered the results by the state-mandated deadline. The audit was performed in accordance with Generally Accepted Accounting Principles and government auditing standards.

The audit team was actively working on the compliance audit portion of the review, which had to be delayed since the federal government did not release the compliance supplement until November 2025. Ms. Williams noted that the Kentucky Medical Services Foundation and Insure Blue were audited by another firm but included with Forvis Mazars' results.

Ms. Duckworth then detailed the required communications related to the audit. There were two significant accounting policy changes during the fiscal year. The first was a change to the Governmental Accounting Standards Board Statement 101 regarding compensated absences, which primarily affected the recording of sick pay. The second was a suggested change in guidance from the National Association of College and University Business Officers related to tuition discount methodology. This caused more dollars to be recorded in the University's tuition discounting and allowance line item and less to be recorded as an expense year-over-year.

There were no matters to report regarding unusual policies and methodologies nor alternative accounting treatments. The management judgments and accounting estimates were consistent with the prior year. There were no judgments regarding the quality of the University's accounting principles, and there were no proposed and recorded audit adjustments. Although the audit team identified some uncorrected or unrecorded misstatements, these matters were discussed with Chair Berry and not recorded per his approval.

The ACC had no questions.

#### C. Forvis Mazars FY 2024-25 Agreed-Upon Procedures Reports

Acting Chair McCoy introduced Treasurer Penny Cox to report on the FY 2024-25 Agreed-Upon Procedures (AUP). Treasurer Cox reiterated that Forvis Mazars' FY 2024-25 audit resulted in an unmodified or "clean" opinion of the University's financial statements. The University had a total net position of \$9.69 billion, an increase of \$1.09 billion (13 percent) from the prior year.

Treasurer Cox then detailed the three AUP for FY 2024-25. The first was for the National Collegiate Athletic Association (NCAA). The NCAA bylaws require an independent accountant to verify the accuracy and completeness of financial data of the University's department of intercollegiate athletics. The AUP was performed without exception, and the AUP report will be shared with the Champions Blue Board of Governors at the February 2026 board meeting.

The second AUP was for the Eastern State Hospital and Central Kentucky Recovery Center. The AUP set procedures to review compliance with the terms of the University's contract with the state for the management of these entities. The procedures were agreed to by representatives of UK HealthCare and the Department of Behavioral Health, Development and Intellectual Disabilities. There were no significant items of concern noted in the report.

The third AUP was for the Kentucky Medical Services Foundation (KMSF). The AUP set procedures to assess compliance with certain terms of the agreement between the University and the KMSF. The procedures were agreed to by representatives of UK HealthCare and the KMSF. There were no significant items of concern noted in the report. It was addressed to the UK Board of Trustees and the KMSF Board of Directors.

The ACC had no questions.

V. New Business Items

A. Proposed Revisions to the Audit and Compliance Committee and UK Internal Audit Charters

Mr. Reed proposed revisions to the ACC Charter and UKIA Charter. UKIA reviews these charters annually to determine whether any updates are needed based on changes to internal auditing standards and/or the University environment.

The notable proposed revisions to the ACC Charter were to update the reference to University Governing Regulation II and to clarify responsibilities related to auditor independence. Trustee Swanson motioned to approve the recommendation, and Trustee Myers seconded. All other trustees were in favor of approving the plan, and the motion passed.

Mr. Reed then summarized the notable proposed revisions to the UKIA Charter. Many of the changes were to comply with requirements of the Institute of Internal Auditors' *Global Internal Audit Standards* adopted in 2025, while others were to update language for clarity. As this document governs UKIA's activity across the enterprise, UKIA vetted the proposed charter with University leadership, including UK HealthCare, area fiscal officers and the President's Cabinet. Trustee Pope motioned to approve the recommendation, and Trustee Greer seconded. All other trustees were in favor of approving the plan, and the motion passed.

The ACC had no questions.

VI. Adjournment

With no further business to come before the Committee, Acting Chair McCoy adjourned the meeting at 1:07 p.m.

Respectfully Submitted,

Skylar Bensheimer  
Editorial Assistant  
UK Internal Audit