

Audit and Compliance Committee Meeting
Harris Ballroom, Gatton Student Center
February 19, 2026

The Audit and Compliance Committee (ACC) met on February 19, 2026, in the Gatton Student Center, Harris Ballroom.

I. Call to Order

Chair Claude “Skip” Berry III called the meeting to order at 2:31 p.m.

II. Roll Call

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

III. Approval of Minutes – December 1, 2025

Chair Berry reported that the minutes of the December 1, 2025, meeting had been distributed. Trustee Pope motioned to approve the minutes, and Trustee McCoy seconded. The motion carried without dissent.

IV. Reports and Discussion Items

A. UK Internal Audit FY 2025-26 Q2 Activity Report

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed to share UK Internal Audit’s (UKIA) activity report for the second quarter of FY 2025-26. Mr. Reed explained that UKIA provides the ACC updates on its activity to align with industry standards as well as the University’s and UKIA’s strategic plans. Per the Institute of Internal Auditors’ *Global Internal Audit Standards*, UKIA must create an audit plan that supports the University’s objectives and communicate to the ACC how UKIA is fulfilling its mandate. In alignment with Principle 4 “Ensuring Greater Trust, Transparency and Accountability” of the University’s strategic plan, UKIA’s reporting and stakeholder outreach increase accountability and transparency related to risk and risk mitigation activities. Sharing this activity also aligns with Principle 4 “Foster Strategic Collaboration and Resource Optimization” of UKIA’s strategic plan, as it enables a better understanding of UKIA’s work and the assurance it provides.

Mr. Reed then detailed UKIA’s work priorities for FY 2025-26, which are reviewed and approved by the ACC each June. They are divided into processes, units, information systems and continuous/unplanned activity.

Mr. Reed then transitioned to UKIA’s active enterprise-wide activity, which includes all activity outside of healthcare. UKIA was engaged in one comprehensive review of the College of Nursing, one Information Technology (IT) review of enterprise data centers, one repetitive audit related to a unit-level data center and one follow-up asset verification review.

UKIA was also engaged in 11 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 audit activity and UKIA's website contact form. Currently, most of UKIA's active investigations have stemmed from audit activity as opposed to anonymous or direct tips from individuals, indicating the proactive nature of UKIA's work.

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. UKIA's investigations team reviews any anomalies detected by these programs.

UKIA was also engaged in one consultation with the Food as Health Alliance within the Martin-Gatton College of Agriculture, Food and Environment. During consultations, UKIA works with the client to establish agreed-upon procedures for the work to be done.

UKIA's enterprise-wide reviews completed during quarter two included one comprehensive review of the University's export control procedures, one data center repetitive audit, one repetitive audit related to the Kentucky Specialty License Plate program, five asset verification follow-up reviews and one consultation with the James B. Beam Institute.

Mr. Reed then noted that UKIA had not completed any enterprise-wide training events in quarter two due to its focus on outreach meetings with unit management and leadership. UKIA held two of these meetings in quarter two, during which UKIA provided the unit and/or process owner with a risk profile of their area based on UKIA's previous activities.

Transitioning to active healthcare activity, UKIA was engaged in six comprehensive reviews. These included an evaluation of procedures for individuals to access their protected health information, parallel reviews of drug diversion prevention and emergency department charge capture processes at both UK HealthCare and UK King's Daughters as well as a review of mobile dental facilities. UKIA was also engaged in one repetitive audit related to non-exempt overtime compensation, 14 follow-up reviews in the areas of work relative value units, procurement card practices and asset verification. Additionally, UKIA had six active inquiries/investigations related to compensation, contract compliance, regulatory compliance, potential misappropriation and conflicts of interest. UKIA also had two active consultations, one with the College of Dentistry and another with Family and Community Medicine.

Mr. Reed then detailed UKIA's completed healthcare activity, which included one assessment of UK HealthCare's revenue cycle and four non-exempt overtime compensation repetitive audits.

In total, UKIA was engaged in 21 active enterprise-wide projects and 31 active healthcare projects as of December 31, 2025.

Chair Berry praised UKIA for its integrity, commitment to the University and input during the process of hiring staff members. Trustee McCoy commended UKIA's work to ensure the University operates smoothly.

B. FY 2025-26 Midyear Metrics

Chair Berry introduced Deputy Accountability Officer and Audit Executive Martin Anibaba to present UKIA's metrics for the first half of FY 2025-26. As noted during Mr. Reed's Q2 Activity Report, sharing UKIA's activity and performance is required by the Institute of Internal Auditors' *Global Internal Audit Standards* and aligns with the University's and UKIA's strategic plans. UKIA has six total metrics, two to assess its efficiency and four to assess its effectiveness.

The first efficiency metric is audit duration, which measures the time UKIA is actively engaged in an audit. This metric compares the total hours budgeted for completed audit projects to the actual hours spent on those projects. As of December 31, 2025, UKIA's completed projects required only 65.6 percent of the hours budgeted for them. This was partially due to one of UKIA's auditors developing an automated system for testing. Two service lines were over budget: comprehensive reviews and consultations. The comprehensive review required additional time to support the development of an enterprise-wide plan to address export controls risk. The consultation went over budget due to the client requesting a scope expansion.

The second efficiency metric is productivity, which measures the amount of time UKIA's employees spend on risk-based, productive audit work. Managers reached 52 percent productive time in quarter one, short of their 60 percent goal, but achieved 68 percent in quarter two. This improvement reflects increased team stability and work capacity after hiring and onboarding new employees during quarter one. UKIA's staff reached 69 percent productive time in both quarters compared to a goal of 75 percent. UKIA expects this metric to improve as onboarding concludes and new employees acclimate to their roles.

The first effectiveness metric, audit coverage, measures the extent to which UKIA's reviews address its work priorities. As of December 31, 2025, UKIA had completed projects in 11 of its 20 work priorities and was engaged in projects across five additional priorities. UKIA expects to increase its work in critical areas across the enterprise due to the hiring of IT Audit Director Josh Parker, Consulting Manager CJ Hoben and Director of Conflicts of Interest and Accountability Sean Clark.

The second effectiveness metric is outreach, which tracks UKIA's engagement with University leadership. This metric previously tracked the number of partnerships UKIA established and maintained each year. As many of these partnerships have become ongoing, long-term collaborations, UKIA amended this metric to track the number of targeted meetings it holds with management to share information. UKIA held 12 such meetings as of December 31, 2025, on pace to meet its goal of 24 meetings annually.

The third effectiveness metric, remediation, measures how well clients have resolved identified risks. The remediation score was at 95.6 percent, the closest the University has

come to achieving the goal of 100 percent.

The final effectiveness metric, client satisfaction, reflects how UKIA's stakeholders view and value its work. UKIA calculates this metric based on survey responses from personnel who had one or more interactions with UKIA staff during a completed audit engagement. The overall satisfaction rating was 4.03/5, the highest UKIA has ever received since it began tracking the metric this way. The highest-scoring category of the survey was the audit process, receiving 4.13/5. This metric typically includes a survey to all attendees of UKIA's training webinar, "Lessons Learned." However, UKIA did not host any webinars during the first two quarters of the fiscal year. This was due to UKIA's focus on outreach as well as its work with UK Information Technology Services and Finance and Administration Specialized Training to develop training courses in preparation for the implementation of the University's new conflicts of interest and commitment program.

Trustee Vance asked whether artificial intelligence (AI) is a tool that UKIA can use. Mr. Anibaba said that UKIA has established three pillars to guide its AI strategy. The first pillar is adoption. UKIA is working with its leadership team and the University to explore how AI can be integrated into the audit process. The second pillar is assurance, which outlines how UKIA plans to audit AI governance and usage. The third pillar is advisory, which outlines UKIA's intent to provide the University with risk-based advice during AI implementation initiatives.

V. New Business Items

A. Execution of FY 2025-26 Audit Engagement Letter

Chair Berry introduced UK Treasurer Penny Cox to present ACC 1. Treasurer Cox recommended that the ACC authorize the treasurer to execute the University's annual engagement letter with Forvis Mazars for the audit of the University's financial statements for the fiscal year ending June 30, 2026, including the University and its affiliated entities. The scope of work will also include reporting on internal controls and compliance with governmental regulations.

The engagement letter is based on the University's competitive bid proposal issued in May 2025. Forvis Mazars has been the University's external auditor for nine years and was competitively awarded a renewal for a 5-year term. The fees have decreased from \$1,070,120 in FY 2024-25 to \$984,000 in FY 2025-26, an eight percent reduction. Forvis Mazars will provide updates on the audit scope and new accounting standards at the April 2026 Audit and Compliance Committee meeting.

Trustee Swanson motioned to approve the recommendation, and Trustee McCoy seconded. All other trustees were in favor of approving the letter, and the motion passed.

VI. Adjournment

With no further business to come before the Committee, Chair Berry adjourned the meeting at 3:09 p.m.

Respectfully Submitted,

Skylar Bensheimer
Editorial Assistant
UK Internal Audit