



# PRE-AUDIT REPORT TO THE AUDIT & COMPLIANCE COMMITTEE



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# PRE-AUDIT REPORT SUMMARY

## **Auditors' Responsibility**

- // Obtain reasonable, but not absolute, assurance about the financial statements
- // Establish scopes and tests, but not a detailed, audit of every transaction
- // Assess accounting principles used and significant estimates made by management
- // Does not relieve those charged with governance of their responsibilities



# PRE-AUDIT REPORT SUMMARY

## Audit Services

- // University of Kentucky
- // UK HealthCare Hospital System
- // WUKY – FM Radio
- // Kentucky Tobacco Research and Development Center
- // Other services provided as detailed in Pre-Audit Report and Engagement Letter
- // Additional audit services provided to certain affiliates; separate pre-audit reports sent to governance of those entities



# PRE-AUDIT REPORT SUMMARY

## Identified Risk Areas

### // UK and Affiliates

- // Risk of management override of controls
- // Improper revenue recognition
- // Self-insurance for medical malpractice, long-term disability, workers' compensation, health insurance, and litigation reserves
- // Valuation of alternative investments
- // Allowance for doubtful accounts and pledges receivable
- // Compliance with Uniform Guidance

### // UK HealthCare Hospital System

- // Contractual allowances and amounts due to/from third-party payors



# PRE-AUDIT REPORT SUMMARY

## Timeline and Ongoing Communication

- // Commonwealth of Kentucky's reporting deadline – October 4, 2019
- // BKD presentation to Audit and Compliance Committee – December 2019
- // Ongoing communication between BKD and Committee –
  - // Fraud involving senior management
  - // Illegal acts
  - // Significant deficiencies and/or material weaknesses
  - // Material instances of noncompliance for federal award programs
  - // Any other matters



# PRE-AUDIT REPORT SUMMARY

## New Accounting Pronouncements

- // *GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- // *GASB No. 83, Certain Asset Retirement Obligations*
- // *GASB No. 84, Fiduciary Activities*
- // *GASB No. 87, Leases*
- // *GASB No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*



# PRE-AUDIT REPORT SUMMARY

## Consideration of Errors or Fraud

- // Engagement team brainstorming
- // Inquiries of management and others
- // Reviewing accounting estimates for bias
- // Evaluating business rationale for significant unusual transactions
- // Incorporating an element of unpredictability into the audit each year