UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Joe Reed, Chief Accountability Officer and Audit Executive

AN EQUAL OPPORTUNITY UNIVERSITY

UK INTERNAL AUDIT FY 2026-27 WORK PRIORITIES

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UK Internal Audit (UKIA) submits its proposed work priorities to the Audit and Compliance Committee (ACC) for review and approval in keeping with the following:

Institute of Internal Auditors Global Internal Audit Standards 8.1 Board Interaction and 9.4 Internal Audit Plan

UKIA must create an internal audit plan that supports the achievement of the organization's objectives and assess progress toward achieving these objectives. UKIA must communicate how the internal audit function is fulfilling its mandate to the Board.

University of Kentucky Strategic Plan Principle #4 Ensuring Greater Trust, Transparency and Accountability

Through its reviews, reporting and stakeholder outreach, UKIA works to increase accountability and transparency related to risk and risk mitigation activities.

UK Internal Audit Charter

"UKIA must submit its risk-based work priorities, including processes, units and information systems, for the upcoming fiscal year to the ACC for approval. Any significant interim changes will also be presented for approval."

Why These Work Priorities Matter

Emerging Risk

- Artificial intelligence
- Revenue cycle
- Labor
- Compliance
- Capital construction
- Ambulatory

Institutional Trends

- Repeat findings
- Systemic issues

Strategic Alignment

- UKIA Charter
- Enterprise risk
- University strategy

Static Work Plan Versus Dynamic Work Priorities

Static Work Plan

- Single activity
- Fixed schedule
- Delayed responsiveness
- Limited mid-year adjustments
- Focused on past risk events

Dynamic Work Priorities

- Multiple activities
- Flexible
- Risk-responsive
- Real-time adjustments
- Technology-enabled

FY 2025-26 Work Priorities

1. Processes

- Business Continuity
- Contract Management
- Drug Diversion
- Healthcare Operations
- Information Security Management
- Labor and Compensation Compliance
- Medical Revenue Cycle Management
- Planning, Design and Construction
- University Compliance*
- Follow-up Reviews

2. Units

- Academic Colleges
- Ambulatory Clinics
- Externally funded Academic Centers
- Research Programs and Centers
- Student Financial Aid and Scholarships
- Follow-up Reviews

3. Information Systems

- Artificial Intelligence
- Data Centers
- Disaster Recovery
- Electronic Discovery
- Enterprise Applications
- Unit Applications
- Follow-up Reviews

4. Continuous/Unplanned Activities

- Inquiries/Investigations
- Consultations
- Stakeholder Outreach

*Handled by the Accountability Office

FY 2025-26 Audit Coverage Metric as of March 31, 2026

This metric tracks the degree to which UKIA's reviews are effectively "covering" the Work Priorities approved by the ACC each year in June.

Processes			
Auditable Entity	Completed	Engaged	Risk Category
Business Continuity	1	4	Business Disruption
Contract Management[1,2]	3	0	Compliance and Execution
Drug Diversion	0	2	Asset Management
Health Care Operations	4	0	Medical Outcomes
Information Security Management[2]	2	4	Information Security
Labor and Compensation Compliance	4	0	Regulatory Adherence
Medical Revenue Cycle Management	2	0	Revenue Optimization
Planning, Design and Construction	2	2	Contract Compliance
University Compliance[2]	2	0	Regulatory Adherence

[1]Also addressed through a Data Analytic
[2]Addressed through the Accountability Office

FY 2025-26 Audit Coverage Metric as of March 31, 2026

This metric tracks the degree to which UKIA's reviews are effectively "covering" the Work Priorities approved by the ACC each year in June.

Units			
Auditable Entity	Completed	Engaged	Risk Category
Academic Colleges	13	14	Governance
Ambulatory Clinics	2	0	Ancillary Unit
Externally Funded Academic Centers	0	0	Self-funded Unit
Research Programs and Centers	2	0	Self-funded Unit
Student Financial Aid and Scholarships[1]	1	0	Regulatory Adherence

[1]Addressed through the Accountability Office

FY 2025-26 Audit Coverage Metric as of March 31, 2026

This metric tracks the degree to which UKIA's reviews are effectively "covering" the Work Priorities approved by the ACC each year in June.

Information Systems			
Auditable Entity	Completed	Engaged	Risk Category
Artificial Intelligence	0	2	Information Security
Data Centers	1	4	Information Security
Disaster Recovery	1	4	System Backup and Recovery
Electronic Discovery	0	0	Regulatory Adherence
Enterprise Applications[1]	0	1	Information Security
Unit Applications[1]	0	0	Information Security

[1]Also addressed through a Data Analytic

FY 2026-27 RISK ASSESSMENT

Audit Universe Repository for Emerging Risk

EVENTS

1. Comply line calls
2. Direct contact
3. UKIA's website contact form
4. Enterprise risks
5. Industry risks

UKIA ACTIVITY

1. Stakeholder outreach
2. Audit activity
3. Audit trends

Annual Work Priorities

Audit Universe Repository

Processes

1. Planning, Design and Construction
2. Medical Revenue Cycle Management
3. Information Security Management
4. Labor and Compensation
5. Government Relations
6. University Compliance
7. Healthcare Compliance
8. Clinical Operations

Units

1. Hospital Operations
2. Student Financial Aid
3. College of Medicine
4. Undergraduate Admissions
5. College of Nursing
6. Pharmacy Services
7. Enrollment Management
8. College of Dentistry

Information Systems

1. Artificial Intelligence
2. Healthcare Applications
3. Enterprise Applications
4. Unit Applications
5. UKHC Data Centers
6. Campus Data Centers
7. Research Applications
8. Academic Applications

FY 2026-27 RISK ASSESSMENT

Risk Themes:

Processes

- FY 2025-26 issues indicate systemic control weaknesses across multiple areas
- Heavy reliance on manual workflows and inconsistent execution
- Exposure driven by financial, compliance and operational dependencies

Priority Areas and Risk Drivers

Facilities/Deferred Maintenance

- Infrastructure and environmental control gaps identified in FY 2025-26
- Potential impact to safety and operational continuity

Labor and Compensation

- Repeated issues with timekeeping, compensation and policy enforcement
- Enterprise exposure to wage-and-hour and employee relations risk

Medical Revenue Cycle Management

- Risk of revenue leakage due to manual charge capture and documentation gaps
- Reconciliation weaknesses observed across multiple areas

Procurement Services

- Unit purchasing authority and inconsistent contract oversight
- Increased exposure to vendor risk and conflicts of interest

Research Administration

- Complex regulatory requirements with inconsistent approvals and tracking
- Elevated risk in research centers and programs (ancillary environments)

University Compliance

- Cross-cutting theme of inconsistent policy execution and monitoring
- Need for stronger unit and/or division level governance and oversight

Risk Themes:

Units

- Shift from individual unit audits to enterprise-facing, high-impact areas
- Continued exposure in areas with decentralized operations and oversight variability
- Focus on broad impact units supporting core institutional functions

Priority Areas and Risk Drivers

Central Administrative Functions

- Critical oversight of financial and administrative operations
- Cross-functional impact on institutional control environment

Public Safety

- Increasing exposure to safety, conduct and incident response risks
- Expansion of campus-wide operational and reputational risk

Research Programs and Operations

- Decentralized research activity with inconsistent administrative practices
- Risks in funding oversight, compliance and program governance

Select Healthcare Units

- Focused reviews in high-risk clinical and operational areas
- Continued exposure in patient-facing and revenue-related functions

Student Financial Aid

- Direct linkage to revenue, compliance and student lifecycle risk
- FY 2025-26 issues highlight eligibility and reconciliation control gaps

Follow-up Reviews

- Ensures remediation of prior findings and accountability
- Reinforces sustainability of control improvements

Risk Themes: Information Systems

- Risk shifting from decentralized infrastructure to centralized systems and governance gaps
- Increased reliance on technology to support financial, HR and academic processes
- Limited enterprise visibility into unit-managed and emerging technologies

Priority Areas and Risk Drivers

Artificial Intelligence

- Emerging risk with limited governance and policy frameworks
- Potential exposure related to data use, decision-making and oversight

Cloud Platforms

- Increased reliance on third-party hosted infrastructure
- Need for stronger controls over access, data protection and vendor management

Enterprise Applications

- Core dependency for financial, human resources and academic operations
- Control weaknesses can scale across the institution

Unit Applications

- Decentralized ownership with inconsistent governance and security practices
- Elevated risk related to data integrity and cybersecurity

Follow-up Reviews

- Validates remediation of prior information technology and security findings
- Ensures sustainability of technology control improvements

FY 2026-27 WORK PRIORITIES

Drivers of UKIA's Work Priorities

Emerging Risk

- Artificial intelligence
- Revenue cycle
- Labor
- Compliance
- Capital construction
- Ambulatory services

Data source:
Audit universe repository

Institutional Trends

- Repeat observations and findings related to auditable entities and risk categories

Data source:
UKIA's current work priorities

Strategic Alignment

- UKIA Charter
- Enterprise risk
- UK-PURPOSE
- Healthcare enterprise strategic plan
- Divisional and academic strategic plans

Data source:
Governing documents

FY 2026-27 Risk Coverage

Processes		
Auditable Entity	**Risk Category**	
Artificial Intelligence	Governance	Information Security
Business Continuity	System Backup and Recovery	Succession Planning
Contract Management	Compliance and Execution	Conflict of Interest
Drug Diversion	Regulatory Adherence	Inventory Controls
Medical Revenue Cycle Management	Revenue Optimization	Reconciliations
Planning, Design and Construction	Contract Compliance	Segregation of Duties
Procurement Services	Supply Chain Management	Independent Contracts
University Compliance[1]	Regulatory Adherence	Conflict of Interest

[1]Addressed through the Accountability Office

FY 2026-27 Risk Coverage

Units		
Auditable Entity	**Risk Category**	
Academic Colleges	Recruitment and Retention	Governance
Ancillary Units	Clinical Operations	Extension Services
Athletics	Key Employee Turnover	Governance
Research Programs and Centers	Self-funded Unit	Regulatory Adherence
Shared Services	Operational Dependency	Governance

FY 2026-27 Risk Coverage

Information Systems		
Auditable Entity	**Risk Category**	
Cloud Platforms	Information Security	Third Party Contracting
Data Centers	Physical and Environmental Security	Information Security
Unit Applications	Information Security	System Backup and Recovery
Unit Hardware	Endpoint Security	System Backup and Recovery

FY 2026-27 Work Priorities

1. Processes*

- Artificial Intelligence
- Business Continuity
- Contract Management
- Drug Diversion
- Medical Revenue Cycle Management
- Planning, Design and Construction
- Procurement Services
- University Compliance**

2. Units*

- Academic Colleges
- Ancillary Units
- Athletics
- Research Programs and Centers
- Shared Services

3. Information Systems*

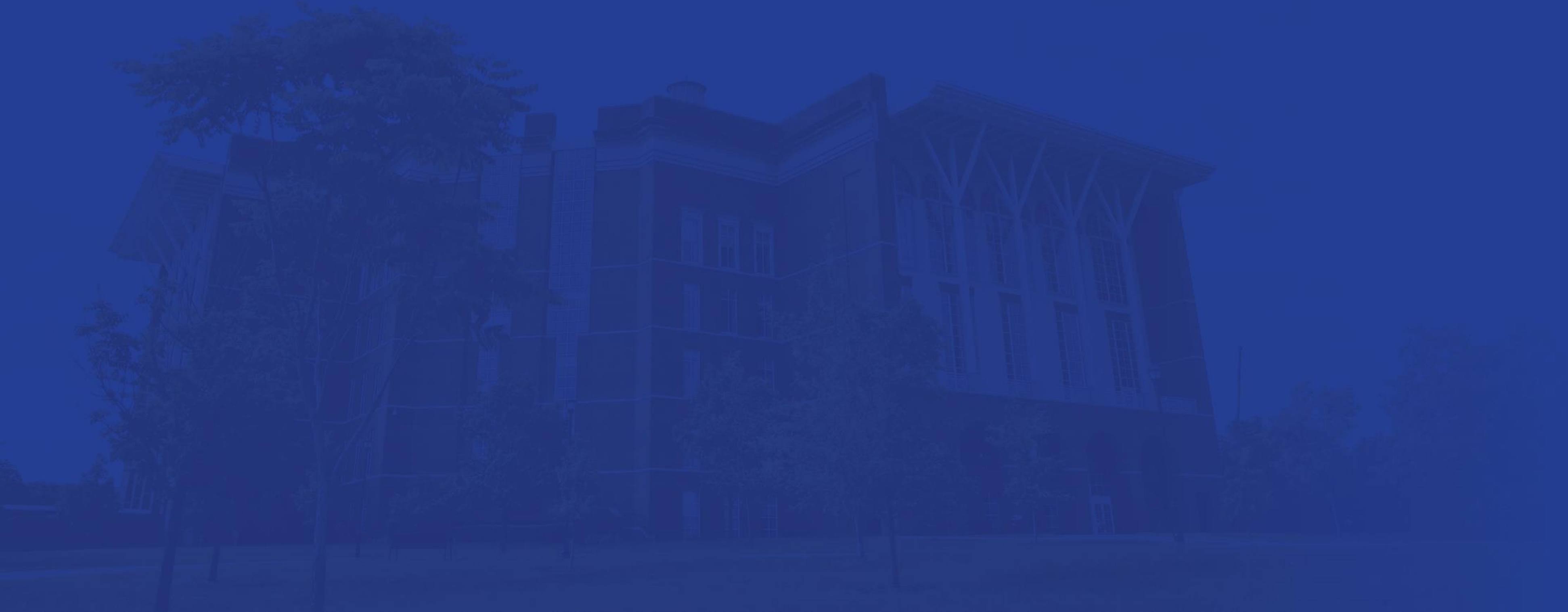
- Cloud Platforms
- Data Centers
- Unit Applications
- Unit Hardware

4. Continuous/Unplanned Activities

- Inquiries/Investigations
- Consultations
- Stakeholder Outreach

*Follow-Up Review
**Handled by the Accountability Office

QUESTIONS



UK INTERNAL AUDIT MISSION STATEMENT

To support UK in its pursuit of excellence by providing expert analyses and advice to champion the achievement of institutional objectives.

University of Kentucky

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