



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

# Annual Report

Building Bridges.

**2021/22**

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## Department Message

If we did not fully grasp how important collaboration and cooperation are to fulfill our functional obligation of providing assurance and advisory services for the great institution of the University of Kentucky, we certainly felt that intrinsically after a year of working remotely. Consequently, during FY 2021-22, UK Internal Audit (UKIA) strategically set about *building bridges*...

### Bridging Knowledge

Understanding that procurement card practices had changed dramatically due in part to the pandemic, but also to the new Concur platform, UKIA undertook the gargantuan task of performing ProCard and web application security reviews of all 18 colleges. Upon completion, this will provide the university with unprecedented insights and trends into the root causes of the weaknesses noted in the reviews so that training can be enhanced in those areas and processes and procedures can be clarified to improve compliance. Additionally, we launched new communication initiatives to ensure that what we have learned about actual practices out in the units and departments — and their associated risks — are communicated not only to the executives who can impact policy but to the faculty and staff themselves so that practices can be amended before risk becomes reality.

### Bridging People

We reached out to the new leaders that had come on board during that time, introducing them to our services. We worked to strengthen our long-standing relationships through regular meetings and enhanced our outreach efforts to promote greater trust and transparency across the enterprise with one goal in mind — providing value-added service for our clients.

### Bridging Policy and Practice

Realizing that the important work we do is impactful only if the right people know about it, understand what is at stake and take appropriate action, UKIA established several new task forces in FY 2021-22. These task forces bring the right people to the table to take the concerns and trends UKIA is seeing as we conduct our reviews and develop effective solutions to affect positive change for the university.

We are appreciative of the trust that this university has placed in UKIA and look forward to serving you in an even greater capacity going forward.



**Joe Reed**  
Chief Accountability Officer  
and Audit Executive

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# FY 2021-22 Achievements

*In FY 2021-22, UKIA worked to “build bridges” across the enterprise—and the Commonwealth—through enhanced communications, specialized training and focused, deliberate endeavors to strengthen relationships, mitigate risk and promote greater trust and transparency while creating learning opportunities for students.*

## Student Programs

During the past year, UKIA has implemented a new program to hire UK graduate students to assist with UKIA’s daily operations. In accordance with the university’s “Putting Students First” imperative, this program offers graduate students hands-on work experience while simultaneously setting them on a potential career path. UKIA currently offers multiple graduate assistant positions spread among the Investigations, Financial and Business Operations, and Consulting divisions as well as the UK HealthCare team. One position supports the Chief Accountability Officer and Audit Executive directly. These positions aid in research, audit planning and fieldwork, and document preparation, among other responsibilities.

## KY Auditors Meeting

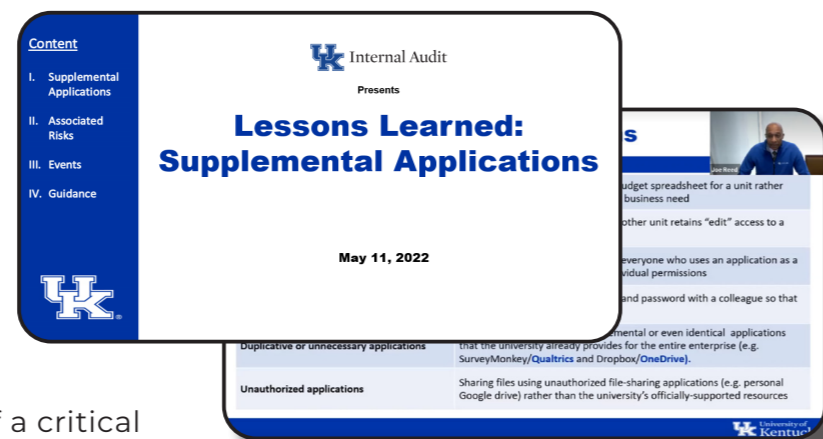
In June 2022, UKIA hosted the first in-person Kentucky College and University Auditors meeting since the start of the COVID-19 pandemic, helping UKIA’s staff share ideas and network with auditors from across Kentucky. Accordingly, the one-day conference featured a discussion on the challenges of auditing in the pandemic environment as well as a presentation on information security audits. The closing presentation highlighted the necessity of maintaining clear lines of communication and developing sustained partnerships, two topics which have significantly shaped UKIA’s activities and contributed to UKIA’s success in the past year. The meeting was so well-received that attendees asked about holding a second meeting during the winter rather than waiting a full year to gather again.

# Enhanced Communication

## Lessons Learned

In September 2021, UKIA launched Lessons Learned, a virtual roundtable event that allows UK Internal Audit to share information about actual incidents or activities that have occurred here at UK (but not unit-identified) or at other institutions across the nation and the risks associated with these “hot topics.”

Held quarterly, it offers faculty and staff a critical resource to help them improve operations and prevent similar activities from occurring within their units. Recent topics have included: Small Asset Management, Reconciliations and Supplemental Applications for Business Operations.



## Executive Quarterly Report

Implemented in the fall of 2021, the Executive Quarterly Report provides university leadership with a detailed summary of UKIA audit activity organized by cabinet member areas. Having superseded the former Executive Dashboard, this new report was launched to be more outcome-oriented and provide busy executives a quick and concise status of UKIA activity in their area and the remediation status of the units which report to them.

## Task Forces

UKIA establishes task forces: 1) when there is noted substantial risk related to a particular process that requires numerous personnel across the enterprise to make the changes necessary to effectively mitigate the risk, and 2) when there are a variety of emerging risks for a particular cabinet member’s area such that building a bridge — working to improve the lines of communication with the area to promote trust and transparency — would help to prevent or minimize these issues at UK. Thus, in addition to an ongoing task force that is focused on ensuring that current employees are not improperly paid as vendors, two task forces were engaged in FY 2021-22:

- **Record Retention Task Force** — assists with the development of a UK record retention policy and procedures, including assigned ownership and dedicated resources.
- **Health Care Task Force** — promotes collaboration with UK HealthCare and health care college entities to ensure communication of emerging risks and facilitate the timely and effective implementation of policies and procedures to prevent and protect against the noted concerns.

## Check-ins

First established in FY 2018-19 and led by the Chief Accountability Officer and Audit Executive together with the Communication Manager, UKIA’s check-ins are an opportunity to meet with the clients approximately 90 days after the final report is issued to determine whether there are any barriers precluding them from mitigating the concerns and how UKIA may be able to assist them. UKIA’s awareness of the tools and resources available across the enterprise to assist our clients with remediation has proven invaluable, as we help to build those bridges and facilitate connections that promote lasting change for the university. Accordingly, in FY 2021-22, we expanded these conversations to encompass university trends and other pertinent information in order to reduce risk across the board.

# Strategic Planning Progress

Just prior to the start of the 2021-22 Fiscal Year, UKIA completed its 2021-25 Strategic Plan. A first for UKIA, this plan is focused inward to build on our skillsets, improve operations and become better contributors to our unit and the university. These initiatives are organized into four categories — Our People, Our Skills, Our Tools and Our Products — and work teams were assigned to implement each, as outlined below.

## Our People

UKIA is committed to serving the University of Kentucky and Commonwealth through the acquisition of only the top candidates in their respective fields and retaining them via the following dynamic steps.

### OBJECTIVE 1: RECRUITMENT

UKIA will evaluate and improve our recruiting processes to ensure that the best candidates are located and hired. UKIA's action plan consists of rewriting our position descriptions for better alignment with current expectations and job duties, identifying the best platforms to advertise each job type to reach a large pool of applicants for each position, and establishing a budget accordingly.



### OBJECTIVE 2: ONBOARDING

UKIA will review and augment the new employee onboarding process to ensure new hires are assigned and meet frequently with a mentor and that all onboarding training curriculum is updated on a regular basis.

### OBJECTIVE 3: RETENTION

UKIA will evaluate staff retention practices by establishing annual work-life balance check-ins and incorporating staff feedback, along with scheduling ongoing social events, to improve staff retention. UKIA will also work to recognize existing employees' hard work and accolades by implementing a career ladder as well as a formal employee recognition program.

#### ACHIEVEMENTS:

- Work-life balance check-ins have been established and are scheduled each fall.
- Onboarding materials have been evaluated and recompiled to include all UKIA governing documents, audit standards, mission statement and values.
- Beginning next Fiscal Year exemplary performance, core skills, values, work product, attitude and character will be acknowledged and recognized yearly through the enactment of the Powers Jones Exemplary Service Award.

## Our Skills

UKIA seeks to cultivate our employees' professional growth by implementing programs that increase their institutional and professional knowledge and thereby help to continuously improve UKIA's operational efficiency and effectiveness.

### OBJECTIVE 1: PROFESSIONAL DEVELOPMENT

UKIA will emphasize and support continuous education courses and training for staff, assist them toward completion of their professional certifications and increase enrollment in formal degree programs, workshops and conferences. Additionally, UKIA will seek to establish mentorships between auditors and senior faculty/staff throughout the university as well as provide other opportunities for staff to take on challenging projects (inside or outside of UKIA).

### OBJECTIVE 2: INSTITUTIONAL KNOWLEDGE

Team progress is reviewed and developed through the continued functionality of Microsoft Teams and the use of UKIA's Staff Survey.

#### ACHIEVEMENTS:

An online form and database in Teams have been established to track staff's progress in completing continuing education courses and other training as well as achieving desired professional certifications and degree programs.

## Employee Spotlight



Jared Hicks, M.S.

In keeping with the theme of "Building Bridges," IT Auditor, Jared Hicks, found his own bridge to UKIA through the department's internship program. UKIA offered Jared an internship for spring 2018 during which he developed an electronic systems access database. He remained with the team for a summer internship where he assisted with IT audits.

When a new staff position opened in the following fall, UKIA hired Jared as a Data Coordinator to focus primarily on overhauling the Audit Universe repository to transform it into a database to store university information for risk assessments and work prioritization. The following year, Jared began pursuing an MS in Information Communication Technology and transitioned to an interim IT auditor role in 2020, a position which became permanent later that year. Jared has worked as an IT Auditor for two years and completed his master's program in May 2022.





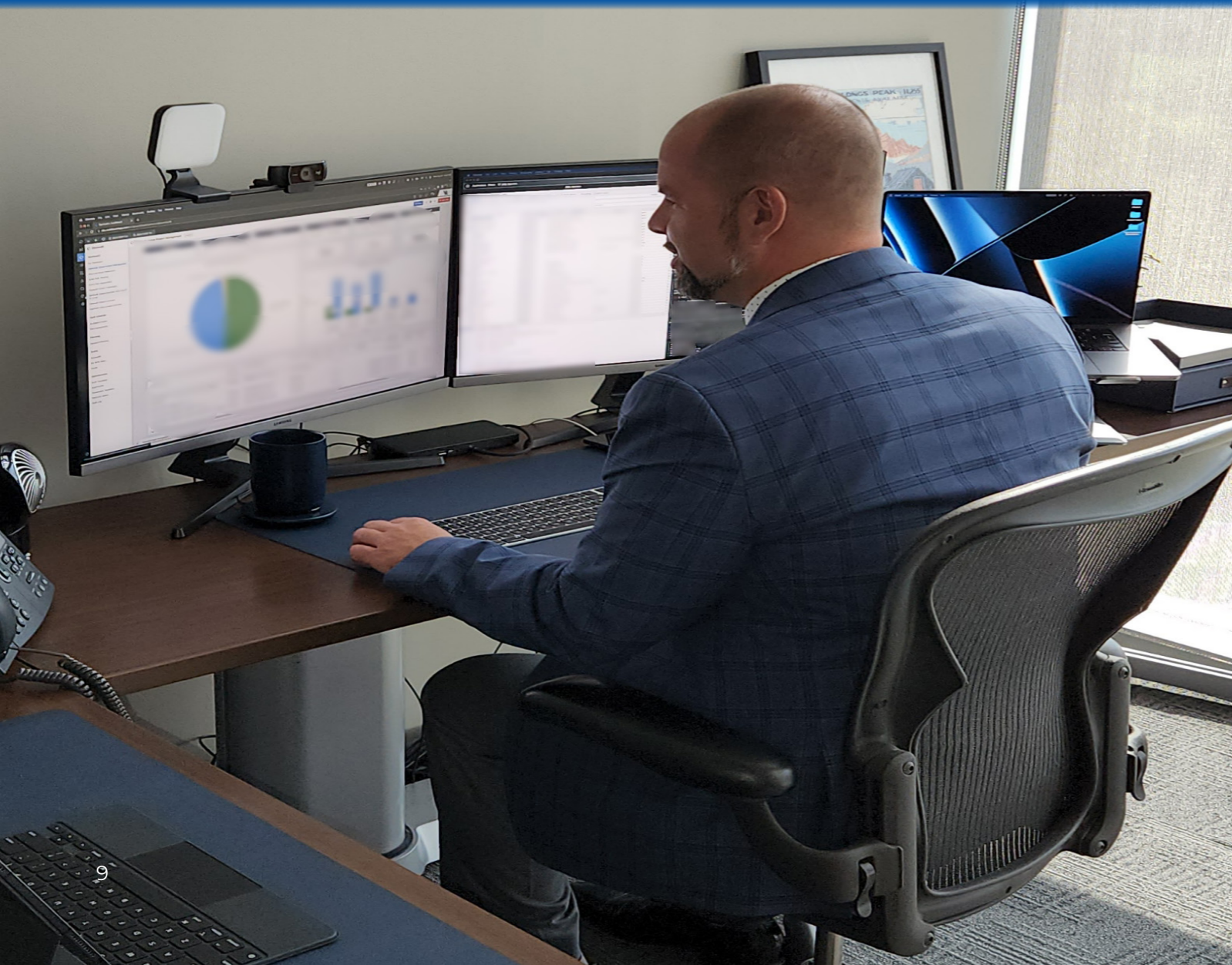
# Strategic Planning Progress (cont.)

## Our Tools

UKIA is dedicated to developing an audit management application that will better suit UKIA's project management and reporting needs while helping to increase operational efficiency.

### **ACHIEVEMENTS:**

*In the third quarter of this Fiscal Year, UKIA transitioned to the audit management system, AuditBoard. This highly sophisticated system gives the department real-time visibility of audit status and work papers to assist the audit team at every phase of the audit, from project forecasting and pre-planning to reporting and performance metrics.*



## Our Products

UKIA will work to become more efficient and provide more insightful reviews so that it can better address risk across the enterprise through the following objectives.

### **OBJECTIVE 1: PROJECT FORECASTING**

UKIA will seek to enhance project forecasting through Gantt charts or other dashboards in the new audit management system in order to assist management in identifying staff availability and conflicts to guide resource allocation and workload distribution. Additionally, UKIA will work to increase the interoperability of the new audit management application with UKIA's Audit Universe and findings trend database and other audit tools to ensure that the greatest risks are addressed through our annual work prioritization program.

### **OBJECTIVE 2: PROJECT PLANNING**

UKIA will improve project planning by allotting more realistic hours for each project type and enhance project management by budgeting hours per work step as opposed to the audit phase (planning, fieldwork and reporting) and monitoring progress to identify bottlenecks sooner. Additionally, UKIA will foster improved outcomes by developing a more robust pre-planning package that will incorporate known data requests to minimize wait times and hold project kick-off meetings for comprehensive reviews to strategically evaluate and adjust audit objectives. Finally, UKIA will hold Audit Retrospective meetings to assess the process and gain constructive insights that can help to improve the process going forward.

### **ACHIEVEMENTS:**

*With the implementation of AuditBoard, UKIA management now has:*

- Real-time visibility of the status of all open projects across all service types and the status of each work step to help managers begin to increase audit efficiency and improve audit duration metrics.*
- The ability to create customizable reports to communicate trends more effectively.*
- Direct integration with our existing data analytics tools to enhance pre-planning packages that will improve efficiency.*
- Planning functionality that allows us to better assess resource capacity and schedule new audit projects according to availability.*

*“Thanks to all of you for helping us identify places where we can strengthen our security posture and improve our policies.”*

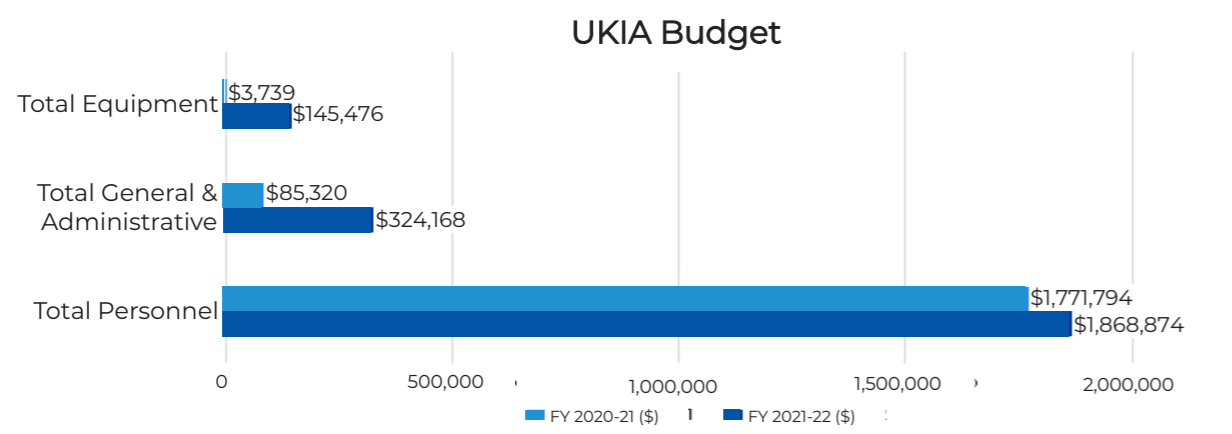


# FY 2021-22 Budget

UKIA's total budget for FY 2021-22 increased 26% over the prior year owing to the exciting advances our unit has undertaken. The return to the office post-COVID accounts for the changes to operations over the prior year, as well as the expenses inherent to resuming travel to conferences. When its former lease was not renewed by the owner just prior to the start of this Fiscal Year, UKIA was presented with an unexpected but timely opportunity to relocate to a new office space. More than double the previous location's square footage, the new facility better positioned UKIA to take on additional roles and responsibilities, including

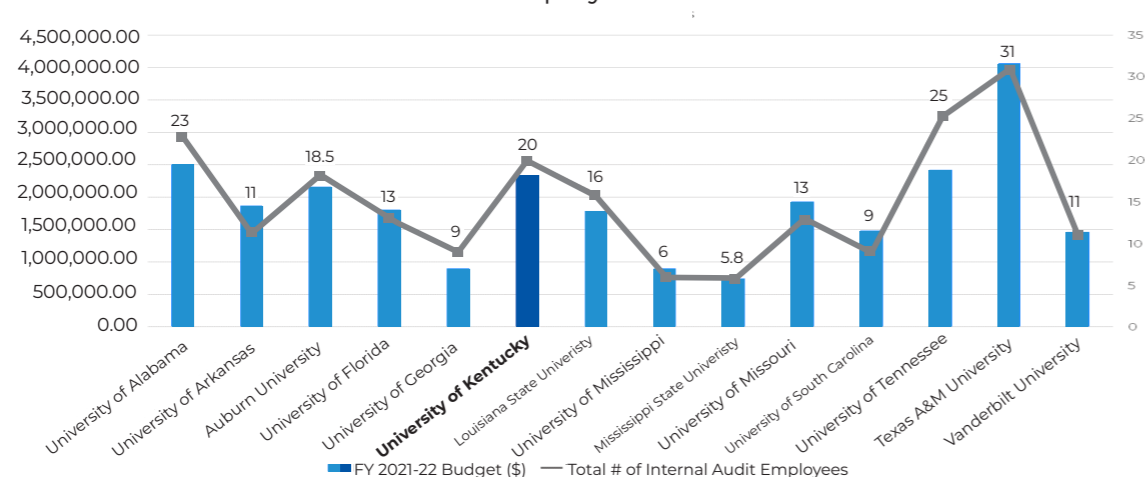
accountability, while enhancing its capabilities for the other service lines and allowing UKIA to grow its internship and graduate student programs.

New audio visual equipment was also acquired to facilitate more productive meetings and additional office furniture was procured to accommodate UKIA's planned growth. Finally, UKIA invested in an advanced audit management system which promotes transparency and enhances efficiency by offering seamless project integration and better visibility of all active projects, as detailed in our strategic plan on pages 7-10.



## Southeastern Conference Internal Audit Benchmarking

In FY 2021-22, UKIA ranked **fourth** among SEC universities in internal audit budgets and **fourth** in total number of internal audit employees.



# Service Lines



## Assurance Services

UKIA's assurance services evaluate the unit's compliance with applicable laws and regulations and review internal controls related to procurement, information security and asset management and more to assess the integrity of financial reporting and gauge overall operational efficiency and effectiveness. Through astute observations and insightful recommendations, UKIA's corresponding reports assist both the client and relevant stakeholders (process owners) in taking steps to reduce risk across the enterprise.

- **Comprehensive Reviews:** Provide assurance related to legal and regulatory compliance, financial integrity, asset safeguarding and operational efficiency.
- **Investigations:** Examine events to calculate a monetary/physical loss and determine the root cause.
- **Information Technology Reviews:** Ensure the effectiveness of IT resources and internal controls, the integrity of data and data systems and adherence to policies and procedures.
- **Follow-up Reviews:** Validate the remediation of observations from the initial review.
- **Data Analytics:** Analyze data sets to determine exceptions or anomalies.
- **Repetitive Auditing Programs:** Examine areas at high risk for non-compliance.

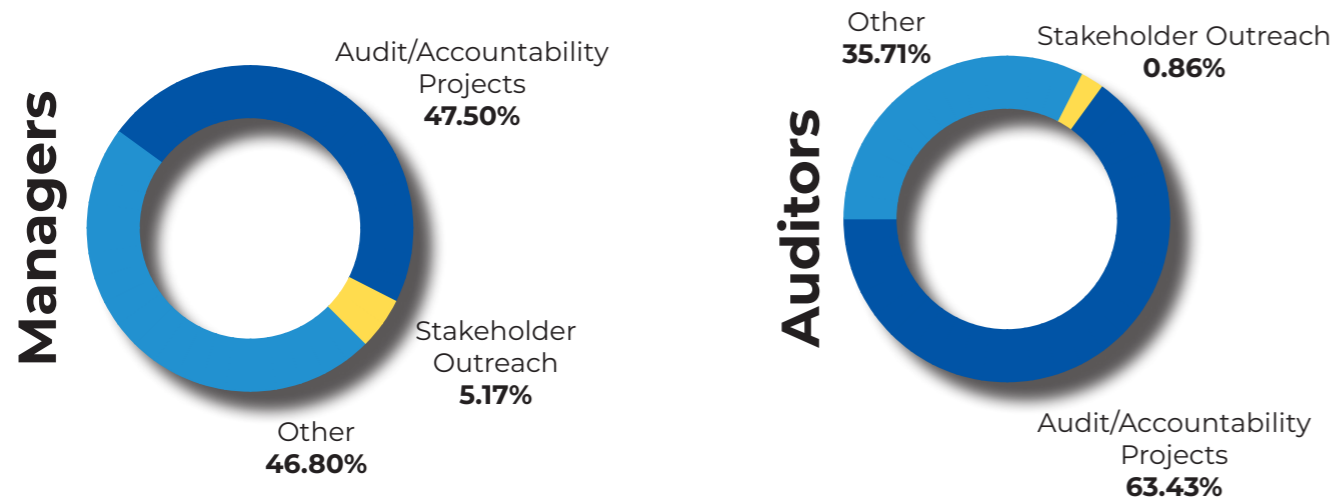
## Advisory Services

UKIA's advisory services are designed to provide administrative guidance and assist units with making process enhancements, as follows:

- **Consultations:** Performed at the unit's request, consultations involve a "big picture" analysis and key benchmarks that provide units with keen insights related to their functional responsibility(s) and/or high-risk administrative processes.
- **Stakeholder Outreach:** From participating in committee meetings to memos and website communiques, these are all ways we communicate concerns and trending information across the enterprise outside of regular audit reports.
- **Training:** From assisting with Human Resources Training and Development Program to hosting our quarterly Lessons Learned events, UKIA works to enhance university operations by providing risk-focused insights and trends directly to the faculty and staff performing the tasks.

# Metrics

## Productivity **Managers: 47.50% (Goal: 60%) Auditors: 63.43% (Goal: 75%)**



UKIA's productivity fell below the goal this year especially among the managers, who were hampered by several factors, foremost of which was the logistics of UKIA's relocation which persisted well into the first quarter of FY 2021-22. Additionally, the implementation of the new audit management software, AuditBoard, in the fourth quarter and the associated training for staff — albeit expected to enhance productivity in the future— severely impeded productivity this Fiscal Year. The management team devoted a tremendous amount of time to customizing AuditBoard to meet UKIA's needs. Developing and implementing UKIA's new strategic plan, as well as the HR-related tasks in anticipation of filling new and vacant positions also affected managers' productivity. The auditor's productivity was also hindered by the office relocation and the transition to AuditBoard later in the year, though to a lesser extent.

## Audit Duration

**188.10%**

Of the projects UKIA calculates as part of its audit duration metric, UKIA completed three comprehensive reviews, 16 repetitive audits and two follow-up reviews and finished the year with an audit duration that was nearly double the budget. Though disappointing on the surface, a closer inspection reveals that the duration was due predominantly to hours invested in the comprehensive reviews. The breadth and scope of these particular comprehensive reviews – one of which, Conflicts of Interest, involved an assessment of the processes enterprise-wide – demonstrates the need to budget reviews project by project going forward. Thus, beginning with FY 2022-23, UKIA will establish a distinct budget for its audits based on the objectives and scope of each particular review, not merely by audit type. Additionally, as outlined on page nine, UKIA's new audit management system will also allow UKIA to break down the budget by audit work step, such that we can identify where the bottlenecks are occurring which, in turn, will help UKIA to work more efficiently and improve on the audit duration metric in the future.

For similar reasons, UKIA will also no longer include inquiries and investigations in its audit duration metric, as these projects also have significant variables, inherent to investigations, that are unknown at the onset and which preclude accurate budgeting.

Audit Type <sup>1</sup>	Hours Budgeted by Audit Type	Total Hours Budgeted	Total Hours Expended <sup>1</sup>	% of Budget
Comprehensive Reviews	1,000	3,000	7,537.60	251.30
Repetitive Audits	200	3,200	4,494.00	140.40
Follow-up Repetitive	150	300	190.75	63.60
<b>Total</b>	-	<b>6,500</b>	<b>12,225.35</b>	<b>188.10</b>

<sup>1</sup>Includes types and hours for completed projects only.

“You guys are great to work with, and what a valuable service you are providing to this University.”

“It was a great experience interacting with UKIA staff! Friendly, courteous, and helpful.”

## Audit Coverage

**71% (Goal: 100%)**

As many departments across the enterprise were slower to resume normal operations as we came out of the pandemic than originally anticipated, UKIA wanted to assure the university that these altered work accommodations were not elevating risk. Therefore, UKIA focused much of its effort in FY 2021- 22 on two areas: procurement card and web application security reviews, beginning with the academic colleges. Thus, while the total audit coverage may be down this year, the results of these concentrated activities will provide university administration with trends and other information that will assist with the creation and/or amendment of current policy and procedures as well as enhanced training that will promote responsible stewardship and improve the university's information security posture.

Processes		Units		Information Systems	
Type	Project Count <sup>1</sup>	Name	Project Count <sup>1</sup>	Type	Project Count <sup>1</sup>
Accounts Payable	2	Third-party vendors	2	Web applications	7
Employee lifecycle	2	Research centers	-	Data centers	-
Compensation	4	Academic units <sup>2</sup>	9	In-house applications <sup>2</sup>	1
Student aid	-	Health care services	4	Server configuration <sup>2</sup>	7
Procurement	12				
Conflicts of interest <sup>2</sup>	6				
Sponsored projects <sup>2</sup>	2				
Export controls	-				
UK HealthCare revenue lifecycle	-				

<sup>1</sup> Indicates the number of reviews completed during the Fiscal Year that addressed the work plan category.

<sup>2</sup> Work prioritization carried over from the prior Fiscal Year.

“ I appreciate the way UK Internal Audit is working to understand our operations and build relationships, as it results in better audits. ”

— Angie Lang  
Chief Experience/Operations Officer  
UK HealthCare

## UKIA Consultations and Shared Partnerships

**2 Consultations Engaged**

**4 Partnerships Engaged (Goal: 6)**

As most of our contacts ultimately become either a partnership, a consultation or an investigation, the Contacts metric was eliminated in FY 2021-22. In its place is a new metric that merges Partnerships with Consultations. This new metric will document the number of partnerships, consultations or mini-consultations (see our Service Lines on page 12) that UKIA convenes during the year. These services have deliverables that are agreed upon with the client, whether to help a unit improve its operations, launch a new program or bolster internal controls around a specific activity. Though the Consulting Manager was not hired until the beginning of FY 2022-23, UKIA did commence two consultation engagements during the Fiscal Year.

## Client Satisfaction

### Audit Clients\*

**3.8 (Goal: 5.0)**

UKIA surveys its audit clients to obtain feedback on the overall audit process, together with the auditors' professionalism, preparation and communication. The surveys also ask clients to reflect on the effectiveness of the audit report and associated recommendations. Accordingly, UKIA scored 3.83 overall, with the highest scores given for professionalism (4.2), efforts to minimize disruption of operations (4.2) and objectivity (4.1). The clients also responded that the audit report clearly communicated the concerns and associated risks (4.0).

\*Audit Clients surveyed include all audit types completed in FY 2021-22, with the exception of Inquiries and Investigations.

### Lessons Learned

**3.9 (Goal: 5.0)**

UKIA surveyed its Lessons Learned attendees to obtain feedback on past programs and gain insight into topics of interest for the future. For the four Lessons Learned events held during FY 2021-22, UKIA received an average overall satisfaction score of 3.9 out of 5.0 while the "Supplemental Applications" presentation received the highest satisfaction score at 4.4. The topics' overall unit applicability received a 4.1. Attendees also rated their likelihood of attending future Lessons Learned (4.3). UKIA values its ability to meet its clients' needs both in and out of the audit consultation process and will use attendee feedback to curate our future events to the topics which are most pressing for UK's faculty and staff. Some of the suggested topics include:

- Purchasing accruals
- Data protection
- Reconciliation process
- ProCard fraud
- Best accounting practices (e.g. G/L code allocation)

## Remediation:

**100% (Goal: 100%)**

UKIA completed one follow-up review in FY 2021-22. This unit had remediated 100 percent of the concerns noted in its 2020 review.