

UNIVERSITY OF KENTUCKY BOARD OF TRUSTEES

Joe Reed, Chief Accountability Officer and Audit Executive



**UK INTERNAL AUDIT (IA)
FISCAL YEAR (FY) 2025-26
WORK PRIORITIES**

UKIA FY 2025-26 WORK PRIORITIES

Q2 Enterprise-wide activity

UKIA provides regular updates on its audit activity to the Audit and Compliance Committee 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
Strategic Plan Principle #4
Foster Strategic Collaboration
and Resource Optimization***

UKIA will foster new and existing partnerships with process owners and stakeholders to maximize UKIA's effectiveness in providing the University with risk-related assurance.

FY 2025-26 Work Priorities

1. Processes

- Business continuity
- Contract management
- Drug diversion
- Health care operations
- Information security management
- Labor and compensation compliance
- Medical revenue cycle management
- Planning, design and construction
- University compliance**

2. Units

- Academic colleges
- Ambulatory clinics
- Externally funded academic centers
- Research programs and centers
- Student financial aid and scholarships

3. Information Systems

- Artificial intelligence
- Data centers
- Disaster recovery
- Electronic discovery
- Enterprise applications
- Unit applications

4. Continuous/Unplanned

- Inquiries/investigations
- Consultations
- Stakeholder outreach

UKIA FY 2025-26 WORK PRIORITIES

Q2 Enterprise-wide activity

FY 2025-26 Audit Coverage Metric as of December 31, 2025

This metric tracks the degree to which UKIA’s reviews are effectively “covering” the Work Priorities approved by the Audit and Compliance Committee each year in June.

Processes		
Type	Completed	Engaged
Business Continuity		1
Contract Management ^{1,2}	2	1
Drug Diversion		2
Health Care Operations	4	2
Information Security Management ²	2	9
Labor and Compensation Compliance	4	2
Medical Revenue Cycle Management	1	4
Planning, Design and Construction	1	3
University Compliance ²		5

Units		
Type	Completed	Engaged
Academic Colleges	9	16
Ambulatory Clinics	2	8
Externally Funded Academic Centers		
Research Programs and Centers	1	2
Student Financial Aid and Scholarships ²	1	1

Information Systems		
Type	Completed	Engaged
Artificial Intelligence		1
Data Centers	1	2
Disaster Recovery		1
Electronic Discovery		
Enterprise Applications		
Unit Applications ¹		

¹Also addressed through a Data Analytic

²Addressed through the Office of Accountability

**FY 2025-26 Q2
ENTERPRISE-WIDE
ACTIVITY**

Active Enterprise-wide Assurance Reviews FY 2025-26 Q2

Project		Name	UKIA Risk Components	General Objective	
Audit Service	Work prioritization	Audit Number and Title	Top Three Risk Factors/Components	Engagement Purpose	Phase
Comprehensive Reviews (CC)	<ul style="list-style-type: none"> <i>Units:</i> Academic units 	2025 CC01 College of Nursing	<ul style="list-style-type: none"> <i>Public Exposure:</i> Program Visibility <i>Control Environment</i> Operational, Event Identification 	Evaluate the governance, operations and fiscal responsibilities of the college	Reporting
Information Technology (IT)	<ul style="list-style-type: none"> <i>Processes:</i> Business continuity; regulatory compliance <i>Information Systems:</i> Data centers, governance 	2025 IT01 Enterprise Data Centers	<ul style="list-style-type: none"> <i>Audit Interval:</i> Internal audits <i>Control Environment I:</i> Operational <i>Control Environment II:</i> Data Centers 	Evaluate enterprise data centers, including governance, structures, physical and environmental security and change management processes	Reporting

Active Enterprise-wide Assurance Reviews FY 2025-26 Q2

Project		Name	UKIA Risk Components	General Objective	
Audit Service	Work Prioritization	Audit Number and Title	Top Three Risk Factors/Components	Engagement Purpose	Phase
Repetitive Audits (RA)	<ul style="list-style-type: none"> Information Systems: Data centers 	2026 RA04 College of Arts and Sciences Data Center	<ul style="list-style-type: none"> <i>Audit Interval:</i> Internal Audits <i>Control Environment I:</i> Operational <i>Control Environment II:</i> Data Centers 	Evaluate the adequacy of the data center's controls and safeguards related to governance, physical security, environmental controls, monitoring and backup/disaster recovery	Fieldwork
Follow-up Reviews	<ul style="list-style-type: none"> Follow-ups: Repetitive Audits Processes: Asset management 	2025 FR05 College of Nursing Asset Verification Follow-up	<ul style="list-style-type: none"> <i>Materiality:</i> Transaction volume <i>Control Environment I:</i> Operational <i>Management Requests</i> 	Evaluate remediation activities related to prior review regarding asset purchasing, recording, existence, valuation and disposal	Reporting

Active Enterprise-wide Assurance Reviews FY 2025-26 Q2

Audit Service	Information Source*	Audit Number	Concern Category
Inquiries/Investigations (INQ)	Direct Contact	2025 INQ03	Contract compliance
		2026 INQ12	Conflict of interest
	Comply Line	2026 INQ01	Asset misappropriation
		2026 INQ14	Conflict of interest
	Audit Activity	2026 INQ04	Conflict of interest
		2026 INQ05	Fraudulent vendor
		2026 INQ06	Compensation
		2026 INQ07	Asset misappropriation
		2026 INQ10	Conflict of interest
		2026 INQ11	Conflict of interest
		2026 INQ13	Asset misappropriation

*Information Sources are: (1) Direct Contact, (2) Comply Line, (3) UKIA's Website Contact Form or (4) Audit Activity

Active Data Analytics Reviews FY 2025-26 Q2

General Objectives

Employee Vendor Match

Review relationships between employee(s) and vendor(s) for compliance.

Software Application Approval

Review software purchases for adherence to UK Procurement Protocols (as of Dec. 4, 2023, all software and subscription licenses must be approved by ITS for appropriate evaluation).

Fictitious Employee

Review SAP/other records for indications of a fictitious employee — names on the payroll who do not provide agreed-upon services for the University.

Project	UKIA Risk Components	
Audit Name	Top Three Risk Components	Concern Category
2026 DA01 Employee Vendor Match	<ul style="list-style-type: none"> • <i>Public Exposure:</i> Current Affairs • <i>Control Environment Operational;</i> Event Identification 	Policy violations
		Missing documentation
		Potential asset misappropriation
		Conflicts of interest
2026 DA02 Supplemental Software Applications	<ul style="list-style-type: none"> • <i>Materiality:</i> <i>Transaction Volume;</i> <i>Transaction Complexity</i> • <i>Control Environment II:</i> <i>Information System (IS) Applications</i> 	Policy violations
		Misallocation
2026 DA03 Fictitious Employee Identification	<ul style="list-style-type: none"> • <i>External Factors:</i> <i>Federal Regulations</i> • <i>Control Environment I:</i> <i>Operational;</i> Event Identification 	Asset misappropriation

Active Consultative Reviews FY 2025-26 Q2

Project	Name	UKIA Risk Components	General Objective	
Audit Service	Audit Number and Title	Top Three Risk Factors/Components	Engagement Purpose (Agreed-upon procedures)	Phase
Consultations (CP)	2025 CP02 Food As Health Alliance	<ul style="list-style-type: none"> • <i>Control Environment I: Operational</i> • <i>Management Request</i> 	To ensure proper controls have been implemented to reduce financial risk and Health Alliance procedures are aligned with applicable federal and state laws as well as University regulations.	Reporting

Complete Enterprise-wide Assurance Reviews FY 2025-26 Q2

Project		Name	Results		
Audit Service	Work Prioritization	Audit Number and Title	Objectives	Risk Areas Identified	Final Distribution to Client
Comprehensive (CC)	<ul style="list-style-type: none"> Processes: Export Controls 	2024 CC01 Export Controls	Evaluate export control procedures for proper internal controls and compliance with federal, state and University policies and procedures.	Governance; training; technology control plan process; vendor vetting; international travel; shipping	Dec. 5, 2025
Repetitive Audits (RA)	<ul style="list-style-type: none"> Information Systems: Data Centers 	2025 RA08 MGCAFE Data Center	Assess the governance, physical security, environmental controls and backup/disaster recovery in the Martin-Gatton College of Agriculture, Food and Environment’s data center	Procedures; monitoring; incident response, backup and recovery readiness; environmental protections; physical security; configuration, patch and vulnerability management	Nov. 18, 2025
	<ul style="list-style-type: none"> Units: Student Financial Aid and Scholarships 	2026 RA05 Kentucky Specialty Plate Fund	Validate that the University is meeting statutory requirements for the Kentucky Specialty License Plate Program per KRS 186.164(14).	N/A	Oct. 13, 2025

Bold Date indicates that the report was distributed to the ACC.

Complete Enterprise-wide Assurance Reviews FY 2025-26 Q2

Project		Name	Results		
Audit Service	Work Prioritization	Audit Number and Title	Engagement Purpose	Risk Areas Identified	Final Distribution to Client
Follow-up Reviews (FR)	<ul style="list-style-type: none"> Follow-ups: Repetitive Audits Processes: Asset Management 	2025 FR06 Stanley and Karen Pigman College of Engineering Asset Verification Follow-up	Evaluate remediation activities related to prior review regarding asset purchasing, recording, existence, valuation and disposal	N/A Remediation score: 100%	Oct. 1, 2025
		2025 FR03 UK Libraries Asset Verification Follow-up		N/A Remediation score: 100%	Dec. 15, 2025
		2026 FR01 Division of Regulatory Services		Assets missing asset tags Remediation score: 89%	Oct. 9, 2025
		2026 FR03 College of Fine Arts Asset Verification Follow-up		Assets missing asset tags; art acquisition costs unknown Remediation score: 89%	Nov. 10, 2025
		2026 FR02 Department of Horticulture Asset Verification Follow-up		N/A Remediation score: 100%	Nov. 11, 2025

Bold Date indicates that the report was distributed to the ACC.

Complete Enterprise-wide Consultative Reviews FY 2025-26 Q2

Project		Name	Results	
Audit Service	Work Prioritization	Audit Number and Title	Engagement Purpose	Final Distribution to Client
Consultations (CP)	<ul style="list-style-type: none"> • Continuous: Consultations 	2025 CP01 JBBI Business Plan	Provide advisory support in the areas of asset protection and quality assurance, regulatory compliance, operational efficiency and strategic planning	Nov. 5, 2025

Bold Date indicates that the report was distributed to the ACC.

Complete Enterprise-wide Training and Outreach FY 2025-26 Q2

Project	Name	Results	
Audit Service	Type	Engagement Purpose	# of Events Held
Training	Lessons Learned	Share insights and trends noted from UKIA activity across the enterprise in a virtual setting to inform on policy, proper internal controls and risk mitigation steps	0
Outreach	Targeted meetings with unit management and leadership	Discuss insights and trends noted from UKIA activity to promote process improvements and policy clarity	2

Current Active **Enterprise-wide** Activities Summation

Audit Category1	Audit Service	Activity Purpose	Activity	
			Q1	Q2
Assurance	Comprehensive review	Verify financial reporting integrity, regulatory compliance and operational effectiveness	2	1
	IT reviews (standalone)	Independent IT reviews to verify information security	1	1
	Repetitive reviews	Provide reasonable assurance for high-risk areas	3	1
	Follow-up	Verify resolution	7	1
	Data analytics	Continuous evaluations of data	3	3
	Inquiries/Investigations	Evaluate improper activity and calculate associated losses	6	11
	Assessments	Evaluation of processes and technology to determine risk and inform our Work Prioritization Plan	0	0
Advisory	Consultations	Provide counsel and advice	2	1
	Outreach/Training	Sharing trends and insights from completed activity	7	2
Total			31	21

**FY 2025-26 Q2
HEALTH CARE SYSTEM
ACTIVITY**

Active Health Care System Assurance Reviews FY 2025-26 Q2

Project		Name	UKIA Risk Components	General Objective	
Audit Service	Work Prioritization	Audit Number and Title	Top Three Risk Factors/Components	Engagement Purpose	Phase
Comprehensive Reviews (MC for Medical Comprehensive)	<ul style="list-style-type: none"> • <i>Information Systems:</i> Enterprise applications • <i>Units:</i> UK HealthCare 	2025 MC01 HIPAA Right of Access	Customer Type Federal Regulations Operational	Evaluate information security and compliance with HIPAA regulations	Fieldwork
	<ul style="list-style-type: none"> • <i>Processes:</i> Drug diversion; Health care operations • <i>Units:</i> Ambulatory Clinics; Hospital Services 	2026 MC01 UKHC Drug Diversion	Program Visibility Federal Regulations Operational	Evaluate the effectiveness of the pharmacy drug diversion process	Fieldwork
		2026 MC02 UKKD Drug Diversion			Fieldwork
	<ul style="list-style-type: none"> • <i>Processes:</i> Medical revenue cycle management • <i>Units:</i> Hospital Services 	2026 MC03 UKHC Emergency Department Charge Capture	Sources of Revenue Transaction Volume Operational	Assess the Emergency Department charge capture process	Fieldwork
		2026 MC04 UKKD Emergency Department Charge Capture			Fieldwork
	<ul style="list-style-type: none"> • <i>Processes:</i> Contract Management; Labor and Compensation Compliance; Medical Revenue Cycle Management • <i>Units:</i> Ambulatory Clinics 	2026 MC05 Mobile Dental Facilities	Customer Type Sources of Revenue Internal Audits	Assess the effectiveness, efficiency and control structure of the Mobile Dental revenue cycle and supply chain operations	Fieldwork

Active Health Care System Assurance Reviews FY 2025-26 Q2

Project		Name	UKIA Risk Components	General Objective	
Audit Service	Work Prioritization	Audit Number and Title	Top Three Risk Components	Engagement Purpose	Phase
Repetitive Audits (RA)	<ul style="list-style-type: none"> <i>Process:</i> Non-exempt overtime compensation 	2026 RA06 UKKD Russell Urgent Care — Non-exempt Overtime compensation	Federal Regulations Internal Audits Operational	Review for compliance with Fair Labor Standards Act and Kentucky statutes, timekeeping accuracy and monitoring for breaks and lunches.	Fieldwork

Active Health Care System Assurance Reviews FY 2025-26 Q2

Project		Name	UKIA Risk Components	General Objective	
Audit Service	Work Prioritization	Audit Number and Title	Top Three Risk Components	Engagement Purpose	Phase
Follow-up Review (FR)	• <i>Follow-ups:</i> Repetitive audits	2025 FR01 College of Medicine Work Relative Value Units (wRVU)	<ul style="list-style-type: none"> • <i>External Factors:</i> Federal Regulations • <i>Control Environment I:</i> Operational, Event Identification 	Verify remediation activities related to the prior review and validation of Work Relative Value Unit (wRVU) calculation	Fieldwork
		2026 FR04 Sanders-Brown Center on Aging ProCard Follow-up	<ul style="list-style-type: none"> • <i>External Factors:</i> Industry Compliance • <i>Materiality:</i> Transaction Volume • <i>Control Environment I:</i> Operational 	Evaluate the implementation status of corrective actions identified during the initial ProCard audit	Fieldwork
		2026 FR06 Barnstable Brown Diabetes Center ProCard Follow-up			Fieldwork
		2026 FR08 Markey Cancer Center ProCard Follow-up			Fieldwork
		2026 FR10 Orthopaedic Surgery and Sports Medicine ProCard Follow-up			Fieldwork
		2026 FR14 Pharmacology ProCard Follow-up			Fieldwork
		2026 FR16 Behavioral Science ProCard Follow-up			Fieldwork

Active Health Care System Assurance Reviews FY 2025-26 Q2

Project		Name	UKIA Risk Components	General Objective	
Audit Service	Work Prioritization	Audit Number and Title	Top Three Risk Factors/Components	Engagement Purpose	Phase
Follow-up Review (FR)	<ul style="list-style-type: none"> Follow-ups: Repetitive audits 	2025 FR04 College of Pharmacy Asset Verification Follow-up	<ul style="list-style-type: none"> Control Environment I: Operational, Event Identification Management Requests 	Evaluate remediation activities related to prior review regarding asset purchasing, recording, existence, valuation and disposal	Reporting
		2026 FR05 Sanders-Brown Center on Aging Asset Verification Follow-up			Fieldwork
		2026 FR07 Barnstable Brown Diabetes Center Asset Verification Follow-up			Fieldwork
		2026 FR09 Markey Cancer Center Asset Verification Follow-up			Fieldwork
		2026 FR11 Orthopaedic Surgery and Sports Medicine Asset Verification Follow-up			Fieldwork
		2026 FR15 Pharmacology Asset Verification Follow-up			Fieldwork
		2026 FR17 Behavioral Science Asset Verification Follow-up			Fieldwork

Active Health Care System Assurance Reviews FY 2025-26 Q2

Audit Service	Information Source*	Audit Number	Concern Category
Inquiries/Investigations (INQ)	Direct Contact	2026 INQ03	Compensation; contract compliance
	Comply Line	2025 INQ08	Contract compliance, regulatory compliance
		2026 INQ02	Asset misappropriation
	UKIA Website Contact Form	2026 INQ15	Conflict of interest
	Audit Activity	2026 INQ08	Conflict of interest
		2026 INQ09	Conflict of interest

*Information Sources are: (1) Direct Contact, (2) Comply Line, (3) UKIA’s Website Contact Form or (4) Audit Activity

Active Health Care System Consultative Reviews FY 2025-26 Q2

Project	Name	UKIA Risk Components	General Objective	
Audit Service	Audit Number and Title	Top Three Risk Factors/Components	Engagement Purpose (Agreed-upon Procedures)	Phase
Consultations (CP)	2024 CP02 College of Dentistry Clinical Revenue	<ul style="list-style-type: none"> • <i>External Factors:</i> State Regulations • <i>Materiality:</i> Sources of Revenue • <i>Control Environment I:</i> Operational 	Provide advisory services to College of Dentistry clinical operations regarding the revenue cycle	Reporting
	2026 CP01 Family and Community Medicine	<ul style="list-style-type: none"> • <i>Public Exposure:</i> Program Visibility • <i>Audit Interval:</i> Internal Audits • <i>Management Requests</i> 	Review controls related to inventory of items for research participants	Fieldwork

Complete Health Care System Assurance Reviews FY 2025-26 Q2

Project		Name	Results		
Audit Service	Work Prioritization	Audit Number and Title	Engagement Purpose	Risk Areas Identified	Final Distribution to Client
Assessment (AS)	<ul style="list-style-type: none"> Processes: Health care revenue lifecycle Units: UK HealthCare Services Information Systems: Enterprise applications; governance 	2025 AS01 Revenue Cycle Assessment	Identify and document processes and potential risks in the UKHC centralized revenue cycle to establish health care work priorities	N/A	Nov. 3, 2025
Repetitive Audit (RA)	<ul style="list-style-type: none"> Process: Non-exempt Overtime Compensation 	2025 RA03 Internal Medicine Group — Non-exempt Overtime	Review for compliance with the Fair Labor Standards Act and Kentucky statutes for timekeeping and monitoring of breaks and lunches	Kronos Time rounding; backfilling work hour shortfalls with vacation/holiday leave without prior authorization; documentation of hours not worked; time editing; guidance for compensation during travel; missed rest periods	Oct. 6, 2025
		2026 RA01 Cockpit Telemetry		Kronos Time rounding; missed lunches; time editing; time and compensation monitoring	Nov. 18, 2025

Bold Date indicates that the report was distributed to the ACC.

Complete Health Care System Assurance Reviews FY 2025-26 Q2

Project		Name	Results		
Audit Service	Work Prioritization	Audit Number and Title	Engagement Purpose	Risk Areas Identified	Final Distribution to Client
Repetitive Audit (RA)	<ul style="list-style-type: none"> Process: Non-exempt Overtime Compensation 	2026 RA02 Chandler Hospital Microbiology Lab	Review for compliance with the Fair Labor Standards Act and Kentucky statutes for timekeeping and monitoring of breaks and lunches	Kronos Time rounding; backfilling work hour shortfalls with vacation/holiday leave without prior authorization; missed lunches; time editing; missed rest periods	Oct. 21, 2025
		2026 RA03 Chandler Hospital Lab Central Processing		Kronos time rounding; backfilling work hour shortfalls with vacation/holiday leave without prior authorization; missed lunches; time editing; unpaid working time; time and compensation monitoring	Oct. 21, 2025

Bold Date indicates that the report was distributed to the ACC.

Complete Health Care System Training and Outreach FY 2025-26 Q2

Project	Name	Results	
Audit Service	Type	Engagement Purpose	# of Events Held
Training	Lessons Learned	Share insights and trends noted from UKIA activity across the enterprise in a virtual setting to inform on policy, proper internal controls and risk mitigation steps	0
Outreach	Targeted meetings with unit management and leadership	Discuss insights and trends noted from UKIA activity to promote process improvements and policy clarity	2

FY 2025-26 Q2 HEALTH CARE ACTIVITY

Current Active Health Care System Activities Summation

Audit Category	Audit Service	Activity Purpose	Activity	
			Q1	Q2
Assurance	Comprehensive review	Verify financial reporting integrity, regulatory compliance and operational effectiveness.	5	6
	IT reviews (standalone)	Independent IT reviews to verify information security.	0	0
	Repetitive reviews	Provide reasonable assurance for high-risk areas.	5	1
	Follow-up	Verify resolution.	13	14
	Inquiries/Investigations	Evaluate improper activity and calculate associated losses.	2	6
	Assessments	Evaluation of processes and technology to determine risk and inform our Work Prioritization Plan.	1	0
Advisory	Consultations	Provide counsel and advice.	1	2
	Outreach/Training	Sharing trends and insights from completed activity.	1	2
Total			28	31

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.



AN EQUAL OPPORTUNITY UNIVERSITY