Audit and Compliance Committee Meeting
Harris Ballroom, Gatton Student Center
September 12, 2025

The Audit and Compliance Committee (ACC) met on September 12, 2025, in the Gatton Student Center, Harris Ballroom.

I.   Call to Order

Chair Claude "Skip" Berry III called the meeting to order at 8:30 a.m.

II.   Roll Call

The following members of the ACC were in attendance: Claude "Skip" Berry III, Janie Greer, Elizabeth McCoy, Hannah Miner Myers, Paula Pope and Hollie Swanson.

III.   Approval of Minutes – June 12, 2025

Chair Berry reported that the minutes of the June 12, 2025, meeting had been distributed. Trustee Greer motioned to approve the minutes, and Trustee Pope seconded. The motion carried without dissent.

IV.   Reports and Discussion Items

 A. UK Internal Audit Annual Report

Chair Berry introduced Chief Accountability Officer and Audit Executive Joe Reed and Deputy Accountability Officer and Executive Martin Anibaba to share UK Internal Audit's (UKIA) annual report for FY 2024-25. Mr. Reed began with UKIA's achievements.

In alignment with principles four (Ensuring Greater Trust, Transparency and Accountability) and five (Bringing Together Many People, One Community) of the University's strategic plan, UKIA collaborated with groups throughout the University and Kentucky to better mitigate risk. These efforts included hosting the 2025 Kentucky College and University Auditors Meeting, which featured presentations from Morehead State University's director of internal audits and UK's associate vice president and chief communications officer. UKIA also produced three editions of its *Lessons Learned* webinar, focusing on international travel, policy hierarchy and the worker status evaluation process. Additionally, Mr. Anibaba co-hosted a course at the College Business Management Institute with UK's executive director of finance and administration. Their course highlighted the benefits of developing University-wide training modules by sharing the lessons learned from UK's Finance and Administration Specialized Training program. Lastly, UKIA continued its work with numerous enterprise stakeholders on the Conflicts of Interest and Commitment program. Milestones included entering the final stages of development for the disclosure application and enterprise policy as well as establishing preliminary training requirements.

In support of the third principle (Inspiring Ingenuity) of the University's strategic plan,

Mr. Reed then highlighted how UKIA used technology to expand its risk mitigation efforts. UKIA developed two narrowly-scoped audit programs, one focused on artificial intelligence and another on business continuity planning, that will enable UKIA to share risk trends with University leadership. Similarly, UKIA expanded its data analytics program to include analytics related to software acquisition and fictitious employees — real or made-up people who are receiving a paycheck without providing a service to the University. These analytics will assist with risk trending and help identify exceptions that require further review by UKIA's investigations team.

Mr. Reed then detailed UKIA's work to support students, in alignment with principle one (Putting Students First) of the University's strategic plan. This included hiring two student interns to assist with investigations and data analytics as well as transitioning a former intern into full-time staff. UKIA's student programs provide students with hands-on professional experience while increasing the department's project bandwidth.

Echoing strategic plan principle two (Taking Care of Our People), Mr. Reed discussed how UKIA promotes a positive, collaborative workplace culture. UKIA awarded the 2024 Powers Jones Award to Staff Auditor Esther Rugerio. Her colleagues nominated her for her enthusiasm, care for others and ability to communicate with clients while handling multiple projects at once. The award, named in honor of UKIA's first department head, recognizes excellent performance, professionalism and ethics within the office. Additionally, UKIA implemented quarterly work-from-home days, meeting-free Fridays and flexible scheduling options to enhance work-life balance and improve productivity.

Mr. Anibaba then presented the performance measures section of UKIA's annual report. The Institute of Internal Auditors' *Global Internal Audit Standards* require internal audit departments to measure themselves against performance metrics to ensure they are working efficiently and effectively while providing value to their organizations.

UKIA's first metric, audit duration, measures the number of hours spent on each audit project compared to the hours budgeted for each project. In FY 2024-25, UKIA completed 19 audits, totaling 8,763 total audit hours, which was about 12 percent more than the total hours budgeted for these projects. This was a significant improvement over the previous year in which UKIA was 57 percent over budget. UKIA attributes this reduction to the implementation of meetings to ensure that the budget for each project aligns with its objectives and scope as well as monthly metrics meetings to identify and resolve project bottlenecks. The primary cause of the budget overage was comprehensive reviews, which UKIA will address by limiting the scopes of these audits to high-risk activities and budgeting for each objective individually.

Metric two is productivity, which measures the number of hours UKIA's audit staff and managers spent on productive and non-productive activities. Productive time includes work hours dedicated to audit projects and stakeholder outreach, while non-productive time includes strategic planning, hiring, general administrative activities and professional development. The audit staff reached 72.5 percent productive time, just short of their goal of 75 percent. Managers nearly achieved their goal of 65 percent, reaching 64.9 percent.

Metric three, audit coverage, assesses how many of UKIA's work priorities were addressed by at least one audit project completed during the fiscal year. UKIA's proposes its

work priorities to the ACC each year for approval and had 17 total priorities approved for FY 2024-25. UKIA covered 14 of these priorities with at least one project, achieving an audit coverage score of 82.4 percent, with concentrations in contract management (eight projects), procurement cards (six projects) and enterprise applications (six projects).

Audit coverage also includes any completed investigations that addressed one or more of UKIA's work priorities. UKIA completed five investigations, totaling 1,995 work hours. They focused on potential conflicts of interest, time theft, misappropriation and contract management.

Metric four, stakeholder outreach and partnerships, tracks the number of partnerships UKIA maintained and/or established during the fiscal year and the number of hours spent on stakeholder outreach. UKIA dedicated nearly 450 hours to outreach, which focused on communicating results to clients and sharing risk trends with leadership, process owners and other stakeholders across the University. In addition, UKIA reached its goal of two partnerships per quarter, totaling eight partnerships for the year. These included new partnerships with UK Human Resources, Information Technology Services and Institutional Research, Analytics and Decision Support to share critical information and ensure concerns are addressed appropriately.

Metric five is remediation, which assesses how well clients have resolved concerns noted in previous audits. UKIA calculates this metric by conducting follow-up reviews and scoring the client's remediation efforts. The average remediation score for FY 2024-25 was 89 percent, with individual unit scores ranging from 80 to 100 percent.

The sixth and final metric, client satisfaction, allows audit clients and Lessons Learned webinar attendees to rate various aspects of UKIA's performance on a scale of one to five. For the client satisfaction surveys, all personnel who had two or more interactions with UKIA staff throughout the audit process are surveyed. The survey's four categories are the audit staff's knowledge and professionalism, the degree to which the audit process minimized operational disruptions to the unit, the clarity and quality of the audit communications and the degree to which the audit addressed the unit's major concerns and provided workable recommendations. UKIA achieved an overall client satisfaction score of 3.7/5.0. The highest scoring individual categories were the audit staff's professionalism, their efforts to work with the client to minimize disruptions and the steps taken to minimize the impact of meetings and walkthroughs on daily operations, which each scored 4.2/5.0.

UKIA distributes a similar survey to its Lessons Learned clients, which asks them to rate their satisfaction with webinar content, the applicability of the content to their unit and their likelihood of attending future events. UKIA received an overall score of 4.2/5.0, and 97 percent of respondents said they were likely to attend future Lessons Learned.

Mr. Anibaba then detailed the final section of the annual report: UKIA's Accountability Office. Accountability services are continuous rather than cyclical or project-based and focus on strengthening compliance across the University while reducing reputational risk. The Accountability Office devoted 1,536 hours to four projects in FY 2024-25. The first project, international travel, validates whether individuals traveling internationally on behalf of the University complied with registration requirements. The second project, Willed Body Program,

assesses the documentation and security of anatomical donations. The third project, motor vehicle records, evaluates whether employees with driving responsibilities have proper documentation on file with the University. The final project, capital construction, assesses contract compliance and change order management related to capital construction projects.

Mr. Anibaba said that the results of these projects will be communicated to University leadership and the ACC once they reach the reporting stage. UKIA will also post the results to its website, but they will require a LinkBlue login to be accessed.

Trustee Swanson asked Mr. Anibaba about the degree to which UKIA is using generative artificial intelligence in its work. Mr. Anibaba stated that its use is currently limited due to data security concerns, but UKIA is working with the Center for Applied Artificial Intelligence to build a tool that is not publicly available. UKIA has also planned audits of artificial intelligence usage across the enterprise.

Chair Berry said UKIA has displayed adaptability through its development of assurance services related to artificial intelligence and the expansion of its data analytics programs.

Mr. Reed said that UKIA is proud to produce its Lessons Learned webinars and that they are possible due to UKIA's dynamic work priorities, which outline areas of focus for the year rather than specific projects to be completed.

B. UK Internal Audit Strategic Plan

Mr. Reed presented an update to UKIA's 2021 strategic plan, the development of which is now required per Standard 9.2 of the 2025 *Global Internal Audit Standards*. In revising the plan, UKIA had to consider federal and state regulations, higher education standards, the *Global Internal Audit Standards*, the University's strategic plan, University policies and regulations and UKIA's resource capabilities. The plan is divided into five principles, with 18 objectives between them.

Principle one is Advance UKIA's Mission and Values. Its objectives focus on professional development, knowledge sharing and co-sourcing external assistance when needed.

Principle two is Ensure Adherence to the Institute of Internal Auditors' Standards and Institutional Policies and Regulations. Its objectives focus on complying with the 2025 *Global Internal Audit Standards*, increasing departmental awareness of changes to federal, state and University regulations as well as knowledge of compliance risks and expanding accountability and consultation projects.

The third principle, Leverage Emerging Technologies, has objectives related to implementing technology detection tools, conducting a formal evaluation of artificial intelligence tools being used across the enterprise, further expanding UKIA's data analytics programs and communicating emerging technology risks to University leadership.

Principle four is Foster Strategic Collaboration and Resource Optimization. Its

objectives include developing new and maintaining existing partnerships, improving knowledge sharing with attendees of the annual Kentucky College and University Auditors Meeting and partnering with external entities and public Kentucky universities for potential revenue streams, grant opportunities and to collaborate on audit-related projects.

The final principle, Support Student Success, focuses on hiring and onboarding part-time student assistants and expanding UKIA's student internship and graduate assistant programs.

UKIA established an advisory committee of three self-nominated UKIA staff, which meets monthly with the Chief Accountability Officer and Audit Executive, to assist with oversight and execution of the strategic plan. The committee members are Staff Auditor J.D. Lovell, Senior Auditor Jason Turco and Senior Investigations Auditor Tiffany Welch.

The ACC had no questions for Mr. Reed.

   V.   Adjournment

With no further business to come before the Committee, Chair Berry adjourned the meeting at 9:08 a.m.

Respectfully Submitted,

Skylar Bensheimer
Editorial Assistant
UK Internal Audit