

Meeting Minutes of the Audit and Compliance Committee
University of Kentucky
Thursday, February 18, 2021

The Audit and Compliance Committee (ACC) of the University of Kentucky Board of Trustees met on Thursday, February 18, 2021, via Zoom Webinar.

I. Call to Order

Chair Claude “Skip” Berry III called the meeting to order at 1:02 p.m.

II. Roll Call

The following members of the ACC were in attendance: Claude “Skip” Berry III, Michael A. Christian, Kimberly Scott McCann, Elizabeth McCoy, Paula Leach Pope, Derrick K. Ramsey, Sandra R. Shuffett and Bryan Sunderland.

III. Approval of Minutes

Chair Berry reported that the minutes of the December 14, 2020 ACC meeting had been distributed. Trustee McCoy moved for approval of the minutes, and Trustee McCann seconded the motion. The minutes from the December 14, 2020 ACC meeting were approved as presented.

IV. Reports and Discussion Items

A. UKIA Fiscal Year 2020-21 Metrics for First and Second Quarters

Chair Berry introduced Joe Reed, chief accountability officer and audit executive, to discuss UK Internal Audit’s (UKIA) mid-year metrics. Mr. Reed began by describing UKIA’s seven metrics, which are (1) audit duration, (2) productivity, (3) audit coverage, (4) contacts, (5) partnerships, (6) remediation and (7) survey results. Mr. Reed then provided a breakdown of UKIA’s **audit duration** as of December 31, 2020, stating that while there were 4,040 hours budgeted for completed projects, 5,596 total hours were expended on these completed projects. He then reminded the ACC that certain types of audits could not be conducted due to the COVID-19 environment. Mr. Reed explained that most of the time spent is on planning, with fieldwork and reporting being a much smaller amount.

The next metric is **productivity**, which is different for the professional audit staff and managers. As of December 31, 2020, the audit staff had a productivity rate of 80.37 percent against a goal of 75 percent, while the managers had a rate of 79.62 percent against a goal of 60 percent. Mr. Reed then explained that **audit coverage** at the mid-year mark was on target, meeting expectations. The number of **contacts** made was 12 against a goal of 48 per year, and UKIA had already met its **partnerships** goal of six per year. The **remediation** could not be calculated since it is based on follow-up reviews, which were not conducted due to the COVID-19 environment. Finally, client satisfaction **survey results** were at 4.30 out of 5.0 for audit client satisfaction. Training was not

conducted due to the COVID-19 environment and has been subsequently converted to web-based trainings in Human Resources Training and Development.

B. Quality Assessment Review Results and Remediation Strategies

Chair Berry introduced Martin Anibaba, audit director, to share the results of UKIA's quality assessment review (QAR). Mr. Anibaba began by describing the objective of the review which was to assess UKIA's conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, evaluate UKIA's assurance and advisory services to the ACC and identify areas for improvement. UKIA received the grade of "Generally Conforms" across all main categories, the highest grade awarded. However, areas noted that need improvement were in the requirements of the QAR, reporting on the quality assurance and improvement program, along with internal assessments. He then quoted feedback from UKIA's stakeholders. Such feedback included comments like "UKIA is a business partner – focused on value rather than 'gotcha'," and "UKIA is an organization that is always trying to get better – they are committed to continuous improvement."

C. Comply Line Report

Mr. Reed then reviewed the comply line report for the first half of the Fiscal Year. The comply line is an anonymous reporting tool that faculty, staff, students and the general public can use to report suspected improper activity. The entities that have access to that information are Human Resources, the Office of Corporate Compliance, the Office of Legal Counsel and UKIA. There have been 157 total submissions through the comply line to date, of which 70 were anonymous, eight were students, seven were patients and 72 were employees.

Mr. Reed then explained that these calls are categorized as **reportable**, meaning they provide information regarding a possible violation; **duplicate**, which includes follow-up calls to check on the status or provide additional information to a previous call; or **informational**, which is when the caller asks for or provides information not related to a concern. Mr. Reed then compared the usage for the first six months of each Fiscal Year since FY 2017-18 during which time the calls have grown from 80 to 157 in FY 2020-21.

V. New Business Items

A. Fiscal Year 2020-21 Audit Engagement Letter

Chair Berry then introduced Penny Cox, treasurer, to discuss the FY 2020-21 audit engagement letter. Ms. Cox asked for the Board to authorize the engagement with Baird, Kurtz and Dobson for an audit of the university's basic financial statements and shared that the cost is \$435,000 for the engagement. Chair Berry then introduced ACC 1 – Execute Fiscal Year 2020-21 Audit Engagement Letter to be voted on. The motion was made by Trustee McCoy and seconded by Trustee McCann. The motion carried.

B. Proposed Audit and Compliance Committee Charter Revisions

Mr. Reed then presented for approval changes to the ACC charter to be effective February 18, 2021. He explained that the proposed revisions take into account UKIA's expanded accountability role across the university and includes provisions for a review of this Charter and UK Internal Audit's Charter, Internal Audit's resources, performance and overall compliance with the International Standards of the Professional Practice of Internal Auditing, the core principles of the International Professional Practices Framework (IPPF).

Chair Berry then introduced ACC 2 – Proposed Audit and Compliance Committee Charter Revisions to be voted on. The motion was made by Trustee Ramsey and seconded by Trustee McCann. The motion carried.

C. Proposed UK Internal Audit Charter Revisions

Mr. Reed then presented for approval proposed revisions to UKIA's charter to be effective February 18, 2021. He noted that the proposed revisions take into account UKIA's expanded accountability role across the university and include updated audit report distribution procedures and the addition of periodic self-assessments to enhance UKIA's Quality Assurance and Improvement Program.

Chair Berry then introduced ACC 3 – Proposed UK Internal Audit Charter Revisions to be voted on. The motion was made by Trustee Shuffett and seconded by Trustee Ramsey. The motion carried.

VI. Adjournment

With no further business to come before the Committee, Chair Berry asked for a motion to adjourn. The motion was made by Trustee McCann and seconded by Trustee Sunderland. The motion carried, and the meeting was adjourned at 1:50 p.m.

Respectfully Submitted,

Alan Wood
Assistant Editor
UK Internal Audit