

MINUTES OF THE MEETING OF THE
AUDIT, COMPLIANCE, AND RISK COMMITTEE OF THE
BOARD OF DIRECTORS OF THE UofL RESEARCH FOUNDATION, INC., AND THE
BOARD OF TRUSTEES OF THE UNIVERSITY OF LOUISVILLE

June 27, 2024

In Open Session

Members of the Audit, Compliance, and Risk Committee of the UofL Research Foundation, Inc., Board of Directors and the UofL Board of Trustees met in the Jefferson Room, Grawemeyer Hall, Belknap Campus, on June 27, 2024 at 2:08 p.m., with members present and absent as follows:

Present: Ms. Diane Medley, Chair
Mr. Larry Hayes
Ms. Kevin Ledford

Absent: Mr. Al Cornish

Other Trustees

Present: Mr. Jerry Abramson
Dr. Larry Benz
Dr. Raymond Burse
Mr. Chris Dischinger
Ms. Katie Hayden
Mr. Brian Lavin
Dr. Eugene Mueller
Ms. Diane Porter
Ms. Sherrill Zimmerman

From the
University: Dr. Kim Schatzel, President
Dr. Gerry Bradley, Executive Vice President and University Provost
Dr. Jeffrey Bumpous, Interim Executive Vice President for Health Affairs
Dr. Jon Klein, Interim Executive Vice President for Research and Innovation
Mr. Charlie Perusse, Interim Executive VP for Finance & Administration
Ms. Kim Butterweck, Interim Vice President for Communications and Marketing
Mr. Douglas Craddock, Vice President for Community Engagement
Ms. Angela Curry, General Counsel and Vice President for Legal Affairs
Mr. Lee Gill, Vice President for Institutional Equity
Mr. Josh Heird, Vice President for Athletics and Athletic Directors
Ms. Jill Mullaney, Interim Vice President for Finance and Budget
Ms. Sandy Russell, Vice President for Risk, Audit, and Compliance
Ms. Michelle Comer, Assistant Vice President for Finance, Controller/Treasurer
Dr. Angela Taylor, Associate Vice President for Student Affairs
Dr. Gail DePuy, Senior Vice Provost

Mr. Jim Begany, Vice Provost for Strategic Enrollment Management
Dr. Cherie Dawson-Edwards, Vice Provost for Faculty Affairs
Dr. David Schultz, Vice Provost for Finance and Strategic Initiatives
Mr. John Karman, Executive Director of Communications
Ms. Julia Collins, Director of Budget and Financial Planning
Mr. Nathan Hedges, Policy and Budget Analyst
Mr. Nick Peak, Policy and Budget Analyst
Mr. Chris Wooton, Director of Internal Communications
Mr. Dan Durbin, Special Assistant to the President
Dr. Karen Cardarelli, Dean, School of Public Health and Information Sciences
Ms. Allie Rose Phillips, Incoming Student Government Association President
Mr. Jerry Johnson, Chief of Staff to the EVPFA
Ms. Amanda LeDuke, Chief of Staff, VP for Philanthropy & Alumni Engagement
Ms. Sarah Lopez, Chief of Staff to the Provost
Mr. Derek Hottell, Assistant Director for Accreditation and Academic Programs
Ms. Tammy Green, Coordinator in the Office of the EVP and University Provost
Lt. Col. Jessie Murnock, Senior Director of Presidential Operations
Ms. Kaelah McMonigle, Executive Assistant to the VP for Legal Affairs
Mr. Jake Beamer, Dir. of Governance & Strategic Initiatives & Asst. Secretary

Others: Ms. Claire Esten, Grant Thornton, LLP
Mr. Greg Pajon, Grant Thornton, LLP
Mr. Dennis Morrone, Grant Thornton, LLP

I. Call to Order

Chair Medley called the roll and having determined a quorum present, called the meeting to order at 1:00 p.m.

Approval of Minutes, 10-25-2023

Mr. Ledford made a motion, which Mr. Hayes seconded, to approve the minutes of the October 25, 2023, meeting.

The motion passed.

II. Information Item: FY24 Grant Thornton Presentation

Vice President Russell introduced the representatives from Grant Thornton, the university's new external auditing firm.

Using the **attached** presentation, Ms. Esten and Messrs. Pajone and Morrone discussed with trustees their firm's deliverables and audit scope.

Chair Medley thanked the representatives for their presentation.

III. Report of the Vice President for Risk, Audit, and Compliance

Vice President Russell briefed the committee on current, deferred, cancelled, and in-process audits, consulting projects, internal projects, and investigations using the **attached** presentation.

After the VP discussed sports wagering education and rules education sessions for Athletics, she fielded questions from committee members.

Chair Medley thanked Ms. Russell for her report.

IV. Adjournment

Having no other business to come before the committee, Mr. Ledford made a motion, which Mr. Hayes seconded, to adjourn.

The motion passed and the meeting adjourned at 2:28 p.m.

Approved by:

 ⁿSignature on file
Assistant Secretary



2024 Annual Audit Presentation

University of Louisville

June 27, 2024

PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

This communication is intended solely for the information and use of management and the Audit Committee of University of Louisville and is not intended to be and should not be used by anyone other than these specified parties.

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With you today

Claire Esten
Partner
Not-for-Profit & Higher
Education Practices

Claire.Esten@us.gt.com
(508) 926-2481

Greg Pajon
Senior Manager
Not-for-Profit & Higher
Education Practices

Greg.Pajon@us.gt.com
(312) 754-7355

Dennis Morrone
National Managing
Partner, Not-for-Profit
Practice

Dennis.Morrone@us.gt.com
(732) 516-5582



Deliverables and other communications

University of Louisville

- Report on examination of consolidated financial statements
- Report on compliance with provisions of House Bill 622
- Report on Lease Law Compliance
- Single Audit Report and Schedule of Expenditures of Federal Awards

University of Louisville Athletic Association, Inc.

- Report on examination of financial statements
- Report on compliance with NCAA requirements relating to activities of revenues and expenses, as updated by NCAA amendments

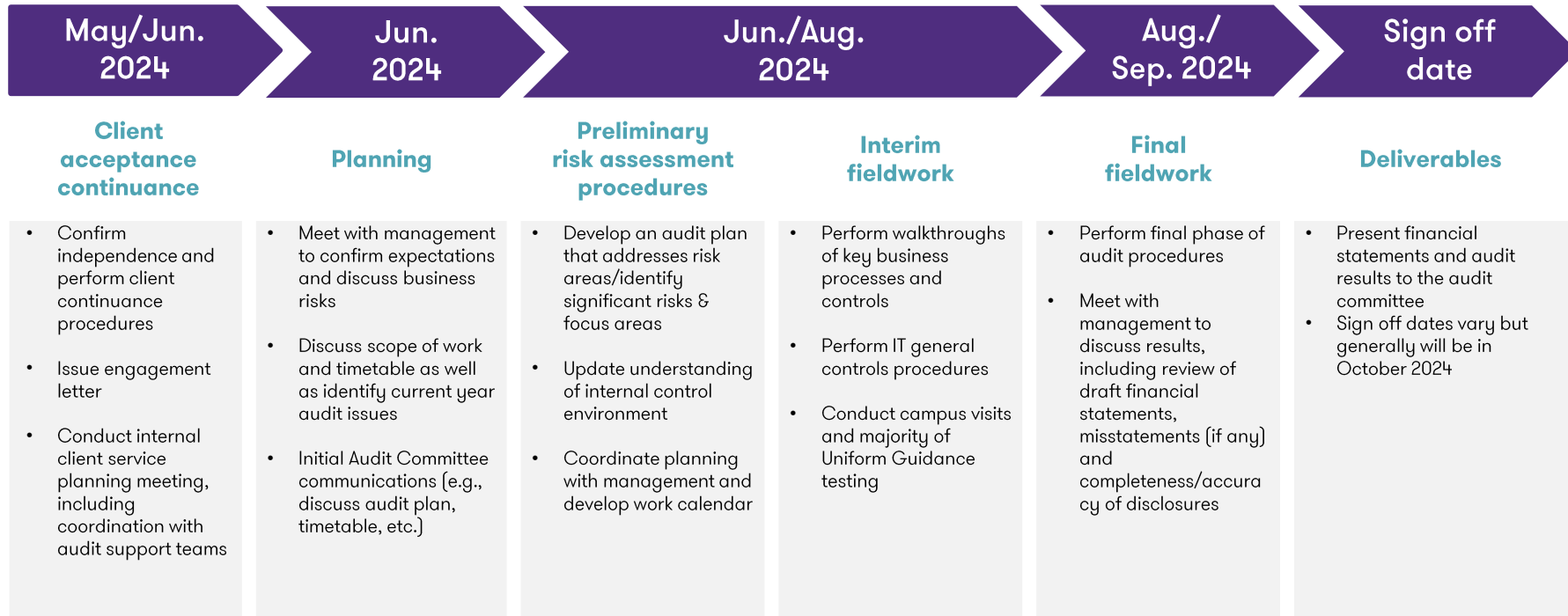
University of Louisville Research Foundation

- Report on examination of financial statements

Refer to the appendix provided separately for the following required and informational communications:

- 1) Higher education industry trends
- 2) Ethicspoint
- 3) GT Thought leadership

Audit timeline & scope



Significant risks

The following provides an overview of significant risks based on our risk assessments

Significant risk area	Planned procedures
<p>Management override of internal controls Presumed fraud risk and therefore significant risk in all audits.</p>	<ul style="list-style-type: none">• Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.• Assess the ability of the University to segregate duties in its financial reporting, information technology, and at the activity-level.• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.• Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries.



Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Planned procedures
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	<ul style="list-style-type: none"> • Perform reasonableness test on tuition and fees, student aid and auxiliary revenue amounts. • Perform detailed testing of a sample of transactions, agreeing to source documentation • Perform deferred revenue testing to determine proper cut-off. • Gain understanding of the allowance methodology and, policy governing additional charges or other steps taken (e.g., cannot register, cannot attend commencement) for lack of payment of student account. • Assess management's analysis of allowances for doubtful accounts for reasonableness, consistency with methodology and accuracy of inputs.
Bonds and loans payable	<ul style="list-style-type: none"> • Confirms outstanding debt balances • Review contracts, agreements, and amendments for appropriate treatment and classification between long term and short term
Contribution revenue and receivables	<ul style="list-style-type: none"> • Review significant contribution agreements and assess propriety of revenue recognition, including net asset classification and donor-imposed restrictions/conditions. • Perform cut-off procedures surrounding contribution revenue recognition. • Assess the reasonableness of the allowance for doubtful accounts and discount rate and other assumptions used. • Review respective disclosures, including net asset composition and releases from restrictions.

Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Planned procedures
Valuation of investments	<ul style="list-style-type: none">• Obtain independent investment valuation and monitoring reports from investment managers.• Confirm existence of investment holdings directly with custodians.• Test reasonableness of investment-related income, including unrealized appreciation/(depreciation) in fair values.• Understand, document and test the University's pre- and post- alternative investment monitoring procedures and selection process.• Obtain fiscal 2024 roll-forwards for each of the University's significant non-marketable alternative investment positions. Test a sample of capital additions, withdrawals, fees and income.• Obtain most recent independent auditors' reports for all non-marketable alternative investment positions. Review auditors' reports to assess quality of financial reporting and type of opinion received.• Obtain SSAE16 reports from investment custodians.• Evaluate prioritization of inputs used to determine fair value investment assets is reasonable and review related disclosures.

Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Planned procedures
Net asset classifications and related disclosures (including endowments)	<ul style="list-style-type: none">Recalculate the net asset proof
Operating Expenses/Accounts Payable/Accrued Expenses	<ul style="list-style-type: none">Review payments issued subsequent to year-end to verify proper inclusion or exclusion from accounts payable and accrued expensesPerform analytical testing using drivers based upon our knowledge of operations
State Appropriations	<ul style="list-style-type: none">Obtain detail of appropriations received from the state.Confirm amounts with the state, agree to revenue recorded in the general ledger.Review receivable balance, reconcile the cash received to amounts outstanding based on confirmation(s).
Accrued postretirement benefit obligations	<ul style="list-style-type: none">Review the analysis of accrued postretirement benefit obligations.Assess the reasonableness of actuarial assumptions: discount factor, trend rates and cash flows, amongst others.Test participant census data.

Areas of audit focus- ULRF and ULAA

The following provides an overview of the areas of significant audit focus based on our risk assessments related to University of Louisville Research Foundation and Atholetic Association.

Areas of focus	Planned procedures
Grant revenue and related receivables/deferred revenue	<ul style="list-style-type: none">• Obtain and document an understanding of controls surrounding the grants and sponsored activities processes.• Inspect a sample of significant grants recognized as revenue by the University, including a review of grant agreements and other relevant supporting documentation.• Ensure that the University has properly classified such grants and that revenue recognition is appropriate.• Ensure grant revenue disclosures are complete and accurate.
Inventory	<ul style="list-style-type: none">• Observe physical count of inventory held at year end• Test value of inventory on a sample basis
Athletics revenue	<ul style="list-style-type: none">• Obtain and document an understanding of controls surrounding the athletics revenue processes.• Inspect a sample of ticket sales and other revenues recognized as revenue by the University, including a review of contracts/agreements and other relevant supporting documentation.
Capital assets	<ul style="list-style-type: none">• Test significant additions to capital assets, including CIP, on a sample basis• Test depreciation expense• Assess disclosures
Clinical revenue	<ul style="list-style-type: none">• Obtain and document an understanding of controls surrounding the clinical activities processes.• Inspect a sample of revenue associated with contracts and other relevant supporting documentation.

Areas of audit focus

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Planned procedures
Accounting estimates	The preparation of the University's financial statements requires management to make multiple estimates and assumptions that affect the reported amounts of assets and liabilities as well as the amounts presented in certain required disclosures in the notes to those financial statements. The most significant estimates relate to the valuation of investments, allocation of functional expenses, and the determination of post-retirement benefit obligations, amongst others. Our procedures have been designed in part, to review these estimates and evaluate their reasonableness.
Financial statement disclosures	Our procedures will also include an assessment as to the adequacy of the University's financial statement disclosures to ensure they are complete, accurate and appropriately describe the significant accounting policies employed in the preparation of the financial statements and provide a detail of all significant commitments, estimates and concentrations of risk, amongst other relevant disclosures required by US GAAP.

Technology support as part of the audit process



An important component of our audit approach is to understand how IT is used and deployed in supporting business operations and producing financial reports. Our technology specialists place particular emphasis on the risks relating to the use of technology and its associated controls, processes and practices. Our general controls review evaluates the design of controls that mitigate risk in areas such as organization and operations, protection of physical assets, application systems development and maintenance, access controls and computer operations.

In scope applications for the University are PeopleSoft and Student Financial Aid system.



Area of focus: Single Audit

The following provides an overview of the major programs to be tested this year; it has been determined based on preliminary discussions with management. This is subject to change after a final schedule of federal awards is provided.

Major program(s)	2024	2023	2022
Student financial aid		X	
R&D	X		X



Area of focus for Single Audit (continued)

Area of focus	Planned procedures
Compliance with Uniform Guidance	<ul style="list-style-type: none">• Perform compliance and controls procedures in accordance with the Uniform Guidance Requirements, including:• Planning, identification of major federal program(s) and risk assessment.• Review the respective federal compliance supplements and, as applicable, the specific grant/award agreements and assess and document the applicable compliance requirements.• Document/update internal controls over compliance for each of the respective major federal program(s) or cluster(s).• Test compliance and internal controls over compliance for each direct and material compliance requirement over each major federal program.<ul style="list-style-type: none">• There are 12 compliance requirements for each major program. Of these, typically 6-8 have been direct and material to each major program or cluster.• Test the reconciliation of the schedule of expenditures of federal awards to the respective amounts included within the financial statements.• Communicate compliance/control findings, if any, to management and TCWG.• Address resolution of communicated compliance/control findings and understand management's response to be included in the corrective action plan.• Assess completeness of disclosures related to the federal schedule of expenditures.• Prepare the appropriate sections of the federal Data Collection Form submitted to the Federal Audit Clearinghouse.

Auditor independence

Our firm maintains a robust quality control system supported by comprehensive policies and procedures that meets or exceeds regulatory requirements. Our system enables us to evaluate and maintain our independence and serve audit clients with requisite integrity, objectivity, and independence. As you exercise your oversight responsibilities, you should understand the more significant aspects of this system:

Accumulating and communicating relevant information, including a restricted-entity list and use of a tracking system to monitor the financial interests of our worldwide personnel

.....

Obtaining annual written confirmations of compliance from personnel and member firms

.....

Monitoring individual compliance, including periodic audits and disciplinary mechanisms

.....

Conducting a domestic or international relationship check through a robust Relationship Checking System

.....

Evaluating relationships and circumstances that create threats to independence, including relationships identified through a domestic or international check

Monitoring independence for new opportunities

Only permitted nonaudit services or business relationships are cleared, and such services or relationships are monitored for scope creep. As necessary, our firm applies appropriate safeguards to eliminate or mitigate independence threat(s) to an acceptable level. As necessary, or as required by a regulator, the engagement partner will discuss with management and/or the audit committee any potential independence threats or where additional input is needed in relation to our firm's independence evaluation.



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Risk, Audit, and Compliance Update

July 1, 2023, through May 15, 2024

Audit Services

These audits and consulting projects evaluated risk exposures, control processes, and compliance with laws, regulations, policies, procedures, and contracts.

Audits, Consulting, Investigations Included:

- Workday HCM and Financial system implementation
- Research
- Human Subject Research
- ITS

Audit Services received complete cooperation from all Administration, Faculty, and Staff in the performance of its duties.

Audits

Completed: 4

Deferred: 2

Cancelled: 2

In Process: 8*

Consulting Projects

2

Internal Projects

2

Investigations

Completed: 17

In Process: 8*

* Includes projects with reports in draft status

University Integrity and Compliance

Complaints: 122

Closed: 87

Open: 35

Notification Method

Hotline: 71

Other: 51

Findings

Unsubstantiated: 25

Partially substantiated: 10

Substantiated: 13

Other: 39

Trends

- Conflicts of interest matters
- Employee behavior related to standards of conduct
- Fiscal misconduct/financial matters
- Recruitment and hiring practices
- UL Health matters

Privacy Office

2024 HIPAA training for the University's health care component kicked off in April and will conclude in August.

The Privacy Office evaluated privacy concerns, conducted contract negotiations, and reviewed requests for erasure and requests for research reviews.

Privacy Concerns, Contracts, Requests: **312**

- **59** involved potential unauthorized use or disclosure of protected health information
- **8** were HIPAA breaches that required notification to the patients and reports to the U.S. Office for Civil Rights

Information Security Compliance Office

Events/Investigations: **35**

- Reportable: **12***
- Reportable under KY PI and HIPAA: **7**
- Reportable under KY PI, FERPA, DoEd: **3**
- Reportable under KY PI: **2**

Compliance Investigations: **11**

*Reportable events included misdirected emails and multiple 3rd party incidents.

Evaluated and provided guidance, consulting, contract reviews and/or vendor risk reviews: Total: **323**

GLBA assessment enhancements:

- 2-factor authentication for CS
- 24/7 security operations monitoring
- Program updated and published

Athletic Compliance

Sports Wagering Education

- Partnered with Epic Risk Management to provide preventative based gambling education to all student-athletes and athletic staff in September 2023.
- Prioritized sports wagering education throughout the 23-24 academic year in response to the legalization of sports wagering in Kentucky.

Rules Education Sessions

- Completed over 75 in-person rules education meetings with coaches, student-athletes, campus partners and community members.
- Supplemented in-person education with weekly education to coaches and staff through various communication methods including text messaging, e-mail, and online rules education quizzes.

Conflict of Interest and Commitment*

- Disclosure Forms Collected: **6893**
- Individuals with Disclosures: **1048**
- Management Plans in Effect: **17**
- Awareness Letters Issued: **404**

Development of additional monitoring tools to support compliance with institutional disclosure requirements is underway.

Enterprise Risk and Insurance

Youth Protection Program

- In Person Projects/Camps: **93**
- Authorized Adult Background Checks: **70**

Motor Vehicle Record Checks: **318**

Claims Closed

- Property: **44**
- Liability: **5**
- Bodily Injury: **2**
- Auto: **25**
- Crime (employee theft): **0**
- Workers' Compensation: **125**

Implemented the Risk and Compliance Advisory Committee and completing the first Risk Assessment to establish a Risk Registry



Questions?