

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 23, 2022

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, at 1:00 p.m., with members present and absent as follows:

Present:       Mr. James Rogers, Chair  
                  Dr. Larry Benz  
                  Mr. Al Cornish  
                  Ms. Mary Nixon

Other Trustees

Present:       Mr. Jerry Abramson  
                  Mr. Scott Brinkman  
                  Dr. Raymond Burse  
                  Ms. Diane Medley  
                  Ms. Ugonna Okorie  
                  Ms. Diane Porter  
                  Dr. David Schultz  
                  Mr. John Smith  
                  Ms. Sherrill Zimmerman

From the

University:   Dr. Lori Gonzalez, Interim Vice President and University Provost  
                  Dr. Gerry Bradley, Interim Provost  
                  Dr. Gail DePuy, Interim Senior Vice Provost  
                  Mr. Dan Durbin, Executive Vice President for Finance and Administration  
                  Ms. Angela Curry, General Counsel and Vice President for Legal Affairs  
                  Ms. Sandy Russell, Vice President for Risk, Audit, and Compliance  
                  Ms. Mary Elizabeth Miles, Vice President for Human Resources  
                  Mr. Josh Heird, Athletic Director and Vice President for Athletics  
                  Mr. Rehan Khan, Vice President for Information Technology Services  
                  Dr. Toni Ganzel, Vice President for Academic Medical Affairs  
                  Dr. Douglas Craddock, Interim Vice President for Community Engagement  
                  Ms. Mariana Barzun, Co-Interim Vice President for University Advancement  
                  Ms. Julie Dials, Co-Interim Vice President for University Advancement  
                  Mr. John Drees, Sr. Assoc. Vice President for Communications & Marketing  
                  Mr. Rick Graycarek, Assistant Vice President for Budget and Finance  
                  Ms. Brigid Gies, Associate Vice President for University Counsel

Dr. Amy Lingo, Dean of the College of Education and Human Development  
Dr. Cherie Dawson-Edwards, Vice Provost for Faculty Affairs  
Ms. Kitty De Voogd, Director of Faculty Affairs  
Ms. Erica Gabbard, Project Director in the Center of Engaged Learning  
Mr. John Karman, Executive Director of Communications  
Ms. Beverly Santamouris, Treasurer  
Ms. Sarah Lopez, Deputy Chief of Staff, Provost's Office  
Mr. Chris Wooton, Director of Internal Communications  
Ms. Kim Adams, Chief Information Security Officer  
Ms. Jennifer Mudd, Director of Integrity and Compliance  
Ms. Stacie McCutcheon, Privacy Officer  
Ms. Cheri Jones, Director of Audit Services  
Ms. Leslie Harper, Coordinator in Academic Planning & Accountability  
Mr. Matt Banker, Associate Athletic Director for Compliance  
Mr. Zack McKay, Director of NIL Services and Engagement  
Ms. Becky Patterson, Executive Director of Institutional Research  
Ms. Julia Collins, Associate Director for Budget and Planning  
Ms. Jill Mullaney, Senior Associate Director of Budget and Financial Planning  
Ms. Jennifer Novak, Senior Associate Director of Budget and Financial Planning  
Ms. Denitra Booker, Policy and Budget Analyst  
Mr. Karim Elsayed, Policy and Budget Analyst  
Mr. Nathan Hedges, Policy and Budget Analyst  
Mr. Nick Peak, Policy and Budget Analyst  
Dr. Faisal Aqlan, Associate Professor of Industrial Engineering, Speed School  
Mr. Neil Gibbs, Data Analyst, Enrollment Management and Student Success  
Ms. Prindle Gayle Hinton, Senior Compliance Specialist, Risk and Compliance  
Mr. Jake Beamer, Dir. of Governance & Strategic Initiatives & Asst. Secretary

From the UofL

Foundation: Mr. Keith Sherman, Executive Director

Others: Mr. Ethan Lay, Clifton Larson Allen  
Mr. Chris Suda, Clifton Larson Allen

## I. Call to Order

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

### Approval of Minutes, 3-17-2022

Dr. Benz made a motion, which Ms. Nixon seconded, to approve the minutes of the March 17, 2022, meeting.

The motion passed.

II. Information Item: FY23 Independent External Audit Plan

Mr. Suda briefed the committee on the external audit plan using the **attached** presentation. He discussed with committee members the FY 2023 audit engagement scope and deliverables, methodologies, risk assessment, timeline, accounting standards updates, and audit report changes that are different from the previous year.

Mr. Lay then fielded questions from trustees. No action was taken.

III. Action Item: Approval of FY23 Proposed Internal Audit Plan

Vice President Russell discussed the proposed internal audit plan for the university during FY23. The planned audits, consultations, and other projects include:

- Workday Post Implementation
- Athletics Ticket Office
- Distance Education
- Clinical Trials Unit
- Conflicts of Interest
- Sponsored Programs Financial Administration
- Information Technology
- Workday HCM Implementation

VP Russell then fielded questions from trustees.

Ms. Nixon made a motion, which Dr. Benz seconded to approve the

**President's recommendation that the Board of Trustees approve the Audit Services project plan for 2022-2023, as attached.**

The motion passed.

IV. Report of the Vice President for Risk, Audit, & Compliance

Vice President Russell, using the **attached** presentation, reported on activities as they relate to the Risk, Audit, and Compliance unit. She also provided that annual audit services report, a summary of activities from July 1, 2021, through May 20, 2022, noting that Audit Services received full cooperation from all administration, staff, and faculty.

Athletic compliance monitoring continues to include Name Image Likeness (NIL) policies and rules education to new members of the Men's Basketball staff. Additionally, compliance staff will be housed in Football and Men's and Women's Basketball facilities and rotate on a monthly basis to all sport facilities.

Ms. Russell then introduced Mr. Banker, who introduced the new director of the NIL

Services and Engagement department housed in Athletics, Zack McKay. Using the **attached** presentation, they provided a review of the first-year activities of NIL at UofL.

Ms. Russell and Messrs. Banker and McKay then fielded questions from the committee.

No action was taken.

V. Adjournment

Having no other business to come before the committee, Dr. Benz made a motion, which Ms. Nixon seconded, to adjourn.

The motion passed and the meeting adjourned at 1:51 p.m.

Approved by:

  
\_\_\_\_\_  
Assistant Secretary



# University of Louisville

Fiscal Year Ended June 30, 2022

Independent External Audit Services  
Plan

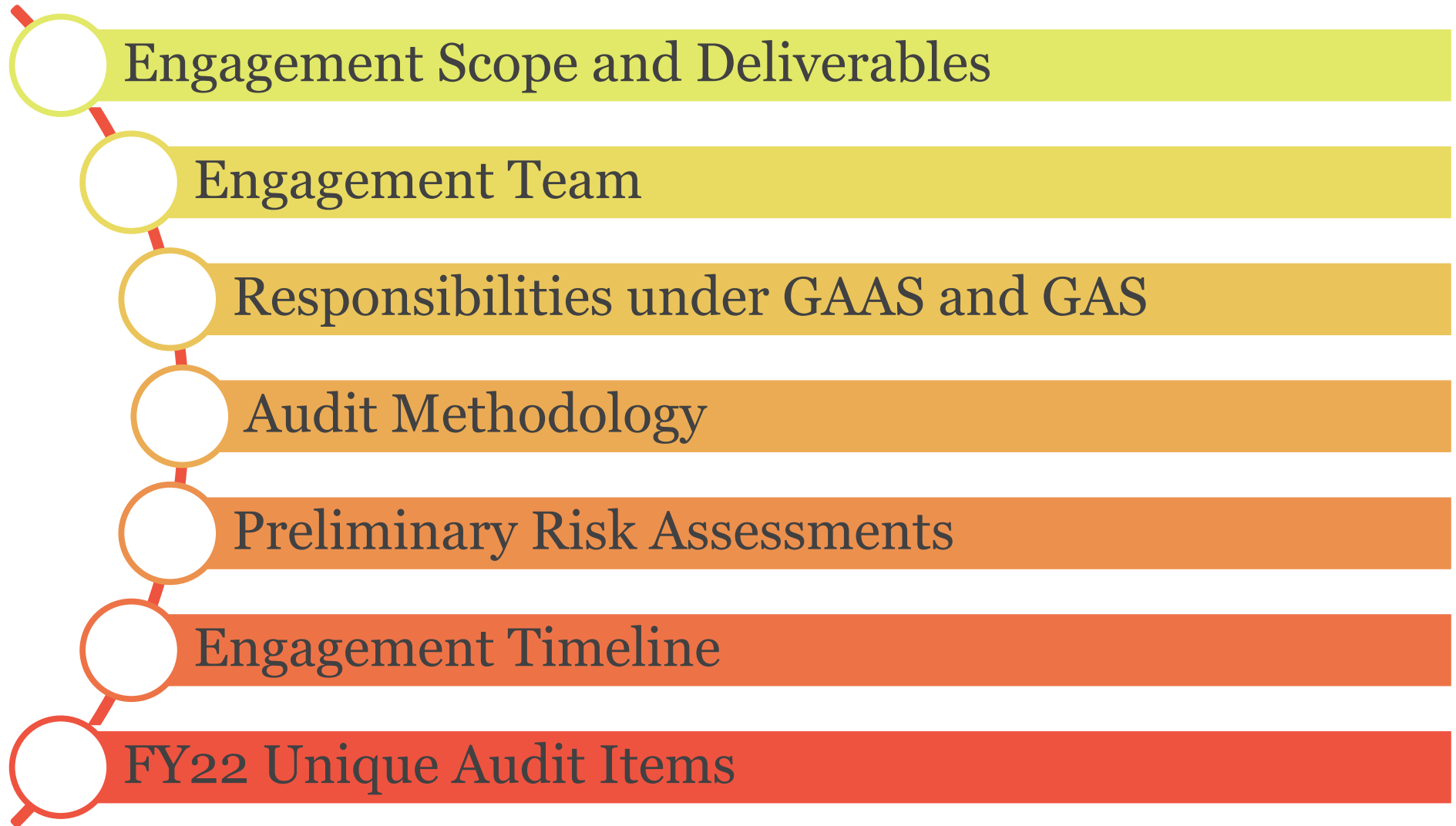
Presentation to the Audit Committee  
June 23, 2022

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# Agenda



# Engagement Scope and Deliverables

Independent auditors' reports on the financial statements of University of Louisville

Independent auditors' reports on the financial statements of - University of Louisville Athletic Association, Inc.

Independent auditors' reports on the financial statements of University of Louisville Research Foundation, Inc.

Independent Auditors' Reports on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Yellow Book Report)

Uniform Guidance Single Audit reports on expenditures of federal awards, internal controls and compliance for the University.

University of Louisville Athletic Association, Inc. NCAA agreed-upon procedures report on compliance with requirements relating to activities of revenues and expenses as updated by NCAA amendments

Report on compliance with provisions of House Bill 622.

Report on Lease Law Compliance.

Reports to the Audit Committee on required auditor communications.



# Engagement Team



**Chris Suda**

- CLA engagement principal with responsibility for the overall audit.
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**Don Loberg**

- CLA engagement principal with responsibilities for consulting projects (as requested).
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**Josh Wilks**

- CLA engagement principal with responsibility for audit work related to the Hospital.
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**Tim Richter**

- CLA engagement director with responsibility for financial statement audits.
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- CLA engagement director with responsibility for the student financial aid advisory role.
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**Kyla Greenhoe**

- CLA engagement manager with responsibility for the single audit under Uniform Guidance.
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**Kadian Douglas**

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**Ethan Lay**

- CLA engagement manger with responsibility for the financial audit and single audit.
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**Megan Schmiskie**

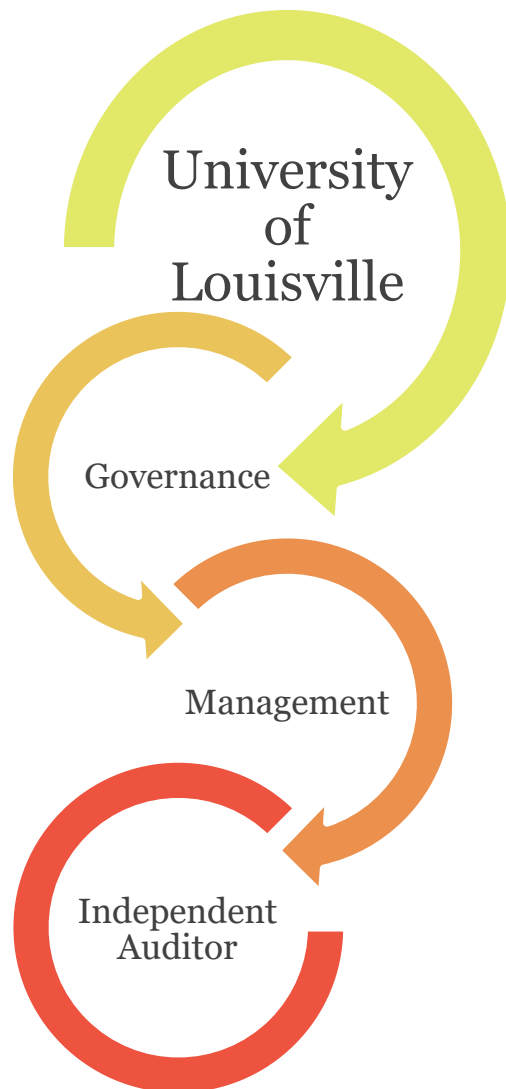
- CLA engagement senior
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# Responsibilities of Parties Involved

## Overview



### Governance

Strategic Direction

Accountability and Oversight

Risk input

### Management

Internal Controls

Accounting Policies

Management Decisions

Fair Presentation of Financial Statements

Programs to Prevent and Detect Fraud

### Independent Auditor

Opinion on Fair Presentation of Financial Statements

Audit in Accordance with GAAS and GAGAS


Reasonable, not Absolute Assurance

Understanding of Internal Controls

Risk Based Audit Approach



# CLA's Responsibilities



The diagram consists of three circles arranged vertically, connected by a red line. The top circle is yellow, the middle circle is orange, and the bottom circle is red. Each circle is connected to a corresponding colored rectangular box containing text. The top circle is connected to a yellow box, the middle circle to an orange box, and the bottom circle to a red box.

Forming and expressing opinions about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles (GAAP).

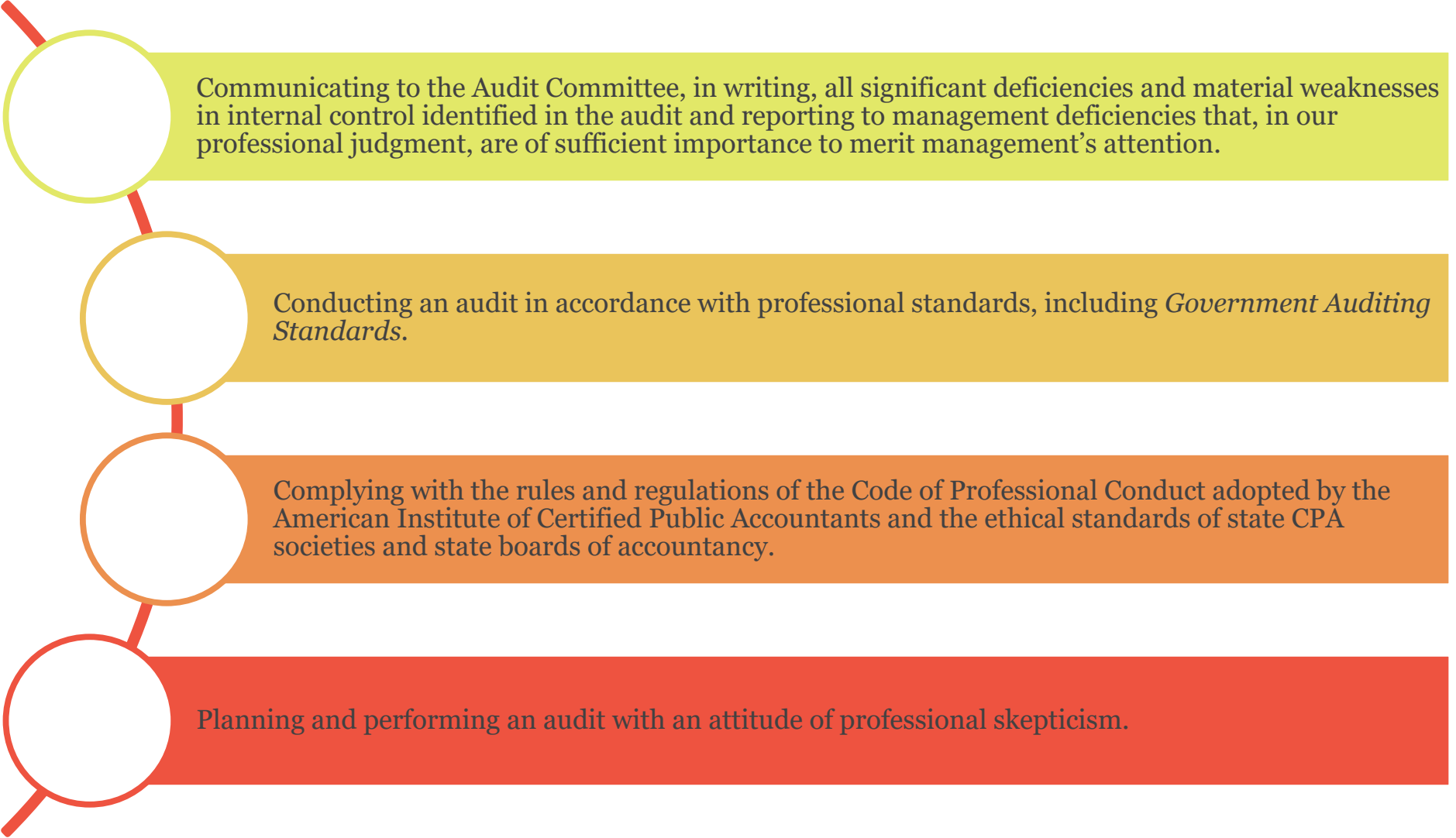
Planning and performing the audit to obtain reasonable—not absolute— assurance about whether the financial statements are free of material misstatement, whether caused by fraud or error. Because of the nature of audit evidence and the characteristics of fraud, we are able to obtain reasonable, but not absolute, assurance that material misstatements will be detected. Our audit is not designed to detect error or fraud that is immaterial to the financial statements.

Evaluating whether the University's controls sufficiently address:

- Identified risks or material misstatement due to fraud.
- The risk of management override of other controls.



# CLA's Responsibilities (Continued)



Communicating to the Audit Committee, in writing, all significant deficiencies and material weaknesses in internal control identified in the audit and reporting to management deficiencies that, in our professional judgment, are of sufficient importance to merit management's attention.

Conducting an audit in accordance with professional standards, including *Government Auditing Standards*.

Complying with the rules and regulations of the Code of Professional Conduct adopted by the American Institute of Certified Public Accountants and the ethical standards of state CPA societies and state boards of accountancy.

Planning and performing an audit with an attitude of professional skepticism.



# University's Responsibilities

## Management's Responsibilities

- Adopting sound accounting policies.
- Establishing and maintaining effective internal controls.
- Fairly presenting the financial statements in conformity with GAAP.
- Compliance with provisions of laws, regulations, contracts, and grant agreements.
- Making all financial records and related information available to the auditor.
- Providing the auditor with a letter confirming certain representations made during the audit that includes, but are not limited to, management's:
  - Disclosure of all significant deficiencies, including material weaknesses, in the design or operation of internal control that could adversely affect the University's ability to initiate, authorize, record, process, or report financial data.
- Acknowledgement of their responsibility for the design and implementation of programs and controls to prevent, deter, and detect fraud.



# University's Responsibilities (Continued)

## Audit Committee's Responsibilities

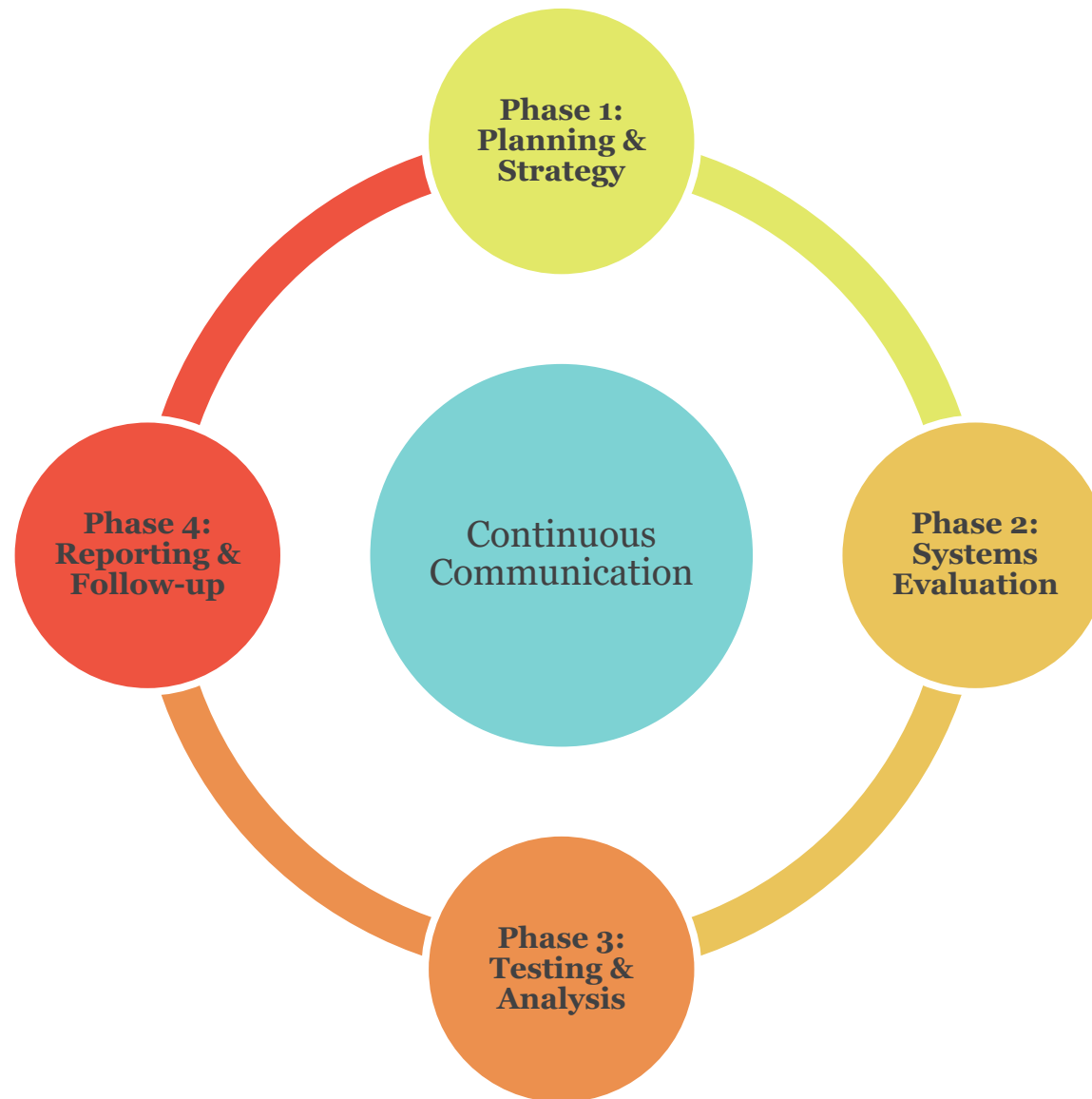
- Oversight of the financial reporting process and oversight of internal controls.
- Ultimately responsible for the establishment and maintenance of internal controls to prevent, deter, and detect fraud.
- Ultimately responsible for setting the proper tone and creating and maintaining a culture of honesty and high ethical standards.

## Management and the Audit Committee's Responsibilities

- Establishing and maintaining internal controls to prevent, deter, and detect fraud.
- Setting the proper tone and creating and maintaining a culture of honesty and high ethical standards.
- The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities.



# Audit Methodology



# Audit Methodology

## Phase 1: Planning & Strategy

- Perform risk assessment procedures and identify risks
- Determine audit strategy
- Determine planned audit approach
- Evaluate the design and implementation of entity level controls

## Phase 2: Systems Evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Perform walk-thru's of key controls
- Assess control risk and risk of significant misstatement

## Phase 3: Testing & Analysis

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate
- Conclude on audit objectives

## Phase 4: Reporting & Follow-Up

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion



# Risk Assessment





# Risk Assessment (continued)

## Overall economic conditions

- Economic conditions including pandemic recovery and inflation continue to have an impact on the higher education industry, including declines in revenues and earnings. Environment creates a decreased market for tax-exempt bonds and results in continued cost saving measures.
- CLA will be mindful of the impact of the overall economy and inflation on the University. CLA will evaluate whether such conditions have resulted in any changes to the overall control environment of the University.

## General Information Technology Controls

- General information technology controls have a pervasive impact on controls throughout the University.
- The engagement team includes a member from CLA's information systems securities group, who will perform walkthroughs and tests of design and operating effectiveness related to information technology general controls related to the general ledger, purchasing, payroll systems, and student billing system. Specific procedures will be performed related to access to programs and data, program changes, program development, computer operations, and end user computing.

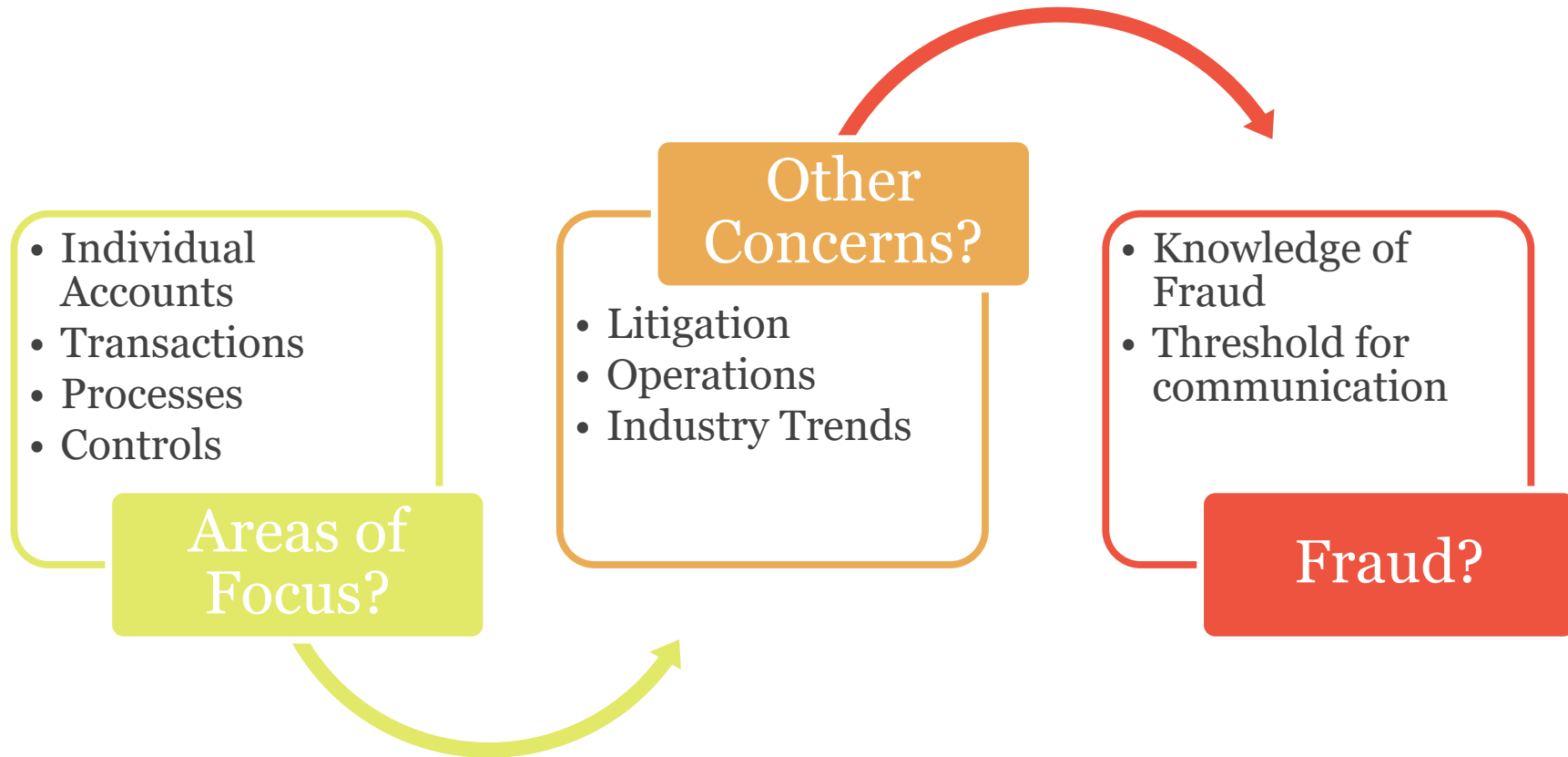
## Management Override of Controls

- As is the case for all entities, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is, nevertheless, present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and, thus, a significant risk.
- CLA will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. In designing and performing audit procedures for such tests, the auditor should: (1) obtain an understanding of the entity's financial reporting process and controls over journal entries and other adjustments, and the suitability of design and implementation of such controls; (2) make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments; (3) consider fraud risk indicators, the nature and complexity of accounts, and entries processed outside the normal course of business; (4) select journal entries and other adjustments made at the end of a reporting period.

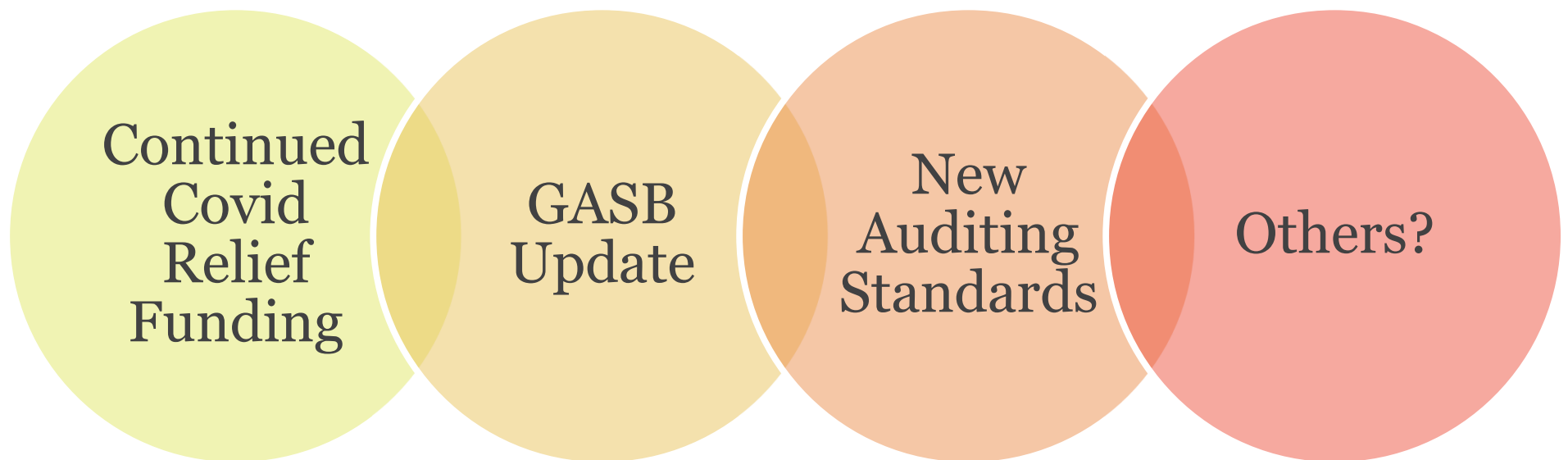


# Risk Assessment - Governance Input

As independent auditors, we work **for** governance and work **with** management to accomplish the audit. Your input is valued as we develop our audit plan and approach.




# 2022 Unique Audit Items



# Single Audit

## Objective:

- To determine that the University has established effective internal control over compliance with the requirements of federal awards, and has complied with laws and regulations that may have a material effect on the financial statements and major federal programs.
- Forming and expressing an opinion about whether the University complied with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs.



Federal program to be preliminarily considered major programs are the Student Financial Aid Cluster and the Higher Education Emergency Relief Fund (HEERF)

## Areas of audit emphasis:

- Internal controls over compliance for major programs
  - Compliance requirements for major programs
- 



# Timeline



# Accounting Standards Update – Effective 6/30/22

## GASB Statement No. 87, Leases

- Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

## GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period

- Requires interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred in a business-type activity or enterprise fund.



# GASB 87 – Leases

No more “off-balance sheet” leases



Will be capitalized as “right-to-use” asset and liability



University to prepare:

Memo describing  
controls/process of  
inventorying leases

Inventory and analysis of  
leases identified

New disclosures



Effective date – June 30, 2022



# Implementation of GASB 87 – Leases

Requires recording lease asset and liability for all types of leases.

Institution Preparedness / CLA Audit steps

Completeness

- What procedures did management perform to ensure all leases were captured in analysis?
  - Perform completeness procedures.
  - Search for embedded leases

Accuracy

- Review contracts.
- Ensure inputs to present value discount calculations accurate.
- Discount rate

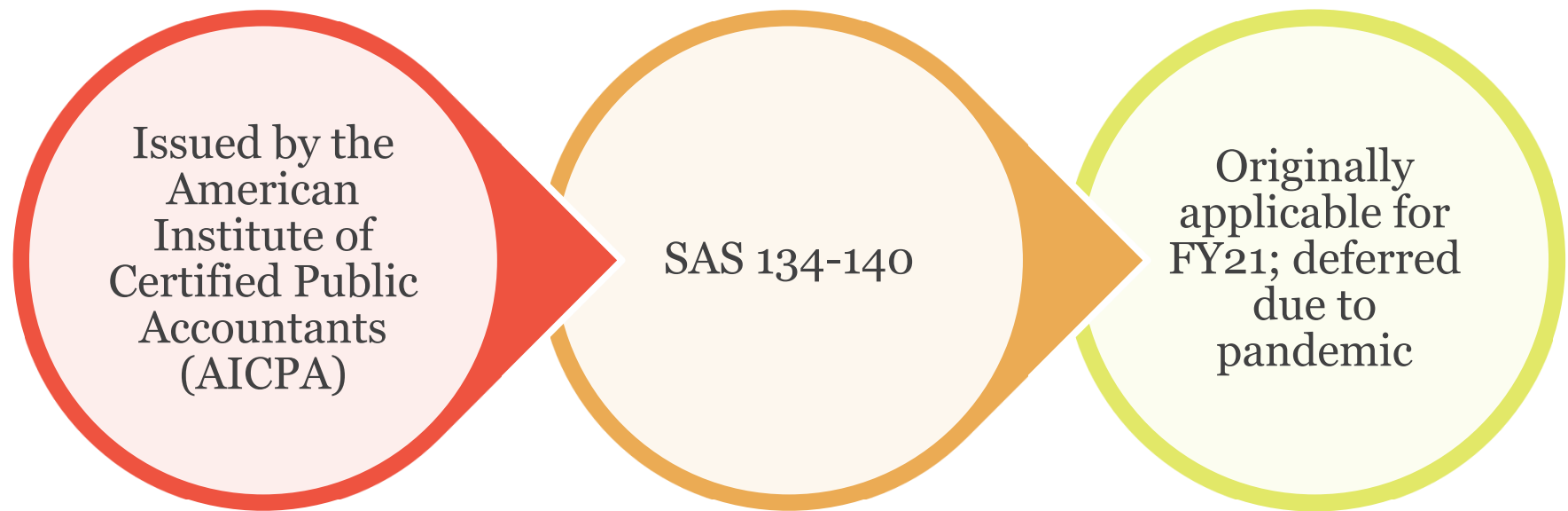
Presentation

- Reviewed new required disclosures.





# Suite of New Auditing Standards



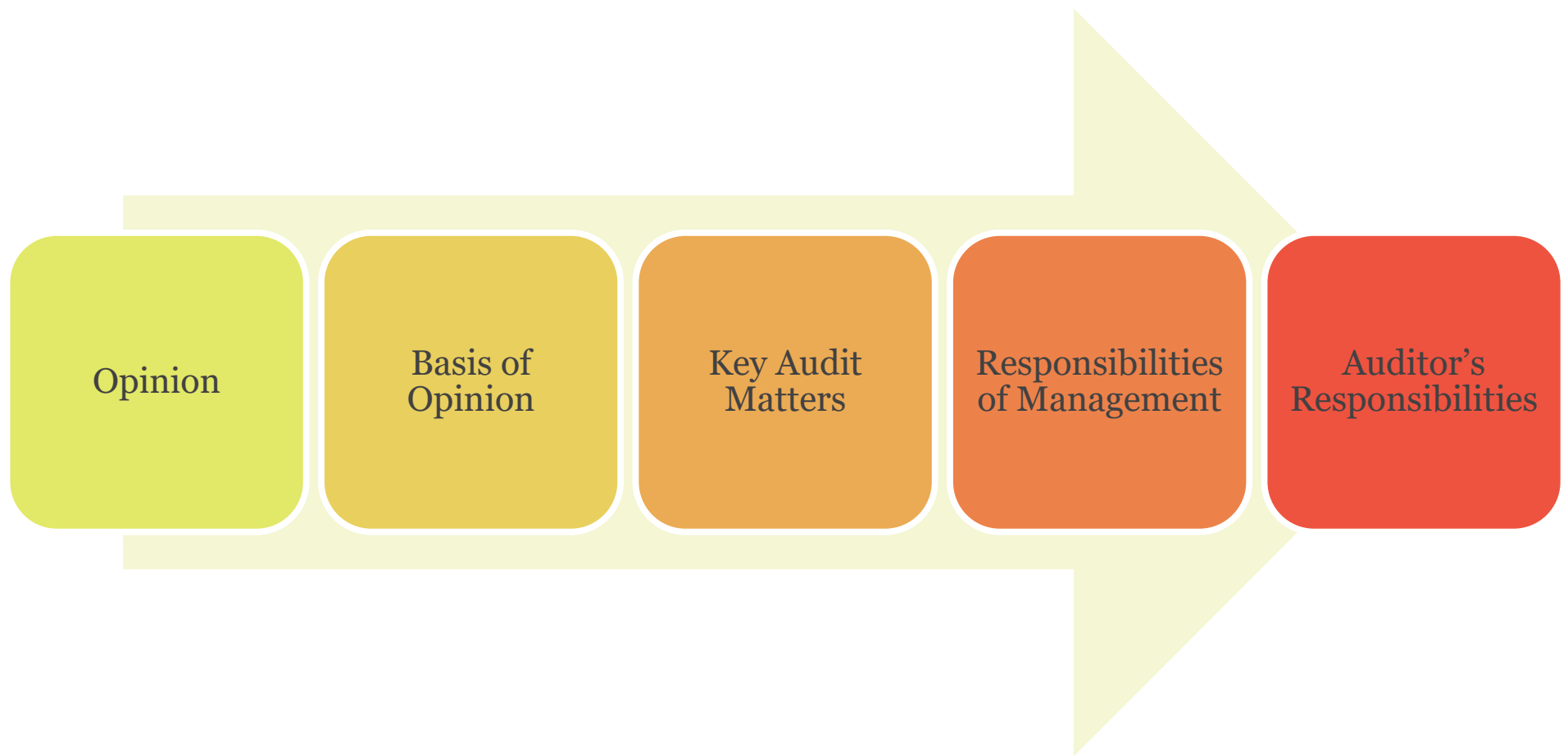
# Summary of Changes

## Audit Report Changes

- More aligned with PCAOB and International Auditing and Assurance Standards
- Format changes; Opinion first
- Presentation of Key Audit Matters (KAM), when applicable
  - Not expected to be engaged for University of Louisville Audit



# Audit Report Changes



# Summary of Changes (continued)

## Increased communication with Governance

Significant Risks

Significant unusual transactions

Potential effects of uncorrected misstatements on future-period financial statements



# Summary of Changes (continued)

## Clarification of audit procedures

- Other information included in the audit report (annual reports)
- Related parties
- Enhanced emphasis on:
  - Disclosures
  - Significant and unusual transactions

## Revised definition of materiality



# Impact to Audit

## Changes to:

- Engagement letters / Management Responsibility letters
- Audit programs - Additional required steps
- Independent Auditors Report
- Governance Communications



# Audit Success Factors

Address unique  
audit issues early in  
audit process

Weekly status  
meetings

Timely receipt of  
deliverables

Timely drafting and  
finalization of  
findings

Adhere to  
management's  
requested audit  
protocol

Availability of audit  
contacts

Timely  
communication with  
management of  
issues noted during  
audit

Improvement  
discussions from  
prior year audit



# Questions?





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Ethan Lay  
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RECOMMENDATION TO BOARD OF TRUSTEES CONCERNING APPROVAL OF THE  
2022-2022 AUDIT SERVICES WORK PLAN

Audit, Compliance, and Risk Committee – June 23, 2022

Executive and Compensation Committee – June 23, 2022

RECOMMENDATION:

The President recommends the Audit, Compliance, and Risk Committee of the Board of Trustees approve the Audit Services project plan for 2022-2023, as [attached](#).

COMMITTEE ACTION:

Passed   X  

Did Not Pass           

Other           

  
Signature on file \_\_\_\_\_  
Assistant Secretary

BOARD ACTION:

Passed   X  

Did Not Pass           

Other           

  
Signature on file \_\_\_\_\_  
Assistant Secretary

## **Proposed 2022-20223 AUDIT PLAN**

Project Name	College/School/Division / Project Type	Project Description
Workday Post Implementation	Information Technology Services / IT	Verification that controls are working as designed.
Athletics Ticket Office	Athletics / Operational	Review of controls over tickets, receipts, and deposits.
Distance Education	EVPUP / Operational	Assurance review of distance education risk factors including compliance, academic integrity, and student experience.
Clinical Trials Unit	School of Medicine / Compliance	Evaluate compliance with Medicare Directives directed at clinical trials.
Conflicts of Interest	Research; Risk, Audit & Compliance / Compliance	Evaluate compliance with Annual Disclosure of Financial Interest policy, including monitoring for completion.
Sponsored Programs Financial Administration	Research / Operational	Controls and processes over sponsored programs financial administration, including billing, collections, accounting, and transaction review.
Information Technology – Projects will be performed by Dean Dorton – IT Audit Partner	Information Technology	Access Control Audit and Accountability Identification and Authentication Incident Response Physical Protection Systems and Communications Protection System and Information Integrity

### **Planned Consulting and other projects**

Project Name	College/School/Division	Planned Scope
Workday HCM Implementation	ITS / Consulting	Consulting and ex-officio membership in Workday HCM implementation project
Investigations/Administration Requests	To be determined	A placeholder of 25% of audit department resources for emerging issues, investigations of fiscal misconduct, and leadership requests.
Continuous Auditing / Monitoring	Various	Developing data analytics to monitor transactional activity for areas of concern and high risk. Contracting with CLA.



# Risk, Audit, and Compliance Update

2/1/22 – 5/20/22

# Audit Services Proposed Audit Plan 2022-2023

## Proposed Audit Plan

Operational review of controls, compliance with UofL policy, regulatory compliance, and Information Technology

## Planned Consulting

Workday HCM Implementation

## Other Projects/Investigations

Collaborate with CLA to develop data analytics to monitor transactional activity for areas of concern and high risk

*Note: 25% audit resources directed to consulting projects and investigating alleged fiscal misconduct*

# Audit Services Update 10/1/2021 - 5/20/2022

## Audits

Completed: 4  
Deferred: 2  
Cancelled: 4  
In Process: 3

## Consulting

On-going: Workday HCM  
Implementation

## Investigations\*

Total: 13  
Completed: 11  
Substantiated: 0/11  
Open: 2

*\*Alleged fiscal misconduct*

# Athletic Compliance

- Name, Image, and Likeness (NIL)
- Compliance and rules education New Men's Basketball staff
- Compliance staff members housed in Football and Men's and Women's Basketball facilities
- Compliance staff members rotating on a monthly basis to all sport facilities

# University Integrity and Compliance Office

## Total Complaints: 38

- Hotline: 9
- Other: 29

## Closed: 25

- 19  
unsubstantiated
- 2 partially  
substantiated
- 4 other

## Open: 13

## Trends

Employee behavior  
related to standards of  
conduct

Departmental hiring  
practices

Student/Parent  
Concerns



# Spotlights

## Enterprise Risk Management & Insurance

Launched new Enterprise Risk website with fully automated reporting tools for reporting losses, injuries, auto accidents and liability concerns

## Conflict of Interest and Commitment

Revised Conflict of Interest and Employment (COIE) and Conflict of Interest and Commitment (COIC) policies and procedures in final review

## Information Security Compliance Office

Performed 78 vendor security control reviews and provided in excess of 30 contract reviews, data sharing reviews, or security consultations.

# Questions?

Updates for February 1, 2022 – May 20, 2022  
Sandy Russell – Vice President for Risk, Audit, and Compliance