KENTUCKY STATE UNIVERSITY BOARD OF REGENTS
FINANCE & AUDIT COMMITTEE
REGULAR MEETING

***** Meeting Was Conducted in Person and by Teleconference *****

January 29, 2024
10:00 a.m. EST

Board of Regents Room
Julian M. Carroll Academic Services Building, 2nd Floor
400 East Main Street
Frankfort, Kentucky 40601
(Primary Physical Location)

MINUTES
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I. Call To Order

The Committee's Chair, Regent Edward Hatchett, Esq., called the meeting to order at 10:00 a.m.

II. Roll Call

The Board's Secretary, Zachary Atwell, called the roll:

Regent Edward Hatchett, Chair	Present
Regent Ernie Fletcher, MD, Co-Chair	Not Present (Joined after the roll call)
Regent Tammi Dukes	Present
Regent Robert Ramsey, Sr.	Present

Three (3) Regents were in attendance and present at roll call. A quorum was therefore established.

Regent Fletcher joined shortly after the roll call. Regent Michael Adams, Jr. and Regent Moyer were also present.

III. Approval of the Agenda

MOTION by Regent Dukes:
Move the Committee to approve the agenda of the January 29, 2024, meeting of the Finance & Audit Committee.
Seconded by Regent Ramsey and passed without dissent.

IV. Internal Audit Problems and Progress and Recommendations for Enterprise Risk Management Process

This agenda item was presented by Mr. Frank Campagna, Managing Director, CBIZ, who was joined by Mr. Ben Martin, Senior Manager, CBIZ and Miranda Borla, CBIZ.

Mr. Martin began the PowerPoint presentation by sharing accomplishments to date and next steps to be taken. The financial aid audit, which was put on hold due to vacancies and turnover within the

department, is now set to resume. The fixed asset audit began with a bumpy start due to a disconnect in communication, but those issues are now resolved. CBIZ has verified 82 assets by identifying and documenting anything valued over $10,000, then verifying their existence with pictures and serial numbers. CBIZ also met with the Accounting Department to discuss the process for the inputting and accounting of all assets in Banner, including those purchased through Land Grant.

As to the 82 fixed assets that had been identified, Chair Hatchett queried how confident Mr. Martin was that all of the University's fixed assets have been identified. Mr. Martin explained that the 82 items were a sample size only and that all items in the sample list had been verified.

Regent Dukes queried whether the 82 items were tagged or had any other identifying markers. Ms. Miranda Borla responded that the assets had been tied to serial numbers, though a few in some of the research facilities had been tied to Kentucky State tag numbers. Mr. Martin added that the main criteria for the fixed asset sample selection was that their value was $10,000 or greater.

Mr. Martin continued the presentation, reporting that CBIZ also met with CPE to discuss the MIP, and will be collaborating with Blue & Co. to ensure that efforts regarding their fixed asset audit are not duplicated. Upcoming tasks include participating in the January 31, 2024, Ellucian Operations Support meeting, fixed asset process review, financial Aid review, Sodexo invoice review, Banner license review, and additional process areas of audit identified throughout the year.

Chair Hatchett inquired into the estimated deadline for completing the financial aid audit, as well as the overall time frame for the internal audit.

Mr. Martin also provided updates as to significant issues that had been encountered and updates regarding KSU staff support.

Following Mr. Martin's presentation, Mr. Frank Campagna joined the meeting to discuss enterprise risk management ("ERM"), explaining why CBIZ conducts ERM assessments and the steps involved.

Chair Hatchett queried whether an ERM study had been conducted previously at KSU and whether having CBIZ potentially conduct an ERM assessment would divert their resources away from their audit functions and existing contractual obligations to the University.

Regent Moyer asked where AI and cyber risks are factored into the risk management process and what CBIZ's capabilities are in these areas.

Regent Dukes inquired into the cost of the ERM. Mr. Campagna responded that the initial set-up usually runs between $35,000–$40,000, with additional quarterly costs.

President Akakpo requested that the Committee meet with him before deciding to engage in an ERM. Chair Hatchett supported President Akakpo's comments.

Regent Ramsey queried what would happen if the audit deadline needed to be extended and further asked whether the original target date would be met.

Hearing no further questions, Chair Hatchett thanked Mr. Campagna and his team for their presentation.

V. External Audit Update and Plans

This agenda item was presented by Mr. Allen Norvell, Director, Blue & Co., LLC.

Mr. Norvell shared accomplishments to date regarding the FY 22 financial and compliance audits. As to the financial audit, testing is substantially completed for cash, investments, receivables, accounts payable, accrued expenses, revenues, and expenses. Mr. Norvell then explained the next steps to be taken regarding the FY 22 financial audit.

Regent Moyer queried whether any elements of the audit touched upon the University's relationship with the KSU Foundation.

Chair Hatchett asked what Mr. Norvell's impression was regarding the University's improvement of their mastery over Banner.

Chair Dukes inquired when the Committee could expect the financial audit to be completed.

Mr. Norvell continued with an update as to the FY 22 compliance audit and tasks remaining to be completed.

Chair Hatchett asked Mr. Norvell to characterize how far along he is with his findings as they relate to the FY 22 audit.

Mr. Norvell also discussed the status of the FY 23 financial and compliance audits, noting that the compliance audit is moving more quickly than the financial audit.

President Akakpo asked whether Mr. Norvell could provide an indication of when the FY 22 and FY 23 audits would be completed so they could be provided to SACSCOC and queried whether Mr. Norvell needed anything further from KSU staff in order to expedite the remaining tasks.

Chair Dukes requested that Mr. Norvell keep the lines of communication open and inform the Board if he experienced delays.

Chair Hatchett thanked Mr. Norvell for his presentation.

VI. Budget to Actual Accounting Update

This agenda item was presented by Ms. Tonya Walker, Controller, and Mr. Justin Peach, Budget Director. Mr. Peach stated there was much to be optimistic about in terms of the figures being presented, then began with budget to actuals for E&G for the end of the second quarter ending December 31, 2023. Chair Hatchett interjected, noting that none of the Regents had the numbers in front of them. While waiting for the issue to be corrected, Chair Hatchett invited Mr. Peach to share his perspective as to the University's progress in mastering Banner.

As Mr. Peach continued his presentation, Chair Hatchett inquired whether the Committee should take comfort in the fact that Mr. Peach was presenting them with 61% of total expenditures versus 55% of total revenues. Mr. Peach responded affirmatively and stated that the way things look at this moment is a very good indication that the University will have a balanced budget.

Mr. Peach continued with a discussion of asset preservation and auxiliary budget to actuals. Chair Hatchett asked how frequently Mr. Peach interacts with CPE regarding these numbers.

Hearing no further questions, Chair Hatchett thanked Ms. Walker and Mr. Peach for their presentation.

VII. Banner Status and Adoption Update

This agenda item was presented by Dr. Wendy D. Dixie, Interim VP, Finance & Business Affairs.

Dr. Dixie reported that there has been some improvement as to Banner utilization. The previously conducted Banner assessment, completed in April 2022, included findings and recommendations, and steps are being taken to incorporate those recommendations. Banner advisory services were engaged through Ellucian, which has allowed many recommendations to be accomplished. Banner Managed Operations services also were engaged through Ellucian. The University is moving forward with the Ellucian Spend Management system, with the goal to go live with the first module in June 2024. Payroll also will be moved to Banner, with an anticipated live date of January 2025.

Chair Hatchett queried whether Dr. Dixie could offer any perspective on an apparent disconnect between the creation of an asset PO and the continuing tracking of the asset and its depreciation, and further asked for her perspective regarding the handling of the new dorm's capital assets.

VIII. Updates on IT and Network Security

This agenda item was presented by Dr. Wendy Dixie, who identified multiple levels of the University's network and explained equipment and services relative to security. Dr. Dixie reported that the University requires all employees to undergo mandatory cybersecurity training to elevate their awareness of cybersecurity issues and breaches.

Chair Hatchett asked Dr. Dixie whether she had ever experienced a worrisome cyber-attack.

Regent Dukes queried whether Dr. Dixie felt that the University had adequate resources and firewalls in place to minimize the risk of intrusion or attack and whether there was a cyber-attack response plan in place.

Chair Hatchett inquired into the type of support that Dr. Dixie receives from CPE, other state government entities and the Department of Education regarding cybersecurity.

Regent Moyer asked whether individuals in Dr. Dixie's position within the state's other higher education institutions ever met to share best practices and experiences relative to cybersecurity.

IX. Update on Recruitment and Retention of Financial Personnel

This agenda item was presented by Dr. Wendy Dixie, who shared the status of key leadership positions and reported on permanent hires now in place within the University's Finance division. Four [4] vacancies remain to be filled in Purchasing (2), Accounting (1), and the Grants office (1). Dr. Dixie observed that there has been more stability overall and less turnover than experienced in the past.

X. Closing Remarks

Chair Hatchett concluded the session by thanking everyone for their participation and presentations.

XI. Adjournment

MOTION by Regent Dukes:
Move the Committee to adjourn.
Seconded by Regent Ramsey and passed without dissent.

The meeting was adjourned at 11:45 a.m.

Submitted by:

Zach Atwell, Secretary
Board of Regents
Kentucky State University

Regent Edward Hatchett, Esq., Chair
Finance & Audit Committee
Board of Regents
Kentucky State University

✓ Approved with no corrections

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