KENTUCKY STATE UNIVERSITY BOARD OF REGENTS
FINANCE & AUDIT COMMITTEE AND INVESTMENT & ADVANCEMENT COMMITTEE
REGULAR MEETING MINUTES

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

Friday, September 27, 2024
9:00 a.m. EDT

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 Finance & Audit Committee's Chair, Regent Edward Hatchett, Esq., called the meeting of the Finance & Audit Committee to order at 9:06 a.m.

II. Roll Call

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

Regent Edward Hatchett Esq., Chair	Present
Regent Ernie Fletcher, MD., Co-Chair	Not Present
Regent Charles Moyer, PhD	Present
Regent Robert Ramsey, Sr.	Present

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

III. Approval of the Agenda

MOTION by Regent Moyer:
Approve the Finance & Audit Committee's portion of the agenda for the September 27, 2024, regular joint meeting of the Finance & Audit Committee and Investment & Advancement Committee.
Second by Regent Ramsey and passed without dissent.

IV. External Audit Update

This agenda item was presented by Ms. Vicki Dunaway, VP of Finance & Administration & CFO, as CliftonLarsonAllen, LLP, was unable to be present. VP Dunaway reported that the testing phase of the FY 23 audit is underway and should be completed within the next few weeks. Overall, CLA is working diligently to complete the audit within the next few weeks. The FY 24 audit will begin when the FY 23 audit is completed.

Regent Moyer asked whether VP Dunaway had a firm estimate as to when the FY 23 audit will be completed.

President Akakpo provided additional perspective regarding the FY 23 audit's status and his conversations with CLA.

Chair Hatchett inquired whether CLA has sufficient personnel to complete the audit, asking specifically how many people have been working on the audit.

Regent Moyer queried into daily activities that were not being completed due to the amount of time and personnel required to complete the audit.

V. Internal Audit Update

This agenda item was presented by Ms. Megan Young of CBIZ, Inc. Ms. Young identified audits that have been completed to date, then provided an Enterprise Risk Management update as well as general internal audit observations. She also presented CBIZ's proposed internal audit plan for FY 24–25.

Regent Dukes inquired into the proposed IT audit review and requested that cyber security-related elements be included.

Chair Hatchett asked whether IT reviews were within the scope of CBIZ's current engagement/contract with the University.

Regent Dukes queried who formally approves the proposed audit plan, and requested that the Finance & Audit Committee be incorporated into the approval process. She also requested the results of the risk assessment conducted by CBIZ.

VI. HEERF Update

This agenda item was presented by VP Dunaway who explained that HEERF funds are about to sunset and how remaining funds will be utilized.

Regent Dukes inquired into the amount of remaining funds that had been utilized.

Chair Hatchett asked how many students had been affected by those grants.

VII. University Endowment

This agenda item was presented by VP Dunaway, who reported that the University is in the process of receiving funds from Cerity Partners. Once the funds are received, she will begin budgeting them within the E&G budget for the disbursement of the endowed chairs. VP Dunaway detailed how the funds would specifically be used and noted that October 1 is the targeted date for the first withdrawal of funds from Cerity.

VIII. Internal Controls

VP Dunaway discussed steps currently being taken to strengthen the University's internal controls, including the project to revise all policies and procedures. To ensure dual controls in every area, staff members had been added in the Accounts Payable and General Accounting divisions, with additional staff members being sought for Purchasing. Staff training is planned to begin once all F&A policies and procedures are approved. VP Dunaway noted that additional controls will be implemented in the future.

Regent Dukes queried whether a review was contemplated to ensure an appropriate separation of duties within specific finance-related departments to prevent access to transactions. She also inquired into the status of a review of system access.

IX. Budget-to-Actual Analysis

VP Dunaway stated that the dashboard for the Budget-to-Actual report now reflects collected revenue, and began with a report of E&G expenses from 7/1/24 through 8/31/24.

Chair Hatchett and Regent Dukes inquired whether Ms. Dunaway had any historical information comparing the current Budget-to-Actual report to the one from this time last year.

Regent Dukes asked whether the University continues to receive and pay old invoices and expenses. VP Dunaway responded affirmatively. Regent Dukes asked why she was not previously aware of these expenses. President Akakpo provided additional perspective to VP Dunaway's response.

As to the Operations and Maintenance Plant expenses, Regent Dukes queried if it was possible that some of those numbers were incorrectly coded.

Moving ahead, VP Dunaway reported salaries, wages, and benefits for the same time period. As to those figures, Regent Dukes sought clarification for the numbers being reported.

VP Dunaway next presented on auxiliary revenue and expenses. Chair Hatchett asked her to explain the composition of the "contracted services" category of auxiliary expenses.

Regent Moyer inquired into the current cash balances.

VP Dunaway continued with a student accounts receivable report, reflecting total outstanding student receivables as $13,374,368.

Chair Hatchett and Regent Moyer sought clarification as to the blank spaces in the "non-enrolled students" category.

Regent Dukes requested that moving forward, a forecast be provided in the area of operations.

Chair Hatchett inquired how many dual credit students fell into the "balance owed from prior semesters" category of student accounts receivables and further queried whether international students accounted for the bulk of that number.

In conclusion, VP Dunaway presented an Accounts Payable Aging Report, stating that most were incurred due to the lack of purchase orders. She reported that a significant reduction would occur in September.

Chair Hatchett asked whether the University's service providers understood the need for POs and their incentives for ensuring that we receive POs.

Regent Fields inquired whether bills submitted to the University without a PO were considered unbudgeted items.

X. Risk Assessment

VP Dunaway stated that CBIZ will have the risk assessment completed by September 30. Once she receives the report, she will review it and report findings and recommendations to the Board.

Chair Hatchett queried whether there had been a good bit of interaction with the Council on Postsecondary Education regarding the risk assessment.

XI. Call to Order

The Investment & Advancement Committee's Chair, Regent Charles Moyer, PhD, called the meeting of the Investment & Advancement Committee to order at 10:12 a.m.

XII. Roll Call

Secretary Atwell called the roll:

Regent Charles Moyer, PhD, Chair	Present
Regent Michael Adams, Jr., Co-Chair	Present
Regent Edward Hatchett, Esq.	Present
Regent Robert Ramsey, Sr.	Present
Regent Tammi Dukes	Present

Five (5) Regents were in attendance and present at roll call. Therefore, a quorum was established.

XIII. Approval of the Agenda

MOTION by Regent Dukes:
Approve the Investment & Advancement Committee's portion of the agenda for the September 27, 2024, regular joint meeting of the Finance & Audit Committee and Investment & Advancement Committee.
Second by Regent Ramsey and passed without dissent.

XIV. Cerity Partners LLC's Performance Report for the Period Ended June 30, 2024

This agenda item was presented by Mr. Michael DeCourcy, VP of Institutional Advancement & External Relations. Prior to the presentation, Chair Moyer inquired into the status of the RFP for a new investment advisor. VP DeCourcy and Ms. Fran Pinkston, Director of Purchasing, responded.

Regent Dukes requested that Chair Moyer be included in the evaluation committee for the RFP.

Regent Hatchett asked whether it is typical for a University to receive only one bid in response to an RFP for philanthropy review.

Chair Moyer queried whether the new Endowment Investment and Spending Policy was fully approved yet, noting that Cerity's most recent report is not operating consistently with the policy.

Mr. DeCourcy began the presentation juxtaposing the University's policy outline with Cerity Partners' asset allocation report. He continued with a quick overview of Cerity's performance report, comparing the account market value through September 2024 with the value when the account was established in 2019.

Regent Hatchett requested an internally produced report regarding the history and performance of the University's accounts when they were managed by other contractors versus Cerity's current performance.

Chair Moyer inquired into the transition date to Cerity and the different fee structures that had been in effect prior to the transition.

Next, VP DeCourcy discussed the Endowment's market value with Cerity Partners, sharing the KSU Endowment net assets from June 2022 through August 31, 2024, then described upcoming quarterly Endowment distributions to occur from Sept 30, 2024, through June 30, 2025.

Regent Hatchett sought clarification regarding the process for choosing recipients of Endowment proceeds.

Moving ahead, Dr. Michael Dailey, Provost, provided an overview of endowed departmental support distributions, including the Center of Excellence for the Study of Kentucky African Americans ("CESKAA"), the Library Fund, and Campus Information Technology.

Regent Hatchett asked where CESKAA's African American history collection is currently housed and whether Dr. Dailey was comfortable with the level of security under which these resources are managed.

Regent Walston queried whether all artifacts in the CESKAA collection had been properly inventoried.

Dr. Dailey then introduced Ms. Asia Payne, Scholarship Coordinator. Ms. Payne presented the endowed scholarship distributions and discussed new procedures and requirements moving forward regarding scholarship recipients, the online scholarship manager, scholarship applications and future stewardship.

Regent Hatchett asked Ms. Payne how she had overcome the FAFSA situation.

Regent Walston inquired whether faculty members were made aware of scholarship recipients and whether any endowed scholarships were available for faculty as they had been with the KSU Foundation.

XV. Endowment Distributions

Dr. Dailey reported the Endowed Chair/Professor distributions, sharing specific areas supported by these funds. Overall distributions totaling $468,683.45 will be used to offset E&G budget expenses for FY 25.

XVI. Adjournment

MOTION by Regent Moyer:
Move the Finance & Audit Committee to adjourn.
Second by Regent Dukes and passed without dissent.

MOTION by Regent Dukes:
Move the Investment & Advancement Committee to adjourn.
Second by Regent Ramsey and passed without dissent.

The meetings adjourned at 11:07 a.m.