

**KENTUCKY STATE UNIVERSITY BOARD OF REGENTS
AUDIT COMMITTEE AND FINANCE & ADMINISTRATION COMMITTEE
SPECIAL CALLED JOINT MEETING**

***** Meeting Was Conducted in Person and by Teleconference ***
Tuesday, December 6, 2022
9:00 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

I. Call To Order

Regent Tammi Dukes, Audit Committee Chair, called the Audit Committee meeting to order at 9:03 a.m.

II. Roll Call

The Board's Secretary, Mr. Zach Atwell, called the Audit Committee's roll:

Regent Tammi Dukes	Present
Regent Ernie Fletcher, MD	Present
Regent Michael Adams, Jr.	Present
Dr. James Obielodan	Not Present
Mr. James Harris	Present

Four Committee members were present during the roll call; a quorum was therefore established. Dr. James Obielodan was not present during the roll call, but he appeared shortly thereafter.

III. Approval of the Agenda

MOTION by Regent Adams:

Move the Committee to approve the agenda of the December 6, 2022, Special Called Joint Meeting of the Audit Committee and Finance and Administration Committee.

Seconded by Regent Fletcher and passed without dissent.

IV. Introduction of Internal Auditor

Chair Dukes introduced Mr. Frank Campagna, Managing Director of CBIZ Inc., and asked him to speak about his firm and the services that CBIZ would be providing KSU. Mr. Campagna introduced his co-presenter, Mr. Brian Dziak.

As Mr. Campagna and Dziak began the presentation, Chair Dukes asked whether CBIZ would be assisting with elements of CPE's Management Improvement Plan ("MIP") that focused on internal controls.

Regent Fletcher inquired how far of a "look-back period" CBIZ would use when reviewing KSU's financial records. Regent Fletcher further asked whether CBIZ would collaborate with the external auditors and assist them with information requests.

Regent Fletcher also queried whether CBIZ could look into the financial arrangement between the KSU Foundation and the University and provide forward-looking suggestions for any revised Memorandum of Understanding's language concerning the Foundation's accountability to the University.

Chair Dukes requested that Mr. Campagna reconvene with the Audit Committee following the risk assessment completion. Chair Dukes also asked whether Board members would be able to contribute questions and areas of concern during the risk assessment process.

Regent Ramsey inquired as to the audit completion timeline.

Regent Fields asked whether the internal audit will be strictly financial in focus, or if it will also include a comprehensive review of the entire University.

Regent Hatchett asked Mr. Campagna to please include student accounts receivable as an area of inquiry.

Dr. Obielodan requested that the risk assessment also look at how KSU is strategically investing its resources to ensure student success.

V. Introduction of External Auditor

Next, Chair Dukes introduced Mr. R. Allen Norvell, Director of Blue & Co., who introduced his team and presented an overview of the services his firm will be providing KSU.

Chair Dukes asked whether the Foundation had been included in KSU's financial statements as a blended component unit in 2017, 2018, and 2019.

At the conclusion of Mr. Norvell's presentation, Dr. Burnette stated that Protiviti was the third leg of the audit collaboration team, and he then introduced Protiviti leaders Mr. Zach Unger, Ms. Emmily Hu, and Mr. Charles Dong. Dr. Burnette asked this team to present an update as to Protiviti's progress in getting KSU's 2021 and 2022 financials ready for the external audit.

As Mr. Unger began the presentation titled "KSU Support Update," Regent Hatchett asked whether Mr. Unger had any comments regarding the FY 21 journal entries.

Relative to the "Challenges Observed" slide, Regent Hatchett asked if the items were listed in order of priority or if they were all of equal weight; Regent Hatchett further queried which of these items Mr. Unger would suggest that the Board focus on.

Regent Fletcher asked whether the University was in compliance with audit and financial reporting requirements relative to grants.

VI. Update on Special Examination

Chair Dukes asked Ms. Farrah Petter, Assistant State Auditor, Auditor of Public Accounts, and Mr. Jon Grate, Chief of Staff, Auditor of Public Accounts, to present this Agenda item.

Ms. Petter began by introducing her team and providing a recap of their activities and involvement with KSU to date.

Chair Dukes asked Ms. Petter to clarify why her office was unable to acquire certain requested records.

Mr. Grate requested an updated agenda reflecting Protiviti's participation in the current meeting. Ms. Shuo Han, Interim General Counsel for KSU, explained that Protiviti's presentation was included as part of the external auditor introduction due to Protiviti's role in preparing KSU's financial records for the external auditor.

Dr. Obielodan asked Ms. Petter to provide Dr. Burnette's department a time extension for locating additional records that her office had requested.

Following Ms. Petter's presentation, Chair Dukes stated that the Audit Committee portion of the Joint Meeting had concluded and turned the meeting over to Regent Ed Hatchett, Chair of the Finance & Administration Committee.

VII. Call to Order

Chair Ed Hatchett called the meeting of the Finance & Administration Committee to order at 10:35 a.m.

VIII. Roll Call

Mr. Zachary Atwell, Board Secretary, called the Finance & Administration Committee's roll:

Chair Edward Hatchett, Esq.	Present
Regent Robert Ramsey, Sr.	Present
Regent Charles Moyer, PhD	Present
Regent Tammi Dukes	Present
Dr. James Tidwell	Present
Ms. Christina Jones	Present

All Committee members were present.

IX. Status of the University's Finance & Administration Department

Dr. Daarel Burnette, Interim Vice President, Finance & Business Affairs, and Chief of Staff, presented this agenda item.

A. Organizational Chart

Dr. Burnette began the presentation with a new organizational chart for the Finance & Administration Department, which reflected many changes that the Department had undergone.

B. Filled Positions

Next, Dr. Burnette discussed the Finance & Administration Department's personnel profile, noting that 19 of the 67 budgeted positions were vacant.

C. Vacant Positions

This agenda item was incorporated in Dr. Burnette's discussion of "Filled Positions," above.

D. Outsourced Functions

Dr. Burnette provided the Committee with an update on Your Part-Time Controller.

Following Dr. Burnette's presentation, Chair Hatchett asked Dr. Burnette if his Department maintains a calendar of deadlines regarding CPE's progress reports to the Kentucky General Assembly. Chair Hatchett queried whether Dr. Burnette's calendar of deadlines should be a standard agenda item during Board meetings.

X. Status of the Finance & Administration Department's Implementation of the Management Improvement Plan

This agenda item was incorporated in the discussion following Dr. Burnette's presentation of agenda item IX. (D), above.

XI. Update on Student Accounts Receivable

Chair Hatchett asked Dr. Burnette to present this agenda item.

Following Dr. Burnette's presentation, Chair Hatchett requested that Dr. Burnette and Interim President Johnson keep the Board apprised of the situation and to let the Board know if a point is reached where the budget needs to be amended.

Regent Moyer inquired as to the aggregate amount of student accounts receivable and asked how the current number compares to that of a year ago.

Regent Adams asked for the timespan regarding the collection of former student debt.

Regent Adams further asked if KSU had ever worked with a debt collector or sold off the debt in the past.

Regent Fletcher inquired into the policy regarding student payments and how payments are managed to prevent long-aging accounts receivable.

XII. Discussion of the University's Endowment, Gift Processing, and the Role of the KSU Foundation, Inc.

Interim President Ronald Johnson, Dr. Don Lyons, Secretary of the KSU Foundation ("Foundation"), and Mr. Michael DeCourcy, Executive Director of Institutional Advancement, presented this agenda item.

Dr. Lyons began by sharing the history and function of the Foundation, explaining that the KSU Endowment is a separate entity.

Chair Hatchett inquired whether the relationship between KSU and the Foundation was entirely governed by the 2019 Memorandum of Understanding ("MOU"). When Dr. Lyons responded affirmatively, Chair Hatchett asked what governed the relationship (which dates back to 1968) prior to the 2019 MOU.

Chair Hatchett asked Dr. Lyons to discuss the sources of monies received by the Foundation and how the Foundation manages those financial resources.

Chair Hatchett asked Dr. Lyons to describe the mechanics of the Foundation's investment-making decisions.

Relative to the Tri-Annual Report Dr. Lyons provided to Committee members, Chair Hatchett asked Dr. Lyons to explain the variation between certain lines in the statement and the financial position from year to year.

Regent Moyer queried, as to monies invested in the Foundation's endowment accounts, what basis is being used on the payout to make distributions from those accounts on an annual basis. Is it based on the current year's balance in the account and a particular rate of return? Or is it a three-year rolling average?

Regent Moyer also asked if payouts were made from endowment accounts if an account's balance was less than the initial endowment.

Regent Moyer further inquired what the payout rate is that the Foundation averages on its endowment on an annual basis.

Regent Moyer asked, assuming that in the previous year the account had a balance equal to the initial endowment, how the amount to be paid out is determined in subsequent years. Is it based on the single-year performance? Is it based on a three-year rolling average performance? Or is it based on some longer-term rolling average performance?

Regent Moyer asked what it costs the Foundation for Baird to manage the endowment, and requested that Dr. Lyons provide the Committee with last year's monthly reports from Baird.

Dr. Tidwell asked if there were other uses for Foundation funds above and beyond the direct support of KSU students.

Relative to the Foundation's most recent external audit, Regent Fletcher asked if there were any findings and if so, were they addressed.

Chair Hatchett asked Dr. Lyons for his perspective on the University's fundraising, and queried whether the Foundation is involved those activities.

Chair Hatchett asked Dr. Lyons if he was aware of distributions being made to students as graduation gifts and if so, what source of funds was used to make those distributions. Dr. Lyons described several sources of funds.

Following Dr. Lyons' reply, Chair Hatchett and Regent Dukes each asked Dr. Lyons to clarify his assertion that CARES Act funding had been among the funding sources used to make graduation gifts to students. Regent Dukes asked how the Foundation had received CARES Act funds.

At this point, Attorney Han interjected, stating that this discussion was within the scope of the agenda, as it also pertained to agenda item XIII.

Chair Hatchett then invited Mr. DeCourcy to comment. Mr. DeCourcy stated that he wanted to be clear that as to the disbursement request in question, Attorney Han and the Office of General Counsel would provide documentation to determine exactly where a graduation gift came from; however, it did not come from CARES Act or HEERF funding. Mr. Decourcy further noted that Dr. Lyons had stated that he was not 100% sure that the graduation gifts came from HEERF

funds or CARES Act money, and that they could have come from other funding sources Dr. Lyons had mentioned.

Dr. Lyons stated that Mr. DeCourcy was correct. He further clarified that soon after the Foundation used the CARES money for gifts, the Foundation and University realized the error. The CARES money was returned and other funding was used to provide graduation gifts.

Regent Fletcher asked Dr. Lyons if the Foundation had ever received requests that they believed were questionable and if so, how those requests were handled.

Dr. Tidwell asked if the discussion of the University's Endowment was going to be a separate discussion, or if the University's Endowment was only being discussed within the context of how it relates to the KSU Foundation.

Chair Hatchett noted that the MOU contains a provision stating that the Foundation has the right to assess administrative fees to support its operation, but that such fees are not to exceed 35% annually. He then asked Dr. Lyons to discuss the Foundation's administrative fees and how this MOU provision is applied.

Chair Hatchett asked whether administrative fees applied to everything handled by the Foundation, including for the handling of CARES Act funds. Chair Hatchett further inquired whether the Foundation had sought legal counsel before taking a fee to handle CARES Act funds.

Dr. Tidwell asked Mr. DeCourcy to provide an overview of the KSU Endowment, unrelated to the Foundation.

Dr. Tidwell asked if policies and procedures will be instituted as part of CPE's Management Improvement Plan to address how Endowment funds are to be accessed for offering scholarships.

Dr. Tidwell asked if he was correct in understanding that in the past there had not been any policies as to how to access Endowment funds for scholarship purposes. Mr. DeCourcy replied that the Endowment had an investment policy and spending policy, but those were the only documents he was aware of.

Regent Moyer asked what the ARGI fee was on an annual basis. Mr. DeCourcy stated that he would get this information for the Board.

XIII. Discussion of CARES Act Funding: Management and Disbursement

This agenda item was presented by Interim President Johnson, Ms. Russelle Keese, Executive Director of Financial Aid, Ms. Danyel Tolbert, Bursar, and Interim General Counsel Shuo Han.

President Johnson began by stating that none of the individuals present today had been involved in the events described in the previous discussion of CARES Act funds.

Regent Dukes asked Ms. Keese to clarify that CARES Act funds were distributed to students who were Pell-eligible as opposed to some other requirement.

Chair Hatchett inquired as to the amounts of money that were distributed among students.

Chair Hatchett asked Ms. Keese if she knew whether counsel had been received from the U.S. Department of Education regarding the ways in which the University was calculating which students were entitled to receive money and the amounts they were entitled to receive.

Regent Moyer noted that Dr. Lyons had commented that the Foundation had received a fee for handling CARES Act Funds that were distributed to students, and asked Ms. Keese if she knew what happened to that fee.

Regent Moyer asked what the time period was between the money coming into the Foundation and checks being disbursed.

Regent Fields observed that the people who really have the answers to the questions being asked are no longer at KSU, and inquired whether the Committee could request those former employees to provide answers at another meeting.

Chair Hatchett asked Attorney Han whether the Office of General Counsel had any records regarding any sorts of discussions or decisions, or if the opinion of the OGC had already been requested regarding this matter.

Attorney Han replied that there were no opinions issued by the Office of General Counsel contemporaneous to the disbursement of CARES funding, nor thereafter; the issue had never been brought up to KSU's General Counsel, as far as she was aware.

Attorney Han further stated that, as to any records the OGC may have, respective Committee members are in receipt of those in conjunction with a records request from Ms. Tiffany Welch of the APA. Attorney Han noted that she believes Ms. Welch also sent a letter to Dr. Lyons, who responded that he had already retrieved the disbursement records of the CARES Act and HEERF money and had already submitted them to the Office of General Counsel. Attorney Han stated that this occurred during a week when former KSU General Counsel Lisa Lang was out of the office, so Attorney Han retrieved those records and immediately forwarded them to Ms. Welch. Attorney Han concluded that she believes these are the records that Dr. Lyons is speaking of, and that they are the records that Committee members currently have received as part of its preparation materials for the meeting.

XIV. Adjournment

Chair Hatchett entertained a motion to adjourn the Finance & Administration Committee meeting.

MOTION made by Regent Dukes:

Move the Finance & Administration Committee meeting to adjourn.

Seconded by Regent Fletcher and passed without dissent.

The meeting was adjourned at 12:46 p.m.

Chair Dukes entertained a motion to adjourn the Audit Committee meeting.

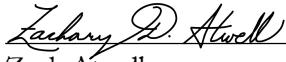
MOTION made by Regent Fletcher:

Move the Audit Committee to adjourn.

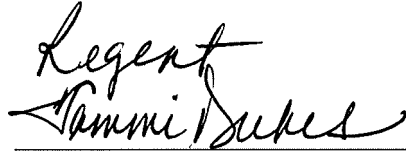
Seconded by Regent Adams and passed without dissent.

The meeting was adjourned at 12:46 p.m.

Submitted by:




Zach Atwell
Secretary, Board of Regents
Kentucky State University



Regent Tammi Dukes
Chair, Audit Committee
Board of Regents
Kentucky State University



Regent Ed Hatchett, Esq.
Chair, Finance & Administration Committee
Board of Regents
Kentucky State University

 Approved with no corrections

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