![CPE Higher Education Matters logo]

Monthly Financial Update

Kentucky State University

February 2023

Cash Position
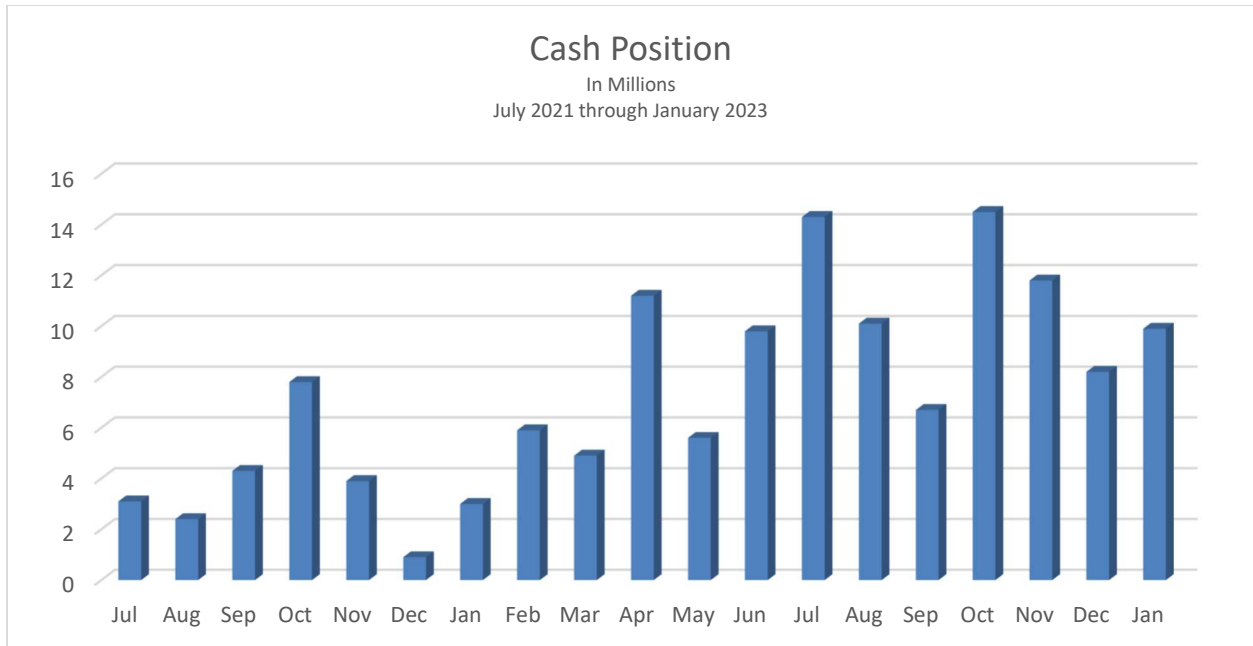
The university's cash balance (unaudited) on January 31, 2023, was $9,898,917.89.

Cash reserves continue to be significantly higher than the prior year although somewhat lower than expected in January. It is important to note that approximately $1.8 million of the current cash balance is reserved for asset preservation projects and is not available for general expenditure.
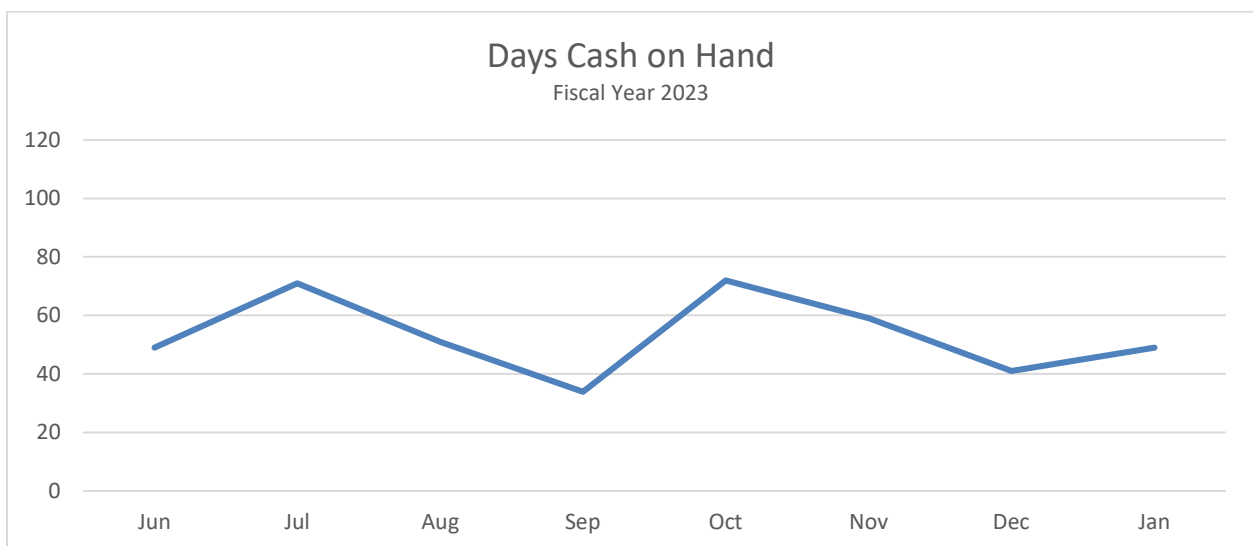
Days cash on hand is still following the expected pattern at this point in the year. Current projections indicate that December and June will represent the lowest levels during the fiscal year, although January cash is somewhat lower than expected. This may be due to delays in federal drawdowns and Council on Postsecondary Education (CPE) staff will confirm with Kentucky State University (KSU) staff. As expected, days cash on hand at the end of January 2023 was significantly higher than at the end of January 2022.

Days cash on hand for the third quarter is now tracking behind the first and second quarters. However, timing differences in the drawdown of federal funds can result in some variation from month to month.
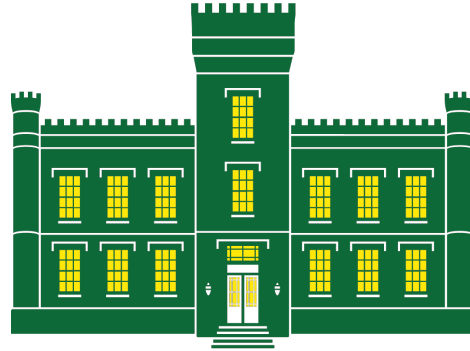
FY 2023 Financial Reporting

As noted in the prior updates, CPE and KSU staff collaborated on a task list to improve timely financial reporting. The university provided a status of each task on this list and the updated list is attached to this document. The university has reported improvement in expenditure patterns and budget performance this year; however, the tasks on the attached list must be completed before any financial information presented by the university can be considered final. CPE staff have requested source documents to verify completed items but have not received documentation as of the date of this update. Verification is expected to be complete before the March financial update.

KSU staff presented a set of financial reports to the KSU board on February 20, 2023. A copy of those reports is included as an attachment to this report. CPE staff did not receive these reports in time to fully review them before this update. However, KSU staff have provided additional information to assist in the verification of the data, and CPE staff are working with them to review. This review should be complete before the March financial update. Once the process for preparing the reports is validated by CPE, it is expected that verification will be more streamlined in the future.

Areas of Concern

Lack of complete financial reporting continues to be a concern in accurately assessing the university's financial status. As can be seen from the task list, the situation is improving.

Agenda

- **E&G Budget Execution – Dec 2022**

- **Cash Flow Report – Jan 2023**

- **FY 2021 & FY 2022 Audits**

- **HEERF Aid to Students**

- **Management Improvement Plan Update**

E&G Budget Execution – Dec 31, 2022

Sources of Revenue	Approved Budget	Actuals	% of Budget
State Appropriations	$ 18,235,600	$ 9,902,281	54%
Tuition and Fees	$ 16,000,000	$ 7,816,458	49%
Non-Mandatory Fees	$ 500,000	$ 160,656	32%
Less Tuition Discount (Scholarships)	$ (2,611,600)	$ (1,107,438)	42%
Less Student Accounts Receivables	$ (1,000,000)	$ -	0%
Other Revenues	$ 376,000	$ 475,435	126%
Auxiliary Services	$ 9,500,000	$ 4,169,532	44%
Total Sources of Revenue	**$ 41,000,000**	**$ 21,416,924**	**52%**
Sources of Expenditures	**Approved Budget**	**Actuals**	**% of Budget**
Instruction	$ 12,000,000	$ 4,245,470	35%
Institutional Support	$ 10,600,000	$ 4,921,653	46%
Operation and Maintenance of Plant	$ 5,500,000	$ 2,820,342	51%
Student Services	$ 5,900,000	$ 3,175,231	54%
Auxiliary Services*	$ 6,000,000	$ 629,330	10%
Total E&G Expenditures	**$ 40,000,000**	**$ 15,792,026**	**39%**
Total Contingency & Reserve Funds	**$ 1,000,000**	**$ -**	

* Auxiliary Services Expenditures do not include approximately $2.4M in expenses that have been incurred as of 12/31/2022 but have not been fully processed through the department procedures.
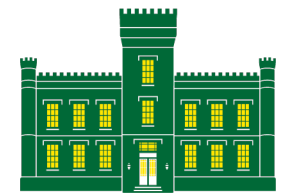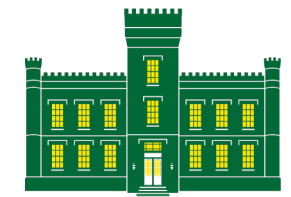
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Expense Detail Breakout – Dec 2022

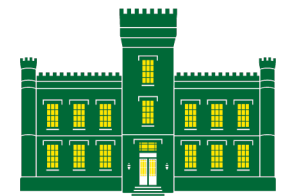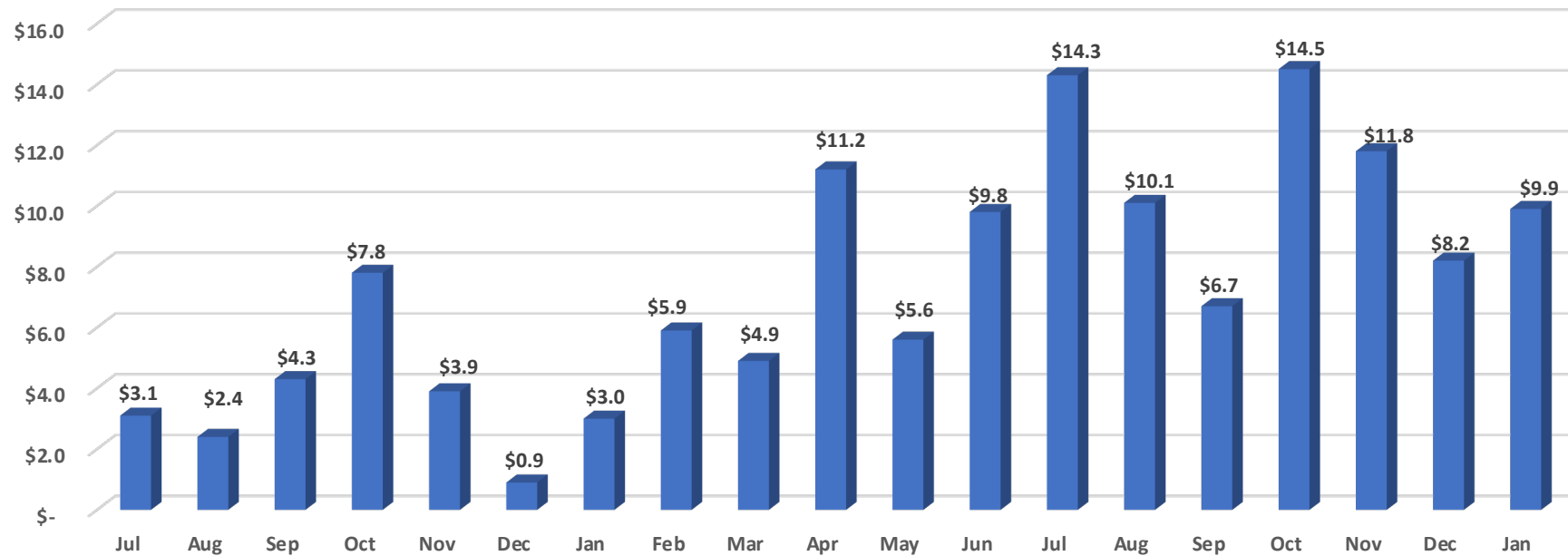| Kentucky State University			
E&G Expense Summary			
	Salary and Benefits			
		Salary and Wages	$ 7,645,942	
		Benefits	$ 3,347,126	
			$ 10,993,068	
	Operating Expenses			
		Services	$ 2,349,170	
		Insurance (Property)	$ 622,174	
		Maintenance Contracts	$ 451,272	
		Equipment	$ 379,780	
		Travel	$ 295,900	
		Operating Supplies	$ 193,728	
		Communication	$ 139,658	
		Rental Expense	$ 128,381	
		Computers	$ 104,387	
		Other Expenses	$ 81,144	
		Interdepartmental	$ 26,361	
		Nonoperating Supplies	$ 20,239	
		Admin Fees	$ 6,610	
		Books	$ 155	
			$ 4,798,958	
	Total		$ 15,792,026	

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Month Cash Flow Report
(E&G Funds)

Cash Position
In Millions
July 2021 through January 2023
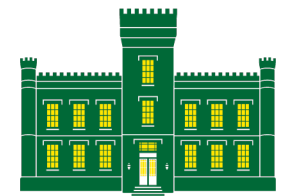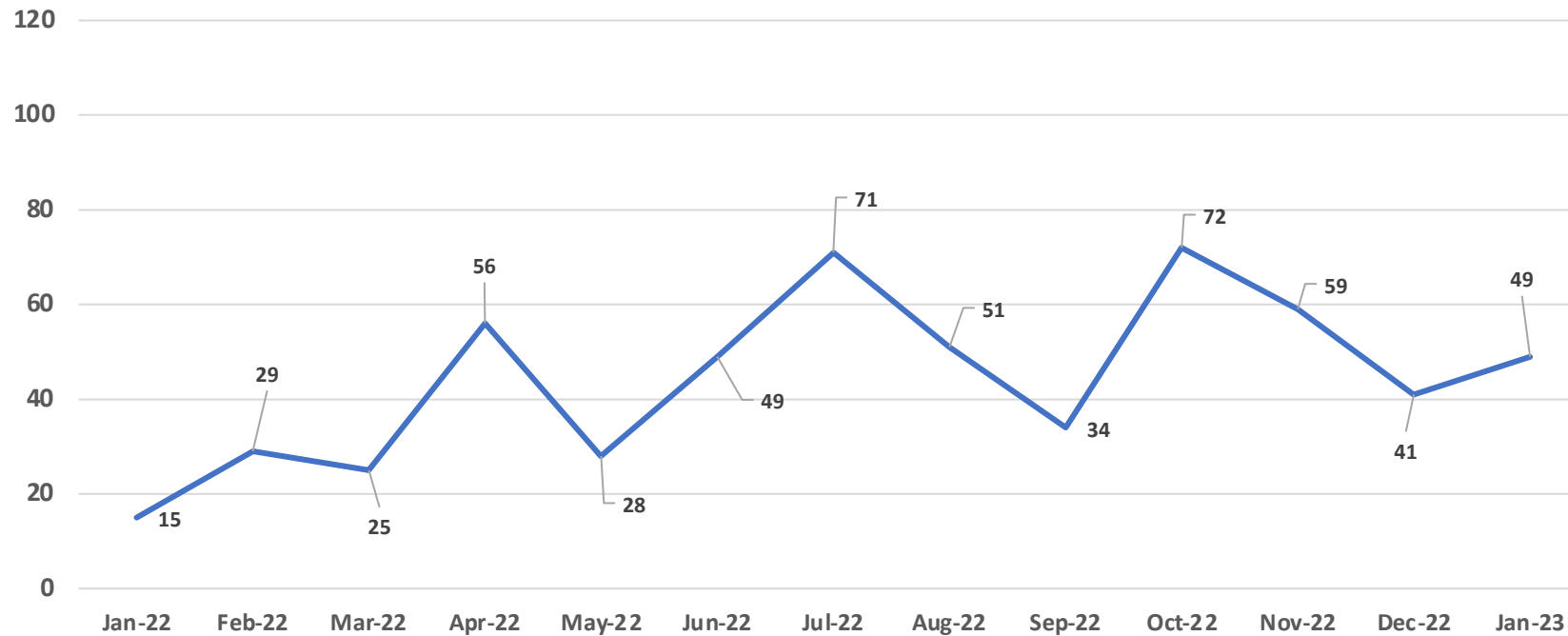
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FY 2021 & FY 2022
Single Audit Updates

- **Blue and Co. (CPA Firm) engagement term: Dec 2022 thru Jun 2023**

- **FY 2021 audit fieldwork performed <u>concurrently</u> with the FY 2022 audit**

- **Teams are meeting continuously and exchanging support documents and notes**

- **The projected deadline for FY 2021 audit report is by June 30, 2023, followed shortly by the FY 2022 audit report ***

* A contract extension "<u>may be</u>" needed to complete the FY 2022 audit report.
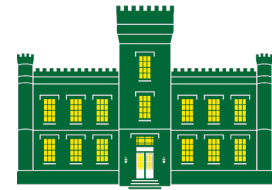
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HEERF Funds - P425J200025

- **Cares Act Higher Education Emergency Relief Fund – HBCU ***

  - ✓ **To prevent, prepare for, and respond to the coronavirus COVID-19 disease pandemic**

  - ✓ **Net Authorized - $19,814,253**

  - ✓ **Available Balance - $7,541,301**

  - ✓ **Last Day for Drawdowns – October 30, 2023**

- **Undergraduate students who are or were enrolled at an eligible institution on or after March 13, 2020, are eligible**

- **Total Aid Awarded in FY 2023: 735 undergraduates / $1.5 million**

  - ✓ **Fall 2022 – 228 students / $410,379 (range $30 - $10,960)**

  - ✓ **Spring 2023 – 507 students / $1,090,916 (range $220 - $11,148)**

Allowable uses are detailed in HEERF III grants under the American Rescue Plan Act of 2021

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KSU Management Improvement Plan Updates

Element 1:
Comprehensive cataloging and review of university policies and procedures to ensure efficiency and compliance with state and federal law.

6 Objectives
6 Deliverables
1 of 6 Deliverables completed

Element 5:
Accounting and fiscal reporting systems, collections, budget and internal controls over expenditures and financial reporting.

18 Objectives
50 Deliverables
12 of 50 Deliverables completed

Element 2:
Guidelines for salary ranges and benefits for all faculty, staff and administrators.

10 Objectives
10 Deliverables
1 of 10 Deliverables completed

**34 Objectives
&
66 Deliverables**

1

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KSU Business Office is engaged in 3 of the 8 Element Plans

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Financial Project Plan - Kentucky State University
2/16/2023

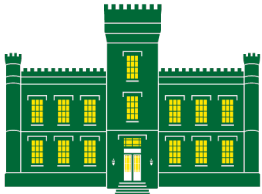| Task Number	Task	Progress	Notes	Dependency (if Applicable)	Responsibility	Resources Needed
1	Enter adjusting entries for FY 2021 into Banner	Completed	Entries are completed and entered into Banner	2,3,4	Controller	None
2	Reconcile all bank accounts	Completed	All bank accounts with Fifth Third (checking, savings, credit cards, endowment, etc.) are being reconciled monthly and reported to CPE. We will be working with Your Part Time Controller (YPTC) to validate and automate the reconciliation process for timely reporting to stakeholders.	2,3,4	Controller	None
3	Reconcile all clearing accounts and subsidiary ledgers	Completed	All clearing account reconciliations and subsidiary ledgers are current including the unfunded pension liability account. Controller is reconciling these monthly to ensure close processes are completed timely. Subsidiary ledgers are reconciled to date in Banner and there's a subsidiary general ledger control report that is generated out of Banner weekly that show control accounts reconciled or no errors.	2,3,4	Controller	None
4	Complete Draft financial statements (including notes) and all audit prep for FY 2021	Completed	The draft of the financials (Balance Sheet, Income, Cash Flow) are completed.including the notes . KSU is contractually engaged with Blue & Co to perform the independent audit to complete FY21 independent audit, and expected to complete their review and publish the final report by June 2023. Presently, Blue & Co and KSU Controller are meeting on a daily basis to facilitate any questions, and exchange of accounting information supporting the audit field work.	1,2,3	Controller/Blue & Co/CFO	The FY 2021 audit is a prior year initiative, so the independent auditor cost will be finance with the $23M loan, because Blue & Co contract cost was not in the FY23 budget.
5	Post all payroll information to Banner	Completed	Bursar is coding financially cleared students in banner on a daily basis during registration and the data is reported to stakeholders. IR also develops and publish a weekly an automated dashboard that reports of all student enrollment demographics until		Controller/CPE/YPTC	None, CPE committed $500K cover YPTC Consultant contractual cost supporting the migration.
6	Implement month end close process	Completed	Closing deadlines are established and the trial balance and subsidiary ledgers are close every month on the 15th business day of each month.	2,3,5	Controller	None
7	Enter adjusting entries for FY 2022 into Banner	Completed	In Dec 2022, Protiviti completed their responses to the 158 audit requests and those responses has been provided to Blue & Co. All adjusted entries have been provided to Blue & Co. Protiviti consltants have committed their time at no cost to provide additional support, if needed to complete the FY22 audit.	2,3	Controller/Blue & Co	We need funding to cover Blue & Co contract, which is not included the FY23 budget.
8	Complete Draft financial statements (including notes) and all audit prep for FY 2022	In Progress	The draft of the financials are complete. With the exception of the notes (**in progress**), KSU is contractually engaged with Blue & Co to perform the independent audit to complete FY22 Financials and expected to complete their review within the next 6-months.	2,3,7	Controller/Blue & Co	We need funding to cover Blue & Co contract, which is not included the FY23 budget.
9	Purchase Requisitions	Completed	Protocols were put in place by Chief of Staff in October 2022 mandating that all departments use banner's electronic purchase requisitions in lieu of manual check requests for services from vendors.		Purchasing/Budget/Accounting	None
10	Adjust Budget for Enrollment	In Progress	Spring 2023 enrollment census count was 1,278, which 184 FTE below spring enrollment count. The E & G revenue streams will be reconciled with the projected expenditures, including all unfunded requirements: energy savings ($1.2M annually), pension liability ($200K per month), FICA ($715K), and 2 public safety officers through the end of FY 2023 ($100K).	16	Budget/CFO	We need funding to cover the listed unfunded in the narrative, which were not in the FY23 budget.
11	Reconcile current payroll to budget	In Progress	Master file of all positions (E & G, grants, part time, etc.) has been created and sent to YPTC. YPTC, outside consultant, will build an automated payroll to budget reconciliation program. This same master file will be used to implement MIP compensation study. We hope to have both initiatives completed by June 2023.	11a, 11b	Budget/Payroll/HR/YPTC/ADP/CPE/ Ellucian	None, CPE committed $500K cover YPTC Consultant contractual cost.
11a	Create list of budgeted positions (lines)	Completed	Master file of all positions (E & G, grants, part time, etc.) has been created.		Budget/Payroll/HR/YPTC/ADP/CPE /Ellucian	None
11b	Obtain board approval of budgeted positions (lines) - Master list of funded positions	Completed	Master file of all positions (E & G, grants, part time, etc.) has been created and sent to YPTC. YPTC has been given access to ADP payroll and they will perform the payroll to budget reconciliation. This same master file will be used for the MIP compensation study.	11a	Budget/Payroll/HR/YPTC/ADP/CPE/ Ellucian	We currently have a quote from Ellucian in the amount of $300,000 which is not in the FY23 budget. So external funding will be required, if the consensus decide to migrate to banner's platform. We are seeking external solutions to processing KSU payroll.

Financial Project Plan - Kentucky State University
2/16/2023

Task Number	Task	Progress	Notes	Dependency (if Applicable)	Responsibility	Resources Needed
12	Budget Amounts for Each Departments	In Progress	Annual budgets were created and uploaded into Banner at the 100% level. Once Spring enrollment count is finalized the budgets will be adjusted to meet actual spring semester enrollment. The campus executive leadership has been informed to spend remaining budgets on mission essential needs and those request will be validated and approved, via purchase requisition process, at the presidential level.	10,11	Budget/CFO/CPE/YPTC	None, CPE committed $500K cover YPTC Consultant contractual cost.
13	External Financial Reporting Template	In Progress	Peer institutions (EKU, CSU, JSU, UL) reporting templates were retrieved and shared with YPTC for conversion. The reporting templates will be used to build budget execution status to all constituents.	10,11	Budget/CFO/CPE/YPTC	None, CPE committed $500K cover YPTC Consultant contractual cost.
14	FY to FY Expenditure Comparisons	In Progress	Expenditures comparison reports and monthly trends are being performed at the object code level, and these repots are submitted CPE monthly at the aggregate level (i.e., land grant, auxiliary, E & G, asset preservation, etc.). However KSU is working with YPTC to have the reports at the expenditure level (salaries, benefits, supplies, travel, purchase services, capital, contingencies, etc.) for analysis and projecton purposes. We hope to have that completed and validated by June 30th 2023.	2,3,5,6,10,11,12	Budget/CFO/CPE/YPTC	None, CPE committed $500K cover YPTC Consultant contractual cost.
15	Financial Metrics (days of cash on hand, debt burden, viability ratios, aging reports, primary reserve ratio, etc.)	Completed	We are performing days of cash on hand however KSU will begin computing and anlyzing other metrics on a monthly basis.	2,3,5,6,10,11,12	Budget/CFO/CPE/YPTC/Controller	None, CPE committed $500K cover YPTC Consultant contractual cost.
16	Financially Cleared Students	Completed	Bursar is coding financially cleared students in banner on a daily basis during registration and the data is reported to stakeholders. IR also develops and publish a weekly an automated dashboard that reports of all student enrollment demographics until the registration process closed, to include housing, retention, and meal plans metrics.		Controller/Bursar/CFO/IR	None
17	Chart of Accounts and Trial Balance	In Progress	Very little work has been devoted to this initiative, due to personnel shortage in the budget office. CFO has transferred the day to day responsibility from the Budget Manager to the Director of Accounting and this she will begin collaborating with Ellucian to get the initiative completed.	2,3,5,6,10,11,12	Director of Accounting/Controller/ Senior Accountant/YPTC	None, CPE committed $500K cover YPTC Consultant contractual cost.
18	ADP to Banner Transition	In Progress	We are studying the migration of payroll processing from ADP to either Banner payroll module or another state agency platform. As of Jan 2023, all payrolls (Bi-weekly & Monthly) are posted within 5-business days after the completion of ADP process. In an effort to reduce payroll processing and duplication cost (ADP -$247K annually), CFO exploring options to migrate KSU's payroll processing from ADP to either Banner payroll module or within another state agency platform.	1,2,3, '11a, 11b	Budget/Payroll/HR/YPTC/ADP/Ellucian	TBD. CPE committed $500K cover YPTC Consultant contractual cost, however, additional resources will be required to cover the migration expense, which was not included in the FY 2023 budget.