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CPAs | CONSULTANTS | WEALTH ADVISORS

Kentucky State University

Audit Exit Presentation

Year ended June 30, 2023

Agenda

- Audit scope and process
- Audit opinions and communications
- Single Audit



Audit Scope



Report on the University's financial statements



Internal control/management letter



Required governance communications letter



Report on internal control over compliance with major program requirements (federal awards)



Report on internal controls over financial reporting and other matters (government auditing standards)

Audit Process

RISK-BASED APPROACH

Internal controls
General ledger

Revenue recognition
Expenses

Significant estimates

Debt
Accrued liabilities

Investments
Unpredictability

Capital assets
Grants





AUDIT OPINIONS

Financial statement

Financial statement audit opinion is **unmodified**.



AUDIT RESULTS

Financial statement

Material weaknesses noted.
Significant deficiencies noted.



Material Weaknesses

- Internal Control over Financial Reporting
 - Various accounts not reconciled throughout the year
 - No closing process
- Bank reconciliations – not being performed timely
- Debt and leases not reconciled/accounted for
- Capital assets errors (additions for new building not recorded)
- Allowance for doubtful account not calculated
- Grants
 - Errors in grant receivables, grant revenues and unearned grant

revenue

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Material Weaknesses

- Net position
 - Not reconciled
 - Prior year audit adjustments not correctly recorded
- Postemployment Benefits
 - Accounting for pension and OPEB plans not performed
- Schedule of expenditures of federal awards contained material errors



Significant Deficiencies

- Purchase card transactions not supported by receipts or contain management approval.
- Accrued payroll analysis not completed and records not adjusted



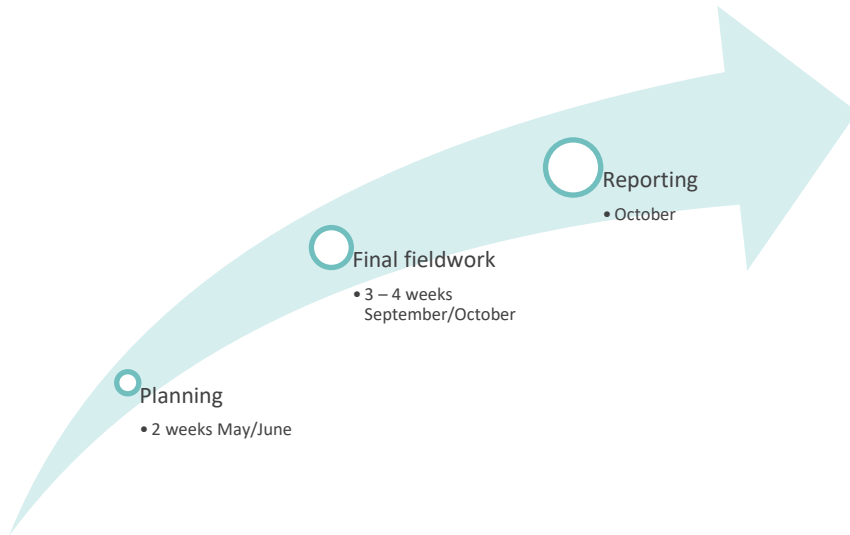
Other Deficiencies

- Employment files missing
- Perkins loan reconciliation
- Missing grant agreements
- Accounting for tuition discounts and allowances
- Special funding accounting
- IT

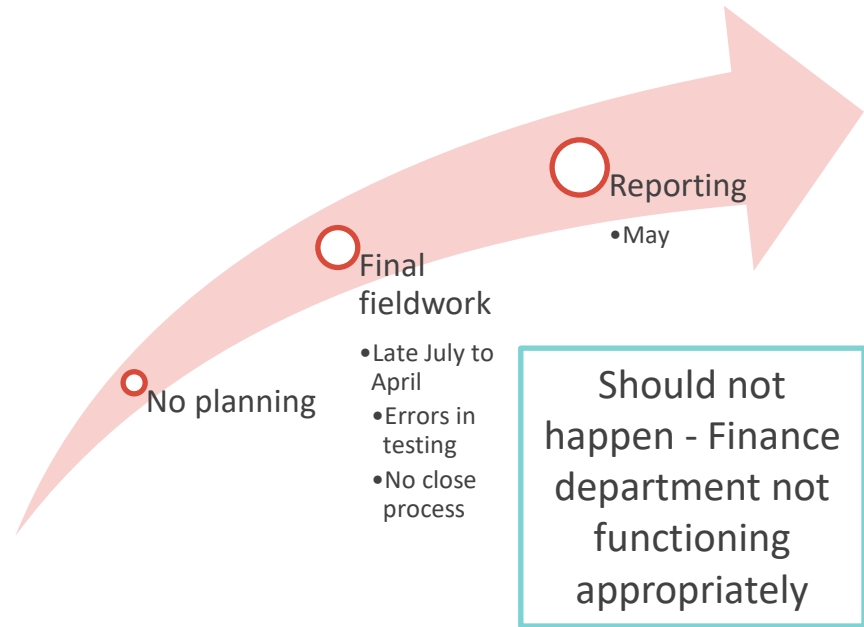


Audit Timing

Typical Audit



2023 KSU Audit



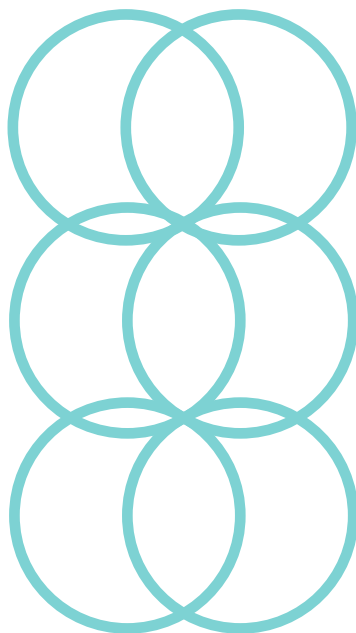
Governance Communications

Overall

- Purpose is to communicate audit results to governance
- No changes in scope
- Adopted accounting for SBITDAs
- Disclosures are neutral, consistent and clear

Difficulties

- Significant difficulties encountered
- No disagreements with management
- No other findings to report
- No consultations



Estimates

- Evaluated key factors and assumptions related to significant estimates
- We are comfortable with management's estimates

Other

- Significant amount of audit adjustments
- 6 Passed audit adjustments
 - Projected errors in grants receivable and accounts payable (\$472k and \$645k)
 - Perkins loan not recorded (\$355k)
 - Unidentified error in net position (\$39k)
 - Unreconciled grant revenue accounts (\$308k)
 - Unreconciled net position difference (\$86k)
- Management representation letter signed at conclusion of engagement



Single Audit Status



Major Programs

Student Financial Aid Cluster (SFA)

Research and Development Cluster

Supp. Nutrition Assistance Cluster (SNAP)

Education Stabilization Fund (COVID)



Results

20 compliance findings reported, material weakness and significant deficiencies identified

Qualified opinion on SFA Cluster



Single Audit Findings - SFA

Material Weaknesses

- Enrollment reporting (16 of 16)

Significant Deficiencies

- Verification (14 of 14)
- Pell under-award (3 of 33)
- Over-award of student aid (3 of 40)
- Exit counseling (4 of 4)
- R2T4 calculations not prepared (2 of 5)
- No support for cash draws (1 of 8)
- Perkins master promissory notes not retained (2 of 5)
- No controls over oversight of third-party servicer for Perkins loans
- No control over reconciliation of Perkins loans
- 39 student refund checks held longer than 240 days
- Direct loan reconciliations



Single Audit Findings

R&D Cluster

- Procurement policy does not have all the requirements of UG
- No records indicating suspension or debarments of vendors was available
- Credit card receipt missing (1 of 40)
- No documentation of inventory of equipment purchased with federal funds documented

Other

- SNAP – No support for expenditure in sample (1 of 17)
- Edu. Stabilization – required reports did not meet compliance requirements



Uncertainty in Higher Education



Financial Instability

- Federal awards become more transactional
- Potential future rescission or freezes on federal awards
- Proposed changes to Endowment Excise Tax



Administrative Burden

- Uncertainty as to whom will administer SFA
- Potential delays to Compliance Supplement
- Fewer career professionals to administer SFA funding



Public Perception

- Diversity and inclusion initiatives both praised and criticized
- Trust in institutions has declined across the board
- Enrollment challenges from perceived value of degree





Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.





Michael Johns, CPA
Principal
Michael.johns@claconnect.com |
267-419-1620



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