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Kentucky State University
MANAGEMENT IMPROVEMENT PLAN
MONTHLY VALIDATION SUMMARY
APRIL 2024

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MANAGEMENT IMPROVEMENT PLAN MONTHLY VALIDATION SUMMARY – DECEMBER 2023 THROUGH FEBRUARY 2024

Moss Adams LLP (Moss Adams) was engaged by the Kentucky Council on Postsecondary Education (CPE) to monitor and report on Kentucky State University’s (KSU, the University) progress toward implementing its established Management Improvement Plan (MIP), which was adopted in November 2022. While the MIP includes several objectives and deliverables in eight element areas (Policies and Procedures, Salary Ranges, Board Training, Academic Programs, Finance, Student Success, Student Academic Progress, and Online Programs), this report is focused only on recurring monthly Finance objectives and associated deliverables. Progress on other objectives is reported in a separate quarterly report.

All recurring monthly objectives are included in Element 5: Finance. Element 5 is related to the need for accounting and fiscal reporting systems, collections, budget, and internal controls over expenditures and financial reporting. The table that follows includes a summary of validation results for the recurring monthly objectives for December 2023 through February 2024. March deliverables are due April 20, 2024, and will be reported in the next monthly report.

Validation Results

#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.1.1	Evaluate and revise internal budgetary controls and provide a quarterly budget to actual report to the Board of Regents.	Master list of budgeted positions reconciled to departmental budgets monthly	Partially Implemented	Partially Implemented	Partially Implemented	In December 2023 through February 2024, KSU provided a draft of departmental budgets and related list of budgeted positions, but the reconciliation process was not complete. KSU reported the new budget director is working on this process and this effort is ongoing.



#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.1.2	Evaluate and revise internal budgetary controls and provide a quarterly budget to actual report to the Board of Regents.	Monthly budget to actual reports for E&G, Auxiliaries, Land Grant Match, and Asset Preservation	Implemented	Implemented	Partially Implemented	<p>KSU provided the budget to actual report for Asset Preservation, Auxiliary, E&G and Land Grant for December 2023 and January 2024.</p> <p>In February, budget to actual reports for Land Grant were not provided.</p> <p>Note: Additional procedures are planned for this objective pending a revised chart of accounts. See Appendix A for the list of procedures.</p>
5.1.3	Evaluate and revise internal budgetary controls and provide a quarterly budget to actual report to the Board of Regents.	Budget projection prepared monthly for E&G, Auxiliaries, Land Grant Match, and Asset Preservation	Partially Implemented	Partially Implemented	Not Submitted	<p>In December 2023 and January 2024, KSU provided a draft of budget projections for the fiscal year.</p> <p>No budget projections were provided for February 2024.</p> <p>KSU reported that the new budget director continues to work on this process.</p>



#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.2.2	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Clearing accounts reconciled within 14 days of end of each month	Partially Implemented	Partially Implemented	Partially Implemented	<p>In December 2023 through February 2024, clearing accounts were not cleared. KSU staff reported these accounts are pending adjustments from the Bursar and they are working with the Bursar on gathering transaction data. KSU's Board approved a one-year contract with Ellucian for finance operational support services, and KSU noted Ellucian will help with this process as part of their work. KSU started working with Ellucian in January 2024 but the work on clearing accounts is not complete.</p> <p>Note: Additional procedures are planned for this objective pending a month end close checklist however, this checklist has not been provided yet. See Appendix A for the list of procedures.</p>
5.2.3	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Bank accounts reconciled within 14 days of end of each month	Not Submitted	Partially Implemented	Partially Implemented	<p>No bank reconciliations were provided for December 2023. In January and February 2024, several bank account reconciliations were still in progress.</p> <p>KSU's Board approved a one-year contract with Ellucian for finance operational support services, and KSU noted Ellucian will help with this process as part of their work. KSU reported they planned to work on bank accounts with Ellucian in February 2024, but this work is not complete yet.</p>



#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.2.4	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Monthly closing entries posted within 14 days of end of each month	Partially Implemented	Partially Implemented	Partially Implemented	In December 2023 through February 2024, Moss Adams was unable to confirm closing entries were posted within 14 days of month end due to incomplete or missing information provided each month. This included missing or incomplete support for fuel charges, p-cards, capital project entries, and investment entries. Note: Additional procedures are planned for this objective pending a month end close checklist however, this checklist has not been provided yet. See Appendix A for the list of procedures.
5.2.5	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Month closed by the 15th day of each month	Implemented	Implemented	Implemented	Moss Adams confirmed December 2023 through February 2024 were recorded in Banner as closed by the 15th day of each month. Note: Additional procedures are planned for this objective pending a month end close checklist however, this checklist has not been provided yet. See Appendix A for the list of procedures.
5.2.7	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Statement of Revenues, Expenses, and Changes in Net Position by 15th of each month (income statement)	Implemented	Implemented	Not Submitted	Moss Adams confirmed the Statement of Revenues, Expenses, and Changes in Net Position was completed for December 2023 and January 2024. The statement was not provided for February 2024.



#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.2.8	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Statement of Net Position by 15th of each month (cash flow and trial balance)	Implemented	Implemented	Implemented	Moss Adams confirmed the Statement of Net Position was completed for December 2023 through February 2024.
5.2.9	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Credit card account reconciliations	Partially Implemented	Partially Implemented	Partially Implemented	<p>Moss Adams reviewed corporate card reconciliations for December 2023 through February 2024.</p> <p>In December 2023, complete documentation for P-cards (these cards replaced the AMEX Go cards) was not provided and several other details were missing from the Diners Club and corporate card reconciliation.</p> <p>In January 2024, several items of provided support for Diners Club were marked as rejected and several P-card transactions did not agree to the P-card statement.</p> <p>In February 2024, we were not provided support for one AMEX corporate card transaction. We also did not receive confirmation from KSU if there were any Diners Club or P-Card transactions for the month to verify completion.</p>



#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.2.11	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Balance of asset preservation fund reserves for month end	Implemented	Implemented	Partially Implemented	<p>Moss Adams reviewed the asset preservation reserve amount for December 2023 through February 2024. The asset preservation balance increased by \$388,860 in January 2024 and decreased by \$3,920 in February 2024.</p> <p>In February, we received the total asset preservation amount but did not receive the full listing of transactions for the month.</p>
5.2.12	Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.	Accounts payable aging summary	Implemented	Partially Implemented	Partially Implemented	<p>Moss Adams reviewed the accounts payable aging details for December 2023 through February 2024.</p> <p>In December 2023, all documentation was provided.</p> <p>In January 2024, we noted a difference from the reconciliation summary sheet to the supporting documentation.</p> <p>In February 2024, we didn't receive detailed transaction information to verify the aging amounts.</p>
5.5.1	Improve the collection of student accounts receivable, including implementation of a comprehensive Student Financial Responsibility Agreement and utilization of external collection agencies, including Kentucky's Department of Revenue.	Monthly report of collection activity	Implemented	Implemented	Partially Implemented	<p>KSU provided collection activity for December through January 2024, showing \$3,064 in December 2023, and \$3,995 in January and February 2024.</p> <p>The February report appeared to be the same as the January 2024 report. KSU has not confirmed if there were changes in February or not.</p>



#	Objective	Deliverable	December 2023	January 2024	February 2024	Validation Comments
5.5.2	Improve the collection of student accounts receivable, including implementation of a comprehensive Student Financial Responsibility Agreement and utilization of external collection agencies, including Kentucky's Department of Revenue.	Monthly report of outstanding student balances	Implemented	Partially Implemented	Partially Implemented	Moss Adams reviewed the accounts receivable aging analysis reports for December 2023 through February 2024 and found accounts receivable increased by approximately \$4.6 million or 20% from December 2023 to January 2024 due to the start of the new semester and increased by approximately another \$2.2 million or 8% from January to February 2024. In January and February 2024, detailed student accounts receivable reports were not provided to verify the balance amount.

Validation Summary

Deliverable Status	December 2023	January 2024	February 2024
Objectives Implemented	8	6	2
Objectives Partially Implemented	5	8	10
Objectives Not Submitted	1	0	2
Undetermined	0	0	0
Total Objectives	14	14	14



A. APPENDIX A: PROPOSED ADDITIONAL METHODOLOGY

Moss Adams held a site visit with Kentucky State University (KSU) staff and CPE on November 16-17, 2023, to discuss KSU's progress on the Management Improvement Plan (MIP). Based on results of the visit, we plan to perform the additional procedures listed below to better assess the accuracy of key monthly deliverables. These additional procedures will require members of the Moss Adams team to obtain read-only access to Banner. Additionally, Moss Adams has established monthly meetings with KSU Finance staff to proactively review progress and develop a better understanding of KSU's monthly finance and budget processes.

Proposed Additional Methodology

Budget to Actual Reports

- The MIP outlines procedures to evaluate and revise internal budgetary controls and provide a quarterly budget to actual report to the Board of Regents. A key monthly deliverable for this objective is 5.1.2 which requires KSU to prepare monthly budget to actual reports for E&G, Auxiliaries, Land Grant Match, and Asset Preservation.
- Given the importance of accurate budget to actual reports, Moss Adams proposes the following additional procedure to provide greater assurance of the accuracy of KSU's budget to actual reports:
 - Select a sample of transactions at month end to conduct independent reconciliations, compare to KSU's reconciliations, and validate the appropriateness of expenditure recording per the chart of accounts.
 - This procedure is dependent on the completion of objective 5.6.1 related to a revised chart of accounts which has not been completed yet.

Monthly Close Processes

- The MIP outlines procedures to improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents. Key monthly deliverables for this objective include:
 - 5.2.2 which requires KSU to reconcile clearing accounts within 14 days of the end of each month.
 - 5.2.4 which requires KSU to post monthly closing entries within 15 days of the end of each month.
 - 5.2.5 which requires KSU to complete month close by the 15th day of each month.



- Given the importance of these monthly close processes, Moss Adams proposes the following additional procedures to provide additional assurance in these areas:
 - To provide additional assurance KSU is properly clearing all clearing accounts each month and providing the full list of clearing accounts, Moss Adams will run a query in Banner to confirm the full list of clearing accounts.
 - To provide further assurance KSU is closing the books in Banner, Moss Adams proposes access to Banner to confirm the month is closed. In addition, once KSU's policy and procedure for month end is developed, we will review the month end checklist to ensure each step is completed.

April Additional Procedure Status Update

As of the date of this report, Moss Adams has received Banner access and is working with KSU staff to design and perform additional verification procedures. Below is a status on these procedures.

- Procedures on budget to actual reports are pending a revised chart of accounts.
- Some procedures on the month end close deliverables are pending the month end close checklist. KSU is currently working on providing this checklist, but this has not been provided yet. The month end checklist will also be reviewed to see that procedures on clearing accounts are included and are completed each month. This will be done instead of confirming the full list of clearing accounts as KSU staff reported they are unable to run a full list of all clearing accounts in Banner.
- One procedure on the month end close deliverables is to confirm the date the month closed. KSU let us know the controller is the only one with access to see the month was closed on the 15th. However, KSU has been providing evidence the month was closed but we are unable to confirm the exact date the month closed. Although we are unable to provide evidence procedures were completed on time, the confirmation the month was closed along with the other month end deliverables will help promote appropriate internal controls over financial reporting.

