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Kentucky State University
MANAGEMENT IMPROVEMENT PLAN
MONTHLY VALIDATION SUMMARY
OCTOBER 2024

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MANAGEMENT IMPROVEMENT PLAN MONTHLY VALIDATION SUMMARY – JUNE 2024 THROUGH AUGUST 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 June 2024 through August 2024. September deliverables are due October 20, 2024, and will be reported in the next monthly report.

Validation Results

#	Objective	Deliverable	June 2024	July 2024	Aug 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	KSU’s payroll and financial systems are not well integrated, which makes it challenging for staff to pull the reports necessary to complete this reconciliation. Staff anticipate that the Banner Optimization Project that is expected to be complete in January 2025 will streamline this process. In the meantime, staff worked with Ellucian to develop the reports necessary for this reconciliation and are developing the reconciliation process. Staff anticipate they will be able to complete reconciliations soon.



#	Objective	Deliverable	June 2024	July 2024	Aug 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 and Auxiliaries	Partially Implemented	Partially Implemented	Partially Implemented	<p>KSU does not yet have a process for reviewing monthly budget to actual reports for accuracy, though staff reported this is something they are developing.</p> <p>In addition, KSU has not yet finished updating its chart of accounts, which impacts the accuracy of existing reports.</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	Not Submitted	No Longer Required	No Longer Required	This objective was removed by CPE in the June 2024 CPE Board Meeting.



#	Objective	Deliverable	June 2024	July 2024	Aug 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 June through August 2024, clearing accounts were not cleared. KSU staff reported a lot of cleanup is still needed to be able to clear accounts. KSU is working with Ellucian on this process, but the work is not complete. Staff originally hoped to be done in April 2024, but the work has been delayed given the multitude of priorities. Staff do not have a revised target date for implementation.</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	Partially Implemented	Partially Implemented	Partially Implemented	<p>In June through August 2024, several bank account reconciliations were still in progress or not provided. KSU staff reported they are working with Ellucian and Your Part Time Controller to reconcile bank accounts timely in the future.</p>



#	Objective	Deliverable	June 2024	July 2024	Aug 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 20 days of the end of each month	Partially Implemented	Partially Implemented	Partially Implemented	<p>Moss Adams was unable to confirm closing entries were posted within 20 days of month end in months June through August 2024 due to incomplete or missing information provided each month. This included missing or incomplete support for fuel and auxiliary charges, p-cards, capital project entries, and investment entries.</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>
5.2.5	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 no later than the end of the subsequent month	Partially Implemented	Partially Implemented	Partially Implemented	<p>Moss Adams confirmed June through August 2024 were recorded in Banner as closed by the end of the subsequent month. However, Moss Adams was unable to verify all month-end procedures were completed because KSU has not yet finalized a month-end close checklist. Staff reported the month-end procedures have been drafted and are expected to be finalized soon.</p> <p>Note: Additional procedures are planned for this objective but are pending a month end close checklist that has not been provided yet. See Appendix A for the list of procedures.</p>



#	Objective	Deliverable	June 2024	July 2024	Aug 2024	Validation Comments
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)	Partially Implemented	No Longer Required	No Longer Required	This objective was removed by CPE in the June 2024 CPE Board Meeting.
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)	Partially Implemented	No Longer Required	No Longer Required	This objective was removed by CPE in the June 2024 CPE Board Meeting.
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 completed each month	Partially Implemented	Partially Implemented	Partially Implemented	<p>Moss Adams reviewed credit card reconciliations for June through August 2024.</p> <p>In June and July 2024, KSU did not provide complete documentation to verify Diner's Club or P-card reconciliations were completed.</p> <p>In August 2024, KSU did not provide complete documentation to verify the AMEX corporate card, Diners Club, or P-card reconciliations were completed.</p>



#	Objective	Deliverable	June 2024	July 2024	Aug 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	Partially Implemented	No Longer Required	No Longer Required	This objective was removed by CPE in the June 2024 CPE Board Meeting.
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	Partially Implemented	Partially Implemented	Partially Implemented	<p>Moss Adams reviewed the accounts payable aging details for June through August 2024.</p> <p>In June 2024, we did not receive a detailed breakdown of outstanding invoices, but staff reported they are working on closing out unpaid invoices.</p> <p>In July and August 2024, KSU provided the aging report, but staff are working on ensuring the reports are accurate.</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	Implemented	<p>KSU provided collection activity in June 2024 showing Keys to Recovery collected a total of \$1,387.49, \$1,538.93 in July 2024, and \$1,818.79 in August 2024.</p> <p>Keys to Recovery has collected more than \$17,400 in 2024, showing continued progress in collections.</p>



#	Objective	Deliverable	June 2024	July 2024	Aug 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	Partially Implemented	Partially Implemented	Implemented	<p>The June 2024, the report showed a \$485,080 or 2% decrease in student balances from the prior month. In July 2024, the report showed a \$9.7 million or 29% increase in student receivables from the prior month. This increase was due to the semester bills that went out in July.</p> <p>In August 2024, the report showed a \$986,327 or 3% increase in student balances from the prior month. This month we also reviewed a sample of ten student accounts from the aging report and verified that all sampled account balances agreed to the balance in Banner.</p>

Validation Summary

Deliverable Status	June 2024	July 2024	Aug 2024
Objectives Implemented	1	1	2
Objectives Partially Implemented	12	9	8
Objectives Not Submitted	1	0	0
Undetermined	0	0	0
No Longer Required	-	4	4
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 Adam 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.

May 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 from the April report. There have not been any updates since the last report.

- 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.

