Monthly Financial Update

Kentucky State University

January 2023

HB 250, enacted in the 2022 Regular Session of the Kentucky General Assembly, directs the Kentucky Council on Postsecondary Education to provide a monthly financial update on Kentucky State University to the Legislative Research Commission and the Office of the Governor.

Cash Position

Cash Position
In Millions
July 2021 through December 2022

The university's cash balance (unaudited) on December 31, 2022, was $8,156,575.23.

Cash reserves continue to be significantly higher than in the prior year. Also, cash balances for the first nine months of fiscal year 2022 were artificially high due to an advancement of the fourth quarter allotment to address a significant cash flow crisis in July 2021. 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
Fiscal Year 2023

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. As expected, days cash on hand at the end of December 2022 was significantly higher than at the end of December 2021.

Days cash on hand for the second quarter is tracking ahead of the first quarter, which is a positive sign. 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 previous updates, CPE and KSU staff have collaborated on a task list to improve timely financial reporting. The university provided a status of each task on this list; the updated list is attached to this document. The university 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.

Student Balances

As of December 16, 2022, outstanding balances have dropped to approximately $777,000. This balance represents a significant improvement.

The university indicated that assistance was provided to some students using HEERF. CPE has asked for the total HEERF used for this purpose but has not received a response from the university as of the date of this report.

Areas of Concern

The 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 and with additional accounting support, we expect more accurate year-to-date results to be reported in the next update.

Progress, Notes, and Resources information provided by Kentucky State University

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	In Progress	The draft of the financials (Balance Sheet, Income, Cash Flow) are completed, with the exception of the notes (in progress). 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 their final report within the next 6-months.	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	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's platform.		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	In Progress	In Dec 2022, Protiviti completed their responses to the 158 audit requests and those responses has been provided to Blue & Co. We are currently reviewing the adjusting entries provided by Protiviti at the conclusion of their contract in December 2022. Protiviti has committed their time at no cost to providing any additional support 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 count is being finalized for the census date (Feb 3rd) and 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), tuition discounts ($6M) and public safety staffing ($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	In Progress	Master file of all positions (E & G, grants, part time, etc.) has been created and sent to YPTC ADP access to the payroll will be granted so that the consultant can perform the payroll to budget reconciliation. This same master file will be used for the MIP compensation study. We hope to have both initiatives completed by June 2023.	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.

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.)	In Progress	We are performing days of cash on hand however there are other metrics we will begin calculating, validating, monitoring and reporting 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.