



# Monthly Financial Update

Kentucky State University

March 2024

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

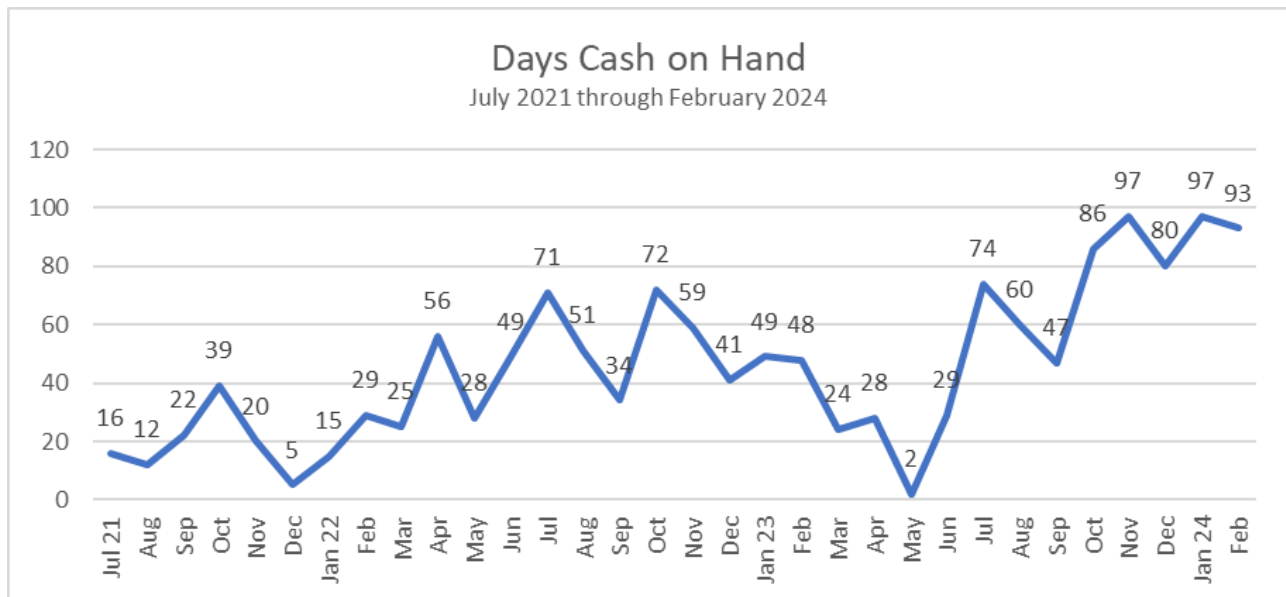
The university’s cash balance (unaudited) on February 29, 2024, was \$18,525,912. The February balance includes \$9.1 million of reserves for the following items:

- \$5.2 million is held by the State and reserved for various capital projects, including “asset preservation pool” projects approved to be funded with state bonds in the 2022-2024 biennial budget.
- \$2.5 million is held by KSU and reserved for asset preservation projects. This reserve represents the available balance of student fees collected for asset preservation projects.
- \$1.3 million in grant funds from CPE is reserved for specific projects.
- \$0.1 million is reserved for the closeout of KSU’s Perkins loan program.



Days cash on hand (DCOH) decreased to 93 days as of February 29, 2024, nearly double the 48 DCOH at the end of last February. CPE is reviewing cash flows, however the increase over prior year appears to be due to timing of draws on grants and contracts, reduced spending, asset preservation project balances held at the State, and grants from CPE. Excluding the \$9.1 million reserved for various items, DCOH available to support operations is 47 days at the end of February. Industry standards recommend maintaining 146 days or approximately five months of cash on hand to cover expected operating expenses. As the university is well below industry

standards, CPE will continue to closely monitor the university’s cash position and will also work with university leadership on a plan to build cash reserves.



## Financial Reporting

As shared in previous reports, CPE contracted with Moss Adams to provide independent verification of KSU’s progress on the Management Improvement Plan. Verification work is now underway for the third quarter of fiscal year 2024 on the following monthly deliverables:

- Master list of budgeted positions reconciled to departmental budgets
- Budget to actual reports for E&G, Auxiliaries, Land Grant Match and Asset Preservation
- Budget projections for E&G, Auxiliaries, Land Grant Match and Asset Preservation
- Clearing accounts reconciled within 14 days of end of each month
- Bank accounts reconciled within 14 days of end of each month
- Monthly closing entries posted within 14 days of end of each month
- Previous month’s accounting ledger closed by the 15th day of each month
- Credit card account reconciliations
- Cash position report, cash forecast and other financial information

As reported in Moss Adam’s January 2024 Management Improvement Plan Monthly Validation Summary for Q2 2024, KSU demonstrated progress on the monthly deliverables; however, several items were not implemented or were partially implemented. In general, while there is still work to be done, more progress was made toward monthly Management Improvement Plan deliverables in Q2 2024 than in the previous quarter. CPE is monitoring KSU’s progress on these monthly deliverables and is working with KSU and Moss Adams to improve the verification process.

Related to financial reporting and shared in previous reports, KSU is completing a Banner accounting system optimization project entailing a revised chart of accounts and

implementation/utilization of system-delivered reports. Additionally, KSU is completing an Argos reporting tool optimization project to automate several key management reports that are currently generated manually. Successful completion of these optimization projects will facilitate improved accounting and reporting, including GAAP financial statements, endowment utilization/stewardship reporting, budget to actual reports and student accounts receivable aging reports.

KSU is currently utilizing Your Part-Time Controller (YPTC), an external service provider, to assist with certain processes/functions including cash reconciliations and forecasting, and other financial tasks on an ad hoc basis. CPE will continue to monitor YPTC's involvement as the goal is to reduce or eliminate over time as KSU becomes fully staffed and trained across all finance functions and all financial reporting and related policies are current.

## Moving Forward

Obtaining a complete financial reporting and assessment of the institution is still a work in progress, but the situation is improving. With successful completion of the Banner/Argos optimization projects, and completion of the monthly and other Management Improvement Plan deliverables, including audited financial statements and quarterly GAAP financial statements, CPE will be able to truly monitor the fiscal status of the institution on a month-to-month basis and provide more information in these reports each month. To bolster these efforts, the CPE Board approved a new monthly reporting package for KSU to follow effective for January 2024 reporting.

Attached is the second reporting package submitted by KSU for February 2024. Below are some observations based on our initial review:

- The budget to actual reports were produced from the Banner accounting system and are currently incomplete as all relevant budget information has not been loaded into the system and actual results have not been fully reconciled. CPE will work with KSU to complete and validate the reports.
- The cash balance report reflects preliminary balances for February. Correct totals based on final statements as of February 29, 2024 are shown below:
  - Total Cash Balance \$18,525,912
  - Total Reserved Cash Balance \$ (9,095,073)
  - Available Cash Balance \$ 9,430,839

CPE has asked that final cash balances be reported moving forward. See the Cash Position section above for additional comments on February cash balances.

- KSU reported total balances owed for enrolled students of \$4.1 million as of February 29, 2024, representing an increase of \$2.3 million over February 29, 2023. KSU staff indicated that financial aid disbursements were delayed at the start of the spring semester, potentially inflating the February 29, 2024 balances. CPE will determine the status of financial aid disbursements for the spring semester and will also review the current billing and collection policies/practices for enrolled students.

- KSU reported total balances owed for non-enrolled students of \$25.1 million as of February 29, 2024, representing an increase of \$4.7 million over February 29, 2023. CPE will review current internal and external collection efforts for non-enrolled students.
- KSU reported outstanding accounts payable totaling \$2.5 million as of February 29, 2024, comprised of the following: 63% of invoices with purchase orders, 32% of invoices without purchase orders and 5% of Diners Club card payables. The aging of accounts payable for invoices with purchase orders is reasonably current, with 68% aged 0-30 days, 1% aged 31-60 days, 18% aged 61-90 days, and 13% aged 91 days or more. The aging of accounts payable without purchase orders is not current, with only 13% aged 90 days or less and 87% aged 91 days or more. KSU did not indicate whether or not the Diners Club card payable was current as of February 29, 2024. CPE will review the current procurement and payables policies/practices as the level of purchases without purchase orders is concerning.

CPE is monitoring KSU's progress on the Management Improvement Plan deliverables and assisting where needed. CPE's assigned project manager continues to assist KSU in scheduling the completion of deliverables and submitting the related reporting for the quarterly reports, which has been beneficial. Weekly meetings are held with each KSU point of contact for the corresponding deliverable to track progress and help ensure deadlines are met. CPE is continuing this monitoring practice for the current quarter.

The University is communicating with the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the U.S. Department of Education, and the National Collegiate Athletics Association regarding noncompliance with various requirements. A negative outcome resulting from these communications could have an adverse financial impact on the University, although demonstration of satisfactory progress towards full compliance should assist in avoiding a major negative outcome. Related to these communications, on December 3, 2023, KSU was placed on Warning by the SACSCOC for significant non-compliance with the Core Requirements or Standards of the Principles of Accreditation, the accreditation standards of SACSCOC; failure to make timely and significant progress toward correcting the deficiencies that led to the findings of non-compliance; or failure to comply with SACSCOC policies and procedures. For more information on the Warning issued, see the following link for the SACSCOC Disclosure Statement:

<https://sacscoc.org/app/uploads/2023/12/Disclosure-Statement-KY-State-Univ-Dec-2023.pdf>.

Also, see the following link to CPE's statement regarding KSU's Warning status:

<https://content.govdelivery.com/accounts/KYCPE/bulletins/37fca46>.

Blue & Co, LLC, KSU's external audit firm, issued its report on the fiscal year 2021 audit on October 27, 2023, and expects to complete the fiscal year 2022 in the next couple weeks and 2023 audits in the next two to three months. The audited financial statements may be viewed upon review and acceptance by the KSU Board of Regents at the following webpage: <https://www.kysu.edu/finance-and-administration/index.php>. CPE will review the audited financial statements for fiscal years 2021-2023 and provide an updated financial health assessment utilizing the Composite Financial Index (CFI) methodology used in CPE's November 2021 Financial Assessment Report. The updated financial health assessment will be completed in 2024 upon completion of the fiscal year 2023 audit.

KSU welcomed Vicki Dunaway as its new Chief Financial Officer in March. Vicki comes to KSU from the University of Kentucky with over twenty-five years of experience in various finance and administration positions. Vicki is an alum of KSU, having earned her master's in public administration in 2017. CPE looks forward to partnering with Vicki on the various objectives set forth in the Management Improvement Plan designed to assist with organizational and financial stability.