



# Monthly Financial Update

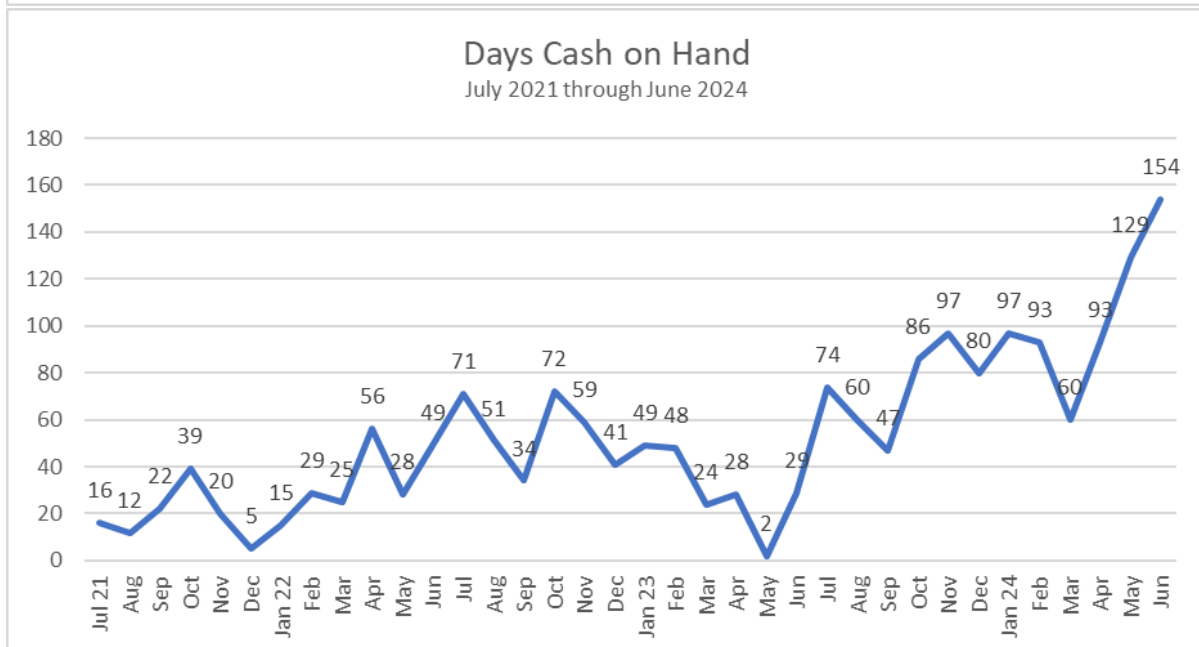
Kentucky State University

July 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 position (unaudited) on June 30, 2024 was \$30,791,897, representing 154 days cash on hand (DCOH) to support future operations and capital projects. The June 2024 cash position represents the highest month-end cash position in the last three fiscal years, as depicted below.



The June 30, 2024 cash position includes \$25.1 million of reserves for the following items:

- \$15.6 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.
- \$0.7 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.
- \$8.8 million in grant funds from CPE is held by KSU and reserved for specific projects.
- \$0.04 million is held by KSU and reserved for the closeout of KSU’s Perkins loan program.

Excluding the \$16.3 million reserved for capital projects (first two items above), DCOH available to support operations was 73 days at the end of June; however, excluding the \$25.1 million of total reserves, DCOH drops to 29 days at the end of June.

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. Industry standards recommend maintaining 146 days or approximately five months of cash on hand to cover expected operating expenses.

## 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 first quarter of fiscal year 2025 on the following monthly deliverables, some of which were modified in order to better assist KSU with compliance while still maintaining appropriate accountability:

- Master list of budgeted positions reconciled to departmental budgets
- Budget to actual reports for E&G, Auxiliaries
- 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 20 days of end of each month
- Previous month’s accounting ledger closed by the end of the following month
- Credit card account reconciliations
- Cash position report, cash forecast and other financial information

As reported in Moss Adams’ July 2024 Management Improvement Plan Monthly Validation Summary for Q4 2024, the majority of monthly deliverables were partially implemented as KSU financial staff continue to focus on completion of the 2023 audited financial statements and the Banner/Argos projects described in the following paragraph. The related Moss Adams report for Q4 2024 is attached.

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, budget to actual reports, student accounts receivable aging reports, and endowment utilization/stewardship reporting. KSU also plans to transition its payroll processing from ADP to Banner on January 1, 2025, which will provide improved position management and reconciliation.

KSU is currently utilizing Your Part-Time Controller (YPTC), an external service provider, to assist with certain 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 reporting package submitted by KSU for June 2024. Below are some observations based on our initial review:

- The budget to actual reports are subject to change as the reported amounts have not been fully reconciled to the approved budgets and actual results in Banner. Additionally, the audits for fiscal years 2023 and 2024 are not complete, therefore actual results in Banner are subject to adjustment. CPE will work with KSU to reconcile and validate the reports.
- CPE verified reported cash balances to supporting bank statements and state reports, noting minor errors in reported balances. The reported and corrected totals as of June 30, 2024 are shown below:

	Reported Totals	Corrected Totals
Total Cash Balance	\$ 24,826,740	\$ 30,791,897
Total Reserved Cash Balance	\$ (17,613,380)	\$ (25,073,031)
Available Cash Balance	\$ 7,213,360	\$ 5,718,866

See the Cash Position section above for additional comments on June cash balances.

- KSU reported \$0 for outstanding student receivables as of June 30, 2024, noting that it cleared outstanding student debt by using HEERF funds and institutional aid of \$1.2 million and \$1.7 million, respectively.

- KSU's reported total accounts payable of \$0.9 million as of June 30, 2024, down from \$1.5 million as of May 31, 2024. The outstanding payables at the end of June were comprised of the following: 26% of invoices with purchase orders, 57% of invoices without purchase orders, and 17% of credit card payables. The majority of payables for invoices with purchase orders (PO's) were current as of June 30, 2024, however the majority of payables for invoices without PO's were past due as of June 30, 2024. See below for additional details:

<u>Aging in Days</u>	<u>% of Total in Category</u>	
	<u>Invoices</u>	<u>Invoices</u>
	<u>With PO's</u>	<u>Without PO's</u>
0-30	80%	31%
31-60	11%	13%
61-90	3%	13%
91-120	2%	5%
120+	5%	39%

KSU did not indicate the current or past due status of the credit card payables as of June 30, 2024. CPE will continue to monitor KSU's payables and strategy to address past due balances and purchases made without purchase orders.

CPE is monitoring KSU's progress on the Management Improvement Plan (MIP) deliverables and assisting where needed. CPE assigned a project manager in July 2023 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. In addition, KSU has now assigned its own project manager to work with staff internally to ensure that deliverables are completed in a timely manner. Moss Adams' Management Improvement Plan Quarterly Report for Q4 2024 is attached, which reflects continued progress on MIP deliverables. Note that all deliverables related to financial incentives have been met for both FYs 2023 and 2024 and all funds have been distributed to KSU. CPE will continue to monitor the expenditure of those funds to ensure that the funding specifically dedicated to certain projects are only used for those purposes. All remaining outstanding objectives and deliverables have been assigned new deadlines in FY 2025 as adopted by the Council. This will allow time for CPE to work with Moss Adams in completing its final report on MIP progress with final recommendations by November 1, 2025 as directed by HB 250 (2022).

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 (Blue), KSU's prior external audit firm, issued its reports on the fiscal year 2021 and 2022 audits on October 27, 2023 and April 15, 2024, respectively. KSU recently executed a contract with CLA for completion of the 2023 external audit and expects the audit to be completed in September 2024. Blue is assisting with the transition to CLA. 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 upon completion of the fiscal year 2023 audit.