

# MINUTES

## Fiscal Affairs and Audit Standing Committee April 16, 2025

The April 16, 2025, meeting of the Fiscal Affairs & Audit Committee was called to order by Chair Benson at 10:18 a.m. The meeting was held in the Balkans Room of the Overman Student Center at Pittsburg State University, located at 302 E. Cleveland Ave, Pittsburg, KS 66762. *Proper notice was given according to law.*

MEMBERS PRESENT:      Regent Blake Benson, Chair                      Regent Jon Rolph  
                                     Regent John Dicus                                      Regent Wint Winter

### **Approve minutes of March 12, 2025 committee meeting**

Regent Rolph moved to approve the minutes of the March 12, 2025, meeting. Following the second of Regent Dicus, the motion was unanimously approved.

### **FAA 25-05 Receive debt capacity plans for state universities and assess universities' indebtedness.**

Jim MacMurray, Senior Vice President for Finance, Kansas Development Finance Authority, began his presentation on the state universities' debt capacity by expressing that federal policy uncertainty disincentivizes risk taking due to higher credit spreads. In times of uncertainty, liquidity becomes more valuable. In last year's discussion, KDFA had suggested that KBOR require universities to include Debt Burden Ratio, Average Debt Service Coverage, and Viability Ratio as defined in KBOR Policy Manual when a state university requests issuance of debt for the Board to have that information and context. Mr. MacMurray emphasized the importance of having a margin. KDFA is now suggesting that KBOR reinforce its guidance on liquidity and Mr. MacMurray recommended a target of 150 days cash on hand.

Next, Mr. MacMurray recapped the Moody's report highlights. He shared that Wichita State University received a negative outlook in February 2024 due to low liquidity relative to peers in their rating category. Fort Hays State University was also revised to a negative outlook in April 2024 citing lower margin and debt service coverage and Emporia State University was cited for enrollment declines that will require expense management.

Regent Winter asked if there were another way to increase liquidity aside from cutting spending. Mr. MacMurray responded that endowments could serve as a cushion if necessary.

Board staff will work with the Council of Business Officers to discuss how a potential Board policy might look.

### **First Read of Johnson County Educational Research Triangle (JCERT) Budgets by Fiscal Affairs & Audit Committee – KUMC, KU Edwards, KSU Olathe**

Elaine Frisbie, Vice President for Finance & Administration at KBOR, shared that the JCERT budgets outline how the three universities predict they will spend the \$8.3 million in sales tax for the coming year. These budgets must be approved by the Board and will be considered at next month's meeting. Vice President Frisbie also clarified that the budgets will also go before the JCERT Authority later this month. The Committee had no questions about the proposed budgets.

### **Presentation from Internal Auditors: Data on Comparison to Peers.**

Cate Neeley, Chief Internal Auditor for the University of Kansas, shared that the internal auditors have a responsibility to manage their resources and to report the appropriateness of those resources to senior leadership and to the Board's audit committee. She then shared the FTE employee to Internal Auditor ratio and the FTE student to Internal Auditor ratio.

Chair Benson noted that four of the six institutions have 1.5 FTE or less for auditors and asked how auditors can be cross-trained to increase efficiency. Tammy Norman, Director of Internal Audit for Emporia State University, responded that her institution plans to utilize graduate assistants with her phased retirement. Chris Cavanaugh, Director of Internal Audit for Wichita State University, echoed Ms. Norman's remarks regarding phased retirement and efforts to increase FTE at WSU. The Committee and the internal auditors discussed the possibility of sharing resources among the regional institutions rather than outsourcing.

#### **Review Board Agenda Items under Fiscal Affairs**

Vice President Frisbie shared that on page 44 of the agenda materials is a formalization of the audit efforts for cybersecurity and the NIST framework.

Regent Rolph moved to recommend approval of the consent agenda. The motion was seconded by Regent Dicus, and unanimously approved.

#### **FAA 25-09 Monitor Progress on State University Capital Renewal Initiative and Campus Restoration Act**

Chad Bristow, Director of Facilities at KBOR, shared the proposal to address the frequency of revised project approvals coming to the Board when project budgets have to be increased. Raising the delegated authority approval cost thresholds would reduce the number of amendments that come to the Board and expedite a number of projects on campuses. Regent Dicus expressed his support for the concept. COBO will bring a proposal to the Committee next month.

#### **FAA 25-10 Review Audit Findings**

Vice President Frisbie shared that the State of Kansas Single Audit reviewed student financial aid as a major cluster. The results of the audit were released in March and are published on the Department of Administration's website along with agencies' responses and corrective action plans to address findings. For the FY 2024 single audit, five of the six state universities were noted as having procedural findings in their compliance with regulations for federal student financial aid, although the auditor questioned none of the expenditures of the federal dollars. The Committee discussed the process for the audit and follow-up.

#### **Other Committee Business**

Regent Dicus requested feedback regarding the budget that was passed for FY 2026. Ethan Erickson, Chief Financial Officer at Kansas State, expressed concern that while there were no funding cuts, the budget did not address the inflationary impacts facing institutions. He also expressed a need for continued IT and cybersecurity funding.

#### **Adjournment**

Chair Benson adjourned the meeting at 11:26 a.m.