

# MINUTES

## Fiscal Affairs and Audit Standing Committee Wednesday, December 18, 2024

The December 18, 2024, meeting of the Fiscal Affairs and Audit Standing Committee was called to order by Chair Benson at 10:15 a.m. The meeting was held in the Board Office located in the Curtis State Office Building, 1000 S.W. Jackson, Suite 520, Topeka. Proper notice was given according to law.

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

### Approval of Minutes

Regent Rolph moved that the minutes of the November 20th meeting be approved. Following Regent Winter's second, the motion carried.

### Follow up on Questions Raised During Agenda Call

The committee had no follow-up questions to discuss from the agenda call.

### New Business

Chair Benson asked if there were any Consent Agenda items on the afternoon's full meeting agenda that any of the Committee members would like to discuss. Hearing none, a motion was made by Regent Dicus to approve the Consent Agenda, following the second by Regent Rolph the motion carried.

Vice President Frisbie reviewed the proposed housing and food service rate proposals submitted by the state universities, stating that the tables had been updated to display the information accurately. Regent Rolph motioned to approve the recommended approval of the proposed housing and food service rate proposals. It was seconded by Regent Winter, and the motion passed.

Vice President Frisbie then presented on the distribution of the FY 2025 appropriation for IT and cybersecurity. She reminded the Committee that they have allocated about half of the \$7.5 million this year, and this is a request to distribute the remainder. Angela Neria, Pittsburg State University, gave examples of collaborative sourcing that works for all the campuses. She responded that they have put together a bulk contract that several of the institutions are taking advantage of and that the others already have something in place. Angela also stated that working closely with the purchasing officers is very important.

Regent Winter asked in what area they identified savings or quality improvements because of the collaboration. Angela responded that they have a KBOR-wide contract with Adobe, and that all the universities share the same internet service provider, which allows them to leverage cost and bid out as a large group for internet services across the state. They also collaborate on their learning management system using Canvas and use the same Zoom contract. Regent Winter asked if there had been a time when there had been an opportunity to save money, but that suggestion was not followed, and if there is a future opportunity to collaborate and save money. Angela responded that has not happened unless a product had already been purchased or was not needed by the institution, but to utilize the funding, they will have to take different paths and collaborate where they can. Regent Winter moved to recommend approval. Regent Rolph seconded the motion, and the motion carried.

Chair Benson explained there will be a report on the universities' facilities condition and space utilization, which will be given at the Board meeting.

Vice President Frisbie reported on the request to allocate the Educational Building Fund appropriation for FY 2026, estimating that \$58.5 million is available to be allocated across the system. After no discussion, Regent Rolph moved to recommend approval. It was seconded by Regent Dicus, and the motion passed.

Vice President Frisbie next reported on the request for allocation of FY 2026 Campus Restoration Act Fund, stating it is a new program to launch in Fiscal Year 2026. A \$32.7 million transfer for six years is coming to the agency beginning in FY 2026. \$2.7 million will provide \$100,000 for each coordinated institution, and \$30 million is dedicated to the state universities. The goal is for each university to come back with a plan for leveraging the funds. If they are used for capital renewal, they have a one-to-one match requirement; if they are used for demolition, it does not have a one-to-one match. After no discussion, Regent Dicus moved to recommend approval. Regent Rolph seconded, and the motion passed.

### **Receive Updates from Community and Technical Colleges on FY 2023 Audit Findings**

Next, the committee received updates from several community and technical colleges on FY 2023 Audit Findings. Marcus Garstecki, Barton Community College President; Michael Johnson, Trustee; Myrna Perkins, Chief Accreditation Officer/Director of Financial Aid; and Mark Dean, Vice President of Administration, presented first. Mr. Dean stated that in FY 2023, they did have audit findings, but none were from state programs. They typically have their plan of correction in place before the auditors leave and the audit is presented to the institution.

Next, Interim President Sara Sutton and CFO Missy Scott from Fort Scott Community College presented on their FY 2023 audit findings. Ms. Scott reviewed their corrective action plan, which their Board of Trustees has approved. They have started holding monthly finance committee meetings and have been working diligently to improve internal controls. They have hired a new financial aid director and assistant director and are providing training for them. They have also hired new employees in the business office and are cross-training. Chair Benson asked if they anticipate with the FY 2024 audit that the findings that were identified will be remedied. Ms. Scott responded that she thinks they will see some of the same results because the changes were not made until May of FY 2024. President Sutton stated she feels confident with the current leadership to continue with the action plan for better outcomes in future audits. Regent Rolph asked how involved the Board of Trustees have been in the process, and President Sutton stated that since she started in May, there have been monthly finance meetings that were not happening before. In those meetings, they have been addressing the issues in coordination with the Board of Trustees.

President Eric Burks and CFO Dianna Baumann from Fort Hays North Central Tech presented next. President Burks reported their FY 2024 audit has been finalized and that they were now identified as a low-risk auditee with no material or significant deficiencies and internal controls with financial statements and federal awards.

Next, President Ryan Ruda and CFO Karla Armstrong from Garden City Community College presented. President Ruda stated that they had a finding that has been resolved and was not tied to a dollar amount but to having stronger oversight processes and additional staff being hired.

Madalen Day, CFO of Seward County Community College, presented next. She stated that the material weakness from FY 2023 was taken care of immediately after being brought to their attention.

Vice President Frisbie stated that the FY 2024 audits are starting to come in and should all be in the first quarter of 2025. Chair Benson noted that they will revisit the results and see how the FY 2024 audits went.

### **Discuss Board Policy for Internal Audit and Review Internal Audit Plans**

Cate Neeley, University of Kansas Chief Audit Executive, presented the 2024 Annual Report and 2025 Internal Audit Plan. She stated that they have updated the Audit Charter to add the required elements for the standards that will go into effect in 2025. Ms. Neeley mentioned that there are a couple of projects this year that will examine financial control validations, cash handling, and the effectiveness of internal control processes. Once they have

the report early next year, they will look at what the findings are and work with leadership to identify what audit work they can do in support of it. Ms. Neeley pointed out that they have some transition reviews on their plan to provide assurance and assessment of units that are undergoing a leadership transition. She also stated that they have hours dedicated to federally sponsored research that's a high-risk and highly regulated area, as well as safety and health. They are due for an external quality review in the Fall of 2025. To conclude, she reviewed projects they have completed or have in progress.

Jamie Dalton, Executive Director, Internal Audit and Strategic Planning at Pittsburg State University, presented next. PSU has updated the Audit Charter to add the required elements for the standards that will go into effect in 2025. Ms. Dalton reported that in FY 2024, they did not have a formal audit plan due to her position being vacant. Jamie stated that the affiliated corporations review was completed as mandated, as well as the Bryant Student Health Center and Nursing Department financial statements for KSBN, and that the Crossland College of Technology is in progress. She went over the focus of their FY 2025 audit plan, including affiliated corporations review, Crossland College of Technology, leadership changes, repair and replacement planning, police and public safety, nursing financial statements for KSBN, and Kansas Center for Career & Tech Ed.

### **Review State Support for State Universities' Operations**

Vice President Frisbie presented on state support for public institutions of higher education. KBOR was appropriated just over \$1.3 billion from the State General Fund by the 2024 Legislature for FY 2025. This is the baseline for the FY 2026 budget. To the base, \$13.7 million was added for the salary pay plan, \$4.8 million for employee health benefits, and \$254.7 million was removed as one-time projects. In September, the Board voted to request an additional \$280 million, \$61 million of which is for continuing projects and \$220 million for new items in the budget, setting the stage for FY 2026. Vice President Frisbie reviewed that each university receives their own state operating appropriations, and the amount is not typically adjusted according to a formula or to recognize the effect of inflation, except for employee pay plans or recognized fringe benefit changes.

Washburn University is one of three municipal universities in the country and receives an operating line item through KBOR that was \$14 million in FY 2023 and FY 2024 and increased to \$14.27 million in FY 2025 and the FY 2026 base budget. Vice President Frisbie also mentioned that KBOR is a member of SHEEO, and they have a community of practice that is underway this year in which Kansas is participating. It is an opportunity for KBOR to examine how funding models could be applied.

### **Monitor Progress on State University Capital Renewal Initiative Campus Restoration Act**

Chair Benson stated this would be covered during the afternoon Board meeting.

### **Review Audit Findings**

There were no other audit findings to discuss.

### **Adjournment**

The meeting was adjourned at 11:58 am.