

MINUTES

Fiscal Affairs and Audit Standing Committee Wednesday, January 15, 2025

The January 15, 2025, meeting of the Fiscal Affairs and Audit Standing Committee was called to order by Chair Benson at 10:18 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

Approve minutes of December 18 Committee meeting

Regent Rolph moved that the minutes of the December 18, 2024 meeting be approved. Following the second of Regent Winter, the motion carried.

Follow up on issues raised during the January 2nd teleconference call

Vice President Elaine Frisbie noted that there were questions on the agenda call relating to WSU's stadium project, which will be addressed in a presentation by WSU later in the meeting.

FAA 25-03 Discuss Board Policy for Internal Audit and Review Internal Audit Plans Presentation of Internal Audit Plans:

Jana Clark shared that the top priorities for KSU's Office of Internal Audit are strengthening internal controls, improving compliance with rules and regulations, and improving operations. She gave an overview of IIA standards and KSU's conformance to those standards, as well as a list of 2024 audit/project statuses. This list includes two projects that have been deferred to 2025. Two audits were canceled due to resource constraints, and 16 of 24 audits (67%) plus three additional investigations were completed. A quarterly follow-up was performed on 126 recommendations, of which 40 were closed (32%) in 2024. She then shared a list of planned audits/projects for 2025.

Regent Dicus asked why the two canceled audits were not moved to the next year. Ms. Clark responded that the risk and safety officer is implementing improvements related to the environmental health and safety audit and is being given time for full implementation before an audit is conducted. The student health and wellness audit is pending a house settlement that Athletics General Counsel is working on. Regent Dicus asked if she felt she had sufficient resources for these projects. Ms. Clark responded that resources have been used wisely, though there have been staffing challenges.

Dr. Tammy Norman began her presentation by sharing ESU's mission and vision for Internal Audit. She shared the status of required reporting and highlighted that management's risk response has exceeded expectations. She then shared a list of CY 2024 projects and their status, as well as the proposed projects for CY 2025. Two conflict of interest audits planned for CY 2024 are set to be complete by the end of January 2025. The admissions and financial aid audit have been moved to CY 2025 due to the hiring of a new financial aid director.

Regent Winter thanked Dr. Norman for her efforts and asked if she felt her resources were sufficient. She responded that she felt her resources were adequate. He then asked when the last time an external review had taken place. She responded that an external review had not yet taken place while she has been in her position. She added that she intends to do a QAR (quality assessment review) in 2026.

Baron Green, acting internal auditor for FHSU, shared that the resources available for internal audit were adequate and that the university is in the process of hiring a new internal auditor. Another area of focus has been ethics and compliance as well as risk assessment. He shared a list of projects for 2023-2024, highlighting that the University farm, rodeo, and shooting club require additional oversight. He added that no issues were noted for AY2023-24, although the audits did identify areas where internal controls could be improved. He also emphasized that security at football games has been increased due to alcohol sales and there were no incidents reported.

Regent Winter asked if there were any other universities operating with an interim internal auditor. Mr. Green responded that there were no others that he was aware of. Jana Clark added that the Kansas university auditor group meets quarterly, however the group keeps communication open between meetings. Regent Winter then asked if the possibility of an internal audit group had been considered. Jana Clark responded that having in-house auditors is more cost-effective. Chair Benson emphasized the importance of cross-training among existing staff.

Regent Dicus raised concerns to the Committee regarding resources being reported as adequate. He asked the Committee how the Board can assist with getting the universities the resources they need for auditing purposes. Vice President Frisbie suggested that the Board ask the internal auditors to benchmark themselves compared to their peer institutions. The auditors could present that data to Fiscal Affairs at a future meeting.

Board Agenda Items under Fiscal Affairs

David Miller from WSU presented on Item 2, Cessna Stadium renovations. He began his presentation by highlighting the age and condition of Cessna Stadium. It was built in 1946 and has outlasted the typical lifespan of exposed steel structures. It has had over \$200,000 of safety-related repairs in the last eight years to the steel and concrete structure. Construction is currently in phase 1A and on schedule to be complete ahead of the 2025 KSHSAA State Track and Field Championship. Phase 2 is set to begin in Summer 2026. Phase 1A will cost \$11.8 million, funded through revenue bonds. Estimated cost for phase 1B is \$8.42 million. The university is requesting \$6.81 million due to the existing legislative authorization. Phase 2 will include the demolition of the existing West Cessna Stadium, seating, press boxes, suites, training facilities, restrooms, and concessions. The estimated cost for Phase 2 is \$53.9 million. The university is seeking \$60 million in legislative authorization to complete the project. The university intends to fund the project through the WSU Board of Trustees, local partnerships, donations, and naming rights. Chair Benson asked if there was a timeline for firm commitments on donations. Mr. Miller responded that there was no clear timeline, but the university would not move forward with construction without firm donation commitments. He also emphasized that general use funds will not be used for this project. Regent Rolph moved to recommend approval of the board consent agenda items. Following a second by Regent Dicus, the motion was unanimously approved.

Chair Benson then transitioned to items on the discussion agenda. Vice President Frisbie shared that Chief of Staff Kelly Oliver will present the request for item one, “Act on Non-Budgetary Legislative Proposal to Seek Bonding Authority for Stadium Renovation- WSU,” to the Board this afternoon. Regent Rolph moved to recommend item one for approval. Following a second by Regent Dicus, the motion was unanimously approved.

Dr. Cynthia Lane shared that the next item will provide a uniform, market-rate for the “Foundations in Structured Literacy” course. This course was developed by literacy faculty from the public universities and is now in the design process. Senate Bill 438 provides that this course be offered at low or no cost to Kansas educators. The Blueprint for Literacy has tuition funding and recommends that the Board establish a uniform market-rate tuition of \$300 per credit hour. Chair Benson asked for confirmation that the agenda materials are correct in estimating that 1,500 educators would be able to take advantage of the course. Dr. Lane responded that the number is dependent on data from KSDE and that any Kansas educator is eligible for the course. She is estimating that 5,500-6,500 educators will take the course. She also commended the universities’ education faculties for their efforts on this project. Regent Rolph moved to recommend the item for approval. Following a second by Regent Winter, the motion was unanimously approved.

WSU Request to Issue Refunding Bonds

David Miller from WSU shared that in July 2021, the university issued tax-exempt revenue bonds for a convergence science building. To better align the use of the building with the direction of the current administration, WSU is now requesting to replace a portion of the existing outstanding tax-exempt bonds with taxable bonds so that private companies may lease a portion of the building space. KDFA's financial advisor estimates this will add approximately \$138,000 to the university's annual debt service. Taxable debt will take the same term as the original debt, with final maturity in FY 2051. The Board of Trustees contributes to this debt service item in the amount of \$532,000 annually. Regent Rolph asked how the original use of the building would be affected by this request. Mr. Miller clarified that the building was originally intended for only academic research under President Golden. Jim MacMurray from KDFA emphasized that this request is for tax compliance purposes due to the change in circumstances. Regent Rolph moved to recommend approval of this request. Following a second by Regent Dicus, the motion was unanimously approved.

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

Vice President Frisbie shared that the Council of Business Officers held a Zoom meeting to discuss their plans for aggregating the \$180 million across the system.

FAA 25-10 Review Audit Findings

Vice President Frisbie shared that CLA, the independent auditing firm engaged by the State of Kansas, had findings for WSU. She also shared that the prior year's finding for FHSU has been resolved.

David Miller from WSU shared that the university had two findings in the state 2024 audit. The first finding involved the approval process within ERP system. They are working on changing the configuration and anticipate it being changed with the next few weeks. The second finding relates to a journal entry within the same system being approved by an individual who does not currently work in central finance. This individual previously worked in central finance and has the background to be given such authority. The issue was a lack of policy for this type of situation. The university is currently developing this policy and expects it to be completed within the next month. A third issue noted separately involves untimely reconciliations of purchasing cards and occasional lack of documentation. He explained that the university has a purchasing card policy that aligns with the state's policy and should be enforced. Regent Rolph asked if the state considers these issues resolved. Vice President Frisbie clarified that there will be a follow-up between the audit firm and the university in the next year to ensure the issues have been resolved.

Adjournment

Regent Benson adjourned the meeting at 11:51 a.m.