

TITLE: Revision to the Kentucky State University Management Improvement Plan

DESCRIPTION: Council staff recommends the Executive Committee endorse to the full Council at its March 28, 2024, meeting, the approval of the realignment of financial incentives in the Management Plan.

PRESENTERS: Travis Powell, Vice President and General Counsel
Greg Rush, Senior Fellow, KSU Initiatives

BACKGROUND INFORMATION

At the September 19, 2024, Council business meeting, the Council approved several financial incentives to be awarded to Kentucky State University upon completion of various Management Improvement Plan objectives. While the university is on track to complete most of the incentivized tasks before June 30, 2024, there are three objectives that are likely to be delayed.

Interim leadership at the university during the 2023 fiscal year set the deadlines for completion of Management Improvement Plan objectives but did not prioritize completion of many of the deliverables in the plan, particularly those related to financial management. As a result, when President Akakpo began his presidency last summer, the university was significantly behind schedule in completing the deliverables listed below. While President Akakpo and his staff have made significant progress this year, it is unlikely that these deliverables will be fully complete by June 30, 2024.

Staff recommends that the financial incentives for these three objectives be removed and reassigned.

Objective: Incorporate National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual for Higher Education (FARM) as a guiding document for all business procedures.

- Deliverable: Completed business procedures document.
- Deadline: Q2 2024.
- Funding: \$250,000 to be used at the institution's discretion.
- Rationale: Updating procedures to conform with best practice is paramount to improving the business functions of any organization. This requirement will also help address many of the findings from the Auditor of Public Accounts (APA) report issued last spring.

Objective: Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.

- Deliverable: Revise and update Business Procedures Manual.
- Deadline: Q2 2024.
- Funding: \$250,000 to be used at the institution's discretion.
- Rationale: Updating procedures to conform with best practice is paramount to improving the business functions of any organization. This requirement will also address many of the findings from the Auditor of Public Accounts (APA) report issued last spring.

Objective: Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.

- Deliverables:
 - 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.
 - Month closed by the 15th day of each month.
 - Credit card account reconciliations.
 - Statement of Revenues, Expenses and Changes in Net Position by 15th of each month (income statement).
 - Statement of Net Position by 15th of each month (cash flow and trial balance).
 - Balance of asset preservation fund reserves for month-end.
 - Accounts payable aging summary.
 - Monthly report of collection activity.
 - Monthly report of outstanding student balances.
- Deadline: 20th of each month.
- Funding: \$500,000 upon successful completion of all monthly deliverables in 3 consecutive months to be used at the institution's discretion.
- Rationale: The back-end accounting, finance, and budgeting functions at KSU must be completed on time and accurately in order for the institution to move toward financial stability. Virtually all university decisions have a budgetary impact, and the financial information upon which those decisions are made must be solidified in order to be completely relied upon. Since the adoption of the Management Improvement Plan, KSU has struggled to meet all monthly deliverables, and the award of incentive funding will reward sustained performance in this most important area.

These objectives will remain in the Plan but will be assigned new deadlines for completion along with all other outstanding objectives at the June 21, 2024, Council meeting.

REQUESTED REVISION AND RATIONALE

While the university has made significant progress on many management plan objectives, a number of objectives relating to finance have been delayed due to a lack of attention from the prior interim leadership and the delay in completion of prior year audits. Realigning incentive funding to important tasks that can be completed by June 30, 2024, will allow CPE to continue to drive completion of these important tasks, and help the university develop solutions to long-term challenges.

Staff recommends three new objectives and deliverables be added to the plan with the incentives for completion outlined below.

Objective: Develop and submit to CPE a plan to complete all outstanding tasks related to financial management.

- Deliverable: Plan for completion of all financial management objectives that includes the following:
- Completion date of all objectives prior to June 30, 2025.
- Staff assignments for tasks, including any additional staff or consulting needs.
- Gantt Chart or similar project planning documents outlining task dependencies, time to complete tasks, resources assigned, critical path analysis, etc.
- Deadline: May 15, 2024.
- Funding: \$500,000 upon submission of an acceptable plan to CPE. Once received, funds can be used at the university's discretion.
- Rationale: While completion of the original objectives is critical, it is important to recognize that the current delays are not due to the existing leadership at the university. KSU I needs additional time to complete these deliverables.

Objective: Issue a Request for Proposal (RFP) for a review of the philanthropy strategy and governance structure of related entities, including relationships with the Foundation and Alumni Association.

- Deliverable: Issuance of RFP.
- Deadline: June 1, 2024.
- Funding: \$250,000 upon issuance of RFP. Funds shall be used for this purpose and any remainder may be used at the university's discretion.
- Rationale: Successful philanthropy operations and results are critical to the future of the University. A well-qualified consulting firm, with experience advising HBCU institutions, can evaluate the current philanthropy organization and operations, including staffing and infrastructure, as well as the University's relationships with the Foundation and Alumni Association. This evaluation can be completed as part of a campaign readiness assessment and feasibility study, which will provide essential information for leadership in positioning the University for future philanthropy success. This RFP deliverable is

related to the current MIP deliverable to obtain an external philanthropy review, which is due in June 2024. CPE will recommend an extension of this due date at the June 2024 CPE Board meeting.

Objective: Issue a Request for Proposal (RFP) for a review of the Department of Intercollegiate Athletics.

- Deliverable: Issuance of RFP.
- Deadline: June 1, 2024.
- Funding: \$250,000 upon issuance of RFP. Funds shall be used for this purpose and any remainder may be used at the university's discretion.
- Rationale: The university faces significant budget challenges for the next few years. It also has several deteriorating athletic facilities without identifiable funding streams for repair/renovation. A well-qualified consulting firm, with extensive knowledge of intercollegiate athletics, can assist the university in evaluating the current Intercollegiate program that includes: student-athlete experience, conference and division suitability, enrollment and financial optimization, fundraising challenges and opportunities, facility conditions and needs, Title IX compliance, proper staffing, athletic alumni(ae) engagement, and the department's overall contribution to the mission of KSU.

Staff recommends the deliverable be revised for one objective as outlined below.

Objective: Complete the Banner accounting system optimization project and ADP payroll system transition to Banner.

- Original Deliverable: Completed transition from ADP to Banner payroll module.
- Revised Deliverable: Project plan for completion of ADP transition and Banner optimizations.
- Deadline: Q4 2024 (June 1, 2024)
- Funding: \$350,000 dedicated to this purpose.
- Rationale: Transitioning payroll to Banner will put KSU's financial and HR management functions into one system for ease of administration. Considering the biggest cost driver at any university is personnel, it is essential that these systems be integrated. Change is due to delays from the prior administration in making the completed transition in Q4 2024.