

Kentucky State University

Board of Regents Meeting

Audit Committee

April 25, 2014

Regent Mindy Barfield, Chairperson

Regent Karen Bearden

Regent David Guarnieri

KENTUCKY STATE UNIVERSITY
Regular Meeting of the
Board of Regents
Audit Committee
April 25, 2014
12:00 - 12:30 p.m.
Board Room - Academic Services Building

AGENDA

- | | | |
|------|---|------------------------------------|
| I. | Call to Order | Regent Mindy Barfield, Chairperson |
| II. | Roll Call | Sonia Sanders |
| III. | Opening Remarks | Regent Mindy Barfield |
| IV. | <u>Approval of Minutes</u> | Regent Mindy Barfield |
| | <ul style="list-style-type: none">• Approval of the January 24, 2014 minutes | |
| V. | Report | Mark Ferm, Internal Auditor |
| VI. | Discussion | |
| VII. | Adjournment | |

Agenda Item Background

To:	Board of Regents Audit Committee	Date: April 25, 2014
From:	Regent Mindy Barfield, Chairperson Audit Committee	
Subject:	January 24, 2014 Committee Minutes	
Reason for Consideration:	Approval	Enclosures: Yes

Background:

The minutes of the Audit Committee meeting for January 24, 2014, require approval in order to become an official part of the committee records.

Recommendation:

It is recommended that the Audit Committee approve the minutes of the January 24, 2014 meeting.

Approval

Initiator:	Regent Mindy Barfield
Board Action Date:	April 25, 2014
Effective Date:	April 25, 2014

Audit Committee

January 24, 2014
12:00 p.m.
Cooperative Extension Building – RoomA/B/C

MINUTES

Call to Order

Regent Barfield called the meeting of the Kentucky State University Board of Regents Audit Committee to order at 12:36 p.m. on January 24, 2014. Meeting was held in the Cooperative Extension Building – Room 238 A/B/C.

Roll Call

Regent Barfield-Yes
Regent-Bearden-Yes
Regent-Guarnieri –Yes
Regent-Haskins
Quorum was established

Approval of Minutes

Approval of the October 25, 2013 minutes – motioned by Regent Bearden, seconded by Regent Guarnieri– Approved.

Opening Remarks

Regent Barfield welcomed the new member of the Audit committee Regent Travis Haskins. Regent Barfield introduced Mark Ferm, Internal Auditor of Tronconi Segarra & Associates for an audit update.

DISCUSSION: Mr. Ferm presented additional focus areas of the 2014 audit. First time review for Sponsored Programs and Auxiliary Services. Regent Barfield inquired about internal controls, programs already in place, and Land Grant. Other areas mentioned were student accounts receivable; Title IV funds and/or Federal Aid. Regent Barfield inquired about the areas of bad debts as it relates to student financial aid; policy and procedures; and reserves. Mr. Ferm said these areas would be addressed through the audit and shared with the Board. No further discussion.

VII. **Adjournment**

Action: Motion to adjourn by Regent Bearden and seconded by Regent Guarnieri.
Meeting was adjourned at 12:49 p.m.

Submitted and Approved by:

Regent Mindy Barfield, Chair
Internal Audit Committee
Board of Regents

_____ Approved with no corrections
_____ Approved with corrections

Kentucky State University



**2013-2014 Risk Assessment Update
April 25, 2014**

Presented by:

**TRONCONI SEGARRA
& ASSOCIATES^{LLP}**

Certified Public Accountants
Business Consultants

SOLUTIONS BEYOND THE OBVIOUS

Kentucky State University
Risk Assessment Update
April 25, 2014

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To the Audit Committee of
Kentucky State University

We are pleased to present an update of our risk assessment of the internal controls of Kentucky State University (the "University"). The purpose of our engagement is to assist you in the development of a risk assessment of University operations, to perform various internal audit services, and provide recommendations to strengthen controls and reduce the identified risks. This report was developed from inquiry of University faculty and staff, observations, inspection of various policies and procedures, and testing of the operating effectiveness of some controls. We plan to issue additional periodic reports throughout the course of the engagement, which will follow the proposed rotation plan for significant cycles as documented in the internal audit plan.

The importance of an adequate system of internal control is to promote effective and efficient operations so as to help the University carry out its mission; to provide reasonable, but not absolute, assurance that assets are safeguarded against inappropriate or unauthorized use; to promote the accuracy and reliability of accounting data and financial reporting to ensure transactions are executed in accordance with management's authorization and recorded properly in accounting records; to encourage adherence to management's policies and procedures for conducting programs and operations; and to ensure compliance with applicable laws and regulations. Furthermore, a successful system of internal control includes performing an annual assessment to identify potential weaknesses in policies and procedures and to implement corrective actions.

This report contains a summary of the status of our audit plan. Detail recommendations will be included in future updates as we complete our work.

Internal control testing was performed through tailored procedures designed based on our understanding of the University's relevant policies and procedures in effect.

The University's risks are the risks that an action or event will adversely affect the University's ability to successfully achieve its objectives. The Risk Assessment section of the report analyzes the significant risk findings that were identified during our assessment.

The accompanying comments are intended solely for the information and use of the Audit Committee, Board of Regents, department heads, and others within the University and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the employees of the University for their cooperation. We have already discussed many of these comments and suggestions with various University personnel, and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these matters, or to assist you in implementing the recommendations.

Tronconi Segarra & Associates LLP

April 25, 2014

Risk Assessment

Kentucky State University

Risk Assessment

Overview

The University's risks are the risks that an action or event will adversely affect its ability to successfully achieve its objectives. During our engagement we became aware of various sources of risk that impact the University. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications on the University.
- A moderate impact suggests that the risk could have implications for the University's ability to succeed.
- A significant impact suggests that the risk would have important implications on the University.

Likelihood refers to the probability that the risk may occur given the current context of the University. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur, despite the current risk management practices in place.

The Risk Management Tolerance Model and the Risk Assessment Matrix that follows summarizes these risks and assesses their impact and likelihood.

Kentucky State University

Risk Assessment (continued)

Cycles plotted in the red sections of the model are considered to be high risk and, as such, the related deficiencies should be given urgent attention in terms of priority. Cycles plotted in the yellow sections are considered to have moderate risk, are considered to be important, and should be given second priority after the high risk cycles. Cycles plotted in the green section of the model are considered least risky and remediation efforts to address deficiencies in these cycles would be expected to be addressed during routine operations of the University.

We have developed the risk assessment around significant transaction cycles as a means by which the associated risks can be easily understood and managed. The cycles or areas that have been evaluated are:

- Student Financial Aid - Disbursements (SFA-D)
- Student Financial Aid - Return of Title IV Funds (SFA-R)
- Student Financial Aid - Institutional Eligibility (SFA-IE)
- General Controls (GC)
- Land and Other Grants (G)

We will complete our risk assessment for the following cycles after the results of our work and related recommendations are evaluated with management:

- Auxiliary Enterprises (AE)
- Purchasing, Accounts Payable, and Disbursements (PA)
- Travel and Entertainment (T&E)
- Investments (I)

Kentucky State University
Risk Assessment (continued)

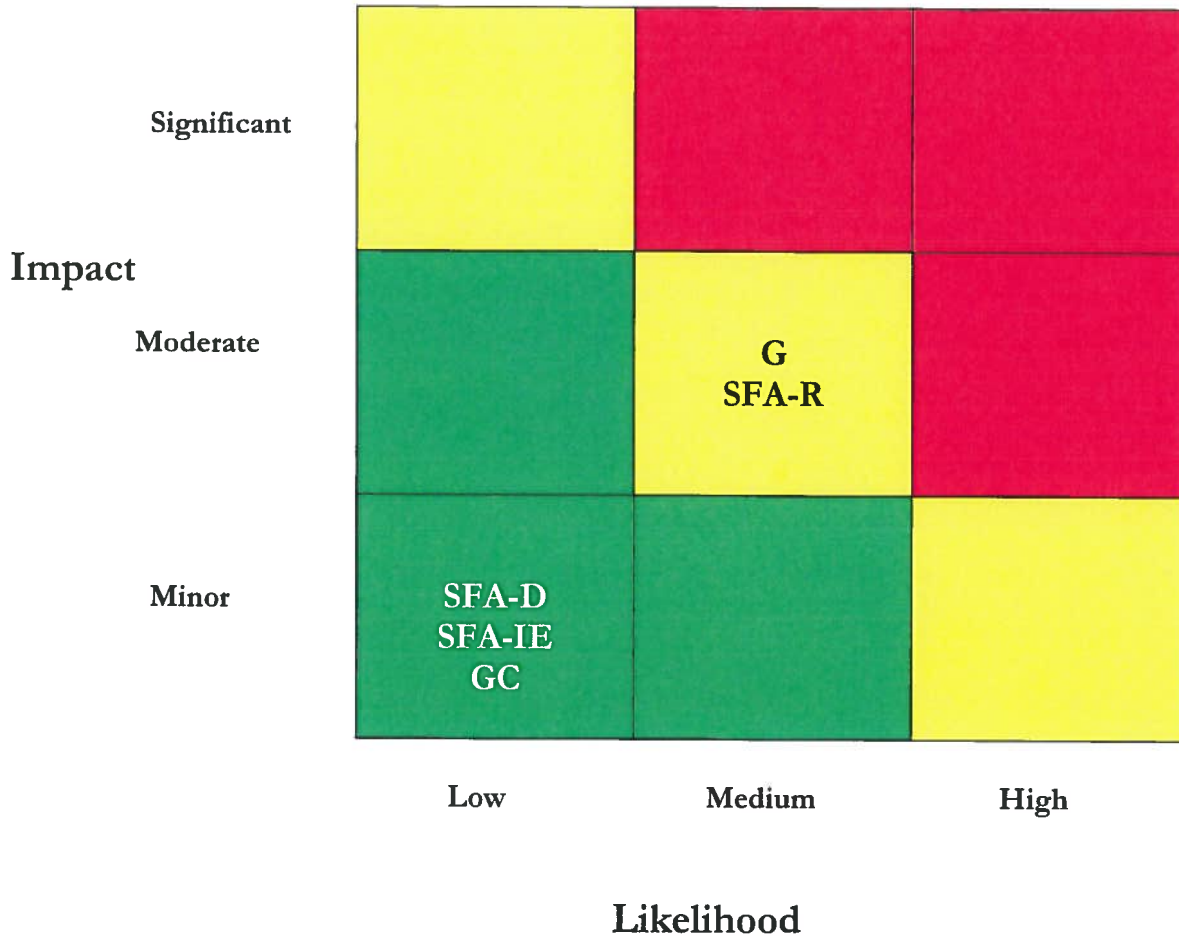
Timeline

We anticipate the following activities and timeline to accomplish our internal audit plan for the 2013 – 2014 year, which may be amended from time to time (if need be) to address any emerging high-risk issues identified:

Transaction Cycle/Area	Interviews and Walkthroughs	Control Testing Performed	Recommendations Proposed
Student Financial Aid (SFA) <ul style="list-style-type: none"> ▪ Disbursement (SFA –D) ▪ Return of Title IV funds (SFA – R) 	X	X	October 2013
Student Financial Aid (SFA) <ul style="list-style-type: none"> ▪ Institution Eligibility and Participation (SFA – IE) 	X	X	January 2014
General Control Environment (GC)	X	X	January 2014
Land and Other Grants (G)	X	X	April 2014
Auxiliary Enterprises (AE)	X	X	June 2014
Purchasing, Accounts Payable, and Disbursements (PA)	X	X	June 2014
Travel & Entertainment (T&E)	X	X	June 2014
Investments (I)	X	X	June 2014

Kentucky State University
Risk Assessment (continued)

Risk Management Tolerance Model



Kentucky State University
Risk Assessment (continued)

Risk Assessment Matrix

<u>Cycle</u>	<u>Risk Assessment Based on Procedures Performed</u>	<u>Impact</u>	<u>Likelihood</u>
SFA-D	We noted a low overall risk in the Student Financial Aid cycle related to the area of disbursements. Procedures in place within the financial aid office appear to be operating effectively in relation to disbursements.	Minor	Low
SFA-R	We noted moderate overall risk in the Student Financial Aid cycle related to the area of return of Title IV funds. The University should consider strengthening controls related to monitoring of student withdrawal dates and receivables that could have a direct and material effect on the amount of Title IV funds that are required to be returned.	Moderate	Medium
SFA-IE	We noted a low overall risk in the Student Financial Aid cycle related to the area of institutional eligibility. This result excludes any testing related to consortium agreements which are still ongoing. Procedures in place within the financial aid office appear to be operating effectively in relation to institutional eligibility of student financial aid.	Minor	Low
GC	We noted minor overall risk in the General Controls cycle. Controls over certain Human Resources procedures should be strengthened.	Minor	Low
G	We noted moderate overall risk in the Land and Other Grants cycle. The University should develop a policy and associated procedures to strengthen controls related to budgetary and expense review by Principal Investigators. Furthermore, the process for obtaining formal approval of budget amendments is in need of improvement.	Moderate	Medium

Academic Affairs Update

- Six (6) students showed up to take Junior Comp on Monday, March 16, 2015 at 8:30am
- Approximately 144 students took the rising junior exam during the Spring 2015 administration.
- VA Audit Finding: Money paid by VA for students should go to Director's Salary, travel, conference attendance). No documentation of where funds are or that this is being done.
- Staffing Recommendation: Carolyn Bowman and Mary Maxwell (Student Support Services)
- Post Tenure Review – Submission Deadline of Friday, February 20, 2015 was missed. Dossier's were not reviewed.
 - Dr. Albert Assibey-Mensah – Dossier received Friday, March 3, 2015
 - Dr. Michael Kasongo – Dossier received Wednesday, February 25, 2015
 - Mr. Reginald Thomas – Dossier received Monday, February 23, 2015, additional supporting materials received February 25th.
- Positions in Grant Positions about (30+) do you want to interview all?
- SACS Correction
- SACS Substantive Change Visit – Chair Dr. Meehan
- KSU SACS Substantive Change Preparation Committee
- Number of Students Taking Rising Junior Exam
- Post Spanish Job
- Candidates for Dean of the University – Handover and procedures

Graduation

- Roses by Johnathan
- Honorary Doctorate Candidate -
- Draft Letters to Family and to Student-

Academic Affairs Update

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