

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
COMMITTEE ON FACILITIES, FINANCE & AUDIT**

VIA CISCO WEBEX

THURSDAY, APRIL 22, 2021 @ 1:00 – 5:00 PM**

(No Public Comment Period Scheduled)

DRAFT AGENDA

(as of 4.13.21)

- CALL TO ORDER Dr. Valerie Brown, Chair
- ROLL CALL
- INVOCATION
- APPROVAL OF AGENDA
- APPROVAL OF PREVIOUS MEETING MINUTES (if any)
- PRESIDENT’S REMARKS Dr. Makola M. Abdullah
- REPORTS AND RECOMMENDATIONS

Division of Finance Mr. Kevin Davenport
Vice President for Finance & Administration/CFO

- Approval Items:
 - Proposed Operating Budget for 2021-2022
 - Unfunded Scholarships for 2021-2022
 - 2022-2028 Six Year Capital Outlay Plan
- Information Items:
 - Budget to Actual Financial Statements as of March 31, 2021
 - Actual to Actual Financial Statements as of March 31, 2021
 - Comparative Cash and Reserves Balances as of March 31, 2021
 - Auxiliary Reserve Balances as of March 31, 2021
 - Annual Financial Statement Audit for Year Ended June 30, 2019
 - Report on Internal Controls for the Year Ended June 30, 2019
 - Bi-Annual Management Reports
 - 2019 Audit Update – Mike Reinholtz, Auditor of Public Accounts (APA)
Manager

Internal Audit Ms. Sheila Alves
Chief Audit Executive

- Approval Items
 - Audit Charter
 - Audit Plan

- Information Items:
 - Corrective Action Plan Status
 - Case Workload
 - Audit Plan Status
 - Audit Client Survey
 - Audit Plan 2021-2022
 - Audit Charter
 - Staffing Update
 - Commonwealth Update
 - Consulting Services

Technology Services Update Mr. Hubert Harris
 Chief of Staff

- CLOSED SESSIONS
 - Finance: Update on National Institute of Food and Agriculture (NIFA)
 - Internal Audit: Annual Closed Session with CAE and the Board of Visitors only
- OTHER BUSINESS
- ADJOURNMENT

***All start times for committees are approximate. Meetings may begin either before or after the posted approximate start time as committee members are ready to proceed. Meetings may also end either before or after the posted time. The Board reserves the right to change its schedule as needed.*

CLOSED SESSION (if any) BEFORE THE CLOSED SESSION, CHAIR SAYS:

PLAN A: Dr. Redd will read the motion for closed session.

- *All board members and invited persons to the closed session may remain online for the session.*
- *For other attendees signed into the meeting, please leave the meeting, but watch for an email announcing the closed session is over. You will be able to log back in to the WebEx meeting.*
- *The livestream will be stopped and will be restarted when the Board returns to open session.*
- *Before we start the closed session, we will take a 10-15 minutes for technical adjustments.*

PLAN B: BOARD MEMBERS SIGN INTO A SEPARATE CISCO WEBEX MEETING IF WE DETERMINE THAT LIVESTREAM CANNOT BE RESTARTED, AFTER BEING PAUSED.

AT THE END OF THE CLOSED SESSION: CHAIR SAYS: Dr. Redd will read the certification motion to return to open session. After the roll call, we will pause 10-15 minutes for technical adjustments.

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
ELECTRONIC FACILITIES, FINANCE AND AUDIT COMMITTEE
MEETING MINUTES
THURSDAY, APRIL 22, 2021**

CALL TO ORDER

Dr. Valerie Brown, Chair, called the Facilities, Finance and Audit Committee meeting to order at approximately 1:00 p.m. The meeting was held via Cisco WebEx.

ROLL CALL

A quorum was present.

Committee Members Present:

Dr. Valerie Brown
Mr. Michael Flemming (absent)
Mr. Charlie Hill
Mr. Raul Herrera
Mr. William Murray
Mr. Jay Stegmaier (absent)
Mr. Wayne Turnage (absent)
Mr. Gregory Whirley
Mr. Huron Winstead, Rector (ex-officio)

Others Board Members Present:

Mr. Glenn Sessoms
Ms. Pamela Currey

Administration Present:

Makola M. Abdullah, Ph.D., President
Dr. Donald Palm, Senior Vice President/Provost
Hubert D. Harris, Chief of Staff
Kevin Davenport, Vice President, Finance/Administration/CFO
Regina Barnett-Tyler, Interim Associate VP, Student Success & Engagement
Charmica Epps Harris, Interim Associate VP, Institutional Advancement
Sheila Alves, Chief Audit Executive
Tanya Simmons, Office of Human Resources
Dr. Tia Minnis, Associate Vice Provost/Executive Director, OPIE
Rodney Hall, Asst. Vice President/Enrollment Services
Eldon Burton, Director, Government Relations
Dr. Annie C. Redd, Special Asst. to President/Board Liaison

Legal Counsel Present:

Deborah Love, Senior Assistant Attorney General, Chief, Education Section

Others Present:

Jane Harris, Asst. Vice President/Capital Outlay
Yourdonus James, Director, Conference Center
Benjamin Houck, Finance

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Adrian Petway, Budget Office
Travis Edmonds, Technology Services
Danette Johnson, President's Office
Deborah Jefferson, President's Office
Danika Clemmons, Student Health Center

OPENING REMARKS

Dr. Valerie Brown, Chair, invited Pastor Jasmyn Graham, Director of Campus Ministries, to offer the invocation.

APPROVAL OF AGENDA

The Committee approved the meeting agenda by roll call vote.

APPROVAL OF PREVIOUS MEETING MINUTES

The Committee approved minutes from the February 5th Committee meeting by roll call vote.

PRESIDENT'S REMARKS

Dr. Abdullah made opening remarks introducing Ms. Shawri King-Casey, Senior Advisor to the President for Institutional Equity, Ethics, and Compliance.

CLOSED SESSION

The Chair called for the closed session as the first item of business. The Committee convened a closed session at 1:15 p.m. pursuant to § 2.2-3711 (A)(7) of the Code of Virginia for consultation with legal counsel and briefings by staff members or consultant pertaining to actual or probable litigation, where such consultation or briefing in open meeting would adversely affect the negotiating or litigating posture of the public body. More specifically, discussion and update on the National Institute of Food and Agriculture (NIFA) matching funds.

The motion called for President Makola M. Abdullah, Kevin Davenport, VP for Finance & Administration/CFO, Dr. Donald Palm, Provost/Senior VP, Shawri King-Casey, Senior Advisor to the President, Mike Reinholtz, Manager APA, Sheila Alves, Chief Audit Executive, Benjamin Houck, Special Asst. to VP, Finance/CFO, Stephen Huffman, Controller, and Dr. Annie C. Redd, Board Liaison, and Deb Love, Senior Assistant Attorney General, to attend the closed meeting because (1) their presence in the closed meeting is deemed necessary; and/or (2) their presence will aid the Board in its consideration of this matter.

The Board re-convened in open session at 2:05 p.m. with a roll call vote that the Committee discussed or considered only those public business matters lawfully exempted from open meeting requirements under the Virginia Freedom of Information Act and only such public business matters as were identified in the motions by which the closed meeting was convened.

REPORTS AND RECOMMENDATIONS

Internal Audit

Ms. Alves presented a summary by year of the total items in the corrective action plan, including a breakdown of the categories items including source, such as APA or Internal Audit. Ms. Alves stated that, from a corrective action perspective, she is concerned that only two cases have been closed, stating that we need to pick up the pace. She noted that with respect to the Capital Outlay audit, more detail about what will be put into place for corrective action was received. She believes Ms. Harris has been spending time working on the resolution.

In presenting a historical overview of hotline cases, Ms. Alves emphasized that this was the second straight meeting with no hotline cases. Ms. Alves followed up on other items such as the Commission's report and the status of the grants audit and the enrollment audit.

Ms. Alves presented the updated audit plan, stating that she would like the Board to approve it, inviting questions if there were any. A Visitor stated that the plan is okay for a risk-based audit, but wondered if there is any room to add additional monitoring for the accounts receivable issue that was discussed a couple of meetings ago. Ms. Alves replied that her area is working on that currently, noting the objective to understand the root cause of the issue.

A Visitor noted that Internal Audit is performing a grants review, but emphasized their concern regarding the application of indirect costs. The Visitor pointed out that the university has billed about \$2.3 million in indirect costs to grants and has experienced significant issues in the application of overhead relating to NIFA. The Visitor noted their objective to ensure that the university is applying percentage correctly to other grants. Ms. Alves replied that there are quite a few items on the grants report. She stated that they tried not to duplicate APA findings, but rather check that what was carried out matches what was required in the grant. She noted that we do have some areas to improve in the grants space.

A Visitor noted that, based on their review of the audit reports going back seven years, they wonder if we are in a worse place now. The Visitor emphasized that the goal of the audit report is to give attention to problem areas so that they can be addressed. The Visitor asked Ms. Alves if she believes that we are better or worse than we used to be. Ms. Alves stated that she actually sees a decline, noting that we are not moving as fast as we need to be in resolving corrective items. She emphasized that if we want to move to Level II, we are going to be evaluated by how well these issues are resolved.

A Visitor stated that they are troubled by the fact that the person closest to the situation sees it getting worse. The Visitor emphasized their hope that fellow board members are also troubled to the point to take a look at what needs to be done to reverse this trend. The Chair stated that these comments are taken under serious advisement and there will be areas in the finance that address these concerns, including adding staff where needed and making Level II a priority. The Chair emphasized that these concerns are not falling on deaf ears and are being addressed.

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A Visitor noted that many of these issues were raised in 2015. The Visitor commented that if the concerns about NIFA had been addressed in 2015 we would not still be talking about it today. The Chair stated that she, along with most of the current board were not serving at that time – so she cannot comment on why this matter was not addressed at the time. However, the Chair went on to provide assurance that everyone on the board now understands the seriousness of these issues and that the board is doing all that it can to ensure that we are still not having this conversation five years down the road.

A Visitor shared concerns about how long it is taking to address these issues, asking for some type of expectations about how many of these findings can be address by next year. The Visitor emphasized the request to have some kind of expectation for next meeting about when these issues will be resolved. The Chair noted this request. The Chair also pointed out that there will be special presentation tomorrow about indirect costs, asking Visitors to hold further questions on that matter until that discussion.

Ms. Alves presented additional matters such as the audit charter, measuring client services feedback, and a staffing plan update.

A Visitor asking about a memorandum from April 6th regarding health holds, noting their concern that students had been validated with health holds. Dr. Palm stated that this is one of the areas he took over when he became the Vice President for Academic Affairs and Provost. Dr. Palm stated there are several reasons for health holds including physicals and immunizations, noting that physicals are not required to enter the university. Dr. Palm discussed challenges relating to cases where students do not have complete records of their immunizations, highlighting efforts to utilize the Virginia Department of Health's records in these instances. He also discussed efforts to immunize students on campus, including antibody tests in cases where students have had prior immunizations but lack records. He noted that Dr. Clemmons is leading these efforts. Ms. Alves clarified that the concern at hand strictly related to immunization records and not physicals. She clarified that the item had been cleared based on the fact that the files had been improved.

A Visitor inquired why health holds were implemented again. Dr. Palm provided additional information about cases where we are not able to identify the immunization records of students. He explained that for Virginia students who believe they have been immunized but lack records, the Virginia Immunization Information System can be leveraged. For students outside of this database with the same circumstance, a blood test can be performed to test if antibodies are present. In cases where it has been established that a student was not vaccinated, students can be vaccinated on campus. Additional challenges have been present due to many students being off campus.

Dr. Abdullah elaborated that one of the challenges is that, until students register, it is very difficult to provide health or financial assistance. He stated that the decision was made to have a doctor on site, who was able to immunize students on the spot if they didn't have immunization records. He noted that there were students who came in after move in that were missed, stating that health holds were released so that these students could be assisted. He stated that the objective was to comply in a humane way to keep students in school, however the process was not perfect.

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A Visitor thanked Ms. Alves and her team for the work they do to try to protect Virginia State University. The Chair emphasized that we are in agreement that we are all on the same team for the benefit of the university, noting that while constructive criticism can be painful, it is not anyone's intent to be adversarial.

Division of Finance

The Chair called Mr. Reinholtz of the Auditor of Public Account to present the report on internal controls for fiscal year 2019. He stated that an unmodified opinion is being issued and that the internal report had eight findings. In presenting the findings, he noted that the NIFA related finding has already been discussed with the board. Mr. Reinholtz then highlighted the following findings, noting that some of them were repeat findings:

- Improve documentation of sole source procurement. Twenty three sole source procurements were reviewed and sixteen of them had issues with documentation.
- Improve internal controls for reporting of capital assets. Two capital projects were completed before 2019 and should have been included as depreciable assets.
- A project that was not considered a capital project could have been considered a capital project.
- Improve process of employment eligibility relating to the federal I-9 form. Forms were being completed late or proper documents were not being submitted. Corrective action will be followed up on in the FY20 audit.
- Improve process of payroll and HR reconciliations. The first reconciliation was been done quarterly whereas it needs to be done monthly. The second reconciliation was not being completed to the level required by VRS.
- Periodically review stagnant grants and contracts. It needs to be determined which stagnant grant funds need to be used and which ones need to be returned.

A Visitor expressed surprise that improvement was not seen in the stagnant grant accounts. Mr. Davenport clarified that the auxiliary and local accounts had been reviewed and resolution has been brought to many of those accounts. He explained that it is a very similar process with the grants. This process will likely require going through storage to find old documentation and possibly reaching out to people who have left the university.

Mr. Reinholtz noted that student financial aid is back in cycle for the FY21 audit. Whether or not corrective action has been implemented is something that will be reviewed in December. A Visitor asked how we get our hands around these corrective actions and how a process can be put in place to resolve them. The Chair stated that a process will be put into place to address these items. Mr. Reinholtz stated that it appears that significant progress has been made with NIFA. He also noted that, given the timing of the audit, certain issues will automatically remain as issues for the next fiscal year. He emphasized that APA wanted to give VSU time to resolve the NIFA matter, but that the most important priority was for the unallowable

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expenditures to stop. Mr. Reinholtz outlined the few audit adjustments, one relating to NIFA and the other related to capital assets.

The Chair introduced Mr. Davenport who presented the Agency 212 cash and reserve balances. He noted that the VCAN money will be a permanent addition. He went through the various key line items such as general funds and higher education operating. He noted a solid increase in E&G cash position. He discussed how the cash is tracking as of June 30th and stated that he projects a surplus E&G cash position of about \$4.7 million. He highlighted a projection of auxiliary reserve cash balances noting an expected balance of \$50 million. He discussed when debt savings will be realized and also spending of the various aid sources.

Mr. Davenport replied to a Visitor's follow up question about the location of the MacKenzie Scott gift. The Chair stated that it could be an opportune time for the Committee to form a task force to look at how the university invests its money, noting that managers invest in accordance with what is in the investment policy and this may need to be updated to better reflect the objectives and risk tolerance of the Committee. The Chair noted that this could include an RFP. Mr. Davenport noted that if the MacKenzie Scott gift is added to the current endowment, VSU would have a total endowment of approximately \$100 million which would put the university in very special company, probably top 5 for an HBCU.

The Chair asked if there was an adequate plan to spend the Agency 234 balances. Mr. Davenport stated that he is working with Dr. McKinnie to develop a spending plan.

Mr. Davenport presenting the budget to actual report noting that the university only lost 7% on enrollment as opposed to the 20% that was budgeted, noting that the product performed better than expected during this time. Due to this performance, revenue exceeded budget by \$18 million.

Mr. Davenport presented the quarterly financial statement, highlighting the MacKenzie Scott gift, CARES money, and sponsored programs. Mr. Davenport presented auxiliaries, noting a phenomenal job to incur savings in areas such as food services and student activities. He highlighted the debt services and noted when the expected savings is expected to be incurred. He stated that his expected drawdown from auxiliary reserves is most likely to be \$7 or \$8 million as opposed to the \$15 million expected. A Visitor followed up with a question whether aid funds can be used to further offset this expected drawdown from auxiliary reserves. Mr. Davenport responded that we still do have some COVID related expenses, and we do expect all of the aid money to be drawn down.

Mr. Davenport presented the budget, noting that it is very conservative and much lower than what would be expected in the event of a full opening. He stated that there will be a very big emphasis on strengthening academics, hiring to strengthen compliance, and innovation. He summarized that it is a very conservative budget, but that investment is being made. He also spoke to the collaborative nature of the development of this budget.

Mr. Davenport highlighted certain elements of the budget noting that the \$7.4 million in carry forward is not a permanent amount. However, the VCAN funds will be allowed to be carried forward until next year. He highlighted amounts for upgrading technology, hiring new faculty members for the College of

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Engineering, and an additional \$3 million of institutional support. He noted we are still balanced with the \$11 million dollar budgeted increase on the E&G side. A Visitor asked if the MacKenzie Scott gift could be presented more accurately, perhaps as a transfer instead of as revenue.

The Chair mentioned a potential reformatting of how we present the summers. The Chair also asked about the issue of early retirement. Dr. Abdullah stated that the university has a unique opportunity to realize some savings using an early retirement plan. A Visitor asked if this plan has been vetted by DHRM and the Attorney General. Dr. Abdullah replied that he believe we have an approval item that is appropriate for the Board.

Dr. Palm discussed the RFP for the proposal to address salary equity as well as the climate survey. A Visitor asked when this will be implemented. Dr. Palm explained that the faculty just approved the plan to select and onboard the vendor.

The Chair stated that this is a great budget which handled lots of moving parts and presented a strong narrative. The Chair thanked the members of the team for their work in preparing this budget. Dr. Abdullah echoed the comments of the chair praising the team on fiscal management during the last year, in particular, Ms. Adrian Petway, Assistant Vice President for Budget and Financial Planning.

A Visitor stated their hope that the MacKenzie Scott gift would be Board restricted and that the interest would be used to support special projects, treating it somewhat like the university's endowment. The Visitor noted that it seems unclear right now what the intent is, further pointing out the potential merits of investing the principal and drawing down 4.7% annually. The Chair replied noting the intent to remain flexible on the use of the gift at this point in time, stating the intent to put this matter in the hands of the Committee to make suggestions to the full board.

Mr. Davenport presented for approval an additional \$1 million in unfunded scholarships, giving a breakdown that \$1 million will support engineering and science and that \$500,000 will be used for the general needs of the students. Mr. Davenport replied affirmatively to a Visitors' request for clarification that we are well within the maximums that can be approved by the board for unfunded scholars.

Mr. Davenport presented the final item for approval, the 2022-2028 Capital Outlay Plan, noting that items for which the university might want to seek approval from the state must be in place on this plan. He explained that the 2020 legislative session was quite historic for VSU, reviewed major approved projects from this session such as a \$108 million academic building and a \$10 million agriculture research and education building. Dr. Abdullah added clarification that the new agriculture building was from a non-general fund.

The Chair offered congratulations and kudos to those who have been lobbying and requested a report showing the planned start and completion dates for these projects.

Technology Services

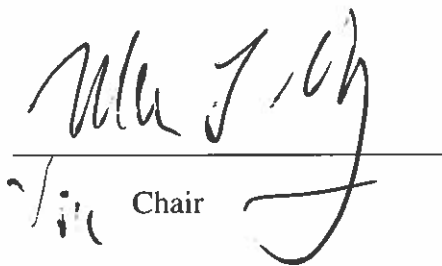
Mr. Hubert Harris provided an update on Technology Services starting with an update on the Tier III data center build out which will include hosting from Amazon web services. He went on to discuss classroom support upgrades for face to face and virtual classrooms, including an audio/visual upgrade.

Mr. Harris provided an update on the VOIP replacement project and fiber optic upgrade/rerouting. He explained the need to relocate the fiber hub from Jackson Place, noting that the Governor's budget team has not released the funds to do so yet. He stated that his team remains in close contact with them about this matter.

ADJOURNMENT

There being no further business, the Chair adjourned the meeting at approximately 5:00 p.m.

APPROVED:



Chair

9-17-21

Date