

VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
Committee on FACILITIES, FINANCE & AUDIT
12:30 p.m.; Thursday, November 18, 2021
Gateway Dining & Event Center
(on the campus of Virginia State University)
(No Public Comment Period Scheduled)

DRAFT AGENDA
(as of 11.17.21)

CALL TO ORDER Mr. William Murray, Vice Chair

Roll Call

Invocation (*Pastor Jasmyn Graham, Director of Campus Ministries*)

APPROVAL OF AGENDA

APPROVAL OF PREVIOUS MEETING MINUTES (if any)

PRESIDENT'S REMARKS Dr. Makola M. Abdullah

CLOSED SESSION

- Consultation with Legal Counsel re: Specific Legal Matters/Legal Advice

REPORTS AND RECOMMENDATIONS

- Division of Finance Mr. Kevin Davenport
Vice President, Finance & Administration/CFO
 - Approval Item: None
 - Information Items
 - Statement of Sources & Uses for Quarter Ending 9/30/2021
 - Comparative Cash and Reserve Balances as of 9/30/2021
 - Annual Audit Report for Year ended 6/30/2020
 - Report on Internal Controls for the Year ended 6/30/2020
 - Tuition and Fee Rate Increase Notification
 - Capital Project Updates
 - Update on National Institute of Food & Agriculture (NIFA)
 - Auditor of Public Accounts (APA) Audit Update.....Mr. Mike Reinholtz
APA Manager
- Discussion re: Position of Chief Audit Executive

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
FACILITIES, FINANCE AND AUDIT COMMITTEE
MEETING MINUTES
November 18, 2021**

CALL TO ORDER

Mr. William Murray, Vice Chair, called the Facilities, Finance and Audit Committee meeting to order at approximately 12:30 p.m. in the Gateway Dining and Event Center.

ROLL CALL

A quorum was present.

Committee Members Present:

Mr. Jay Stegmaier, Chair (*absent*)
Mr. William Murray, Vice Chair
Mr. Michael Flemming
Mr. Raul Herrera
Mr. Charlie Hill (*electronic participation*)
Mr. Jon Moore
Mr. Wayne Turnage
Dr. Valerie Brown, Rector (*ex-officio*)

Others Board Members Present:

Mr. Glenn Sessoms
Ms. Pamela Currey
Dr. Christine Darden

Administration Present:

Makola M. Abdullah, Ph.D., President
Dr. Donald Palm, Senior Vice President/Provost
Kevin Davenport, Vice President, Finance/Administration/CFO
Hubert Harris, Chief of Staff
Shawri King-Casey, Senior Advisor, EEC
Dr. Tia Minnis, Vice Provost, Academic Success, Planning & Inst. Eff.
Regina Barnett-Tyler, Assoc. Vice President, Student Success & Engagement
Dr. Gwendolyn Dandridge, AVP/Director, Communications
Tanya Simmons, Human Resources
Adrian Petway, AVP, Budget Office
Maurion Edwards, CIO/Technology Services
David Bragg, Chief of VSU Police Dept.
Alexis Brooks-Walter, Asst. Vice Provost, Enrollment
Dr. Annie C. Redd, Special Asst. to President/Board Liaison
Franklin Johnson, Jr., Alumni Relations

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Legal Counsel Present:

Cynthia Norwood, Assistant Attorney General

Others Present:

Yourdonus James, Director, Conference Center

Benjamin Houck, Finance

Pastor Jasmyn Graham, VSU Campus Ministries

Tasha Owens, Internal Audit

Ahmad Lewis, Internal Audit

Malika Blume, President's Office

Star McCray, Conference Services

The following Board members participated by electronic means using Cisco WebEx.

- Mr. Charlie Hill, located in Hampton, VA, because of personal reasons due to a conflict.
- Mr. Glenn Sessoms, located in Cordova, TN because of personal reasons due to a conflict.

INVOCATION

The Chair invited Pastor Jasmyn Graham, Director of Campus Ministries.

APPROVAL OF AGENDA

The Vice Chair called Mr. Davenport to announce a change to the meeting order, noting that the committee will go into closed session first and then Mr. Reinholtz from APA will come next. The Vice Chair asked for a motion to approve the revised agenda. The committee approved the revised agenda.

PREVIOUS MEETING MINUTES

The Vice Chair asked for a motion to approve previous meeting minutes, which the committee approved without revision.

CLOSED SESSION

The Chair convened a closed meeting at 12:40 p.m. for consultation with legal counsel employed or retained by a public body regarding specific legal matters requiring the provision of legal advice by such counsel pursuant to VA Code Section 2.2-3711 (A)(8). The chair requested President Makola M. Abdullah and Dr. Annie C. Redd, Board Liaison, to attend the closed meeting.

The Committee re-convened in open session at 12:56 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 motion(s) by which the closed meeting was convened.

REPORTS AND RECOMMENDATIONS

Division of Finance & Administration

Upon return to open session, the Vice Chair called Mike Reinholtz from APA to discuss the FY20 Audit. Mr. Reinholtz commented on the timeline of when he expects the final report to be released, also noting challenges relating to the FY19 and FY20 audits being conducted in close proximity – most notably that in some cases staff did not have time to address the findings of the FY19 audit by FY20. He outlined the plan to get the VSU audit back on track in terms of the timing of the audit.

Mr. Reinholtz outlined the first finding which related to NIFA, also summarizing what steps the university has taken so far and the amounts remaining to be paid to NIFA. He then provided summaries of findings related to improvement of documentation for emergency and sole source contracts, retirement benefits reconciliations, review of stagnant grants, new recommendations for information systems security, documentation of change management, system access for employees who separate from the university, proper capitalization of capital asset purchases, data security for service providers, student account collections, ensuring proper staffing for the purchase card program, and issues related to payroll leave activity reporting.

Mr. Reinholtz stated that APA is planning to start the FY21 audit in early January and get the audit out by late spring/early summer 2022. He added that they will be doing specific work related to emergency relief COVID-19 funds.

The Rector asked a clarifying question about the liability for unused grants. Mr. Reinholtz answered, noting that the exact amount of the liability depends on at which points you cut it off. However, the liability will be in the hundreds of thousands, not in the millions. He also discussed some challenges in identifying the grantor in certain cases.

The Rector asked about the likelihood of repeat findings. Mr. Reinholtz stated that there will be some repeat findings due to the timing of the audits, but that some findings have already been addressed by the University. He noted that several findings are due to vacant positions and turnover and that he is aware of the fact that the University is working to fill those positions.

The Rector explained that the University is in the process of hiring a new chief internal audit executive, asking Mr. Reinholtz if he could offer any perspective on what the university should be emphasizing in terms of roles and responsibilities for the new position. Mr. Reinholtz replied noting that every university is different in terms of their charter and what they are looking for with respect to the Internal Audit function. However, he noted the importance of the auditor having higher education experience. He also outlined different archetypes of tracks with one being more financial based in which case APA can sometimes rely on work done by Internal Audit in preparing

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their own work, and the other track being operational, in which case there would not exist crossover to use this work in conducting their financial audit. Visitors engaged in a follow up discussion of these points and added perspective on the priorities that should be addressed in this search. Dr. Abdullah emphasized the importance of taking a deeper dive so the Committee can ensure all priorities are addressed in the posting and subsequent selection. A Visitor offered feedback that the posting should put more emphasis on financial control. Another Visitor offered perspective about the overlap of operational and financial audits. Visitors also discussed the possibility of having an *ad hoc* committee for audit.

The Vice Chair called Mr. Davenport to present the financial update. Mr. Davenport presented the cash report, making comments on important items such as change in local funds due to investment, general funds, VCAN carry forward, and higher education operating funds. He discussed the strength the cash position and provided a basis for comparing the cash position against prior cash reports.

Dr. Abdullah asked what the floor is for cash. Mr. Davenport state that the floor is the \$25-30 million included in auxiliary. Mr. Davenport noted that 212 and 234 year end cash positions are looking strong.

Mr. Davenport provided an overview of the financial statements, thanking the Budget Office for the development of a new format designed to make the reports more meaningful for Visitors. He provided an update on enrollment noting that there was a pickup of 463 students versus budget and a pickup of 271 students on campus versus budget, noting that these increases have driven excellent financial performance. Mr. Davenport elaborated on state funds, spending targets, reserve spending, COVID-19 relief fund distribution, and the drawdown of endowment funds.

A Visitor asked about the difference in amounts between federal and state COVID-19 relief funds and also what would the cash position strength be without these two funding sources. Mr. Davenport replied with a high-level breakdown between these sources. He noted that the cash position would still be favorable absent these sources due to the 20% budget cuts made last year in anticipation of enrollment decreases. Dr. Abdullah added that university leadership had expected enrollment to decline by 20% but it only declined by 7% in the prior year.

Mr. Davenport moved to the section of the materials on the tuition and fees proposal, noting that before COVID-19, there were new regulations to notify students at least 30 days prior to any tuition and fees increases. He stated that university leadership would like to increase the technology fee by \$500 to a total of \$729. He noted that this proposed increase is due to the \$500 computer purchase program which will no longer be subsidized by the university. He noted that even with this increase, VSU would still have one of the lowest tuition and fee rates for institutions in the Commonwealth.

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Dr. Abdullah added that the increase would be relatively low in the context of tuition and fees overall. He stated the intent to get this increase approved at the February 2022 board meeting, noting the need for a public forum and executive committee to approve the increase. A Visitor asked how much of an increase this would represent for tuition and fees overall. Mr. Davenport replied that this would constitute a 2.4% increase to total tuition and fees.

A Visitor asked if this increase would be contingent on the state not carrying out any tuition moderation initiative. Dr. Abdullah agreed that a state tuition moderation initiative would render this proposed increase moot, but that he would like to bring forth this proposal now considering tuition moderation has not been brought forth yet.

Mr. Davenport presented several slides with an update on capital outlay. He stated that the Real Estate Foundation is proposing to sell the University Apartments at Etrick, adding that the Foundation received four proposals and is working towards developing a support agreement.

Office of Internal Audit

The Vice Chair called Ms. Owens to present an update on Internal Audit. She noted that Internal Audit has been in consultation with university staff regarding the status of corrective action plan items. She added that detailed test work is being performed, specifically relating to performance items highlighted by APA. She outlined and categorized the remaining corrective action items, noting that 6 items have closed and 48 remain open on the corrective action plan.

Ms. Owens noted that there are no new OSIG hotlines. She then presented an update and breakdown on special investigations. She explained that the primary focus has been on clearing corrective action plan items and that all audits have been placed on hold to help facilitate this prioritization.

Ms. Owens noted that she is serving as the Interim Chief Audit Executive. She introduced Ahmad Lewis who was recently hired in the Internal Audit area as a Senior Auditor. She highlighted his fifteen years of audit experience with the state of Minnesota as well as his four years of internal audit experience as a lead auditor with the Tennessee Department of Revenue. Ms. Owens also presented a brief summary of her own professional background, noting her twenty-year career in public/private internal and external audit – thirteen years of which she has served for the Commonwealth of Virginia. She highlighted her work experience with VDOT and also noted her pursuit of the CIA designation.

Ms. Owens noted that the search for audit software is on hold. She also noted that Internal Audit consulting services is on hold, but that it will focus on Trojan One Card when services resume.

Office of Institutional Ethics, Equity and Compliance

The Vice Chair called Ms. King-Casey to present an update for the Office of Institutional Equity, Ethics and Compliance. She welcomed the Division of Internal Audit as a partner in building the compliance story. She highlighted her area's efforts in building a compliance repository to document all working papers and keep a documented progress report for all corrective action. She noted that the repository will also serve as tool for reviewing recommendations and prioritizing items.

Ms. King-Casey stated that there are approximately \$4.5 million in unallowable costs relating to NIFA for FY20, noting that the final amount will be confirmed once the reports are completed. She stated that the return of these funds to NIFA will automatically reset the period of performance and allow Agency 234 to be on track to meet all matching requirements for FY21. She added that all SCHEV performance standards will be met and that letters were sent to the Governor's Office and the General Assembly recommending that VSU be removed from probation. Ms. King-Casey commented that VSU anticipates being removed from SCHEV probation soon.

Ms. King-Casey highlighted several key compliance achievements such as clearing six audit comments in Capital Outlay and working towards procuring building software to manage the life cycle of large-scale construction projects, conducting interviews for three of the five vacant positions in the Procurement area, and working with Institutional Advancement to develop a reconciliation system aimed at rebuilding trust with donors that funds are being handled with integrity.

The Rector commented that this was a great report and affirmed support for the filling of the vacant positions.

ADJOURNMENT

There being no further business, the Chair adjourned the meeting. The meeting was adjourned at 2:30 p.m.

Approved:



Chair

2-3-22

Date