

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
FACILITIES, FINANCE AND AUDIT COMMITTEE
MEETING MINUTES
Thursday, September 5, 2019**

CALL TO ORDER

Mr. Michael Flemming, Committee Chair, called the meeting of the Virginia State University (VSU) Board of Visitors (Board). Facilities, Finance and Audit Committee (Committee) to order in the Board Room, 310 Virginia Hall, on the campus of Virginia State University at 2:30 p.m.

ROLL CALL

A quorum was not present.

Committee Members Present:

Mr. Michael Flemming
Dr. Valerie Brown (*electronic participation*)
Mr. Raul Herrera (*absent*)
Mr. Paul Koonce (*absent*)
Mr. Jay Stegmaier
Mr. Gregory Whirley
Mr. Charlie Hill
Mr. Wayne Turnage (*electronic participation*)
Mr. Huron Winstead, Rector (*ex-officio*) (*absent*)

Administration Present:

Makola M. Abdullah, Ph.D., President
Donald Palm, Ph.D. Provost/Vice President, Academic Affairs
Hubert Harris, Vice President, Administration
Sheila Alves, Chief Audit Executive
Kevin Davenport, Vice President, Finance
Reshunda L. Mahone, Vice President, Institutional Advancement
G. Dale Wesson, Ph.D., Vice President, Research & Economic Development
Jane Harris, Associate VP, Facilities and Capital Outlay
Dr. Jame'l Hodges, Associate VP, Student Success & Engagement
Annie C. Redd, Ed.D., Special Asst. to President/Board Liaison

Legal Counsel Present:

Ramona Taylor, Asst. Attorney General/University Legal Counsel

Others Present:

Mike Reinholtz, Audit Director, Auditor of Public Accounts (APA)
Adrian Petway, Division of Finance
Stephen Huffman, Division of Finance
Benjamin Houck, Division of Finance
Eldon Burton, Institutional Advancement
Dr. Mike Powell, Technology Services
Tanya Simmons, Human Resources
Travis Edmonds, IT Specialist

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Others Present *(continued)*:

Malika Blume, Internal Audit

Marlo Green, Internal Audit

Committee members Wayne Turnage and Valerie Brown participated by electronic means. Mr. Turnage participation from 441 4th Street, NW, 9th Floor South; Washington, D.C. 20001. Dr. Brown participated from 2444 Ballahack Road; Chesapeake, VA 23322. The Committee unanimously agreed to the electronic participation of the two board members.

APPROVAL OF AGENDA

The Committee reviewed the meeting agenda. Chairman Flemming announced that the agenda would be changed to allow Mike Reinholtz to speak to the Board Committee regarding the annual audit report and the report on Internal Controls ending June 30, 2018. APA sent the report to BOV members by email around Tuesday, September 3. The Chair thanked Reinholtz for his efforts.

APPROVAL OF PREVIOUS MEETING MINUTES

The Committee reviewed the minutes from the April 18, 2019 Committee meeting.

PRESIDENT'S REMARKS

The President informed the Committee that the University would need Board approval of the Six Year Capital Outlay Plan for 2020-2026 at the September meeting because the State Council of Higher Education for Virginia (SCHEV) requires Board approval by October 1st. The Plan will also be included in the Campus Master Plan.

Committee members expressed interest in reviewing the entire Master Plan at a future meeting and in reviewing the floor plans for the proposed buildings.

REPORTS AND RECOMMENDATION

Division of Finance

Mr. Flemming opened the meeting and asked Mr. Davenport to walk the committee through the agenda. Mr. Davenport introduced Mr. Mike Reinholtz, Manager, Auditor of Public Accounts (APA) and asked him to review the university's Audited Financial Statements and Internal Control Report for the year ending June 30, 2018.

Mr. Reinholtz indicated APA intends to issue an unmodified opinion for the University's financial statements. He explained changes in accounting principles, including recent changes to the manner post-employment benefits are reflected in the University's financial statements. Mr. Reinholtz stated that an unmodified opinion letter will be attached to the university's financial statements and sent to the Board of Visitors within the next few weeks.

Mr. Reinholtz reviewed in detail the Internal Control Report for the year ending June 30, 2018. Overall, the University received twelve (12) audit findings. He cited progress on each of the prior year comments and indicated testing could not be completed this year since there was not sufficient time since the prior audit.

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Visitors asked if the type and number of findings for VSU was consistent with other institutions of its size. Mr. Reinholtz stated that all VSU findings are classified as significant deficiencies as opposed to material weaknesses which are considered much more severe in nature. He stated that several other institutions within Virginia did have some material weaknesses whereas this University did not. Mr. Reinholtz elaborated that the number of findings for VSU is a bit more than typical, but nothing concerns him looking ahead to next year. He also indicated high staff turnover and vacancies contributed to many of the comments and cited filling these vacancies as important in implementing the audit recommendations.

Visitors followed up with further questions about the prevalence of comments relating to system access at other institutions. Mr. Reinholtz mentioned that system access is an issue that comes up at institutions of all sizes. He further elaborated that there were more IT findings than any other type of findings across all Virginia institutions. Mr. Reinholtz indicated the most critical audit finding pertains to the \$2.4 million understatement of accounts payable due to issues with the conversion to a new State system (i.e. Cardinal). He indicated that the issue led to an adjustment on the annual financial statements. The adjustment was prepared by University staff and reviewed and approved by APA.

Mr. Reinholtz discussed APA's plan going forward. He mentioned they would follow up on the two financial aid issues in December and January. He further stated that the University will be in cycle for a NCAA audit to begin in fiscal year 2019. He also indicated that an updated Higher Education Comparative Report, which compares various financial ratios across institutions, will be distributed again this year. He acknowledged that APA's computations for the report are different than the manner in which the University calculates its CFI Ratio, but acknowledged the University's method is more accurate. He stated the State computes it in a simpler fashion in order to compare ratios across similar institutions.

Mr. Davenport then introduced Ms. Jane Harris, Associate VP for Facilities and Capital Outlay, and asked her to review the Revised Campus Master Plan and the Revised Six Year Capital Outlay Plan. Dr. Abdullah elaborated on leadership and its role within the VSU curriculum. He explained the need for a student centered space based on leadership that could serve both educational and general purposes as well as student development purposes.

Ms. Harris presented the 2019 additions to the Master Plan in the context of the University's new Quality Enhancement Plan (QEP)—Becoming Outstanding Leaders of Tomorrow (BOLT) and Strategic Plan—Preeminence with a Purpose. Both plans focus on leadership and social responsibility. Ms. Harris presented the concept for the BOLT Center including its location on campus, size, links to strategic plan, leadership curriculum, and how it would support student success. Visitors asked follow-up questions which were addressed by Ms. Harris. Visitors also followed up regarding debt capacity. Dr. Abdullah and Mr. Davenport indicated no new debt is being proposed for the BOLT Center and that the State is being requested to fund the entire project.

Ms. Harris proceeded by presenting the updated Six Year Capital Outlay Plan. She highlighted the approval of the capital project to demolish/replace Daniel Gym. Ms. Harris stated that the University does have approval for preliminary site work and targets a November deadline for submitting updated plans. She replied to

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follow up questions from Visitors about the selection of an architect and construction manager. Ms. Harris also stated actual construction is projected to start July of 2020.

Ms. Harris provided information on other proposed projects contained in the Six Year Capital Outlay Plan such as updating IT infrastructure, new building for Advancement and Admissions, addition to Johnson Memorial Library, a new pedestrian walkway, renovation to Virginia Hall and other projects.

Mr. Davenport presented the Budget to Actual Report for the fiscal year ending June 30, 2019. He reviewed the report line item by line item, including the supplemental schedules. Mr. Davenport emphasized the projected budget shortfall and showed Visitors how revenues were impacted as expected. He said the beginning of the year shortfall projections were within a few thousand dollars for the actual performance as shown on the Budget to Actual Report. He indicated the University ended the fiscal year with a \$2.3 million surplus, primarily for E&G carryforward funds relating to the IT modernization project, Sponsored Programs and Cooperative Extension.

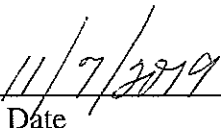
Mr. Davenport also reviewed the Actual to Actual Report for the fiscal year ending June 30, 2019. He highlighted expenditure reductions and cost cutting measures, particularly in Institutional Support. Mr. Davenport also showed Visitors how the reductions did not impact Instructional or Student Support expenditures as requested by Dr. Abdullah. Mr. Davenport expressed that the University ended the fiscal year with a balanced budget.

Dr. Abdullah also commented on the status of Level II. He indicated the University has plans to work with Deputy Secretary Johnson to accelerate this process.

ADJOURNMENT

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


Michael Fleming, Chair


Date