
**METROPOLITAN STATE UNIVERSITY of DENVER
BOARD OF TRUSTEES**

Special Finance Committee Meeting
December 9, 2022
Jordan Student Success Building
890 Auraria Pkwy., Room 400

Board of Trustees Present:

Chairman Russell Noles, Trustee Barb Grogan, Trustee Albus Brooks, Trustee Mario Carrera, Trustee Emily Garnett, Trustee Kristin Hultquist, Trustee Mike Johnston, Trustee Mike Kopp

MSU Denver Personnel Present:

Janine Davidson, President; Dr. Alfred Tatum, Provost and Vice President for Academic and Student Affairs; Will Simpkins, Vice President for Student Affairs; Christine Márquez-Hudson, VP University Advancement & MSU Denver Foundation; Edward Brown, Chief of Staff; George Middlemist, CFO/Associate Vice President of Administration; Larry Sampler, COO/Vice President of Administration; and other various staff members.

I. CALL TO ORDER:

The meeting was called to order at 9:22 a.m. by Chairman Mike Kopp.

II. APPROVAL OF MINUTES:

A **motion** was made by Trustee Noles to approve the December 9, 2022, Finance Committee meeting minutes and was seconded by Trustee Brooks. The motion was **unanimously approved**.

III. DISCUSSION ITEMS

A. Internal Audit Reports – George Middlemist, AVP of Administration/CFO

Financial Aid:

The Financial Aid Department works on student financial accounts that relate to funds, scholarship, and FAFSA and contain Social Security numbers and other confidential information. Gathered information and data from June 2021 to June 2022. The scope for the audit was to evaluate how the system access within financial aid is administered and the effectiveness of the work process, including probation, modification, and termination. The objective for the audit was to assess the inherent risk and evaluating the system controls and offer recommendations.

Existing Controls and Testing:

- Provisioning Access
 - Supervisor submits ticket for employees to access to the system, ITS reviews the ticket and grants access
 - Modification
 - Historical mimicking of access
 - High level review of security classes from module owner
 - Recommendation
 - Mitigation technique to restrict access to the system after employee termination date
 - Modification of Access

- For additional screens or access to privileged data, Supervisor submits ticket to ITS, ITS reviews ticket and confirms with module owner. Module owner verifies the ticket and ITS grants access
 - Recommendation
 - Define job roles and responsibilities, assign access to the system in accordance
- Termination of Access
 - The supervisor submits a separation ticket of the departing employee that notifies both Human resources and ITS. ITS verifies the termination with Human Resources and decommissions employee's access to the system within three business days.
 - ITS policy of three-day separation from terminated date listed
 - Separating tickets should be put in by a supervisor
 - Analysis of separation log and detailed tickets
 - Recommendation
 - ITS policy regarding notification time for terminated employees should be effectively communicated throughout all the departments

Transfer Services:

Transfer Services are located within the Registrar's Office. Core operations are the processing of third-party data for institutional credit. Receive transcripts from universities, state colleges, in-state, out-of-state, community colleges, military credit, prior learning experience; there's a lot of pathways for a student that's transferring in MSU Denver to earn institutional credit. Are one of the first points of contact the student has at the University: Fill out their application, indicate that they've got transfer credit; off to Transfer Services. The University invested in a system called Slate CRM significantly reduced the time of processing. The scope of this internal audit is exclusive to transfer students seeking admission for the Fall 2022 semester from community colleges in the city. This timeline is March 2022 to September 2022.

Inherent Risks:

- Enrollment of transfer students at MSU Denver may be negatively impacted if transcripts are not processed timely due to the uncertainty this could potentially create for transfer students.
- Students could face an unnecessary financial burden if credit awarded is understated.
- MSU Denver transfer services could potentially violate the Family Educational Rights and Privacy Act (FERPA) through provisioning of access to employees who do not have a legitimate educational interest.

Recommendations:

- Enhance coordination with Human Resources and Information Technology Resources (ITS) guidelines for the provisioning and decommissioning of system access.
- Registrar's office should continue to proceed with the proposed solution for tracking FERPA training upon receiving feedback and adjusting to Accommodate key stakeholders.
- Conclusion at the end of field testing: MSU Denver Transfer Services has effective internal controls to mitigate the inherent risks associated with operations for transfer students seeking admission for the Fall 2022 Semester from community colleges within the State of Colorado.

Tivoli Parking Garage:

Audit timeline from September 02, 2022, through December 02, 2022.

- It is the primary revenue generation point for the entire campus and serve all students of the three institutions, the staff and faculty as well as the public at large. Multiple systems are used, not just for license plate capture and citation, different systems used for revenue capture.

- A significant amount of manual review, 100%. The Tivoli parking garage is the most utilized parking area of AHEC. There are multiple revenue streams.
- The automation in place has concerns connecting prepayments, a permit, voucher, or the payment at the time of service. The license plate readers have limitations, which is the driver of the manual review process. Equipment maintenance concerns.
- Were given a guided tour from start to finish of what would entail a parking event, were able to see the license plates, how they are captured, the numerous points where there's several payment spots available
- Multiple systems, revenue streams, plate reader limitations and equipment maintenance
- Inherent risks: temporary tags, image capture quality low
- Testing results: temporary tags deemed immaterial to revenue, number of captures with problems caused by environmental factors low
- Recommendations: software recommendations Intelli-vision video analytics, genetic boasts 98% accuracy, collaboration between AHEC and the institutions, student orientation through training.

Anticipated results of the financial statement audit practice for fiscal year '22 - Jean Bushong, Principal with CliftonLarsonAllen.

- Unique auditing standards to implement. Reports look different, enhanced procedures to related party transactions, unusual transactions, no impact on management.
- Implementation of GASB 87. Public companies and now impacting governments as it relates to putting certain leases on the balance sheet, use of space, rental of equipment becoming an asset on the balance sheet, right of use asset is with a corresponding liability. A lot of legwork to inventory the various contracts going on across the University to determine what qualifies under GASB 87, analysis of those contracts, and determine what should go on the books.
- Continue to receive HEERF funds, does involve additional testing of both revenue recognition and compliance. Audit teams spend a lot of time in that area.
- Internal control deficiencies: do not intend, as it relates to the financial statements, anticipate issuing any material weaknesses or significant deficiencies over the financial reporting process. Have one potential management letter related to terminated users, a policy was put into place to address the terminating issue. Identified a couple of users not removed timely.
- Had no adjustments, disagreements with management, there were none. Management will be signing a representation letter stating that they provided all information, they were transparent, they're not aware of any fraud that they haven't disclosed. Issuing the financial statement audit within the next week, going through the final steps of testing of the HEERF and the final review process.

B. Financial Performance for FY2021-22 – Liza Larsen, Controller

- Income statement, the University's profitability plays a big role in some other financial metrics. The last three years have profitability, big jump in fiscal '21, a \$32 million increase because of a one-time issue. The HEERF, the higher ed emergency relief funds received and were obligated to use them for students directly or to respond to the pandemic, which is what we did. When set the budget, didn't know that had access to this lost revenue. Enrollment started to decline, and the state cut funding, couldn't charge the same fees and the federal government realized that. And changed the rules to allow some of the designated money to recover that lost revenue. In fiscal '21, recovered \$22 million. Big savings deposit that will eventually be spent down.

- Cash balance is the largest asset at \$150 million at the end of the fiscal year. Days' cash on hand is a formula that tells how many days could operate current operations with the money that we have on deposit right now, about six and a half months. Current ratio, have four times as many current assets as current liabilities, anything over two is considered strong.
- Comparing CFI over the last couple years with the other institutions in the state of Colorado. Current '22 numbers are not available yet for the most updated bar here is '21. Everyone had that increase for the same reason, lost revenue recovery.
- Are a healthy institution, been fiscally conservative and it served us well.

C. Enrollment Update - Long Huynh, Chief Enrollment Officer

40 days away from the start of Spring '23 semester start, students are delaying the registrations until the last week before school starts. Are registering students six days later than same time last year, part of that is because of the way the calendar years work.

- As of December 5, total state-funded full-time equivalent student is at 3.01%, and that is 3,566 students compared to 3,677 students last year. Total headcount is also down 2.5%. This time last year, were tracking at 13.9% down FTE, and 13.1% in head count, making good progress recovering from last year.
- Total graduate students full-time equivalent is down by 6.3%. Total graduates' headcount also down by 8.1%. Total of 917 students. Less than 90 students down from the same time last year.
- According to the National Students Clearinghouse data released in May, enrollment is down-trending slowly, by no means reversing. In the so-called enrollment downturn, but not back to the pre-COVID times. Overall, declining enrollment across all institutions. For public institutions, public four-year at 3.4% down across the board. Private nonprofits four years, down 1.7%, and public two-year institutions down 7.8%.
- Spring Enrollment numbers are up, applications 28%. 920 more applications received and processed for Spring '23 compared to same time last year. Have accepted 689 more students, new student enrollment up almost 10% compared to same time last year.
- Fall Enrollment: 858 apps more than the same time last year.
- Continue to promote tuition lock, Roadrunner Promise, and great scholarship programs. Will continue to ease the process of coming to MSU Denver and will figure out ways to help the students succeed.
- Retention, an all-hands-on-deck effort. Will be using data to drive our retention strategies: calling campaign starting next week focusing on high-risk, first-year students, those are the students that identify through data that they are most likely will not come back for one reason or another. Will be hosting in-persons registration events at the beginning of the year. Students can talk to advisors, explore scholarships, talk to Financial Aid and register on the spot.

D. FY23 State Budget Update and Governor's Proposal - George Middlemist, AVP of Administration/CFO

- Coming in January or the next board meeting after January. The Family Medical Leave Act. The state of Colorado passed an amendment which guarantees medical leave for any employee. Targeting those employees that may not have access, time off, they're in an hourly job and if they don't work, they don't get paid. Creates a fund like the workers' comp fund, creates resources that they can have that time off and be paid for it. It has a fiscal impact at this institution because we already do that. MSU Denver has a robust medical and parental leave program for faculty and staff. Classifieds and hourlies not as robust, this would help. What MSU offers is better than what

the state is requiring. In the process of doing an analysis on one of two paths: stay on the path of this for employees and figure out how to roll in student employees, or to participate in the state's program. To participate in the state's program would mean the faculty and staff that have this robust program won't have it anymore, would shift costs to pay into the pool about .45%, less than half a percent of the wages. Initial analysis looks to be more costly than to continue with the current process with faculty and staff and add in the staff that are full-time and the faculty that are full-time. Are seeing in the first year only have a half a year of implementation, about a \$600,000 cost. Will double the next fiscal year, will have everybody for a whole year, and anticipate a 1.2% of growth in terms of how much you can contribute. As it continues to grow out it could have significant financial implications to the University.

- Looking at the Governor's budget proposal, much more positive than expected. The University benefits well with the Governor's proposal. Proposing adding in all \$86 million to higher education. Will generate about \$7 million in additional state support for this institution. The Governor's proposal adds \$86 million into higher ed. A percentage of that increase must go to financial aid, \$16 million off the top. \$70 million available for funding to institutions of higher education. Anticipating if we have 4% tuition increase for all institutions, need about \$200 million in state support to be able to keep up with mandatory costs for all. \$69.8 million a little short of that.
- State dollars, get about \$7 million more in state funding. Looking at next Fall, staying flat, almost \$3.7 million more in tuition revenue. Made strategic investments. Looked at a 3% increase for classified staff, not in the Governor's proposal a 5% increase. Looked at inflation and are seeing in inflation for all of benefits, health insurance has gone up 7.1% this year. Anticipating AHEC and the Library to be close to a million dollars. Consider the promotion and post-tenure interview to be a mandatory annual increase. Historically, about half a million dollars. Almost \$8.2 million in mandatory increases, the \$7.1 million is gone and are relying on the tuition revenue. Are in a good place for the next year or two.

E. Legislative Session/JBC Information - *Kaycee Gerhart, Director of Government Affairs*

- A legislative, state budget forecast coming out in about 10 days or so. It's going to show a challenged budgetary position. Holding the line on policy priorities, despite the challenges of the budget. Doing the advocacy behind that to make sure folks know why both of those things matter in hand, that's the narrative and challenge facing today.
- In a bit of a more diverse perspective situation right now. Some want to prioritize getting that funding up to a level that covers nearly \$200 million inflationary figure, folks have a different idea about what to prioritize first.
- Over the next two weeks, the CFOs of higher ed, CEOs are trying to figure out, what's that coalition look like and how to move forward? Is it a collective proposal for higher ed, if that counterproposal doesn't serve well, confident that not going to sign on. Will come back in January and communicate where it lands.
- January 12 is the deadline to be able to bring this to the Joint Budget Committee. A formal presentation, Janine and colleagues go in front of the JBC and present the perspective.
- Have the capital fund requests that will continue to carry forward into this next year. IT projects that are in process. Received two years of funding to enhance ERP/SIS system information and then the HR Finance systems. Have been making two years of investments in enhancing the hardware connected to the network across campus. Continuing to fight for about \$5.5 million in

funds from the state for those two IT projects. For the infrastructure hardware project, this will be the last year for funds. For the systems project, need two more years.

- The Health Institute tower is the next part of the health institute infrastructure vision. This tower is where all the departments sit alongside each other so that we can move forward with that cross-disciplinary vision for academics, total about \$50 million project. Three years, this year would be \$7 million in funds seeking from the state. The C2Hub continues to be an infrastructure priority for us, a \$20 million project that would require a little less than \$18 million from the state in order to move forward.
- Two other things that are driving other revenue opportunities for the University: the RFP for the grant funds that were identified by House Bill 1350 has recently been released. Around creating workforce pathways and partnerships with industry. Have several other, unrelated to House Bill 1350, other workforce initiatives and grants tied to that that aren't moving forward.

IV. ADJOURNMENT

A motion was made by Chair Kopp to adjourn at 1:17 p.m.