

**KENTUCKY STATE  
UNIVERSITY**

**NINETY-DAY MANAGEMENT RESPONSE**

**TO THE**

**AUDITOR OF PUBLIC ACCOUNTS' SPECIAL EXAMINATION**

**OF**

**KENTUCKY STATE UNIVERSITY**



## OFFICE OF THE PRESIDENT

June 20, 2023

Ms. Farrah Petter  
Assistant State Auditor  
Auditor of Public Accounts  
209 St. Clair Street  
Frankfort, Kentucky 40601

Dear Assistant Auditor Petter,

I hope this letter finds you well. On behalf of Kentucky State University, I am writing to provide an update regarding the special examination conducted by you and your team at the Auditor of Public Accounts. We are all committed to ensuring transparency and accountability in our operations, and I am pleased to inform you that we have made significant progress in addressing the findings outlined in the examination report.

Firstly, I would like to express my sincere gratitude to you and your team for conducting the special examination. Your professionalism, expertise, and thoroughness in examining our University's financial practices and internal controls were commendable. The findings have provided valuable insights that have helped us implement necessary changes and identify areas for continued improvement.

Over the course of the last thirty days, we have worked assiduously to implement additional recommendations post our sixty-day response. A dedicated team at Kentucky State University has been meticulously involved in the formulation and implementation of new policies, enhancement of internal controls, and the establishment of robust oversight mechanisms.

We have taken these findings seriously, recognizing the importance of safeguarding the public's trust and ensuring the responsible use of taxpayer dollars. The rectification of issues highlighted in the examination stands as a testament to our unwavering commitment to responsible fiscal management and accountability.

To further enhance transparency, we intend to post this ninety-day response and future updates on the Kentucky State University website. By sharing our progress with the wider public, we aim to keep our stakeholders informed and engaged in our ongoing efforts to address the findings and strengthen our institution.

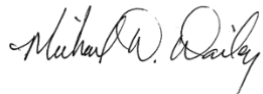
In addition to the website publication, we will also submit this response to the Legislative Research Commission. By doing so, we aim to provide the commission with an accurate and comprehensive update on the steps we have taken to remedy the identified issues.

Once again, I would like to extend my gratitude to you and your team for your invaluable insights, and I commend the current Kentucky State University administration for their unwavering commitment and tireless efforts in ensuring that our University is equipped with the necessary internal controls to prevent such findings from reoccurring. Their dedication to upholding the highest standards of financial management is exemplary, and we are confident that Dr. Koffi Akakpo's leadership will guide us toward continued improvement.

Please feel free to reach out if you have any further questions or require additional information. We remain committed to our partnership with the Auditor of Public Accounts, and we look forward to continuing to work collaboratively towards our shared goal of ensuring transparency, accountability, and responsible stewardship of public resources.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script, reading "Michael D. Dailey". The signature is written in dark ink and is positioned above the printed name.

Dr. Michael D. Dailey, PhD  
Acting President  
Kentucky State University

## ***Findings, Recommendations, and Kentucky State University (KSU) Responses***

### **Finding 1: KSU's Weak Internal Control Environment, Coupled with Poor Fiscal Management Practices, Led to a Pervasive Lack of Accountability.**

#### **Recommendation:**

- While each finding of the report provides specific recommendations, we recommend that KSU management work to improve the “tone at the top” of its internal control environment. Internal controls should be enforced at all levels, expenditures should be fully supported by documentation that is properly retained, budget limits should be consistently enforced, and monitoring efforts should be fully implemented and supported.

Response: KSU has implemented this recommendation.

### **Finding 2: Examination Procedures Were Limited Due to the Condition of KSU Records, Policies, and Significant Staff Turnover.**

#### **Recommendations:**

- KSU maintain supporting documentation for all expenditures so that audit procedures can be performed. Complete supporting documentation is required to determine the validity and allowability of expenditures.

Response: KSU has implemented this recommendation.

- KSU establish an organized system for retaining its financial and operational records. This system should ensure all records documenting financial activity are maintained in a manner by which records are readily identifiable and available for review.

Response: KSU has implemented this recommendation.

- KSU staff receive training on the retention of documents. This training should be repeated periodically.

Response: KSU has implemented this recommendation.

- KSU invest in an updated financial accounting system and provide appropriate level training to financial personnel. Training should be given on a continual basis to build staff to a proficiency level so that they can run the reports necessary to perform their work duties and readily address operational and financial issues as they arise.

Response: KSU has implemented this recommendation. The University has invested in an updated financial accounting system and has provided training to its financial personnel. Nevertheless, staff members have not yet reached the proficiency level necessary to conduct reports as needed. Additional training will be provided until proficiency has been achieved.

Finding 3: KSU Failed to Adequately Support Its Internal Audit Function and Minimal Effort was Made to Ensure Internal Audit Reviews Were Completed and Communicated to Its Board.

Recommendations:

- The KSU Board or President, as appropriate, demonstrate the importance of the internal audit function by appropriately disciplining any officer, executive, or staff who fails to fully assist the internal audit function.

Response: KSU has implemented this recommendation.

- The KSU Board, or committee of the Board, continue to actively engage with the firm under contract to provide internal audit services. The Board should require that all issues encountered by the external firm in conducting its work, including delays and lack of documentation, be reported directly to the committee or full Board.

Response: KSU has implemented this recommendation.

- KSU, in conjunction with its contracted internal auditor, implement a hotline to receive anonymous concerns and complaints and develop policies related to an externally managed hotline to ensure a consistent process is established that will improve and document the procedures to assign, investigate, monitor, resolve, and report concerns and complaints, including those involving potential fraud and abuse. Once the policy is developed, it should be approved by the Board, and incorporated into its catalog of policies.

Response: KSU has not implemented this recommendation. The University's "Tell It" hotline is operational. The hotline's number, as well as information concerning where the hotline is directed to, can be found on the University's website. The University will develop policies relating to the hotline and will add them to the catalog of policies available on the website.

- KSU update its website to make the hotline more easily accessible to employees and the public.

Response: KSU has implemented this recommendation.

- A summary report of hotline activity be periodically provided to the Board or a designated committee to ensure their awareness of any significant matters impacting the operations of the University.

Response: KSU has not implemented this recommendation. The KSU "Tell It" hotline has been in place since May 18, 2023, and the Board will receive the first periodic update at a future meeting of its Audit Committee.

- The Board develop a process by which it can independently keep track of approved contracts and follow up on the status of contracts, including when there should be a deliverable from the contract.

Response: KSU has not implemented this recommendation. Board members may easily be added as authorized users of the University's contract depository (Lexion), which will allow them to keep track of approved contracts. However, the Board has not yet developed a process for following up on deliverables from approved contracts. The Board has prioritized other pressing matters but will develop a process as soon as practicable.

- KSU ensure findings and recommendations from the Procurement Card internal audit, performed by its prior internal auditing firm, are reviewed and considered in light of current procedures and activity.

Response: KSU has not implemented this recommendation. The University has asked the current internal auditing firm to contact the prior internal auditing firm and review the findings and recommendations from the Procurement Card internal audit and present its recommendations.

Finding 4: Lacks Controls to Prevent Overspending and Failed to Ensure Completeness of its Accounting Records.

Recommendations:

- KSU address the deficiency with the Banner system so expenditures that go over the budget are rejected and must be reviewed, and a budget revision be made before the override approval is given by the EVP for Finance. Budget issues should be discussed with the department head responsible for managing the budget and budget amendments should be presented to the Board.

Response: KSU has implemented this recommendation.

- KSU provide continuous efforts to ensure that purchase orders are not circumvented. While emergencies will always occur, this situation should be rare. Documentation should be maintained when the PO process is not followed.

Response: KSU has implemented this recommendation.

- KSU review its reliance on credit cards to meet daily operational needs. Any employee provided a credit card should require supervisory review and written approval of credit card spending. The review must ensure not only that the documentation exists, but also that the purchase was for a university necessity and not personal purpose, and sufficient budgeted funds exist to support the purchase. Additionally, if the expense relates to items purchased as gifts or for meals, documentation should include names of individual recipients or attendees. Additionally, credit card usage by executive level staff, including the president, should be routinely reviewed by internal audit and a report made periodically to the Board or a committee of the Board.

Response: KSU has implemented this recommendation. Executive-level staff have not used a credit card since the draft of the APA's special examination report was received by the University. If executive-level staff utilize a credit card, the usage will be shared with the Board periodically.

- As with all financial activity, KSU should record credit card expenditures in Banner so that the actual vendor transactions are entered in the accounting system for the expense to be attributed to a vendor when a vendor report is needed for tracking purposes.

Response: KSU has implemented this recommendation.

- KSU address the issue within the system that allows voiding of checks in the check writing system without being noted in the Banner system. This is an information system issue deficiency that needs to be addressed by KSU so that the system reconciles with their bank account moving forward.

Response: KSU has implemented this recommendation.

Finding 5: KSU's Outdated or Rogue Policies and Procedures Result from An Undefined Policy Setting Process.

Recommendations:

- KSU's Board consider employing or designating an individual whose primary responsibility is to serve as Secretary to the Board, independent of the university president position. This position would report to the Board and be responsible for timely collection and distribution of Board materials to each Board member and could bring forward to the Board reminders of past tabled actions or provide status on prior Board actions, such as status of the implementation of Board approved policies. This individual may also be responsible for updating KSU's catalog of policies. Access to add a policy into the repository should be restricted to ensure policies are properly processed before being made available to employees and students.

Response: KSU has implemented this recommendation.

- In establishing and updating policies, KSU consider using language in the policy identifying clearly that this policy replaces existing policies (known or unknown) to avoid the existence of conflicting policy and actions being taken by KSU employees based on an outdated policy.

Response: KSU has implemented this recommendation.

- KSU provide routine training to KSU personnel impacted directly by new or revised policy changes to ensure their understanding of the policy.

Response: KSU has not implemented this recommendation. All policies are currently under review per the management improvement plan. Once the review has been completed, policies will be revised to reflect recommended changes. Upon approval of the revised policies by the Board of Regents, personnel impacted by said changes will receive proper training.

Finding 6: KSU Failed to Implement an Effective System of Internal Controls Over Federal Grant Expenditures Putting Over \$3 Million Dollars in Federal Funds at Risk.

Recommendations:

- The University significantly improve its administration of federal grant funds. KSU should allocate sufficient staff and resources to ensure grant funds are spent in accordance with federal statutes, regulations, and the terms and conditions of the various federal awards. Specifically, the University should implement and maintain an effective system of internal controls over the administration of federal funds to ensure funds are spent appropriately and in accordance with the specific grant requirements. This includes establishing a chain of command that has the skills and knowledge to administer the funds and to ensure internal controls are not circumvented or overridden.

Response: KSU has implemented this recommendation.

- The University must ensure staff working in federal grant expenditures are provided adequate training to understand the specific requirements of each grant and federal spending in general, including the factors affecting allowability of costs, that costs are necessary and reasonable for the performance of the award, and that sufficient documentation is maintained.

Response: KSU has implemented this recommendation.

- The University keep records that show the amount of funds under the grant, how they used the funds, the total cost of the project, any cost-sharing source, and any other documentation necessary to facilitate an effective audit.

Response: KSU has implemented this recommendation.

- The University utilize software effectively and efficiently to post transactions that are properly supported to the correct grants and other operating accounts. Transactions should include the date they occur instead of the date they are entered into the accounting system.

Response: KSU has implemented this recommendation.

- The Foundation remit \$31,815 in interest to the federal grantor as required.

Response: KSU has not implemented this recommendation. The University asked The KSU Foundation, Inc. ("the Foundation"), to remit the \$31,815 in interest to the federal grantor, but the University has not received notice from the Foundation that it has remitted the interest. Because the Foundation is a standalone entity, the University does not have control over its actions.



Finding 7: The University Failed to Implement Sufficient Internal Controls to Ensure an Effective Budgeting Process and Prevent Overspending.

Recommendations:

- The KSU Board of Regents implement a comprehensive internal control system over the budgeting process, including written policies and procedures for all University departments to follow.

Response: KSU has not implemented this recommendation. The University cannot implement this policy due to standard 4.2.b of SACSCOC, the accrediting body for the University, which states that the Board should not be involved in the implementation of any policy or internal control system. While the Board cannot implement policies and control systems, it can approve and establish them. The Board has not yet established such a system because the FY24 budget is still under development due to the University focusing on ensuring that adequate financial controls were in place before budgeting for the upcoming fiscal year.

- The Board should ensure Board members are sufficiently knowledgeable about the budgeting process and the intricacies of college and university budgeting.

Response: KSU has implemented this recommendation. The University's Board of Regents received comprehensive training regarding the budgeting process on June 23, 2022. This training session was conducted by a senior consultant with CPE.

- There should be sufficient time built into the budget approval process to allow the Board to comprehensively review and analyze the budget before voting for approval.

Response: KSU has not implemented this recommendation. The University is behind on establishing a FY24 budget due to unforeseen challenges. Additionally, the University focused on ensuring that adequate financial controls were in place before budgeting for the upcoming fiscal year.

- The accounting system should include general controls that ensure the Board receives accurate, reliable information in the budget packet and that prevent overspending of budgeted accounts.

Response: KSU has not implemented this recommendation. The University is currently undergoing a restructuring of its chart of accounts and report automation to ensure that the Board receives accurate, reliable information in the budget packet and that overspending of budgeted accounts is prevented.

- Strong internal controls should be implemented that would discourage and prevent any attempts to subvert the normal procurement process, including appropriate discipline for noncompliance. An effective internal control system cannot exist without a clear tone at the top that sets the organization's commitment to honesty, integrity, and ethical behavior.

Response: KSU has implemented this recommendation. Every procurement goes through the University's Purchasing Department, which creates an audit trail within the Banner system.

- The Board of Regents and KSU's Administration develop and communicate a strong ethical tone to all faculty and staff.

Response: KSU has implemented this recommendation.

#### Finding 8: KSU Provide Insufficient Oversight of Its Procurement and Expenditure Processes.

##### Recommendations:

- All appropriations, expenditures, disbursements, or contracts greater than \$50,000 be presented to the KSU Board of Regents for approval prior to purchase or execution of contract.

Response: KSU has implemented this recommendation.

- KSU bundle repeat purchases that may in total exceed the threshold for formal or informal bidding to obtain the best price on all items purchased or services provided.

Response: KSU has implemented this recommendation.

- KSU ensure that final, signed copies of all contracts are provided to KSU's official records custodian such as General Counsel, Purchasing Director, or other designated party as deemed appropriate per policy.

Response: KSU has implemented this recommendation. The Office of General Counsel has provided comprehensive training on Lexion, the University's repository software, to employees across campus. Whenever a contract is executed by an authorized signatory, it is immediately uploaded to the repository. The repository can be accessed by approved stakeholders on a need-to-review basis.

- KSU work with Banner to create a method to query their data to generate a list of all contracts and contract expenditures.

Response: KSU has not implemented this recommendation. The University has a repository to query active contracts and is evaluating alternatives for contract expenditures.

- KSU upload any missing contracts or supporting documentation that are missing from the contract management system but have not met the threshold for destruction. See additional discussion and recommendations pertaining to KSU's record retention at Finding 15.

Response: KSU has implemented this recommendation. All known active contracts have been uploaded into the contract repository. As any additional contracts are located, they are immediately loaded into the contract repository.

- KSU develop training for credit cardholders to ensure consistent application of policies and procedures. This should include, at a minimum, guidelines on appropriate usage, tracking, receipt requirements, and approvals.

Response: KSU has not implemented this recommendation. The University is establishing guidelines on appropriate usage, tracking, receipt requirements, and approvals that will be required during upcoming trainings and before usage of any University credit card.

- KSU develop and implement training procedures for employee travel.

Response: KSU has not implemented this recommendation. The University is in the process of establishing training procedures concerning employee travel.

- Travel expenses be encumbered.

Response: KSU has not implemented this recommendation. The University has reviewed the travel procedures and will implement encumbrances on travel through upcoming employee training.

Finding 9: KSU Failed to Fully Implement Controls Over Its Internal Endowment Funds, Then Withdrew Over \$2.7 Million, Supplementing Its Cash Balances.

Recommendations:

- KSU consider updating their Endowment Spending Policy and until such time should follow all aspects of the approved 2018 Endowment Spending Policy. In addition, KSU update their Investment Policy.

Response: KSU has not implemented this recommendation. The University has prepared an Endowment Investment and Spending Policy to be presented to the Board of Regents for approval at an upcoming meeting. The approved 2018 Endowment Spending Policy will remain in place until the draft policy is approved by the Board of Regents.

- KSU consider addressing whether the 2012 policy remains in effect and, if so, harmonizing the 2012 and 2018 policies.

Response: KSU has not implemented this recommendation. The University has prepared an Endowment Investment and Spending Policy to be presented to the Board of Regents for approval at an upcoming meeting. The approved 2012 Investment Policy will remain in place until the draft policy is approved by the Board of Regents.

- The President appoint an Investment and Endowment Committee. This includes implementing monitoring and reporting controls.

Response: KSU has not implemented this recommendation. Per The Gold Book, the Chair of the Board of Regents is the only individual authorized to appoint members to the Investment and Endowment Committee. At the next quarterly meeting of the Board of Regents, the Chair will appoint members to all Board committees, including a newly created Investment and Endowment Committee.

- Reporting to CPE and to applicable donors should occur as prescribed and in a transparent manner.

Response: KSU has not implemented this recommendation. The University has prioritized the completion of the Endowment Investment and Spending Policy, as well as the restructuring of the endowment chart of accounts within the Banner system to reflect each fund separately for reporting purposes.

- KSU confirm what percentage their drawdowns may be.

Response: KSU has implemented this recommendation.

- Donor agreements should be obtained with each donation and maintained indefinitely.

Response: KSU has implemented this recommendation.

- KSU review spending from drawn funds and repay the funds to the endowment to ensure donor funds are made whole.

Response: KSU has not implemented this recommendation. The University sought and received the Board of Regents' approval to correct prior drawn-down funds and is adjusting the entries, thereby making donor funds whole.

Finding 10: Former KSU Administration Rewarded Select Members with Unallowable Benefits, Including Bonuses, and Granted the Former President an Excess Housing Allowance and Utilities.

Recommendations:

- KSU provide only those benefits outlined in service contracts and HR documents for applicable employees that are properly approved and supported.

Response: KSU has implemented this recommendation. The Office of Human Resources is ensuring that only the benefits outlined in an employee's agreement/contract are being provided. The University in the process of reviewing its policy bank and will draft a compensation policy should it be determined one is needed.

- KSU discontinue awarding bonuses to employees in violation of section 3 of the Kentucky Constitution.

Response: KSU has implemented this recommendation.

- Changes made to benefits both in service contracts or in policy include an effective date and specifically state whether or not retroactive payment is necessary.

Response: KSU has implemented this recommendation.

- KSU HR Director and KSU Board of Regents Chair (or the full Board or a member of the Board) meet periodically to review benefits received by and payroll payments issued to all Vice President level and above employees and compare to similar information from prior periods. Any issues or concerns identified with compensation or benefits awarded should be presented to the full Board.

Response: KSU has not implemented this recommendation due to the prioritization of other time-sensitive matters. However, given that KSU will soon have a new administration, the University intends to implement this recommendation as soon as practicable.

Finding 11: Former EVP for Finance and Administration Submitted an Inaccurate Accounts Payable Amount to Former President and Former Board Chair Amid Questions and Rumors of Unpaid Bills.

Recommendations:

- KSU record all accounts payable into their accounting system. Recording should be done timely to properly reflect liabilities and eliminate the practice of maintaining invoices outside of Banner.

Response: KSU has implemented this recommendation.

- KSU develop a standard report template for showing outstanding accounts payable balances.

Response: KSU has implemented this recommendation.

- KSU document, in writing, the procedure for creating the outstanding accounts payable balance report, including the sources of information involved.

Response: KSU has implemented this recommendation.

Finding 12: KSU Failed to Apply a 5% Salary Reduction to Executive Salaries Despite a Signed Resolution.

Recommendations:

- KSU determine the authority of President's Council/Cabinet.

Response: KSU has implemented this recommendation.

- In addition, the KSU HR Director should provide confirmation of action taken at meetings of the Board of Regents, standing committees, and the President's Council, whenever resolutions or motions are passed that will affect payroll and benefits provided to any or all staff.

Response: KSU has implemented this recommendation.

- The Board of Regents keep track of resolutions passed and request a status update to ensure passed resolutions are implemented.

Response: KSU has not implemented this recommendation. Unsigned resolutions are located within archived Board Books, which can be viewed on the Board of Regents' webpage. However, signed resolutions are not available online. The University intends to add a resolution bank to its Board of Regents' webpage. The bank will contain approved and signed resolutions.

Finding 13: Insufficient Communication and Relationship Between KSU and Its Foundation Has Led to Ineffective Oversight of Public Funds.

Recommendations:

- KSU follow its own MOU and establish more consistent and clear communication with the Foundation. This should include not only the President's office, but KSU's Accounting and Institutional Advancement offices, as appropriate, to promote integrity, accountability, and transparency in this process.

Response: KSU has implemented this recommendation.

- KSU establish written policies and procedures to provide guidance for how requests for support from the Foundation are to be made and approved.

Response: KSU has implemented this recommendation.

- KSU establish written policies and procedures to provide guidance for how University funds sent to the Foundation are to be processed and approved.

Response: KSU has implemented this recommendation.

- KSU maintain its own records documenting expenditure requests and amounts the Foundation paid.

Response: KSU has implemented this recommendation.

- KSU require monthly or quarterly reporting of available funds held at the Foundation be submitted to institutional support or accounting so that reports can be reconciled to KSU's documentation to ensure charges and deposits are applied to the appropriate accounts as intended.

Response: KSU has not yet implemented this recommendation. KSU staff members are setting up an internal structure for tracking funds in and out of each KSU-held account at The KSU Foundation, Inc. ("the Foundation"). Once the internal structure is in place, KSU staff will meet with the Foundation to implement the recommendation.

- MOU should be updated to reflect actual operations/procedures between KSU and its Foundation.

Response: KSU has not yet implemented this recommendation. KSU has prioritized memorializing the processes for making deposits to, and requesting disbursements from, The KSU Foundation, Inc. ("the Foundation"). KSU will work with the Foundation to agree to modifications to the current MOU and establish amendments to reflect the actual operations and procedures now that updated processes have been put in place through Interim Policies.

Finding 14: Former EVP for Finance and Administration Failed to Notify KSU of His Dual Employment Creating a Conflict of Commitment.

Recommendations:

- KSU seek legal guidance to determine options that may be available to recoup any payment for services not rendered by the employee.

Response: KSU has implemented this recommendation.

- KSU provide annual training to all staff with a focus on select KSU policies, to include at a minimum Ethics, Conflicts of Interest, and Conflicts of Commitment.

Response: KSU has not implemented this recommendation. The University is establishing training procedures on select KSU policies to include, at a minimum, ethics, conflicts of interest, and conflicts of commitment.

- KSU create an explicit dual employment policy that requires KSU employees to obtain approval before acquiring secondary employment, whether through revision of the Conflict of Commitment policy or by adoption of a separate stand-alone policy.

Response: KSU has implemented this recommendation.

#### Finding 15: KSU Violated Record Retention Requirements.

##### Recommendations:

- KSU ensure proper retention and destruction of KSU's financial records in accordance with approved state and University policies.

Response: KSU has implemented this recommendation.

- KSU develop and implement training for all "central administrative office" personnel, responsible for ensuring proper retention and destruction of KSU's financial records and undergo training by Kentucky Department for Libraries and Archives.

Response: KSU has not implemented this recommendation. The University has reviewed the procedure concerning the retention and destruction of financial records and will implement said procedure through upcoming employee trainings.

- KSU ensure systems used for records retention be adequately maintained so that access to the records is not lost.

Response: KSU has implemented this recommendation.

- The KSU Purchasing Director and General Counsel work together to ensure that all contracts and necessary supporting documentation are uploaded to the contract management system.

Response: KSU has implemented this recommendation.

- KSU appoint an official records custodian and ensure that final, signed copies of all contracts are provided to the University's official records custodian.

Response: KSU has implemented this recommendation.

- KSU upload all contracts and supporting documentation that are not already in the contract management system but have not met the threshold for destruction.

Response: KSU has implemented this recommendation.

#### Finding 16: KSU Failed to Maintain Access to Records Due to Unpaid Invoices.

##### Recommendations:

- KSU ensure that any documentation supporting an expenditure from university funds is maintained for review.

Response: KSU has implemented this recommendation.



- KSU make the necessary payments to retrieve the documentation maintained in third-party systems to comply with record retention requirements.

Response: KSU has implemented this recommendation.

- KSU determine whether to continue using a third-party system.

Response: KSU has implemented this recommendation.

- If a third-party database is used, KSU policies and procedures incorporate actions necessary to prevent the temporary or permanent loss of data.

Response: KSU has implemented this recommendation.

Finding 17: KSU Did Not Implement Adequate Access Controls Over Its Accounting and Payroll Systems.

Recommendations:

- KSU update all Banner and ADP policies and procedures to ensure staff can properly perform their job duties. Given the amount of turnover at KSU, it is imperative to have up-to-date policies and procedures that staff can follow to ensure processes are performed as intended by management.

Response: KSU has not implemented this recommendation. This is a critical long-term project due to its size and scope. It is a high priority for all involved. The University hopes to implement this recommendation by January of 2024.

- KSU follow their Password Policy and have a failed login attempt setting of three as opposed to five.

Response: KSU has implemented this recommendation.

- KSU IT staff return Banner Security Forms to supervisors and Banner module managers if the proper selections are not made, and proper signatures are not captured on the form. Actions taken by IT that affect a user's access to Banner should be documented on the form or emails should be retained to support communications. Also, KSU should create a security form to be used when granting access to ADP.

Response: KSU has implemented this recommendation.

- KSU continue performing quarterly audits of Banner and ADP. Adequate documentation should be obtained from each of the Banner module managers to ensure reviews are being performed for each module. The full audit reports should be used by IT staff and Banner module managers to compare and confirm access is appropriate for all users.

Response: KSU has implemented this recommendation.

Finding 18: KSU Does Not Have User Security Auditing Enabled for The Banner Accounting System.

Recommendations:

- KSU work with the vendor to enable security auditing on the Banner Oracle database.

Response: KSU has not implemented this recommendation. A project request has been initiated with Ellucian to enable security auditing (Banner Unified Security) on the Banner Oracle database.

- KSU management regularly monitor changes to user access, and reports on this monitoring should be included in the quarterly audits.

Response: KSU has implemented this recommendation. Information Technology has drafted a Banner and ADP guideline which includes language to address the recommendation.

Finding 19: KSU Did Not Establish Proper Controls Over Procurement Approval Levels within the Banner Accounting System

Recommendations:

- KSU remove the Purchasing Director's ability to approve or alter their own approvals within Banner. KSU's IT department should be responsible for all changes made to the approval queue within Banner.

Response: KSU has not implemented this recommendation. The Purchasing Director does not approve or alter their own approvals, and the University is working on permanently removing that ability. The University does not wish for the IT department to be the party responsible for all changes made to the approval queue within Banner. The University is considering alternative options.

- KSU should implement procedures to monitor the Banner Approval Queue regularly to ensure only properly authorized users and approvals are configured.

Response: KSU has not implemented this recommendation. The University will include the review as part of its quarterly Banner Security Audit review.

- KSU begin using effective and termination dates when altering approvals within Banner. This will allow KSU to maintain a historical account of the approval queue and properly monitor changes made to the information within the queue.

Response: KSU has implemented this recommendation.

## Finding 20: KSU Did Not Implement Adequate Password and Identification Controls

### Recommendations:

- KSU configure their Network and Banner to require passwords to be changed prior to first use.

Response: KSU has implemented this recommendation.

- The Network, Banner, and ADP require passwords to be changed at least every 60 days for all privileged accounts and every 90 days for all non-privileged accounts.

Response: KSU has not implemented this recommendation. The University's Network, Banner, and ADP passwords adhere to the latest industry standards, employing multi-factor authentication and complex password requirements. Following the guidelines of NIST Special Publication 800-63B, there is no longer a need for passwords to automatically expire. KSU has compared its standards with other Kentucky Higher Institutions and found them to be comparable.

- Banner passwords be required to contain both alphanumeric and special characters. The password history for both Banner and ADP should be increased to 24 passwords.

Response: KSU has not implemented this recommendation. The University's Network, Banner, and ADP passwords adhere to the latest industry standards. NIST Special Publication 800-63B does not make a recommendation regarding password history settings. KSU has compared its standards with other Kentucky Higher Institutions and found them to be comparable.

- KSU document the naming convention of Banner and ADP user IDs within a written policy. KSU should then regularly monitor user IDs established within Banner and ADP to ensure these adhere to the naming convention established within this policy.

Response: KSU has implemented this recommendation. Information Technology has drafted a Banner and ADP guideline which documents the naming convention and is currently reviewing user IDs to ensure these adhere to the established naming convention.

Sixty-Day Management Response can be found [here](#).