

Business Affairs and Audit Committee

June 2023

RADFORD UNIVERSITY

Board of Visitors

RADFORD UNIVERSITY

Board of Visitors

BUSINESS AFFAIRS AND AUDIT COMMITTEE

11:00 A.M.**

June 8, 2023

KYLE HALL, ROOM 340, RADFORD, VA

DRAFT **AGENDA**

- **CALL TO ORDER** Mr. Marquett Smith, *Chair*
- **APPROVAL OF AGENDA** Mr. Marquett Smith, *Chair*
- **APPROVAL OF MINUTES** Mr. Marquett Smith, *Chair*
 - March 23, 2023
- **AUDIT AND ADVISORY SERVICES** Ms. Margaret McManus, *University Auditor*
 - University Auditor's Report
- **FINANCE AND ADMINISTRATION** Mr. Jorge Coartney, *Associate Vice President for Facilities Management*
 - Facilities Management Overview and Capital Project Update
 - Fiscal Year 2023 Goals Update Ms. Stephanie Jennelle, *Associate Vice President for Finance and University Controller*
 - 2023-2025 Goals Overview Dr. Rob Hoover, *Vice President for Finance and Administration and Chief Financial Officer*
 - Six-Year Plan Overview Dr. Rob Hoover, *Vice President for Finance and Administration and Chief Financial Officer*
- **OTHER BUSINESS** Mr. Marquett Smith, *Chair*
- **ADJOURNMENT** Mr. Marquett Smith, *Chair*

** All start times for committees are approximate only. Meetings may begin either before or after the listed approximate start time as committee members are ready to proceed.

COMMITTEE MEMBERS

Mr. Marquett Smith, Chair

Mr. Robert A. Archer, Vice Chair

Mrs. Jennifer Wishon Gilbert

Mr. Tyler Lester

Mr. David Smith

June 2023 Meeting Materials

RADFORD UNIVERSITY

Board of Visitors



RADFORD UNIVERSITY

**OFFICE of AUDIT and ADVISORY SERVICES
QUALITY ASSURANCE REVIEW REPORT**

May 2023

Prepared by:
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OVERVIEW

As required by the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* an external quality assurance review was conducted of the internal audit activity at Radford University. The objective of an external review is to provide reasonable and objective assurance that the internal audit work being performed meets the requirements of the *IIA Standards* and to identify whether or not there are opportunities that would enhance the functionality of the audit process and improve the value of the internal auditing (IA) activity at Radford University.

The scope of the review included an evaluation of:

- The University Auditor's reporting relationship and her communication with the Business Affairs and Audit Committee, and the President;
- The independence and objectivity of the audit work performed;
- Existing internal audit policies and procedures;
- The risk assessment and annual audit planning process;
- The planning process for individual audit projects;
- The audit methodologies used in performing the work;
- A representative sample of audit workpaper files and reports;
- The workpaper documentation that supported the work performed;
- The support in the workpapers for the conclusions and recommendations in the audit reports;
- How the results of audits are communicated;
- The procedures for following up on audit recommendations; and
- The knowledge, skills, discipline, and training of the staff.

In addition, interviews were conducted with selected individuals, who included, among others: the Chair of the Business Affairs and Audit Committee of the Board of Visitors; the President of Radford University; the Associate Vice President for Finance and University Controller who was the past Interim Vice President for Finance and Administration from March 2022 until February 2023, the Assistant Vice President for Enrollment Management and Director of Financial Aid, the Associate Vice President for Information Technology and Chief Information Officer, the University Auditor; and the audit staff.

OPINION

The IIA rating system that was used for expressing an opinion for this review provides for three levels of conformance:

- “Generally Conforms” (the best) means that the Office of Audit and Advisory Services has policies, procedures, a charter in place, and follows practices that were judged to be following applicable IIA Standards; however, opportunities for improvement may exist.
- “Partially Conforms” means deficiencies in practice were found that deviated from professional standards; however, these deficiencies, while they might impair, did not prohibit the Office of Audit and Advisory Services from carrying out its responsibilities.
- “Does Not Conform,” means there were deficiencies in practices found that were considered so significant, as to seriously impair or prohibit the Office of Audit and Advisory Services from carrying out its responsibilities.

Based on the work outlined above, it is the opinion of the reviewer that the internal audit activity at Radford University **Generally Conforms** overall to the IIA *International Standards for the Professional Practice of Internal Auditing*. This opinion means that an internal audit charter, policies, procedures, and/or practices are in place that foster compliance with the *IIA Standards*.

This opinion, representing the best possible evaluation, means that there are in place relevant structures, policies, and procedures, including the processes by which they are applied, that comply with the IIA Standards in all material respects. It is important to note that the *IIA Standards* are expressed in terms of broad concepts and objectives rather than detailed procedures, and their application requires the exercise of professional judgment. The extent of IA policies and procedures and how they are implemented will depend upon several factors such as an audit activity’s size and organizational structure, the nature of its audit responsibilities, its philosophy concerning the degree of operating autonomy appropriate for its staff, and the expectations of its governing body.

The recommendations in this report are not aimed at addressing any serious deficiencies in the IA activity but are intended to build on the foundation that is already in place. The *IIA Standards* require that this be shared with the Chair of the Business Affairs and Audit Committee and the President of Radford University.

OBSERVATIONS

The following are some of the practices or processes that are generally considered by other internal audit practitioners and the IIA to be best practices;

- The Office of Audit and Advisory Services (OAAS) Charter has been approved by the Business Affairs and Audit Committee and the University President.
- The OAAS tracks, ages, and reports on the action plan status of audit recommendations until issues are closed.
- The University Auditor reports functionally to the Business Affairs and Audit Committee of the Board of Visitors and administratively to the University President.
- The University provides Continuing Educational opportunities for the audit staff.
- The University Auditor has unrestricted access to communicate and interact directly with the Business Affairs and Audit Committee and attends senior-level University executive meetings.
- When the OAAS lacks the knowledge, skills, or other competencies needed to perform an audit project it has co-sourced with contractors to conduct the audit work.

The University Auditor is a CPA (Certified Public Accountant) with over 31 years of auditing experience, has a good working relationship with the Business Affairs and Audit Committee, and is well respected by university senior executives. She reports functionally to the Business Affairs and Audit Committee (Committee) and administratively to the President. As required by the *IIA Standards*, the OAAS has a strong Internal Audit Charter that establishes its purpose, authority, and responsibility. The Charter authorizes the University Auditor and the staff to: have full, free, and unrestricted access to all functions, records, property, and personnel; allocate resources; set

audit frequencies; select audit subjects; determine the scope of work; and apply the techniques required to accomplish audit objectives. All of these are requirements of the *IIA Standards*.

The interviews conducted indicated that the Business Affairs and Audit Committee and University senior management strongly support the scope and type of audit work that is being undertaken.

A confidential survey of audit customers conducted during the review indicated that 78% of those surveyed rated the department excellent on 18 different criteria. Given the turnover in the staff and the challenges of the pandemic, this is a very positive rating and speaks well of the professionalism and ability of the University Auditor and the audit staff.

A sample of audit workpapers was reviewed and verified that the audit work was appropriately planned, the work performed was appropriately documented following *IIA Standards*, and that conclusions and opinions communicated in the audit reports are appropriately supported. Evidence in the workpapers showed that the audit work was conducted at a very professional level. The audit programs were appropriately referenced to the audit steps. The tests performed during the audits and the conclusions contained in the audit reports were supported by the work documented in the workpapers. There was evidence that the workpapers are thoroughly reviewed by audit supervision and the University Auditor reviews all the audit reports before they are issued.

It should be noted that in recent years the University has experienced a turnover in several senior-level executive positions, including the President and there has also been a complete turnover in the audit staff, for a time only the University Auditor remained. However, during this period while the volume of audit work went down, the quality of the audit work remained high.

RECOMMENDATIONS

While the internal audit activity at Radford University generally conforms with the *IIA Standards*, the following comments and recommendations are intended to build on the foundation that is already in place to further improve the depth and effectiveness of the audit work being performed.

1. **Provide the Business Affairs and Audit Committee and the President with a periodic summary report on the status of all outstanding audit recommendations and memo issues.**

While the *Standards* require that the IA follow up and report on the disposition of audit reports, currently the Business Affairs and Audit Committee and the President only get a report of recommendations that are past due for implementation. This makes it difficult for Senior university management to stay informed on the current status of upcoming recommendation due dates and for the President to get an overview of how various divisions are managing audit implementation projects.

It would be more effective if IA maintained and distributed an ongoing status report that tracked all outstanding audit report recommendations and memo issues, which are not currently being reported.

This status report could be used in conjunction with individual reports and memo issues as warranted, and would better enable the Business Affairs and Audit Committee to know whether agreed-to audit recommendations and issues are being implemented.

Important elements that could be communicated would include a brief description of the recommendation or memo issue; the date the recommendation was agreed to be implemented; whether or not it has been implemented; and the name of the business unit directly responsible for implementation. Color coding could be used for the status of the implementations to make the information easier to review. "Completed" recommendations could be color coded as green, "in process" coded as yellow, and "past due" coded as red. This report would make it easier for the Business Affairs and Audit Committee and senior University management to stay current overall on the status of recommendations and memo issues. This report would be especially helpful to the senior executives that have recently

joined the university by helping them to understand what recommendations in their areas have been committed for implementation.

2. Evaluate implementing a software workpaper tool to manage and document audit projects.

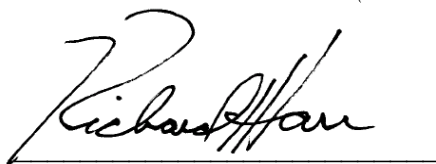
The staff currently uses Microsoft Word, and Excel files saved on a network-shared drive to document their audit work. Implementing electronic workpaper software would bring new efficiencies to the project planning, tracking, documentation, and review processes. Once workpapers are being documented with workpaper software, other features of the software tool could then be utilized to further automate other aspects of the audit process. Most workpaper software tools consist of a suite of key products that can be used independently or with other components that would add further efficiencies to the department's workflow. These products include, among others: cross-referencing of documentation; audit issues tracking; risk assessment analysis; project scheduling; and time tracking.

Major advantages to using an automated workpaper tool include real-time tracking of progress toward completion of the audit plan, reducing time spent on administrative and manual tasks, streamlining feedback to staff on audit documents, and the potential to identify university-wide trends.

3. The University Auditor should develop a plan to prepare and encourage the recently hired audit staff to acquire an audit-related certification.

The *Standards* require that auditors must enhance their knowledge, skills, and other competencies through continuing professional development. While the newly hired IT Auditor has several technical IT certifications, he and the staff auditor do not have any auditing experience or an audit-related certification. Acquiring an audit-related professional certification verifies someone's knowledge, skills, and abilities to perform a specific job, and underscores the confidence that can be placed in the work that is performed.

Although the audit staff is provided with continuing professional education opportunities, the University Auditor should develop and document an annual training plan specifically for each of the new auditors to increase their knowledge, skills, and abilities. Additionally, to encourage the acquisition of certifications, the University Auditor should develop a career progression program or framework, in consultation with Human Resources, that outlines the knowledge, skills, abilities, and certifications necessary for auditors to progress in the field. This would encourage staff to obtain an audit certification that would not only attest to their competency and integrity but also support IA's commitment to ongoing professional development.



Richard H. Tarr, CIA, CISA
Independent External Assessor
May 2023

RADFORD UNIVERSITY – OFFICE OF AUDIT & ADVISORY SERVICES

Information Technology Audit – Networking

May 19, 2023

BACKGROUND

Radford University's network is comprised of multiple layers and components:

- The Physical (e.g., cables, jacks), Data Link (e.g., ethernet, switches), and Network (e.g., routers) layers are responsible for establishing reliable and efficient communications. These layers are important to ensure the availability of systems and data.
- The Identity Services Engine provides comprehensive network access control that helps enforce security policy configurations, controls user and device access to the network and plays a significant role in determining the network's security posture.
- Wireless Access – Wireless access is an integral component of providing users with access to the Radford University network. Radford supports its own private wireless network and participates in the eduroam wireless network. Eduroam is a global wireless service that enables users from participating institutions to access the internet while visiting Radford University, without the need for guest accounts or other temporary access credentials, after they have authenticated at their home institution.

These layers and components are managed by Information Technology Services.

OBJECTIVES AND SCOPE

The objective of the audit was to assess the risks associated with the University's network and to provide recommendations to lower those risks.

The scope of the audit included the following components:

- Layer 1 Physical
- Layer 2 Data Link
- Layer 3 Network
- Identity Services Engine
- Wireless Access

The audit procedures included a review of the components noted above and a comparison of them against information technology security industry best practices.

The audit was conducted by Securance Consulting who was contracted by the Office of Audit & Advisory Services.

CONCLUSION

The processes and controls reviewed should be strengthened to mitigate the risks associated with the University's network. The following business issues were identified.

BUSINESS ISSUES

The following issues were identified in this audit. Page 2 contains information on planned actions and action completion dates and, accordingly, that page is an integral part of this report.

1. Improvements are needed in router and switch security configurations.
2. Additional monitoring is recommended for wireless access points.

RADFORD UNIVERSITY – OFFICE OF AUDIT & ADVISORY SERVICES
Information Technology Audit – Networking
May 19, 2023

BUSINESS ISSUE		PLANNED ACTION		COMPLETION DATE
1.	<p>Improvements are needed in router and switch security configurations.</p> <p>During the review of a sample of router and switch security configurations we identified the following:</p>			
1.1	<p>Technical vulnerabilities</p>	1.1	<p>Management provided a planned action under the same public disclosure exemption as noted in the business issue.</p>	August 4, 2023
1.2	<p>Weaknesses in the configurations of devices</p> <p>Details of this issue were communicated to management in a separate document marked Freedom of Information Act exempt under §2.2-3705.2(2) of the <u>Code of Virginia</u> due to it containing descriptions of security mechanisms.</p>	1.2	<p>Management provided a planned action under the same public disclosure exemption as noted in the business issue.</p>	November 1, 2023
		1.3	<p>Management provided a planned action under the same public disclosure exemption as noted in the business issue.</p>	July 1, 2023
2.	<p>Additional monitoring is recommended for wireless access points.</p> <p>Details of this issue were communicated to management in a separate document marked Freedom of Information Act exempt under §2.2-3705.2(2) of the <u>Code of Virginia</u> due to it containing descriptions of security mechanisms.</p>	2.	<p>Management provided a planned action under the same public disclosure exemption as noted in the business issue.</p>	October 1, 2023

RADFORD UNIVERSITY

Office of Audit and Advisory Services

FOLLOW-UP AUDIT STATUS REPORT BUSINESS AFFAIRS AND AUDIT COMMITTEE MAY 2023

Audit: Sponsored Programs and Grants Management			
Business Issue	Planned Action	Completion Date	Status
1.3 One PR-40 form (the form that is used to authorize supplemental pay) documented a 50% allocation to the ASSET grant, but the payments were allocated 100% to the grant. After further inquiry, we determined that management completed the form incorrectly, and the charge to the grant was deemed to be in accordance with the original intent. However, because the form on file wasn't corrected, it gives the appearance of unallowable activity. Furthermore, the form contained numerous mark-outs, revisions, and hand-written notes, making it difficult to determine the intent of the personnel action.	1.3 To improve upon existing PR-40 business practices, Human Resources will develop procedures/guidelines for proper completion of the PR-40 form. <i>Note: The original planned action encompassed issues 1.3 and 1.4. At management's request, that action has been split into two separate planned actions.</i>	March 31, 2021 Revised to March 31, 2022 Revised to June 30, 2022 Revised to January 6, 2023 Revised to March 31, 2023	Complete
1.4 One PR-40 form (the form that is used to authorize supplemental pay) documented a 50% allocation to the ASSET grant, but the payments were allocated 100% to the grant. After further inquiry, we determined that management completed the form incorrectly, and the charge to the grant was deemed to be in accordance with the original intent. However, because the form on file wasn't corrected, it gives the appearance of unallowable activity. Furthermore, the form contained numerous mark-outs, revisions, and hand-written notes, making it difficult to determine the intent of the personnel action.	1.4 To improve upon existing PR-40 business practices, Human Resources will communicate the new PR-40 form procedures/guidelines campus-wide.	March 31, 2021 Revised to March 31, 2022 Revised to June 30, 2022 Revised to January 6, 2023 Revised to March 31, 2023 Revised to June 9, 2023	In Process

RADFORD UNIVERSITY

Office of Audit and Advisory Services

FOLLOW-UP AUDIT STATUS REPORT BUSINESS AFFAIRS AND AUDIT COMMITTEE MAY 2023

Audit: Financial Aid – Enrollment Reporting			
Business Issue	Planned Action	Completion Date	Status
<p>1.1 Improvements are needed in the unofficial withdrawals process to help ensure accuracy and efficiency. Specifically,</p> <p>Our testing of the enrollment reporting of unofficial withdrawals identified one error in our sample of eight (13%) which resulted in an inaccurate date being reported to the National Student Loan Data System (NSLDS). This appeared to be due to a keying error on the spreadsheet where the Office of Financial Aid listed the unofficial withdrawals.</p> <p>Note: This issue was also included in the APA's Radford University Report on Audit for FY 2021 as part of the Improve Compliance over Enrollment Reporting finding.</p>	<p>1.1 The Office of Financial Aid will work with the Registrar's Office to implement a quality control process.</p> <p>To help ensure accuracy, the Office of Financial Aid will review unofficial withdrawal data at two different points in the process. This process will be used for Fall 2021.</p> <p><i>The sample of Fall 2021 unofficial withdrawals tested by the Office of Audit & Advisory Services (OAAS) did not have keying errors such as the one found in the Fall 2020 testing. However, the testing discovered that an inaccurate withdrawal date was used for students for whom the semester midpoint date was the withdrawal date. OAAS will test Spring 2022 unofficial withdrawals during Summer 2022.</i></p> <p><i>Due to NSLDS outages, resulting from the launch of the NSLDS Professional Access website in Summer 2022, OAAS was unable to verify the accuracy and timeliness of Spring 2022 unofficial withdrawals. OAAS will test Fall 2022 unofficial withdrawals in Spring 2023.</i></p> <p><i>The sample of Fall 2022 unofficial withdrawals tested by OAAS did not have the errors found in prior testing. However, the testing discovered that process improvements were needed to ensure that enrollment information for students who had name changes was recorded in NSLDS accurately and timely. OAAS will test Spring 2023 unofficial withdrawals in Summer 2023.</i></p>	<p>April 30, 2022 Revised to September 30, 2022 Revised to April 30, 2023 Revised to August 31, 2023</p>	<p>In Process</p>

RADFORD UNIVERSITY

Office of Audit and Advisory Services

FOLLOW-UP AUDIT STATUS REPORT BUSINESS AFFAIRS AND AUDIT COMMITTEE MAY 2023

Audit: APA Audit 06/30/2021			
Business Issue	Planned Action	Completion Date	Status
<p>4.0 The University did not promptly return unclaimed student financial aid funds to ED within the required timeframe. In accordance with 34 CFR 668.164(I), if an institution attempts to disburse funds by check and the recipient does not cash the check, the institution must return the funds no later than 240 days after the date it issued that check or no later than 45 days after a rejected electronic funds transfer (EFT). Not returning funds timely can result in federal noncompliance and subject the institution to potential adverse actions affecting the institution's participation in Title IV aid programs.</p> <p>The University did not return \$2,853 in unclaimed aid timely for aid year 2021. At the time we completed our audit, and after reviewing the full population of 47 students with aid outstanding, the University had not yet returned \$374 to ED. Escheatment of the funds to the Commonwealth of Virginia rather than returning the funds to ED was the primary cause of the delay in returning the funds.</p> <p>The University should evaluate current policies and procedures for returning unclaimed student financial aid funds timely and implement corrective action to prevent future noncompliance. If the University is unable to successfully contact the federal aid recipient and the check remains uncashed or the EFT is rejected, the University should return the unclaimed funds to ED within the required timeframe.</p>	<p>4.0 The Office of Financial Aid and the Department of General Accounting are conducting a comprehensive review of current procedures for the timely return of funds. All necessary corrective action improvements will be finalized and validated by December 31, 2022.</p>	<p>December 31, 2022 Revised to March 31, 2023 Revised to August 30, 2023</p>	<p>In Process</p>

RADFORD UNIVERSITY

Office of Audit and Advisory Services

FOLLOW-UP AUDIT STATUS REPORT BUSINESS AFFAIRS AND AUDIT COMMITTEE MAY 2023

Audit: APA Audit 06/30/2022			
Business Issue	Planned Action	Completion Date	Status
<p>1.1 Radford University's Controller's Office did not perform an adequate review of its financial statements to ensure accurate reporting of new and complex financial events. For the period ending June 30, 2022, we identified errors requiring management to make adjustments to the financial statements to ensure account balances and related activity were materially correct and align with generally accepted accounting principles (GAAP).</p> <p>The Controller's Office should revisit its financial statement preparation review process to ensure the University reports new and complex financial activity in accordance with GAAP. Specifically, it should enhance its final analytical review process to identify unusual or unexpected financial correlations and perform more detailed analysis of material variances in activities from year to year.</p>	<p>1.1 The Controller's Office will enhance its final analytical review process to identify unusual or unexpected financial correlations and perform more detailed analysis of material variances in activities from year to year. Updated procedures will be completed by May 1, 2023.</p>	<p>May 1, 2023</p>	<p>Complete</p>

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs and Audit Committee
June 8, 2023

Information Item
Capital Projects and Information Technology Services Update

Item 1: Facilities Planning and Construction update on capital projects.

Artis Center for Adaptive Innovation and Creativity

Project Budget ----- \$126,631,000

Architect/Engineer Firm----- Hord Coplan and Macht

Construction Manager----- Skanska

The Artis Center for Adaptive Innovation and Creativity (Artis Center) will address an array of significant existing programmatic and building deficiencies across a number of academic colleges. The approximately 178,000-square-foot multi-story building will include state-of-the-art instruction, laboratory, maker, studio, computer, and collaborative spaces that integrate the arts and health sciences, along with office and other academic support functions. Specialty spaces will include an instructional auditorium and support spaces, health science clinical lab spaces, painting and drawing studio spaces, and music and dance studio spaces. The Artis Center will be located in a prominent area of campus directly adjacent to East Main Street, and will respond aesthetically to the existing buildings along this important campus corridor.

The project scope provides for demolition of the existing Porterfield East and West Halls and McGuffey Hall and construction of the new building and building systems and components including HVAC, plumbing, electrical, fire alarm and detection, fire suppression, lightning protection, and elevators. The project replaces existing facilities and building systems that are fifty years old and are inadequate for today’s learning environment and technologies. Significant utility impacts will be accommodated, along with erosion/sediment control and stormwater management requirements. The University is also aggressively pursuing certification through the US Green Building Council’s Leadership in Energy and Environmental Design (LEED) program.

In April 2021, the University and Skanska entered into a Gross Maximum Price Contract (GMP) with early site and demolition work beginning in June 2021. Due to extenuating circumstances related to the effects of COVID-19, such as supply chain disruptions and limited workforce availability in Southwest Virginia, Skanska communicated a gap in funding from their executed GMP and subcontractor bids to complete the project. In April of 2023 the Commonwealth of Virginia’s Six-Year Capital Planning Committee authorized supplemental funding to the University for the project. The University issued a change order to Skanska on April 28, 2023 to allow project completion and occupancy August 2024.

The construction of the project is continuing to move forward. The brick veneer is mostly complete and a number of windows have been installed. The mechanical, electrical and plumbing work is progressing well. The interior wall framing is complete and drywall installation is well underway.

Renovation of Tyler and Norwood Halls

Project Budget ----- \$30,000,000

Architect/Engineer Firm----- Hanbury

The Master Plan identifies Norwood Hall and Tyler Hall as the next on-campus residence halls to be renovated. The renovation scope will provide for the replacement of plumbing piping, fixtures, HVAC systems, fire alarm systems, electrical upgrades, accessibility improvements, and asbestos abatement, similar to the renovation scopes recently completed for the Moffett Quad residence halls in 2016. The renovations will also include significant improvements to the first-floor building entries, student support areas (i.e., lounges, kitchen, study spaces), along with activating the porch areas for student gathering space. These renovations will give vibrant new life to these buildings built in the early 1900s. The project is now transitioning from design to construction. Phase 1 of the project has begun with the non-structural selective demolition of the interior of the building. This is scheduled to be complete in July 2023.

Hanbury, the project design firm, has completed the design and the drawings have been submitted to the Department of Engineering Buildings for permit review and approval. Once the drawings are approved and the permit issued construction should commence in late summer 2023. with subsequent project completion in December 2024.

Combined Heat and Power/Co-Generation Facility

Project Budget ----- \$16,000,000

Architect/Engineer Firm----- Trane

The Combined Heat and Power/Co-Generation Facility project would convert an existing building (the Art Annex) into a combined heat and power (CHP) facility for the campus. The conversion of the facility to CHP would consist of two 3.3-megawatt natural gas fired reciprocating engines. The engines would generate electricity for campus utilization while the waste heat generated from the equipment would supplement the University steam plant generation. The overall project costs for construction are approximately \$16.0 million. The project is estimated to save the University \$2.0 million in annual operating cost. The approved 2022-24 Biennial Budget included \$11.2 million in general funds and \$4.8 million in non-general funds for this project. The Interconnect Agreement was submitted to the City of Radford and comments have been provided back. The University and Trane are currently addressing the outstanding questions from the City’s study.

Improve Campus Utilities Infrastructure

Project Budget ----- \$15,425,000

The Improve Campus Utilities Infrastructure project will provide improvements to campus utility infrastructure, including upgrade and enhancements to basic utilities and overall building safety and security. The project will address infrastructure concerns in advance of planned future facility needs and will enhance the resiliency and redundancy of the campus enterprise in order to mitigate the increased impacts of various weather, economic, and other external events and factors. The approved 2022-24 Biennial Budget included \$15.4 million in general funds for this project.

The project will allow for significant campus utilities improvements and upgrades for the safety and security of students, employees, and guests, as well as for the efficiency and effectiveness of the infrastructure future needs. Many of the basic campus utilities were originally installed between 100 and 75 years ago, as part of the City of Radford. As the campus has grown and the facility footprint has increased, these original utility systems and components have reached end of life. As resources have been available, various utility improvement and upgrade projects have been undertaken across campus. This approach has been partially successful, but only a small portion of the campus, at the most critical locations, have been updated.

The existing infrastructure systems and components included in the construction portion of the umbrella project include: water, stormwater, sanitary, steam, electrical, chilled water, information technology, fire alarm, access control and security, and accessibility.

University planning and evaluation of the access control and security systems have begun with the intent to select a future direction for the University's card access and security systems.

The University has engaged the architectural firm of Wiley and Wilson from Lynchburg to develop a campus medium voltage electrical master plan. Additional planning activities will begin following the completion of the medium voltage electrical master plan.

River Campus

The Master Plan identified development of the River Campus on University and City of Radford (City) properties adjacent to the New River. Stakeholder meetings have taken place, including academic and student affairs, and an initial visioning document has been compiled. The visioning document will serve to identify initial projects for execution, and planning and prioritization of further River Campus development projects.

The overall River Campus development includes zones for higher density public activities such as an amphitheater, event space, food and beverage areas, and associated support spaces; for quieter academic and passive recreation spaces; and for highly active recreation and student engagement areas.

An initial project was completed in Summer 2021 that included the greenway extension on University property adjacent to parking Lot Z and the New River. This project will also ultimately include outdoor seating, event areas, and spaces designed to accommodate informal gatherings. The design for a second phase in coordination with the City to link the University greenway to the City greenway is complete. Construction of the trail connector was completed June 2022.

Further development projects include more significant public projects such as an amphitheater and food services, along with more recreation-based projects such as access to the river for people and boats, climbing walls and bouldering, and zip lines and ropes courses. An architect-engineer firm, hired by the University, has performed a feasibility study for the preferred location for an amphitheater that is currently being evaluated for next steps in conjunction with the City.

The City has developed construction documents to rehabilitate the University Drive bridge across the Norfolk Southern tracks adjacent to East Main Street. As part of this project, the University has agreed to fund the replacement of the fencing and the addition of street lighting along the bridge. This project will serve as a significant improvement to the entry to the northern section of campus, and help highlight

future River Campus development projects. This rehabilitation project is 95% complete. The development of the River Campus will continue to be carefully executed in conjunction with the City.

The Highlander (Hotel and Conference Center)

Radford University Foundation collaborated with Jones Lang LaSalle and Preston Hollow for a hotel and conference center located at the corner of Tyler Avenue, Lawrence Street and Calhoun Street. The Highlander has approximately 125 hotel rooms, as well as, street level restaurant and coffee shop, business center, rooftop lounge, exercise center, conference center with meeting spaces, and adjacent parking. The hotel and conference center are now open with the roof top restaurant and bar, the Bee & Butter Restaurant. As a reminder, this is a project of the Radford University Foundation and is included for reference purposes only.

Item 2: Information Technology Services (ITS) update on information technology projects.

Website Redesign and Content Management System Change

University Relations and Information Technology Services (ITS) continue to work with NewCity, a Blacksburg-based company, on the website redesign project. Over the last month, NewCity completed their research phase by conducting on-site sessions, stakeholder interviews, and surveys. Element collages and wireframe designs have been reviewed and approved and NewCity is now working on site designs based on this feedback. The contract was finalized with ModernCampus, the vendor selected to host the back-end Omni content management system (CMS). Initial setup of this environment has been completed and the project team is attending weekly meetings with both vendors. Program information and highlights have been collected from the academic areas that will be used by content editors with the new design. The anticipated launch of the new website is scheduled for mid-fall 2023.

IT Security Operational Update

Security Awareness Training

The University's annual Information Technology security awareness training launched in March 2023 with a deadline of May 15. The IT Security Standard (5003s-01) requires employees and contractors with access to sensitive systems to receive information security awareness training annually. The program is designed to equip employees and contractors with a better understanding of common security threats and their responsibilities in protecting University information technology systems and data. Accounts will be disabled for anyone that fails to complete the training.

Endpoint Protection

ITS utilizes CrowdStrike, an extended detection and response product, to protect the university's most critical endpoints and servers. CrowdStrike utilizes real-time indicators of attack, threat intelligence on the ever-changing methodology of hackers, and broad visibility into the endpoints it protects to provide trustworthy detections, automated protection, and prioritized observability of endpoint vulnerabilities. ITS has increased coverage to over 500 endpoints, with a goal of 1000 covered endpoints by December of 2023. CrowdStrike enhances the University's ability to detect and respond to malicious attacks like ransomware and viruses.

Edge Firewall Replacement

In May, ITS replaced the end-of-life Cisco edge firewall with Palo Alto Next Generation Firewalls. This upgrade significantly improves network security capabilities and enhances the ability to protect university systems and data against cyber threats. The new firewall provides advanced threat prevention capabilities, including intrusion detection and prevention. Redundant Palo Alto firewalls ensure the network remains highly available.

Form Automation Enhancements

To enhance process efficiencies across the University and move towards a more streamlined approach, the University acquired a new tool, Quali Build. This process automation tool is designed to reduce the number of paper forms that are routed across campus and to improve the overall speed and accuracy of administrative workflows. ITS staff have completed installation, configuration, and training for Quali Build. A pilot project was initiated to focus on forms for Human Resources. Form design, implementation and testing to integrate the forms and workflows with the Ellucian Banner system are in progress. The pilot forms will launch Summer 2023. Form design and development will continue over the next year to automate and replace additional forms. As this project moves forward, ITS will continue to seek input and feedback from the campus community to ensure that Quali Build meets their needs and expectations.

Cognos Reporting Cloud Migration

The University employs IBM Cognos Analytics as a reporting tool for campus data, with the current system hosted on-premise using campus servers. To take advantage of the latest features and functionality of this tool, ITS initiated a project to transition to an IBM-managed cloud service. ITS has deployed a production and test instance of Cognos in the IBM Cloud. Existing reports residing on the current on-premise Cognos server were migrated to the Cognos Cloud instance in mid-May. The Data Management & Business Intelligence team is testing and validating these reports on the new server. Modifications and conversion of existing reports is expected to be complete in June. The Cognos Cloud environment will be moved to production in late summer. In early testing, the new servers have proven to be more responsive and reliable than the current on-premise servers. This transition will enhance the accessibility, scalability, and security of our reporting tool, improving our capacity to gather and analyze data.

Annual Lifecycle Replacements

ITS is committed to maintaining and enhancing campus technology to maximize its value while keeping up with technological advances and mitigating obsolescence risks. Replacement Apple and Dell laptops have arrived, and faculty and staff deployment sessions have been scheduled for the rollout of new computers. Initial wiring changes have been completed in eight classrooms with hardware upgrades now in progress. ITS will continue to work on these replacements and upgrades throughout the summer.

Action: None. Informational only.

Business Affairs and Audit Committee

RADFORD
UNIVERSITY

Facilities Management Overview

- Oversees
 - 211 acres
 - 72 buildings
 - 2.5 million sq. ft.
 - 500,000 sq. ft. of leased space
- Areas maintained
 - Academic
 - Administrative
 - Athletic
 - Dining
 - Landscape
 - Parking
 - Residential facilities
- Team Members
 - 207 positions
 - Over 1500 years of dedicated University Service
- Service Requests
 - Average of 6 per hour received
- Administers
 - \$30 million in capital construction per year (avg)
 - \$2.5 million in internal construction projects work



Facilities Management Projects



- 1000 East Main
- GIS Space Inventory
- Roanoke Higher Ed Center
- Roanoke Innovation Corridor
- Six-Year Capital Plan

Capital Project Update

RADFORD
UNIVERSITY

Artis Center for Adaptive Innovation and Creativity



Improve Campus Infrastructure Project



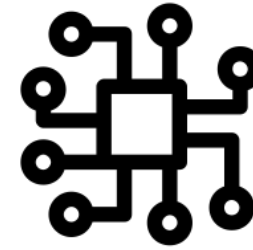
Stormwater
\$1.0M



Electricity
\$3.9M



Steam
\$2.3M



Information
Technology
\$.5M



Chilled Water
\$.8M



ADA
Improvements
\$.7M



Security/ Access
Control
\$1.0M



Fire Alarm
\$1.4M



Water
\$.5M



Sanitary
\$.7M

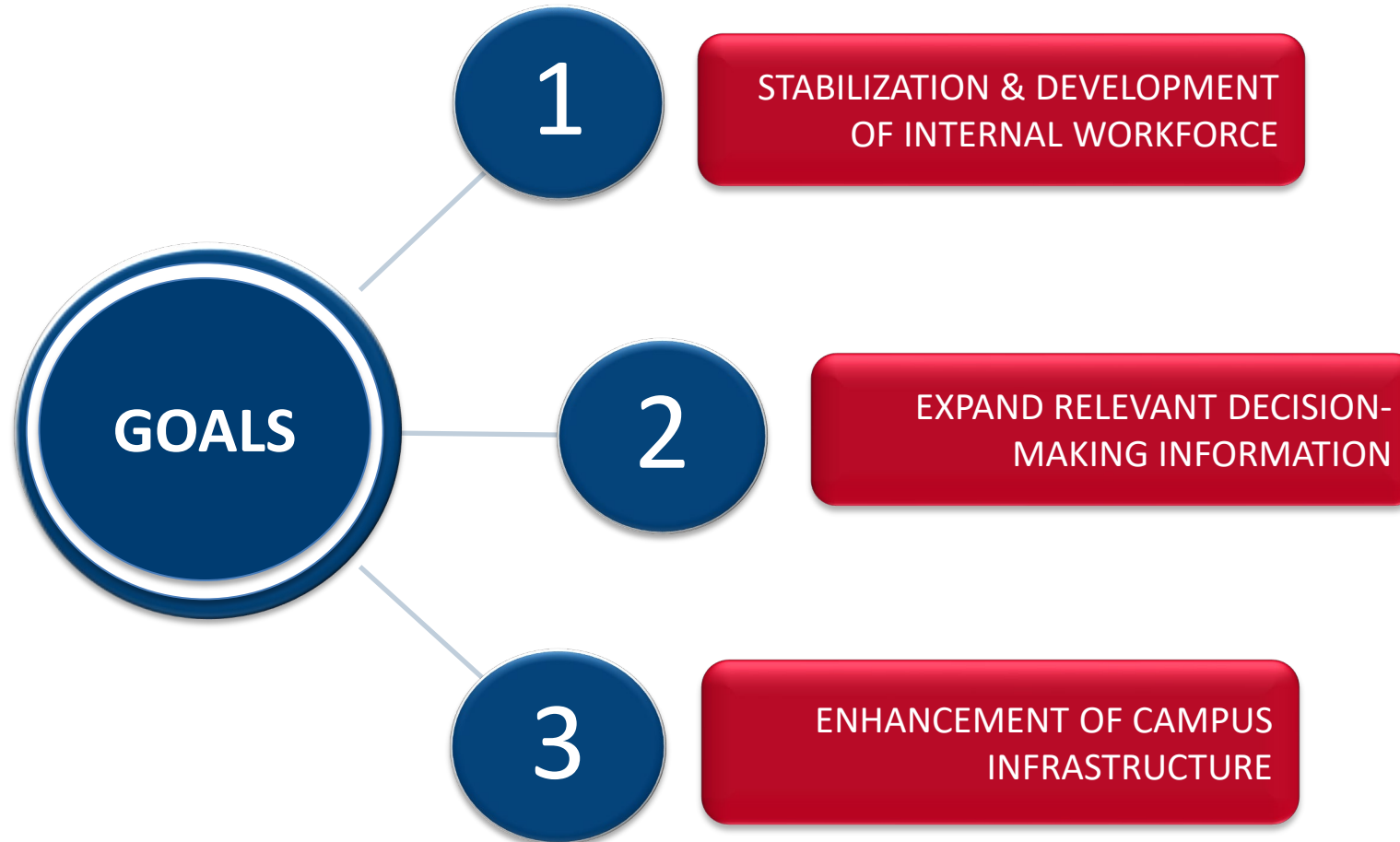
Dalton Hall Renovation



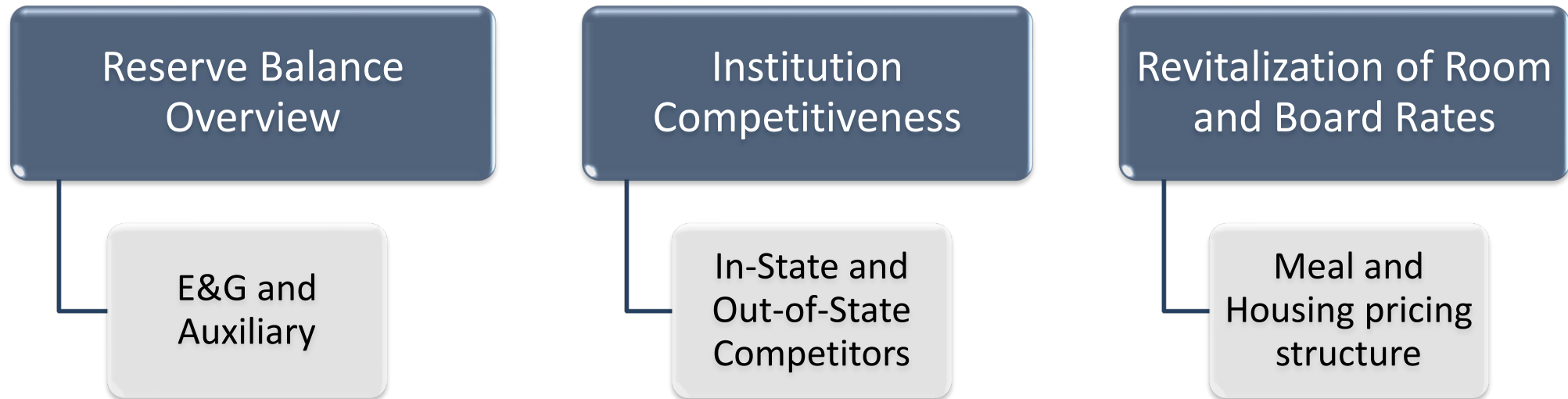
Goals Update

RADFORD
UNIVERSITY

Finance and Administration Goals - FY 2022-2023



Expand Relevant Decision-Making Information



Enhancement of Campus Infrastructure



Public Safety- Education, Engagement
and Experience Philosophy



Microsoft Defender

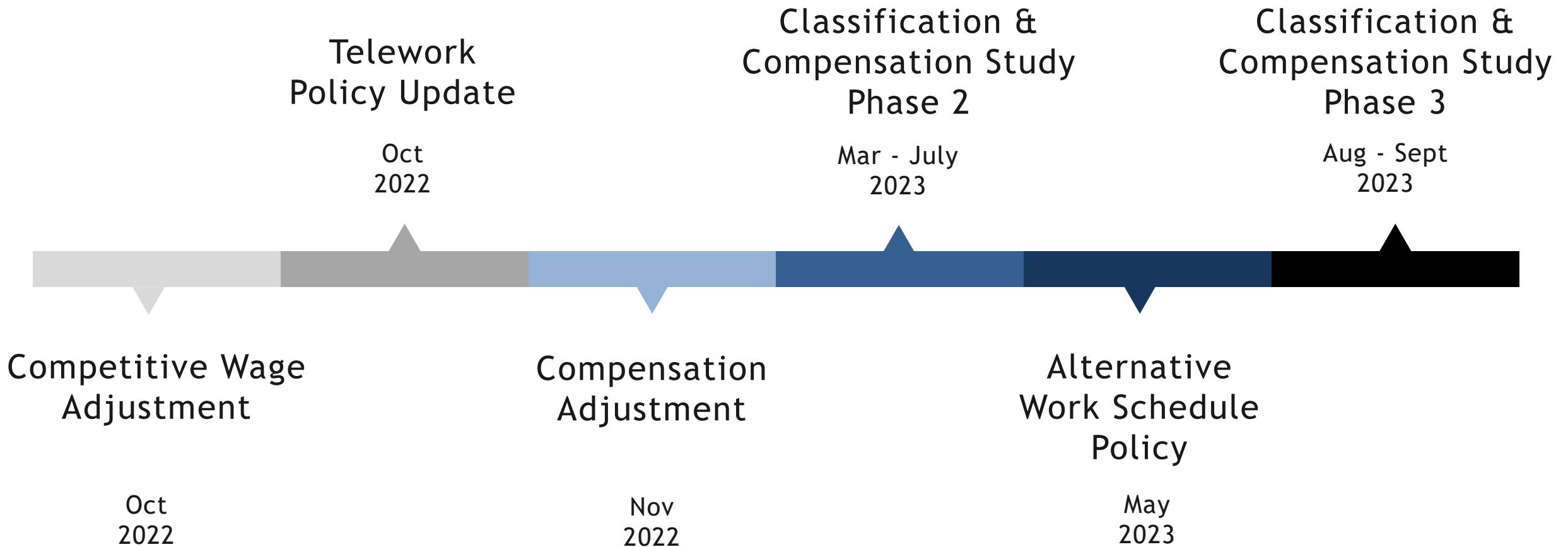


Cloud Migration



Video Surveillance

Stabilization and Development of Internal Workforce



Upcoming Goals



Finance and Administration GOALS



Improve:

integration and transparency through a comprehensive budget and planning process



Create:

comprehensive program plan for physical space and facilities



Implement:

integrated workforce development model

2023-2025

Page 38 of 63

Improve Integration and Transparency

Improve integration and transparency through a comprehensive budget and planning process by:

- Distributing incentives, autonomy and accountability to local levels
- Engaging as a trusted advisor with academic units early in the process to plan for new programmatic needs and provide the level of service required
- Creating a culture of innovation that supports efficiency, effectiveness and transformational ideas for doing business
- Pursuing new and sustainable technologies that support and improve division services and meet the evolving needs of the University

Create Comprehensive Program Plan

Create a comprehensive program plan for physical space and facilities by:

- Promoting proper stewardship and effective usage of university assets
- Reviewing and analyzing all university space and property, including RUC, to understand current usage, ongoing maintenance costs and opportunities for optimization and consolidation
- Translating the vision of who we want to be into a program plan that articulates specific space/square footage needs

Implement Workforce Development Model

Implement integrated workforce development model by:

- Building effective recruitment, hiring, onboarding and retention processes (comp study/career laddering/succession planning)
- Offering training programs to enable staff members to enhance their skills and continuously improve performance
- Creating leadership development opportunities focused on building morale, engagement and empowerment throughout the workforce

Six-Year Plan Overview

RADFORD
UNIVERSITY

Six-Year Plan Objectives

- Provides a unique opportunity for higher education institutions to engage policymakers in their future plans and priorities;
- Focuses on how institutions are aligning their priorities with the future needs of the Commonwealth;
- Plan for current and future enrollment challenges;
- Balance cost effectiveness, affordability, and financial sustainability; and preparing students for success in life.

Six-Year Plan Revised Process



Commonwealth contracted with Boston Consulting Group to improve the alignment of the six-year plans with state goals and incorporate national, state, and institutional data on enrollment projections, workforce outcomes, affordability and cost effectiveness into the planning process.

Six-Year Plan Areas of Focus

- Adapting to shifts in student/enrollment pipelines in the design and operations of institutions and programs
- Continuing to innovate on how to best prepare students for success and meet the state's evolving labor market needs
- Ensuring both tuition payers and taxpayers are getting the greatest possible return on their higher education investment

Six-Year Plan Timeline



Discussion

Minutes

RADFORD UNIVERSITY

Board of Visitors

RADFORD UNIVERSITY

Board of Visitors

BUSINESS AFFAIRS AND AUDIT COMMITTEE

10 A.M.

MARCH 23, 2023

KYLE HALL, ROOM 340, RADFORD, VA

DRAFT

MINUTES

COMMITTEE MEMBERS PRESENT

Mr. Marquett Smith, Chair
Mr. Robert A. Archer, Vice Chair
Mrs. Jennifer Wishon Gilbert
Mr. Tyler Lester
Mr. David A. Smith

BOARD MEMBERS PRESENT

Dr. Debra K. McMahan, Rector
Ms. Jeanne S. Armentrout
Dr. Rachel D. Fowlkes
Mr. Mark S. Lawrence
Mr. George Mendiola, Jr.
Ms. Lisa W. Pompa
Ms. George Anne Snyder-Falkinham
Ms. Lisa Throckmorton

OTHERS PRESENT:

Dr. Bret Danilowicz, President
Mr. Zachary Borgerding, Audit Director, Auditor of Public Accounts
Ms. Karen Castele, Secretary to the Board of Visitors and Special Assistant to the President
Mr. Jorge Coartney, Associate Vice President for Facilities Management
Ms. Crystal Cregger, Director of University Services
Ms. Kim Dulaney, Executive Director of Strategic Sourcing
Ms. Meghan Finney, Audit In-Charge, Auditor of Public Accounts
Ms. Lisa Ghidotti, Executive Director of Government Relations
Dr. Rob Hoover, Vice President for Finance and Administration and CFO
Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller
Dr. Angela Joyner, Interim Vice President for Enrollment Management and Vice President for Economic Development and Corporate Education
Dr. Eric Lovik, Director of Institutional Research
Ms. Margaret McManus, University Auditor

Mr. Mike F. Melis, Assistant Attorney General, Commonwealth of Virginia
Mr. Ed Oakes, Associate Vice President for Information Technology Services and CIO
Ms. Allison Pratt, Assistant Vice President for Enrollment Management and Director of Financial Aid
Ms. Laura Quesenberry, Interim University Budget Director and Director of Business Services
Ms. Deana Sentman, Associate Controller
Ms. Sarah Tate, Director of Admissions (RUC)
Ms. Leah Taylor, Assistant Vice President for Human Resources
Dr. Susan Trageser, Vice President for Student Affairs
Ms. Penny White, Interim Vice President for University Advancement and University Relations

CALL TO ORDER

Mr. Marquett Smith, Chair, formally called the meeting to order at 9:54 a.m. in Kyle Hall, Room 340. Mr. Smith welcomed everyone to the March meeting of the Business Affairs and Audit Committee.

APPROVAL OF AGENDA

Mr. Smith asked for a motion to approve the March meeting agenda, as published. Mr. Robert A. Archer so moved, Mrs. Jennifer Wishon Gilbert seconded, and the motion carried unanimously.

REPORTS

Auditor of Public Accounts Report

Zachary Borgerding with the Auditor of Public Accounts (APA) presented information regarding the results of the audit of the University's FY 2022 financial statements. He noted that the University received an unmodified opinion with no material weaknesses and no instances of non-compliance or other matters required to be reported under Government Auditing Standards. The APA has issued its Higher Education Comparative Report and the Board of Visitors was included in the distribution. FORVIS, an independent accountant, has issued its NCAA agreed-upon procedures report, a copy of which was included with the board materials. Additionally, the APA issued its Higher Education Comparative Report, which provides insights into how the University compares to other institutions throughout the Commonwealth.

University Auditor's Report

University Auditor Margaret McManus presented oral reports on the December 2022 quarterly review of University Discretionary Fund expenditures and on two FY 2023 goals. She presented a report on the Information Technology Audit - DNS, DHCP and Firewall as well as a follow-up audit status report. A copy of the reports was included with the board materials.

Capital and Information Technology Projects Update

Vice President for Finance and Administration and Chief Financial Officer Rob Hoover provided a project status update on the Artis Center for Adaptive Innovation and Creativity. A full report of Capital Projects and Information Technology Services Updates was included within the board materials.

Finance and Administration Goals Update

Associate Vice President for Finance and University Controller Stephanie Jennelle presented an update to the goals for FY23 for the Division of Finance and Administration. The update included the progress made on stabilization and development of internal workforce, expanding relevant decision-making information, and enhancement of campus infrastructure.

Fiscal Year 2024 Outlook

Dr. Hoover presented a comprehensive fiscal outlook for 2023-2024. A copy of said presentation was included with the board materials.

ACTION ITEMS:

Recommendation for Approval of a Resolution Certifying Compliance with the Radford University Debt Management Policy

Ms. Jennelle explained that the Secretary of Finance requires annual certification of debt compliance as part of Institutional Performance reporting standards. Ms. Jennelle provided documentation demonstrating the University's compliance with its Debt Management Policy. Mr. Marquett Smith asked for a motion to recommend the Resolution Certifying Compliance with the Radford University Debt Management Policy, as presented, to the full Board for approval. Mr. Archer so moved, Mrs. Gilbert seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment A* and is made a part hereof.

Recommendation for Approval of Resolution of Third Quarter 2022-2023 University Operating Budget Adjustment

Dr. Hoover reviewed the proposed Resolution of the Third Quarter 2022-2023 University Operating Budget Adjustment. He reported the adjustments were recommended to align revised revenue forecasts with authorized expenditure levels. Mr. Smith, Chair, asked for a motion to recommend the Resolution of Third Quarter 2022-23 Operating Budget Adjustment, as presented. Mr. Archer so moved, Mr. David Smith seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment B* and is made a part of.

ADJOURNMENT

With no further business to come before the committee, Mr. Smith adjourned the meeting at 11:19 a.m.

Respectfully submitted,

Pamela Fitchett
Executive Assistant to the
Vice President for Finance and Administration
and Chief Financial Officer

**Radford University Board of Visitors
Business Affairs and Audit Committee
March 23, 2023**

**Action Item
Compliance with Debt Management Policy**

Item:

Adoption of a Resolution certifying that Radford University is in compliance with its Debt Management Policy. In addition, this certification is required annually by the Secretary of Finance for the Commonwealth of Virginia as part of Institutional Performance reporting.

Background:

The 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act. At its meeting on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act.

The 2015 Virginia Acts of Assembly, Chapter 665 includes a requirement in the General Provisions related to Higher Education Restructuring. §4-9.01 requires, in part, that: *“Consistent with §23-9.6:1.01 [recodified as §23.1-206], Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than October 1 of each even-numbered year. Institutional performance on measures set forth in paragraph D of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before October 1 of each even-numbered year. Financial benefits provided to each institution in accordance with § 2.2-5005 will be evaluated in light of that institution’s performance.”*

The Secretary of Finance collects information to fulfill the reporting requirements as they relate to paragraph D-Financial and Administrative Standards, specifically §4-9.01 d.2. which states: *“Institution complies with a debt management policy approved by its governing board that defines the maximum percent of institutional resources that can be used to pay debt service in a fiscal year, and the maximum amount of debt that can be prudently issued within a specified period.”* To assess this measure, the Secretary of Finance is seeking a statement from the Board of Visitors certifying Radford University’s compliance with said policy and the effective date of that policy.

Schedule A below provides the required ratio calculation and demonstrates the University is in compliance with its Debt Management Policy. Currently, as disclosed in the 2022 audited annual financial statements, the University’s debt obligations including affiliated foundation total \$84,342,626 which is mainly attributable to the Student Recreation and Wellness Center, Renovations of four Residence Hall projects, and the affiliated foundation property acquisition for student housing.

Schedule A				
RADFORD UNIVERSITY				
DEBT MANAGEMENT POLICY RATIO				
The calculation reflects June 30, 2022 audited Financial Statements for Total Operating Expenses (as defined in the University’s Debt Management Policy); however, Annual Debt Service reflects expected payments as of June 30, 2023.				
Board Approved Ratios	Range	Formula	Audited Financial Statements as of 6/30/2022	
<u>Debt Burden Ratio</u> Max Annual Debt Service as % of Operating Expenses	< 7%	$\frac{\text{Annual Debt Service}^*}{\text{Total Operating Expenses}^*}$	\$5,959,027	2.20%
			\$270,789,385	

* Ratio includes Radford University Foundation

The Debt Management Policy also identifies that an annual report shall be prepared for review by the Board of Visitors. The notes to the annual financial statements provide the required elements to comply with the Debt Management Policy. Below are the Financial Statement Notes related to outstanding obligations that were prepared for the year ending June 30, 2022 (audited):

NOTE 6: Long-Term Debt

Notes Payable—Pooled Bonds

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The composition of notes payable at June 30, 2022, is summarized as follows:

<u>Notes Payable - Pooled Bonds:</u>	<u>Interest Rates at Issuance</u>	<u>Maturity at Issuance</u>
Student Fitness Center		
Series 2009B, \$3.720 million par amount	2.00%-5.00%	September 1, 2029
Series 2016A, \$2.285 million par amount – partial refunding of Series 2009B	3.00%-5.00%	September 1, 2029
Series 2011A, \$4.235 million par amount	3.00%-5.00%	September 1, 2031
Series 2012B, \$11.155 million par amount	3.00%-5.00%	September 1, 2032
Series 2013A, \$4.865 million par amount	2.00%-5.00%	September 1, 2033
Series 2021B, \$13.46 million par amount - partial refunding of Series 2011A, 2012B, 2013A	3.00%-5.00%	September 1, 2043

Bonds Payable—9c

The University has issued bonds pursuant to section 9(c) of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2022, is summarized as follows:

<u>Bonds Payable - 9c:</u>	<u>Interest Rates at Issuance</u>	<u>Maturity at Issuance</u>
Renovation of Washington Hall (residence hall)		
Series 2013A, \$5.040 million par amount	2.00% - 5.00%	June 1, 2033
Renovation of Pocahontas, Bolling, Draper (residence halls)		
Series 2014A, \$11.080 million par amount	2.00% - 5.00%	June 1, 2034
Series 2015A, \$8.820 million par amount	2.00% - 5.00%	June 1, 2035
Series 2016A, \$7.160 million par amount	3.00% - 5.00%	June 1, 2036
Series 2020A, \$16.030 million par amount	1.62% - 4.00%	June 1, 2040

A summary of changes in long-term debt for the year ending June 30, 2022, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Governmental activities:						
Notes payable - pooled bonds	\$17,767,966	\$-	\$1,081,733	\$16,686,233	\$1,290,000	\$15,396,233
Bonds payable - 9c	44,135,350	-	2,232,593	41,902,757	2,085,000	39,817,757
* Total long-term debt	\$61,903,316	\$-	\$3,314,326	\$58,588,990	\$3,375,000	\$55,213,990

Fiscal Year Ending	Governmental Activities			
	Notes Payable Pooled Bonds		Bonds Payable - 9c	
	Principal	Interest	Principal	Interest
June 30, 2023	1,290,000	255,116	2,085,000	1,284,606
June 30, 2024	1,410,000	215,516	2,170,000	1,186,557
June 30, 2025	1,520,000	195,383	2,270,000	1,092,406
June 30, 2026	1,545,000	181,380	2,365,000	999,556
2028-2032	7,590,000	449,149	13,760,000	3,050,244
2033-2037	1,455,000	19,832	10,295,000	887,106
2038-2041	-	-	3,010,000	113,531
Unamortized Premium	321,233	-	3,482,757	-
Total	\$16,686,233	\$1,481,628	\$41,902,757	\$9,515,913

Right-to-use Lease Obligations

In March 2018, the University entered into a 25-year capital lease with the Radford University Foundation, LLC to meet student housing demand. Due to existing housing commitments, a management agreement was entered between the Radford University Foundation and a third party to manage the properties. Therefore, the University's obligation regarding the capital lease was not effective until fiscal year 2020. The University accounted for the acquisition of the various residential properties as a capital lease in 2020, and recorded the building as a depreciable capital asset, and recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position. During fiscal year 2021, a portion of the properties were purchased by the University which decreased the capital lease and therefore also decreased the depreciable asset and lease liability.

For fiscal year 2022 the lease asset and liability increased with the implementation of GASB Statement 87 as this lease was remeasured as of the implementation date July 1,

2022 to reflect the present value of the future cash payments discounted at the University's incremental rate of 3.48%. The University then purchased two additional properties from the lease reducing the lease asset and liability. The lease presented below is the only direct debt lease as payments for principle and interest for the debt is made by the University.

A summary of changes in the lease liability for the year ending June 30, 2022, is presented as follows:

	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Lease with Foundation	\$16,742,331	\$-	\$3,580,841	13,161,490	\$752,567	\$12,408,923

Future principal payments and interest payments on long-term leases are as follows:

Years	Principal	Interest	Total Payment	
2023	294,547	458,020	752,567	
2024	304,796	447,770	752,566	
2025	358,076	437,163	795,239	
2026	502,198	424,702	926,899	
2027	519,674	407,225	926,899	
2028-2032	2,882,560	1,751,936	4,634,496	
2033-2037	3,420,270	1,214,226	4,634,496	
2038-2042	4,058,285	576,211	4,634,496	
2043-2047	821,084	28,574	849,658	
Totals	13,161,490	5,745,825	18,907,316	Total Minimum Lease Payments

Long-Term Debt Defeasance

On February 9, 2021, the Virginia College Building Authority, on behalf of the University, issued pooled bonds Series 2021B for \$13,460,000 with interest rates of 0.48 to 1.91 percent to advance refund \$2,900,000 of Series 2011A, \$7,220,000 of Series 2012B and \$3,340,000 of Series 2013A pooled bonds. The bonds, issued at a premium of \$7,343, are used to provide funds for debt service savings for the University. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds.

The advanced refunding resulted in a deferred accounting loss of \$176,827 for the Series 2011 and 2012 bonds, and resulted in a deferred accounting gain of \$258,622 for the series 2013 bonds refunded, which is being amortized to interest expense over the life of the new debt. The defeasance reduced the University's total debt service obligation by \$1,202,463 for the 13 years after the bonds were issued. The debt service savings discounted at a rate of 1.144 percent for

2011A, 1.276 percent for 2012B and 1.391 percent for 2013A resulted in a total economic gain of \$1,178,451. At June 30, 2022, \$318,538 of deferred accounting losses are reported on the Statement of Net Position as a deferred outflow of resources. At June 30, 2022, \$225,632 of the deferred accounting gains are reported on the Statement of Net Position as a deferred inflow of resources.

For financial reporting purposes, these notes payables are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the Statement of Net Position. The assets in escrow have similarly been excluded. As of June 30, 2022, \$9,635,000 of the notes are considered defeased and outstanding.

NOTE 20E: Component Unit Financial Information

The following is a summary of the outstanding notes payable at June 30, 2022:

Note payable in monthly installments of \$5,182.12 through May 2025, interest payable at LIBOR plus 1.48 percent (2.60% and 1.57%% at June 30, 2022 and 2021, respectively). Unsecured.	\$163,956
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Notes payable in monthly installments calculated on a 25-year amortization with a balloon payment of remaining amount in May 2028, with interest payable at LIBOR plus 0.82% with a floor of 1.57% beginning May 2021 (2.44% and 1.57% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents.	342,295
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Notes payable in monthly installments calculated on a 17-year amortization with a balloon payment of remaining amount in June 2028, with interest payable at LIBOR plus 0.82% with a floor of 1.57% (1.94% and 1.57% at June 30, 2022 and 2021 respectively). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents.	389,977
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Notes payable in monthly Interest only payments through April 2020, then monthly installments calculated on a 23-year amortization with a balloon payment of the remaining amount In April 2025. Interest payable at LIBOR plus 0.82 (1.88% and 0.91% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by and investment property held	1,323,527
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with the institution. Additionally, secured by an assignment of leases and rents.

Notes payable in monthly interest only payments through April 2020, then monthly installments calculated on a 23-year amortization with a balloon payment of remaining amount In April 2025. Interest payable at 4.20%. Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents. 9,418,047

Notes payable in monthly installments on a 15-year amortization with a balloon payment of remaining amount in June 2024, with interest payable at 3.72%. Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents. 176,832

Notes payable in monthly interest only payments through December 2021 then monthly installments calculated on a 25- year amortization with a balloon payment of remaining amount in May 2026. Interest payable at 2.39%. Secured by real estate, an assignment of rents and a pledge on securities. 2,941,461

Total long-term debt \$14,756,095

Future principal payments on notes payable for years ending June 30 are as follows:

2023	516,610
2024	686,710
2025	10,242,415
2026	2,697,842
2027 and thereafter	<u>612,518</u>
Total long-term debt	<u><u>\$14,756,095</u></u>

Notes payables are subject to certain affirmative and negative covenants. Management believes the Foundation has complied with all covenants as of June 30, 2022.

Action:

Board of Visitors adoption of a Resolution of Compliance with the Radford University Debt Management Policy.

**Radford University Board of Visitors
Resolution
Compliance with Debt Management Policy**

WHEREAS, the 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act, and

WHEREAS, on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act, and

WHEREAS, the Governor has established financial and management measures on which annual assessment and certification of institutional performance will be evaluated, and

WHEREAS, the financial and management measures require the Radford University Board of Visitors to approve a Debt Management Policy, and

WHEREAS, the Radford University Board of Visitors approved such Debt Management Policy at its March 30, 2007, meeting; revisions to this policy were approved by the Board of Visitors at its August 23, 2007, November 12, 2010, and February 8, 2012 meetings, and

WHEREAS, Schedule A demonstrates that the University meets the requirements outlined in the Debt Management Policy; and

WHEREAS, the Board of Visitors must annually certify Radford University's compliance with the approved Debt Management Policy to the Secretary of Finance for the Commonwealth of Virginia;

NOW, THEREFORE, BE IT RESOLVED, this resolution approved by the Radford University Board of Visitors certifies that the University is in compliance with its Debt Management Policy.

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs and Audit Committee
March 24, 2023

Action Item

Approval of the Radford University 2022-23 Third Quarter Operating Budget Adjustment

Item:

Board of Visitors approval of the Radford University's 2022-23 third quarter operating budget adjustment and review of the actual activity as of January 31, 2023.

Summary:

The University has examined the fiscal impact of the 2022-23 fall enrollment results, general fund allocations, as well as miscellaneous one-time revenues on the institutional operating budget. Due to the materiality of the impact on the University's operating budget, a third quarter budget adjustment is necessary to align revised revenue forecasts.

University operating revenues are projected to be above forecast by \$3.3 million. Actual 2022-23 fall enrollment was 4.5% more than budgeted resulting in larger than projected tuition and fee revenue. Although the enrollment was larger than anticipated, the change of the student population mix, notably seat-based students, results in lower than projected revenues for Auxiliary Enterprises. Other operating revenues are more than projected due to supplemental relief funding for student financial aid that was reappropriated from the prior fiscal year, as well as supplemental general fund allocations.

An accompanying outline of adjustments is also provided in the 2022-23 Financial Performance Report (Schedule A) which summarizes the adjusted operating budget and related activity through January 31, 2023 and the University Operating Budget (Schedule B) which breaks down the recommended adjustments.

Education and General (E&G):

The original 2022-23 revenue budget for E&G was forecasted at \$156.7 million. The revised budget recommendation is \$158.6 million, an increase of \$1.9 million. The revised revenue forecast is reflective of the following adjustments.

General Fund

The University is estimating a \$0.3 million increase in general fund operating revenue related to an alignment of central appropriations funding, as well as supplemental funding for the Western Virginia Public Consortium and Virtual Library of Virginia interlibrary loan program.

Non-General Fund

The University is estimating a \$1.6 million increase in E&G operating revenue related to non-general fund business level factors due to higher than anticipated enrollment levels for accelerated online programs. E&G operating expense budgets are estimated to be increased by \$0.9 million to accommodate instructional costs. The remaining revenue of \$0.7 million results in a miscellaneous E&G operating expense adjustment to support University strategic investments.

Student Financial Assistance (SFA):

The original revenue budget for SFA was \$17.8 million. The revised revenue and expense budgets are \$25.3 million concurrently, an increase of \$7.6 million. The revised revenue forecast is reflective of the following adjustments.

General Fund

General Fund appropriations for Virginia Military Survivors and Dependent Education Program, the College Transfer Grant program, as well as, the reappropriation of graduate fellowship and undergraduate financial aid increased by \$0.6 million over the originally budget amount. These are routine supplemental allocations that vary by year.

Non-General Fund

Non-general fund miscellaneous adjustments are recommended for undergraduate student financial aid allocations to account for a \$6.9 million revenue increase over the original budget amount. Undergraduate financial aid allocation increased by \$0.2 million as a result of a reappropriation from 2021-22 and by \$6.7 million as a result of COVID-19 relief funding. Further information outlining the details of the relief funding are provided in the remainder of this section.

The Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress and the bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14.0 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. The University portion of the HEERF III funding for 2021-22 was \$16.9 million for student financial aid, of which, \$0.1 million was reappropriated in 2022-23.

Congress set aside approximately \$3.0 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the CARES Act for the Governor's Emergency Education Relief Fund (GEERF). The Department has awarded these grants to States (governor's offices) based on a formula stipulated in the legislation. The University received \$1.3 million in GEERF funding in 2020-21. The University also received \$0.9 million in GEERF II funding in 2021-22 which was reappropriated in 2022-23. The funding will be awarded as need-based financial assistance.

The American Rescue Plan Act of 2021 (ARPA) State and Local Recovery Funds for Higher Education allotted \$100,000,000 to the State Council of Higher Education for Virginia (SCHEV) for need-based financial aid for in-state undergraduate students from low- and moderate-income households at public institutions of higher education. The University's portion of the 2022-23 funding is \$5.6 million for student financial aid.

GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) is a \$22.0 million seven-year grant funded by the U.S. Department of Education and administered by the State Council of Higher Education for Virginia (SCHEV). The program is designed to significantly increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The University received \$35,000 in GEAR UP funding in 2022-23.

The University is recognizing the revenue and expense of the relief funding in SFA. Refer to the Financial Performance Report (Schedule A) for a summary and the University Operating Budget (Schedule B) for details on the proposed budget adjustments.

Sponsored Programs:

The original revenue and expense budgets for Sponsored Programs were each \$9.0 million. With general fund allocations from various agencies within the Commonwealth for special projects, a budget adjustment of \$0.1 million is being recommended resulting in revised revenue and expense Sponsored Program budgets of \$9.1 million concurrently.

Auxiliary Enterprises:

The original budget for Auxiliary Enterprises was \$68.5 million in revenue and \$66.5 million in expense. The revised revenue budget is \$62.2 million, a decrease of \$6.3 million which is due to enrollment changes in seat-based programs. The revised expense budget is projected at \$65.0 million, a decrease of \$1.5 million. These adjustments decrease the planned reserve contribution by \$4.8 million resulting in an estimated reserve draw of \$2.8 million. Further review and reductions in expense budget will be ongoing throughout the remainder of the fiscal year to limit the reserve draw as a result of the revenue estimates. The revised budgets are reflective of the following adjustments.

Non-General Fund

The University is estimating a decrease in Auxiliary Enterprise operating revenue, specifically to comprehensive fees of \$1.1 million, as well as, room sales of \$3.6 million, book sales of \$0.1 million, and meal plan sales of \$1.5 million.

Auxiliary Enterprise miscellaneous adjustments recommended include a decrease of operating expense budgets by \$2.9 million due to greater than anticipated turnover and vacancy and scholarship allocation savings, as well as increases for strategic investments that include funding to Athletics of \$0.4 million for marketing and Student Affairs of \$0.7 million student services, retention and accessibility.

Refer to the Financial Performance Report (Schedule A) for a summary and the University Operating Budget (Schedule B) for details on the proposed budget adjustments.

Preliminary Financial Performance Report:

The Financial Performance Report (FPR) is more commonly presented at the September Board of Visitors meeting reflecting the prior fiscal year's budget and actual financial activity. The FPR is generated from annual budget projections and actual accounting data recorded in Banner Finance. The actual accounting data is recorded using a modified accrual basis of accounting which recognizes revenue when received rather than when earned and expenditures when posted rather than when payment is issued.

As shown on the Financial Performance Report (Schedule A), the Original Budget reflects the 2022-23 budget of \$251.9 million approved by the Board of Visitors at the September 2022 meeting. The Revised Budget reflects 2022-23 recommended mid-year revenue adjustments totaling \$3.3 million. While there are a number of factors that influenced the recommended mid-year adjustments they are primarily attributed to actual 2022-23 enrollment levels and relief funding.

The revised budget of \$255.2 million is sufficient to sustain University operations for the remainder of 2022-23 while utilizing limited or no Auxiliary Enterprise reserves. As aforementioned, Auxiliary Enterprises will be under review throughout the remainder of the fiscal year to limit the reserve draw resulting from the revised revenue budget.

Actual expenditure activity for the period ending January 31, 2023, totals \$177.9 million, which is consistent with projections. The vast majority of the outstanding expense budget balance relates to anticipated third and fourth quarter compensation.

Action:

Radford University Board of Visitors approval of the 2022-23 third quarter operating budget adjustment as presented in Schedule B for the University Operating Budget.

RADFORD UNIVERSITY BOARD OF VISITORS

Resolution

March 24, 2023

Approval of the Radford University 2022-23 Operating Budget Adjustment

BE IT RESOLVED, the Radford University Board of Visitors approves the third quarter adjustments to the 2022-23 operating budget as presented in Schedule B for the University Operating Budget.

End of Board of Visitors Materials

