



KCTCS FORENSIC AUDIT CORRECTIVE ACTION PLAN

PRESENTED TO THE BOARD OF REGENTS

MARCH 13, 2025



CURRENT AUDIT LANDSCAPE

- **Internal Audit (Dean Dorton)**
- **External Audit (Forvis/Mazars)**
- **Auditor of Public Accounts Audit**
- **Forensic Audit (KPMG)**

ACCOUNT 10001

PERSON RESPONSIBLE: CHIEF FINANCIAL OFFICER (TODD KILBURN)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Review the list of 656 accounts that had activity in Account 10001 and determine which ones should not remain passing funds through the account.•Perform a periodic (e.g., annual) review of the accounts that have activity in Account 10001 to assess which accounts should no longer interact with Account 10001.	<p>Established a committee to:</p> <p>Evaluate the 656 accounts that had activity in Account 10001, determine which ones should not continue to pass funds through the account and recommend where funds should be moved and what processes could be used for greater clarity. (June 30, 2025 completion date)</p> <p>Perform a quarterly review of Account 10001 to ensure that the account is regularly balanced, that procedures for balancing are established and codified, and that new accounts are added within Account 10001 only on the recommendation of the working group. (June 30, 2025 inception date)</p> <p>Provide a quarterly report to the KCTCS Chief Financial Officer regarding the balancing of the account, its fund balance, and changes made. (July 31, 2025 inception date)</p>

AFFILIATED FOUNDATIONS

PERSON RESPONSIBLE: ACTING AVP OF PHILANTHROPY (MEGAN STITH)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Reinforce the existing Recognition of Independent Foundations procedures to ensure all foundations comply with independence documentation requirements.•Consider implementing a centralized documentation process to track status of required independence documents for each foundation.•Develop formal policies and procedures for spending to ensure all disbursements are properly documented and reviewed and approved in accordance with established guidelines and any donor-imposed restrictions.•Create a disbursement request document that is utilized by the foundations to ensure proper procedures are followed and documented.	<p>Created annual calendar for documentation needed to demonstrate compliance with recognition standards. Shared this with peer team.</p> <p>Created spreadsheet documenting the status of each foundation's submissions. System Office Advancement staff provides reminders until all documentation is gathered.</p> <p>Requested foundations' spending policies since these were not gathered through the forensic audit. Policies will be kept on file in addition to other recognition documentation.</p> <p>Shared examples from KCTCS Foundation to assist College Foundations in establishing or updating finance policies/procedures.</p> <p>Conducted training on stewardship plans.</p>

EXECUTIVE COMPENSATION

PERSONS RESPONSIBLE: GENERAL COUNSEL (JESSICA STIGALL) AND VP OF HUMAN RESOURCES (BRIDGET CANTER)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Align KCTCS's ERP system with the Executive Compensation Procedure to accurately enforce pay bands and salary limits.•Incorporate new executive roles into the Executive Compensation Procedure•Conduct annual reviews of market salary scales within pay bands using relevant data to ensure competitiveness.•Clearly document the basis for Executive Supplementary Allowance determinations, including all influencing factors.•Ensure timeliness in the signing of executive contracts and adherence to policy-based compensation limits for transparency and compliance.	<p>Discussed proposed changes to executive contracts with the College Presidents during the President's Leadership Team meeting on February 25, 2025</p> <p>Executive compensation market salary scales will be reviewed every two years to coincide with the KCTCS compensation program review and the biennial budget development.</p> <p>Human Resources and General Counsel are working on proposed policy updates to be reviewed and adopted by the KCTCS Board of Regents.</p>

FERPA COMPLIANCE

PERSONS RESPONSIBLE: EXECUTIVE DIRECTOR OF RISK MANAGEMENT & COMPLIANCE (MALORIE YEAMAN) AND GENERAL COUNSEL (JESSICA STIGALL)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Centralize documentation of FERPA non-compliance instances to ensure required documentation is being recorded across all colleges.•Implement a more comprehensive FERPA policy that includes specific guidelines on student data breach documentation, notification, employee access to student data, and training frequency.•Communicate updates on the centralized documentation process and policy enhancements to each college to ensure awareness and compliance.	<p>Meet with System Registrar to discuss audit and next steps for completing the audit recommendations (December 2024).</p> <p>Evaluate the KCTCS Annual Notice and current Policy to identify opportunities for revision (January 2025).</p> <p>Meet with System Registrars to discuss revisions and results from the Audit (February – March 2025).</p> <p>Draft policy and notice revisions (March – April 2025).</p> <p>Complete policy approval process (May – July 2025).</p> <p>Communicate updates to the System and Colleges (August 2025).</p>

FINANCIALS

PERSON RESPONSIBLE: CHIEF FINANCIAL OFFICER (TODD KILBURN)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Develop and provide training for relevant Finance and Accounting team members covering state requirements and internal policy obligations regarding requisite supporting documentation for journal entry postings.•Develop internal policy requirements that align with all state requirements for journal entry supporting documentation.•Manual controls for evaluating sufficiency of supporting documentation should be implemented.•KCTCS should evaluate its system capabilities to determine if system controls can be implemented to identify instances where AR has been outstanding for over six (6) months to account for AR that has been outstanding over the AR write-off policy requirements.	<p>Review current policies to determine alignment with state requirements and best practices. (January – April 2025)</p> <p>Propose new policies to address areas unaddressed in current policy. (May-June 2025)</p> <p>Evaluate, assess, and implement system controls to address outstanding AR issues. (April-July 2025)</p> <p>Implement controls, both manual and automated to evaluate sufficiency of supporting documentation. (July-August 2025)</p>

HIGHER ED INNOVATION LLC/SUPERLATIVE GROUP

PERSON RESPONSIBLE: CHIEF FINANCIAL OFFICER (TODD KILBURN)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Develop a detailed checklist that is utilized for each contract and contains the procurement requirements based on the contract value.•Implement mandatory procurement process training for all employees involved in the procurement process.•Adopt a more rigorous documentation process for signature approvals, including the use of printed names, titles, and dates, or electronic signatures.	<p>Create Checklist to more clearly align with the proposed recommendations (July 2025)</p> <p>Adopt the more rigorous documentation process for signature approvals. (August 2025)</p> <p>Develop and Implement procurement process training (September 2025)</p> <p><i>Note: KPMG indicated that KCTCS's procurement processes were found to be effectively designed, with procedures appearing to align with procurement regulations. However, KPMG determined KCTCS's procurement processes could be strengthened.</i></p>

MARKETING & PR

PERSON RESPONSIBLE: VICE PRESIDENT, MARKETING & COMMUNICATIONS (BLAIR HESS)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Reassess and reclassify budget chart strings for Marketing & PR to simplify expenditure tracking.•Establish regular assessments of merchants/vendors to ensure KCTCS benefits from the best available services and competitive pricing.•Implement a new procedure for Marketing & PR Procard expenditures outlining clear transaction and approval processes to enhance compliance and efficiency.•Ensure Procard statement review documentation is available for audit purposes as per KCTCS Procurement Card Procedure.	<p>The initial review and changes have been completed. We will continue to evaluate the budget chart strings annually to ensure continued alignment for simplified expenditure tracking.</p> <p>The initial review of all marketing and PR vendors has been completed. Additional vendors have been reviewed and updated and payment for services has been evaluated to ensure best practices are being followed. This will be an ongoing effort.</p> <p>A new procedure and training have been completed for Marketing staff who complete these expenditures. Ongoing training in conjunction with the Business Office will be required for all employees to ensure continued compliance.</p> <p>The establishment of new procard processes, which continue to evolve based on systemwide procard process changes, is now being documented. This will be revisited as new policy/procedure/processes are established and new instruction and training is available from the Business Office.</p>

PERSONNEL & UNIT INVESTIGATION

PERSON RESPONSIBLE: VICE PRESIDENT, HUMAN RESOURCES (BRIDGET CANTER)

Recommendations	Steps Taken
<ul style="list-style-type: none">•KCTCS is reviewing and updating all policies to address gaps. A training / overview should be provided for new / updated policies. Consider reviewing policies regularly based on importance set by legal and department heads.•Consider performing a detailed analysis of health insurance providers to determine their selection of insurance plans.•Consider implementing a formal review of pay by demographics. KCTCS is in the RFP process for a new pay system, which can perform this review.•KCTCS should consider establishing a formal pre-hire and onboarding process with proper controls, ensure employment is contingent upon credential verification, and create policies, procedures, and training documents to support these changes.	<p>The KCTCS Compliance Officer is implementing a web platform that will allow the system to review policies regularly.</p> <p>An RFP has been developed to analyze the post-retirement health Medicare Advantage Plan, the first of the benefits plans scheduled for review, to determine if alternate plans/administrators would provide opportunities for better pricing and plan design.</p> <p>HR has recently contracted with Salary.com and purchased its online compensation platform. The first round of employee data and salary survey data have been loaded into the platform, which will allow HR to analyze pay by demographics. Positions and the compensation structure will be reviewed every 2 years.</p> <p>Credential verification exists in KCTCS administrative policy. HR is working to create a simpler process at each KCTCS location followed by a final verification/audit occurring at the system HR level.</p>

PROCARDS

PERSON RESPONSIBLE: CHIEF FINANCIAL OFFICER (TODD KILBURN)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Consider adding a flag into the PeopleSoft system that would require budgetary supervisor approval prior to the purchase of large Procard transactions.•Consider implementing a rule for KCTCS Procard holders to ensure all receipts and merchant transaction details are accurate prior to uploading documentation to PeopleSoft.•Consider implementing a step plan from initiation of a Procard purchase through the payment of the transaction to ensure KCTCS is making payments in good faith to merchants.•Consider implementing a procedure for how Procard transactions are to be made and when supervisory approval is to be obtained as to have a clear structure for business transactions.	<p>Staff gathered to discuss the recommendations and consider solutions on December 9, 2024. Staff are evaluating process to require appropriate approvals and timely processing. (April 2025)</p> <p>Staff are further reviewing internal transactions in the PeopleSoft system to allow for prior approval and better documentation of transactions. Recommendations on how to best accomplish the desired objectives to be determined. (April 2025)</p> <p>Staff are also reviewing the implementation of a step plan for timely payments. (May 2025)</p>

VOLUNTARY SEPARATION AGREEMENTS

PERSONS RESPONSIBLE: VICE PRESIDENT, HUMAN RESOURCES (BRIDGET CANTER) AND GENERAL COUNSEL (JESSICA STIGALL)

Recommendations	Steps Taken
<ul style="list-style-type: none">•Develop and implement a comprehensive VSA policy including key compliance requirements and standard procedures to ensure uniform application across all KCTCS colleges.•Set clear timelines for the VSA process, define and document approval processes, standardize eligibility requirements and payout calculations, and centralize documentation for VSAs.•Conduct adverse impact analyses for each VSA and provide targeted training to ensure system-wide adherence to the updated policies and procedures.•Implement standard eligibility and payouts for VSAs that are utilized throughout the colleges.	<p>Proposed changes to employees' contracts and use of VSAs were discussed during the President's Leadership Team meeting on February 25, 2025</p>

CARRYFORWARD/FUND BALANCE (FUND 99)

PERSON RESPONSIBLE: CHIEF FINANCIAL OFFICER (TODD KILBURN)

Steps Taken	
<p>KPMG did not provide guidance on this matter, but it was considered significant enough that staff have been reviewing the status of Fund 99, how the System office and individual colleges' budgets address carryforward and the reserve policy.</p> <p>A working group was established to accomplish the following objectives:</p> <ol style="list-style-type: none">1. Evaluate and propose recommendations on the appropriate amount of fund balance for the System Office and each of the 16 colleges.2. Submit proposed comprehensive written policies and procedures for accumulation and management of fiscal year end fund balances to include a periodic reevaluation of the System office needs to ensure that the established fund balances remain appropriate.	<ol style="list-style-type: none">3. Recommend a structure supported by data that would allow implementation of a reserve policy for the KCTCS system aligned with the outcomes of the Senate Joint Resolution 179 process.4. Recommend systematic evaluation processes to assure regular alignment with policies and procedures, and the appropriate reporting matrix to assure transparency and completion.5. Research and recommend best practices for an appropriate fund balance consistent with organizations such as NACUBO.