



KANSAS BOARD OF REGENTS

Fiscal Affairs and Audit Standing Committee Meeting Minutes Wednesday, January 14, 2026

The January 14, 2026, meeting of the Fiscal Affairs and Audit Standing Committee was called to order by Chair Dicus at 10:15 a.m. The meeting was held in the Board Office located in the Curtis State Office Building, 1000 S.W. Jackson, Suite 520, Topeka. *Proper notice was given according to the law.*

MEMBERS PRESENT: Regent John Dicus, Chair
 Regent Neelima Parasker
 Regent Kathy Wolfe Moore
 Regent Matt Crocker

Approval of Minutes

Regent Wolfe Moore moved to approve the minutes of the December 17, 2025, meeting. Following Regent Parasker's second, the motion carried.

New Business

Receive Annual Update on State's Investments in University Programs

Dr. Susan Metzger, Director of the Kansas Water Institute, presented the annual update and described the Institute's rapid expansion from a small pass-through entity into a major interdisciplinary and statewide resource aligned with K-State's NextGen plan. The Institute now leads collaborative work across all KBOR institutions on Kansas' five priority water challenges, including aquifer decline, sedimentation, water quality, extreme weather vulnerability, and public education. In the past two years, it has added several new positions—including four faculty roles, a Fort Hays State water officer, and a water quality lab director—with eight additional hires underway. Supported by recurring state funding, U.S. Geological Survey support, and philanthropic gifts, the Institute has leveraged these investments into approximately \$11 million in external funding and more than \$8 million in pending federal proposals. Dr. Metzger also highlighted key partnerships advancing technology, data analytics, and statewide water management, along with new initiatives such as the K-State water quality lab, a NASA-supported curriculum at Garden City Community College, and regional PFAS and water-quality convenings.

During discussion, Regent Wolfe Moore asked about coordination with the Kansas Water Office, and Dr. Metzger explained the strong alignment between the two entities, including shared representation on the Institute's advisory committee. Regent Crocker inquired about challenges, and Dr. Metzger noted the difficulty of moving academic institutions toward interdisciplinary and inter-institutional work. Regent Parasker asked about hiring strategies and federal grant pursuits. Dr. Metzger described the institute's asset-mapping approach to staffing needs and confirmed active pursuit of Small Business Technology Transfer and Small Business Innovation Research opportunities. In response to questions about PFAS, she explained their prevalence in common consumer products and noted that hot spots in Kansas tend to be

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near industrial, military, or historical firefighting sites, where the Institute is actively supporting education, analysis, and community communication.

Dr. Roy Jensen presented an update on the KU Medical Center Cancer Center, noting that the new facility is needed due to dramatic growth in patient volume and research activity. Annual new cancer patients have risen from 1,700 in 2004 to 8,500 today, and research funding has grown from \$14 million to over \$90 million. The new building will include a research tower with 44 fully complete wet labs. Construction remains on schedule for completion in December 2027. The project cost has increased from \$250 million to \$329 million because of construction inflation, site complexities involving utility infrastructure, and the decision to finish all research floors rather than leave some shelled.

Regent Parasker asked whether the federal grants associated with the project were secured or still pending. Dr. Jensen confirmed that all listed federal grants for the project have been secured, with one additional \$36 million congressional request still pending. He highlighted the importance of a one-time \$75 million challenge grant from the Kansas Legislature, which has now been fully met and has significantly supported fundraising. This funding is in addition to the state's ongoing \$10 million annual support and, together with federal and philanthropic contributions, has allowed the cancer center project to move forward at its expanded scope.

Dr. John Tomblin provided an update on Wichita State University's National Institute for Aviation Research, highlighting significant growth in its Maintenance, Repair, and Overhaul (MRO) operations. Supported by a five-year, \$35 million state investment, the MRO program launched in 2018 and now includes more than 1,000 staff and students working on commercial, military, and prototype aircraft. Although the effort initially focused on commercial aviation, military work has become the primary driver of activity, including major projects such as the B-1 bomber backbone repair and the development of the SAC Survivable Airborne Operations Center aircraft—now the largest industry-university contract in U.S. history. These initiatives are generating substantial economic impact for Kansas, with the B-1 program alone expected to deliver \$2.5 billion in work over the next decade and an estimated return on investment of \$72 for every \$1 from the State of Kansas.

In discussion, Dr. Tomblin noted that PFAS materials are not a significant issue in NIAR's work; instead, the main challenge is rebuilding lost manufacturing capabilities such as thin-gauge titanium welding. Regent Crocker asked whether the shift from commercial to military MRO work was intentional or driven by market forces. Dr. Tomblin confirmed that the shift toward military MRO activity was intentional due to the stability of military funding compared to the fluctuations of commercial aviation. While capacity at McConnell Air Force Base is nearing its limit, he emphasized that additional opportunities for MRO expansion exist at other Kansas airports with long runways, including Forbes Field in Topeka and the Salina facility.

Review Internal Audit Plans (FAA 26-03)

Jana Clark, Chief Audit Executive at Kansas State University, presented the annual internal audit update and reported that K-State's audit charter was revised in December 2024 to meet new IIA standards effective January 2025. She confirmed that the audit function remains independent, fully staffed, and compliant with all IIA requirements. Jana reviewed progress on the 2025 audit plan, noting that several projects were deferred due to resource constraints and added fraud investigations, but 84 percent of planned work was completed. She highlighted staff certifications, ongoing risk-assessment activities, and key components of the 2026 audit plan, including several carried-forward projects and K-State's first outsourced construction audit. She also shared that she currently serves as vice president of the

Association of College and University Auditors and will become its president next year, the first person from Kansas to serve in that role.

Ms. Clark emphasized that while she receives strong support from university leadership, the audit office remains understaffed compared to peers. A long-term plan is in place to add resources without affecting student funding, though the timeline could be accelerated with additional support. Committee members discussed lower-risk items removed from the audit plan, the continued review of K-State 105 expenditures, and clarification of “consulting” classifications in audit status reports. Regent Parasker raised questions about maintaining auditor independence within a dual-reporting structure, and Vice President Elaine Frisbie explained that Board policy ensures direct access between each institution’s internal auditor and the Chair of the Fiscal Affairs and Audit Committee, providing a clear pathway for escalating concerns when needed.

Jaime Dalton, Executive Director of Internal Audit and Strategic Planning at Pittsburg State University, presented an overview of the university’s audit activity. She reported that her combined role would soon be separated into two positions, with a search underway for a dedicated internal auditor. Ms. Dalton noted that the university’s audit charter was updated last fall to meet new IIA standards and will be reviewed again once the new president is fully onboarded. She affirmed that audit independence is protected through direct reporting lines and strong support from both campus leadership and the Board. Ms. Dalton reviewed the FY 2025 audit plan, explaining that most projects were completed despite a backlog resulting from a vacancy in the audit position. Several items, including reviews related to leadership changes and space utilization, will be carried into FY 2026, along with required annual audits. She also described ongoing participation in governance committees, risk assessment processes, and external audits.

Regent Parasker asked about financial statement compliance with DCAA standards and construction-related audit work. Doug Ball, Vice President of Business, Finance and Facilities, explained that PSU’s financial statements are included in the statewide audit and that DCAA does not directly apply. Jamie noted that no construction audits have been performed during her tenure, though related processes have been indirectly reviewed in past audits. Chair Dicus asked whether any audit findings required follow-up, and Ms. Dalton confirmed that all issues have been addressed through standard remediation procedures with no outstanding concerns. Jana Clark added that her office conducts quarterly follow-ups on all open recommendations to ensure timely completion.

Nick Davidson, Internal Auditor at Fort Hays State University, presented the FY 2025 and FY 2026 internal audit plans. He reported that the audit charter is being updated to meet new IIA standards and that the internal audit function maintains full independence through direct reporting to both the president and the Board’s Committee. Fort Hays continues to operate with one auditor, which aligns with peer comparisons, though Mr. Davidson noted that adding students in the future could increase capacity. He reviewed the prior year’s work, explaining that the audit function operated with limited capacity due to a vacancy but still completed required annual audits and several advisory engagements. Two projects were deferred to FY 2026, which also includes reviews of higher-risk areas such as Residence Life, Student Fiscal Services, and two off-campus centers. Additional activities were highlighted, including participation in risk assessment processes, external audit support, and leadership committees, as well as ongoing professional development.

During discussion, Vice President Wesley Winch explained that the university recently evaluated outsourcing versus hiring staff in-house and chose the latter for continuity and relationship-building

benefits. He said it is too early to determine whether additional audit staff will be needed but noted that leadership would respond if the auditor identified future resource gaps. Regent Crocker commended the potential use of students and asked about Fort Hays' audit of the 340B prescription drug program. Nick clarified it is a light-touch, best-practice self-audit rather than a mandated review. In response to Regent Crocker's broader question about student health audits at other institutions, Jana Clark noted that at K-State the health center falls under a separate division and has not been identified as a high-risk area, though she will follow up with leadership to reassess potential audit needs.

Follow up on issues raised during agenda call

As a follow-up to the KU bonding discussion, Regent Crocker asked whether the University of Kansas has a process to ensure that private property acquisitions are made at market-based values. Jeff DeWitt, KU Chief Financial Officer, explained that an appraisal was completed after the earlier conversation, and KU will reimburse the KU Endowment Association for the amount it originally paid for the property two years ago. At that time, the Endowment purchased the property below its appraised value, and the current appraisal reflects an increase in value since that point in time.

Jeff noted that the arrangement was established during a period of significant campus housing strain, when KU needed immediate access to additional facilities and was leasing multiple properties. The Endowment purchased the property quickly using a loan, with the understanding that KU would later repay only the principal amount. Because the repayment remains below the present appraised value, he emphasized that the acquisition is financially appropriate and consistent with market conditions.

Staff Note:

Not mentioned in the meeting, but worthy of note is [K.S.A. 76-147](#) which requires appraisals by two real estate appraisers prior to the purchase of property by a university. The statute also prohibits the purchase price from exceeding the appraised value.

Receive Update on FY 2027 Unified Appropriations Request

Vice President Elaine Frisbie provided an update on the FY 2027 Unified Appropriations Request, outlining recent legislative budget actions and the initial release of the Governor's budget. She explained that this year the Legislature published their initial appropriations bills quite early, removing all requested enhancements—including funding for student success, some-college-no-degree, the Blueprint for Literacy, research university energy projects, and regional workforce support for Washburn—while retaining \$32.7 million for the Campus Restoration Act and holding student financial aid flat for FY 2027.

The bills also include preliminary student aid appropriations for FY 2028 to assist institutions with planning. Ms. Frisbie raised concerns about the Legislature's decision to lapse unspent FY 2025 funds that carried into FY 2026, which would eliminate \$20.1 million for student financial aid and \$6.2 million previously set aside for the Blueprint for Literacy. She also noted a \$936,000 shortfall in Excel in CTE reimbursements after available funds are shifted, which the Board will address with the Budget Committees. The Governor's budget, released that morning, adds \$8 million for the Blueprint for Literacy and increases funding for Excel in CTE and Tiered and Non-Tiered courses, though not fully closing the gap in full reimbursements to the colleges.

During questions, Regent Wolfe Moore sought clarification on funding elements, and Vice President Frisbie confirmed that student success funding is not included, campus restoration funding remains intact, and the Blueprint for Literacy funds have been temporarily removed pending further legislative action.

She added that the expectation is that active advocacy efforts will help restore those funds as the budget process continues.

Standing Topics

Monitor Progress on Kansas Campus Restoration Act (FAA 26-08)

There were no updates.

Review Audit Findings (FAA 26-09)

Vice President Frisbie reported that this year's audit identified what was characterized as a significant deficiency in Fort Hays State University's internal control over financial reporting, stemming from a segregation-of-duties issue that the university itself discovered during its internal review. One employee had the ability to both create and post journal entries, prompting the controller to review all historical entries for proper oversight and to confirm no inappropriate activity had occurred. Although the external auditor was required to document the issue as a significant deficiency, the university had already begun corrective action before the audit finding was issued.

Wesley Winch added that Fort Hays State fully resolved the issue by implementing manual dual-review of entries until technical fixes could be completed. With both interim and long-term controls in place, the university considers the issue corrected.

Adjournment

Chair Dicus reminded the Committee that the next agenda call will be Wednesday, January 28th instead of January 27th and adjourned the meeting at 12:01 p.m.