College and University Auditors of Virginia Conference
May 20, 2024

Chad A. Reed

Vice President for Administration and Finance & CFO

Overview of Topics

I. Welcome to Hampton Roads

II. The Higher Ed Chief Business Officer (CBO) Profile

III. Pressing Business Concerns in Higher Education

IV. The CBO Nightmare

V. Working Together

VI. Wrap-up and Questions

Introduction

- Vice President for Administration and Finance
- Chief Financial Officer
- 17 years public service in higher education
  - Old Dominion University
  - Radford University
  - Virginia Tech
- Prior service in private section
  - Norfolk Southern
  - DHL Group

ODU Institutional Characteristics

Founded:
1930

Location:
Norfolk, VA

R1
Carnegie
Classification

Four-Year
Large
Primarily Residential

41%
Pell Recipients

4
Schools

7
Colleges

$88M
Research Spend

In-state
Residents
90.4%

First-
Generation
42.6%

Ethnically
Diverse
63.8%

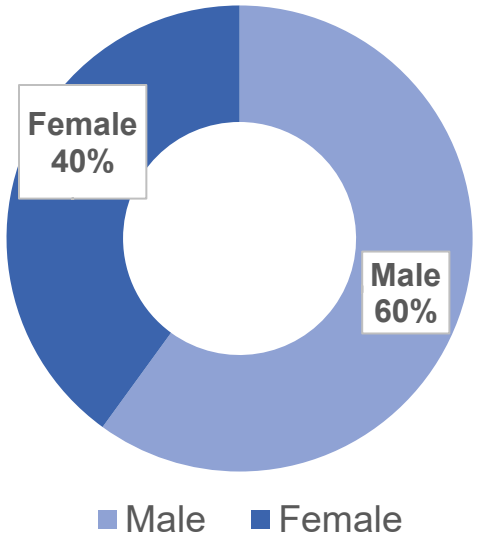
Student to
Faculty
Ratio
15:1

A Little About Chief Business Officers

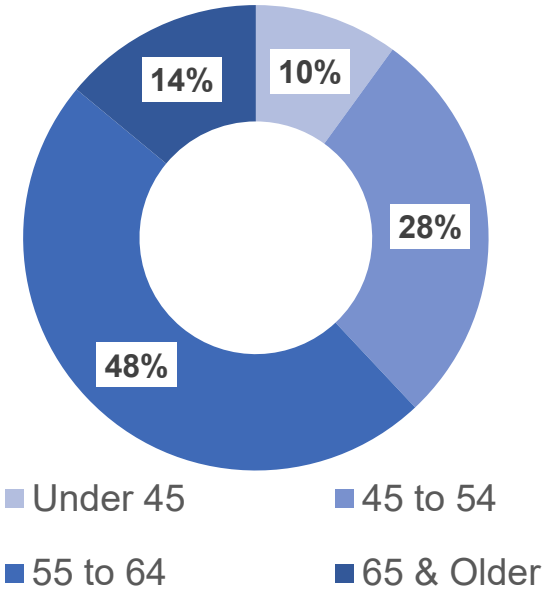
- Who We Are
- What We Do
- What We Worry About
- How We Work Together With Auditors

Current CBO Demographics

Gender

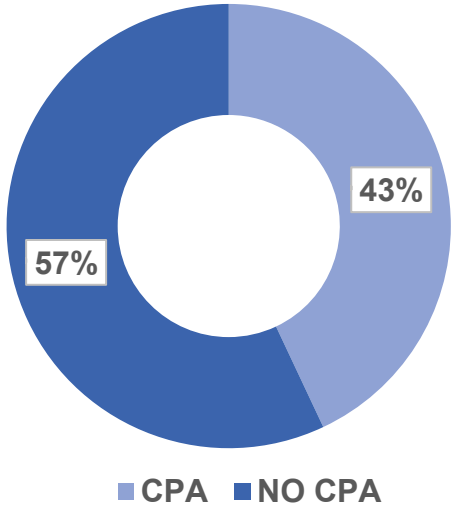


Age



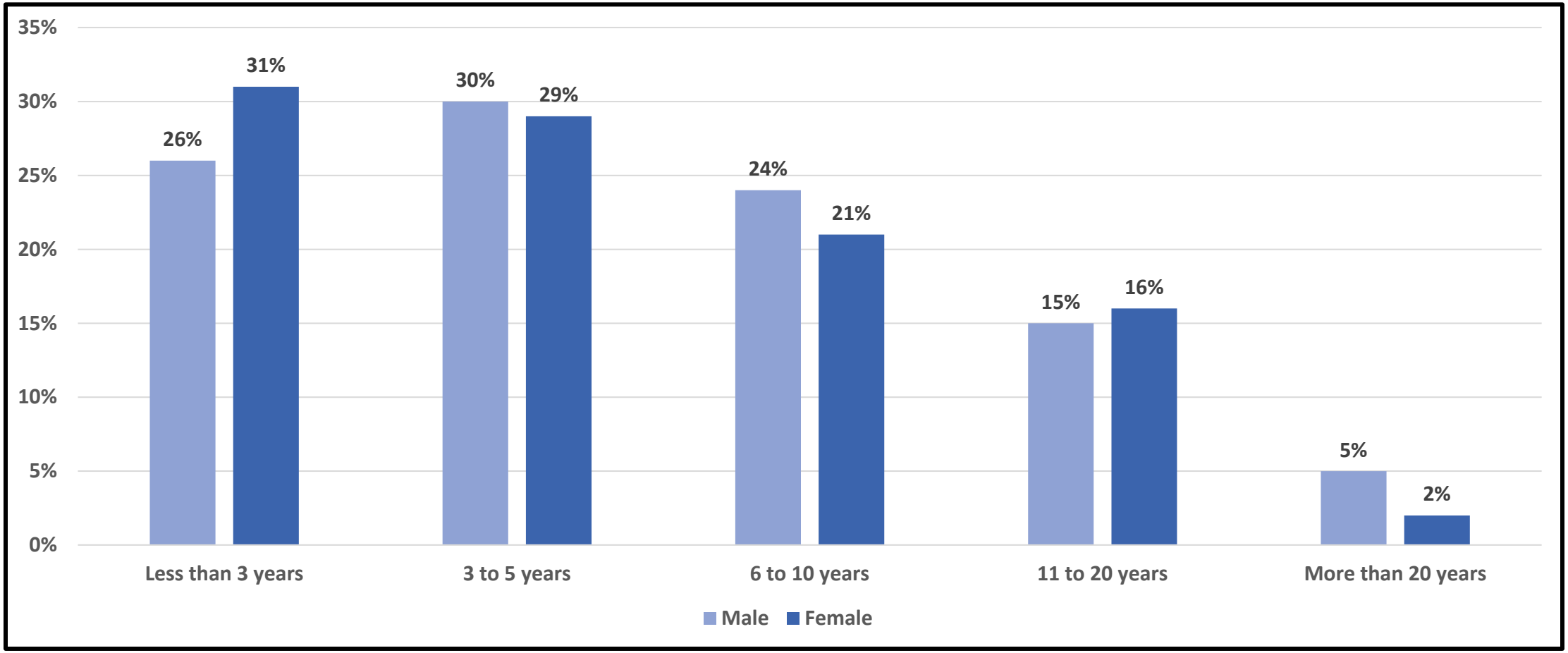
Credential	All Institution Types
Associate Degree	11%
Bachelor's Degree	82%
MBA	66%
MPA	13%
Other Master's Degree	18%
Ph.D./DBA	14%
JD	1%
Other	1%

CPA



Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

Tenure in Current Position



Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

Previous Industry Background

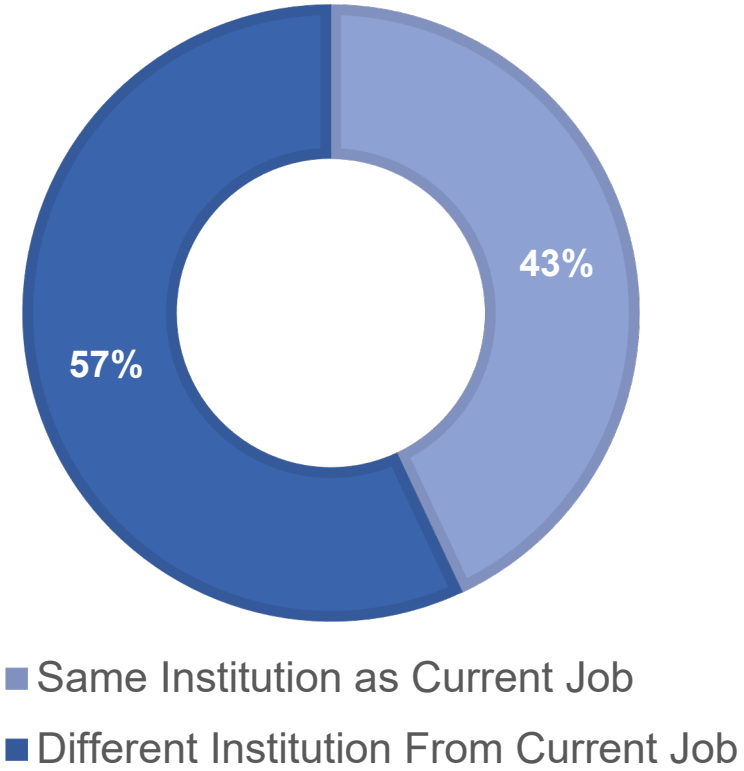
Inside Higher Education	All CBOs
Chief finance/business officer	36%
Assistant/Associate VP for Finance	25%
Controller/Comptroller	10%
Other	9%
Director of Budget/Finance	8%
Other Assistant/Associate VP	5%
System/Governing Board Executive	2%
Faculty	1%
Campus President/Chancellor/CEO	1%
Internal Auditor	1%
Assistant to President/Chief of Staff	0.4%

Outside Higher Education	All Institutions
Business/industry executive	30%
Government agency personnel or elected official	16%
Nonprofit executive (e.g., foundation/museum/association)	16%
Accounting firm	10%
Legal, medical, other professional	9%
K-12 education	7%
Consulting firm	6%
Other	3%
Military	2%

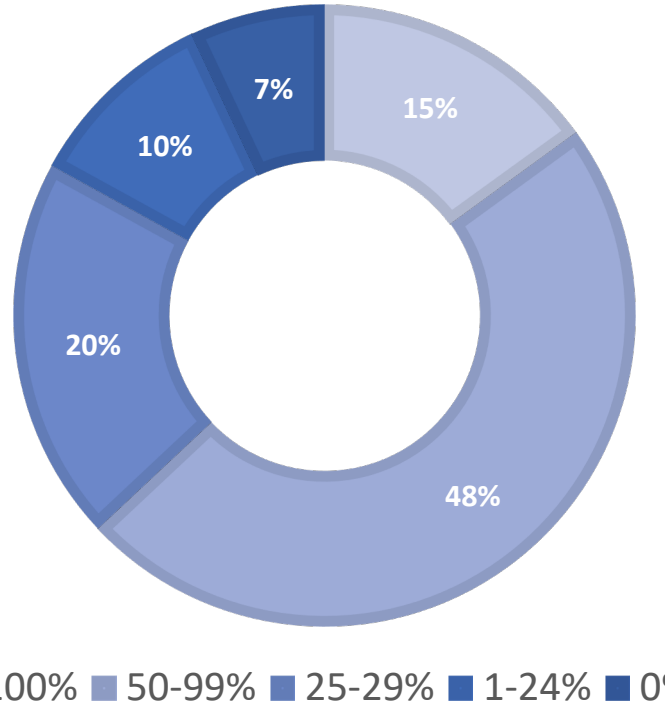
Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

Career in Higher Ed

Previous Institution

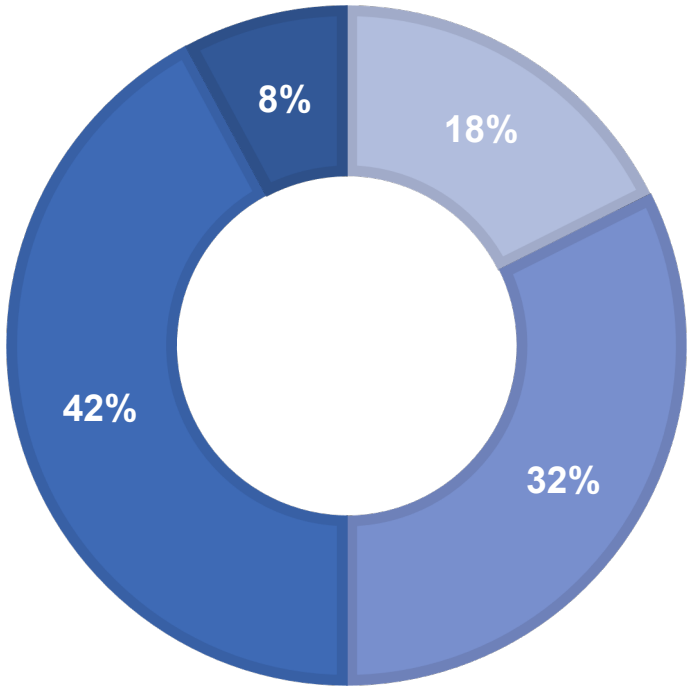


Percent of Career in Higher Ed



Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

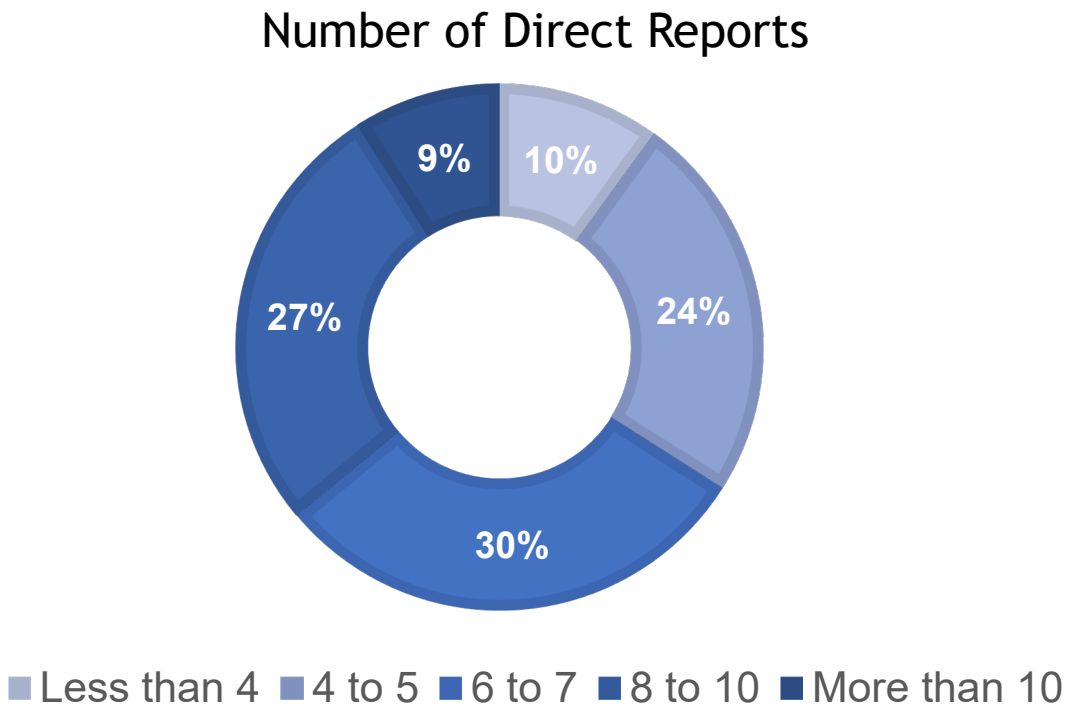
Expected Years to Retirement



Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

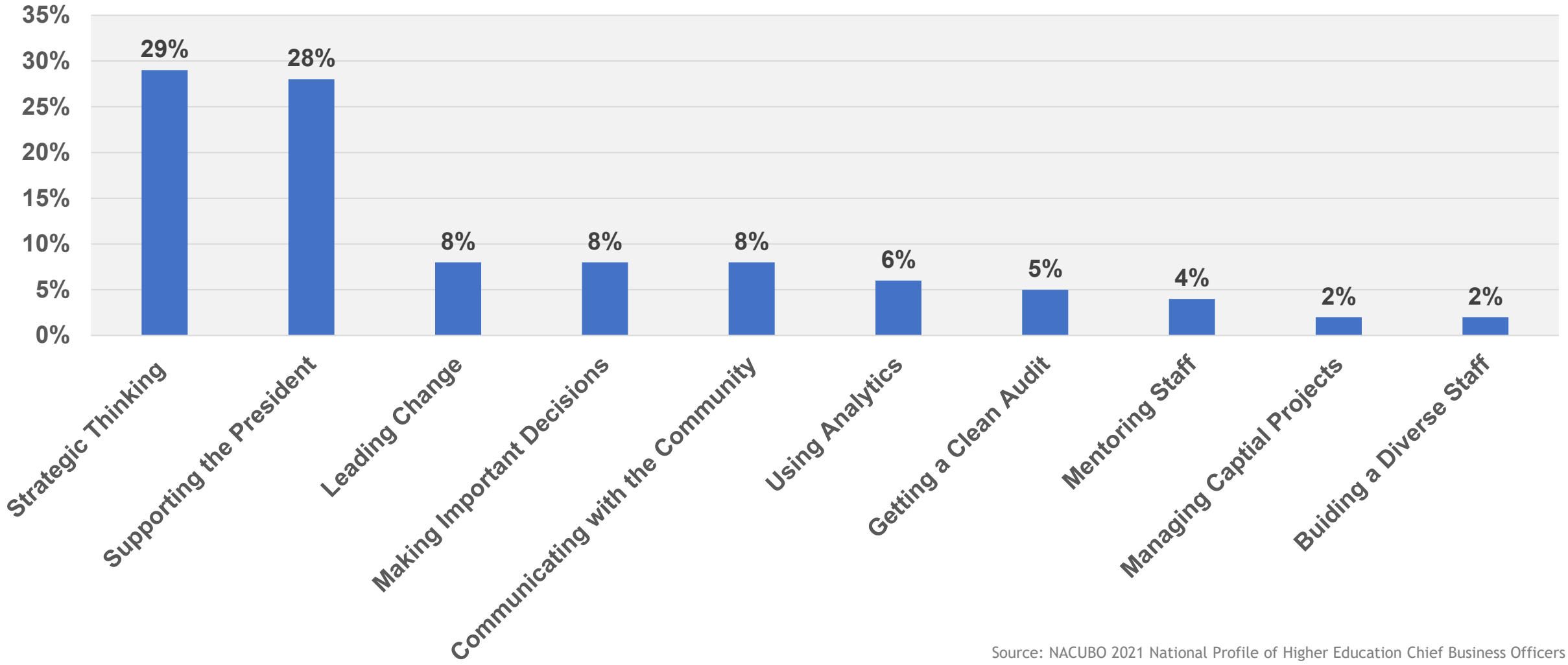
Most Cited Areas of Responsibilities

Functional Area	Percent of Oversight
Budget/Financial Planning	99%
Controller	97%
Bursar	82%
Auxiliary Services	78%
Endowment/Investment	71%
Administrative Technology	53%
Strategic Planning	53%
Internal Audit	49%
Public Safety	48%
Academic Technology	33%



Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

Most Important Job Aspects



Source: NACUBO 2021 National Profile of Higher Education Chief Business Officers

Top 5 Higher Education Business Issues

SUPPORTING AND MAINTAINING THE WORKFORCE

ENSURING SUCCESSFUL STUDENT OUTCOMES

SECURING AND MODERNIZING TECHNOLOGY SYSTEMS

NAVIGATING AFFORDABILITY AND ENROLLMENT MANAGEMENT

MEETING PHYSICAL INFRASTRUCTURE NEEDS

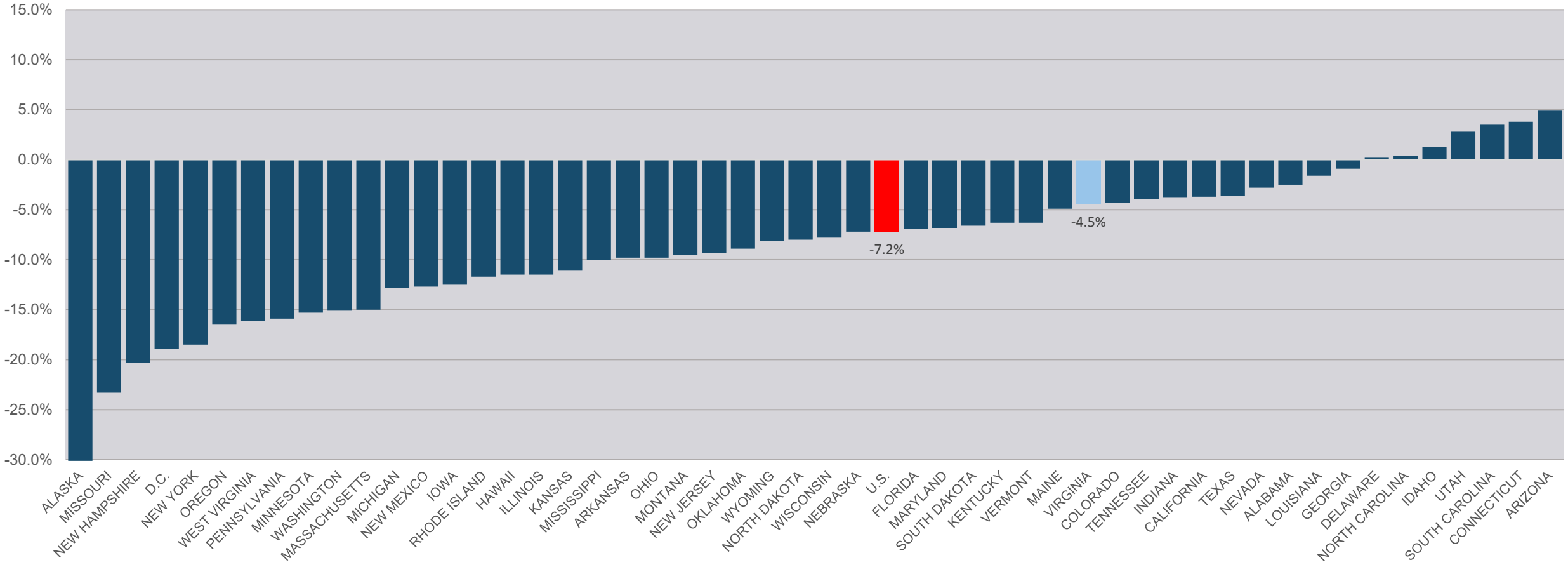
Source: NACUBO 2023 Top Business Issues

> Beyond the overall numbers shifting, high school graduating classes will become more diverse … and [have] a greater range of academic abilities. Family incomes remain stagnate, so student financial need will increase. In other words, **the decade ahead will be tumultuous for college enrollment.**

Washington Post Article by Jeffrey J. Salingo
Higher Education is heading for a supply and demand crisis (January 2018)

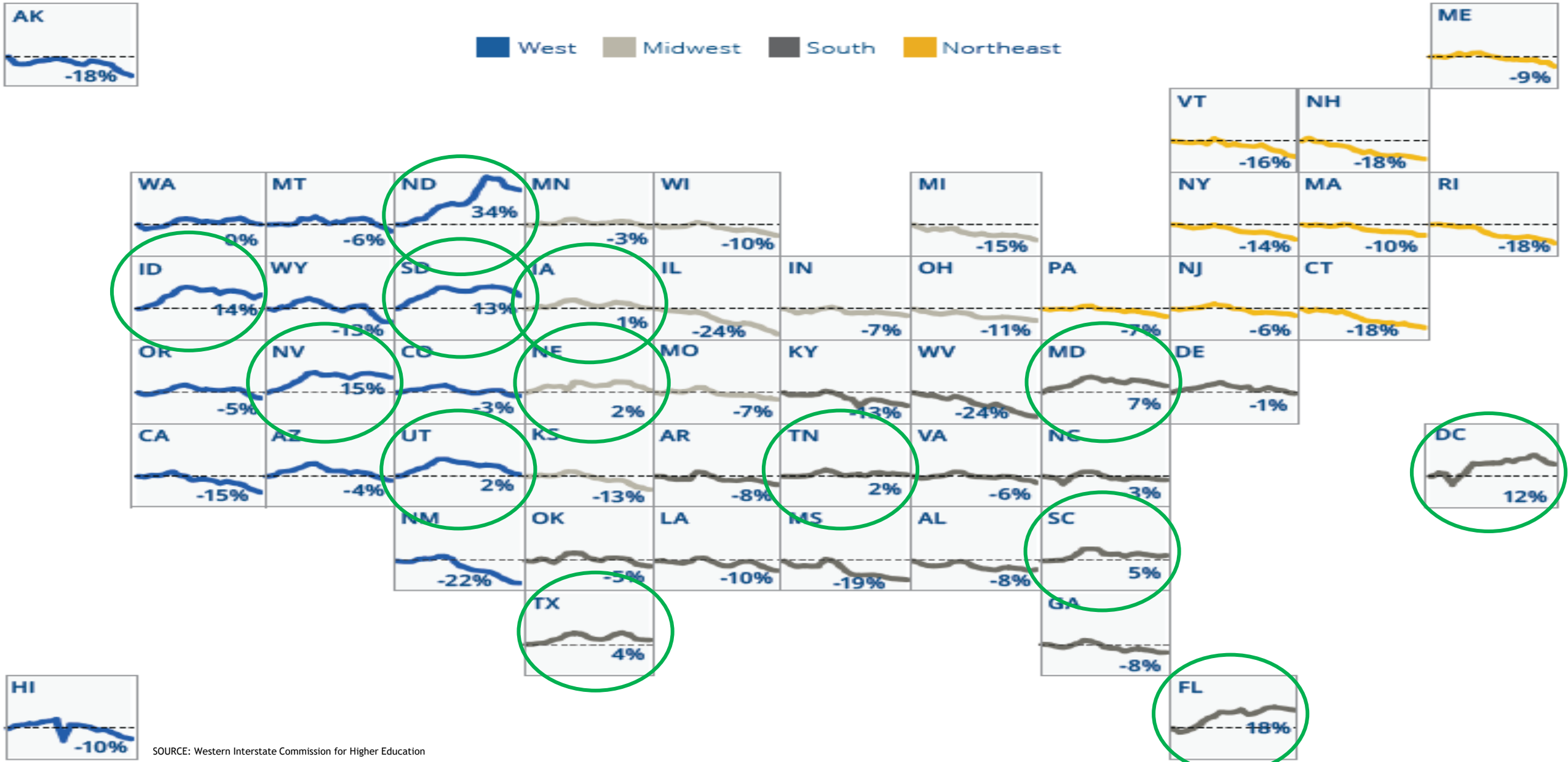
Enrollment Challenges Felt Nationwide

Public Higher Education Full-Time Equivalent (FTE) Enrollment
Percent Change FY 2018-2023



SOURCE: SHEEO

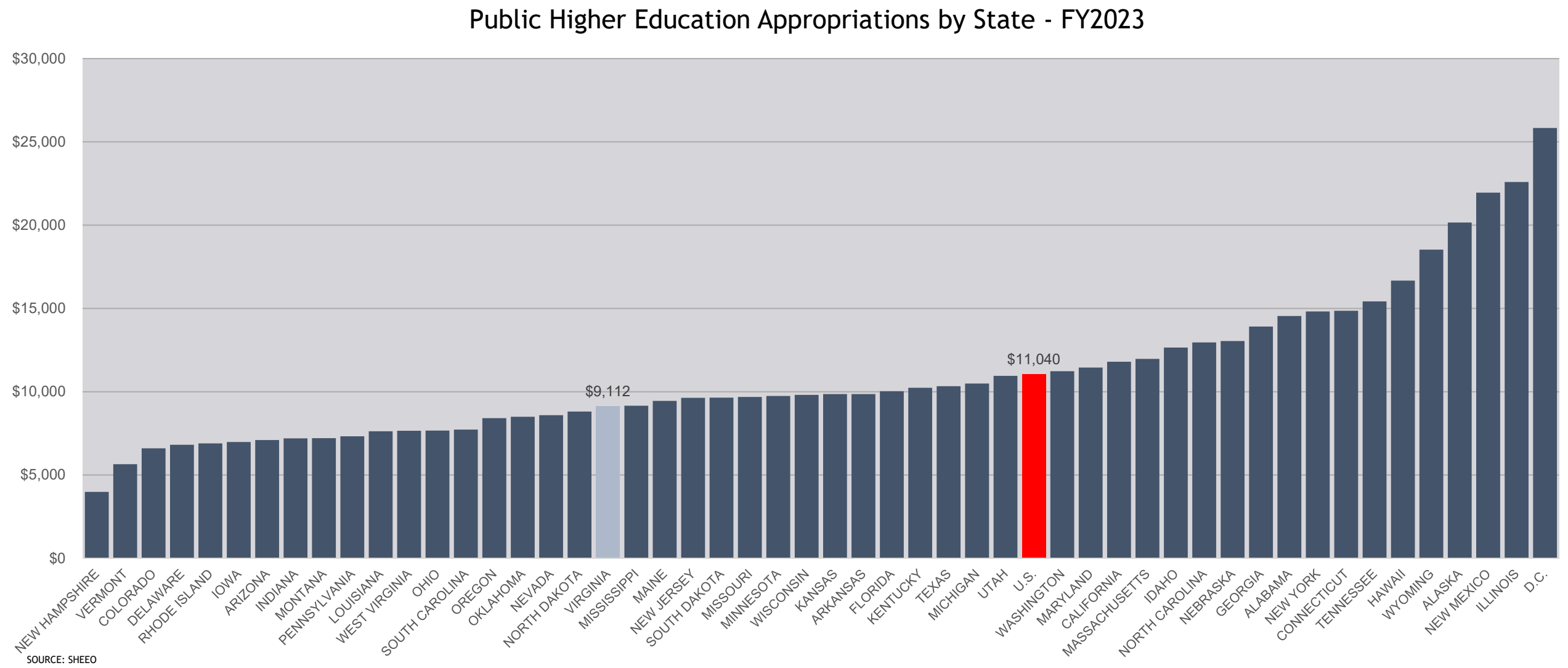
State-by-State Projected Percent Change from Class of 2019 to 2037



SOURCE: Western Interstate Commission for Higher Education

State appropriations matter.
An institution's financial resources have a relatively large impact on degree completion rates as well as tuition and fees.

State-by-State Public Higher Education Appropriations



SOURCE: SHEEO

State Policy Impacts Allocations and How They Change Over Time

EDUCATIONAL APPROPRIATIONS PER FTE
(CONSTANT ADJUSTED 2023 DOLLARS)

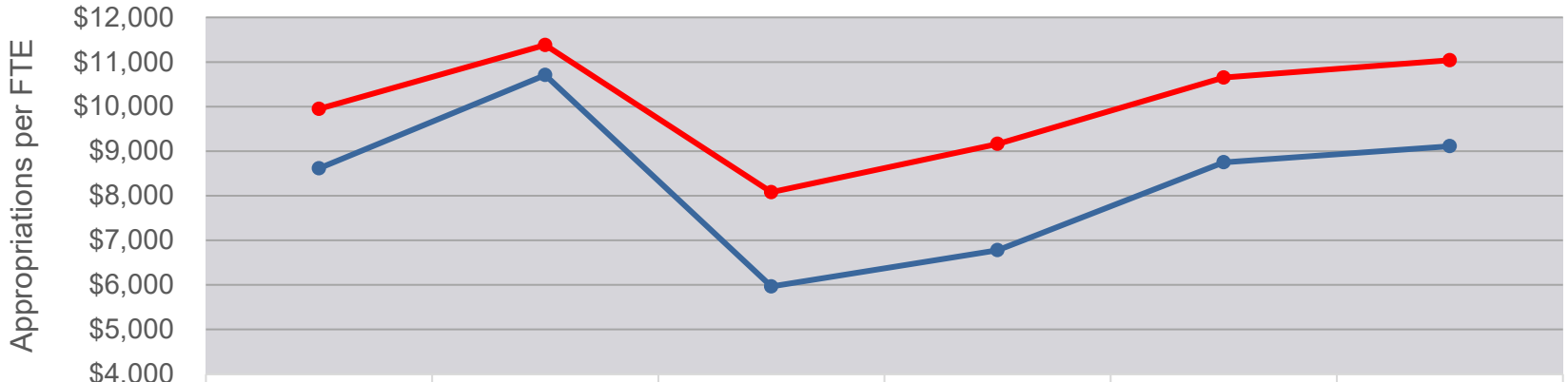
RANK	STATE	FY13	FY23	% CHANGE
1	ALABAMA	$7,353	$14,549	97.86%
2	NEW MEXICO	$11,249	$21,953	95.16%
3	NEW HAMPSHIRE	$2,066	$3,990	93.13%
4	WASHINGTON	$6,246	$11,233	79.84%
5	COLORADO	$3,754	$6,603	75.89%
6	TENNESSEE	$8,770	$15,422	75.85%
7	OREGON	$4,800	$8,412	75.25%
8	HAWAII	$9,591	$16,672	73.83%
9	MASSACHUSETTS	$7,146	$11,972	67.53%
10	FLORIDA	$6,008	$10,029	66.93%
15	VIRGINIA	$5,964	$9,112	52.8%
AVG	**U.S.**	**$8,079**	**$11,040**	**36.7%**
41	WISCONSIN	$9,245	$9,814	6.2%
42	ARIZONA	$6,938	$7,103	2.4%
43	INDIANA	$7,098	$7,201	1.5%
44	ARKANSAS	$9,879	$9,859	-0.2%
45	NEVADA	$8,772	$8,590	-2.1%
46	NORTH DAKOTA	$9,047	$8,813	-2.6%
47	DELAWARE	$7,033	$6,816	-3.1%
48	IOWA	$7,306	$6,981	-4.4%
49	WYOMING	$19,705	$18,531	-6.0%
50	OKLAHOMA	$9,123	$8,500	-6.8%

Top 10

Bottom 10

- Virginia Public Higher Education utilizes a shared cost model where both the state and student contribute.
- In VA, Higher Education is not a mandated state budget item, but state policy seeks to contribute 67% share of the cost of education.

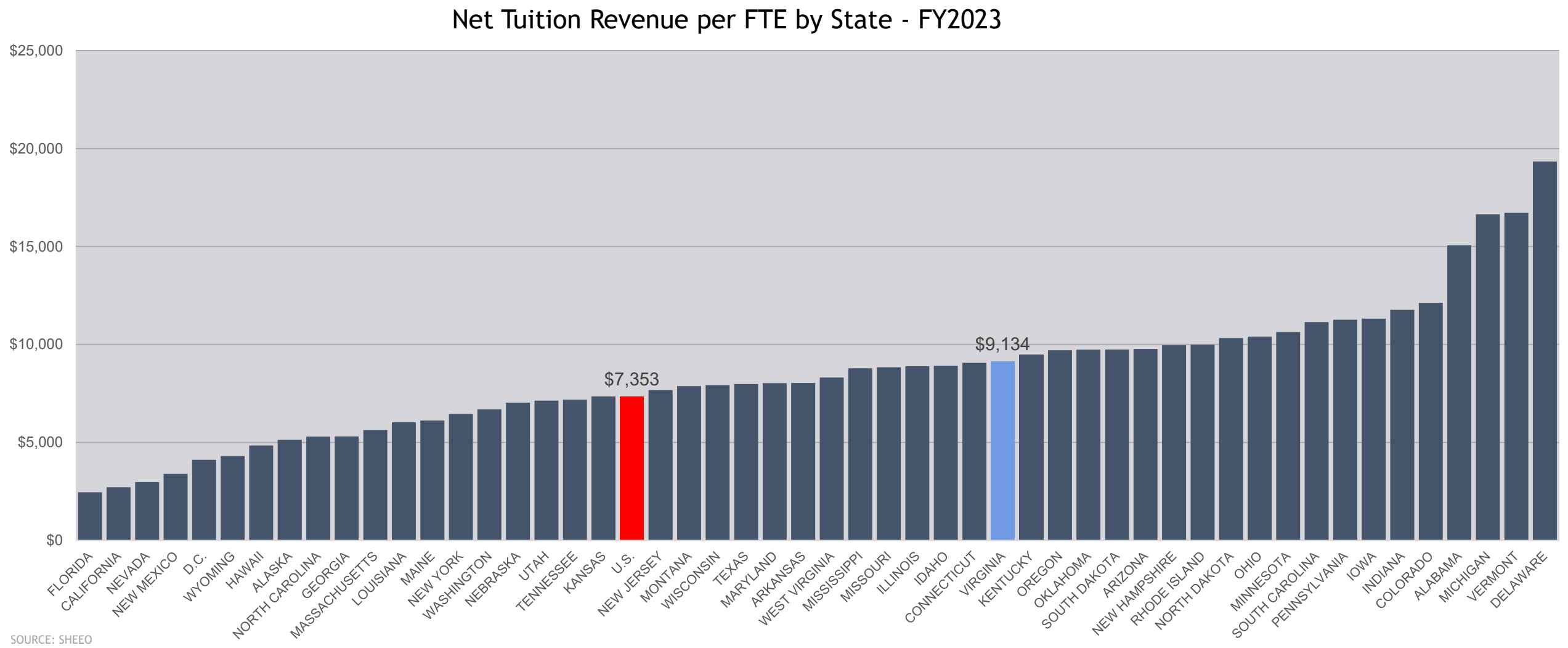
Virginia and U.S. Higher Education Appropriations per FTE Comparison 1980-Present
(Constant Adjusted Dollars)



	1980	2001	2013	2018	2022	2023
VIRGINIA	$8,614	$10,708	$5,964	$6,778	$8,749	$9,112
U.S.	$9,949	$11,381	$8,079	$9,162	$10,651	$11,040

SOURCE: SHEEO

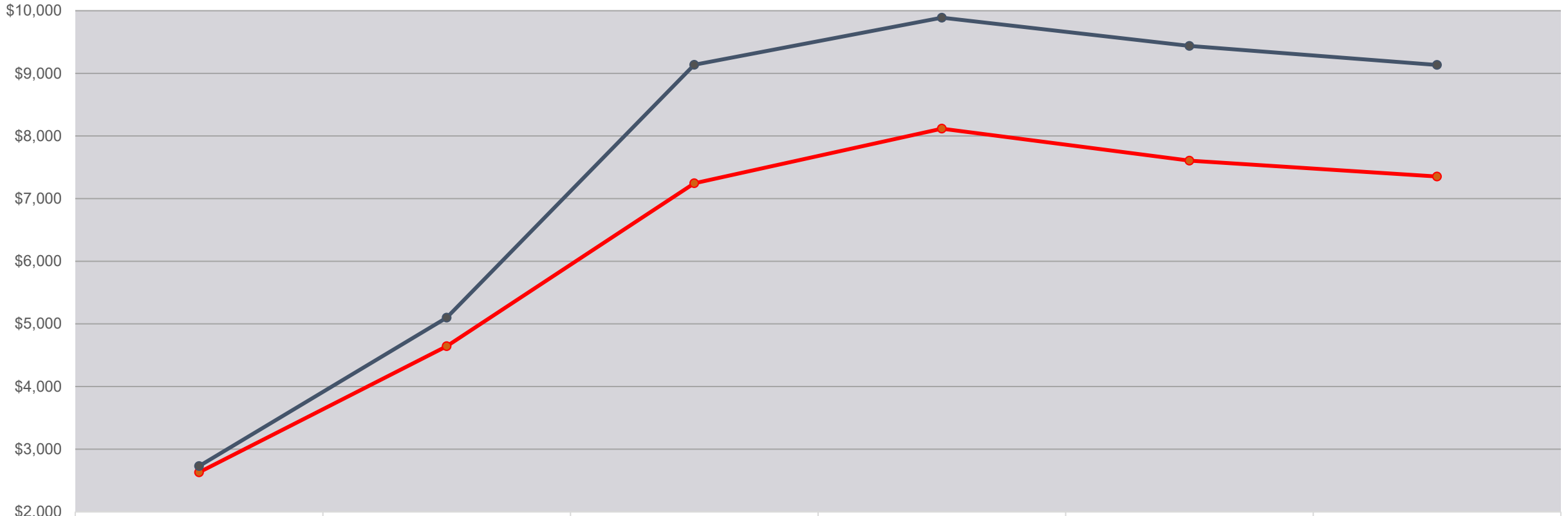
State-by-State Net Tuition Revenue



SOURCE: SHEEO

Net Tuition Revenue Historical Trend

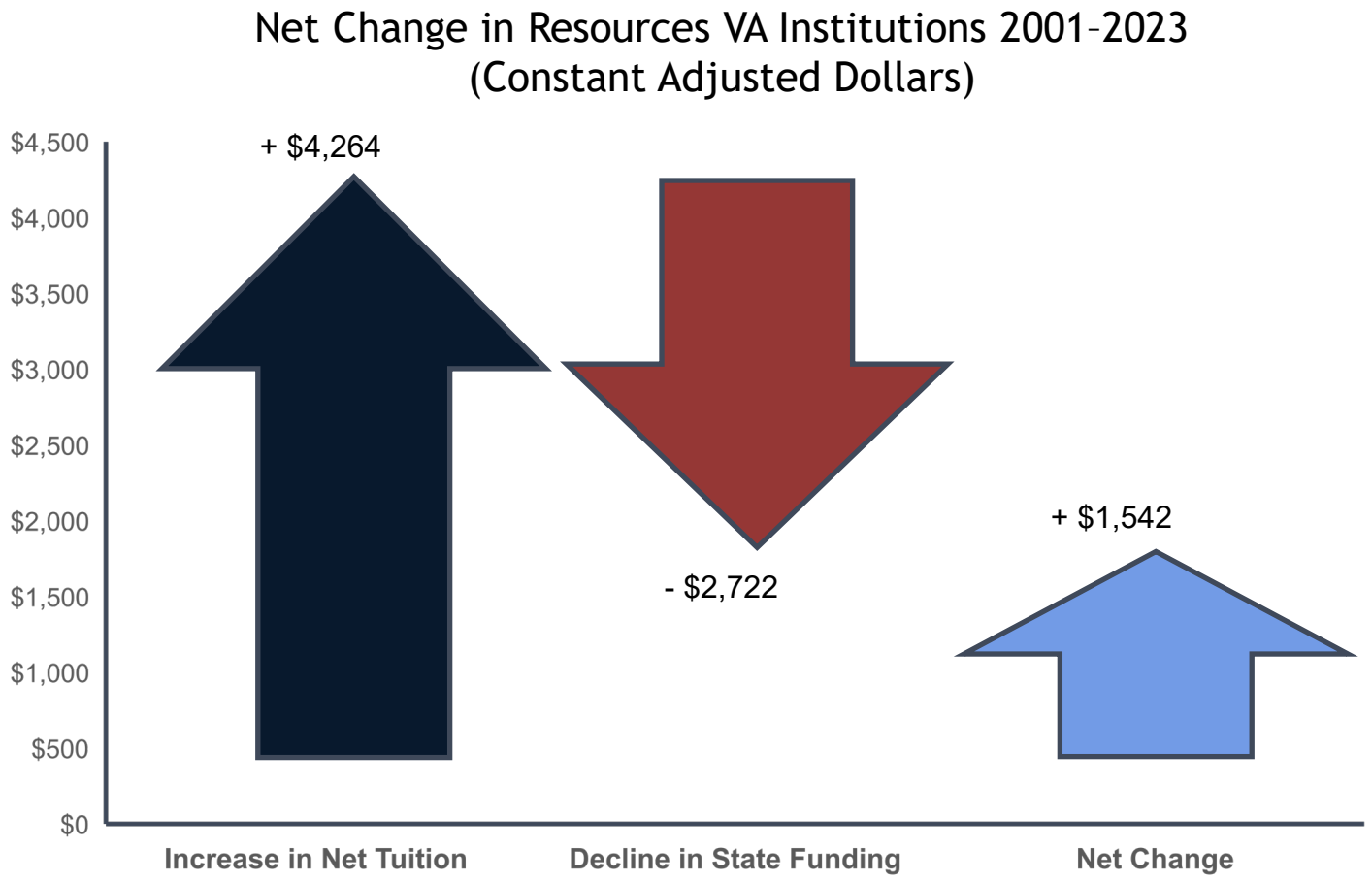
Virginia and U.S. Net Tuition Revenue per FTE Comparison
1980-2023 (Constant Adjusted Dollars)



	1980	2001	2013	2018	2022	2023
U.S.	$2,629	$4,643	$7,245	$8,117	$7,606	$7,353
VIRGINIA	$2,729	$5,099	$9,137	$9,889	$9,438	$9,134

SOURCE: SHEEO

State Appropriations and New Tuition Revenue Combined Impact 2001 to 2023

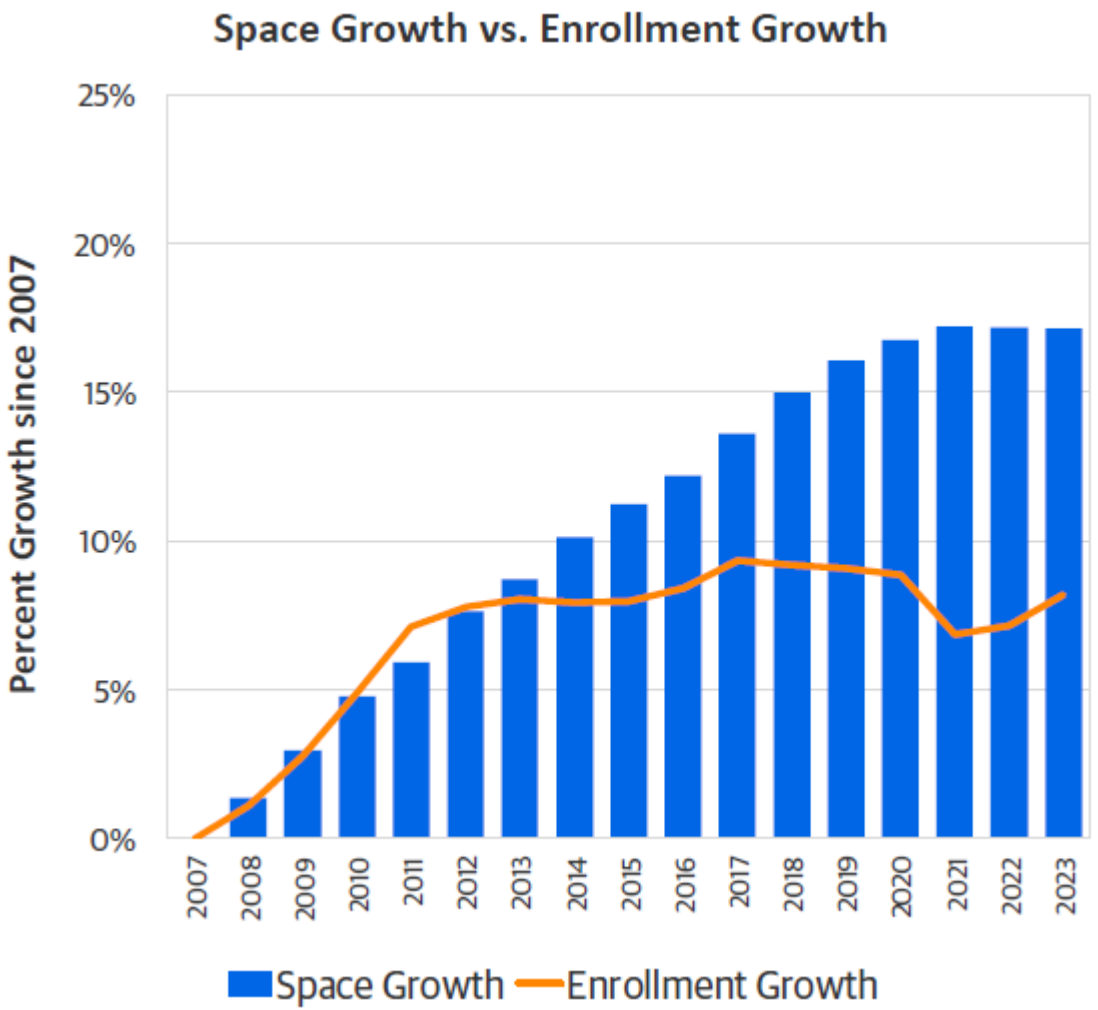


SOURCE: SHEEO

> The academic quad and the stately buildings surrounding it have long been the image of higher ed campuses carried in most people's minds. The place is inseparable from the educational enterprise.

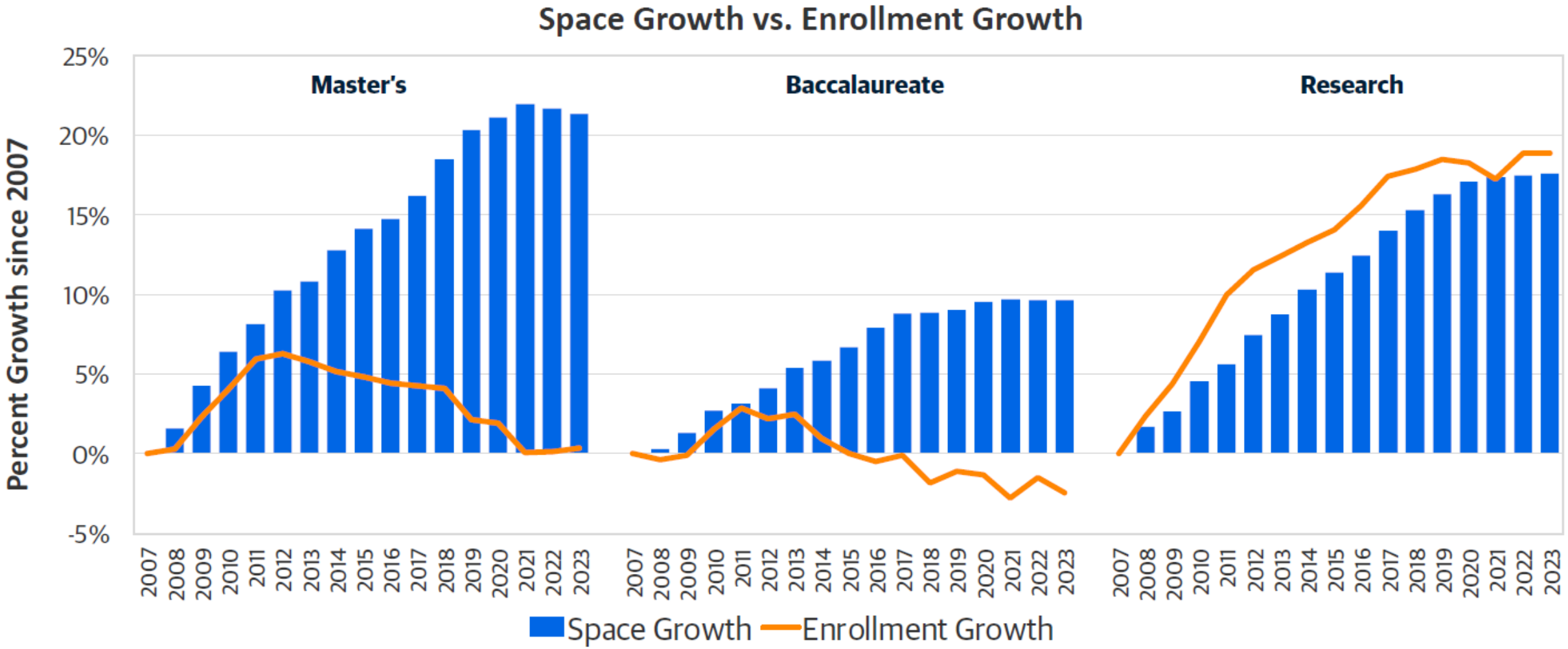
Source: 2024 State of Facilities in Higher Education

Campus Infrastructure & Enrollment Growth



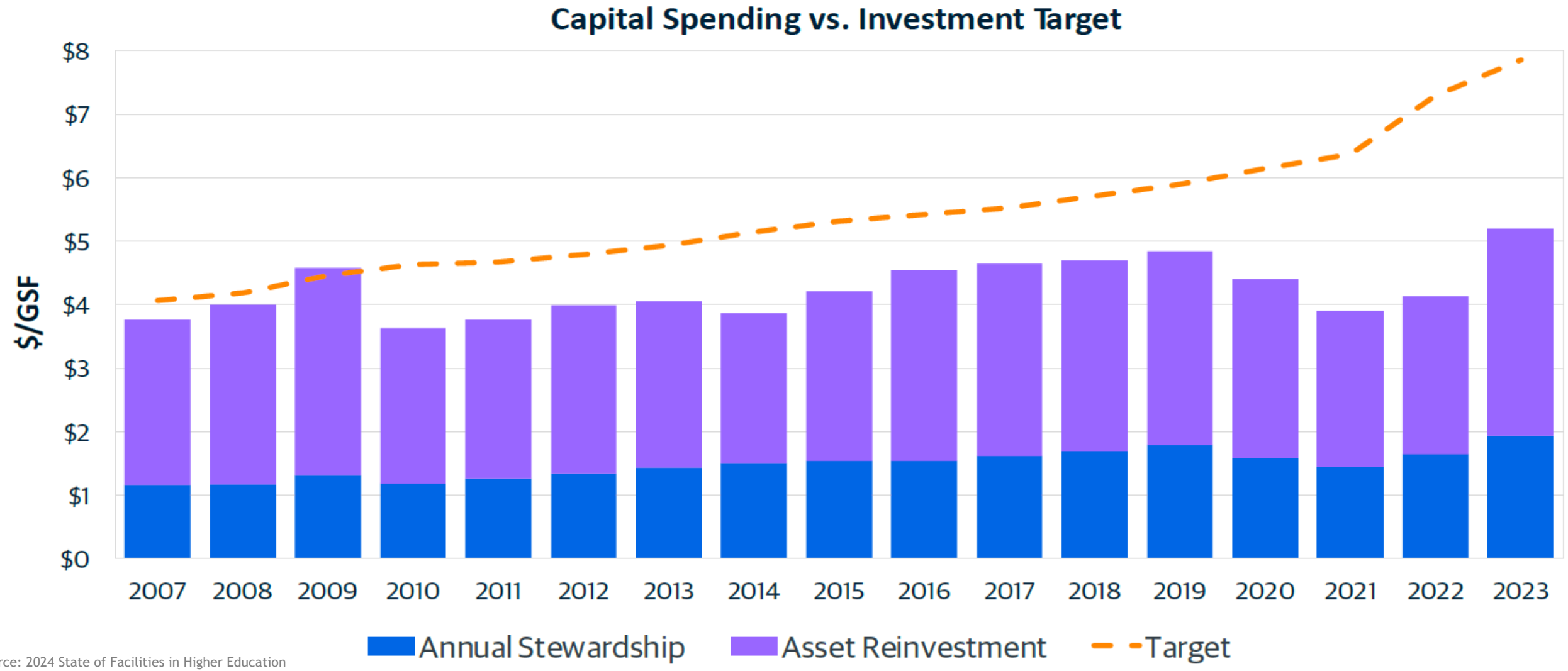
Source: 2024 State of Facilities in Higher Education

Space and Enrollment Growth by Institution Type



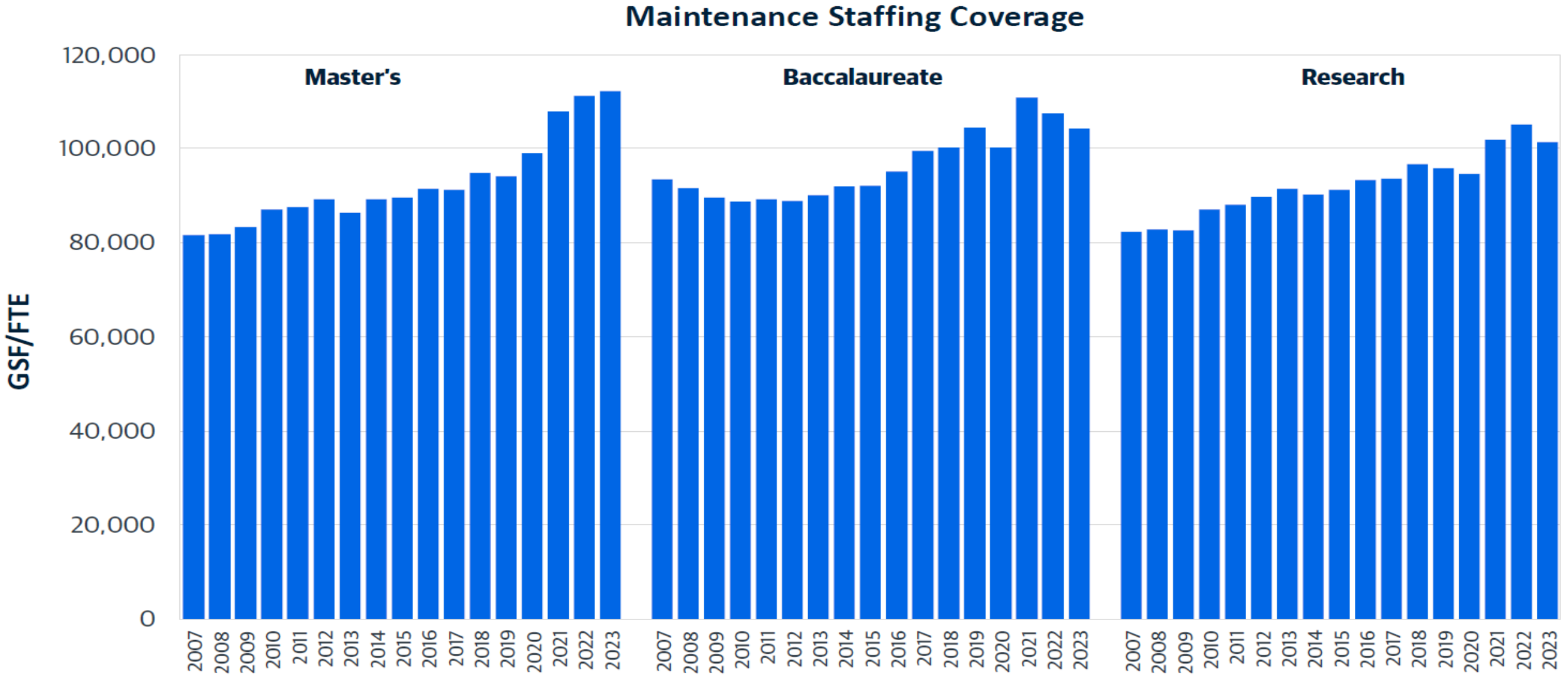
Source: 2024 State of Facilities in Higher Education

Infrastructure Spending by GSF



Source: 2024 State of Facilities in Higher Education

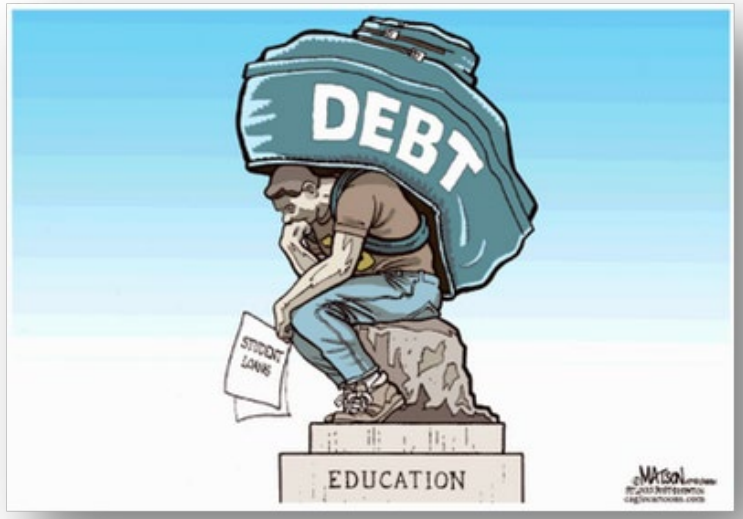
Facilities Staffing Coverage by GSF



Source: 2024 State of Facilities in Higher Education

Challenge: The Value of Higher Education

- For the first time in the **value** of Higher Education has come into question at the national level.
- Many believe that Higher Ed has become **too costly** and is **not responsive** enough to the degree expectations of today's workforce demands.



- In support of increasing **student access** there is now a call for "Free College."
- Students and parents are left wondering if a college education is a wise **investment** and if there will be job at graduation.

Ensuring Successful Student Outcomes

"The Value Proposition"

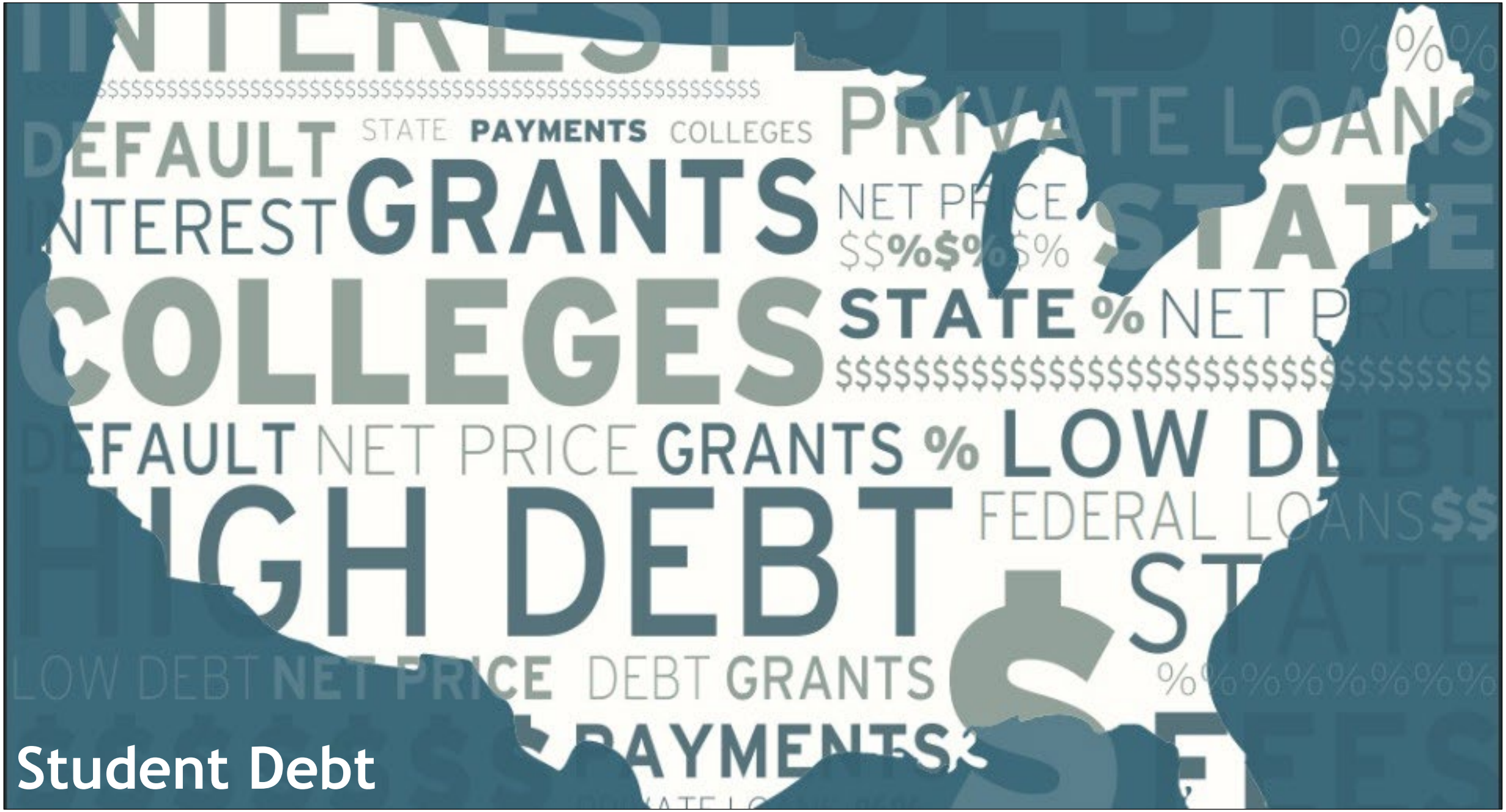
"In the past decade, the share of Americans expressing high confidence in the value of higher education fell sharply, from 57% to 36%."
—Gallup

Public skepticism about the real value of higher education continues to rise, including among college graduates

Two in five bachelor's
graduates regret their degree attainment

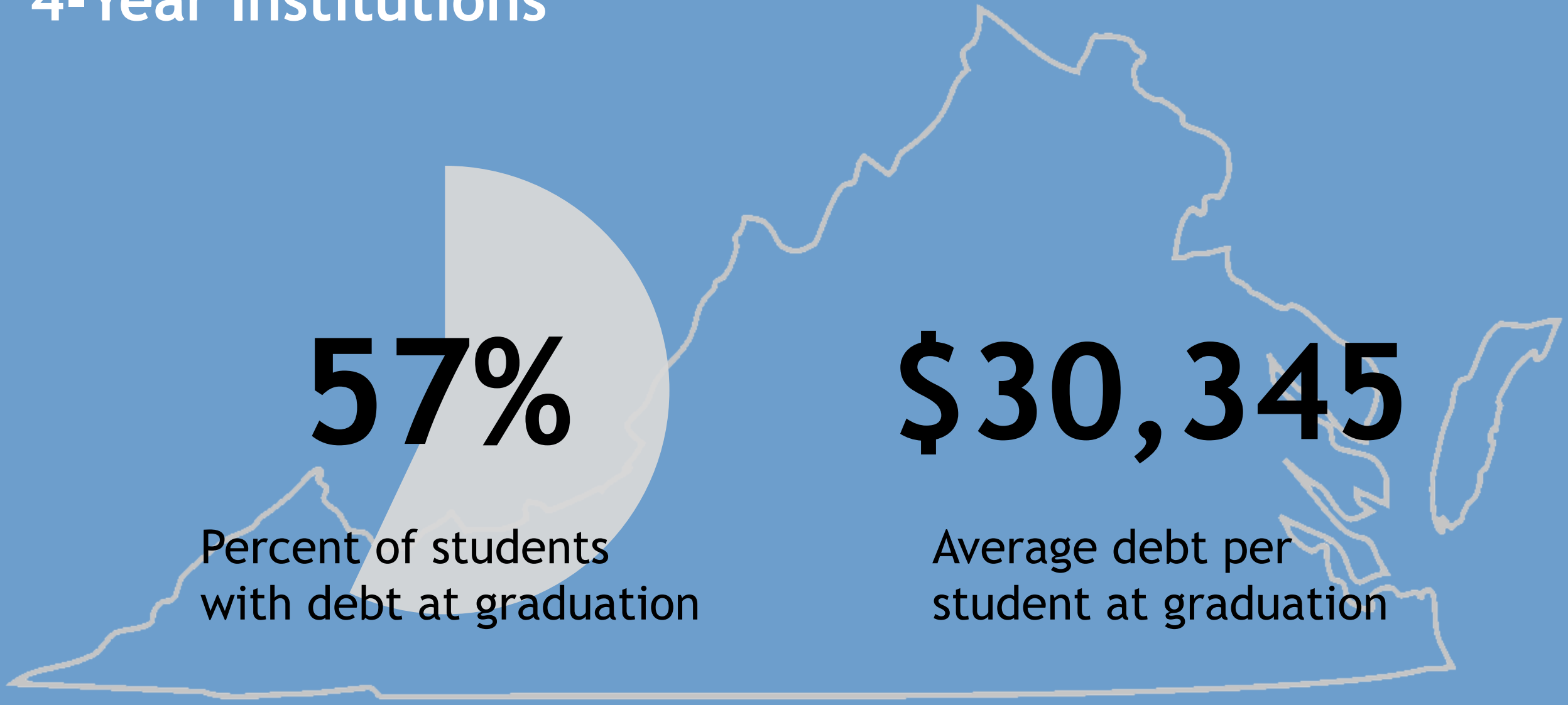
Source: Strada Education Foundation, *Value beyond the degree: Alumni perspectives on how college experiences improve their lives,* November 16, 2022.

Deloitte. | deloitte.com/us/en/insights/research-centers/center-for-government-insights.html



Student Debt

Virginia Public 4-Year Institutions



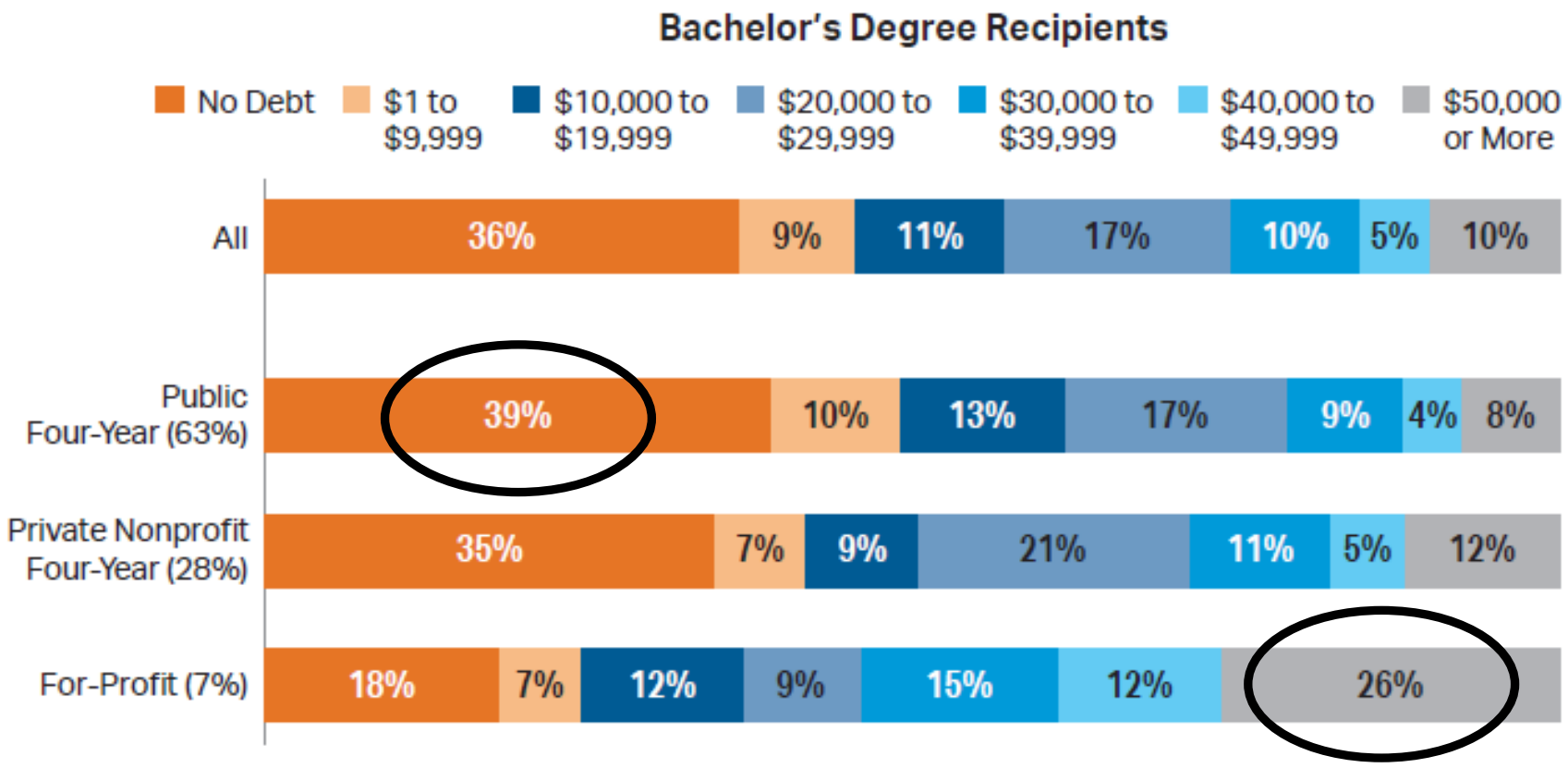
57%

Percent of students with debt at graduation

$30,345

Average debt per student at graduation

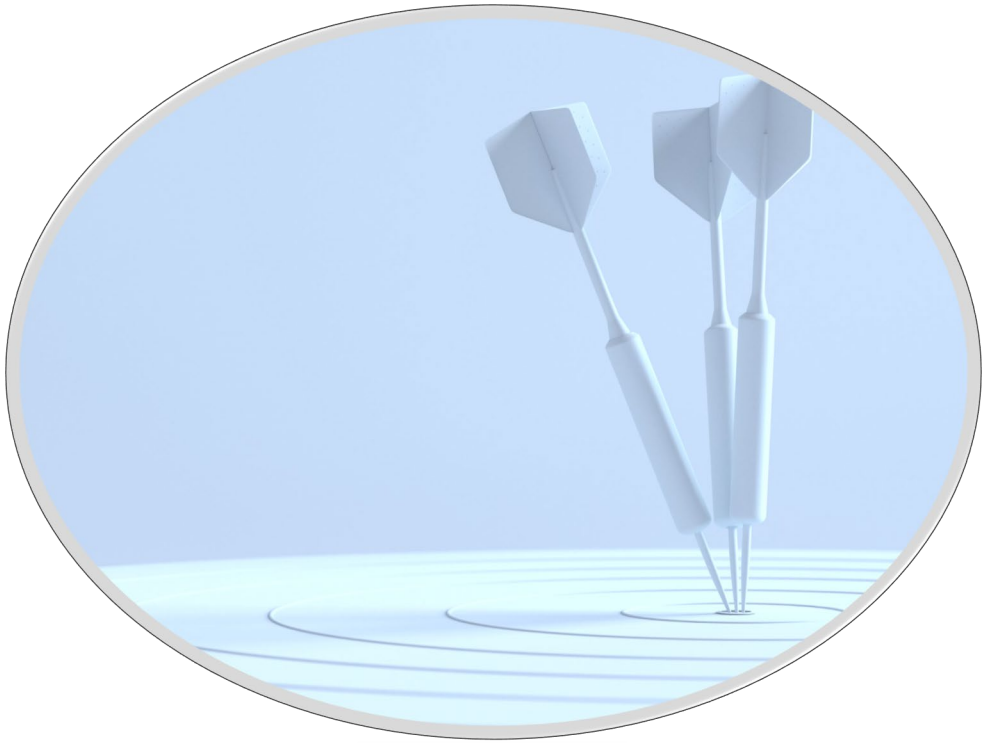
National Distribution of 2019-20 Degree Completers:
Cumulative Amount Borrowed for Undergraduate Study



Securing and modernizing technology infrastructure is yet another challenge presented to higher education institutions. These challenges encompass managing cybersecurity and data privacy to prevent data breaches and revenue loss, as well as reviving and modernizing legacy systems that have evolved over time.

Source: NACUBO 2023 Top Business Issues

Higher Education is a Prime Target



ABUNDANCE OF SENSITIVE INFORMATION

LACK OF CYBER PREPAREDNESS

VALUABLE RESEARCH DATA

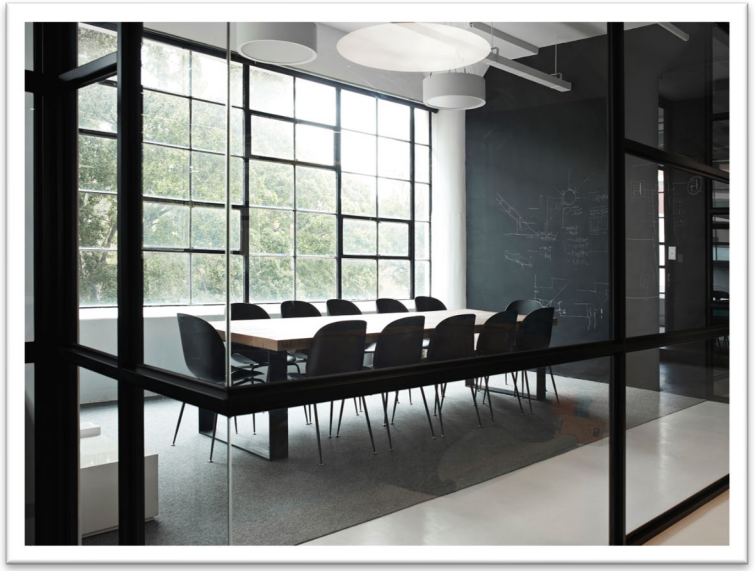
Source: Cyber Defense Magazine

Source: NACUBO 2023 Top Business Issues

A Vulnerable Place for Data Breaches

Lack of Funding

Outdated Systems



Cybersecurity Labor Shortage

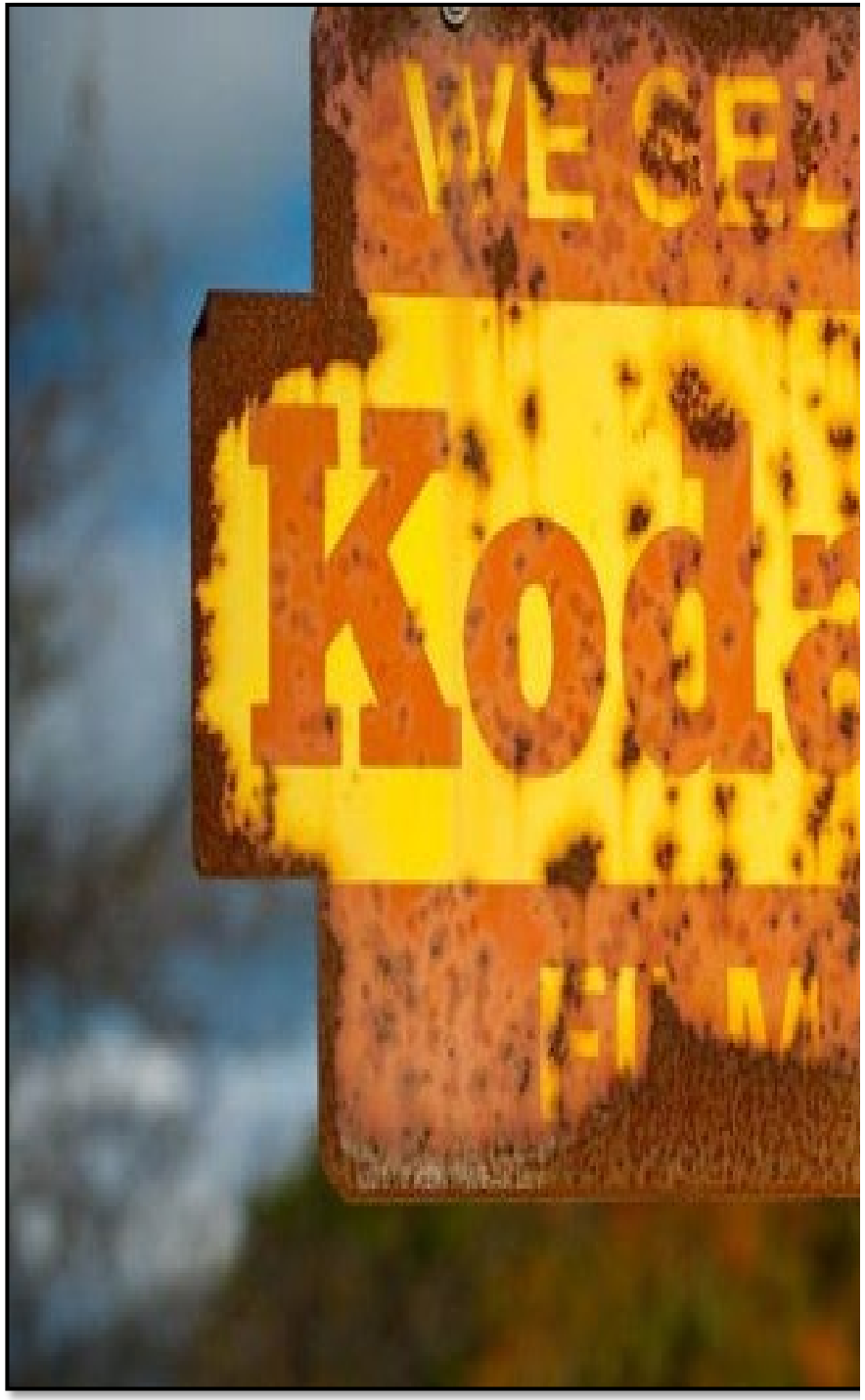
Source: Cyber Defense Magazine

Strategies to Harden the Cybersecurity Environment

- Test and Assess Existing Systems for Vulnerability
- Implement Rigorous Cybersecurity Measures
- Leverage Digital Literacy to Defend Against Cyberthreats
- Allocate Resources for Cybersecurity
- Upgrade to Newer, More Secure Systems

Source: Cyber Defense Magazine

STORE
CLOSING!


Kod

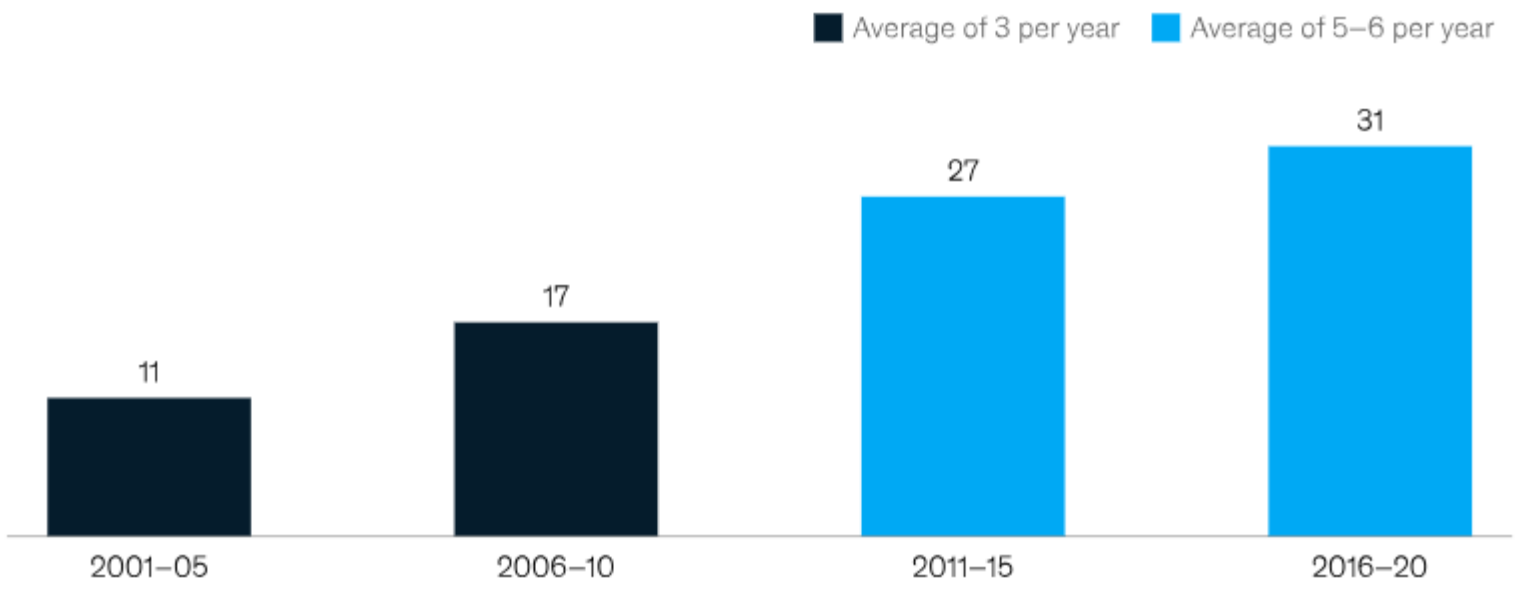
Merger Drivers in Higher Education

Main drivers of M&A in higher education		
Performance turnaround	**Cost reduction**	**Strategic growth**
► Higher education institutions that are experiencing declining enrollments may consider merging with another institution that can help them improve operations and performance in a particular program or level.	► Consolidation can also be driven by the prospect of merging back offices and recognizing administrative cost reductions. ► Cost reduction is often a driving motivation of public institution mergers.	► Institutions that are on strong footing and well-positioned for growth may have the forward-looking attitude to consider strategic growth — i.e., growth that adds coherent depth or breadth to the institution's operations.
Examples		
► 2015: Tennessee Temple University merged with Piedmont International University. ► 2015: Union Graduate College merged with Clarkson University.	► 2013: Rutgers University absorbed University of Medicine and Dentistry of New Jersey. ► 2014: The 10-school Louisiana State University System merged its chancellorship with the presidency of Louisiana State University A&M.	► 2010: Middlebury College acquired Monterey Institute of International Studies. ► 2016: Thomas Jefferson University acquired Philadelphia University.

Mergers and Acquisitions

M&A activity in higher education has almost doubled in recent years.

Number of mergers and acquisitions in higher education[1]



[1]Includes private and public (both not-for-profit and for-profit) 4-year higher-education institutions in US.
Source: Ricardo Azziz et al., *Strategic Mergers in Higher Education*, Baltimore, MD: Johns Hopkins University Press, 2019; Integrated Postsecondary Education Data System

McKinsey & Company

Institutional Collaboration

EVMS' vision is to be recognized as the most community-oriented school of medicine and health professions in the U.S.

Community

~2,000 Employees

Community Initiatives:

- Brock Institute
- Center for Maternal & Child Health Equity & Advocacy
- HOPES Clinic
- Regional Cancer Disparities Collaborative
- EVMS-NSU ENRICHe Program
- Community Inclusion & Health Equity
- L.D. Britt PreMedical Scholars Program
- Eastern VA Area Health Education Center
- Loving Steps
- Portsmouth Diabetes Prevention Program

Education

~ 400 GME Residents & Fellows

~ 1,400 Graduate Students

- 600 Medical Students
- 80 PA Students
- 32 other programs

Patient Care

~190 Healthcare Providers

~30 Practice Locations

~420,000 Annual Clinic Visits

- Trauma
- Surgical Oncology
- Maternal-Fetal Medicine
- H&N cancer
- Diabetes

Research

~$5.5M NIH Research

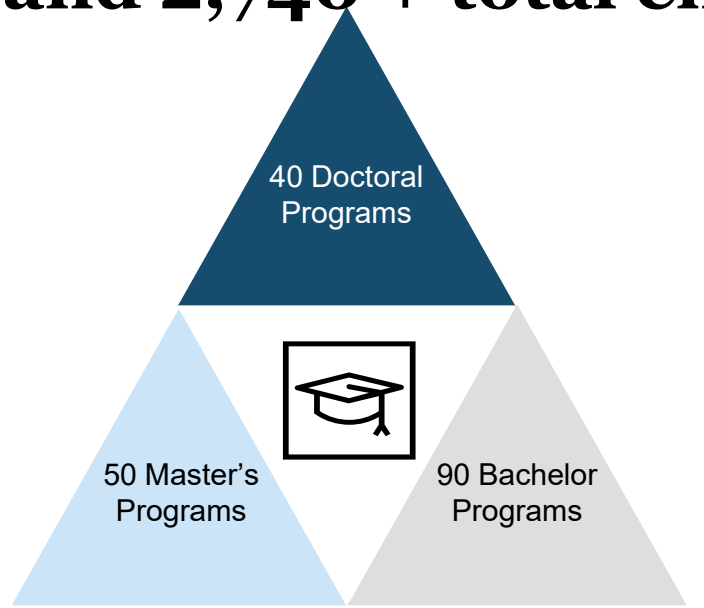
~200+ Active Grants and Contracts

- Cancer
- Maternal & Child Health
- Community outreach
- Diabetes
- Neurosciences

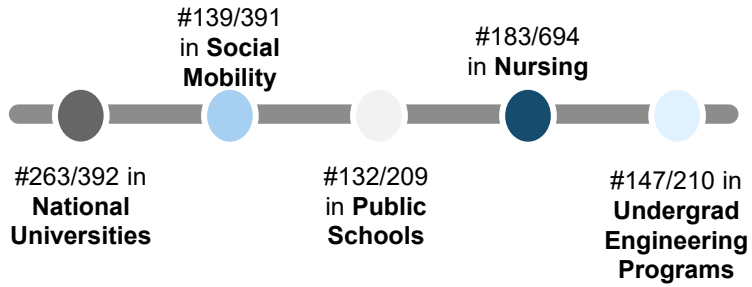
Old Dominion University currently has 11 colleges and schools, 23,000+ total students, and 2,740 + total employees

ODU by the Numbers

- **18,678** undergraduate students
- **4,816** graduate students
- **88%** VA residents, **6%** out-of-state, **6%** international
- **867** faculty
- **15:1** faculty-to-student ratio
- **2,740** full time faculty and staff employees
- **$88M** research spend in FY19
- **85%** of graduates employed or in graduate school 6 months after graduation
- ODU is **5th** largest employer in Norfolk

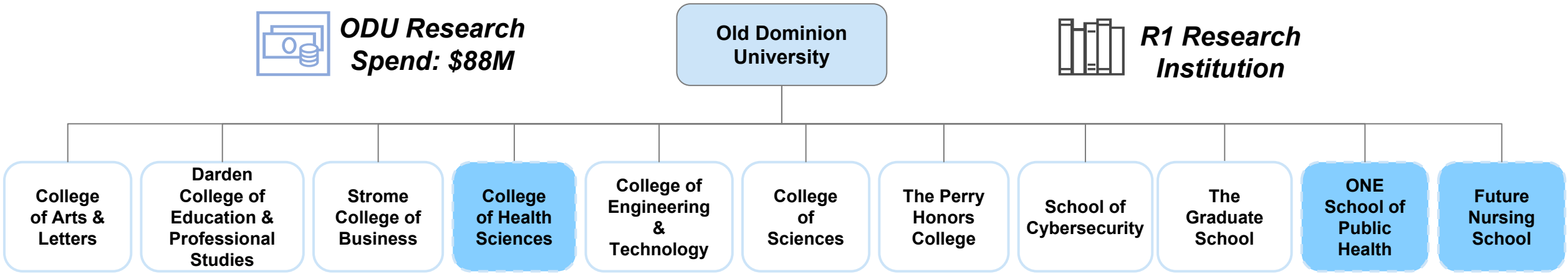


US News & World Report Rankings (2020-2021)



ODU Research Spend: $88M

R1 Research Institution

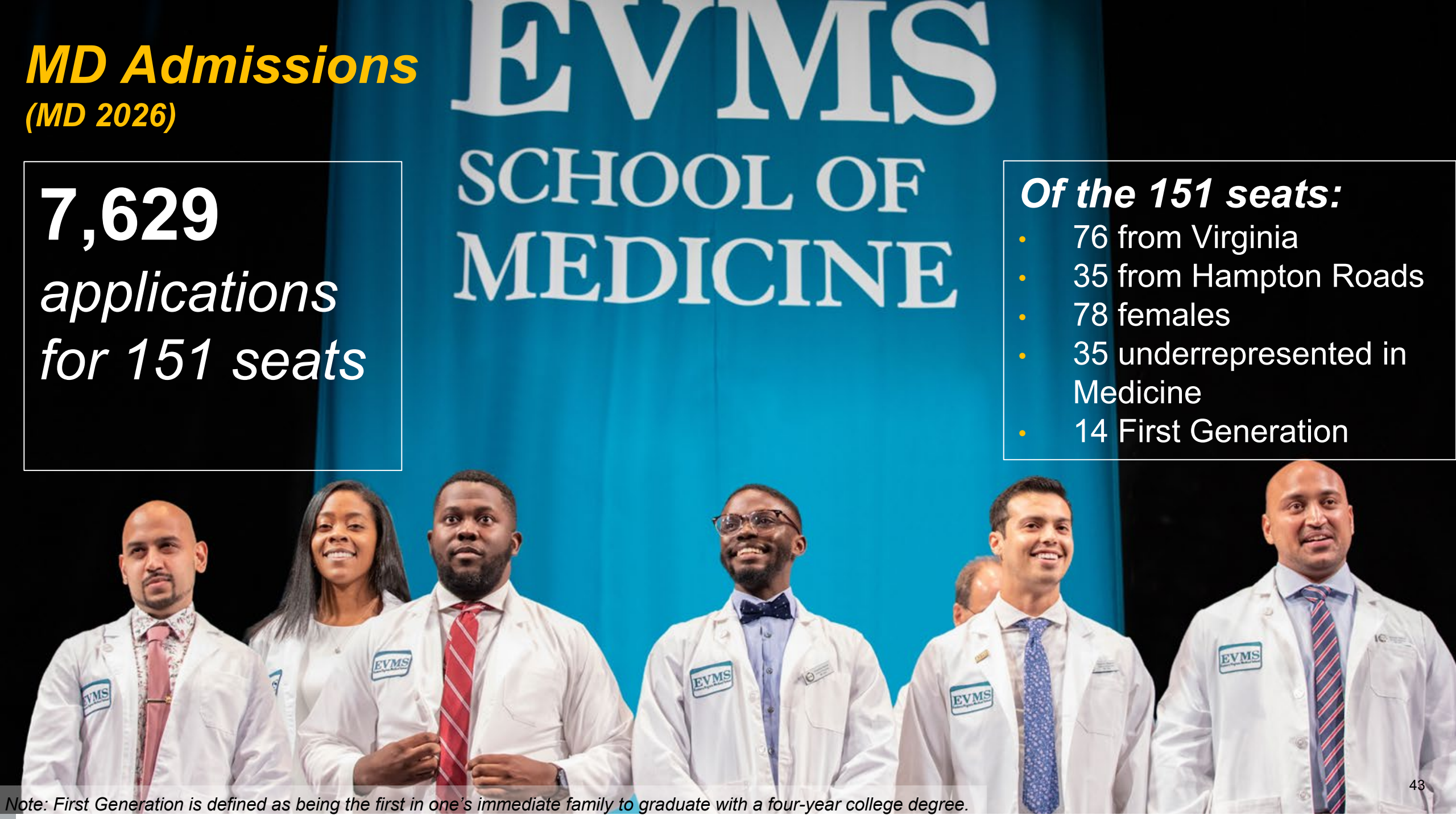


MD Admissions
(MD 2026)

7,629
applications for 151 seats

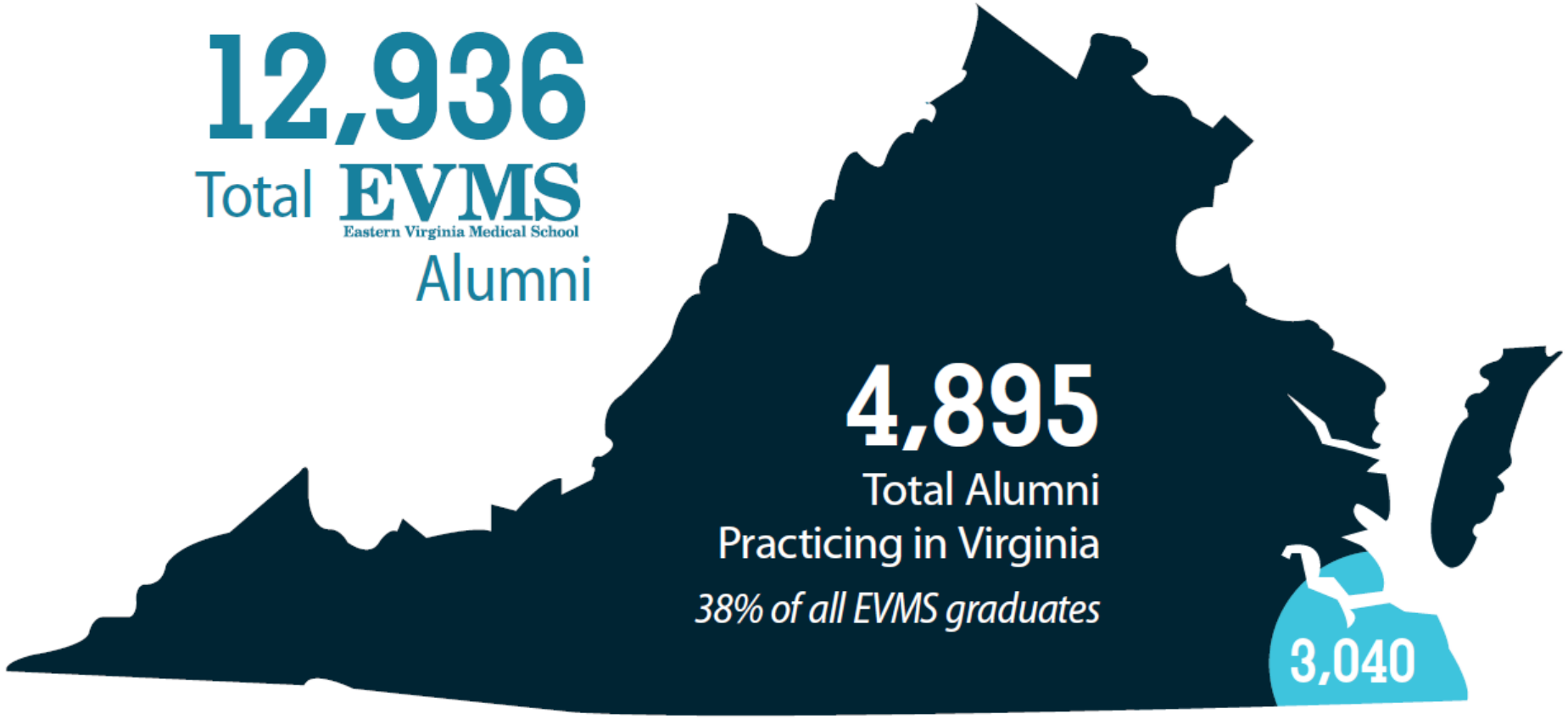
Of the 151 seats:

- 76 from Virginia
- 35 from Hampton Roads
- 78 females
- 35 underrepresented in Medicine
- 14 First Generation



Note: First Generation is defined as being the first in one's immediate family to graduate with a four-year college degree.

EVMS is an important Virginia Patient Care Workforce Pipeline and Education driver for Hampton Roads and the Commonwealth



3,040 Alumni Practicing in Hampton Roads

24% of all EVMS graduates

Based on graduates where an address is available.

2022

100% match rate

- ***28% entered primary care***
- ***27% remained in Virginia***
- ***15% remained in Hampton Roads***

A profound opportunity in the Hampton Roads region

Case for Change

The Hampton Roads Region faces challenges of disparities in both healthcare and economic development.

An integrated ODU-EVMS Health Sciences Center that is closely aligned with Sentara and other community partners will address these issues by leveraging their collective strengths across education, research, and patient care.

Priority focus areas

The current state of the Hampton Roads Region is not acceptable for the 1.8 million residents in the metropolitan area.

Key priorities for the benefit of Hampton Roads

- Accelerating Economic Development
- Strengthening the Health Workforce Pipeline
- Mitigating Health Disparities
- Expanding Research and Educational Community
- Securing Transformational Funding

Our plan

Integration of ODU and EVMS to achieve the vision and strategies within Education & Training, Research, and Patient Care impacting the five priority focus areas

Hampton Roads trails other regions in the Commonwealth in economic development and health outcomes

LAGGING ECONOMIC DEVELOPMENT

50%

LOWER THAN PEER AVERAGE FOR COMPARABLE REGIONS

21%

POPULATION LIVING IN POVERTY; 2X AVERAGE OF COMMONWEALTH OF VIRGINIA

HEALTHCARE WORKFORCE NEEDS

5,600+

OPENINGS FOR NURSE PRACTITIONERS, OCCUPATIONAL THERAPISTS, SPECIALTY TECHNICIANS, ETC.

14%

HAMPTON ROADS COMMUNITY EMPLOYED IN HEALTHCARE; BELOW US AVERAGE

INEQUITABLE HEALTH ACCESS AND OUTCOMES

48%

THE HIGHEST RATE OF OBESITY IN THE REGION AND IS TIED TO SOCIOECONOMIC DISPARITIES

4 Year

LIFE EXPECTANCY GAP BETWEEN BLACK & WHITE RESIDENTS

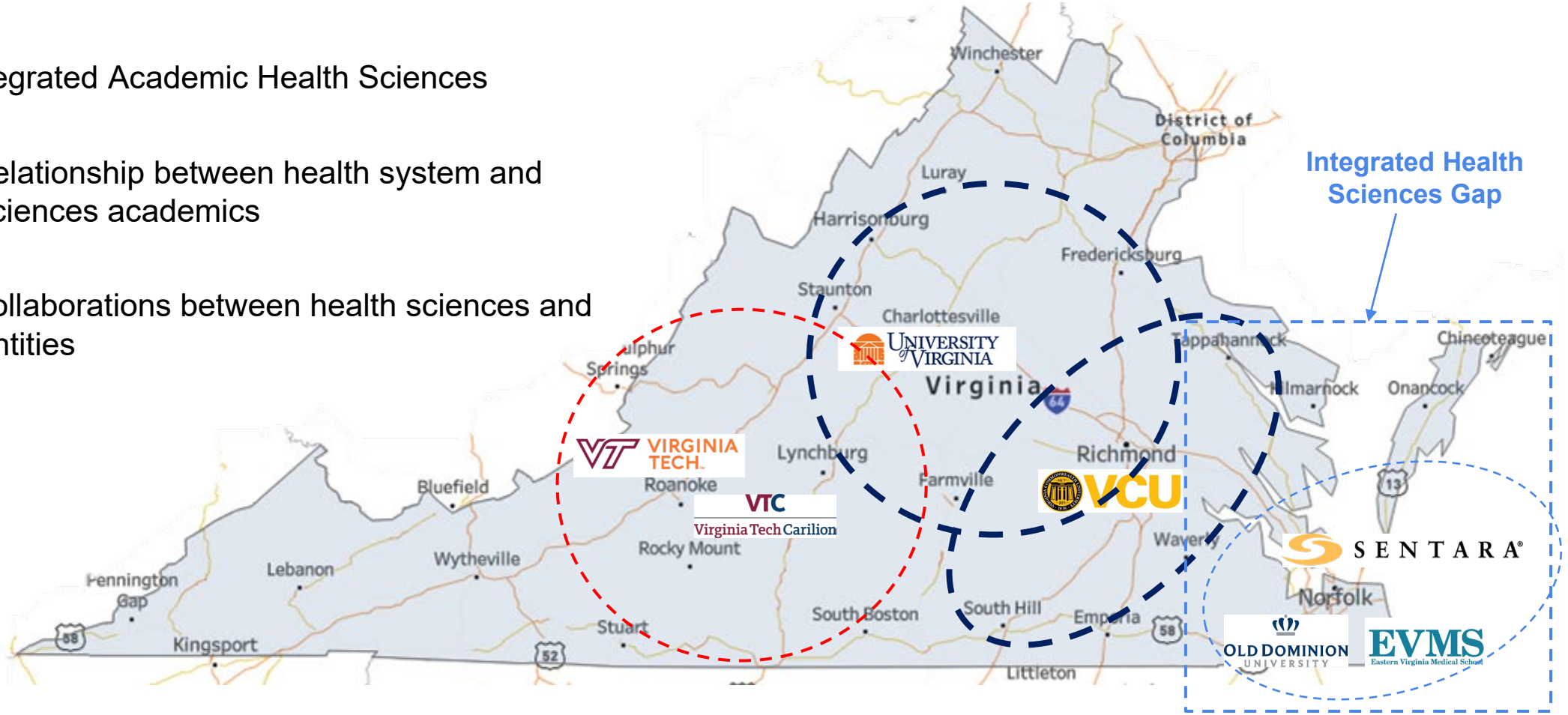
Sources: Greater Hampton Roads Connects, Hampton Roads Chamber US Bureau of Economic Analysis, Sentara Community Health Needs Assessment, Tripp Umbach: Driving the Hampton Roads Economy Forward

Unlike other parts of the Commonwealth, the Hampton Roads region lacks an integrated health sciences center

Fully Integrated Academic Health Sciences

Strong relationship between health system and health sciences academics

Loose collaborations between health sciences and health entities



Future Vision: EVHS Center at ODU

Eastern Virginia Health Sciences Center at ODU

- School of Medicine (EVMS)
- School of Health Professions (EVMS)
- College of Health Sciences (ODU)
- School of Nursing (ODU)
- ONE School of Public Health (ODU/ EVMS)
- Eastern Virginia Medical Group (EVMS)

- Fully integrated, comprehensive university
- Reinforces and builds upon recent R1 designation
- Most comprehensive health sciences educational program offerings in the Commonwealth
- Full integration on July 1, 2024

… even among solutions, challenges remain to be addressed.

1. Risk Management

2. Accountability v. Control Considerations

3. Succession & Talent Development

Risk Management

Business officers can’t be afraid to fail

1. Identify and manage risk
2. Seize opportunities
3. Measure return on investment

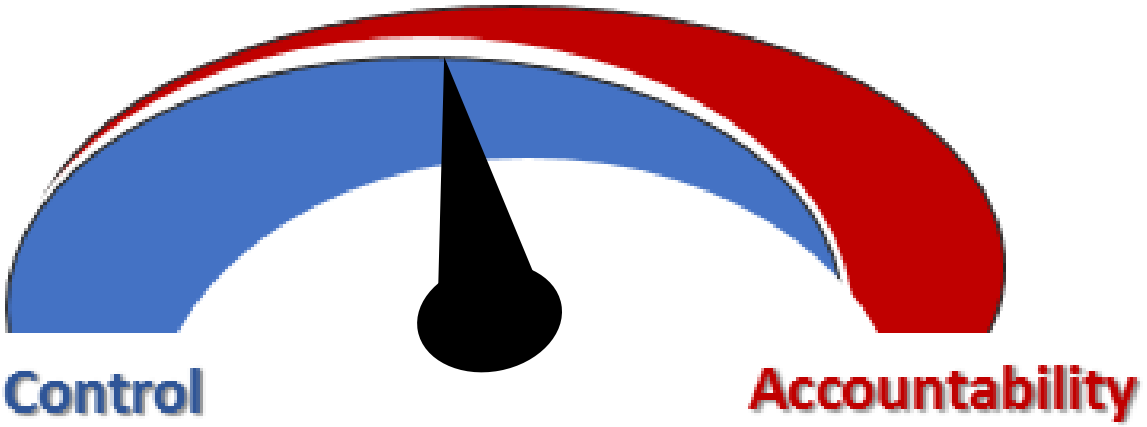
Financial Risk

Reputational Risk

Compliance Risk

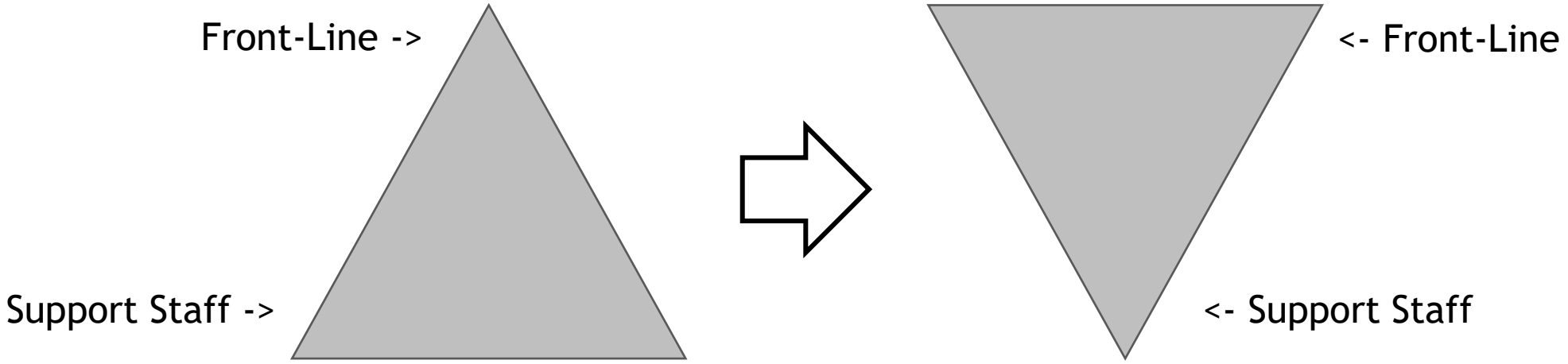
Accountability vs Control

- Accountability (a) and Control (c) are complementary along a continuum and add to 100 percent; therefore a = 100% - c
- In practice, with 100% Control, there is no need for Accountability (*vice versa*)



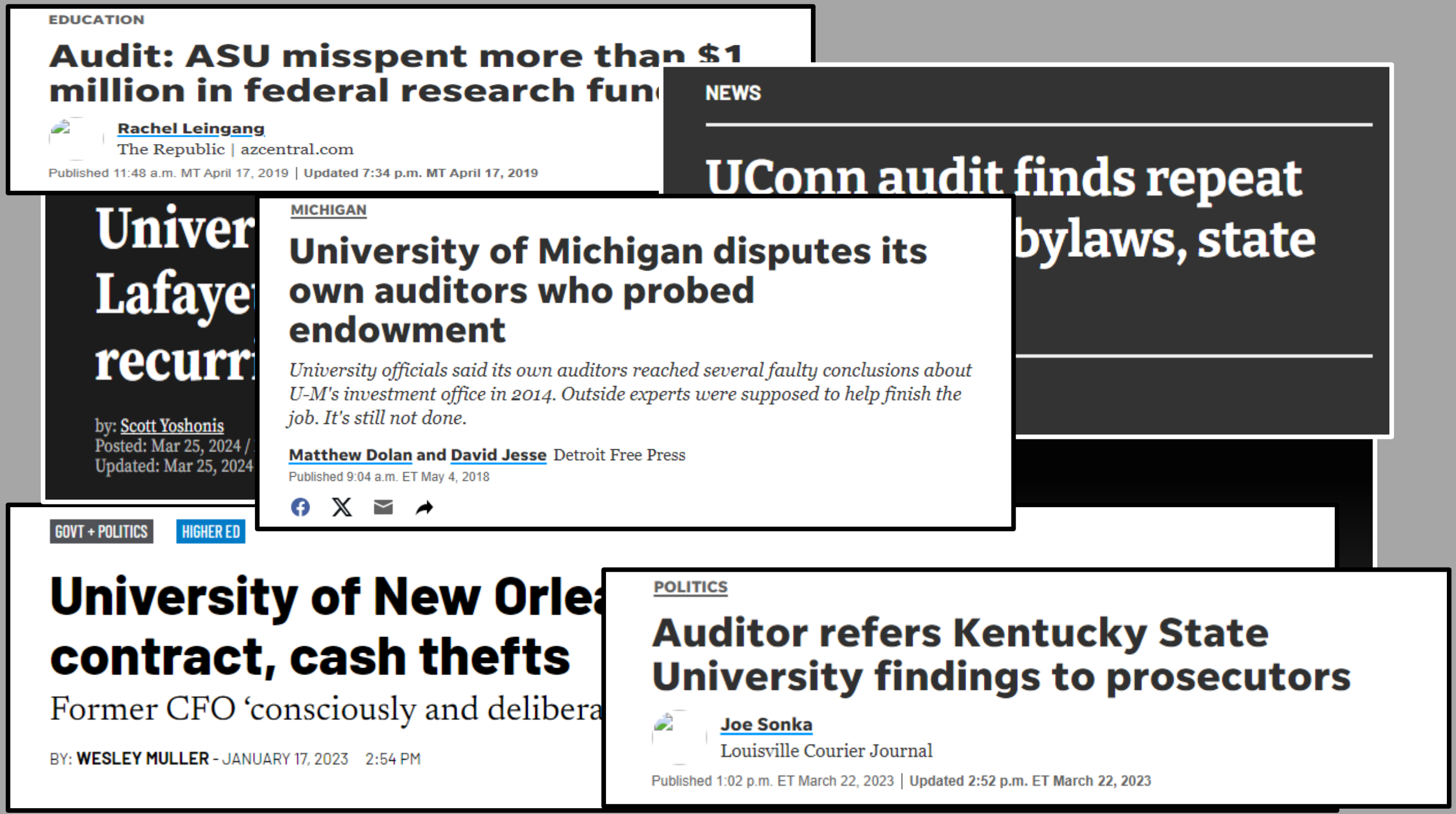
Succession & Talent Development

- Hiring the right person, for the right job, and providing opportunities for growth are critical to success.



- It is not our role of the business officer to come up with the next phenomenon; it is to help ensure the vision can be achieved

Nightmare Scenarios Ripped from the Headlines



EDUCATION

Audit: ASU misspent more than $1 million in federal research fun

Rachel Leingang
The Republic | azcentral.com

Published 11:48 a.m. MT April 17, 2019 | Updated 7:34 p.m. MT April 17, 2019

NEWS

UConn audit finds repeat bylaws, state

Univer Lafaye recurr

by: Scott Yoshonis
Posted: Mar 25, 2024 /
Updated: Mar 25, 2024

MICHIGAN

University of Michigan disputes its own auditors who probed endowment

University officials said its own auditors reached several faulty conclusions about U-M's investment office in 2014. Outside experts were supposed to help finish the job. It's still not done.

Matthew Dolan and David Jesse Detroit Free Press

Published 9:04 a.m. ET May 4, 2018

GOVT + POLITICS HIGHER ED

University of New Orlea contract, cash thefts

Former CFO 'consciously and delibera

BY: WESLEY MULLER - JANUARY 17, 2023 2:54 PM

POLITICS

Auditor refers Kentucky State University findings to prosecutors

Joe Sonka
Louisville Courier Journal

Published 1:02 p.m. ET March 22, 2023 | Updated 2:52 p.m. ET March 22, 2023

Tennessee State University

Cincinnati university cancels fall semester amid legal, financial turmoil

Amid financial crisis, Bradley University needs to be honest about what it wants to be

Doug Valentine Peoria Journal Star

Published 4:30 a.m. CT Nov. 11, 2023 | **Updated 4:30 a.m. CT Nov. 11, 2023**

Crisis
What'

By Michael V

LOCAL NEWS

St. Augustine's students earn d

Saturday's graduation ceremony comes exac
amid St. Augustine's months-long financial crisis.

Posted 6:27 p.m. May 4 - Updated 6:30 p.m. May 4

GOVERNMENT FAILURE

West Virginia Declares State of Emergency Over FAFSA Chaos

Due to persistent glitches in the financial aid form, Gov. Jim Justice issued an executive order lifting the FAFSA requirement for several state grants.

EMMA CAMP | 5.3.2024 2:50 PM

The Institution's Conscience

Internal Audit vs. External Audit

- Internal Audit reflects the institution's conscience
  - Enhances and protects organizational value by providing risk-based and objective assurance, advice and insight
  - Provides effective audibility when empowered to "speak the truth to power"
  - Holds a mirror for the benefit of strong organization governance

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- External Audit gives an outward perspective
  - The financial statements present fairly the financial position of University
  - Adequate internal controls exist over material account balances and transactions
  - The University is in compliance with applicable laws, regulations, and provisions of contracts or grant agreements

Evolving Role of Internal Audit

- Expanding into Compliance
- Policy feedback
- Advisory
- Risk Assessment

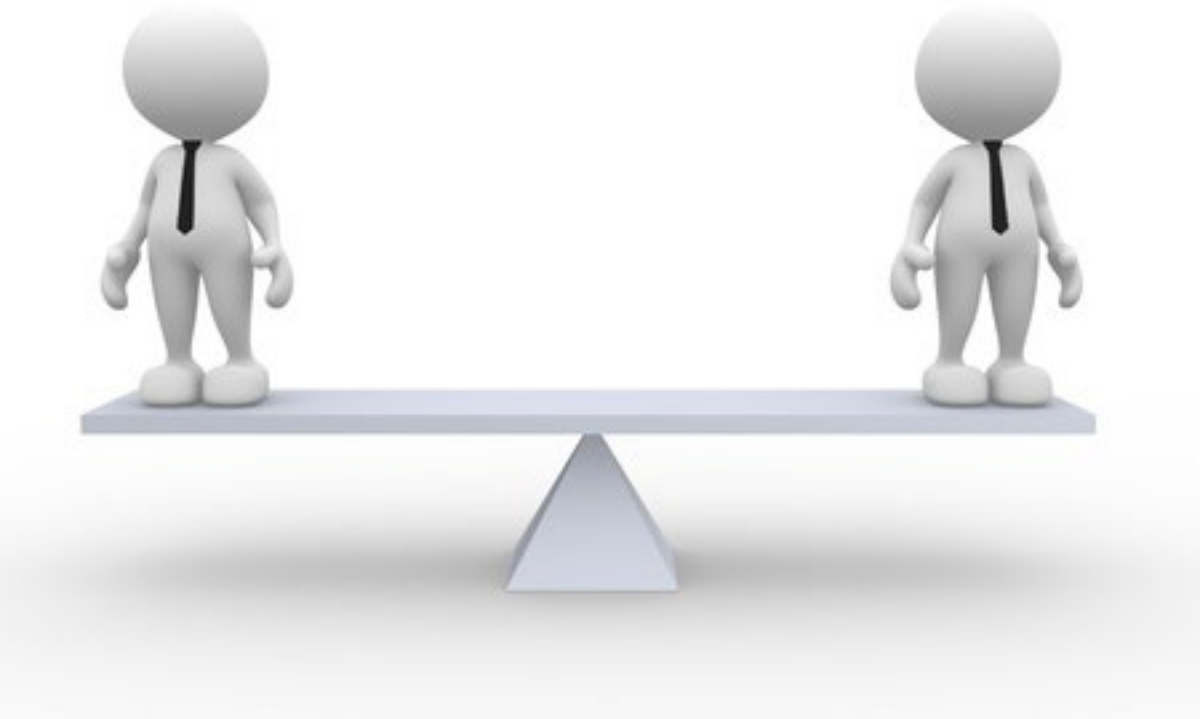
Forward-Focused Collaboration

- Audit Expectations:
  - Reduce risks
  - Improve process efficiencies
  - Provide in-house consulting services

- Audit Benefits:
  - Protect the organization
  - Ensure internal financial controls adhere to company policy
  - Support a clear, fact-based strategic vision
  - Deliver a robust ROI

Value Added Engagements

- Working on the level:
  - Explicit Codes of Practice
  - Well Defined Scope
  - Understood Levels of Materiality
  - Independence and objectivity



Items of Consideration

- Balance: Accountability vs control
- Agency Risk Management and Internal Control Standards (ARMICS)
- Increase reporting and compliance requirements
- Limited resources
- Constant state of audit
  - Multiple audits going on at the same time – state, federal, other agencies (delayed APA audit timeline)
- Frequent touchpoints/meetings with Auditor & CFO

Questions & Comments

OLD DOMINION
UNIVERSITY

Thank you.

Chad A. Reed

Vice President for Administration
and Finance & CFO