

EXHIBIT D

APPROVED APRIL 25, 2022

MINUTES

JOINT PERFORMANCE REVIEW COMMITTEE

Room A, MAC
Little Rock, Arkansas

Friday, June 5, 2020

The Joint Performance Review Committee met on Friday, June 5, 2020, at 9:00 a.m., Multi-Agency Complex (MAC), Room A, Little Rock, Arkansas.

Committee members present: Senators Alan Clark, Jimmy Hickey, Chairman; Terry Rice, Vice-Chair; Jonathan Dismang, Missy Irvin, and Bill Sample. Representatives Jimmy Gazaway, Vice-Chair; Mary Bentley, Jana Della Rosa, David Hillman, Mark Lowery, Johnny Rye, Brandt Smith, and Dan Sullivan

Also attending: Senators Breanne Davis, Kim Hammer, Mark Johnson, Jason Rapert, Representatives Stan Berry, Jim Dotson, Denise Ennett, Vivian Flowers, Kenneth Ferguson, Justin Gonzales, Grant Hodges, Jack Ladyman, Steven Meeks, Tippi McCullough, Aaron Pilkington, Jamie Scott, Joy Springer, Jeff Wardlaw, and Richard Womack

Senator Hickey called the meeting to order. He recognized Representative Gazaway for remarks. He stated the Joint Performance Review Committee will hold several meetings to discuss Arkansas Legislative Audit's findings concerning Henderson State University (HSU). For detailed testimony of this meeting, please visit <https://www.arkleg.state.ar.us>, select the meeting date, and click the video tab.

Testimony From the Following Individuals Related to Arkansas Legislative Audit's Findings Concerning Henderson State University (HSU)

Mr. James Barnes, Former Board of Trustees Member, HSU, was recognized and sworn in. Mr. Barnes is currently Chief Financial Officer (CFO) of BBA Corporation. He stated he is a former HSU Board of Trustee Member and served on the Board from approximately January 2018 until approximately April 2019.

Mr. Barnes stated during his tenure on the Board, he had limited interactions with Dr. Glen Jones, former HSU president, and Dr. Brett Powell, former HSU CFO, and while serving on the HSU Board, he was not aware of students being allowed to carry a balance of \$4800. Also, at today's meeting, was the first time he heard invoices not being paid and checks being held. As it relates to financial statements, Mr. Barnes stated Dr. Powell would present a lot of lengthy information at the Board meetings, but there were no discussions concerning the financial statements being inaccurate.

According to Mr. Barnes, he did not have any personal contracts with HSU. With regards to organizations and limited liability corporations, Mr. Barnes admitted he signed his first bookstore contract with HSU in 2010. Thereafter, a mailroom addendum was done in July of 2014, which was under BBA Corporation. Mr. Barnes added another contract was signed in 2015 with Brandon Huffman Construction Company, noting he was a part of this corporation. This construction company built the dormitories. Mr. Barnes stated he was not a Board member during that time and none of the contracts raised any conflict of interest concerns from anyone on the Board while he was a member. Also, these contracts were done through competitive bids.

Senator Hickey requested Mr. Barnes provide the following information to the committee:

- The exact name of the corporation that built the two dormitories.
- Was this a Limited Liability Corporation, or S Corporation?
- Were you a partner and are you still an officer?
- Has this corporation been dissolved through the Secretary of State's Office?
- What is the invoice range for the bookstore?
- What materials are students allowed to charge?

Ms. Flora Weeks, Assistant to the President, HSU, was recognized and sworn in. She stated she has worked in the President's Office for nineteen (19) years. Her duties vary as the assignments of the President vary, but she has remained the liaison to the Board of Trustees. Ms. Weeks was a member of the Executive Council that included the Vice President for University Advancement, Vice President for Finance and Administration and Vice President for Student Services.

Ms. Weeks made the following statements:

- She learned of students being able to carry a balance of \$4800 in 2019.
- She was not aware of incorrect financial statements.
- She learned approximately November 2018, invoices were not being paid and checks were being held. She remembers going to the business office and seeing Ms. Karen Spradlin upset about having invoices and no money to pay them. Ms. Spradlin stated she made Dr. Powell aware of the situation.
- There was not a policy in place that prevented HSU faculty and staff from having contact with the Board of Trustees.
- She had a conversation with Eddie Arnold, Board of Trustee Member, in early 2017, concerning the lack of money to pay invoices, she also spoke with legislative audit.
- She did not feel confident in turning in faculty through the fraud hotline HSU used to report issues.

Senator Hickey requested that Ms. Weeks submit to the committee any information she believes will be beneficial in addition to responses to the requests below.

- Any policies specifically related to the financial affairs of the university that Dr. Jones or Dr. Powell intentionally wanted to get removed from the policy status so they could have practice status in order to have greater control over the financial information.
- Names of consultants that Ms. Weeks referenced during her testimony.

Ms. Pam Shuffield, Retired, Financial Aid Analyst, HSU, was recognized and sworn in. She stated she has been employed at HSU from October 1991 to May 2019. She initially worked in the athletic department, but has worked in the Business Office since 2001, until her retirement May 31, 2019. As a Financial Aid Analyst, she was responsible for processing student aid (loans, scholarships, work study, etc.). She reported to Ms. Christina Jones, and Ms. Jones reported to Dr. Brett Powell.

Ms. Shuffield made the following statements:

- She was made aware in the Fall of 2018, of the \$4800 balance students were allowed to carry. She was shocked about this decision. Mr. Scott Freeman, Director of Student Accounts, could authorize registration if the amount was \$4800 or less, but if it was over \$4800, it required the approval of Dr. Powell before the student could register.
- She was not aware of the inaccurate financial statements.
- She was aware of invoices not being paid and checks being held, and that there was a cashflow problem.
- She is not sure who was giving the orders to hold the invoices and checks.
- She spoke with Board of Trustee members on more than one occasion concerning allowing students to carry a \$4800 balance, as well as the cash flow issue.

Mr. Tim Jones, Director of Purchasing and Procurement, HSU, was recognized and sworn in. He stated he has been employed for almost twenty-eight (28) years with HSU, and twenty-seven (27) years has been in the purchasing department. As Director of Purchasing and Procurement he is responsible for securing supplies and services for the campus. He is also involved with construction and professional services contracts.

Mr. Jones stated, prior to legislative audit's review, he was unaware students were allowed to carry a balance of \$4800, and he was also unaware of any misinformation on the financial statements. As it relates to the process for contract approval, he stated the procedures for the bid process is always followed. He is cautious of using sole source bids. Contracts over \$100,000 require legislative approval, bid threshold of \$20,000 requires a quote bid, and over \$75,000 a sealed bid.

Mr. Jones stated he does not believe there is any criminal intent on Dr. Powell's part. He believes Dr. Powell had a plan that he was not able to follow through on because of his abrupt departure.

Senator Hickey requested Mr. Jones respond to the following requests:

- In the bid process, is there a statute that allows an exception for higher education institutions, which allows them to approve contracts up to \$5million as long as the Board has policies in place? If so, has this been used at HSU?
- Request information on whether the Portfolio Company was a sole source bid.
- How much money was spent on consultants within the 7-8 years period of time under Dr. Jones, and who were the consultants?

Ms. Elaine Kneebone, Acting President, HSU, was recognized and sworn in. Ms. Kneebone stated the following:

- Executive Council meetings were held on Mondays, but the financial condition of HSU was not discussed. Also allowing students to carry a \$4800 balance was not discussed.
- She was aware in June 2019, of invoices not being paid and checks being held.
- She does not feel responsible for the financial decisions made by Dr. Glen Jones and Dr. Brett Powell.

Ms. Kneebone was requested to provide the following information:

- If available, provide any meeting minutes or notes where you voiced your disagreement with Dr. Powell and Dr. Jones as to the direction HSH was going.
- Did Dr. Jones and Dr Powell receive raises in 2019?

Review of Steps Taken by Arkansas State University (ASU) System to Address High-Risk Categories at Henderson State University (Exhibit D)

Dr. Charles Welch, President, ASU System, was recognized and provided a review of Exhibit D, titled, "Review of Steps Taken by Arkansas State University to Address High-Risk Categories at Henderson State University." Some of the things outlined in the report to address high-risk categories are as follows:

1. **Interim Managements Plans** – HSU and ASU System executed a Memorandum of Understanding (MOU) on July 29, 2019, for the System to provide support and assistance to HSU.
2. **Student Accounts Receivable** – Immediately upon execution of the MOU allowing for the ASU System to provide services to HSU, student accounts receivable policies were created, approved by HSU Board of Trustees, and implemented. One policy was for all

new students enrolling at the university, and the second policy was for those students who had been allowed to accrue large balances.

3. **Board Financial Reports** – ASU System officials developed multiple reporting templates to provide more timely and substantive financial information.
4. **Health Insurance** – The plan was analyzed by ASU System personnel, and it was determined that it was unsustainable for the university to remain self-insured. Bids were taken by ASU and HSU moved to a fully-insured health insurance plan in January 2020.
5. **Fraud Hotline** – HSU now participates in ASU’s System Internal Audit Hotline program.
6. **Legal Assistance** – HSU now submits contracts to ASU System Legal Department for legal review, which is a service provided for all System campuses.
7. **Internal Audit** – The Internal Audit Department is doing a Fraud Training and Risk Assessment survey with sixty-six (66) HSU employees, including administration, deans, chairs, directors, and fiscal support personnel to educate on fraud schemes and to assess high-risk areas for future audits.
8. **Academic Scheduling/Program Review** – ASU has developed an “Academic Cost Accounting Model” to better understand instructional expenses within academic units.
9. **HSU Bylaws** – HSU did not have written Board of Trustee Bylaws prior to September 27, 2019. Bylaws were developed that are similar to ASU System Board of Trustee Bylaws.
10. **Enterprise Resource Planning (ERP) Consortium** – HSU will participate in the ASU System ERP consortium that is streamlining software and processes across the system.
11. **Financial Statement Preparation** – ASU System produces a consolidated financial statement for all member institutions of the system.
12. **Landmark, PLC Consulting Report** – ASU System retained the services of Landmark, PLC to consult on HSU policies, processes, and protocols.
13. **Moody’s Investors Service** – HSU’s decision to join ASU System is credit positive for HSU.
14. **Merger Effective Date** – The Higher Learning Commission accreditation will conduct a virtual visit to HSU June 2020. Legislation will be proposed to the General Assembly in January 2021 to finalize the merger.

Senator Hammer requested that Mr. Welch provide to the committee information on how the fraud hotline at HSU worked. When you did an investigation, you discovered that all calls to HSU’s fraud line was going to the President and General Counsel. Did you do an investigation to see if calls were made to the fraud line concerning the financial situation at HSU, but were not investigated?

With no further business, the meeting was adjourned.