

DEPARTMENT OF AUDITS
ANNUAL REPORT
FISCAL YEAR

2009

PREFACE

The purpose of the 2008-2009 Annual Report is to provide University management with an overall summary of the audit activities performed during the year by the Department of Audits at Cleveland State University.

Should you need additional information or have questions about audit activity, please call the Department of Audits so we may assist you with the information required.

*Judith A. Richards, CPA
Director,
Department of Audits*

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DEPARTMENT OF AUDITS

STATEMENT OF RESPONSIBILITY

AUTHORITY

The Department of Audits was created by the Board of Trustees of Cleveland State University. It is the policy of the University to continue to support an internal auditing office as a staff function and as an independent appraisal function to examine and evaluate University business and/or administrative activities as a service to management and the Board of Trustees. The internal auditing office reports functionally to the Vice President for Business Affairs and Finance, and has direct access to the President and Board of Trustees as necessary. In carrying out their duties and responsibilities, members of the Department of Audits will have unrestricted access to all University records and personnel relevant to the department's function of measuring and evaluating.

OBJECTIVES OF THE DEPARTMENT OF AUDITS

The primary objective of the Department of Audits is to assist management in all levels of the University and members of the Board of Trustees in the effective discharge of their duties. When consulted, the Department of Audits provides an independent internal control device through which University management is assured of the extent to which its

- operational plans and budgets are carried out efficiently and effectively,
- policies and procedures are observed,
- standards of performance are effective, and;
- records and reports are reliable (data integrity).

To this end, internal auditing will furnish management with analyses, recommendations, counsel, and information concerning the activities reviewed.

SCOPE

The Department of Audits is responsible for assessing audit risk and developing audit objectives, priorities, and procedures that will ensure effective internal controls.

While management is responsible for providing internal controls, the Department of Audits (within the audit scope) is responsible for evaluating their adequacy and effectiveness and for recommending improvements if necessary.

Internal control comprises methods and procedures adopted to:

- safeguard assets,
- verify the accuracy and the reliability of financial and other University data,
- promote operational efficiency,
- encourage adherence to prescribed University and governmental policies and procedures, and;
- review operations to ascertain consistency with University goals.

DEPARTMENT OF AUDITS

SUMMARY OF FISCAL YEAR 2009

DEPARTMENT PERFORMANCE:

During fiscal year 2009 the Department of Audits achieved all of its goals and objectives (Page 4 and 5). The most significant accomplishments include the completion of three audits in addition to seven standard audits and thirteen major follow-up audits. Three 2009 audits will be continued during 2010. We completed thirty specific management reviews that were requested by University Administration. We have ten management reviews that will continue during 2010.

In summary of the 2009 audits performed, three audits received a “Management Attention Required” opinion, which means the weaknesses identified could significantly impair the operations of the departments if prompt corrective measures were not taken. Two follow-up audits received “Satisfactory”, six received “Satisfactory and/or Management Attention” and one received “Management Attention and/or Unsatisfactory”. And one follow-up audit received an “Unsatisfactory” opinion, which means the control weaknesses are so significant or widespread that there is a high risk of irregularities. Opinions were not issued on three follow-up audits because responsibilities for the area had been transferred and changes implemented that incorporated Audit’s concerns. Agreement was reached on all audit comments.

2009 GOALS AND ACCOMPLISHMENTS

GOALS/OBJECTIVES

GOALS FOR FISCAL YEAR 2009

1. Continue to develop and achieve 90% of the audits scheduled.
2. Provide assistance to the external auditors.
3. Continue to advise on internal controls for the development of systems and business process that will provide opportunities for operational improvement and efficiencies.
4. Assist the Vice President of Business Affairs and Finance in assessing controls and business processes for Shared Services.
5. Continue recurring goals and objectives including:
 - timely completion of scheduled audits,
 - reviews and special projects,
 - performance of follow-up reviews,
 - staff training,
 - career development,
 - Student Internship / College of Business, and;
 - updating and enhancement of computer equipment and software.
6. Selection of new audit firm for new five year contract.

ACCOMPLISHMENTS

1. Approved audit schedule was utilized during fiscal year 2009 and 85% of the audits scheduled were completed.
2. 375 hours were provided.
3. Continued to advice on internal controls for the development of systems and business process that will provide opportunities for operational improvement and efficiencies.
4. Assisted the Vice President of Business Affairs and Finance in assessing controls and business processes for Shared Services.

5. Continued recurring goals and objectives including:

- timely completion of scheduled audits,
- reviews and special projects,
- performance of follow-up reviews,
- staff training,
- career development,
- Student Internship / College of Business, and;
- updating and enhancement of computer equipment and software.

6. Completed.

SCHEDULE OF FISCAL YEAR 2009 BUDGETED &

ACTUAL AUDIT TIME/OVERTIME

	<u>BUDGET</u>		<u>ACTUAL</u>	
	<u>Hours</u>	<u>%</u>	<u>Hours</u>	<u>%</u>
Administration	120	3.50%	90	3.02%
Supervision	80	2.30%	50	1.68%
External Audit Assistance	300	8.60%	395	13.25%
Scheduled Audits	1,600	45.90%	1,235	41.44%
Special Projects	1,304	37.40%	1,130	37.93%
Continuing Education	<u>80</u>	<u>2.30%</u>	<u>80</u>	<u>2.68%</u>
Total	3,484	100.00%	2,980	100.00%

The above hours do not include Vacation, Sick Leave and Holidays for Actual or Budgeted hours. The Department of Audits hired John Petrus, Audit Manager to replace Jo Ann Gustafson. The Department was staffed with only one auditor for four months, therefore there was a reduction in total hours and audits completed for 2009.

CLEVELAND STATE UNIVERSITY

NUMBER: IA 2.70A
SUBJECT: Standard Audit Opinion Terminology
DATE EFFECTIVE: May 11, 1985
APPROVED BY: Vice President, Finance & Administration

1.0 PURPOSE

Each Department of Audits report should contain an opinion paragraph which evaluates the OVERALL control adequacy of the Department or function under review. The following standard opinion terminology should be used for this purpose:

1.1 SATISFACTORY

Although some control weaknesses were identified which require timely corrective actions, such weaknesses, either individually or taken in the aggregate, do not significantly impair the overall controls of the unit.

1.2 MANAGEMENT ATTENTION REQUIRED

Controls lack essential elements of sufficient attention by the department or function. The weaknesses identified, individually or in the aggregate, significantly impair controls of the department or function to the extent that prompt corrective measures by the management are necessary to bring such controls up to a "Satisfactory" level.

1.3 UNSATISFACTORY

During the course of the specified audit period, the control weaknesses are so significant or widespread that there is a high risk of financial loss, irregularities and/or negative public relations. Urgent attention is required by Management to upgrade controls and correct identified weaknesses.

ISSUED BY: Judith L. Richards DATE: 6/30/05

APPROVED BY: John J. Boyer DATE: 6/30/05

DEPARTMENT OF AUDITS

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<u>Audit Title</u> <u>(Opinion)</u>	<u>Report #</u>	<u>Date</u>
College of Law	2009-01	Continued
Office of Treasury Services (Management Attention)	2009-02	06/2009
Affirmative Action	2009-03	Continued
University Office of Architect (Management Attention)	2009-04	06/2009
Facilities Operations	2009-05	Continued
University Police (Management Attention)	2009-06	02/2009
<u>Standard Audits</u>	<u>Report #</u>	<u>Date</u>
Post Audit – Travel	2009-10	06/2009
Petty Cash Audit	2009-11	06/2009
External Audit – Support	2009-12	06/2009
Overtime Analysis	2009-13	Closed
Continuing Education/ CSU Employee Contracts	2009-14	06/2009
Student Organization Annual Account Review	2009-15	06/2009
Purchasing “P” Card Activity	2009-16	06/2009
<u>Follow-up Audits</u>	<u>Report #</u>	<u>Date</u>
Fire Prevention & Safety (Department was Transferred)	2009-21	02/2009
Trio Upward Bound (Grant Closed)	2009-22	11/2008
College of Engineering (Satisfactory / Management Attention)	2009-23	03/2009

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<u>Follow-up Audits</u>	<u>Report #</u>	<u>Date</u>
College of Urban Affairs (Satisfactory/ Management Attention)	2009-24	04/2009
Parking (Management Attention / Unsatisfactory)	2009-25	03/2009
East & West Centers (Unsatisfactory)	2009-26	03/2009
Institutional Research (Satisfactory / Management Attention)	2009-27	04/2009
Graduate College Admission Office (Satisfactory / Management Attention)	2009-28	06/2009
Risk Management (No Opinion / office duties transferred)	2009-29	02/2009
GCEDC (Satisfactory)	2009-30	11/2008
Payroll Office (Satisfactory / Administrative Comment Management Attention)	2009-31	01/2009
Purchasing Card Procedures (Satisfactory)	2009-32	02/2009
Wolstien Center (Satisfactory / Management Attention)	2008-33	10/2009
<u>Special Projects</u>	<u>Report #</u>	<u>Date</u>
Grants Management RFI / RFP	2008-41	Continued
Workload Analysis Faculty	2009-40	05/2009
Department of Education / Upward Bound	2009-41	Grant Closed
Board of Trustee's Report / President Expenses	2009-42	06/2009

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<u>Special Projects</u>	<u>Report #</u>	<u>Date</u>
Development Office / Review Expenses	2009-43	06/2009
Access / Campus Key Shop Review	2009-44	06/2009
Chemical Procedures / Procurement	2009-45	Continued
PeopleSoft HR Annual Budget Load	2009-46	03/2009
PeopleSoft 9.0 Upgrade	2009-47	03/2009
Special Payments Process	2009-48	03/2009
Architect Office Software “Construct Ware”	2009-49	04/2009
Mc Nair Grant Review	2009-50	02/2009
Construction Reconciliation Process Review	2009-51	06/2009
Hiring Process / PeopleAdmin Software	2009-52	Continued
External Audit / Grants Procedures	2009-53	06/2009
Employee Exit Procedures and Process	2009-54	05/2009
E-Verify	2009-55	05/2009
PCI / Credit Cards /Compliance	2009-56	Continued
President’s Committee on Safety	2009-57	Continued
Black Studies Art Work / Value	2009-58	Continued
National Accreditation	2009-59	Continued
Role Level Security / Access PeopleSoft	2009-60	05/2009
RFP Wolstien Center	2009-61	04/2009
Access Key Control Procedures	2009-62	05/2009

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<u>Special Projects</u>	<u>Report #</u>	<u>Date</u>
Accounts Receivable Reconciliation Grad College	2009-63	Continued
People Click / AAO Software	2009-64	Continued
Financial Aid Reconciliation Review	2009-65	06/2009
Construction/ Project Reconciliation / Bond Reviews	2009-66	06/2009
Global Compliance – Alert Line	2009-67	Continued
Benefits Employee Verification	2009-68	06/2009

(Refer to the previous page (6) for Standard Audit Opinion Explanation. The report numbers 01 to 09 represent initial audits, report numbers 10 to 20 represent Standard Audits, and the numbers 20 and above represent follow-up audits and special projects.)

DEPARTMENT OF AUDITS

PLANNED AUDIT/REVIEW AND PROJECT AREAS

FOR FISCAL YEAR 2010

College of Law – Continued
Affirmative Action Office – Continued
Facilities Operations - Continued
Law Libraries University and Law
IMS
College of Science
Dinning Services
Development Office / Millennium System

Standard Audits

Travel – Post Audit
Petty Cash Monthly Audit
External Audit – Coordination/Support
Student Organization Annual Account Review
Purchasing Card Monthly Audit
Financial Aid account Reconciliation

Follow-Audits

College of Engineering
College of Urban Affairs
Parking
East & West Centers
Institutional Research
Graduate College Admission
Payroll / HR Administrative Audit Comment
University Architects Office
University Police
Wolstein Center
Office of Treasury Services

For fiscal year 2010, the Department of Audits plans to follow the above schedule of audits and any other areas identified during the fiscal year by the administration and the Department of Audits. This Plan does not include provisions for special projects requested by management during the course of the year. The Department of Audits will compare the risks associated with such requests to the risks of scheduled audits to determine the priority of assignments. Furthermore, we may conduct surprise audits (for example: compliance with microcomputer software copyright laws, construction, and cash) anytime during the year.

The plan assumes maintenance and/or replacement of current staff throughout the year.

DEPARTMENT OF AUDITS

GOALS FOR FISCAL YEAR 2010

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DEPARTMENT OF AUDITS PROFILE

ANNUAL REPORT 2009

The Department of Audits reports functionally to the Vice President for Business Affairs and Finance. The President and the Board of Trustee's Financial Affairs Committee maintain oversight of the auditing function.

Profile of The Department of Audits:

Name: Judith A. Richards

Title: Director

**Professional/
Academic Qualifications:** CPA/BBA

Prior Experience: Public Accounting/Coopers & Lybrand
Tax/financial accounting/Figgie International
20 years Internal Audit/Cleveland State University

Name: John N. Petrus

Title: Audit Manager

**Professional/
Academic Qualifications:** CPA/BBA/JD

Prior Experience: 6 years experience Financial Analyst and Controller
7 years Jr. Internal Auditor/University Hospital
2 years Sr. Internal Auditor/Summa Health Systems
6 months Audit Manager/ Cleveland State University