

**DEPARTMENT OF AUDITS**  
**ANNUAL REPORT**  
**FISCAL YEAR**

**2011**

## **PREFACE**

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The purpose of the 2010-2011 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*

## **TABLE OF CONTENTS**

### **PAGE NO.**

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Statement of Responsibility	1-2
Summary of Fiscal Year 2011	3
2011 Goals & Accomplishments	4-5
Actual vs. Budgeted Audit Time	6
Explanation of Opinions	7
List of Audits and Special Projects Performed	8-11
Schedule of FY 2012 Audits (Approved by the Financial Affairs Committee, Board of Trustees)	12
FY 2012 Goals	13
Personnel Information	14

## **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 2011**

#### **DEPARTMENT PERFORMANCE:**

During fiscal year 2011 the Department of Audits achieved all of its goals and objectives (Page 4 and 5). The most significant accomplishments include the completion of seven audits in addition to nine standard audits and eleven major follow-up audits.

We completed thirty-one specific management reviews that were requested by University Administration.

In summary of the 2011 audits performed, six audits received a “Management Attention Required” opinion and one audit received an “Unsatisfactory” opinion. Please refer to Page 7 for the opinion explanations. Law Library Audit was cancelled and two audits will be continued in FY 2012.

Five follow-up audits received “Satisfactory”, four received “Satisfactory and/or Management Attention”, one received “Management Attention” and one received “Unsatisfactory”. Parking Follow-up was postponed until 2011-2012 and two Follow-ups will continue through August, 2011.

We have five management reviews that will continue during 2012.

## **2011 GOALS AND ACCOMPLISHMENTS**

### **GOALS/OBJECTIVES**

#### **GOALS FOR FISCAL YEAR 2011**

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 and other special projects.
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.

### **ACCOMPLISHMENTS**

1. Approved audit schedule was utilized during fiscal year 2011 and 85% of the audits scheduled were completed.
2. 385 hours were provided.
3. Continued to advise 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.

**SCHEDULE OF FISCAL YEAR 2011 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>
<b>Total</b>	<b>3,484</b>	<b>100.00%</b>	<b>2,980</b>	<b>100.00%</b>

The above hours do not include Vacation, Sick Leave and Holidays for Actual or Budgeted hours. The Department of Audits was fully staffed with two professionals for 2011.

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**

**FISCAL YEAR 2011**

<b><u>Audit Title</u></b> <b><u>(Opinion)</u></b>	<b><u>Report #</u></b>	<b><u>Date</u></b>
Michael Schwartz Library (Management Attention)	2010-02	09/2010
Dining Services (Management Attention)	2010-04	08/2010
Athletics (Management Attention)	2011-01	05/2011
Campus Activity Board (Management Attention)	2011-02	12/2010
Controller's Grant Account	2011-03	Continued
Law Library	2011-04	Cancelled
University Admissions (Management Attention)	2011-05	06/2011
E-Learning	2011-06	Continued
Center for International Services and Programs (Management Attention)	2011-07	05/2011
CLASS (Unsatisfactory)	2011-08	05/2011

<b><u>Standard Audits</u></b>	<b><u>Report #</u></b>	<b><u>Date</u></b>
Post Audit – Travel	2011-10	06/2011
Petty Cash Audit	2011-11	06/2011
External Audit – Support	2011-12	06/2011
Student Organization Annual Account Review	2011-13	06/2011
Purchasing Card Monthly Audit	2011-14	06/2011
Financial Aid Account Reconciliations	2011-15	06/2011

Construction Project Reconciliations	2011-16	06/2011
President Expense Quarterly Review	2011-17	06/2011
Special Payments Review	2011-18	06/2011

**Follow-up Audits**

	<b><u>Report #</u></b>	<b><u>Date</u></b>
College of Science (Management Attention)	2011-21	04/2011
College of Law (Satisfactory/Management Attention)	2011-22	04/2011
Affirmative Action (Unsatisfactory)	2011-23	06/2011
Facilities (Satisfactory/Management Attention)	2011-24	02/2011
Development / Millennium System	2011-25	Continued
Parking	2011-26	Postponed
Institutional Research (Satisfactory)	2011-27	03/2011
Graduate College Admission (Satisfactory)	2011-28	11/2010
Payroll / HR Administrative Audit Comment (Satisfactory)	2011-29	11/2010
University Architects Office (Satisfactory/Management Attention)	2011-30	06/2011
University Police (Satisfactory)	2011-31	11/2010
Office of Treasury Services (Satisfactory)	2011-32	05/2011
Dining Service	2011-33	Continued
Capital Planning LACP (Satisfactory/Management Attention)	2011-34	05/2011

**Special Projects**

**Report #**      **Date**

PCI / Credit Cards /Compliance	2011-40	06/2011
Development Office Expense Reviews	2011-41	01/2011
Global Compliance Alert Line Review	2011-42	06/2011
PeopleClick/ Affirmative Action Software	2011-43	06/2011
Accounts Receivable Reconciliation Grad College	2011-44	02/2011
Black Studies Art Work / Value 2010-49 (Continued from 2009-57)	2011-45	06/2011
President's Committee on Safety 2010-50	2011-46	Continued
Grants Management RFI / RFP 2010-53	2011-47	Continued
Ohio Board of Regents Financial Aid Audit	2011-48	09/2010
Direct Lending Financial Aid Review 2010-62	2011-49	09/2010
National Science Foundation Grant Review	2011-50	08/2010
National Accreditation	2010-48	07/2010
Hiring Process / PeopleAdmin Software	2010-51	07/2010
HR Benefits/ Outsourcing	2011-51	11/2010
HR Contracts/ CSU Current Employees	2011-52	12/2010
Global Spectrum Contract Review	2011-53	08/2010
Graduate Hiring Process / Program	2011-54	08/2010
Shared Services	2011-55	Continued
HR Review / outside Consultant Review	2011-56	Continued
Title III Grant Review	2011-57	09/2011
Review of Office of Contract Compliance	2011-58	10/2010
Review of Foundation agreement with CSU	2011-59	11/2010

Cashier's Office Coin & Currency	2011-60	04/2011
President's ITAC appointment	2011-61	Continued
Mail Room Review	2011-62	02/2011
Foundation Accounting/ Transfer	2011-63	01/2011
Bank Reconciliation Process Review	2011-64	03/2011
Federal Department of Education – Fin Aid Review	2011-65	02/2011
Faculty Summer Salaries/ VP Research	2011-66	03/2011
RFP Banking CSU /	2011-67	06/2011
Access Control Review	2011-68	04/2011

(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 2012**

Registrars  
Property Control  
Honors Program  
Information Services and Technology  
College of Business

**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  
Construction Project Reconciliation  
President’s Expense Quarterly Review  
Special Payments Review

**Follow-up Audits**

College of Science  
College of Law  
Affirmative Action  
Facilities  
Development / Millennium System  
Parking  
University Architects Office  
Athletics  
Dinning Services  
Campus Activity Board  
Controller’s Grant Accounting  
Admissions  
E-Learning  
Michael Schwartz Library  
Center for International Services & Programs  
College of Liberal Arts and Social Sciences  
Locally Administered Construction Projects

For fiscal year 2012, 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 2012**

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,
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  - 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.

## **DEPARTMENT OF AUDITS PROFILE**

### **ANNUAL REPORT 2011**

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  
23 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  
3 years Audit Manager/ Cleveland State University