

Cleveland State University

**Report on Expenditures of Federal Awards in
Accordance with OMB Circular A-133 Federal
Identification Number 1-34-096-6056-A-1V
Office of Postsecondary Education
Identification Number 00303200
DUNS Number 010841617
for the year ended June 30, 1999**

Cleveland State University

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Accordance with OMB Circular A-133 Federal
Identification Number 1-34-096-6056-A-1V
Office of Postsecondary Education
Identification Number 00303200
DUNS Number 010841617
for the year ended June 30, 1999**

December 23, 1999

To the Board of Trustees
Cleveland State University:

We are pleased to submit the Report on Expenditures of Federal Awards in accordance with OMB Circular A-133 of Cleveland State University (the "University") for the year ended June 30, 1999.

The audit was conducted as a condition of the University's receipt of federal awards and the requirement to have an organization-wide audit under U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

All operations related to the University's federal grant programs are included in the scope of the OMB Circular A-133 Audit. The U.S. Department of Education has been designated as the University's oversight agency for audits carried out in accordance with the circular.

The objectives of our audit were to ensure:

- The financial statements of the University present fairly, in all material respects, its financial position and the results of its financial operations in accordance with generally accepted accounting principles.
- The University has an internal control structure to (a) provide reasonable assurance that it is managing federal awards in compliance with applicable laws and regulations, and (b) ensure compliance with laws and regulations that could have a material impact on the financial statements.
- The University has complied with laws and regulations that may have a direct and material effect on its financial statement amounts and those that may have a direct and material effect on each major federal program.

Our review of the system and procedures of the University as they relate to financial accounting, internal control and compliance, revealed certain matters involving the internal control structure and its operation that we have communicated to the management of the University in a separate letter dated October 22, 1999.

We would be pleased to respond to any questions or comments.

Very truly yours,

PricewaterhouseCoopers LLP

Cleveland State University
Table of Contents

	Pages
Part I Introduction	
Transmittal Letter	1
Additional Information	2
Part II Auditor's Reports	
GAGAS Report	3-4
A-133 Report	5-7
Part III Supplementary Financial Information	
Schedule of Expenditures of Federal Awards	8-11
Notes to Schedule of Expenditures of Federal Awards	12
Part IV Schedule of Findings and Questioned Costs	
Section I - Summary of the Auditor's Results	13
Section II - Financial Statement Findings	14-15
Section III - Summary of Current Year Findings and Questioned Costs	16-18
Section IV - Summary Schedule of Prior Year Findings and Questioned Costs.....	19

INTRODUCTION

CLEVELAND STATE UNIVERSITY

Report on Expenditures of Federal Awards in Accordance with OMB Circular A-133

for the year ended June 30, 1999

Additional Information

Lead Auditor: Donald Dailey
Telephone Number: (216) 687-4341

Our audit was performed between the months of August 1999 and November 1999 at the following facilities:

<u>Location</u>	<u>Description of Facility</u>
Cleveland State University 1983 East 24 th Street Cleveland, Ohio 44115	Fenn Tower and other administrative offices

Accrediting Organization: North Central Association of Colleges and Secondary Schools

Cleveland State University utilizes a SFA Consultant/Service:

University Accounting Services, Inc.
180 North Executive Drive
Brookfield, Wisconsin 53005

The Service provides the following functions:

- Periodic billing
- Payment processing
- File maintenance
- Past-due and delinquent accounts follow-up
- Maintaining repayment records

Copies of the Control Procedures Reports, performed by Deloitte and Touche L.L.P, for the Service were obtained. The reports for the year ended June 30, 1999, gave unqualified opinions.

Records for the accounting and administration of the SFA programs are located at Cleveland State University.

REPORTS

**Independent Accountants' Report on Compliance and
on Internal Control Over Financial Reporting Based on
an Audit of Financial Statements Performed In Accordance With
Government Auditing Standards**

The Board of Trustees of
Cleveland State University:

We have audited the financial statements of Cleveland State University as of and for the year ended June 30, 1999, and have issued our report thereon dated October 22, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Cleveland State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cleveland State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertion of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly,

would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that, along with the material weaknesses, were reported to management of Cleveland State University in a separate letter dated October 22, 1999.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

PricewaterhouseCoopers LLP

October 22, 1999

**Report Of Independent Accountants On Compliance
With Requirements Applicable To Each Major
Program And Internal Control Over Compliance
In Accordance With OMB Circular A-133**

To the Board of Trustees of
Cleveland State University

Compliance

We have audited the compliance of Cleveland State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit. We did not audit the University's compliance with the billing, recordkeeping, collection, payment processing, reporting and due diligence compliance requirements specified by the Perkins Federal Loan program ("Perkins Loan"), and described in the *OMB Circular A-133 Compliance Supplement*. Compliance with these requirements was examined by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

As described in items 99-2 and 99-3 in the accompanying schedule of findings and questioned costs, the University did not comply with requirements regarding eligibility and refunds that are applicable to its student financial aid programs. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to those programs.

In our opinion, based on our audit and the report of the other auditors, except for the noncompliance described in the preceding paragraph, the University complied, in all material

respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. On August 30, 1999, the University was notified of the Department of Education Office of Inspector General's intent to conduct an audit to determine whether the University administers its student financial aid programs according to applicable laws and regulations authorized by Title IV of the Higher Education Act of 1964, as amended. As the scope of the Department of Education's audit is significantly broader than that of an audit conducted in accordance with OMB Circular A-133, it is possible that their audit will identify other instances of noncompliance not contained within this report.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, except as noted in the following paragraph, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We did not consider internal control over compliance with the loan billing and collection compliance requirements specified by the Perkins Loan program and described in the OMB Circular A-133 Compliance Supplement. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon that report of the other auditors.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the University's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our and the other auditors' consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. The report of the other auditors noted no matters involving the internal control over compliance and its operation that they considered to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the University as of and for the year ended June 30, 1999, and have issued our report thereon dated October 22, 1999. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a

whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Trustees, management, the Auditor of the State of Ohio, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties

PricewaterhouseCoopers LLP

December 1, 1999

SUPPLEMENTAL FINANCIAL INFORMATION

Cleveland State University
Schedule of Expenditures of Federal Awards
for the year ended June 30, 1999

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Expenditures
Student Financial Aid		
Department of Education		
Direct programs		
Federal Pell Grant Program	84.063	6,507
Federal Work-Study Program	84.033	620
Federal Supplemental Educational Opportunity Grants	84.007	639
Federal Perkins Loan Program	84.038	402
Department of Education Subtotal		<u>8,170</u>
Department of Health and Human Services		
Direct programs		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	14,634
Department of Health and Human Services Subtotal		<u>14,634</u>
Total Student Financial Aid		<u>8,185,34</u>
Research and Development		
Department of Health and Human Services		
Direct programs		
Human Genome Research	93.172	179,913
Research Related to Deafness and Communication Disorders	93.173	28,467
Drug Abuse Research Programs	93.279	271,275
Blood Diseases and Resources Research	93.839	155,105
Microbiology and Infectious Diseases Research	93.856	78,618
Genetics and Developmental Biology Research	93.862	24,357
Center for Research for Mothers and Children	93.865	77,049
Aging Research	93.866	225,706
Pass Through Programs		
Case Western Reserve University-Maternal and Child Health Federal Consolidated Programs	93.110	26,280
Case Western Reserve University-Alcohol Research Programs	93.273	5,885
Telepractice, Inc.-Drug Abuse Research Programs	93.279	(1,583)
MetroHealth Medical Center-Drug Abuse Research Programs HHS	93.279	42,251
Cleveland Clinic Foundation-Clinical Research	93.333	11,804
Case Western Reserve University-Center for Research for Mothers and Children	93.865	48,114
Department of Health and Human Services Subtotal		<u>1,173,241</u>
National Aeronautics and Space Administration		
Direct programs		
Technology Transfer	43.002	1,779,803
Pass Through Programs		
University of Iowa-Technology Transfer	43.002	(8,153)
Anafex Corporation-Technology Transfer	43.002	46,668
Science Applications International Corp.-Technology Transfer	43.002	17,250
National Aeronautics and Space Administration Subtotal		<u>1,835,568</u>
National Science Foundation		
Direct programs		
Engineering Grants	47.041	73,086
Social, Behavioral, and Economic Sciences	47.075	4,303
Pass Through Programs		
Case Western Reserve University-Engineering Grants	47.041	8,597
CAMP-Engineering Grants	47.041	215
D.L. Greist & Associates-Engineering Grants	47.041	12,500
National Science Foundation Subtotal		<u>98,701</u>

United States Department of Agriculture		
Pass Through Programs		
American Association for the Advancement of Science-Agricultural and Rural Economic Research	10.250	20,500
United States Department of Agriculture Subtotal		<u>20,500</u>
Economic Development Administration		
Direct programs		
Economic Development Technical Assistance	11.303	5,884
Pass Through Programs		
National Association of State Development Agencies-Research and Evaluation Program	11.312	20,355
Economic Development Administration Subtotal		<u>26,239</u>
United States Department of Housing and Urban Development		
Direct programs		
Supportive Housing Program	14.235	21,823
Community Outreach Partnership Center Program	14.511	95,710
Pass Through Programs		
PEW Charitable Trust through State University of New York-Empowerment Zones Program	14.244	20
ABT Associates Inc.-Empowerment Zones Program	14.244	6,256
Cuyahoga Metropolitan Housing Authority-Community Outreach Partnership Center Program	14.511	11,139
United States Department of Housing and Urban Development Subtotal		<u>134,948</u>
National Institutes of Justice		
Pass Through Programs		
ABT Associates, Inc.-Justice Research, Development, and Evaluation Project Grants	16.560	27,165
University of Akron-Justice Research, Development, and Evaluation Project Grants	16.560	8,841
National Institutes Of Justice Subtotal		<u>36,006</u>
National Endowment for the Humanities		
Direct programs		
Promotion of the Humanities-Interpretive Research Program	45.140	9,571
Pass Through Programs		
San Diego Community College District-Promotion of the Humanities-Interpretive Research Program	45.140	984
University Of Denver-Promotion of the Humanities_Division of Preservation and Access	45.149	21,741
National Endowment for the Humanities Subtotal		<u>32,296</u>
Environmental Protection Agency		
Pass Through Programs		
Mangi Environmental Group-Water Quality Management Planning	66.454	101
Case Western Reserve University-Surveys, Studies, Investigations and Special Purpose Grants	66.606	250
Kent State University-Surveys, Studies, Investigations and Special Purpose Grants	66.606	23,185
Environmental Protection Agency Subtotal		<u>23,536</u>
Department Of Energy		
Pass Through Programs		
Clemson University-Office of Energy Research Financial Assistance Program	81.049	124,071
Department Of Energy Subtotal		<u>124,071</u>
United States Information Agency		
Pass Through Programs		
Council for International Exchange-Educational Exchange_University Lecturers (Professors) and Research Scholars	82.002	18,000
United States Information Agency Subtotal		<u>18,000</u>
United States Agency for International Development		
Pass Through Programs		
Johns Hopkins University-Teacher Exchange_New Independent States (NIS)	82.012	11,214
United States Agency for International Development Subtotal		<u>11,214</u>
Department Of Education		
Pass Through Programs		
Ohio Department Of Education-Special Education Grants to States	84.027	36,585
University Of Illinois-Urban Community Service	84.252	55,437
Ohio Department Of Education-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	27,969
Department Of Education Subtotal		<u>119,991</u>

Corporation for National and Community Service		
Pass Through Programs		
Ohio Campus Compact-Learn and Serve America-Higher Education	94.005	944
Corporation for National and Community Service Subtotal		<u>944</u>
Total Research and Development		<u>3,655,255</u>
 OTHER FINANCIAL ASSISTANCE		
United States Department of Agriculture		
Pass Through Programs		
Ohio Department of Education-Summer Food Service Program for Children	10.559	20,872
United States Department of Agriculture Subtotal		<u>20,872</u>
 Economic Development Administration		
Direct programs		
Economic Development Technical Assistance	11.303	17,591
Economic Development Administration Subtotal		<u>17,591</u>
 United States Department of Housing and Urban Development		
Direct programs		
Community Development Work-Study Program	14.512	(3,123)
Pass Through Programs		
Cuyahoga Metropolitan Housing Authority-Community Development Block Grants	14.218	39,525
Case Western Reserve University-Community Outreach Partnership Center Program	14.511	38,290
United States Department of Housing and Urban Development Subtotal		<u>74,692</u>
 Department of Labor		
Pass Through Programs		
Youth Opportunities Unlimited-Employment Services and Job Training_Pilot and Demonstration Programs	17.249	27,678
Ohio State University-Employment Services and Job Training_Pilot and Demonstration Programs	17.249	6,825
Ohio School to Work-Employment Services and Job Training_Pilot and Demonstration Programs	17.249	50,740
Department of Labor Subtotal		<u>85,243</u>
 National Aeronautics and Space Administration		
Direct programs		
Aerospace Education Services Program	43.001	372
Pass Through Programs		
Ohio Space Grant Consortium-Aerospace Education Services Program	43.001	7,601
Cuyahoga Community College-Aerospace Education Services Program	43.001	21,887
National Aeronautics and Space Administration Subtotal		<u>29,860</u>
 National Endowment for the Arts		
Direct programs		
Promotion of the Arts_Partnership Agreements	45.025	25,000
National Endowment for the Arts Subtotal		<u>25,000</u>
 National Labor Relations Board		
Pass Through Programs		
Washington D.C.-Labor Management Relations	46.001	237,017
National Labor Relations Board Subtotal		<u>237,017</u>
 National Science Foundation		
Direct programs		
Engineering Grants	47.041	269,756
Pass Through Programs		
CAMP, Inc.-Engineering Grants	47.041	90,176
Cuyahoga Community College-Engineering Grants	47.041	11,328
Lakeland Community College-Engineering Grants	47.041	25,869
Lorain County Community College-Engineering Grants	47.041	62,237
Youth Opportunities Unlimited-Engineering Grants	47.041	56,475
National Science Foundation Subtotal		<u>515,841</u>

Environmental Protection Agency		
Direct programs		
Surveys, Studies, Investigations and Special Purpose Grants	66.606	78,404
Superfund Innovative Technology Evaluation Program	66.807	60,643
Environmental Education Grants	66.951	17,261
Pass Through Programs		
C.Derk Janssen, Janssen & Associates-Surveys, Studies, Investigations and Special Purpose Grants	66.606	3,712
Kirsten Toth-Superfund Innovative Technology Evaluation Program	66.807	9,202
Environmental Protection Agency Subtotal		<u>169,222</u>
United States Information Agency		
Direct programs		
College and University Partnerships Program	82.010	66,274
Pass Through Programs		
New York Botanical Gardens-Educational Exchange_Graduate Students	82.001	2,400
NAFSA-Professional Development_International	82.009	3,983
United States Information Agency Subtotal		<u>72,657</u>
Department Of Education		
Direct programs		
Undergraduate International Studies and Foreign Language Programs	84.016	30,258
TRIO Student Support Services	84.042	328,735
Fund for the Improvement of Postsecondary Education	84.116	2,399
Pass Through Programs		
Ohio Department Of Education-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	283,870
Euclid City Schools-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	79,293
Ohio Board of Regents-Eisenhower Professional Development State Grants	84.281	44,323
Miami University-Eisenhower Regional Mathematics and Science Education Consortia	84.319	601
Department Of Education Subtotal		<u>769,479</u>
Department of Health and Human Services		
Direct programs		
Drug Abuse Scientist Development Awards, Research Scientist Development Awards, and Research Scientist Awards	93.277	12,363
Health Careers Opportunity Program	93.822	164,778
Health Administration Traineeships and Special Projects Program	93.962	31,796
Pass Through Programs		
National Youth Sports Program-President's Council on Physical Fitness and Sports	93.289	47,860
Cuyahoga County-Job Opportunities for Low-Income Individuals	93.593	13,438
Department of Health and Human Services Subtotal		<u>270,235</u>
Corporation for National and Community Service		
Pass Through Programs		
Ohio Department of Education-Learn and Serve America_School and Community Based Programs	94.004	91,455
Corporation for National and Community Service Subtotal		<u>91,455</u>
Total Other Financial Assistance		<u>2,379,164</u>
Total Federal Awards		<u>14,219,761</u>

Cleveland State University
Notes to Schedule of Expenditures of Federal Awards
for the year ended June 30, 1999

1. Summary of Significant Accounting Policies:

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant transactions of Cleveland State University (the "University") recorded on the accrual basis of accounting.

b. Subrecipients

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule of Expenditures of Federal Awards. The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as Pass Through Programs.

2. Indirect Cost Rates:

The University recovers indirect costs by means of predetermined fixed indirect cost rates. The predetermined fixed rates are a result of negotiated agreements with the Department of Health and Human Services. The predetermined fixed rates effective for the year ending June 30, 1999 are 63% for on-campus research and 23.1% for off-campus research. The base for the predetermined fixed rates is salaries and wages.

3. Loan Advances:

The following schedule represents total Perkins loans advanced to students by the University and outstanding balances for the Perkins program as of and for the year ended June 30, 1999.

	<u>CFDA Number</u>	<u>Amounts Advanced</u>	<u>Outstanding Balance</u>
Perkins Loan program	84.038	\$2,567,316	\$10,871,977

4. Federal Family Education Loan Program:

During the fiscal year ended June 30, 1999, the University processed \$ \$31,337,001 in new loans under the Federal Family Education Loan Program, CFDA Number 84.032.

**Cleveland State University
 Schedule of Findings and Questioned Costs
 for the year ended June 30, 1999**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified	
Internal Control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	_____ no
Reportable condition(s) identified not to be material weaknesses	_____ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no

Federal Awards:

Internal Control over major programs:		
Material weakness(es) identified	<u> X </u> yes	_____ no
Reportable condition(s) identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported
Type of auditor's report issued on compliance for major programs?	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u> X </u> yes	_____ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
See Schedule of Expenditures of Federal Awards	Student Financial Aid, Research and Development

Dollar threshold used to distinguish between Type A and Type B programs: \$ 427,363

Auditee qualified as low-risk auditee X Yes _____ no

**Cleveland State University
Schedule of Findings and Questioned Costs
Section II - Financial Statement Findings
for the year ended June 30, 1999**

Finding #99-1: Lack of Monitoring Controls over Student Accounts Receivable and Insufficient Controls over PeopleSoft Student Finance and Student Financial Aid Modules

Condition

During our assessment of monitoring controls, we noted that there were insufficient controls over student accounts receivable. Specifically, the student accounts receivable general ledger account balances were not reconciled to the subledger from the date of the PeopleSoft Student Finance module implementation through year-end. Additionally during this time, no aging report was generated. As a result, the student accounts receivable aging deteriorated and no accounts were referred to collection agencies.

During our review of the PeopleSoft Student Finance and Student Financial Aid modules, we noted several items indicating the lack of controls over these modules:

1. Controls were not in place to ensure the accuracy, completeness and validity of refunds.
2. The "Fee Calculation Error Report" was not being generated to ensure tuition and fees were calculated accurately and completely.
3. Balancing and transmission of interfaced files were not systematically controlled through the use of header or trailer records, hash totals or date/time stamping.
4. Reconciliations were not performed to ensure converted data from legacy systems were tested.
5. Weaknesses existed in the training of users prior to going live on the new system.
6. Segregation of duties involving access to both the general ledger and student financial processing environments should be enhanced.
7. Access to system control settings involving definition of business processing rules and correction functionality should be restricted and monitored.

Cause

The Open Item report and aging report had to be written and programmed by the University, as they were not generated by the PeopleSoft system. These reports were written in August 1999.

Due to the time required to convert to the PeopleSoft system and acquire the functionality necessary to process student accounts receivable, the University addressed items considered most critical to carrying out normal business functions. As a result, items 1 - 7 above were not addressed during the current fiscal year.

**Cleveland State University
Schedule of Findings and Questioned Costs
Section II - Financial Statement Findings
for the year ended June 30, 1999**

Finding #99-1: Lack of Monitoring Controls over Student Accounts Receivable and Insufficient Controls over PeopleSoft Student Finance and Student Financial Aid Modules, Continued

Recommendation

The student accounts receivable Open Items Report should be generated and reconciled to the general ledger account balances as part of the month-end closing procedures. The aging report should also be generated on a monthly basis.

Action should be taken to address the lack of controls described as items 1 -7 above.

Management Response

The Open Item report is being generated at the end of each month effective September 1999 and will be reconciled to the general ledger monthly. The aging report is being run on a monthly basis and utilized by the Bursar's Office to monitor accounts receivable balances.

The following action has been taken to address controls over the Student Finance and Student Financial Aid modules:

1. Controls have been established to ensure the accuracy, completeness and validity of refunds.
2. The University utilizes a query process to ensure that tuition and fees are calculated accurately and completely.
3. Manual processes are in place to monitor and control interface runs. A request for automation of these controls will be sent to PeopleSoft.
4. The University has performed reconciliations to ensure converted data is complete.
5. A training manager has been identified to develop standard PeopleSoft training courses.
6. Access has been reviewed by the University.
7. Access will be reviewed by the University and modified as appropriate.

Cleveland State University
Schedule of Findings and Questioned Costs, Continued
Section III - Summary Schedule of Current Year Findings and Questioned
Costs
for the year ended June 30, 1999

Finding #99-2: Pell Award Amounts were Based on Incorrect Enrollment Information

Questioned Costs

\$4,250

Condition

During our testing of Pell Grant awards, it was noted that the University did not properly account for enrollment status when calculating awards. As a result, four of twenty students tested received amounts in excess of what they were eligible for based on the number of hours enrolled during the current year. Although the University identified students receiving excess awards, no adjustment was made to subsequent financial aid payments in the 1998-99 award year.

Criteria

34CFR690.63 provides guidance as to the calculation of a Federal Pell Grant for a payment period. The University must first determine the student's enrollment status for the term and determine his or her annual award based on that enrollment status.

Cause/Effect

The University did not monitor enrollment status of recipients prior to disbursing awards.

Recommendation

The University should implement established procedures to ensure that awards are properly calculated based on enrollment status.

Management Response

The 1998-99 award year was the first year CSU utilized the PeopleSoft system. One area of concern was monitoring enrollment status for purposes of financial aid, which had to be done different than under the legacy system. These student awards were corrected as part of the institution's year end review, July 1999. Currently, in order to conform to 34CFR690.63, the Cleveland State University Financial Aid Office now assesses enrollment status for student financial aid awarding on the second day of classes. The second day of class report identifies those students who have financial aid awards and are attending less than full time. Financial Aid staff makes adjustments to those less than fulltime student awards as required for compliance.

**Cleveland State University
Schedule of Findings and Questioned Costs, Continued
Section III - Summary Schedule of Current Year Findings and Questioned
Costs
for the year ended June 30, 1999**

Finding #99-3: Refunds to Title IV Programs Were Not Processed

Questioned Costs

\$1,691

Condition

During our testing of students subject to refunds, we noted that while refund calculations were prepared, no refunds were returned to the Title IV programs. Of five students tested, three were calculated as having refunds due but not processed. The students were identified and refunds were calculated subsequent to June 30, 1999.

Criteria

34CFR668.22 requires that refunds to Title IV program accounts at the institution be returned within 30 days of the date that the student officially withdraws, or, in the case of an unofficial withdrawal, within 30 days of the date of determination by the school that the student ceased attending.

Cause/Effect

The University did not identify students subject to Federal refunds during the 1998-99 award year.

Recommendation

We recommend that the University ensure that established procedures are followed relating to refund processing.

Cleveland State University
Schedule of Findings and Questioned Costs, Continued
Section III - Summary Schedule of Current Year Findings and Questioned
Costs
for the year ended June 30, 1999

Finding #99-3: Refunds to Title IV Programs Were Not Processed, Continued

Management Response

The 1998-99 award year was the first year CSU utilized the PeopleSoft system, therefore refunds were not timely completed. One area of concern during that first year was meeting the requirement that refunds to Title IV program accounts be returned within thirty days. The three student refunds were correctly calculated as of September 29, 1999.

CSU has established and put into place a process where the Bursars Office runs a query to the PeopleSoft computer system to generate a list of students receiving title IV who have dropped classes/credit hours to zero. Segregation is also made of first time students receiving title IV aid. For first time students CSU uses the federal pro rata method to calculate refunds. This method is determined by the student withdraw date and determination of time remaining in the enrollment period. From the refund calculation is deducted 5% of the tuition amount for administrative expenses. For the first time students two calculations are made for the student by way of the CSU policy and by way of the federal method. A comparison is made of the two and the method yielding the greater refund is given the student. The Bursars advises the Student Financial Aid Office when refunds are calculated. The Financial Aid Office identifies which program receives the refunds.

Cleveland State University
Section IV - Summary Schedule of Prior Year Findings and Questioned Costs
for the year ended June 30, 1999

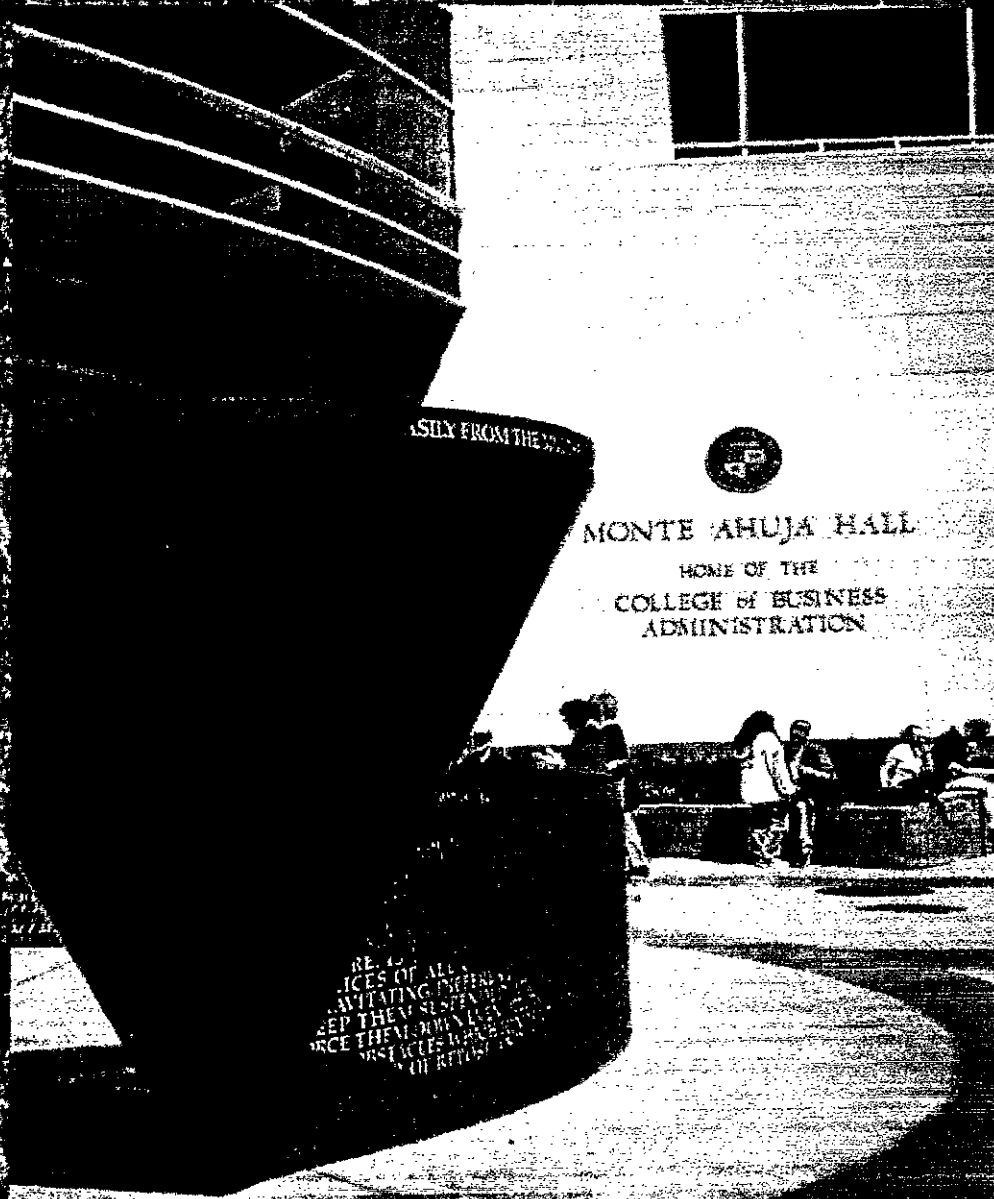
No matters were reported.

Cleveland State University



1999 Annual Financial Report

Cleveland State University



1999 Annual Financial Report

CONTENTS

Trustees, Officers, Financial Administration	ii
Independent Accountants' Report	1
Balance Sheet	2
Statement of Changes in Unallocated Fund Balances	4
Statement of Current Funds Unallocated Revenues, Expenditures and Other Changes	6
Statement of Changes in Allocated Fund Balances	7
Notes to Financial Statements.....	8
Independent Accountants' Report on Supplementary Information	16
Supplemental Information - Disclosures About Year 2000 Issues	17

Annual Report cover designed by Daisy Douglas, Controller's Office Administrative Secretary.

Photograph of the new College of Business Administration building, courtesy of the Cleveland State University Public Relations and Publications Department.

No person will be denied opportunity for employment or education or be subject to discrimination in any project, program, or activity because of race, color, religion, sex, sexual orientation, national origin, age, handicap or disability, disabled veteran or Vietnam era veteran status.

BOARD OF TRUSTEES

	<u>Date of Appointment</u>	<u>Expiration of Term</u>
William F. Patient, Chairman	September 1, 1993	May 1, 2002
David G. Hill, Vice Chairman	March 25, 1996	May 1, 2001
Michael L. Climaco, Treasurer	January 23, 1997	May 1, 2006
Monte Ahuja	May 1, 1991	May 1, 2000
Timothy J. Cosgrove	October 20, 1997	May 1, 2007
Edward F. Crawford	January 23, 1997	May 1, 2005
Sally Florkiewicz	June 26, 1998	May 1, 2003
Carl D. Glickman	June 4, 1999	May 1, 2008
Samuel H. Miller	May 7, 1999	May 1, 2004
Joyce M. Mastboom, Faculty Representative		
Donna B. Phillips, Faculty Representative		
Nancy J. Cribbs, Secretary		

OFFICERS

Claire A. Van Ummersen, President
Harold L. Allen, Provost and Senior Vice President for Academic and Student Affairs
Christine A. Jackson, Vice President for Finance and Administration
Joseph S. Nolan, Vice President for Human Resources Development and Labor Relations
Njeri Nuru-Holm, Vice President for Minority Affairs and Community Relations
and Vice Provost for Student Affairs

FINANCIAL ADMINISTRATION

Christine A. Jackson, Vice President for Finance and Administration
Brian Cook, Controller
David Lubera, Assistant Controller
Amy J. Petrus, Manager of General Accounting
George Chromik, Manager of Grant Accounting
Richard L. Rummel, Director of Budget and Financial Analysis
Jack B. Ganz, Bursar
Judith A. Richards, Director of Audits



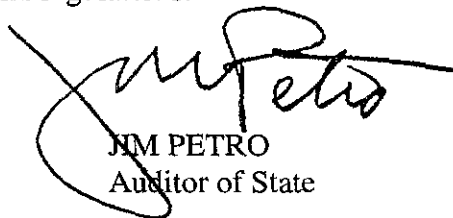
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

Board of Trustees
Cleveland State University
Cleveland, Ohio

We have reviewed the Independent Auditor's Report of Cleveland State University, Cuyahoga County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Cleveland State University is responsible for compliance with these laws and regulations.



JM PETRO
Auditor of State

January 12, 2000

PricewaterhouseCoopers LLP
1500 One Cleveland Center
1375 East Ninth Street
Cleveland OH 44114-1700
Telephone (216) 875 3000
Facsimile (216) 575 0170

Report of Independent Accountants

The Board of Trustees of
Cleveland State University:

In our opinion, the accompanying balance sheet and the related statements of changes in unallocated fund balances, current funds unallocated revenues, expenditures and other changes and changes in allocated fund balances present fairly, in all material respects, the financial position of Cleveland State University ("University") as of June 30, 1999, and the changes in unallocated fund balances, current funds unallocated revenues, expenditures and other changes and changes in allocated fund balances for the year then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the University's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 1998 financial statements; and in our report dated October 15, 1998 we expressed an unqualified opinion on those statements. We conducted our audit of these statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 1999 on our consideration of Cleveland State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

PricewaterhouseCoopers LLP

October 22, 1999

CLEVELAND STATE UNIVERSITY

Balance Sheet

June 30, 1999

(With comparative figures at June 30, 1998)

ASSETS

	June 30, 1999	June 30, 1998
Current Funds		
Unrestricted		
Educational and General		
Investments	\$29,928,398	\$37,041,424
Accounts Receivable, Less Allowance of	7,991,041	5,254,339
\$2,492,923 in 1999 and \$788,898 in 1998	259,082	547,746
Accrued Interest Receivable	159,584	162,534
Inventories, at Cost	3,910,365	1,983,301
Prepaid Expenses and Deferred Charges		
Total Educational and General	<u>\$42,246,470</u>	<u>\$44,989,343</u>

Auxiliary Enterprises		
Cash	661,356	820,349
Investments	878,674	635,107
Accounts Receivable, Less Allowance of		
\$194,141 in 1999 and \$55,141 in 1998	702,413	526,654
Inventories, at Cost	30,587	28,303
Prepaid Expenses and Deferred Charges	57,806	81,792
Total Auxiliary Enterprises	<u>\$2,330,835</u>	<u>\$2,090,205</u>
Total Unrestricted	<u>\$44,577,305</u>	<u>\$47,079,548</u>

Restricted		
Investments	4,461,291	4,186,408
Accounts Receivable	1,328,507	1,159,450
Unbilled Charges	3,101,807	3,451,301
Total Restricted	<u>\$8,891,605</u>	<u>\$8,797,159</u>
Total Current Funds	<u>\$53,468,910</u>	<u>\$55,876,707</u>

Loan Funds		
Cash	65,107	5,757
Notes Receivable, Less Allowances of		
\$753,228 in 1999 and \$633,622 in 1998	10,150,035	8,913,188
Accounts Receivable	148,068	153,688
Accrued Interest Receivable	284,610	226,104
Total Loan Funds	<u>\$10,645,840</u>	<u>\$9,297,737</u>

LIABILITIES AND FUND BALANCES

	June 30, 1999	June 30, 1998
Current Funds		
Unrestricted		
Educational and General		
Accounts Payable	\$6,229,947	\$3,732,435
Accrued Liabilities	12,752,791	15,223,594
Deposits	117,772	75,278
Deferred Income	8,700,243	7,530,831
Fund Balances:		
Allocated	14,445,717	16,427,405
Total Educational and General	<u>\$42,246,470</u>	<u>\$44,989,343</u>

Auxiliary Enterprises		
Accounts Payable	466,621	363,541
Accrued Liabilities	275,251	239,399
Deposits and Deferred Income	270,159	484,923
Fund Balances:		
Allocated	(69,960)	(121,736)
Unallocated	1,388,764	1,124,078
Total Auxiliary Enterprises	<u>\$2,330,835</u>	<u>\$2,090,205</u>
Total Unrestricted	<u>\$44,577,305</u>	<u>\$47,079,548</u>

Restricted		
Accounts Payable	197,381	1,104,683
Accrued Liabilities	754,144	796,179
Fund Balances	7,940,080	6,896,297
Total Restricted	<u>\$8,891,605</u>	<u>\$8,797,159</u>
Total Current Funds	<u>\$53,468,910</u>	<u>\$55,876,707</u>

Loan Funds		
Fund Balances:		
U.S. Government Grants:		
Perkins Loan	8,413,530	7,901,150
University Funds:		
Restricted	2,228,121	1,392,401
Unrestricted	4,186	4,186
Total Loan Funds	<u>\$10,645,840</u>	<u>\$9,297,737</u>

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
Statement of Changes in Unallocated Fund Balances
Year Ended June 30, 1999

CURRENT FUNDS

	Unrestricted			Restricted			Total Current Funds Unallocated
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted	
Revenues and Other Additions							
Unrestricted Current Fund Revenues	\$132,823,242	\$9,616,346	\$142,439,588	\$0	\$0	\$0	\$142,439,588
State Appropriations - Restricted	0	0	0	3,989,410	0	3,989,410	3,989,410
Federal Grants and Contracts - Restricted	0	0	0	14,308,434	0	14,308,434	14,308,434
State Grants and Contracts - Restricted	0	0	0	6,265,661	0	6,265,661	6,265,661
Local Grants and Contracts - Restricted	0	0	0	134,581	0	134,581	134,581
Private Gifts, Grants and Contracts - Restricted	0	0	0	4,034,743	564,511	4,599,254	4,599,254
Endowment Income - Restricted	0	0	0	677,245	0	677,245	677,245
Total Revenues and Other Additions	132,823,242	9,616,346	142,439,588	29,410,074	564,511	29,974,585	172,414,173
Expenditures and Other Deductions							
Educational and General Expenditures	131,795,418	0	131,795,418	27,280,686	0	27,280,686	159,076,104
Auxiliary Enterprises Expenditures	0	11,942,307	11,942,307	0	692,762	692,762	12,635,069
Indirect Costs Recovered	0	0	0	1,170,914	0	1,170,914	1,170,914
Total Expenditures and Other Deductions	131,795,418	11,942,307	143,737,725	28,451,600	692,762	29,144,362	172,882,087
Transfers Among Funds - Additions/(Deductions)							
Mandatory							
Principal and Interest	(225,204)	(1,254,845)	(1,480,049)	0	0	0	(1,480,049)
Loan Fund Matching Grant	(881,890)	0	(881,890)	0	0	0	(881,890)
Nonmandatory							
Support to Auxiliary Enterprises	(3,897,268)	3,897,268	0	0	0	0	0
Allocated Fund Balance - Net	3,981,688	(51,776)	3,929,912	0	0	0	3,929,912
Transfers (To)/From Endowments/Quasi-endowments	(5,150)	0	(5,150)	213,560	0	213,560	208,410
Total Transfers	(1,027,824)	2,590,647	1,562,823	213,560	0	213,560	1,776,383
Net Increase/(Decrease) for Year	0	264,686	264,686	1,172,034	(128,251)	1,043,783	1,308,469
Fund Balance at Beginning of Year	0	1,124,078	1,124,078	6,752,601	143,696	6,896,297	8,020,375
Fund Balance at End of Year	\$0	\$1,388,764	\$1,388,764	\$7,924,635	\$15,445	\$7,940,080	\$9,328,844

See accompanying notes to financial statements.

Continued

CLEVELAND STATE UNIVERSITY
Statement of Changes in Unallocated Fund Balances (Continued)
Year Ended June 30, 1989

	PLANT FUNDS						
	LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant	Total Plant Funds
Revenues and Other Additions	\$0	\$0	\$0	\$0	\$0	\$6,604,068	\$6,604,068
State Appropriations - Restricted	402,600	0	0	0	0	0	0
Federal Grants and Contracts - Restricted	0	0	2,482,855	0	0	0	2,482,855
State Grants and Contracts - Restricted	2,569	46,140	0	0	0	129,967	129,967
Private Gifts, Grants and Contracts - Restricted	0	212,357	0	0	0	0	0
Investment Income - Restricted	329,290	0	0	0	0	0	0
Interest on Loans Receivable	0	0	0	0	0	0	0
Expended for Plant Facilities (Including \$6,390,502 Charged to Current Funds Expenditures)	0	0	0	0	0	6,296,675	6,296,675
Retirement of Indebtedness	0	0	0	0	0	795,000	795,000
Other Sources	0	0	483,368	0	0	0	483,368
Total Revenues and Other Additions	734,759	258,497	2,876,223	0	0	13,825,710	16,801,933
Expenditures and Other Deductions							
Loan Cancellations and Write-offs	150,036	0	0	0	0	0	0
Administrative and Collection Costs	118,510	0	0	0	0	0	0
Expended for Plant Facilities (Including Non-Capitalized Expenditures of \$2,482,855)	0	0	2,882,396	0	0	0	2,882,396
Retirement of Indebtedness	0	0	0	0	795,000	0	795,000
Interest on Indebtedness	0	0	0	0	685,049	0	685,049
Disposals and Write-offs of Plant Facilities	0	0	0	0	0	20,157,091	20,157,091
Total Expenditures and Other Deductions	268,546	0	2,882,396	0	1,480,049	20,157,091	24,519,536
Transfers Among Funds - Additions/(Deductions)							
Mandatory							
Principal and Interest	0	0	0	0	1,480,049	0	1,480,049
Loan Fund Matching Grant	881,890	0	0	0	0	0	0
Nonmandatory							
Allocated Fund Balance - Net	0	0	123,523	0	0	0	123,523
Deductions from Endowments/Quasi-endowments	0	(208,410)	0	0	0	0	0
Total Transfers	881,890	(208,410)	123,523	0	1,480,049	0	1,603,572
Net Increase/(Decrease) for Year	1,348,103	50,087	217,350	0	0	(6,331,381)	(6,114,031)
Fund Balance at Beginning of Year	9,297,737	2,509,545	30,297	34,138	46	444,445,512	444,509,993
Fund Balance at End of Year	\$10,645,840	\$2,559,632	\$247,647	\$34,138	\$46	\$438,114,131	\$438,395,962

See accompanying notes to financial statements.

Continued

CLEVELAND STATE UNIVERSITY
Statement of Current Funds Unallocated Revenues, Expenditures, and Other Changes
Year Ended June 30, 1999
 (With comparative totals for the year ended June 30, 1998)

	Unrestricted			Restricted			Total Current Funds June 30, 1999	Total Current Funds June 30, 1998
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted		
Revenues:								
Tuition, Fees and Other Student Charges	\$62,184,541	\$0	\$62,184,541	\$0	\$0	\$0	\$62,184,541	\$61,102,122
State Appropriations	64,860,790	0	64,860,790	3,825,645	0	3,825,645	68,686,435	67,201,826
Federal Grants and Contracts	898,680	0	898,680	12,933,704	5,366	12,939,070	13,837,750	13,446,208
State Grants and Contracts	124,844	0	124,844	5,245,487	0	5,245,487	5,370,331	7,058,058
Local Grants and Contracts	14,008	0	14,008	181,875	0	181,875	175,683	275,005
Private Gifts, Grants and Contracts	157,017	0	157,017	4,285,934	687,396	4,953,330	5,110,347	4,580,660
Endowment Income	0	0	0	848,241	0	848,241	848,241	350,510
Sales and Services	1,980,397	9,616,346	11,596,743	0	0	0	11,596,743	10,720,659
Other Sources	2,602,965	0	2,602,965	0	0	0	2,602,965	2,982,533
Total Revenues	132,823,242	9,616,346	142,439,588	27,280,686	692,762	27,973,448	170,413,036	167,717,581
Expenditures and Mandatory Transfers:								
Educational and General:								
Instruction and Departmental Research	59,581,408	0	59,581,408	3,712,395	0	3,712,395	63,273,803	60,880,590
Separately Budgeted Research	2,264,627	0	2,264,627	7,824,901	0	7,824,901	10,089,528	9,845,116
Public Service	2,227,754	0	2,227,754	2,973,160	0	2,973,160	5,200,914	5,762,861
Academic Support	16,486,530	0	16,486,530	867,382	0	867,382	17,353,912	16,818,120
Student Services	14,131,131	0	14,131,131	164,548	0	164,548	14,295,679	15,081,665
Institutional Support	19,740,129	0	19,740,129	433,857	0	433,857	20,173,986	17,735,875
Operation and Maintenance of Plant	14,943,762	0	14,943,762	420,641	0	420,641	15,364,403	14,188,406
Scholarships and Fellowships	2,440,077	0	2,440,077	10,883,802	0	10,883,802	13,323,879	12,052,918
Total Educational and General Expenditures	131,795,418	0	131,795,418	27,280,686	0	27,280,686	159,076,104	152,365,551
Auxiliary Enterprises	0	11,942,307	11,942,307	0	692,762	692,762	12,635,069	11,114,451
Mandatory Transfers:								
Principal and Interest	225,204	1,254,845	1,480,049	0	0	0	1,480,049	1,493,554
Loan Fund Matching Grant	881,890	0	881,890	0	0	0	881,890	153,705
Total Expenditures and Mandatory Transfers	132,902,512	13,197,152	146,099,664	27,280,686	692,762	27,973,448	174,073,112	165,127,261
Nonmandatory Transfers and Additions/(Deductions):								
Nonmandatory Transfers:								
Capital Improvements	0	0	0	0	0	0	0	(303,464)
Support to Auxiliary Enterprises	(3,897,268)	3,897,268	0	0	0	0	0	0
Current Allocated Fund Balance-Net	3,981,688	(\$1,776)	3,929,912	0	0	0	3,929,912	(1,939,953)
Transfers (To)/From Endowments/Quasi-endowments	(5,150)	0	(5,150)	213,560	0	213,560	208,410	215,648
Excess of Restricted Receipts Over Transfers to Revenue	0	0	0	2,128,388	(128,251)	2,001,137	2,001,137	1,601,830
Indirect Costs Recovered	0	0	0	(1,170,914)	0	(1,170,914)	(1,170,914)	(1,171,748)
Refunded to Grantor	0	0	0	0	0	0	0	(3,480)
Net Increase/(Decrease) in Fund Balance	\$0	\$264,686	\$264,686	\$1,172,034	(\$128,251)	\$1,043,783	\$1,308,469	\$989,153

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
Statement of Changes in Current Funds Allocated Fund Balances
Year Ended June 30, 1999

	Balance June 30, 1998	Transferred from Unallocated	Returned to Unallocated	Balance June 30, 1999
Educational and General:				
Student General Fee	527,603	199,017	0	726,620
University Reserve	9,064,144	0	(1,752,554)	7,311,590
Encumbrances	3,423,072	1,109,191	(3,423,072)	1,109,191
Department Carry Over	4,334,706	4,437,039	(4,334,706)	4,437,039
Faculty Center	150,000	0	0	150,000
Advertising	216,603	0	(216,603)	0
Fringe Benefits	711,277	0	0	711,277
Total Educational and General	18,427,405	5,745,247	(9,726,935)	14,445,717
Auxiliary Enterprises:				
Encumbrances	7,595	50,624	(7,595)	50,624
Department Carry Over	(129,331)	(120,584)	129,331	(120,584)
Total Auxiliary Enterprises	(121,736)	(69,960)	121,736	(69,960)
Plant Funds:				
Unexpended	123,673	0	(123,524)	149
Renewals & Replacements	1,861,814	0	0	1,861,814
Total Plant Funds	1,985,487	0	(123,524)	1,861,963

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Cleveland State University (the University) was established by the General Assembly of the State of Ohio in 1964 by statutory act under Chapter 3344 of the Revised Code of the State of Ohio. As such, it is a component unit of the State of Ohio. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

Accrual and Fund Accounting

The financial statements of the University have been prepared on the accrual basis and are in accordance with generally accepted accounting principles and the principles of fund accounting for governmental educational institutions. Under these accounting methods, resources for various purposes are classified into funds in accordance with specific activities or objectives, with separate accounts maintained for each fund. For reporting purposes, funds with similar characteristics are combined into fund groups, and financial transactions are recorded and reported by such fund groups.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from internally designated and unrestricted funds. Restricted funds may only be utilized in accordance with the purposes established by the source of such funds. Internally designated funds are unrestricted funds that, at the discretion of the Board of Trustees, have been designated for specific purposes.

Unrestricted and internally designated funds are accounted for initially in the unrestricted current fund group, and then in the fund group designated by the Board of Trustees. Restricted revenues are accounted for in the appropriate restricted fund and are reported as revenues when utilized for current operating purposes. All gains and losses arising from the sale, collection or other disposition of investments and noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments and receivables is accounted for in the fund owning such assets, except for income derived from investments of endowments which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

To the extent current funds are used to finance plant assets, the amounts so provided are accounted for as (1) current fund expenditures in the case of normal replacement of moveable equipment, library books, and furniture, (2) mandatory transfers to the plant fund groups in the case of required provisions for principal and interest, and (3) nonmandatory transfers to the plant fund groups in all other cases.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

Loan Funds

The portion of loan fund balances identified as University Funds-Unrestricted consists primarily of the University's matching funds provided in accordance with the requirements of the Perkins Loan program. These funds must be retained in the Loan Fund as long as the University participates in the program.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments, requiring in perpetuity that the principal be invested and the income only be utilized. The University may set aside other assets for the same purposes as Endowment Funds (quasi-endowment); the University may expend the principal of quasi-endowments at any time.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, if acquired by gift, at an estimated fair value at the date of the gift. The University follows the general governmental educational institution practice of not providing for depreciation.

Financial Statements

The statement of current funds unallocated revenues, expenditures and other changes is a statement of financial activity of current funds related to the current reporting period. This statement is presented in two sections to separately account for unrestricted funds, over which the Board of Trustees has full control as to use in achieving any of its institutional purposes, in contrast to restricted current funds, which use is limited to specified activities or objectives. Unrestricted revenues reported in this statement represent funds available for current operating needs, while restricted revenues represent only those restricted funds utilized for current year expenditures. Certain other current restricted fund expendable resources, received during the year, will be reported as revenues as expended in future periods in accordance with their terms.

Compensated Absences

Classified employees earn vacation at rates specified under State of Ohio law. Full time administrators and twelve-month faculty earn vacation at a rate of 22 days per year. The maximum amount of vacation that an employee can carry over from one fiscal year to the next is 30 days.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full time employees). This sick leave will either be absorbed by time off due to illness or injury or be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum of 240 hours.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

The University has accrued a liability for all accumulated vacation hours, plus an estimate of the amount of sick leave that will be paid upon retirement. Salary-related fringe benefits have also been accrued. The balance in the liability for compensated absences was \$4,812,579 at June 30, 1999.

NOTE 2 - CASH AND INVESTMENTS

In accordance with the Board of Trustees' resolution, the University is authorized to invest non-endowment short-term funds in certificates of deposit, commercial paper, repurchase agreements, short-term United States treasury securities or federal government agency securities. Endowment and restricted quasi-endowment funds may also be invested in equities.

Cash: Cash and cash equivalents are combined into one pool for making daily cash and investment transactions and the pool is allocated to the respective fund groups for financial statement presentation. At year end, the carrying amount of the cash and cash equivalents in all funds showed an overdraft of \$2,043,858, as compared to bank balances of \$1,519,870. The difference in carrying amount and bank balance was caused by items in transit. Of the bank balance, \$319,619 was covered by federal depository insurance, and \$1,200,251 was covered by collateral held by the trust department of a bank other than the pledging bank in the name of the pledging bank.

Investments: The University records its investments at fair value with all related investment income, including the change in the fair value of investments and realized gains and losses, reflected in the University's current operations.

The University's investment portfolio consists of U.S. Government Securities; the State Treasury Asset Reserve; and stock and bond mutual funds.

Fair value is based on quoted market prices. Investments held by the University at June 30, 1999 were as follows:

	<u>Market</u>	<u>Cost</u>
State Treasury Asset Reserve	\$ 34,917,274	\$34,917,274
U.S. Government Securities	20,133,394	20,200,000
Bond Mutual Funds	818,304	838,313
Stock Mutual Funds	1,741,328	1,519,271
Total	<u>\$57,610,300</u>	<u>\$57,474,858</u>

All United States government securities are uninsured, unregistered, and held either by the safekeeping or trust departments of the University's various banks in the names of the respective banks.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - STATE SUPPORT

The University is a state-assisted institution of higher education, which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually, based upon a formula devised by the Ohio Board of Regents. The University also receives restricted funding from the State.

In addition, the State of Ohio provides the funding and constructs major plant facilities on the University's campus. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn causes the construction and subsequent lease of the facility, by the Ohio Board of Regents. Upon completion, the Board of Regents turns over control of the facility to the University. Neither the obligation for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. These are currently being funded through appropriations to the Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

NOTE 4 – PLANT FUND ADJUSTMENT

Effective July 1, 1998 the University revised its policy for movable equipment by changing the minimum asset value for capitalization from \$500 to \$2,500. The policy was revised in order to reduce the administrative costs associated with maintaining the furniture and movable equipment inventory records. The revised policy has been applied retroactively to assets under \$2,500 acquired in previous years resulting in a \$19,464,613 write-off which is included in the statement of changes in fund balances under "disposals and write-offs of plant facilities". The write-off is not considered material to the Investment in Plant fund balance or the University's financial statements taken as a whole.

NOTE 5 - OBLIGATIONS UNDER CAPITAL LEASES

The University leases various pieces of equipment, which have been recorded as capital leases in amounts representing the present value of future minimum lease payments. The original obligation under all capital leases was \$6,347,410. The obligation as of June 30, 1999, was \$2,651,577.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 1999 are as follows:

Fiscal year ending <u>June 30,</u>	<u>Amount</u>
2000	\$874,227
2001	850,663
2002	801,810
2003	341,916
2004	133
Total minimum lease payments	<u>\$2,868,749</u>
Less amount representing interest	<u>217,172</u>
Present value of net minimum lease payments	<u><u>\$2,651,577</u></u>

NOTE 6 - NOTES PAYABLE

Notes payable consists of a \$18,500,000 bond anticipation note bearing interest at varying rates from 3.80% to 3.85%. It was issued on January 26, 1999. The proceeds are being used to fund the construction a new building for the College of Urban Affairs. The University anticipates that the principal of the Notes will be paid from State appropriations to be made to the University specifically for the project. Principal amounts payable in fiscal years ending June 30, 2000 and June 30, 2001 are \$9,250,000 and \$9,250,000, respectively.

NOTE 7 - BONDS PAYABLE

The University has two general receipt bond issues outstanding. The Bonds were issued May 1, 1993 and November 1, 1996. The proceeds were used to refinance existing debt and to renovate existing buildings. There are various call provisions and interest is paid semi-annually.

The original principal amount for series 1993 General Receipts Bond was \$12,840,000. The amount outstanding at June 30, 1999 was \$9,525,000. Interest rates on the bonds vary from 2.8% to 5.5%. Principal amounts payable for fiscal years ending June 30, 2000 through June 30, 2004 are \$520,000, \$550,000, \$575,000, \$600,000, and \$635,000, respectively.

The original principal amount for series 1996 General Receipts Bond was \$3,430,000. The amount outstanding at June 30, 1999 was \$2,920,000. Interest rates vary from 3.9% to 5.25%. Principal amounts payable to fiscal years ending June 30, 2000 through June 30, 2004 are \$185,000, \$195,000, \$200,000, \$210,000, and \$220,000, respectively.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - RETIREMENT PLANS

Substantially all non-student University employees are covered by either the State Teachers Retirement System of Ohio (STRS) or the Public Employees Retirement System of Ohio (PERS). Both systems are cost-sharing multiple-employer public employees retirement systems.

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Contribution rates are established by the State Teachers Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 9.3% of covered payroll and employers contribute 14% of covered payroll. The University's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$6,347,615, \$5,974,185, and \$5,650,628, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3771, or by calling (614) 227-4050.

PERS is a statewide retirement plan, which covers non-teaching University employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Contribution rates are established by the Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 8.5% of covered payroll and employers contribute 13.31% of covered payroll. The University's contributions to PERS for the years ending June 30, 1999, 1998, and 1997 were \$4,594,604, \$4,414,869, and \$4,243,356, respectively, equal to the required contributions for each year. PERS issues a stand-alone financial report. The report may be obtained by writing to PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

In addition to pension benefits, STRS and PERS provide postretirement health care benefits to retirees. Statutory authority for employer contributions to fund postretirement health care benefits is provided by the Ohio Revised Code.

STRS allocates one-seventh of employer contributions to a health care reserve fund. The portion of the University's fiscal year 1999 contribution allocated by STRS to the health care reserve fund was approximately \$907,000. The balance in the health care reserve fund at June 30, 1998 was \$2,156,000,000.

PERS allocates a portion of each employer's contribution to fund postretirement health care benefits; for the year ended December 31, 1998 the state employers rate was 4.2% and the law enforcement employers rate was 4.2%. The portion of the University's fiscal year 1999 contribution allocated by PERS to fund postretirement health care benefits was approximately \$1,449,000. At December 31, 1998 the unaudited estimated net assets

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

available for future postretirement benefit payments were \$9,447,325,318.

NOTE 9 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University maintains a self-insured dental plan for its employees. A liability for unpaid dental claims (including estimated incurred but not reported claims) in the amount of \$100,000 has been accrued as of June 30, 1999.

On July 1, 1993, the University joined with eleven other state-assisted universities in Ohio to form an insurance-purchasing pool for the acquisition of commercial property insurance. The University pays an annual premium to the pool for its property insurance coverage. The University carries commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - RELATED ORGANIZATIONS

The University is the sole beneficiary of the Cleveland State University Foundation, Inc. (the Foundation), and of the Cleveland-Marshall Fund (the Fund). The Foundation is a separate not-for-profit entity organized for the purpose of providing support for the general educational needs of the University. The Fund is an independent trust formed to provide for the general enrichment of the legal education program at the University's Cleveland-Marshall College of Law. The University has determined that neither the Foundation nor the Fund is a component unit of the University as defined in Statement Number 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, and therefore financial activity of the Foundation and of the Fund are not included in the University's financial statements. Assets of the Foundation and of the Fund at June 30, 1999, were \$24,645,852 and \$5,652,986, respectively. Amounts received in 1999 by the University from the Foundation and from the Fund are restricted and are included in private gifts, grants and contracts in the accompanying financial statements in the amount of \$3,332,551 and \$174,200, respectively.

During 1992, costs aggregating \$720,000 associated with the Foundation's fund raising campaign were paid by the University, and are reflected as a receivable in the unrestricted Educational and General fund. The balance of the receivable, which was \$280,613 at June 30, 1999, will be repaid by the Foundation in future years.

As authorized by the Board of Trustees, beginning in Fiscal Year 1998, the University placed Endowment and Quasi-Endowment funds on deposit with the Foundation for investment. As of June 30, 1999, the amount on deposit totaled \$2,559,632.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 - LITIGATION AND CONTINGENCIES

Grants

The University receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Current Fund or other applicable funds. However, in the opinion of the University administration, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the University at June 30, 1999.

Litigation

During the normal course of its operations, the University has become a defendant in various legal actions. It is not possible to estimate the outcome of these legal actions; however, in the opinion of legal counsel and the University administration, the disposition of these pending cases will not have a material adverse effect on the financial condition or operations of the University.

Department of Education Audit

On August 30, 1999, the University was notified of the Department of Education Office of Inspector General's intent to conduct an audit to determine whether the University administers its student financial aid programs according to applicable laws and regulations authorized by Title IV of the Higher Education Act of 1964, as amended. The Department of Education has the authority to impose fines as a result of its audit; however, the amount of such fines, if any, cannot be estimated at this time.

Report on Supplementary Information

The Board of Trustees of
Cleveland State University:

Our report on the audit of the financial statements of the University as of June 30, 1999 and for the year then ended is presented in the first section of this document. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The following year 2000 supplementary information is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because the disclosure criteria specified by Technical Bulletin 98-1, as amended, are not sufficiently specific and, therefore, preclude the prescribed procedures from providing meaningful results. In addition, we do not provide assurance that the University is or will become year 2000 compliant, that the University's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the University does business are or will become year 2000 compliant.

PricewaterhouseCoopers LLP

October 22, 1999

DISCLOSURES ABOUT YEAR 2000 ISSUES

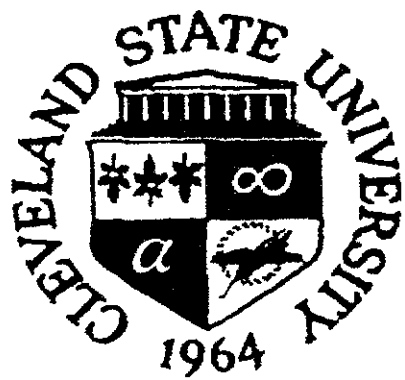
Many electronic processing systems and related equipment, as well as scientific equipment with embedded chips, were not originally developed or programmed to anticipate the new century. This issue is commonly referred to as the "Year 2000" or "Y2K" problem. If not corrected the year 2000 problem could wreck havoc with networks, communications systems, administrative management systems, research and academic computing activities. Cleveland State University has been working for some time to assess, correct and test its information systems for year 2000 readiness.

In September of 1996, Cleveland State University signed an agreement with PeopleSoft to purchase replacement software for Human Resources, Finance and Student Administration. Cleveland State University became a "Charter" PeopleSoft institution. In December, 1997 Cleveland State purchased and installed a SUN E10000 computer to replace a non-year 2000 compliant mainframe. As of October 1, 1999, all the administrative systems (Human Resources, Payroll, Position Management, Benefits, Budget Encumbrance, Campus Community, Admissions, Student Records, Student Finance, Financial Aid, General Ledger, Asset Management, and JSI/Millennium) had been replaced. Accounts Payable and Purchasing continue to operate on a non-year 2000 compliant system and it is anticipated these will be in production in the PeopleSoft environment by December 1, 1999.

Environmental and application testing has been conducted on all operating systems and databases. All other systems have either been replaced (Parking, Physical Plant, Scheduling, Viking Card) or upgraded (Telco, Conference Services, Library, Campus Kiosks). As the result of a three-year purchase plan, almost 99 percent of the desktop equipment used for academic purposes have been upgraded for year 2000 compliance.

The project budget for the completion of the "core implementation" of PeopleSoft is \$11.2 million dollars. Approximately \$10.8 million has been incurred and paid from the project's inception to date. Included in the \$11.2 million dollar figure is \$2.6 million for replacement on the non-compliant mainframe. Hardware and software upgrades or replacements for the remainder of the implementation are being funded as part of the University's regular budget process.

Cleveland State University's Board of Trustees and administration have recognized the importance of addressing the year 2000 issue and have directed significant attention and resources toward prioritizing and correcting the University's systems. Although the final outcome of these efforts will not be fully determined until after January 1, 2000, it is the University's intent to be prepared for the year 2000 in all its operations.





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OFFICE OF THE AUDITOR

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CLEVELAND STATE UNIVERSITY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: Susan Babbitt

Date: JAN 27 2000