

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
June 30, 2001**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Cleveland State University
1983 East 24th Street and Euclid Ave.
Cleveland, Ohio 44115-2440

We have reviewed the Independent Auditor's Report of the Cleveland State University, Cuyahoga County, prepared by PricewaterhouseCoopers LLP, for the audit period July 1, 2000 through June 30, 2001. 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. The Cleveland State University is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

March 5, 2002

This Page is Intentionally Left Blank.

Cleveland State University

Report On Expenditures Of Federal Awards In Accordance With OMB Circular A-133 For the Year Ended June 30, 2001 Table of Contents

	Pages
Part I Financial	
Report of Independent Accountants on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	1-2
Financial Statements and Footnotes for the year ended June 30, 2001	3-16
Schedule of Expenditures of Federal Awards for the year ended June 30, 2001	17-19
Notes to Schedule of Expenditures of Federal Awards	20-21
 Part II Reports on Compliance and on the Internal Control Structure	
Report of Independent Accountants on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	22-23
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	24-25
 Part III Schedule of Findings and Questioned Costs	
Section I - Summary of the Auditor's Results	26
Section II - Financial Statement Findings	27
Section III - Summary of Current Year Findings and Questioned Costs	28-33
Section IV - Summary of Prior Year Findings and Questioned Costs	34-40

This Page is Intentionally Left Blank.

FINANCIAL

This Page is Intentionally Left Blank.

**Report of Independent Accountants on
Financial Statements And Supplementary Schedule
of Expenditures of Federal Awards**

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 current funds allocated fund balances present fairly, in all material respects, the financial position of Cleveland State University (the "University"), a component unit of the State of Ohio, as of June 30, 2001 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 accounting principles generally accepted in the United States of America. 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 2000 financial statements; and in our report dated October 13, 2000, we expressed an unqualified opinion on those statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America 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 our opinion.

As discussed in Note 10 to the financial statements, the University has been subject to various audits by the Department of Education and its Office of the Inspector General. The full outcome of such audits is uncertain at this time, but could have an adverse affect on the University's financial position and fund balances. In addition, the University's status for participating in the Title IV HEA programs was changed to Provisional Certification as of September 17, 2001.

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2001 on our consideration of Cleveland State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

PricewaterhouseCoopers LLP

October 11, 2001

CLEVELAND STATE UNIVERSITY
Balance Sheet
June 30, 2001
(With comparative figures of June 30, 2000)

	ASSETS				LIABILITIES AND FUND BALANCES	
	June 30, 2001	June 30, 2000			June 30, 2001	June 30, 2000
Current Funds			Current Funds			
Unrestricted			Unrestricted			
Educational and General			Educational and General			
Investments	\$32,450,398	\$26,473,475	Accounts Payable	\$5,996,002	\$7,245,579	
Accounts Receivable, Less Allowance of \$3,087,706 in 2001 and \$4,264,244 in 2000	5,619,537	7,587,937	Accrued Liabilities	11,755,703	12,594,662	
Accrued Interest Receivable	167,072	359,628	Deposits	109,001	101,591	
Inventories, at Cost	145,597	166,222	Deferred Income	11,316,480	10,542,357	
Prepaid Expenses and Deferred Charges	4,075,799	4,781,299	Fund Balances:			
	<hr/>	<hr/>	Allocated	13,281,217	8,884,372	
Total Educational and General	<hr/> \$42,458,403	<hr/> \$39,368,561	Total Educational and General	<hr/> \$42,458,403	<hr/> \$39,368,561	
Auxiliary Enterprises			Auxiliary Enterprises			
Cash	1,619,569	1,307,256	Accounts Payable	39,465	318,609	
Investments	838,761	794,284	Accrued Liabilities	355,705	249,871	
Accounts Receivable, Less Allowance of \$196,165 in 2001 and \$220,305 in 2000	814,547	484,738	Deposits and Deferred Income	844,588	655,216	
Inventories, at Cost	21,430	20,004	Fund Balances:			
Prepaid Expenses and Deferred Charges	76,709	107,787	Unallocated	2,131,258	1,490,373	
	<hr/>	<hr/>	Total Auxiliary Enterprises	<hr/> \$3,371,016	<hr/> \$2,714,069	
Total Unrestricted	<hr/> \$45,829,419	<hr/> \$42,082,630	Total Unrestricted	<hr/> \$45,829,419	<hr/> \$42,082,630	
Restricted			Restricted			
Investments	5,353,790	6,113,642	Accounts Payable	423,464	713,633	
Accounts Receivable	1,456,413	2,179,781	Accrued Liabilities	735,952	676,586	
Unbilled Charges	2,770,054	2,979,718	Fund Balances	8,558,478	9,964,579	
Prepaid Expenses and Deferred Charges	137,637	81,657				
	<hr/>	<hr/>	Total Restricted	<hr/> \$9,717,894	<hr/> \$11,354,798	
Total Restricted	<hr/> \$9,717,894	<hr/> \$11,354,798	Total Current Funds	<hr/> \$55,547,313	<hr/> \$53,437,428	
Total Current Funds	<hr/> \$55,547,313	<hr/> \$53,437,428				
Loan Funds			Loan Funds			
Cash	576,516	468,296	Fund Balances:			
Notes Receivable, Less Allowance of \$740,603 in 2001 and \$719,992 in 2000	9,848,824	9,590,748	U.S. Government Grants:			
Accounts Receivable	87,801	104,147	Perkins Loan	9,132,154	8,911,893	
Accrued Interest Receivable	284,611	318,916	University Funds:			
	<hr/>	<hr/>	Restricted	1,661,409	1,566,025	
Total Loan Funds	<hr/> \$10,797,752	<hr/> \$10,482,107	Unrestricted	4,189	4,189	
			Total Loan Funds	<hr/> \$10,797,752	<hr/> \$10,482,107	

See accompanying notes to financial statements.

Continued

CLEVELAND STATE UNIVERSITY
Balance Sheet
June 30, 2001
(With comparative figures at June 30, 2000)

	ASSETS, CONTINUED		LIABILITIES AND FUND BALANCES, CONTINUED		
	June 30, 2001	June 30, 2000		June 30, 2001	June 30, 2000
Endowment and Similar Funds			Endowment and Similar Funds		
Investments	\$ 2,399,093	\$ 2,535,725	Fund Balances:		
			Endowment-Restricted	\$ 1,258,939	\$ 1,386,681
			Endowment-Unrestricted	55,232	62,525
			Quasi-endowment-Restricted	259,066	294,327
			Quasi-endowment-Unrestricted	825,856	792,192
Total Endowment and Similar Funds	\$ 2,399,093	\$ 2,535,725	Total Endowment and Similar Funds	\$ 2,399,093	\$ 2,535,725
Plant Funds			Plant Funds		
Unexpended			Unexpended		
Cash	207,498	0	Accounts Payable	341,961	280,613
Investments	2,183,298	8,028,992	Notes Payable	0	6,747,327
Accrued Interest Receivable	0	47,038	Fund Balances:		
			Restricted	2,048,835	1,048,090
Total Unexpended	\$2,390,796	\$8,076,030	Total Unexpended	\$2,390,796	\$8,076,030
Renewals and Replacements			Renewals and Replacements		
Investments	1,555,549	2,101,611	Accounts Payable	0	438,736
Inventories, at Cost	5,749	7,439	Fund Balances:		
			Unrestricted - Unallocated	470,346	579,362
			Unrestricted - Allocated	1,056,814	1,056,814
			Restricted	34,138	34,138
Total Renewals and Replacements	\$1,561,298	\$2,109,050	Total Renewals and Replacements	\$1,561,298	\$2,109,050
Retirement of Indebtedness			Retirement of Indebtedness		
Investments	48,695	215,030	Interest Payable	48,695	215,030
Total Retirement of Indebtedness	\$48,695	\$215,030	Total Retirement of Indebtedness	\$48,695	\$215,030
Investment in Plant			Investment in Plant		
Land	52,026,290	51,777,710	Obligations Under Capital Leases	1,398,540	1,910,968
Improvements Other Than Buildings	14,933,778	14,933,778	Notes Payable	0	2,502,673
Buildings	329,269,809	304,779,756	Bonds Payable	10,995,000	11,740,000
Movable Equipment, Furniture, Library Books	94,494,251	90,287,635	Net Investment in Plant	478,330,588	457,809,606
Construction in Progress	0	12,184,368			
Total Investment in Plant	\$490,724,128	\$473,963,247	Total Investment in Plant	\$490,724,128	\$473,963,247
Total Plant Funds	\$494,724,917	\$484,363,357	Total Plant Funds	\$494,724,917	\$484,363,357
Agency Funds			Agency Funds		
Cash	210,701	168,984	Accounts Payable	0	1,559
			Deposits Held in Custody for Others	210,701	167,425
Total Agency Funds	\$210,701	\$168,984	Total Agency Funds	\$210,701	\$168,984

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
Statement of Changes in Unallocated Fund Balances
Year Ended June 30, 2001

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	\$150,816,634	\$8,195,742	\$159,012,376	\$0	\$0	\$0	\$159,012,376
State Appropriations - Restricted	0	0	0	4,132,420	0	4,132,420	4,132,420
Federal Grants and Contracts - Restricted	0	0	0	14,996,485	23,513	15,019,998	15,019,998
State Grants and Contracts - Restricted	0	0	0	8,315,083	0	8,315,083	8,315,083
Local Grants and Contracts - Restricted	0	0	0	600,320	0	600,320	600,320
Private Gifts, Grants and Contracts - Restricted	0	0	0	5,922,657	375,624	6,298,281	6,298,281
Endowment Income - Restricted	0	0	0	1,245,669	0	1,245,669	1,245,669
Total Revenues and Other Additions	150,816,634	8,195,742	159,012,376	35,212,634	399,137	35,611,771	194,624,147
Expenditures and Other Deductions							
Educational and General Expenditures	142,077,693	0	142,077,693	34,754,703	0	34,754,703	176,832,396
Auxiliary Enterprises Expenditures	0	10,296,990	10,296,990	0	437,738	437,738	10,734,728
Indirect Costs Recovered	0	0	0	1,425,839	0	1,425,839	1,425,839
Total Expenditures and Other Deductions	142,077,693	10,296,990	152,374,683	36,180,542	437,738	36,618,280	188,992,963
Transfers Among Funds - Additions/(Deductions)							
Mandatory							
Principal and Interest	(230,105)	(1,131,660)	(1,361,765)	(193,727)	0	(193,727)	(1,555,492)
Loan Fund Matching Grant	(96,174)	0	(96,174)	0	0	0	(96,174)
Nonmandatory							
Capital Improvements	0	(75,000)	(75,000)	0	0	0	(75,000)
Support to Auxiliary Enterprises	(3,948,793)	3,948,793	0	0	0	0	0
Current Allocated Fund Balance - Net	(4,396,845)	0	(4,396,845)	0	0	0	(4,396,845)
Transfers (To)/From Endowments/Quasi-endowments	63,228	0	63,228	57,782	0	57,782	121,010
Other Transfers	(130,252)	0	(130,252)	(263,647)	0	(263,647)	(393,899)
Total Transfers	(8,738,941)	2,742,133	(5,996,808)	(399,592)	0	(399,592)	(6,396,400)
Net Increase/(Decrease) for Year	0	640,885	640,885	(1,367,500)	(38,601)	(1,406,101)	(765,216)
Fund Balance at Beginning of Year	0	1,490,373	1,490,373	9,858,054	106,525	9,964,579	11,454,952
Fund Balance at End of Year	\$0	\$2,131,258	\$2,131,258	\$8,490,554	\$67,924	\$8,558,478	\$10,689,736

See accompanying notes to financial statements.

Continued

CLEVELAND STATE UNIVERSITY
Statement of Changes in Unallocated Fund Balances (Continued)
Year Ended June 30, 2001

	LOAN FUNDS	ENDOWMENT AND SIMILAR FUNDS	PLANT FUNDS					
			Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant	Total Plant Funds	
Revenues and Other Additions								
State Appropriations - Restricted	\$0	\$0	\$0	\$0	\$9,250,000	\$9,044,353	\$18,294,353	
Federal Grants and Contracts - Restricted	288,522	0	0	0	0	0	0	
State Grants and Contracts - Restricted	0	0	7,469,802	0	0	0	7,469,802	
Private Gifts, Grants and Contracts - Restricted	128	11,059	0	0	0	225,070	225,070	
Investment Income - Restricted	0	(26,681)	241,521	0	0	0	241,521	
Interest on Loans Receivable	306,869	0	0	0	0	0	0	
Expended for Plant Facilities (Including \$11,744,457 Charged to Current Funds Expenditures)	0	0	0	0	0	12,462,876	12,462,876	
Retirement of Indebtedness	0	0	0	0	0	745,000	745,000	
Other Sources	0	0	0	0	0	0	0	
Total Revenues and Other Additions	595,519	(15,622)	7,711,323	0	9,250,000	22,477,299	39,438,622	
Expenditures and Other Deductions								
Loan Cancellations and Write-offs	62,710	0	0	0	0	0	0	
Administrative and Collection Costs	314,538	0	0	0	0	0	0	
Expended for Plant Facilities (Including Non-Capitalized Expenditures of \$7,469,802)	0	0	7,917,045	271,176	0	0	8,188,221	
Retirement of Indebtedness	0	0	0	0	9,995,000	0	9,995,000	
Interest on Indebtedness	0	0	0	0	810,492	0	810,492	
Disposals and Write-offs of Plant Facilities	0	0	0	0	0	1,055,389	1,055,389	
Total Expenditures and Other Deductions	377,248	0	7,917,045	271,176	10,805,492	1,055,389	20,049,102	
Transfers Among Funds - Additions/(Deductions)								
Mandatory								
Principal and Interest	0	0	0	0	1,555,492	0	1,555,492	
Loan Fund Matching Grant	96,174	0	0	0	0	0	0	
Nonmandatory								
Capital Improvements	0	0	0	75,000	0	0	75,000	
Allocated Fund Balance - Net	0	0	0	0	0	0	0	
Deductions from Endowments/Quasi-endowments	0	(121,010)	0	0	0	0	0	
Other Transfers	1,200	0	1,206,467	87,160	0	(900,928)	392,699	
Total Transfers	97,374	(121,010)	1,206,467	162,160	1,555,492	(900,928)	2,023,191	
Net Increase/(Decrease) for Year	315,645	(136,632)	1,000,745	(109,016)	0	20,520,982	21,412,711	
Fund Balance at Beginning of Year	10,482,107	2,535,725	1,048,090	613,500	0	457,809,606	459,471,196	
Fund Balance at End of Year	\$10,797,752	\$2,399,093	\$2,048,835	\$504,484	\$0	\$478,330,588	\$480,883,907	

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
Statement of Current Funds Unallocated Revenues, Expenditures, and Other Changes
Year Ended June 30, 2001
(With comparative totals for the year ended June 30, 2000)

	Unrestricted			Restricted			Total Current Funds June 30, 2001	Total Current Funds June 30, 2000
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted		
Revenues:								
Tuition, Fees and Other Student Charges	\$70,116,329	\$0	\$70,116,329	\$0	\$0	\$0	\$70,116,329	\$65,590,698
State Appropriations	73,154,485	0	73,154,485	4,510,585	0	4,510,585	77,665,070	72,750,901
Federal Grants and Contracts	971,781	0	971,781	14,160,098	46,680	14,206,778	15,178,559	13,984,121
State Grants and Contracts	250,070	0	250,070	8,783,855	0	8,783,855	9,033,925	7,385,097
Local Grants and Contracts	82,022	0	82,022	547,074	0	547,074	629,096	478,284
Private Gifts, Grants and Contracts	127,323	0	127,323	5,507,422	391,058	5,898,480	6,025,803	5,443,573
Endowment Income	0	0	0	1,245,669	0	1,245,669	1,245,669	947,427
Sales and Services	2,774,024	8,195,742	10,969,766	0	0	0	10,969,766	10,912,275
Other Sources	3,340,600	0	3,340,600	0	0	0	3,340,600	2,297,447
Total Revenues	150,816,634	8,195,742	159,012,376	34,754,703	437,738	35,192,441	194,204,817	179,789,823
Expenditures and Mandatory Transfers:								
Educational and General:								
Instruction and Departmental Research	64,924,605	0	64,924,605	4,328,233	0	4,328,233	69,252,838	70,102,180
Separately Budgeted Research	2,427,718	0	2,427,718	10,379,746	0	10,379,746	12,807,464	10,959,753
Public Service	2,459,892	0	2,459,892	5,765,691	0	5,765,691	8,225,583	5,526,692
Academic Support	15,898,805	0	15,898,805	1,191,152	0	1,191,152	17,089,957	17,432,250
Student Services	18,166,539	0	18,166,539	171,350	0	171,350	18,337,889	17,717,730
Institutional Support	20,590,346	0	20,590,346	609,607	0	609,607	21,199,953	22,177,306
Operation and Maintenance of Plant	14,296,704	0	14,296,704	36,140	0	36,140	14,332,844	15,060,675
Scholarships and Fellowships	3,313,084	0	3,313,084	12,272,784	0	12,272,784	15,585,868	14,305,379
Total Educational and General Expenditures	142,077,693	0	142,077,693	34,754,703	0	34,754,703	176,832,396	173,281,965
Auxiliary Enterprises	0	10,296,990	10,296,990	0	437,738	437,738	10,734,728	11,099,193
Mandatory Transfers:								
Principal and Interest	230,105	1,131,660	1,361,765	193,727	0	193,727	1,555,492	1,354,509
Loan Fund Matching Grant	96,174	0	96,174	0	0	0	96,174	98,395
Total Expenditures and Mandatory Transfers	142,403,972	11,428,650	153,832,622	34,948,430	437,738	35,386,168	189,218,790	185,834,062
Nonmandatory Transfers and Additions/(Deductions):								
Nonmandatory Transfers:								
Capital Improvements	0	(75,000)	(75,000)	0	0	0	(75,000)	(640,000)
Support to Auxiliary Enterprises	(3,948,793)	3,948,793	0	0	0	0	0	0
Current Allocated Fund Balance-Net	(4,396,845)	0	(4,396,845)	0	0	0	(4,396,845)	5,491,385
Transfers (To)/From Endowments/Quasi-endowments	63,228	0	63,228	57,782	0	57,782	121,010	185,185
Other Transfers	(130,252)	0	(130,252)	(263,647)	0	(263,647)	(393,899)	787,009
Excess of Restricted Receipts Over Transfers to Revenue	0	0	0	457,931	(38,601)	419,330	419,330	3,762,037
Indirect Costs Recovered	0	0	0	(1,425,839)	0	(1,425,839)	(1,425,839)	(1,415,269)
Net Increase/(Decrease) in Fund Balance	\$0	\$640,885	\$640,885	(\$1,367,500)	(\$38,601)	(\$1,406,101)	(\$765,216)	\$2,126,108

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
Statement of Changes in Current Funds Allocated Fund Balances
Year Ended June 30, 2001

	Balance June 30, 2000	Transferred from Unallocated	Returned to Unallocated	Balance June 30, 2001
Educational and General:				
Student General Fee	\$1,152,960	\$0	\$0	\$1,152,960
University Reserve	5,088,327	1,497,208	0	6,585,535
Encumbrances	405,273	1,324,213	(405,273)	1,324,213
Department Carry Over	1,687,812	3,054,807	(1,687,812)	3,054,807
Faculty Center	150,000	0	0	150,000
Fringe Benefits	400,000	0	0	400,000
Telecommunications	0	613,702	0	613,702
	<u>8,884,372</u>	<u>6,489,930</u>	<u>(2,093,085)</u>	<u>13,281,217</u>
Total Educational and General				
Plant Funds:				
Renewals & Replacements	1,056,814	0	0	1,056,814
	<u>\$1,056,814</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,056,814</u>
Total Plant Funds				

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

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 accounting principles generally accepted in the United States of America 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 \$4,650,116 at June 30, 2001.

GASB Statement Number 33

The University adopted Statement No. 33 of the Governmental Accounting Standards Board, *Accounting and Reporting for Nonexchange Transactions* as of July 1, 2000. The effects of this standard on the University's financial statements are insignificant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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 \$1,484,316, as compared to bank balances of \$2,359,053. The difference in carrying amount and bank balance was caused by items in transit. Of the bank balance, \$426,816 was covered by federal depository insurance, and \$1,932,237 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, 2001 and 2000 were as follows:

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

	June 30, 2001		June 30, 2000	
	Market	Cost	Market	Cost
State Treasury Asset Reserve	\$29,376,716	\$29,376,716	\$13,802,839	\$13,802,839
U.S. Government Securities	13,053,775	13,137,936	29,924,195	30,012,414
Bond Mutual Funds	825,856	841,618	792,192	844,073
Stock Mutual Funds	<u>1,573,237</u>	<u>1,574,828</u>	<u>1,743,533</u>	<u>1,418,755</u>
Total	<u>\$44,829,584</u>	<u>\$44,931,098</u>	<u>\$46,262,759</u>	<u>\$46,078,081</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.

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 - 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 \$4,197,028. The obligation as of June 30, 2001, was \$1,398,540.

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, 2001 are as follows:

<u>Fiscal year ending June 30,</u>	<u>Amount</u>
2002	\$877,762
2003	417,417
2004	70,429
2005	65,601
2006	<u>40,747</u>
Total minimum lease payments	\$1,471,956
Less amount representing interest	<u>73,416</u>
Present value of net minimum lease payments	<u><u>\$1,398,540</u></u>

NOTE 5 - 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, 2001 was \$8,455,000. Interest rates on the bonds vary from 5.5% to 6.15%. Principal amounts payable for fiscal years ending June 30, 2002 through June 30, 2006 are \$575,000, \$600,000, \$635,000, \$665,000 and \$705,000, respectively.

The original principal amount for series 1996 General Receipts Bond was \$3,430,000. The amount outstanding at June 30, 2001 was \$2,540,000. Interest rates vary from 4.6% to 5.25%. Principal amounts payable for fiscal years ending June 30, 2002 through June 30, 2006 are \$200,000, \$210,000, \$220,000, \$230,000 and \$245,000, respectively.

NOTE 6 - 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.

The University also offers eligible employees an alternative retirement program. The University is required to contribute to STRS 5.76% of earned compensation for those employees participating in the alternative retirement program. The University's

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

contribution for the year ended June 30, 2001 was \$293,960, which equals 5.76% of earned compensation.

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, 2001, 2000, and 1999 were \$6,085,049, \$6,203,929, and \$6,347,615, 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) 227-4090.

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, 2001, 2000, and 1999 were \$3,952,110, \$4,538,069, and \$4,594,604, 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-eighth of employer contributions to a health care reserve fund. The portion of the University's fiscal year 2001 contribution allocated by STRS to the health care reserve fund was approximately \$760,631. The balance in the health care reserve fund at June 30, 2000 was \$3,419,000,000.

PERS allocates a portion of each employer's contribution to fund postretirement health care benefits; for the year ended December 31, 2000, the state employers rate and law enforcement employers rate was 4.3%. The portion of the University's fiscal year 2001 contribution allocated by PERS to fund postretirement health care benefits was approximately \$1,276,790. At December 31, 1999, the estimated net assets available for future postretirement benefit payments were \$10,805,500,000.

NOTE 7 - RISK MANAGEMENT

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

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. 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 and casualty insurance. The University pays annual premiums to the pool for its property and casualty insurance coverage. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The University maintains a self-insured dental plan for its employees. The University's risk exposure is limited to claims incurred. Total claims paid during the year ended June 30, 2001 were \$755,323. A liability for estimated unpaid dental claims (including incurred but not reported claims) in the amount of \$75,000 has been accrued as of June 30, 2001. This estimate is based on an analysis of historical claims paid.

NOTE 8 - 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 No. 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, 2001, were \$23,759,530 and \$5,443,001, respectively. Amounts received in 2001 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 \$3,930,361 and \$242,100 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 \$227,838 at June 30, 2001, 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, 2001, the amount on deposit totaled \$2,399,093.

CLEVELAND STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - 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, 2001.

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.

NOTE 10 – REGULATORY REVIEW

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 Office of Inspector General issued its report on September 28, 2000, and the University submitted a response. During Fiscal Year 2001, several letters and responses were exchanged between the Department of Education and the University. Fines of approximately \$22,000 have been assessed to date but such reviews are ongoing, and it is not possible at this time to estimate the cost of further corrective actions, nor the amount of further fines and penalties, if any, which might be imposed.

On September 17, 2001, the University was notified by the Department of Education that the University was granted provisional certification, for a period not to exceed three years, to participate in Title IV, HEA programs. The University must reapply, no later than June 30, 2004, to continue its participation in these programs beyond this period.

SUPPLEMENTAL FINANCIAL INFORMATION

Cleveland State University
Schedule of Expenditures of Federal Awards
for the year ended June 30, 2001

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
Student Financial Aid			
Department of Education			
Direct programs			
Federal Pell Grant Program	84.063		7,078,439
Federal Work-Study Program	84.033		704,265
Federal Supplemental Educational Opportunity Grants	84.007		811,436
Federal Perkins Loan Program	84.038		288,522
Department of Education Subtotal			<u>8,882,662</u>
Department of Health and Human Services			
Direct programs			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		48,666
Department of Health and Human Services Subtotal			<u>48,666</u>
Total Student Financial Aid			<u>8,931,328</u>
Research and Development			
Department of Health and Human Services			
Direct programs			
Human Genome Research	93.172		113,114
Research Related to Deafness and Communication Disorders	93.173		8,388
Consolidated Knowledge Development and Application (KD&A) Program	93.230		30,815
Drug Abuse Research Programs	93.279		158,346
Clinical Research	93.333		7,329
Cancer Detection and Diagnosis Research	93.394		2,946
Cancer Biology Research	93.396		153,722
Research Infrastructure	93.839		269,079
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		13,973
Microbiology and Infectious Diseases Research	93.856		1,859
Genetics and Developmental Biology Research and Research Training	93.862		11,452
Center for Research for Mothers and Children	93.865		55,689
Pass Through Programs			
Northeastern University-Genetics and Developmental Biology Research and Research Training	93.862	1R15A4775	6,900
Cleveland Clinic Foundation-Center for Medical Rehabilitation Research	93.929	SMP/cf	8,555
Cleveland Clinic Foundation-Clinical Research	93.333	2R42D34290-02	-918
Case Western Reserve University-Maternal and Child Health Federal Consolidated Programs	93.110	MC-00127-04	11,769
Case Western Reserve University-Alcohol Research Programs	93.273	5 R01 AA-10847-02	2,319
Case Western Reserve University-Drug Abuse Research Programs	93.279	IDA-07358-08 & 5R01DA-0795	22,787
Case Western Reserve University-Center for Research for Mothers and Children	93.865	HD-34177-04 & 2R01HD-2655	17,580
University of Vermont - Blood Diseases and Resources Research	93.839	2 R01 HL34575-15	29,952
Positive Education Program-Consolidated Knowledge Development and Application (KD&A) Program	93.230	5 UD1 SP09147-01	18,695
Cleveland Clinic Foundation-Consolidated Knowledge Development and Application (KD&A) Program	93.230	5 UD1 SP09147-01	6,750
Department of Health and Human Services Subtotal			<u>951,101</u>
National Aeronautics and Space Administration			
Direct programs			
Technology Transfer	43.002		2,019,727
Pass Through Programs			
University of Iowa-Technology Transfer	43.002	NCC8-98	36,907
University of Arizona-Technology Transfer	43.002	NCC8-96	85,953
Gedeon Associates-Technology Transfer	43.002	NAG 3-2482	2,056
Cleveland Advanced Manufacturing Center-Technology Transfer	43.002	NAG 3-2490	59,244
Science Applications International Corp.-Technology Transfer	43.002	NAS3-97152	7,978
National Aeronautics and Space Administration Subtotal			<u>2,211,865</u>
National Science Foundation			
Direct programs			
Engineering Grants	47.041		84,906
Biological Sciences	47.074		4,089
Pass Through Programs			
University of Akron-Biological Sciences	47.074	DBI-9907585	8,611
Case Western Reserve University-Biological Sciences	47.074	Sub# 00-411	87,044
Johns Hopkins University-Social, Behavioral, and Economic Sciences	47.075	SES-0078752	28,001
National Science Foundation Subtotal			<u>212,651</u>
United States Department of Agriculture			
Direct programs			
Agricultural and Rural Economic Research	10.250		21,379
Rural Development, Forestry and Communities	10.672		6,929
United States Department of Agriculture Subtotal			<u>28,308</u>
United States Department of Commerce			
Pass Through Programs			
National Oceanic and Atmospheric Administration through OSU Research Foundation-Sea Grant Support	11.417	NA86RG0053	16,519
Cleveland Housing Network-Technology Opportunities	11.552	CHN-T2K	42,351
United States Department of Commerce Subtotal			<u>58,870</u>
United States Department of Defense			
Pass Through Programs			
U.S. Army through the Cleveland Clinic Foundation-Military Medical Research and Development	12.420	DAMD17-00-1-0717	6,059
Allied Signal Engines-Research and Technology Development	12.910	F33615-98-C-2927	31,548
United States Department of Defense Subtotal			<u>37,607</u>
United States Geological Survey			
Direct programs			
Assistance to State Water Resources Research Institutes	15.805		2,500
United States Geological Survey Subtotal			<u>2,500</u>

United States Department of Housing and Urban Development			
Direct programs			
Community Outreach Partnership Center Program	14.511		-859
Pass Through Programs			
ABT Associates Inc.-Empowerment Zones Program	14.244	DU100C000005948	13,540
United States Department of Housing and Urban Development Subtotal			12,681
National Endowment for the Humanities			
Pass Through Programs			
University Of Denver-Promotion of the Humanities_Division of Preservation and Access	45.149	PA23362-99	32,634
National Endowment for the Humanities Subtotal			32,634
Environmental Protection Agency			
Direct programs			
Surveys, Studies, Investigations and Special Purpose Grants	66.606		349,334
Pass Through Programs			
Mangi Environmental Group-Water Quality Management Planning	66.454	9C-R250-NBSA	-8
EcoCity Cleveland-Environmental Education and Training Program	66.950	X-97519401-0	-4,016
Earth Day Coalition-Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP-97527301-0	26,752
Environmental Protection Agency Subtotal			372,062
Department Of Energy			
Direct programs			
Energy-Related Inventions	81.036		6,029
Pass Through Programs			
University of Minnesota-Energy-Related Inventions	81.036	DE-FC36-00G010627	15,507
Gedeon Associates-Energy-Related Inventions	81.036	DE-FC36-00G010627	11,982
NASA-Energy-Related Inventions	81.036	DE-FC36-00G010627	4,874
Clemson University-Office of Energy Research Financial Assistance Program	81.049	Sub# 96-01-SR042	76,665
Department Of Energy Subtotal			115,057
Department of State			
Pass Through Programs			
US Agency for International Development through Johns Hopkins University-College and University Partnerships F	19.405	EUR-I-00-94-0085-00	-3,334
Department of State Subtotal			-3,334
Department Of Education			
Direct programs			
Fund for the Improvement of Postsecondary Education	84.116		24,394
National Institute on Disability and Rehabilitation Research	84.133		118,993
Pass Through Programs			
Ohio Department Of Education-Special Education Grants to States	84.027	062950-6B-SX-xxP	37,580
Hill House-National Institute on Disability and Rehabilitation Research	84.133	H133G990036-1	501
West Side Community Mental Health Center-National Institute on Disability and Rehabilitation Research	84.133	H133G990036-1	501
Spectrum of Support Services-National Institute on Disability and Rehabilitation Research	84.133	H133G990036-1	2,004
Bridgeway, Inc.-National Institute on Disability and Rehabilitation Research	84.133	H133G990036-1	1,002
McSquared, Inc.-Teacher Quality Enhancement Grants	84.276	PT3 Catalyst	7,788
Department Of Education Subtotal			192,763
Total Research and Development			
			4,224,765
TRIO_Student Support Services			
TRIO_Upward Bound	84.042		311,771
Total TRIO Programs	84.047		244,218
			555,989
Total Major Programs			
			13,692,082
OTHER FINANCIAL ASSISTANCE			
United States Department of Agriculture			
Pass Through Programs			
Ohio Department of Education-Summer Food Service Program for Children	10.559	EDU214	6,224
United States Department of Agriculture Subtotal			6,224
United States Department of Commerce			
Direct programs			
Economic Development-Support for Planning Organizations	11.302		17,259
Economic Development-Technical Assistance	11.303		41,904
Economic Development Administration Subtotal			59,163
United States Department of Defense			
Pass Through Programs			
National Security Agency through the Association of Women in Mathematics-Mathematical Sciences Grants Progr	12.901	NSA-AWM	1,850
United States Department of Defense Subtotal			1,850
United States Department of Housing and Urban Development			
Direct programs			
Community Development Work-Study Program	14.512		22,010
United States Department of Housing and Urban Development Subtotal			22,010
Department of Labor			
Pass Through Programs			
Ohio State University Research Foundation-Employment and Training Evaluation Projects	17.248	#738588	5,884
Department of Labor Subtotal			5,884

National Aeronautics and Space Administration			
Direct programs			
Aerospace Education Services Program	43.001		16,490
Pass Through Programs			
Ohio Space Grant Consortium-Aerospace Education Services Program	43.001	SEED	21,677
Cuyahoga Community College-Aerospace Education Services Program	43.001	SEMAA	12,778
National Aeronautics and Space Administration Subtotal			50,945
National Institutes of Justice			
Pass Through Programs			
Office of Criminal Justice Services-Local Law Enforcement Block Grants Program	16.592	1999-LE-LEB-3313	2,377
National Institutes Of Justice Subtotal			2,377
National Foundation on the Arts and the Humanities			
Pass Through Programs			
American Association of Museums-Museum Assessment Program	45.302	IM-0082-00	1,757
National Foundation on the Arts and the Humanities Subtotal			1,757
National Science Foundation			
Direct programs			
Engineering Grants	47.041		205,123
Computer and Information Science and Engineering	47.070		22,518
Pass Through Programs			
Lorain County Community College-Computer and Information Science and Engineering	47.070	DUE9987020	3,750
Lakeland Community College-Engineering Grants	47.041	EEC9732219	12,212
Lorain County Community College-Engineering Grants	47.041	DUE9850288 & EEC973221	32,483
National Science Foundation Subtotal			276,086
Environmental Protection Agency			
Direct programs			
Surveys, Studies, Investigations and Special Purpose Grants	66.606		93,284
Brownfield Pilots Cooperative Agreements	66.811		29,342
Pass Through Programs			
Kirsten Toth-Brownfield Pilots Cooperative Agreements	66.811	P3-985069-01-5	3,200
Environmental Protection Agency Subtotal			125,826
Department of State			
Direct programs			
College and University Affiliations Program	19.406		12,462
Pass Through Programs			
Council for International Exchange-Educational Exchange--University Lecturers (Professors) and Research Schola	19.401	Fulbright	-14,220
NAFSA -- Professional Development-International Educators/Administrators	19.404	COOP	4,387
Association Liaison Office-College and University Partnerships Program	19.405	IA-ASJL-G8190119 & HNE-A-97-00059-00	99,343
Department of State Subtotal			101,972
Department Of Education			
Direct programs			
International: Overseas_Group Projects Abroad	84.021		52,829
Pass Through Programs			
Preparing Tomorrow's Teachers to Use Technology	84.342		229,426
Ohio Board of Regents-Eisenhower Professional Development--Federal Activities			
Ohio Board of Regents-Eisenhower Professional Development State Grants	84.281	#9-20	19,484
Ohio Board of Regents-Eisenhower Regional Mathematics and Science Education Consortia	84.319	#9-21, #00-18, #00-20	70,415
Ohio Board of Regents-Teacher Quality Enhancement Grants	84.336	#9-19	21,115
Euclid City Schools-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	Title II TQA	8,116
University of New Orleans Foundation-Fund for the Improvement of Education	84.215	#599-2401	4,078
Kent State University-Safe and Drug-Free Schools and Communities_National Programs	84.184	R215K000018	12,012
		SYNERGY	397
Miami University-Eisenhower Regional Mathematics and Science Education Consortia	84.319	CG00309-160222412-3.CG-00190160222504	56,256
OBOR through Miami University-Eisenhower Regional Mathematics and Science Education Consortia	84.319	CG-00180160222417	53,951
Ohio Department Of Education-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	062950-G2-SP-xx	819
Ohio Department OF Education-Eisenhower Professional Development State Grants	84.281	062950-MS-99	102,551
Notre Dame College-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A990517	6,850
Ursuline College-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A990517	5,808
John Carroll-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A000082	20,750
Notre Dame College-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A000082	10,000
Baldwin Wallace-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A000082	47,623
Department Of Education Subtotal			742,480
Department of Health and Human Services			
Direct programs			
Health Careers Opportunity Program	93.822		236,302
Health Administration Traineeships and Special Projects Program	93.962		36,704
Pass Through Programs			
National Youth Sports Program-President's Council on Physical Fitness and Sports	93.289	#00-626 & #80-8101	69,687
Department of Health and Human Services Subtotal			342,693
Corporation for National and Community Service			
Pass Through Programs			
Ohio Department of Education-Learn and Serve America_School and Community Based Programs	94.004	062950-SV-S6-xx	60,036
Center for Healthy Communities-Learn and Serve America--Higher Education	94.005	#058135	935
Corporation for National and Community Service Subtotal			60,971
Total Other Financial Assistance			1,800,238
Total Federal Awards			15,492,320

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2001

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, 2001 are 62.0% for on-campus research and 19.0% 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, 2001.

	<u>CFDA Number</u>	<u>Amounts Advanced</u>	<u>Outstanding Balance</u>
Perkins Loan program	84.038	\$1,725,441	\$10,551,993

4. Federal Family Education Loan Program:

During the fiscal year ended June 30, 2001, the University processed \$35,198,408 in new loans under the Federal Family Education Loan Program, CFDA Number 84.032.

Cleveland State University

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2001

5. Reconciliation:

The following schedule is a reconciliation of total expenditures as shown on the Schedule of Expenditures of Federal Awards to the revenue items shown as federal grants and contracts on the Statement of Current Funds Unallocated Revenues, Expenditures and Other Changes (Statement), which is included as part of the University's financial statements:

Expenditures per Schedule of Expenditures of Federal Awards	\$15,492,320
Perkins Loan Funds excluded from federal grants on Statement	(288,522)
Indirect costs excluded from federal grants on Statement	(973,802)
Title IV program adjustments	<u>(23,218)</u>
Federal appropriations as shown on Statement	<u>\$14,206,778</u>

Current restricted funds derived from appropriations, gifts, or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts, or grants are recognized as revenue in the University's external financial statements as expended. Therefore, expenditures per the Schedule of Expenditures of Federal Awards agree with revenue per the Statement, except as noted above.

**REPORTS ON COMPLIANCE AND ON THE
INTERNAL CONTROL STRUCTURE**

This Page is Intentionally Left Blank.

**Report of Independent Accountants 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 (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2001, and have issued our report thereon dated October 11, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 01-1.

In our opinion, 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, 2001.

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 don't believe any of the reportable conditions described above qualify as material weaknesses. We have, however, noted other matters involving the internal control over financial reporting that, along with the reportable conditions, were reported to management of the University in a separate letter dated October 22, 2001.

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 11, 2001

**Report Of Independent Accountants On Compliance
With Requirements Applicable To Each Major
Program And On 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, 2001. 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 conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 01-2 through 01-5 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with certain requirements regarding students subject to Federal refunds, and submission of Pell Awards payment data on a timely basis and eligibility and reporting requirements with respect to the Upward Bound program. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to those programs.

In our opinion, 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, 2001.

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, 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 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 01-1.

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 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 don't believe any of the reportable conditions described above qualify as material weaknesses.

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

February 15, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Cleveland State University

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2001

Section I - Summary of Independent Auditor's Results

Financial Statements:

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

Federal Awards:

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
See Schedule of Expenditures of Federal Awards	Student Financial Aid, Research and Development Trio-Student Support Services Trio-Upward Bound

Dollar threshold used to distinguish between Type A and Type B programs: \$464,770

Auditee qualified as low-risk auditee yes X no

Cleveland State University

**Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2001**

Section II - Financial Statement Findings

No matters were reported.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section III – Summary of Current Year Findings and Questioned Costs

Finding 01-1: The University Needs to Enhance the PowerFAIDS Application Access Controls and Needs to Enhance the Interface Policies and Procedures

Condition

Our review of each user's access to the PowerFAIDS application revealed ten University users and one consultant had powerful supervisor-level access. Additionally, we identified one individual, who no longer has security related responsibilities, with an active administrator account in the PowerFAIDS application. These access levels are above the level required to perform current responsibilities for several individuals. Of the remaining, non-supervisor level user accounts, we noted that most user IDs have the same level of access to PowerFAIDS.

In addition during our review of the interface design documents and related policies and procedures, we noted weaknesses related to the documentation.

Criteria

Institutions must maintain effective internal controls when administering federal financial aid.

Cause/Effect

Federal dollars could be awarded erroneously if the proper controls and policies and procedures are not in place and not adequately documented.

Recommendation

We recommend the following action items:

1. The PowerFAIDS functions should be restricted to the appropriate authorized personnel and should be defined in accordance with job responsibilities. Roles access should be reviewed and revised, delete access should only be granted to the department heads or other select individuals, and programmers should not have update access to the PowerFAIDS application. Where possible, powerful access to consultants should be restricted.
 - a. The delete functionality should be removed from the supervisors' action options.
2. The financial aid department should undertake a review of its activities and resources and define segregation of responsibilities for approval, custody, and recording. For example:
 - a. Authority to initiate the disbursement process should only be granted to individuals with disbursement responsibilities.
 - b. Authority to run the batch disbursement process should be provided only to individuals responsible for processing disbursements. The online disbursement process should be provided only to individuals responsible for initiating the disbursement of awards. The online activity to initiate disbursements should be periodically reviewed prior to when the actual disbursement occurs.
3. Deactivate the administrator account for the individual who no longer has security related responsibilities.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section III – Summary of Current Year Findings and Questioned Costs, Continued

Finding 01-1: The University Needs to Enhance the PowerFAIDS Application Access Controls and Needs to Enhance the Interface Policies and Procedures, Continued

In addition, the University should develop monitoring and preventive controls to ensure that data input from the process is validated and errors are corrected. The use of control records / totals should be developed to aid in this validation. Control records / totals of the interface process should include personnel from the Student Accounts area.

Corrective Action Plan and Management's Response

All of the PowerFAIDS security roles were reviewed before the end of the second quarter. Adjustments to roles were made where feasible, and a strategy for limiting supervisor-level access was agreed upon. This process included a review of high-level actions such as disbursement and delete. Supervisor level access has been limited only to the Financial Aid Director, Associate Director of Systems, Associate Director of Student Loans and Data Administrator. The Associate Director of Systems and Data Administrator reviewed all capabilities, determined the need for supervisor level access in various areas of operation, and ensured that access was then limited only to the individuals named above. Additionally, a review of security access has been performed and adjustments have been made accordingly. The number of individuals with disbursement capability has been reduced.

Financial Aid Office personnel worked closely with CSU security personnel to implement the security changes. These refinements have now been completed.

Consultant access is now limited by use of a sealed envelope containing an operator ID and password. This access is granted on an as-needed basis. The Director and/or Associate Director of Financial Aid will secure the envelope and, when used, will provide written specifications to the CSU security administrator that will include the consultant's name, reason for and duration of access privileges.

The reports generated each time the disbursement interface is run include details of each transaction and a list of transactions which failed to pass edits and therefore need to be reviewed. In such cases, a documented review is performed.

Reports which provide balance information are created and reviewed each time a disbursement interface is run. This process has been in place since late spring 2001.

Financial aid staff monitor and verify the posting of disbursements from PowerFAIDS to GroupLine. Bursar staff post data from Group Line to students' accounts. Financial aid staff perform a reconciliation between PowerFAIDS and students' accounts two times a week to assure accurate posting.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section III – Summary of Current Year Findings and Questioned Costs, Continued

Finding 01-2: Refunds Need to be Distributed on a Timely Basis

Condition

During our testing of students subject to Federal refunds, we noted that the University did not disburse the refunds in a timely manner. Of the twenty University students selected, three refunds were not disbursed timely.

Criteria

Student refunds that are to be returned to the various Student Financial Aid programs (including Direct Loan) are required to be deposited to the SFA Program accounts within 30 days or returned to the appropriate FFEL lender within 60 days of the date the student officially withdraws, is expelled or the institution determines the student unofficially withdrew, or no later than 30 days following the expiration of an approved leave of absence. See Chapter 3 of the *Federal SFA Handbook* for a detailed discussion on determining a withdrawal date (34 CFR sections 668.22, 682.607, and 685.306).

Cause/Effect

The University did not return refunds to a particular program in a timely manner, therefore federal agencies did not receive the refunds within the acceptable time limits set forth in the Federal Regulations. This could affect the awarding of future federal funds from the granting agencies.

Recommendation

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

Management's Response

In order to ensure that refunds are returned in a timely manner the financial aid office has implemented the following:

1. Hold and Release – This procedure prohibits federal funds from being distributed to a student's account unless the student passes all disbursement rules and requirements.
2. ACH process - Automatic Return process which allows a guarantor to electronically pull funds from the bank for students who do not meet the disbursement rules. This process carries a 24 hour turnaround period in comparison to the 2 week turnaround in our previous manual process.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section III – Summary of Current Year Findings and Questioned Costs, Continued

Finding 01-3: Federal Reporting Should be done in a Timely Manner

Condition

During the testing of federal reporting, we noted that the University did not submit the Pell payment data on a timely basis. Of the twenty students selected, the disbursement data for three was submitted later than 30 days after the payment.

Criteria

Institutions must report student payment data within 30 calendar days after the school makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. See Chapter 3 of the Federal SFA Handbook for a detailed discussion on Federal reporting (34CFR 690.83.).

Cause/Effect

Federal dollars could be withheld by the awarding agency because reports are not submitted in a timely manner.

Recommendation

We recommend that the University ensure that procedures are established and followed related to Federal reporting requirements.

Management's Response

An extensive Pell / RFMS process has been developed by one of our consultants that will ensure that funds are submitted within the time period allotted by the federal government. A copy of the procedures are available in the Financial Aid Office.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section III – Summary of Current Year Findings and Questioned Costs, Continued

Finding 01-4: Eligibility Requirements not met for Upward Bound program

Condition

During our testing of eligibility for the Upward Bound program (CFDA 84.047), we noted that it appears that two of the 15 students selected did not meet the eligibility requirement.

Criteria

Beneficiaries of this program must be low-income individuals and/or potential first generation college students.

Cause/Effect

Federal dollars were used to benefit individuals who were either not low-income families or were not first generation college students.

Recommendation

We recommend that the University enhance their procedures to verify the eligibility requirements.

Management's Response

The University agrees with the comment and they will enhance their procedures to verify eligibility.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section III – Summary of Current Year Findings and Questioned Costs, Continued

Finding 01-5: Annual Report Documentation not Available

Condition

During our testing of eligibility for the Upward Bound program (CFDA 84.047), we noted that in the annual performance report there are five project objectives which are discussed and submitted for the program year. One of the project outcomes for the year was not supportable by current, verifiable documentation.

Criteria

Beneficiaries of this program must prepare an annual performance report and include the accomplishments of the objectives from that program year.

Cause/Effect

Federal dollars are awarded or renewed based upon the accomplishments of the program objectives. It did not appear that the University had the appropriate documentation to support the success of all of the objectives.

Recommendation

We recommend that the University enhance their documentation procedures to verify the project outcome results in the annual performance report.

Management's Response

The University agrees with the comment and will enhance the documentation for the annual performance report.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs

Finding 00-1: Lack of Monitoring Controls Over Reports and Reconciliations

Audit Finding

During our assessment over monitoring controls of the student financial aid reconciliation process (the reconciliation between student financial aid office, the Bursar's office, and the general ledger), we noted that the reconciliation identified several discrepancies. Errors were made in prior months and were not caught until some months later and it appeared that reviews of the reports were not made until year end when the final reconciliation for submitting the final federal reports were reviewed. We also noted that this process has been made more difficult by the lack of staffing of the Office of Student Financial Aid. In addition to the staffing issues, the University has no accountability or review for the reconciliation process.

In addition, during our testing of the FISAP we noted that the report was not properly reviewed before its submission to the federal agency. This resulted in inaccurate information being submitted with the report.

Auditor's Comments

Based upon the review of the reconciliation process for the fiscal 2001 audit, it appears that monitoring controls and timely reconciliation's are now in place.

The FISAP appears to have been properly reviewed before filing.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs, Continued

Finding 00-2: Federal Reporting Should be Done in a Timely Manner

Audit Finding

During the testing of federal reporting, we noted that a final project report for the grant IANN061 Economic Development Administration was submitted late.

Auditor's Comments

We did not have this specific finding in the current year. See Finding 01-3 for a similar reporting concern regarding Pell payment data.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs, Continued

Finding 00-3: Returns Need to be Distributed on a Timely Basis

Audit Finding

During our testing of students subject to Federal refunds, we noted that the University did not disburse the refunds in a timely manner. Of the ten University students selected, eight refunds were not disbursed timely. Additionally, one student had an overaward of their PELL Grant. Further testing by the University resulted in identifying a group of students that were required to have refunds due to change in enrollment status. The University had identified students that did not have a recalculation of their award during the 1999-2000 fiscal year. Due to this oversight, the refunds for these recalculations were not made on a timely basis, as they were identified and refunded in the following 2000-2001 fiscal year.

Auditor's Comments

Based upon the A-133 audit performed for fiscal year 2001, we did not have an overaward finding or a refund due to change in status. However, the University is still not returning funds in a timely manner. See current year finding 01-2.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs, Continued

Finding 00-4: University Needs to Ensure Accurate Federal Reporting

Audit Finding

During our testing of the Fiscal Operations Report (FISAP) material line items, we noted an error in the amounts that were recorded and sent with the initial September 30, 2000 report to the federal government.

Auditor's Comment

Based upon the testing for the 2001 year FISAP, it appears that the FISAP was reviewed by all appropriate University personnel. No errors were noted in its preparation.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs, Continued

Finding 00-5: The University Must Review Student Academic Progress

Audit Finding

During our review of Student Academic Progress (SAP), we determined that the University did not have formal monitoring processes over SAP for the past two years. We were also made aware of this finding through the report from the Department of Education, Office of Inspector General.

Auditor's Comments

Based on the A-133 audit performed for the fiscal 2001 year, it appears that the University has addressed this issue and there were no findings in the current year.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs, Continued

Finding 00-6: The University Must Properly Adjust Federal Awards

Audit Finding

During our testing of student eligibility and the recalculation of PELL awards, we noted that one of the students in our sample received an overaward of their PELL Grant.

Auditor's Comment

Based on the A-133 audit performed for fiscal year 2001, we did not have this finding.

Cleveland State University

Schedule of Findings and Questioned Costs, Continued For the Year Ended June 30, 2001

Section IV - Summary of Prior Year Findings and Questioned Costs, Continued

Finding 00-7: The University Must Be Able to Determine Financial Data Needed for Federal Reporting in a Timely Manner

Audit Finding

The University was unable to reconcile the FISAP to the appropriate Bursars student financial accounts and the General Ledger and as a result, we were unable to determine and test the federal filing. As such, we were not able to conclude whether or not the University had complied with Federal Financial Aid reporting requirements.

Auditor's Comments

Based upon the A-133 audit performed for the fiscal 2001 year, it appears that the University has addressed this issue and there were no findings in the current year.

**Independent Accountants' Report on the Application of Agreed-Upon
Procedures to the Accounting Records and Internal Control Structure
Of the Intercollegiate Athletics Program**

Michael Schwartz
Interim President
Cleveland State University

We have performed the procedures enumerated below, which were agreed to by management of Cleveland State University (the "University") solely to assist the University in complying with National Collegiate Athletics Association (NCAA) Constitution 6.2.3.1. Management of the University is responsible for the Schedule of Revenues, Expenditures and Other Changes in Fund Balances and internal control over the Intercollegiate Athletics Department. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. Our procedures and findings are as follows:

***SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND
BALANCES - AGREED-UPON SUBSTANTIVE PROCEDURES***

- A. We obtained the Schedule of Revenues, Expenditures and Other Changes in Fund Balances (the "Statements") for the Intercollegiate Athletics Programs ("Programs") and supporting worksheets for the for the year ended June 30, 2001, and compared the amounts on the Statement to management's worksheets.

No exceptions were found as a result of these comparisons.

- B. We agreed amounts on management's worksheets to the University's general ledger.

No differences between the amounts in the general ledger and the amounts on the worksheets were noted.

- C. We compared actual revenues and expenditures to budgeted amounts and prior year amounts and investigated variances greater than ten percent.

All variances greater than ten percent had supporting documentation.

- D. We agreed revenue received for the athletic program by the Cleveland State University Foundation, Inc. ("CSUF"), to the expenditures made on behalf of the University to ensure such expenditures were properly recorded.

No exceptions were found as a result of these comparisons.

- E. For a selection of endowment yield accounts, we agreed endowment earnings for use within the Intercollegiate Department to the records tested in connection with our audit of the general purpose financial statements of the University.

No differences were found for the items tested.

- F. We agreed any single contribution from an "outside" organization that constituted more than 10 percent of all contributions donated to the Intercollegiate Athletics Program to the supporting Documentation.

No exceptions were found as a result of these comparisons.

- G. We agreed the ticket office sales report to the general ledger and investigated variances greater than ten percent.

All variances greater than ten percent had supporting documentation.

- H. We obtained representations from management that to the best of their knowledge and belief all revenues and expenditures related to the Intercollegiate Athletics Department have been properly summarized in the attached statement.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying Statement. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

INTERNAL CONTROL STRUCTURE: POLICIES AND PROCEDURES RELATED TO INTERCOLLEGIATE ATHLETICS PROGRAMS - AGREED-UPON PROCEDURES

The management of the University is responsible for establishing and maintaining a system of internal accounting control over financial reporting. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of internal control over financial reporting to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

- A. We obtained the organization chart of the Intercollegiate Athletics Department ("Department") discussed it with representatives of the Department. We made inquiries of management as to the protection of records and equipment. We updated our documentation of the Department's accounting systems and procedures. We also read and compared to each other the University and the University Department of Athletics policies and procedures manuals, as they relate to the gifts; cash receipts; and cash disbursements cycles and discussed internal control, as it relates to the gifts; cash receipts; and cash disbursements cycles with the University's Associate Athletics Director. Additionally, we inquired as to the procedures performed by the University's Internal Audit Department with respect to the Athletics Division during fiscal year 2001.

We noted that accounting procedures performed by personnel of the Department, as documented in the Department of Athletics policies and procedures manual, conform with those of the University as documented in the University's policies and procedures manuals.

Management informed us that records and equipment are protected as documented in the University's policy concerning safeguarding of assets.

We noted that there were no specific procedures performed by the University's Internal Audit Department during fiscal year 2001.

- B. We discussed with University personnel their procedures for monitoring support group activities.

Management has represented to us that to the best of their knowledge and belief all revenues and expenditures related to support group activities are accounted for in the books and records of the University. However, we found that neither the University nor the Department have documented their procedures to monitor support group activities.

We were not engaged to, and did not, perform an examination of the University's system of internal control over financial reporting, the objective of which would be the expression of an opinion on the suitability of design of internal control over financial reporting of the University as of June 30, 2001. Accordingly, we do not express such an opinion. We also were not engaged to examine and report on the operating effectiveness of the University's internal control over financial reporting as of June 30, 2001, and accordingly we express no opinion on its operating effectiveness. Had we performed additional procedures, or had we made an examination of the system of internal control over financial reporting, other matters might have come to our attention that would have been reported to you. This report relates only to the procedures specified above and does not extend to the financial statements of the University.

This report is intended solely for the information and use of University management and governing boards, and is not intended to be and should not be used by anyone other than these specified parties.

October 11, 2001

CsuNCAA Agreed-Upon Procedures Final Report



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

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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2002**