

# **Cleveland State University**

**Report on Expenditures of Federal Awards in  
Accordance with OMB Circular A-133 Federal  
Identification Number 1-34-096-6056-A-1V  
Office of Postsecondary Education  
Identification Number 00303200  
DUNS Number 010841617  
for the year ended June 30, 2000**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  
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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, 1999 through June 30, 2000. 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

January 2, 2001

**Cleveland State University**  
**Report On Expenditures Of Federal Awards**  
**In Accordance With OMB Circular A-133**  
**For the Year Ended June 30, 2000**  
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## **FINANCIAL**

**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, at June 30, 2000 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 1999 financial statements; and in our report dated October 22, 1999, 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 the opinion expressed above.

As discussed in Note 11 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 accordance with Government Auditing Standards, we have also issued our report dated October 13, 2000 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.

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*

December 14, 2000

CLEVELAND STATE UNIVERSITY  
Balance Sheet  
June 30, 2000  
(With comparative figures at June 30, 1999)

	ASSETS		LIABILITIES AND FUND BALANCES		
	June 30, 2000	June 30, 1999		June 30, 2000	June 30, 1999
Current Funds			Current Funds		
Unrestricted			Unrestricted		
Educational and General			Educational and General		
Investments	\$26,473,475	\$29,926,398	Accounts Payable	\$7,245,579	\$6,229,947
Accounts Receivable, Less Allowance of \$4,264,244 in 2000 and \$2,492,923 in 1999	7,587,937	7,991,041	Accrued Liabilities	12,594,662	12,752,791
Accrued Interest Receivable	359,628	259,082	Deposits	101,591	117,772
Inventories, at Cost	166,222	159,584	Deferred Income	10,542,357	8,700,243
Prepaid Expenses and Deferred Charges	4,781,299	3,910,365	Fund Balances:		
Total Educational and General	\$39,368,561	\$42,246,470	Allocated	8,884,372	14,445,717
Auxiliary Enterprises			Total Educational and General	\$39,368,561	\$42,246,470
Cash	1,307,256	661,356	Auxiliary Enterprises		
Investments	794,284	878,674	Accounts Payable	318,609	466,621
Accounts Receivable, Less Allowance of \$220,305 in 2000 and \$194,141 in 1999	484,738	702,413	Accrued Liabilities	249,871	275,251
Inventories, at Cost	20,004	30,587	Deposits and Deferred Income	655,216	270,159
Prepaid Expenses and Deferred Charges	107,787	57,805	Fund Balances:		
Total Auxiliary Enterprises	\$2,714,069	\$2,330,835	Allocated	0	(69,960)
Total Unrestricted	\$42,082,630	\$44,577,305	Unallocated	1,490,373	1,388,764
Restricted			Total Auxiliary Enterprises	\$2,714,069	\$2,330,835
Investments	6,113,642	4,461,291	Total Unrestricted	\$42,082,630	\$44,577,305
Accounts Receivable	2,179,781	1,328,507	Restricted		
Unbilled Charges	2,979,718	3,101,807	Accounts Payable	713,633	197,381
Prepaid Expenses and Deferred Charges	81,657	0	Accrued Liabilities	676,586	754,144
Total Restricted	\$11,354,798	\$8,891,605	Fund Balances	9,964,579	7,940,080
Total Current Funds	\$53,437,428	\$53,468,910	Total Restricted	\$11,354,798	\$8,891,605
Loan Funds			Total Current Funds	\$53,437,428	\$53,468,910
Cash	468,296	65,107	Loan Funds		
Notes Receivable, Less Allowance of \$719,992 in 2000 and \$753,228 in 1999	9,590,748	10,150,035	Fund Balances:		
Accounts Receivable	104,147	146,088	U.S. Government Grants:		
Accrued Interest Receivable	318,916	284,610	Perkins Loan	8,911,893	8,413,530
Total Loan Funds	\$10,482,107	\$10,645,840	University Funds:		
			Restricted	1,566,025	2,228,121
			Unrestricted	4,189	4,189
			Total Loan Funds	\$10,482,107	\$10,645,840

See accompanying notes to financial statements.

Continued

CLEVELAND STATE UNIVERSITY  
Balance Sheet  
June 30, 2000  
(With comparative figures at June 30, 1999)

ASSETS, CONTINUED	June 30, 2000	June 30, 1999	LIABILITIES AND FUND BALANCES, CONTINUED	June 30, 2000	June 30, 1999
Endowment and Similar Funds			Endowment and Similar Funds		
Investments	\$ 2,535,725	\$ 2,559,632	Fund Balances:		
			Endowment-Restricted	\$ 1,386,681	\$ 1,337,360
			Endowment-Unrestricted	62,525	63,889
			Quasi-endowment-Restricted	294,327	340,079
			Quasi-endowment-Unrestricted	792,192	818,304
Total Endowment and Similar Funds	<u>\$ 2,535,725</u>	<u>\$ 2,559,632</u>	Total Endowment and Similar Funds	<u>\$ 2,535,725</u>	<u>\$ 2,559,632</u>
Plant Funds			Plant Funds		
Unexpended			Unexpended		
Investments	8,028,992	17,425,567	Accounts Payable	280,613	1,541
Accrued Interest Receivable	47,038	0	Notes Payable	6,747,327	17,008,451
			Bonds Payable	0	167,779
			Fund Balances:		
			Restricted	1,048,090	247,647
			Unrestricted - Allocated	0	149
Total Unexpended	<u>\$8,076,030</u>	<u>\$17,425,567</u>	Total Unexpended	<u>\$8,076,030</u>	<u>\$17,425,567</u>
Renewals and Replacements			Renewals and Replacements		
Investments	2,101,611	1,890,788	Accounts Payable	438,736	0
Inventories, at Cost	7,439	5,164	Fund Balances:		
			Unrestricted	579,362	0
			Restricted	34,138	34,138
			Unrestricted - Allocated	1,056,814	1,861,814
Total Renewals and Replacements	<u>\$2,109,050</u>	<u>\$1,895,952</u>	Total Renewals and Replacements	<u>\$2,109,050</u>	<u>\$1,895,952</u>
Retirement of Indebtedness			Retirement of Indebtedness		
Investments	215,030	467,950	Interest Payable	215,030	467,904
			Fund Balance	0	46
Total Retirement of Indebtedness	<u>\$215,030</u>	<u>\$467,950</u>	Total Retirement of Indebtedness	<u>\$215,030</u>	<u>\$467,950</u>
Investment in Plant			Investment in Plant		
Land	51,777,710	51,777,320	Obligations Under Capital Leases	1,910,968	2,651,577
Improvements Other Than Buildings	14,933,778	14,933,778	Notes Payable	2,502,673	1,491,549
Buildings	304,779,756	297,737,340	Bonds Payable	11,740,000	12,277,221
Movable Equipment, Furniture, Library Books	90,287,635	88,314,762	Net Investment in Plant	457,809,606	438,114,131
Construction in Progress	12,184,368	1,771,278			
Total Investment in Plant	<u>\$473,963,247</u>	<u>\$454,534,478</u>	Total Investment in Plant	<u>\$473,963,247</u>	<u>\$454,534,478</u>
Total Plant Funds	<u>\$484,363,357</u>	<u>\$474,323,947</u>	Total Plant Funds	<u>\$484,363,357</u>	<u>\$474,323,947</u>
Agency Funds			Agency Funds		
Cash	168,984	1,358,060	Accounts Payable	1,559	2,369
			Deposits Held in Custody for Others	167,425	1,355,691
Total Agency Funds	<u>\$168,984</u>	<u>\$1,358,060</u>	Total Agency Funds	<u>\$168,984</u>	<u>\$1,358,060</u>

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY  
Statement of Changes in Unallocated Fund Balances  
Year Ended June 30, 2000

	CURRENT FUNDS						Total Current Funds Unallocated
	Unrestricted			Restricted			
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted	
Revenues and Other Additions							
Unrestricted Current Fund Revenues	\$141,033,240	\$8,235,070	\$149,268,310	\$0	\$0	\$0	\$149,268,310
State Appropriations - Restricted	0	0	0	5,054,959	0	5,054,959	5,054,959
Federal Grants and Contracts - Restricted	0	0	0	13,711,216	0	13,711,216	13,711,216
State Grants and Contracts - Restricted	0	0	0	8,280,963	0	8,280,963	8,280,963
Local Grants and Contracts - Restricted	0	0	0	589,851	0	589,851	589,851
Private Gifts, Grants and Contracts - Restricted	0	0	0	5,066,086	633,047	5,699,133	5,699,133
Endowment Income - Restricted	0	0	0	947,428	0	947,428	947,428
<b>Total Revenues and Other Additions</b>	<b>141,033,240</b>	<b>8,235,070</b>	<b>149,268,310</b>	<b>33,650,503</b>	<b>633,047</b>	<b>34,283,550</b>	<b>183,551,860</b>
Expenditures and Other Deductions							
Educational and General Expenditures	143,302,419	0	143,302,419	29,979,546	0	29,979,546	173,281,965
Auxiliary Enterprises Expenditures	0	10,557,226	10,557,226	0	541,967	541,967	11,099,193
Indirect Costs Recovered	0	0	0	1,415,269	0	1,415,269	1,415,269
<b>Total Expenditures and Other Deductions</b>	<b>143,302,419</b>	<b>10,557,226</b>	<b>153,859,645</b>	<b>31,394,815</b>	<b>541,967</b>	<b>31,936,782</b>	<b>185,796,427</b>
Transfers Among Funds - Additions/(Deductions)							
Mandatory							
Principal and Interest	(225,274)	(1,129,235)	(1,354,509)	0	0	0	(1,354,509)
Loan Fund Matching Grant	(98,395)	0	(98,395)	0	0	0	(98,395)
Nonmandatory							
Capital Improvements	0	(140,000)	(140,000)	(500,000)	0	(500,000)	(640,000)
Support to Auxiliary Enterprises	(3,745,908)	3,745,908	0	0	0	0	0
Current Allocated Fund Balance - Net	5,561,345	(69,960)	5,491,385	0	0	0	5,491,385
Transfers (To)/From Endowments/Quasi-endowments	9,329	(1,875)	7,454	177,731	0	177,731	185,185
Other Transfers	768,082	18,927	787,009	0	0	0	787,009
<b>Total Transfers</b>	<b>2,269,179</b>	<b>2,423,765</b>	<b>4,692,944</b>	<b>(322,269)</b>	<b>0</b>	<b>(322,269)</b>	<b>4,370,675</b>
Net Increase/(Decrease) for Year	0	101,609	101,609	1,933,419	91,080	2,024,499	2,126,108
Fund Balance at Beginning of Year	0	1,388,764	1,388,764	7,924,635	15,445	7,940,080	9,328,844
Fund Balance at End of Year	<b>\$0</b>	<b>\$1,490,373</b>	<b>\$1,490,373</b>	<b>\$9,858,054</b>	<b>\$106,525</b>	<b>\$9,964,579</b>	<b>\$11,454,952</b>

See accompanying notes to financial statements.

Continued



CLEVELAND STATE UNIVERSITY  
Statement of Changes in Unallocated Fund Balances (Continued)  
Year Ended June 30, 2000

	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	\$7,039,865	\$16,289,865
Federal Grants and Contracts - Restricted	295,184	0	0	0	0	0	0
State Grants and Contracts - Restricted	0	0	161,461	0	0	0	161,461
Private Gifts, Grants and Contracts - Restricted	624	16,524	96,573	0	0	211,138	307,711
Investment Income - Restricted	0	144,754	804,124	0	0	0	804,124
Interest on Loans Receivable	439,304	0	0	0	0	0	0
Expended for Plant Facilities (Including \$14,552,690 Charged to Current Funds Expenditures)	0	0	0	0	0	15,118,647	15,118,647
Retirement of Indebtedness	0	0	0	0	0	705,000	705,000
Other Sources	0	0	0	0	0	0	0
<b>Total Revenues and Other Additions</b>	<b>735,112</b>	<b>161,278</b>	<b>1,062,158</b>	<b>0</b>	<b>9,250,000</b>	<b>23,074,650</b>	<b>33,386,808</b>
Expenditures and Other Deductions							
Loan Cancellations and Write-offs	58,441	0	0	0	0	0	0
Administrative and Collection Costs	151,790	0	0	0	0	0	0
Expended for Plant Facilities (Including Non-Capitalized Expenditures of \$355,647)	0	0	471,508	450,096	0	0	921,604
Retirement of Indebtedness	0	0	0	0	9,955,000	0	9,955,000
Interest on Indebtedness	0	0	0	0	939,865	0	939,865
Disposals and Write-offs of Plant Facilities	0	0	0	0	46	3,294,717	3,294,763
<b>Total Expenditures and Other Deductions</b>	<b>210,231</b>	<b>0</b>	<b>471,508</b>	<b>450,096</b>	<b>10,894,911</b>	<b>3,294,717</b>	<b>15,111,232</b>
Transfers Among Funds - Additions/(Deductions)							
Mandatory							
Principal and Interest	0	0	(290,356)	0	1,644,865	0	1,354,509
Loan Fund Matching Grant	98,395	0	0	0	0	0	0
Nonmandatory							
Capital Improvements	0	0	500,000	224,458	0	(84,458)	640,000
Allocated Fund Balance - Net	0	0	149	805,000	0	0	805,149
Deductions from Endowments/Quasi-endowments	0	(185,185)	0	0	0	0	0
Other Transfers	(787,009)	0	0	0	0	0	0
<b>Total Transfers</b>	<b>(688,614)</b>	<b>(185,185)</b>	<b>209,793</b>	<b>1,029,458</b>	<b>1,644,865</b>	<b>(84,458)</b>	<b>2,799,658</b>
Net Increase/(Decrease) for Year	(163,733)	(23,907)	800,443	579,362	(46)	19,695,475	21,075,234
Fund Balance at Beginning of Year	10,645,840	2,559,632	247,647	34,138	46	438,114,131	438,395,962
<b>Fund Balance at End of Year</b>	<b>\$10,482,107</b>	<b>\$2,535,725</b>	<b>\$1,048,090</b>	<b>\$613,500</b>	<b>\$0</b>	<b>\$457,809,606</b>	<b>\$459,471,196</b>

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY  
Statement of Current Funds Unallocated Revenues, Expenditures, and Other Changes  
Year Ended June 30, 2000  
(With comparative totals for the year ended June 30, 1999)

	Unrestricted			Restricted			Total Current Funds June 30, 2000	Total Current Funds June 30, 1999
	Educational and General	Auxiliary Enterprises	Total Unrestricted	Educational and General	Auxiliary Enterprises	Total Restricted		
<b>Revenues:</b>								
Tuition, Fees and Other Student Charges	\$65,590,698	\$0	\$65,590,698	\$0	\$0	\$0	\$65,590,698	\$62,184,541
State Appropriations	69,043,798	0	69,043,798	3,707,103	0	3,707,103	72,750,901	68,686,435
Federal Grants and Contracts	1,005,774	0	1,005,774	12,955,180	23,167	12,978,347	13,984,121	13,837,750
State Grants and Contracts	172,599	0	172,599	7,212,498	0	7,212,498	7,385,097	5,370,331
Local Grants and Contracts	75,490	0	75,490	402,794	0	402,794	478,284	175,683
Private Gifts, Grants and Contracts	170,229	0	170,229	4,754,544	518,800	5,273,344	5,443,573	5,110,347
Endowment Income	0	0	0	947,427	0	947,427	947,427	848,241
Sales and Services	2,677,205	8,235,070	10,912,275	0	0	0	10,912,275	11,596,743
Other Sources	2,297,447	0	2,297,447	0	0	0	2,297,447	2,602,965
<b>Total Revenues</b>	<b>141,033,240</b>	<b>8,235,070</b>	<b>149,268,310</b>	<b>29,979,546</b>	<b>541,967</b>	<b>30,521,513</b>	<b>179,789,823</b>	<b>170,413,036</b>
<b>Expenditures and Mandatory Transfers:</b>								
<b>Educational and General:</b>								
Instruction and Departmental Research	65,383,903	0	65,383,903	4,718,277	0	4,718,277	70,102,180	63,273,803
Separately Budgeted Research	1,990,730	0	1,990,730	8,969,023	0	8,969,023	10,959,753	10,089,528
Public Service	2,249,674	0	2,249,674	3,277,018	0	3,277,018	5,526,692	5,200,914
Academic Support	16,461,799	0	16,461,799	970,451	0	970,451	17,432,250	17,353,912
Student Services	17,543,899	0	17,543,899	173,831	0	173,831	17,717,730	14,295,679
Institutional Support	21,668,952	0	21,668,952	508,354	0	508,354	22,177,306	20,173,986
Operation and Maintenance of Plant	14,952,009	0	14,952,009	108,666	0	108,666	15,060,675	15,364,403
Scholarships and Fellowships	3,051,453	0	3,051,453	11,253,926	0	11,253,926	14,305,379	13,323,879
<b>Total Educational and General Expenditures</b>	<b>143,302,419</b>	<b>0</b>	<b>143,302,419</b>	<b>29,979,546</b>	<b>0</b>	<b>29,979,546</b>	<b>173,281,965</b>	<b>159,076,104</b>
<b>Auxiliary Enterprises</b>	<b>0</b>	<b>10,557,226</b>	<b>10,557,226</b>	<b>0</b>	<b>541,967</b>	<b>541,967</b>	<b>11,099,193</b>	<b>12,635,069</b>
<b>Mandatory Transfers:</b>								
Principal and Interest	225,274	1,129,235	1,354,509	0	0	0	1,354,509	1,480,049
Loan Fund Matching Grant	98,395	0	98,395	0	0	0	98,395	881,890
<b>Total Expenditures and Mandatory Transfers</b>	<b>143,626,088</b>	<b>11,686,461</b>	<b>155,312,549</b>	<b>29,979,546</b>	<b>541,967</b>	<b>30,521,513</b>	<b>185,834,062</b>	<b>174,073,112</b>
<b>Nonmandatory Transfers and Additions/(Deductions):</b>								
<b>Nonmandatory Transfers:</b>								
Capital Improvements	0	(140,000)	(140,000)	(500,000)	0	(500,000)	(640,000)	0
Support to Auxiliary Enterprises	(3,745,908)	3,745,908	0	0	0	0	0	0
Current Allocated Fund Balance-Net	5,561,345	(69,960)	5,491,385	0	0	0	5,491,385	3,929,912
Transfers (To)/From Endowments/Quasi-endowments	9,329	(1,875)	7,454	177,731	0	177,731	185,185	208,410
Other Transfers	768,082	18,927	787,009	0	0	0	787,009	0
Excess of Restricted Receipts Over Transfers to Revenue	0	0	0	3,670,957	91,080	3,762,037	3,762,037	2,001,137
Indirect Costs Recovered	0	0	0	(1,415,269)	0	(1,415,269)	(1,415,269)	(1,170,914)
<b>Net Increase/(Decrease) in Fund Balance</b>	<b>\$0</b>	<b>\$101,609</b>	<b>\$101,609</b>	<b>\$1,933,419</b>	<b>\$91,080</b>	<b>\$2,024,499</b>	<b>\$2,126,108</b>	<b>\$1,308,469</b>

See accompanying notes to financial statements.

CLEVELAND STATE UNIVERSITY  
Statement of Changes in Current Funds Allocated Fund Balances  
Year Ended June 30, 2000

	Balance June 30, 1999	Transferred from Unallocated	Returned to Unallocated	Balance June 30, 2000
<b>Educational and General:</b>				
Student General Fee	\$726,620	\$426,340	\$0	\$1,152,960
University Reserve	7,311,590	0	(2,223,263)	5,088,327
Encumbrances	1,109,191	405,273	(1,109,191)	405,273
Department Carry Over	4,437,039	1,687,812	(4,437,039)	1,687,812
Faculty Center	150,000	0	0	150,000
Fringe Benefits	711,277	0	(311,277)	400,000
	<u>14,445,717</u>	<u>2,519,425</u>	<u>(8,080,770)</u>	<u>8,884,372</u>
Total Educational and General				
<b>Auxiliary Enterprises:</b>				
Encumbrances	50,624	0	(50,624)	0
Department Carry Over	(120,584)	0	120,584	0
	<u>(69,960)</u>	<u>0</u>	<u>69,960</u>	<u>0</u>
Total Auxiliary Enterprises				
<b>Plant Funds:</b>				
Unexpended	149	(149)		0
Renewals & Replacements	1,861,814	(805,000)	0	1,056,814
	<u>\$1,861,963</u>	<u>(\$805,149)</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, 2000**

**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 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.

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

CLEVELAND STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS (Continued)

\$4,812,579 at June 30, 2000.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 \$2,553,597, as compared to bank balances of \$1,943,184. The difference in carrying amount and bank balance was caused by items in transit. Of the bank balance, \$440,394 was covered by federal depository insurance, and \$1,502,790 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, 2000 and 1999 were as follows:

	<u>June 30, 2000</u>		<u>June 30, 1999</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
State Treasury Asset Reserve	\$13,802,839	\$13,802,839	\$34,917,274	\$34,917,274
U.S. Government Securities	29,924,195	30,012,414	20,133,394	20,200,000
Bond Mutual Funds	792,192	844,073	818,304	838,313
Stock Mutual Funds	<u>1,743,533</u>	<u>1,418,755</u>	<u>1,741,328</u>	<u>1,519,271</u>
Total	<u>\$46,262,759</u>	<u>\$46,078,081</u>	<u>\$57,610,300</u>	<u>\$57,474,858</u>

All United States government securities are uninsured, unregistered, and held either by the

CLEVELAND STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS (Continued)

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 \$3,923,410. The obligation as of June 30, 2000, was \$1,910,968.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2000 are as follows:

<u>Fiscal year ending June 30,</u>	<u>Amount</u>
2001	\$ 859,004
2002	810,151
2003	349,988
2004	5,402
2005	<u>1,210</u>
Total minimum lease payments	\$ 2,025,755
Less amount representing interest	<u>114,787</u>
Present value of net minimum lease payments	<u>\$ 1,910,968</u>

CLEVELAND STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS (Continued)

**NOTE 5 - NOTES PAYABLE**

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

**NOTE 6 - 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, 2000 was \$9,005,000. Interest rates on the bonds vary from 5.35% to 6.15%. Principal amounts payable for fiscal years ending June 30, 2001 through June 30, 2005 are \$550,000, \$575,000, \$600,000, \$635,000, and \$665,000, respectively.

The original principal amount for series 1996 General Receipts Bond was \$3,430,000. The amount outstanding at June 30, 2000 was \$2,735,000. Interest rates vary from 4.5% to 5.25%. Principal amounts payable for fiscal years ending June 30, 2001 through June 30, 2005 are \$195,000, \$200,000, \$210,000, \$220,000, and \$230,000, respectively.

**NOTE 7 - 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 contribution for the year ended June 30, 2000 was \$278,161, which equals 5.76% of earned compensation.

STRS is a statewide retirement plan for certified teachers. STRS provides retirement and



CLEVELAND STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2000, 1999, and 1998 were \$6,203,929, \$6,347,615, and \$5,974,185, respectively, equal to the required contributions for each year. STRS issues a stand-alone financial report. The report may be obtained by writing to STRS, 275 East Broad Street, Columbus, OH 43215-3771, or by calling (614) 227-4050.

PERS is a statewide retirement plan, which covers non-teaching University employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by state statute. Contribution rates are established by the Public Employee Retirement Board, not to exceed the statutory maximum rates of 10% for employees and 14% for employers. Currently, employees contribute 8.5% of covered payroll and employers contribute 13.31% of covered payroll. The University's contributions to PERS for the years ending June 30, 2000, 1999, and 1998 were \$4,538,069, \$4,594,604, and \$4,414,869, respectively, equal to the required contributions for each year. PERS issues a stand-alone financial report. The report may be obtained by writing to PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

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

STRS allocates one-seventh of employer contributions to a health care reserve fund. The portion of the University's fiscal year 2000 contribution allocated by STRS to the health care reserve fund was approximately \$886,000. The balance in the health care reserve fund at June 30, 1999 was \$2,783,000,000.

PERS allocates a portion of each employer's contribution to fund postretirement health care benefits; for the year ended December 31, 1999 the state employers rate was 4.2% and the law enforcement employers rate was 4.2%. The portion of the University's fiscal year 2000 contribution allocated by PERS to fund postretirement health care benefits was approximately \$1,438,000. At December 31, 1999, the unaudited estimated net assets available for future postretirement benefit payments were \$9,870,285,641.

### **NOTE 8 - RISK MANAGEMENT**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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

CLEVELAND STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2000 were \$746,522. 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, 2000. This estimate is based on an analysis of historical claims paid.

**NOTE 9 - RELATED ORGANIZATIONS**

The University is the sole beneficiary of the Cleveland State University Foundation, Inc. (the Foundation), and of the Cleveland-Marshall Fund (the Fund). The Foundation is a separate not-for-profit entity organized for the purpose of providing support for the general educational needs of the University. The Fund is an independent trust formed to provide for the general enrichment of the legal education program at the University's Cleveland-Marshall College of Law. The University has determined that neither the Foundation nor the Fund is a component unit of the University as defined in Statement Number 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, and therefore financial activity of the Foundation and of the Fund are not included in the University's financial statements. Assets of the Foundation and of the Fund at June 30, 2000, were \$26,014,105 and \$5,608,892, respectively. Amounts received in 2000 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 \$3,941,318 and \$127,430 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 \$254,344 at June 30, 2000, 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, 2000, the amount on deposit totaled \$2,535,725.

**NOTE 10 - 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

CLEVELAND STATE UNIVERSITY  
NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2000.

**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 11 – 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 has thirty days to respond before the report is sent to the Department of Education Student Financial Assistance Programs for review. It is not known at this time what that office will recommend, and it is not possible at this time to estimate the cost of corrective actions, nor the amount of fines and penalties, if any, which might be imposed.

**Cleveland State University**  
**Schedule of Expenditures of Federal Awards**  
**for the year ended June 30, 2000**

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Expenditures
<b>Student Financial Aid</b>			
<b>Department of Education</b>			
Direct programs			
Federal Pell Grant Program	84.063		6,414,048
Federal Work-Study Program	84.033		658,351
Federal Supplemental Educational Opportunity Grants	84.007		608,829
Federal Perkins Loan Program	84.038		295,184
<b>Department of Education Subtotal</b>			<b>7,976,412</b>
<b>Department of Health and Human Services</b>			
Direct programs			
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		450
<b>Department of Health and Human Services Subtotal</b>			<b>450</b>
<b>Total Student Financial Aid</b>			<b>7,976,862</b>
<b>Research and Development</b>			
<b>Department of Health and Human Services</b>			
Direct programs			
Human Genome Research	93.172		149,361
Research Related to Deafness and Communication Disorders	93.173		20,816
Drug Abuse Research Programs	93.279		211,278
Cancer Biology Research	93.396		26,025
Blood Diseases and Resources Research	93.839		311,380
Microbiology and Infectious Diseases Research	93.866		96,980
Genetics and Developmental Biology Research	93.862		16,722
Center for Research for Mothers and Children	93.865		96,824
Aging Research	93.866		149,204
Pass Through Programs			
Case Western Reserve University-Maternal and Child Health Federal Consolidated Programs	93.110	5MCJ-390715-3	26,259
Case Western Reserve University-Alcohol Research Programs	93.273	5R01AA-10847-03	34,223
Telepractice, Inc.-Drug Abuse Research Programs	93.279	2R44DA09198-02	158
Case Western Reserve University-Drug Abuse Research Programs HHS	93.279	2RO1DA07358-07	18,815
Ohio Department of Health-Centers for Disease Control and Prevention--Investigations and Technical Assistance	93.283	IAP-18202-A	-1,485
Cleveland Clinic Foundation-Clinical Research	93.333	V000038800	8,624
Public Health TV, Inc. - Cancer Detection and Diagnosis Research	93.394	1R43CA80587-01	14,585
University of Vermont - Blood Diseases and Resources Research	93.839	2R01HL34575-15	17,623
Case Western Reserve University-Center for Research for Mothers and Children	93.865	5-ROI-HD26554-08	39,478
Case Western Reserve University-Center for Research for Mothers and Children	93.865	5-RO1HD 34177-03	16,551
University of Akron - Aging Research	93.866	5- R01AG09370-08	27,259
<b>Department of Health and Human Services Subtotal</b>			<b>1,280,680</b>
<b>National Aeronautics and Space Administration</b>			
Direct programs			
Technology Transfer	43.002		2,039,761
Pass Through Programs			
University of Iowa -Technology Transfer	43.002	NCC8-98	104,260
University of Arizona -Technology Transfer	43.002	NCC8-96	104,718
Science Applications International Corp.-Technology Transfer	43.002	NAS3-97152	30,512
<b>National Aeronautics and Space Administration Subtotal</b>			<b>2,279,251</b>
<b>National Science Foundation</b>			
Direct programs			
Engineering Grants	47.041		181,439
Biological Sciences	47.074		5,280
Pass Through Programs			
University of New Hampshire - Biological Sciences	47.041	Sub#00-411	28,514
D.L. Greist & Associates-Engineering Grants	47.041	SBR-9422334	5,000
<b>National Science Foundation Subtotal</b>			<b>220,233</b>
<b>United States Department of Agriculture</b>			
Direct programs			
Agricultural and Rural Economic Research	10.250		1,089
Rural Development, Forestry and Communities	10.672		13,541
Pass Through Programs			
The Mangi Environmental Group, Inc. - Environmental Quality Incentives Program	10.912	NRSC EQIP	1,900
<b>United States Department of Agriculture Subtotal</b>			<b>16,530</b>
<b>Economic Development Administration</b>			
Direct programs			
Economic Development Technical Assistance	11.303		94,116
Pass Through Programs			
National Association of State Development Agencies-Research and Evaluation Program	11.312	N/A	-29,511
<b>Economic Development Administration Subtotal</b>			<b>64,605</b>

<b>United States Department of Housing and Urban Development</b>			
Direct programs			
Supportive Housing Program	14,235		1
Community Outreach Partnership Center Program	14,511		51,674
Pass Through Programs			
ABT Associates Inc.-Empowerment Zones Program	14,244	DU100C00005948	5,492
<b>United States Department of Housing and Urban Development Subtotal</b>			<b>57,167</b>
<b>National Institutes of Justice</b>			
Pass Through Programs			
ABT Associates, Inc.-Justice Research, Development, and Evaluation Project Grants	16,560	OJP-97-R-009	323
<b>National Institutes Of Justice Subtotal</b>			<b>323</b>
<b>National Endowment for the Humanities</b>			
Pass Through Programs			
University Of Denver-Promotion of the Humanities_Division of Preservation and Access	45,149	PA23362-99	48,077
<b>National Endowment for the Humanities Subtotal</b>			<b>48,077</b>
<b>Environmental Protection Agency</b>			
Direct programs			
Surveys, Studies, Investigations and Special Purpose Grants	66,606		16,992
Pass Through Programs			
Mangi Environmental Group-Water Quality Management Planning	66,454	9C-R250-NBSA	3,408
EcoCity Cleveland - Environmental Education and Training Program	66,950	X-97519401-0	21,016
National Association of Schools of Public Affairs and Administration-Environmental Justice Grants to Small Community Groups	66,604	SCOP	10,000
Case Western Reserve University-Surveys, Studies, Investigations and Special Purpose Grants	66,606	X-985955-01-1	32,705
Kent State University-Surveys, Studies, Investigations and Special Purpose Grants	66,606	X-985989-01	8,815
<b>Environmental Protection Agency Subtotal</b>			<b>92,936</b>
<b>Department Of Energy</b>			
Pass Through Programs			
Clemson University-Office of Energy Research Financial Assistance Program	81,049	Sub# 96-01-SR042	61,575
<b>Department Of Energy Subtotal</b>			<b>61,575</b>
<b>Department of the Interior</b>			
Pass Through Programs			
OSU Research Foundation - Historic Preservation Fund Grants-In-Aid	15,904	NA86RG0053	6,613
<b>Department of the Interior Subtotal</b>			<b>6,613</b>
<b>Department of State</b>			
Pass Through Programs			
Council for International Exchange - Educational Exchange--University Lecturers (Professors) and Research Scholars	19,401	98-79587	30,900
<b>Department of State Subtotal</b>			<b>30,900</b>
<b>Department Of Education</b>			
Direct programs			
National Institute on Disability and Rehabilitation Research	84,133		59,378
Pass Through Programs			
Hill House - National Institute on Disability and Rehabilitation Research	84,133	H133G990036-1	1,002
West Side Community Mental Health Center - National Institute on Disability and Rehabilitation Research	84,133	H133G990036-1	1,002
Spectrum of Support Services - National Institute on Disability and Rehabilitation Research	84,133	H133G990036-1	1,002
Ohio Department Of Education - Special Education Grants to States	84,027	062950-68-SX-xxP	23,572
Cuyahoga Community College - TRIO - Talent Search	84,044	021599-051599	8,605
University Of Illinois - Urban Community Service	84,252	H023C7010384-98	7,196
University Of Illinois to CSU to Duke University - Urban Community Service	84,252	H023C7010384-98	12,865
Ohio Department Of Education-Goals 2000_State and Local Education Systemic Improvement Grants	84,276	062950-G2-SP-98P	4
<b>Department Of Education Subtotal</b>			<b>114,626</b>
<b>Corporation for National and Community Service</b>			
Pass Through Programs			
Ohio Campus Compact-Learn and Serve America-Higher Education	94,005	97HEIN015	2,766
<b>Corporation for National and Community Service Subtotal</b>			<b>2,766</b>
<b>Total Research and Development</b>			<b>4,276,282</b>
<b>Total Major Programs</b>			<b>12,253,144</b>
<b>OTHER FINANCIAL ASSISTANCE</b>			
<b>United States Department of Agriculture</b>			
Pass Through Programs			
Ohio Department of Education-Summer Food Service Program for Children	10,559	EDU214	9,204
<b>United States Department of Agriculture Subtotal</b>			<b>9,204</b>

<b>Economic Development Administration</b>			
Direct programs			
Economic Development--Support for Planning Organizations	11.302		82,740
<b>Economic Development Administration Subtotal</b>			<b>82,740</b>
<b>United States Department of Housing and Urban Development</b>			
Direct programs			
Community Development Work-Study Program	14.512		11
Pass Through Programs			
Cuyahoga Metropolitan Housing Authority-Community Development Block Grants/Entitlement Grants	14.218	HVI 94-10-03	644
Case Western Reserve University-Community Outreach Partnership Center Program	14.511	COPC-OH-98-005	12,030
<b>United States Department of Housing and Urban Development Subtotal</b>			<b>12,685</b>
<b>Department of Labor</b>			
Pass Through Programs			
Ohio State University Research Foundation-Employment and Training Evaluation Projects	17.248	#738588 & #736975	11,528
Ohio Department of Education-School to Work-Employment Services and Job Training_Pilot and Demonstration Programs	17.249	STW990806 & STW081002	82,964
<b>Department of Labor Subtotal</b>			<b>94,492</b>
<b>National Aeronautics and Space Administration</b>			
Direct programs			
Aerospace Education Services Program	43.001		15,863
Pass Through Programs			
Ohio Space Grant Consortium-Aerospace Education Services Program	43.001	SEED	18,945
Ohio Aerospace Institute-Aerospace Education Services Program	43.001	N/A	43,205
Cuyahoga Community College-Aerospace Education Services Program	43.001	SEMAA	20,994
<b>National Aeronautics and Space Administration Subtotal</b>			<b>99,007</b>
<b>National Labor Relations Board</b>			
Pass Through Programs			
Washington D.C.-Labor Management Relations	46.001	DCRFA#98-C-003A	80,412
<b>National Labor Relations Board Subtotal</b>			<b>80,412</b>
<b>National Science Foundation</b>			
Direct programs			
Engineering Grants	47.041		294,882
Pass Through Programs			
CAMP, Inc.-Engineering Grants	47.041	DUE9602457 & EEC9714911	5,709
Cuyahoga Community College-Engineering Grants	47.041	DUE9602457 & DUE9850288	9,032
Lakeland Community College-Engineering Grants	47.041	DUE9602457	27,463
Lorain County Community College-Engineering Grants	47.041	DUE9850288 & EEC9732219	29,667
Youth Opportunities Unlimited-Engineering Grants	47.041	DUE9602457 & DUE9850288	16,656
<b>National Science Foundation Subtotal</b>			<b>383,409</b>
<b>Environmental Protection Agency</b>			
Direct programs			
Surveys, Studies, Investigations and Special Purpose Grants	66.606		114,509
Superfund Innovative Technology Evaluation Program	66.807		47,327
Brownfield Pilots Cooperative Agreements	66.811		109,351
Environmental Education Grants	66.951		6,582
Pass Through Programs			
Kirsten Toth-Brownfield Pilots Cooperative Agreements	66.811	P3-985069-01-5	13,440
Kirsten Toth-Superfund Innovative Technology Evaluation Program	66.807	P3-985069-01-4	5,100
<b>Environmental Protection Agency Subtotal</b>			<b>296,309</b>
<b>Department of State</b>			
Pass Through Programs			
Council for International Exchange - Educational Exchange--University Lecturers (Professors) and Research Scholars	19.401	Fulbright	24,070
Association Liaison Office-College and University Partnerships Program	19.405	HNE-A-00-9700059-00	25,306
Bureau of Educational & Cultural Affairs - College and University Partnerships Program	19.405	IA-ASJL-G8190119	50,617
<b>Department of State Subtotal</b>			<b>99,993</b>
<b>Department Of Education</b>			
Direct programs			
Undergraduate International Studies and Foreign Language Programs	84.016		113
TRIO Student Support Services	84.042		339,452
TRIO--Upward Bound	84.047		20,217
Fund for the Improvement of Postsecondary Education	84.116		-13
Preparing Tomorrow's Teachers to Use Technology	84.342		11,501
Pass Through Programs			
Ohio Board of Regents-Eisenhower Professional Development--Federal Activities	84.168	#9-20	6,461
Ohio Department Of Education-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	062950-G2-Sx-xxP	18,834
Euclid City Schools-Goals 2000_State and Local Education Systemic Improvement Grants	84.276	#599-2401	46,578
Ohio Board of Regents-Eisenhower Professional Development State Grants	84.281	#7-18,#9-21,062950MS-S4	106,453
Miami University-Eisenhower Regional Mathematics and Science Education Consortia	84.319	28-B-5148-33	50,686
Ohio Board of Regents-Eisenhower Regional Mathematics and Science Education Consortia	84.319	#8-18 & #9-19	56,190
Ohio Department of Education-Special Education--State Program Improvement Grants for Children with Disabilities	84.323	062950-S7-S1-00P	7,817
Baldwin Wallace-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A990517	6,800
John Carroll-Preparing Tomorrow's Teachers to Use Technology	84.342	P342A990517	7,690
<b>Department Of Education Subtotal</b>			<b>678,779</b>

<b>Deaprtment of Health and Human Services</b>			
Direct programs			
Health Careers Opportunity Program	93.822		146,925
Health Administration Traineeships and Special Projects Program	93.962		43,642
Pass Through Programs			
National Youth Sports Program-President's Council on Physical Fitness and Sports	93.289	#00-626 & #99-148	55,311
Cuyahoga County-Job Opportunities for Low-Income Individuals	93.593	CP 04138A	-39,395
<b>Department of Health and Human Services Subtotal</b>			<u><u>206,483</u></u>
<b>Corporation for National and Community Service</b>			
Pass Through Programs			
Ohio Department of Education-Learn and Serve America, School and Community Based Programs	94.004	062950-SV-S6-xx	131,556
Center for Healthy Communities-Learn and Serve America-Higher Education	94.005	#058135	987
<b>Corporation for National and Community Service Subtotal</b>			<u><u>132,543</u></u>
<b>Total Other Financial Assistance</b>			<u><u>2,176,056</u></u>
<b>Total Federal Awards</b>			<u><u>14,429,200</u></u>

**Cleveland State University**  
**Notes to Schedule of Expenditures of Federal Awards**  
**for the year ended June 30, 2000**

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**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, 2000 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, 2000.

	<u>CFDA Number</u>	<u>Amounts Advanced</u>	<u>Outstanding Balance</u>
Perkins Loan program	84.038	\$968,827	\$10,426,707

**4. Federal Family Education Loan Program:**

During the fiscal year ended June 30, 2000, the University processed \$35,570,485 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, 2000**

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**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	\$14,429,200
Perkins Loan Funds excluded from federal grants on Statement	(295,184)
Indirect costs excluded from federal grants on Statement	(1,029,717)
Title IV program adjustments	<u>(125,952)</u>
Federal appropriations as shown on Statement	<u>\$12,978,347</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**

**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, 2000, and have issued our report thereon dated October 13, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States 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. Various reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1 and 99-1.

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

above to be material weaknesses. We also noted other matters involving the internal control over financial reporting that, along with the material weaknesses, were reported to management of the University in a separate letter dated October 13, 2000.

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 13, 2000

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

To the Board of Trustees of  
Cleveland State University

**Compliance**

We have audited the compliance of Cleveland State University (the "University") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

As described in items 00-2 through 00-7 in the accompanying schedule of findings and questioned costs, the University did not comply with certain requirements regarding eligibility, refunds, reporting and grant limitations that are applicable to its student financial aid programs; and reporting and grant limits that are applicable to its federal grant programs. Compliance with such requirements is necessary, in our opinion, for the University to comply with the requirements applicable to those programs.

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 has responded. We noted that the scope of the Department of Education's audit is significantly

broader than that of an audit conducted in accordance with OMB Circular A-133, and their audit identified other instances of noncompliance not contained within this report.

### **Internal Control Over Compliance**

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, 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 items 00-1 and 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be 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*

December 14, 2000

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Cleveland State University  
 Schedule of Findings and Questioned Costs  
 for the year ended June 30, 2000**

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**Section I - Summary of Independent Auditor's Results**

**Financial Statements:**

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

**Federal Awards:**

Internal Control over major programs:		
Material weakness(es) identified	<u>  X  </u> yes	<u>      </u> no
Reportable condition(s) identified not considered to be material weaknesses?	<u>      </u> yes	<u>  X  </u> none reported

Type of auditor's report issued on compliance for major programs? Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<u>  X  </u> yes	<u>      </u> no
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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

Dollar threshold used to distinguish between Type A and Type B programs:	\$434,040
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Auditee qualified as low-risk auditee	<u>      </u> yes	<u>  X  </u> no
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**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section II - Financial Statement Findings**  
**for the year ended June 30, 2000**

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

Condition

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.

Cause/Effect

This lack of proper reconciliation produced problems at year-end when reconciliation between these accounts was necessary for the filing of the federal reports and the correct amount was not able to be determined.

Recommendation

We recommend that current staff be properly trained with documented policies and procedures to ensure that all reconciliations and reports are reviewed and all differences are resolved on a monthly and annual basis. The initials of the reviewer should document this process. We also recommend that the University pursue and hire adequate staffing for the Office of Student Financial Aid.

Management Response

Management acknowledges the conditions and recommendations noted above. Although staffing issues in the Financial Aid Office have contributed to the conditions mentioned, additional factors, including many which are outside the control of the aid office, have played a role in promoting or inhibiting reliable reconciliation practices. The University will involve relevant parties and will consider all known factors in the process of refining policies and procedures, clarifying responsibilities, and ascribing accountability.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Condition

During the testing of federal reporting, we noted that a final project report for the grant IANN061 Economic Development Administration was submitted late. The report was due to be submitted by September 30, 1999, but was not submitted until November 24, 1999.

Criteria

In accordance with OMB Circular A-110, certain federal reports are required by the grantee to be filed accurately and in a timely manner. The untimely submission of the above report is in non-compliance with this federal requirement.

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 maintain a checklist or tickler file for grant reports and their due dates in order to ensure that the required reports are submitted timely.

Management's Response

We agree with the recommendation. A query is being run each month that lists all federal grants that end during that month. This serves as a checklist to help ensure that all financial reports are filed in a timely manner.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

**Finding 00-3: 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 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.

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 Response

Management acknowledges the conditions and recommendations noted above. Comprehensive policies and procedures are now in place, and comply with new Return of Title IV regulations, which became effective October 7, 2000. Federal software is now utilized to perform refund calculations and two financial aid office professionals have been assigned responsibility for managing the refund process.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Condition

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. The error was in Part V, Section F, lines 19 & 20. This amount cannot exceed the \$50,000, which is from Part V, Section D, line 15. The \$50,000 amount was confirmed during our testing of the FISAP. Therefore the difference of \$57,000 of the lines 19 & 20 is in error and exceeds the amount, by \$7,000. This was determined to be a typographical error by the University.

Criteria

In accordance with 34 CFR 675.19(b)(3) the University is required to submit a (FISAP) plus other information the Secretary requires. The University is responsible for its accuracy and its timeliness, as specified under the federal guidelines.

Cause/Effect

Inaccurate reporting could affect the funding of future University federal dollars.

Recommendation

We recommend that the University establish and document procedures for the review of the FISAP to ensure that the report is completed accurately. We understand that the institution can make changes to the FISAP up until December 31, but the amounts should be reviewed for accuracy each time the FISAP is submitted.

Management Response

Management acknowledges the condition and recommendation noted above. As with reconciliation controls referenced in Finding 00-1, the University will involve relevant parties and will consider all known factors in the process of refining policies and procedures, clarifying responsibilities, and ascribing accountability for the annual preparation of the FISAP.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Condition

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.

Our testing of 15 students that were dismissed from the University during the Spring of 1998, Fall of 1999, and Spring of 2000 noted no exceptions. In addition, we tested the population of 7,272 students that were on probation for the terms Fall, Spring, and Summer 1998-2000. Five of the first ten in our sample were on probation for 4 - 5 semesters. The Office of Student Financial Aid stated that the University looks at the individual student to see if they are making academic progress (an increased progression of their grade point average "GPA") and whether there are mitigating circumstances that would have caused the failure of the student to make adequate grades. Based upon this assertion, we extended our testing to determine if this was the case. It was determined that three of these five students did not have an academic progression nor mitigating circumstances. The three students did not show progress in achieving the federal limitation of 2.0 GPA.

Criteria

Based upon 34 CFR 668.34, Satisfactory Progress, "a student is making satisfactory progress if, at the end of the second year, the student has a GPA of at least a "C" or its equivalent, or has academic standing consistent with the institution's requirements for graduation." The Cleveland State University Student handbook states that the students are allowed to be on probation and not be dismissed but they are subject to dismissal if there is no academic improvement.

Cause/Effect

Without adequate review of the academic progress of students, students who are not eligible for federal aid due to failing GPA's may have received aid.

Recommendation

We recommend that the University institute a formal review policy of student academic process within the office of student financial aid on a semester basis. This review will ensure that students who do not meet federal criteria for receiving aid do not inadvertently receive it. We also recommend that the student handbook be more specific with regards to the probationary period to incorporate the details of federal aid and its limitations.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Management Response

Management acknowledges the conditions and recommendations noted above. Clear and comprehensive policies and procedures are now in place and are supported with automated controls and production routines. A financial aid office manager has been assigned responsibility for monitoring the SAP measurement process.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Condition

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 in the amount of \$391. This overaward resulted when the student dropped from a half time status to less than half time status. Upon review of the student's file, it was noted that the student dropped the course after the first week of school on the 25th of January, which should have resulted in a recalculation and refund of the student's award. During further testing of student eligibility and recalculations, we noted that there were additional students not included in our sample that were identified as not having correct calculations based upon their enrollment status. Specifically, the University had identified 357 students that did not have a recalculation of their award during the 1999-2000 fiscal year, but should have due to their change in enrollment status. (As described in finding 00-3.) Due to this oversight, the recalculations were not identified by the Office of Student Financial Aid or made on a timely basis, as they were identified and refunded in the following 2000-2001 fiscal year.

Criteria

In accordance with 34 CFR 668.21 the institution must properly calculate the student's award based upon their current enrollment status, "if the student withdraws, drops out, or is expelled before his or her first day of class of a payment period, all funds paid to the student for that payment period for institutional costs or non-institutional costs under the Federal programs are an overpayment. The Secretary considers that a student drops out before his or her first day of class of a payment period if the institution is unable to document the student's attendance at any class during the payment period."

Cause/Effect

Improper calculations could cause over-awards of grants, which could result in withholding of future federal funds from granting agencies.

Recommendation

We recommend that the Office of Student Financial Aid develop policies and procedures to be put into place to ensure that identification of student recalculations are performed accurately. Proper documentation of non-attendance should be obtained for students who do not attend classes. This will ensure that Federal funds are properly expended and no over-expenditure of federal dollars takes place.

**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Management Response

Management acknowledges the conditions and recommendations noted above. As a result of the University's discovery and voluntary resolution of the issue described above, policies, procedures and automated controls are now in place, which should minimize the potential for future overpayments to occur



**Cleveland State University**  
**Schedule of Findings and Questioned Costs**  
**Section III - Summary Schedule of Current Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Condition

The University was unable to reconcile the FISAP to the appropriate Bursars student financial accounts and the General Ledger during the update for "357 Students" as identified in Finding 00-6. As a result, we were unable to determine and test the federal filing therefore we are not able to conclude whether or not the University has complied with Federal Financial Aid reporting requirements.

Criteria

In accordance with federal regulations "the FISAP should agree with, or be capable of reconciliation to, the audited financial statements of the institution". The institution should also be capable of filing the federal reports timely and with accurate information.

Cause/Effect

Due to lack of proper controls over the reconciliation process, the University was unable to adequately disclose crucial information that was needed for the testing of the federal reports and to conclude the audit procedures. This deficiency could affect future funding of federal programs to the University.

Recommendation

We recommend that the University develop, implement, and oversee adequate procedures and policies needed to effectively maintain and reconcile the records of the University.

Management Response

Extensive documentation regarding the "357 Students" was provided immediately upon request, and reflected that reconciliation had been performed. Management believes that this finding is similar to Findings 00-1 and 00-5, and management acknowledges the conditions referenced therein. Refinement of FISAP reporting procedures will be included in the University's review of reconciliation activities.

**Cleveland State University**  
**Section IV - Summary Schedule of Prior Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Audit Finding

Student accounts receivable general ledger account balances were not reconciled to the subledger from the date of the PeopleSoft Student Finance module implementation through year-end.

During the review of the PeopleSoft Student Financial Aid modules several items were noted as having lack of controls over those modules:

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

Auditors Comments

Based upon the financial and A-133 audits performed for the June 30, 2000 fiscal year, we noted that several items were addressed and corrected during the year, but several of the controls needed were still pending at our October 2000 evaluation.

It appeared that Reconciliations were not properly performed or reviewed during the current year; see current year finding 00-1 regarding this issue.

In regards to the PeopleSoft module controls, it appeared that items 2, 3, 4, and 5 from above had been addressed, but items 1,6, and 7 were still pending during our review at October 2000.

**Cleveland State University**  
**Section IV - Summary Schedule of Prior Year Findings and Questioned Costs**  
**for the year ended June 30, 2000**

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

Audit Finding

In the calculation of Pell Grant awards the University did not properly account for enrollment status when calculating awards.

Auditors Comments

Based on the A-133 audit performed for fiscal year 2000, the University is monitoring the enrollment status of recipients when awards are disbursed but they are not ensuring that the student attended classes that would qualify for them for the award. This issue has been addressed again at Finding 00-6.

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

Audit Finding

Refund calculations were prepared, but refunds were not returned to the Title IV programs.

Auditors Comments

Based on the A-133 audit performed for fiscal year 2000, the University is preparing the refund calculations, but they are still not returning the Title IV funds within a timely manner. See current year finding 00-3.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**CLEVELAND STATE UNIVERSITY**

**CUYAHOGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2001**