



Dave Yost • Auditor of State

**Central State University
Greene County, Ohio**

Financial Accounting Report

Local Government Services Section

**Central State University, Greene County
Financial Accounting Report**

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CERTIFICATION

On April 21, 2015, Central State University was declared in a state of fiscal watch by the Ohio Board of Regents. The requirement set forth in Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, requires that after the declaration of the existence of a fiscal watch, the Auditor of State shall issue a report outlining the nature of the financial accounting and reporting problems of the University and recommendations for actions to be undertaken to correct the financial accounting and reporting problems.

Therefore, pursuant to Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, a "Financial Accounting Report" is hereby submitted and certified to the Board of Trustees of Central State University.

In the preparation of this report, certain University financial accounting, budgetary and reporting issues, along with the related methodology have been detailed. We believe that substantive weaknesses exist in the areas of student accounts receivable, cash reconciliations and the lack of comprehensive forecasting and planning policy. Pursuant to Ohio Administrative Code 126:3-1-01(F)(3), the Auditor of State's Office, prior to fiscal watch termination, will be in a position to consult with the Board of Regents and University as to whether or not these substantive weaknesses have been addressed.

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST
Auditor of State

September 16, 2015

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Purpose

As required by Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, after the declaration of the existence of a fiscal watch, the University shall “consult with the Auditor of State regarding any necessary or appropriate steps to bring the books of account, accounting systems, and financial procedures and reports of the University into compliance with requirements prescribed by the Auditor of State, regarding desirable modifications and supplementary systems and procedures pertinent to the University. The Auditor of State shall provide a written report to the Board of Trustees outlining the nature of the financial accounting and reporting problems of the University and recommendations for actions to be undertaken to correct the financial accounting and reporting problems.”

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of Central State University, and (2) whether the current accounting system is in compliance with the requirements of the Auditor of State.

This report presents in narrative form the major transaction cycles of the University and certain other key activities that affect the accounting and reporting functions. Each section of the report identifies the key elements necessary for an effective system, the related requirements from the Ohio Revised Code and the Ohio Administrative Code, the University’s process, and the Auditor of State’s comments for correction or improvement. Information for this report was obtained by interviewing University personnel, observing operations, and reviewing pertinent accounting, financial and budgetary records.

This report is intended solely for the use of the Board of Trustees of Central State University. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the adequacy of the accounting system. 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.

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Governance Overview

Central State University (the “University”) is located in Wilberforce, Greene County, Ohio and is a co-educational, degree-granting university. The University was originally established in 1887 by the General Assembly of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of university status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university.

The University is governed by an eleven-member Board of Trustees appointed by the governor with the advice and consent of the State Senate. Per Section 3343.05, Revised Code, the Board of Trustees has “exclusive authority, direction, supervision, and control over the operations and conduct” over the University. The Board of Trustees appoints and fixes the compensation of the President, who is the chief executive officer of the University.

The University offers undergraduate degrees in arts and science, business, teacher education, and technology. The University also has a location in Dayton, Montgomery County, Ohio known as CSU-Dayton. In early 2014, the University was designated as an 1890 land-grant institution which will enable the University to receive the benefits of the Morrill Act of 1890, legislation that provides support for agricultural and scientific research and education.

On April 21, 2015, Central State University was declared in a state of fiscal watch by the Ohio Board of Regents.

As required by Chapter 126:3-1-01(D)(1) of the Ohio Administrative Code, after declaration of fiscal watch, the Board of Trustees shall:

1. Within ninety days of the declaration of fiscal watch adopt a recovery plan with the purpose to end fiscal watch within three years, which is approved by the Board of Regents;
2. Consult with the Auditor of State regarding any necessary or appropriate steps to bring the books of account, accounting systems, and financial procedures and reports of the University into compliance with requirements prescribed by the Auditor of State, regarding desirable modifications and supplementary systems and procedures pertinent to the University;
3. Direct the University to develop an effective financial accounting and reporting system by promptly bringing its existing system of financial accounting and reporting into compliance with the standards required by the Auditor of State;
4. Establish a process by which the Board of Trustees or a committee thereof will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the recovery plan;
5. And, approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

The Board of Trustees approved the recovery plan on June 11, 2015 and it was submitted to the Board of Regents on June 18, 2015.

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In accordance with Chapter 126:3-1-01(F)(1) of the Ohio Administrative Code, the fiscal watch will be terminated once the following criteria are met:

1. The University achieves a composite result of the ratio analysis calculated in accordance with Chapter 126:3-1-01(A)(4) of the Ohio Administrative Code of at least 2.40 for a fiscal year;
2. The University remediates all of the conditions that led to the fiscal watch, including any cash flow problems, the inability to prepare fiscal year financial statements in a timely manner, substantive audit findings, or reportable events;
3. And, no other condition exists or is likely to materialize that could result in a declaration of fiscal watch.

Once these conditions have been met, the Board of Regents shall adopt a resolution declaring the termination of the fiscal watch and shall certify the resolution to the Governor, the Speaker of the House of Representatives, the Legislative Budget Office of the Legislative Service Commission, the Director of the Office of Budget and Management, and the Board of Trustees of the University.

Auditor of State Comments

1. Section 3343.05 of the Ohio Revised Code provides the Board of Trustees with the exclusive authority, direction, supervision and control over the operations and conduct of the University. We encourage the Board to redouble their efforts to provide oversight particularly in the areas of student accounts receivable, cash reconciliations, long term planning and related budgetary matters, and staff turnover within the fiscal operation of the University.

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Budgetary Process

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and type of financial resources that shall be raised, and how those financial resources shall be spent. Annually, a budget consisting of estimated unrestricted operating revenues and expenditures for the next fiscal year should be presented to the governing body with sufficient time for review. The budget should identify the major sources of revenues and divisions of expenditures. The budget should encompass for each division current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the governing body, should be the basis for the appropriation measure. The appropriation measure should identify the amount of resources authorized to be expended for each division's functions and programs. The amount appropriated should not exceed the estimated resources available for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for expenditure.

University's Budgetary Process

The budgetary process encompasses the operating (unrestricted) revenue and expenditures for the fiscal year and separate budgetary process for grants (restricted) which is included at the end of this section. Through the accounting software system (Banner) which is designed for the University's needs, including but not limited to accounting, budgetary, and payroll, the University not only inputs revenues and expenditures but also balance sheet items. For example, the short and long term debt obligations are denoted as liabilities within the system. Payments against debt liabilities are not shown in the expenditures but within the liabilities. Only revenues and expenditures are budgeted within the system. No balance sheet items are budgeted or go through the budget process.

The University's Board approved policies on budget modifications and transfers are outdated as compared to the University's current practices and procedures. Portions of the policies are being followed, but they are not followed in their entirety. The budget office has established a budget planning timeline as a guide for the budget process, approvals, and input into Banner. The Administration and Finance Department also has written procedures for the budgetary process. These procedures are not Board-approved but include a timeline and steps taken during the budget process.

In January of each year, the budget advisory group meets to start the budget process of the next fiscal year's budget. This group includes representatives from the following: Office of the President, Academic Affairs, Student Affairs, Scholarship, Institutional Advancement, Information Technology, and Administration and Finance as well as representatives from faculty, athletics, residence life, grants and budget office. By the end of March, the advisory group finalizes revenue projections for the next fiscal year based on enrollment projections by the Office of Enrollment Management within the Student Affairs Division and projected State appropriations.

In early April, the Budget Director sends out a budget development workbook to each division of the University. The workbook has set guidelines and assumptions for revenues and expenditures, detail on the current year budget, headcount of personnel within the division, and budget projections for the next fiscal year. The vice president and/or designees of each division (Academic Affairs, Student Affairs, Scholarship, Institutional Advancement, Information Technology, Administration and Finance and Office of President) as well as Athletics must fill out the workbook and provide essential explanations for changes from the current fiscal year as the budget should be based upon prior years' history and currently known facts.

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As divisions of the University complete the workbooks, the vice president and/or designee(s) of the division meets with the Budget Director and the Executive Director of Administration and Finance to review the budget presented and discuss major variances from the current year. When a division requests a change within personnel positions or increase in the division's base budget, these changes are presented by the division to the Vice President of Administration and Finance and the President. After review and meetings with the Budget Director and Executive Director of Administration and Finance, then the finalization of the workbooks by each division are completed by the end of May and the workbooks are submitted back to the Budget Director. Once all workbooks are finalized, the overall operating budget is prepared for the Board of Trustees (Board) by the Budget Director.

During a Board meeting in June, the Administration and Finance division presents an unrestricted (operating) budget for both revenues and expenditures. The presentation outlines predictions for the estimated revenues and expenditures by divisions. The presentation also clarifies the calculations as well as material changes from the prior fiscal year. The Board only approves an overall total for the unrestricted budget for both revenues and expenditures in June by resolution. No grants budgets are sent to the Board; however, each grant has an individual approval process. (See grant budgets section below)

Banner allows for the Budget Director to download the current fiscal year unrestricted budget into excel. Once the unrestricted budget is approved by the Board, the download is updated for changes to match the next fiscal year approved unrestricted budget using the workbooks for line item updates. The Budget Director compares the budget file to the resolution before uploading. On July 1st, the Budget Director uploads the new fiscal year unrestricted budget into Banner. The Executive Director of Administration and Finance reviews the uploaded file from Banner by comparing the approved budget by the Board to a system generated budget report, FGRREOB. The Executive Director of Administration and Finance also reviews random division budgets in detail from the workbooks. This review is done electronically by viewing reports from Banner that are too voluminous to print, therefore documentation is not maintained.

Budget transfers or modifications can be requested at any time, as necessary, by each division within the University through Budget Modification sheet. If the change is within a division's appropriation unit, the Budget Modification sheet must be approved by the vice president of the division requesting modification and the Vice President of Administration and Finance. If the change crosses appropriation units, the change must be approved by both the vice president of the divisions affected and the Vice President of Administration and Finance. Amounts over \$5,000 or any changes from salaries to operational expenditures, the approval process also requires the President's approval. The Budget Director receives the approved Budget Modification sheets to input the change within Banner. The journal entry within Banner for the budget modification is noted on the sheets and dated by the Budget Director. The responsibility of reviewing budget modifications within Banner is placed upon the divisions requesting the change. Approved personnel within each division have read-only access to their division budgets within Banner through username and password. The Board only approves changes to the overall budget.

Currently, the Vice President of Administration and Finance mandates the Budget Director to only upload half of the appropriations approved for each division by line item. The remaining half is entered as contingency within Banner. Once each division's first half of the budget has been spent, they then have to request budget modifications in order to spend the amount remaining in the contingency line item. These modifications are approved by the department head within the division and the Vice President of Administration and Finance.

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The Budget Director and the Executive Director of Administration and Finance start monitoring enrollment projections for the next fiscal year beginning in April, when the Registrar begins publishing enrollment numbers. The Office of the Registrar provides updates on the current enrollment which is compared to fall enrollment from the past three years and a breakdown of enrollment by classification and type for current and prior fall semester with a variance is included. The Budget Director provides a revenue projection from at least 30 days out until the start of fall semester that shows the headcounts of students enrolled with projected revenue compared to the budgeted revenue to show short falls or surpluses. These reports are also provided to the Vice President of Administration and Finance for review. Once the fall semester starts, the Informational Technology division emails an Enrollment Classification and Student Type Report that reports enrollment for the current semester by student types and classifications. This report is sent daily to the Budget Director, Executive Director of Administration and Finance, and the Vice President of Administration and Finance.

The review of the enrollment information allows the Budget Director, Executive Director of Administration and Finance, and the Vice President of Administration and Finance to note large fluctuations on the estimated enrollment and/or revenue budgets that were projected for the fiscal year. Neither the budgetary policies nor procedures fully address the procedures, process or timeline to take action on shortfalls or surpluses from the estimated resources.

Grant Budgets: The Office of Sponsored Programs and Research is solely in charge of processing grant budgets within Banner. When grant proposals are written, the proposals include a budget within the request to the granting federal agency. The budget is developed by the grant requestor (Project Director) and reviewed by the Grants Manager and Director within the Office of Sponsored Programs and Research for accuracy. The entire grant proposal with the budget is presented to and approved by the following within the division that the grant originated: Project Director, Chair, and Dean. After approvals within the division, the grant proposal must obtain approvals from the following in this order: Director of Sponsored Programs and Research, the Executive Director of Administration and Finance, Vice President of division, and the President of the University.

Grant proposals are submitted to the granting agency after all final approvals within the University by the Office of Sponsored Programs and Research. Once a notice of award has been received with the budget approved by the granting agency, the Grants Manager enters the grant into the Banner research accounting module by inputting information about the new grant award. Information for the grant includes the title, responsible faculty, start and end date, termination date, amount of grant, CFDA number, award number and indirect cost codes. The Grants Manager then sends the Controller an email to request a new fund number for the grant. The Controller sets the fund up in the “general ledger” accounting part of Banner as well as the access to budgets and approvals of requisitions required per the Grant Manager. The Grant Manager enters the budget from the approved grant into Banner. The Director of Sponsored Programs and Research as well as the Project Director reviews the budget in Banner and compares it to the budget approved within the grant proposal.

Grant budget modifications are prepared and submitted by the Project Director to the Office of Sponsored Programs and Research and approved by the Director. Approved budget modifications are input within Banner by the Grant Manager.

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Auditor of State Comments

1. The University policies and procedures related to the budgetary process indicate that the University can take several actions to maintain a balanced budget and protect academic quality. The budget policies and procedures should be modified to contain specific steps to be taken to maintain a balanced budget. These steps should include a mandated review process of estimated revenues based on actual revenues and trigger variances to start the process of modifying the overall unrestricted budget. This enhancement should include a timeline and a requirement for tracking enrollment and related revenues to predict the accuracy of the current budget. Also, to ensure disclosure of approved transfers and budget modifications as well as grant budgets approved by the President, these approved transfers, modifications and budgets should be presented and reviewed with the Board of Trustees Budget and Finance Committee.
2. The University within the budgetary process has budgeted expenditures below estimated resources and has kept actual unrestricted expenditures below unrestricted estimated revenues. In addition to continuing this approach, the Board should approve a cash reserves policy for their unrestricted cash balance. The cash reserve policy should require the University to not only calculate cash reserves through the unrestricted budget process but also include any balance sheet items, such as debt obligations, that cannot be budgeted within Banner. The integration of the cash reserve policy into their budgetary process as well as balance sheet items will help ensure that budgeted operating expenditures are at a level that will permit the growth of the unrestricted cash balance to a level desired by the Board. GFOA has issued a best practice resource for determining the appropriate level of unrestricted fund balance in the general fund. This best practice should be reviewed as a guide in determining levels of unrestricted fund balance and the variety of factors to consider.
3. Current policies on budget modifications and transfers are outdated compared to the University's current practices and procedures. The University should review, update and obtain Board approval of updated versions of these policies.

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Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. A pre-numbered, multi-part receipt form or a system generated receipt form should be issued for any payment received by departments. The receipt should bear the name of the University and reflect the date received, the payer, the amount, the purpose/nature of the receipt and the signature or name of the person preparing the receipt. Departmental receipts should be summarized and remitted to the fiscal office daily.

Statutory Requirements

Section 9.38, Revised Code provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the Treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds one thousand dollars. If the total amount of the public monies received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

University's Receipt Process

The University has several policies and procedures related to receipts, including a revenue posting procedure, daily duties for cashiers, payment of tuition and fees, and bad debt allowance policy. All of these policies and procedures are outdated as compared to the University's current practices and procedures. Portions of these policies and procedures are being followed, but they are not followed in their entirety.

The University's primary sources of revenues include State Share of Instruction monies, State Supplement monies, tuition, and mandatory fees from students. In addition, the University receives student housing revenue, Federal and State grants, bookstore sales, print center sales, and foodservice fees and commissions. Monies are received by the University via electronic transfer, in the mail, and through two cash collection sites. The University policy on the deposit of funds states that monies collected must be posted the same day as received, unless information is needed regarding what fund and account the funds should be posted to. In this case, the funds should be posted within two business days. All employees that handle money are covered through the University's liability insurance.

The process of posting receipts is handled in the Cash Management department. Employees in the Cash Management department include the Cashier, the Student Accounts Receivable Specialist, and the Office Manager. Oversight of the Cash Management department is the responsibility of the Bursar. As the University is currently without a Bursar, the Controller is responsible for supervision of the Cash Management department.

The Cash Management department receives the following types of payments: cash, checks, cashier's checks, money orders, wire transfers, credit card payments, and payments from Tuition Management Services (TMS). Personal checks are not accepted for payments on student accounts; however, TMS processes payments via a student's checking or savings account and transmits those to the University. Each day, a Cash Management

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department employee, typically the Cashier, opens the mail and receipts in any checks received. If the Cashier is unsure of what fund/account code the check should be posted to, the University department related to the check is contacted and a fund/account code is provided by email or over the phone. The Office Manager also maintains a listing of common miscellaneous cash receipts and what fund/account code to use. As each check is posted to Banner, a copy is made and attached to the receipt form, which is printed from Banner.

All types of payments are receipted by the Cash Management department on a daily basis and can be receipted by the Cashier, the Student Accounts Receivable Specialist, or the Office Manager. Each pre-numbered receipt is entered into Banner and a copy of the receipt form is printed. All documentation, including copies of checks, money orders, credit card receipts, wire transfer information, and other forms are attached to the receipt form. The documentation, along with the cash and checks, are kept in each Cash Management department employee's drawer. The drawer is locked if the employee leaves his or her desk, and the key to the drawer is taken with the employee.

At the end of the day, each Cash Management department employee runs a Cashier Detail Report. The report includes only the transactions posted by that employee, that day. Next, they fill out a two-part bank deposit slip for all checks and cash that are to be deposited with the bank. The white copy is included with the cash and/or checks, which are placed in the safe. The yellow copy is stapled to the Cashier Detail Report. Also attached to the Cashier Detail Report are the copies of receipts and supporting information to create a daily receipt packet for that employee. All daily receipt packets are filed in one folder labeled with that day's date. Also at the end of the day, the Cashier closes out the credit card machine and runs a Card Detail Report from the machine. The total from the Card Detail Report, the bank deposit slip, and any wire transfers are added together and should match the total from the Cashier Detail Report. If a difference is found, the Cash Management department employee contacts the Office Manager and/or the Controller for assistance in correcting the error. Employees are not to leave the building until all errors have been resolved.

The monies are held in the safe overnight, which is inside the vault. The Controller, Senior Accountant, Office Manager, and Student Accounts Receivable Specialist know the combination to the vault. The Controller, Office Manager, and Cashier know the combination to the safe. The following morning, a Cash Management department employee will call Greene County Dispatch, who sends a University police officer to the Cash Management department. The officer drives the Cash Management department employee to the bank and the previous day's monies are deposited. The bank deposit receipts are brought back and stapled to the corresponding daily receipt packet. All packets for the day are placed back into the folder for that date, which is filed in the Cashier's office.

The following morning, one of the Accountants posts all the previous day's receipts to the general ledger. In Banner, the accountant first closes out each Cash Management department employee's session from the previous day. Next, the Accountant changes each session from "closed" to "finalized". Finally, the Accountant runs the TGRFEED program to feed the transactions into the general ledger. Banner then automatically generates reports to confirm the feed process and the reports are stored electronically on a shared computer drive. Monthly, the Controller reviews accounts as the monthly financial reports are prepared. If a large variance is seen in an account, the Controller will review the detailed transactions to resolve the discrepancy.

Wire Transfers: The University receives many revenues through wire transfers made directly to the main operating bank account, including but not limited to, State Share of Instruction monies and State Supplement monies, Federal and State grants, payments on student accounts collected by the Ohio Attorney General and payments on student accounts made through TMS. Each week, the Accountants access the bank account online and retrieve detailed information for any wire transfers received. In the past, this was done on a daily

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basis, but due to staffing shortages, it has recently been done only weekly. The Accountants save this information in a spreadsheet, send it to the Office Manager via email, and the receipt process described above is followed.

Student Accounts/TMS: The University contracts with TMS for student account management. For payments made through TMS, the amounts are automatically posted to Banner through an interface with the TMS system. Students can log into their account on a TMS-run website and access account information, make payments on their account, or set up a payment plan. A student can also make payments on their account in the Cash Management office, but payment plans are only available through TMS. The TMS system is integrated with Banner, so when a student makes a payment online through TMS, their account in Banner is updated in real time.

Per University policy, a student who does not have 100 percent of the current semester's bill paid or covered by awarded financial aid by the 14th day of the semester, or who is not current on a payment plan, will automatically be withdrawn from classes. This is not the current practice, as students are allowed to continue classes even when carrying an outstanding balance on their account from a prior or current semester. Student accounts are reviewed by the Student Accounts Receivable Specialist and the Office Manager periodically. To review the accounts, they first run an Aging Analysis Report from Banner, showing all student accounts with a past due balance. The report lists balances due by time period, 0 to 120 days, 121 to 270 days, 271 to 360 days, and 361 days and beyond. For those accounts in the higher categories, they look at the individual student account in Banner and see if any recent payments have been made or if a payment plan was set up. They may also call the student if a current phone number is available. If they determine that there has been no attempt to pay by the student for at least five years, they will put the student's name, social security number, address, phone number, birthdate, and amount due on the bad debt collection spreadsheet. This list is sent to the Ohio Attorney General's office for collection. Upon collection, the Attorney General's office retains a fee for collection and remits the remaining balance to the University weekly through a wire transfer.

In the past, prior to turning over the collections to the Attorney General's office, the University used a third-party vendor to make a series of contact attempts to collect on student accounts. The service would make phone calls and send letters to the student in an attempt to collect. Student information would be given to the third-party vendor approximately 30-60 days after the date of last attendance or after the end of the semester. The third-party vendor is not currently being used for this service, and there is not a University employee who attempts to contact students either. The University is now using a "purge" method to reduce the amount of unpaid student accounts. This purge has not been done since several semesters ago, but is being partially used for the summer term of 2015. In this process, students are notified via an automatic phone call and their MyCSU account that they have not received enough financial aid to cover tuition and fees or have not set up a payment plan. If they do not set up a payment plan by the specified deadline, then they will be administratively withdrawn from class one week later. In the past, any past-due balance over \$5,000 would also be cause for inclusion on the purge list, but the current list only includes amounts related to the current summer term.

Student accounts found during review with a credit balance could be eligible for a refund. The Student Accounts Receivable Specialist reviews these accounts for refundable versus non-refundable types of financial aid. If the remaining financial aid is refundable, then the student is added to a student refund list, which includes the student ID, name, and amount of refund. This list is sent to TMS, where refunds are remitted to students via their TMS student account.

University policy states that the Controller and the Bursar are to review fiscal year-end balances of all student accounts to determine the allowance for bad debts to post to the general ledger. The Bursar position is staffed by a consultant currently, and the consultant did perform this review after the end of fiscal year 2014. This review was forwarded to the former Controller and was used to calculate the allowance for bad debts that was posted to the general ledger.

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Print Center Requests: The University's print center does not accept any forms of payment. Instead, a customer discusses their printing needs with a print center employee, who fills out the Print Center Request Form. The form lists the items to be printed and a total cost. The customer brings a copy of the form to the Cash Management department and pays the total cost to the Cashier. The Cashier makes a copy of the Print Center Request Form and the receipt process described above is followed. The customer takes the original Print Center Request Form and a copy of their receipt back to the print center and their print order is produced.

Marauder Zone Bookstore: The University's bookstore accepts cash, credit cards, bookstore gift certificates, and book advances. The bookstore uses a point of sale (POS) system at the register. Either the Bookstore Manager or the Bookstore Cashier logs into the POS system to record a customer's order and receive payment. The POS system prints a receipt at the end of the transaction, which is given to the customer. The cash drawer at the register begins each day with \$100. This is counted by both the Bookstore Manager and the Cashier at the beginning of the day. Several more times during the day, the Bookstore Manager and the Cashier count the drawer together and match the total to the total received amount in the POS system, so that any discrepancies can be handled promptly. Gift certificates are available at the bookstore in paper form. When the certificate is issued, it is signed by the Bookstore Manager and a copy is kept on file in the bookstore office. When a certificate is redeemed, it must be redeemed for the total dollar amount issued. Then it is filed in the bookstore office with the copy, so that a certificate cannot be redeemed twice.

Book advances are an advance on a student's financial aid that may be used to purchase books and other items in the bookstore. The student visits the Cash Management department, where the Cashier or the Student Accounts Receivable Specialist can review the student's account. If there is more than sufficient financial aid in their account to cover upcoming tuition and fees, an advance for books of up to \$750 can be issued using remaining financial aid. During the summer term, a book advance form is used. The three part form includes the student's name, ID number, and the dollar amount advanced. The Cashier retains the white copy and the student takes the pink and yellow copies to the bookstore. The Bookstore Cashier uses the student's ID number to enter the dollar amount of the advance into the POS system. The pink and yellow copies are then disposed of, as all information is now in the POS system. The advance can be partially used at that time to purchase items and the remaining balance will be in the POS system until the next purchase. During the fall and spring semesters, the number of book advances issued is much greater, so the Cash Management department creates a spreadsheet of book advances at the start of each semester and emails that to the Bookstore Manager for entry into the POS system. If the student later withdraws from a class and the financial aid is not received, the student will owe the University for the amount of book advance used.

At the end of each day, the Bookstore Manager completes a Daily Summary Report. This report lists all funds received by the bookstore for that day, by source. A second copy of each POS system receipt is printed to attach to the Daily Summary Report. A daily credit card report is also generated and attached to the Daily Summary Report. Finally, the Bookstore Manager fills out a two-part bank deposit slip for cash received and attaches the yellow copy to the Daily Summary Report. The white copy is placed in the safe with the cash. Only the Bookstore Manager and the Book Purchaser know the combination of the safe. The following morning, the Cashier takes the Daily Summary Report, support, cash, and deposit slip to the Cash Management department. The receipt process described above is followed.

Foodservice Sales: The University has a contract with Sodexo, a third-party vendor, for their foodservice operations. Sodexo offers a list of daily meal prices based on ranges of numbers of students. The more students to be served meals, the lower the price per day would be. The University then sets meal plan prices to be charged to each student, based on historical prices with increases for inflation. Meal plan fees are collected from students in the same manner as tuition, either through the Cash Management department or

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through TMS. Sodexho remits the following to the University: ten percent of all food sales for those customers not on a meal-plan, contributions based on the contract terms, and annual allowances for catering funds for the President and Student Activities. All of these are sent by wire transfer and the receipt process described above is followed.

Auditor of State Comments

1. The policies and procedures related to the receipting process are outdated and should be revised. The revised policies and procedures should clearly indicate the employee responsible for each step of the process and the timing of each step. They should also include sufficient review steps by supervisors to ensure that receipts are posted timely and accurately. Once developed, the policies and procedures should be approved by the Board of Trustees and implemented. The Interim Controller has a policy in progress and this would be a good starting point.
2. Due to the absence of an employee in the Bursar position, the daily receipts posted by Cash Management department employees are not reviewed by a supervisor. The Controller should ensure the daily receipts are all accounted for and are posted completely and accurately by reviewing the postings or appointing someone to review the postings.
3. Receipts received by wire transfer are not being posted on a daily basis. Due to staff turnover and staff shortages, the Accountants or the Interim Controller have been notifying the Office Manager of wire transfers on a weekly basis. This creates a large volume of transactions for posting at one time and leads to delays. Wire transfers should be receipted and reviewed promptly, in order for the general ledger to reflect accurate cash balances.
4. Student accounts with past-due balances are not causing the students to be automatically withdrawn from classes on the 14th day of class as per the University's policy. Although this process is being partially followed for the current term, it has not been used for several semesters. The policy should be followed, or if the University does not feel that the policy is currently feasible it should be revised and the revised policy should be approved by the Board of Trustees and implemented.
5. Although student accounts are being reviewed periodically, there is not a formal policy in place to do so. Therefore, former students with past-due account balances are not currently being regularly contacted to attempt collection, either by the University or by a third-party vendor. The University should develop and implement a policy regarding the timeline and criteria upon which these accounts will be reviewed. The policy should also include how collection of these balances will be attempted. This could include working with TMS through the students' online accounts, working with another third-party collection agency, or having University employees attempt to collect on the debt. Timely and thorough review and collection of past-due accounts could reduce the amount of tuition revenue lost by the University. The decision not to withdraw students along with the lack of substantial follow up on the pursuing of the collection of delinquent accounts has significantly contributed to the elevation of student account balances over 360 days past due to over \$12.1 million at June 30, 2014. The following table demonstrates the increase in student account balances greater than 360 days of almost four million dollars from June 30, 2012 to June 30, 2014.

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Student Accounts Receivable[1]

	6/30/2012	6/30/2013	6/30/2014
Per Aging Reports:			
Total Account Balance	\$ 20,381,055	\$ 20,709,048	\$ 20,434,772
0 to 120 Days[2]	\$ 10,268,917	\$ 8,360,313	\$ 5,954,572
121 to 270 Days	898,271	1,036,427	1,193,870
271 to 360 Days	841,676	934,138	1,134,102
361 + Days	\$ 8,372,191	\$ 10,378,170	\$ 12,152,228
	\$ 20,381,055	\$ 20,709,048	\$ 20,434,772
	FY 12	FY 13	FY 14
Amounts Billed Students	\$ 17,039,368	\$ 14,516,201	\$ 11,413,936

[1] This is the latest audited information available.

[2] Amounts include Pre-Bills for the following year.

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Purchasing Process, Bidding, and Cash Disbursements

Description of an Effective Method for Purchasing, Bidding, and Cash Disbursements

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded. The process should be integrated with the budget to ensure compliance with the Board adopted budget. The process should include selection of the vendor with the best price as well as authorization to proceed with the purchase by an appropriate individual. Purchase orders should be used for all non-payroll transactions, and should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable budget.

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the University. The processing should include a comparison of the invoiced items and quantities to the purchase order, a comparison of the prices on the invoice to the purchase order, and the electronic approval signature of the individual who received the goods and made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A check should be prepared based on the completed invoice, the existence of appropriate vendor information (I.R.S. Form 1099 data) and a properly executed purchase order. All checks should be promptly signed by the Vice President of Administration and Finance, posted in the appropriate accounting records, and mailed to the vendor in sufficient time to avoid penalties and receive discounts. Invoices should be filed numerically or by vendor. No invoices for payments should be processed that were not properly encumbered. Sufficient safeguards should be in place to ensure that one individual does not have total control over the receipt of goods, processing of invoices for payment, issuance of checks and the reconciliation of bank accounts.

Statutory Requirements

Ohio Revised Code Section 9.10 states that “facsimile signature” includes, but is not limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photostatic, or mechanical device, but does not authorize the use of a rubber stamp signature by the office or authorized employee on the face of any instrument.

Competitive Bidding: Ohio Revised Code Section 3345.10 requires each State institution of higher education establish competitive bidding procedures for the purchase of printed material and shall award all contracts for the purchase of printed material in accordance with those procedures.

Also, section 125.11(B), Revised Code, states prior to awarding a contract, the department of administrative services or the state agency responsible for evaluating a contract for the purchase of products shall evaluate the bids received to determine if a product is produced or mined in the United States. The department or other state agency shall first remove bids that offer products that have not been or that will not be produced or mined in the United States.

Findings for Recovery Database: Effective January 1, 2004, Ohio Law (ORC section 9.24) prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.

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The Auditor of State has established a database pursuant to Section 9.24, Revised Code, in order to list all persons who have unresolved findings for recovery, dating back to January 1, 2001. To comply with Section 9.24, Revised Code, the Auditor of State's office recommends that before entering into a public contract as described above, a state agency or political subdivision verify that the person does not appear in this database.

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

Section 126.30, Revised Code, states that "any state agency that purchases, leases, or otherwise acquires any equipment, materials, goods, supplies or services from any person and fails to make payment for the equipment, materials, goods, supplies, or services by the required payment date shall pay an interest charge to the person for the period in accordance with division (E) of this section, unless the amount of the interest charge is less than ten dollars". Section 126.30(E) states "the interest charge on amounts due shall be paid to the person for the period beginning on the day after the required payment date and ending on the day that payment of the amount due is made".

University's Purchasing, Bidding, and Cash Disbursement Process

Purchasing and Bidding: The University has several policies and procedures related to purchasing process, bidding, and cash disbursements, including: quote and bidding procedures, purchasing authority and regulations, purchase requisitions regulations and approvals, vendor relations, issuing purchase orders, accounts payable office, tax exempt status, payment for goods and services, check cutting procedures, credit card procedures and approvals, and travel rules, regulations and guidelines. All of these policies and procedures are outdated as compared to the University's current practices and procedures. Portions of these policies and procedures are being followed, but are not followed in their entirety. The bidding procedure policy does not address competitive bidding procedure for printed materials as required in Section 3345.10 of the Ohio Revised Code.

When goods or services are needed within a division of the University, an electronic requisition form is prepared by the End User (requestor) within Banner. The requisition includes a requisition number assigned by the system, the vendor, date of request, type and quantity of items or services requested, price and any shipping costs, and the appropriate account codes to be charged. The requisition number must be noted in the description so it is later noted on the purchase order. All required quotes or bids must be scanned and accompanied with the requisition within the system per the University's policies. If funds are not available in the account code, Banner flags the requisition and notifies the End User. A potential budget modification may be needed. The End User must follow the process for budget modification for any change that is outlined in the budgetary process.

Within Banner, the Buyer within the purchasing department reviews the requisitions to verify through electronic approval that all required documentation is attached and protocols are met. Once the requisition is complete, the system is pre-set to send the requisition to different users on Banner for electronic approval in the order required. The Controller has the authorization to pre-set the electronic approval requirements within Banner. The first approvals of the requisition are the director of the department and the division vice president. For any computer-related hardware requisitions, the Director of Information Technology and Service Systems must approve the requisition. If the purchase requisition is over \$5,000 the Vice President for Administration and Finance and the President must approve the requisition.

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Next, Banner automatically sends the requisition to the purchasing department for review and approval by the Buyer. The Buyer reviews the requisition to make sure the wording is precise and appropriate, there is proper availability of funds and all required approvals have been indicated before approving requisition. The documentation is required to also have the requisition number within the description for tracking purposes.

An active vendor list is maintained within Banner. The Buyer and Director of Auxiliary Services are the only individuals who can add new vendors to Banner. If End User has requisition for new vendor, Banner makes them aware the vendor cannot be found within the system. Before the requisition can be completed and submitted for approvals, the End User has to fill out a vendor information sheet, notify the Buyer, and request a W-9 form from the company. The vendor is added to the system only after a W-9 form has been received by the Buyer. W-9 forms are filed alphabetically in the purchasing department.

Once the Buyer electronically approves the requisition, the system requires the Buyer to then process the purchase order through a system function. The system produces a purchase order from the information on the requisition. Purchase order numbers are assigned automatically by Banner. The posting of the purchase order automatically records an encumbrance in the system. Two copies of the purchase order are printed out by the Buyer. The Buyer signs the purchase order either with signature stamp or manually. If the Buyer is not available to approve or print the purchase orders, the Director of Auxiliary Services with the purchasing department can approve and sign. The signature stamp is kept in a locked cabinet within the Buyer's office. Purchase orders are used for all purchases and contracts of the University.

The Buyer distributes copies of the purchase order. The vendor receives one copy of the purchase order either through email or mail to order the goods or service. One copy goes to the End User who created the requisition. Another copy is attached to the requisition to show that it was approved before creating the purchase order, and they are filed in the Buyer's office alphabetically. A copy of purchase order is also sent via email from Buyer to Accounts Payable Clerks for reference when invoices are received. Documentation attached to the requisitions within Banner is not printed as it can be accessed electronically at any time.

Blanket purchase orders are used sparingly by the University. The only blanket purchase orders currently used are for the bookstore expenditures. The Bookstore Manager checks the status of funds availability with each purchase. The Accounts Payable department informs the bookstore if the blanket purchase order has no available funds.

In March, the purchasing department reviews all open purchase orders and sends each division a list. The divisions are required to review these purchase orders and inform the purchasing department of any purchase orders that need closed. All purchase orders, including blankets, except those pertaining to grants, are closed once the Controller rolls the system over for the new fiscal year on July 1st.

All services and goods over \$50,000 must follow the University's formal bid policy. The End User, the Buyer, and the Director of Auxiliary Services meet when a potential purchase or service exceeds \$50,000. The budget for the division and need for the item is reviewed. A committee for the specific bid is created. The End User writes the bid specifications and the Buyer and Director of Auxiliary Services review and approve bid specifications with guidance from the legal department when needed. The Buyer advertises for bids within three newspapers (Dayton Daily News, Xenia Gazette, and Columbus Dispatch) as well as through an internet site called ConnXus. ConnXus is a minority business council of Dayton. A potential bidder is directed to request from the Buyer a Request for Qualifications sheet on the project. This sheet details the bid specifications, deadlines, and submittal instructions. Once bids are opened at the specified date and time, the Director of Auxiliary Services and a designated committee review all bids and select the top three candidates (normally the lowest and best). Those vendors selected are presented to the requesting Vice

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President and designees for an interview process. A selection is made from interviews and presented to the Vice President of Administration and Finance for approval. The Director of Auxiliary Services sends the awarded bidder a formal acceptance letter.

Per the bid request for qualifications, the bid offerors attest that they are not subject to an “unresolved” finding for recovery under Ohio Revised Code 9.24 and will notify the University if such finding occurs by submitting a response to bid. No University employee performs a search of the Findings for Recovery Database online.

Cash Disbursements: When the goods have been received, the receiving department verifies the contents and confirms them to the packing slip and the purchase order in Banner. Purchase orders are identified on the packing slip by the vendor. However, if the purchase order number is not noted by the vendor, the receiving department contacts the Buyer for the purchase order number. If not all goods are received or incorrect items are received, the receiving department holds the items until all have been received or the department contacts the End User. Once the goods or services have been verified as correct and received in full, the receiving department marks it verified in Banner.

Invoices are generally received directly by the accounts payable department. All invoices for goods and services from vendors must provide the purchase order number. If a purchase order number is not provided on the invoice, the Accounts Payable Clerk communicates either with the Buyer or the End User for the purchase order number.

Upon receiving the invoice, the Accounts Payable Clerk matches the invoice to the purchase order on Banner. For invoices for goods, the Accounts Payable Clerk checks the Banner system under the purchase order for the verification from the receiving department that all goods were received. For invoices for services, the date reflected for services performed is reviewed to determine if services have been performed before payment. All invoices are compared to the purchase order description of goods or services, quantities, and prices. Once an invoice is verified by the Accounts Payable Clerk, the invoice information is entered into Banner. Invoice information entered into Banner includes the invoice date, invoice number, and if current or past due.

If no purchase order exists for an invoice, the Accounts Payable Clerk contacts the End User or vendor, then the End User is notified and requested to process a requisition or take responsibility to pay for the purchase. If the invoice received is larger than the purchase order, the Accounts Payable Clerk informs the End User. The End User must then follow the requisition and purchase order process for the amount over the purchase order.

Once an invoice is entered into Banner, an “I” (invoice) document number is automatically assigned by Banner and is referenced on the invoice by the Accounts Payable Clerks. Purchase orders are not attached to invoice since they are referenced on the invoice and can be pulled from Banner. However, if an invoice lacks the purchase order number, the Accounts Payable Clerk writes the purchase order on the invoice.

Utilities are not paid with a purchase order. The expenditure lines for these payments are set up and are expended directly from the invoice to the budget amount. The Accounts Payable Clerk allocates several utilities that are not separated by division based on a percentage method determined by the budget process. These invoices follow the input and filing process described above.

Invoices received that are not for the entire order are first verified as such with the End User or the receiving department by the Accounts Payable Clerk and then held until the entire order is received. Once the remainder of the order has been received, all invoices are pulled together by the Accounts Payable Clerk and then entered into Banner for payment with “I” number placed on the stack of invoices. Invoices are held by the Accounts Payable Clerk until checks are run weekly.

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Checks are normally printed once a week on Thursday. The blank check stock paper is kept in a locked room and cabinet within the accounts payable department. The Controller has the sole key for this room. The check stock paper is completely blank and does not contain the University name, account number, check number or any other information. This information is printed on the check through the check printing process. A designated Accounts Payable Clerk or the Controller uses a computer program to generate, electronically sign, and print the checks. The check printing program is password protected. The beginning check number for the run is entered into the system manually either by the Accounts Payable Clerk or the Controller after review of the last check number on the prior run. The Controller sends the bank a file of the payments.

Once all checks are printed, the Accounts Payable Clerks match the checks to the invoices. There are two Clerks and both check all of the checks to the invoices. The Controller spot reviews the larger checks to the invoices as well. The invoices are then filed in "I" number order by the Accounts Payable Clerks within the accounts payable department. Within Banner, the "I" number can be matched to the check number for payment.

If a check was written incorrectly or does not match the invoice, the check is deleted and reissued. The Controller sends notification to the bank via the bank website to cancel the check. These checks are stamped void on the check and filed away in the accounts payable department. After review of the checks, an Accounts Payable Clerk then mails the check along with required vendor invoice stubs.

The University's policy on accounts payable payments references Section 126.30, of the Revised Code, for interest charges on payments and describes that if less than \$10 the University is not required to pay. It also stipulates if interest is applied for late payment that sufficient documentation must be provided by the vendor to verify interest rate, original payment amount, vendor name, date proper invoiced received, required payment date, original check date, and length of delay.

Auditor of State Comments

1. Contrary to Section 9.10, Revised Code, the University uses a rubber stamp signature to sign purchase orders. This signature stamp is used by the Buyer. Purchase orders should be signed electronically or manually by the Buyer.
2. The University bidding procedures should address competitive bidding procedures for printed materials as stated in Sections 3345.10 and 125.11(B), Revised Code.
3. The University does not utilize the Auditor of State Findings for Recovery Database when entering into all contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The University should verify vendors against the State's database of findings for recovery before entering into a contract for goods, services, or construction, paid for in whole or in part with State funds.
4. In general, the University issued policies and procedures for this section were adopted in September, 1998. Most of these policies and procedures have not been updated since that time, and many of the procedures, staffing levels, and forms are outdated. For example, per the procedures, requisitions were a manual process; however, requisitions are now completed electronically. The University should review and update the policies and procedures and have them approved by the Board. Additionally, all applicable employees should read and certify their understanding of the updated policy and procedures.

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Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current contracts, information of the benefits that the employee has selected, withholding forms, and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements

The following State statutes apply:

Section 9.44, Revised Code, requires that if an employee has prior service with the State or any other political subdivision of the State, the University is to compute the amount of an employee's vacation leave based on the anniversary date of that prior employment with the State or any political subdivision of the State.

Section 5747.06, Revised Code, requires collection of Ohio income tax by employers.

Chapter 3307, Revised Code, requires the University to enroll teaching employees in the State Teachers Retirement System (STRS), withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the retirement system the amounts withheld, matched with an appropriate percentage for employer contributions. Employees who elect to participate in an alternative retirement plan as established by Chapter 3305, Revised Code are exempt from the requirements of Chapter 3307.

Chapter 3305, Revised Code, establishes an alternative retirement program for the purpose of providing eligible employees the opportunity of participating in an alternative retirement plan as an alternative to participating in a state retirement system. Each plan offered under this program shall be a defined contribution plan qualified under section 401(a) of the Internal Revenue Code.

Chapter 145, Revised Code, requires that University employees not covered by Section 3307.01, Revised Code, be enrolled in the Ohio Public Employees Retirement System (OPERS).

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The employees of Central State University are represented by following associations: American Association of University of Professors Central State University Chapter, Central State University Safety Association, and Local #361 Ohio Council #8 of the American Federation of State, County and Municipal Employees.

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University's Payroll Processing Procedures

The Board has adopted formal policies for the payroll process regarding posting, hiring including student and temporary employees from employment agencies, civil service examination applicability, eligibility for annual salary increases and leave. Most of these policies were approved in late 1990s and need to be reviewed and updated at least for changes to forms used within Human Resources. These policies also denote an outside company processing payroll; however, the University processes all payrolls.

Hiring Process: The University requires a strategic position review process and approval before any vacant or new positions are eligible for announcement and posting. The Human Resources department website outlines this process as well as provides the required forms: a Strategic Position Review Questionnaire and Strategic Position Review Approval Form. The questionnaire form is completed by the director/dean requesting the position and must have a job description as well as the approval form attached. The director/dean and vice president of the requesting division approve the questionnaire.

The Budget Director reviews the Strategic Position Review paperwork to verify and identify the position's funding. If the position is for restricted funding from grants, the Budget Director requires a review and approval from the Office of Sponsored Programs and Research before the Budget Director approves the paperwork. After approval, the paperwork is submitted by the Budget Director to the Human Resources department for review and approval. Human Resources reviews the questionnaire responses, pay and responsibility of the position, and recommends how to address the vacancy. The Vice President of Administration and Finance and the President are the last approvals for the form.

After all reviews, Human Resources notifies the requestor of the approvals. The Human Resource department advertises the position on the University's website as well as HigherEdJobs website. After applications for the position are received, the requestor must then complete a Personnel Action Form and attach the job application, resume, official transcripts, position description, approved Strategic Position Review sheet, and other supporting credentials of each applicant. Budget approvals within the requesting division must be obtained to advertise on additional websites or media. The requestor reviews the applicants and makes a selection of the top choice. A background check is run by the Human Resources department on the applicant. The requestor division then must complete a Personnel Action Form. This form details the type of position, names, effective date, job title, department, hourly/salary rate, benefit eligibility, funding source and account number. The form has to be approved by the director/dean and vice president of the requesting division, Grant Director (if applicable), Budget Director, Human Resources, Vice President of Administration and Finance, and the President. A formal offer letter is sent to the applicant from either Human Resources or Academic Affairs depending on the position.

Faculty Hiring Process: Once a faculty position has been approved through Strategic Position Review Questionnaire and Strategic Position Review Approval Form process described above, a search committee is formed and interviews of potential candidates are done. A candidate is chosen by the search committee, and their recommendation is forwarded to the chair of the department in which the candidate would work. The chair of the department reviews the recommendation and then sends a letter to the dean of the college that oversees that department in order to recommend the candidate. The dean of that college will then review the recommendation and write a letter to formally recommend the chosen candidate to the Provost and Vice President of Academic Affairs (the Provost).

During the hiring process, the potential faculty member must submit a number of application documents including a cover letter, resume, three signed letters of reference, transcripts of their academic record or other proof of degree, and a completed employment application form. The department wishing to hire the candidate will send a request to the Employment Manager to run a background check on the candidate. Results of this

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background check and all the other application documents listed above are submitted to the Provost with the recommendation for hiring the candidate. The Special Assistant to the Provost and Vice President of Academic Affairs (Special Assistant) reviews the documents to ensure that they are complete and all signatures are in place. If any piece is missing, the Special Assistant will notify the dean that submitted the candidate. Once all documentation is received, the Provost reviews the information. The Provost then notifies the Special Assistant of the approval and an offer letter is written to the candidate.

There are two major types of offers of appointment letters, tenure track letters and term appointment letters. These offer letters include information about terms of employment, including salary, start date of employment, number of credit hours to be taught, retirement system information, a reference to the collective bargaining agreement, and information on how to obtain University policies and procedures. Tenure track employees are hired for a five year probationary period, with tenure to be obtained in the fifth or sixth year of employment, as described by the collective bargaining agreement. Term appointment employees are typically hired for a one year period. In addition, the University has some adjunct faculty that is hired for each semester. An adjunct offer letter lists the assigned courses that the employee will teach for the upcoming semester.

The offer letter is reviewed and signed by the Provost and mailed to the candidate. Within seven working days the candidate signs the offer letter and returns it to the Provost to accept the appointment. The Special Assistant notifies the Employment Manager of the acceptance and files all documentation in the employee's file, which is maintained in the Academic Affairs department.

Classification of Employment: The University's employees can be categorized as student workers, bargaining unit and non-bargaining unit employees. The University has three bargaining unit agreements: Agreement between Central State University and the American Association of University Professors Central State University Chapter, Agreement between Central State University and Central State University Safety Association, and Agreement between Central State University and Local #361 Ohio Council #8 of the American Federation of State, County, and Municipal Employees. Each of these categories is further described in the following paragraphs.

Bargaining Unit: American Association of University Professors Central State University Chapter (AAUP) includes professors, associate professors, assistant professors, and instructors. The contract is valid through August 31, 2017. The bargaining agreement outlines the qualifications for ranks, length of service rank, criteria for promotion, description of appointment year, salaries and salary adjustments, yearly increases, adjustments for years of service, promotions, and extra compensation. Additionally, the agreement outlines sick and vacation leave accrual amounts.

These employees fulfill their contractual obligations by teaching/research/service during the fall and spring semesters and the contract starts September 1st. Pay for the contract year is distributed evenly over 12 months and paid to employees on the last working day of the month. A 12 hour credit load is considered a full work load.

The agreement covers overload, extra compensation, and summer school compensation. Overload is considered teaching classes over 12 credit hours. Supplemental compensation is work performed for grants and contracts for granting agencies. The supplemental compensation cannot exceed twenty percent of the base pay. Summer teaching assignments are paid a set credit hour rate with a minimum enrollment required dependent upon the level of the course. Summer session formal contracts are provided to faculty during the second week classes are in session if enrollment is met. Summer session payroll is paid at the end of each session in lump sum.

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For any change that results in a pay schedule adjustment, the employee under this agreement is required to follow a strict schedule with submissions to the required personnel/committees/departments. The Human Resources department inputs the changes once approved.

Central State University Safety Association (Safety) includes police officers and sergeants. The contract is valid through October 31, 2017. The bargaining agreement outlines the following: seniority, lay-off and recall, hours of work, overtime, shift differentials, trading time, call back/call-in pay, uniform allowance, training, and higher education pay. Additionally, the agreement outlines sick and vacation leave accrual amounts.

Within this agreement, the work week consist of four consecutive days of ten hours except in those cases where flexible shift schedules exceed ten hours as approved by the Chief of Police to meet operational requirements. For those operations conducted over a seven day or twenty four hour continuous period, the normal work week will not exceed eighty hours within a pay period. A part-time employee is defined as employee that works less than 37 hours per week. Overtime is work performed in excess of 40 hours in any calendar week and is calculated at one and one-half times the employee's regular hourly rate. Employees have the option to be paid overtime or accrue compensatory time for the overtime earned. Any leave that is scheduled at least 14 days in advance of leave is considered hours worked. Shift differential applies to second and third shifts. Second and third shifts receive an additional amount added to their regular pay. The agreement also allows for increase in the shift differential each year of the contract.

The agreement also outlines call back/call-in pay. When the employee is called in to report for duty by the University outside of and continuous with the employee's regular work period, the employee is guaranteed at least four hours of pay at one and one-half times their regular base rate. An employee reporting for a staff meeting required by the Chief of Police that is outside of and not continuous with the employee's regular work period is guaranteed at least two hours of pay at the rate of one and one-half times their regular pay rate. Additionally, a police officer or sergeants within this agreement who obtain professional training or academic degrees are compensated an additional hourly premium after completing their probationary period. Safety employees are paid on a bi-weekly basis.

Local #361 Ohio Counsel #8 of the American Federation of State, County and Municipal Employees (AFSCME) includes several classifications that include but aren't limited to the following: library associate, locksmith, mail center worker, medical service coordinator, mover, painter, payroll/benefits disbursement clerk, plumber, printing machine operator, printing technician, purchasing assistant, records coordinator, registration coordinator, sales clerk, schedule coordinator, secretary, stationary engineer, storekeeper, store clerk, student loan specialist, student services counselor, technical typist, telephone operator, treatment plant aid, utility worker and vehicle operator. The contract was valid through October 31, 2014. The AFSCME employees continue working under this contract until a new one is negotiated and approved. The bargaining agreement outlines the following: seniority, lay-off and recall, workday – work week, shift differentials, overtime, rate of pay, and yearly increases. Additionally, the agreement outlines sick, personal, and vacation leave accrual amounts.

Within this agreement, a work week is defined as five consecutive days of eight hours each except for the bookstore/convenience store and those operations which are regularly conducted over a seven day or twenty-four hour continuous period. Overtime is defined as all work performed in excess of 40 hours any scheduled work week and is paid one-half times the employee's regular hourly rate. Any leave, except holiday leave, within the work week is not considered time worked in calculating overtime pay. Employees have the option to be paid overtime or accrue compensatory time at one and half times the normal rate. Shift differential applies to second and third shifts. Second and third shifts receive an additional twenty-five cents per hour and thirty-five cents per hour, respectively. AFSCME employees are paid on a bi-weekly basis.

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Non-Bargaining Units: These are all employees that are not under the aforementioned bargaining units, except for the President of the University. The President has a separate contract. These employees follow the Human Resource policies of the University that include but are not limited to leave and performance appraisals.

These employees are paid according to the Strategic Position Review process and Personnel Action Form. This process is outlined under the hiring process above. Through a Performance Appraisal of each employee that is required annually, an employee can be deemed merit worthy and eligible for merit award pay rate increase. This increase is dependent upon the budget capabilities of the University. The leave policies dictate the accrual of sick and vacation leave accrual amounts.

All but two non-bargaining employees are paid salaries. The salaried employees are paid on the last working day of the month. The two hourly employees are paid bi-weekly.

Student Workers: Students may apply for a preset list of jobs. Once Student Worker is selected, a Personnel Action Form is completed and must contain Financial Aid and Human Resources approval. The students work hourly and therefore are paid bi-weekly.

Trustees: The Trustees are not paid.

Employee Set-Up in System: Once the Personnel Action Form is completed and approved, the Employment Manager inputs the new employee's information from this form. This information includes the department, pay rate, etc. An employee folder is started at this time for the new employee and the Strategic Position Review forms, Personnel Action Form, job description, and application are placed within the folder. The Payroll Clerk or Payroll Manager verifies Banner employee information entered to the Personnel Action Form.

All employees are mandated to attain new employee orientation by the Human Resource department. These are held on the first business day of the month. A new hire packet is provided and reviewed with the new employees. This packet includes new employee information form, employment eligibility verification, direct deposit enrollment form, withholding forms for federal, state, and pension, and benefits forms. These forms are completed during orientation. Policies and procedures are also reviewed with the new employees.

The completed withholding forms are presented to the Employment Manager. The completed benefit forms are presented to the Employee Benefits Manager. Both of these managers input the information from these forms into Banner for the employee. The Payroll Manager runs a PHRDERR (payroll error report) after all employee information, withholdings and benefits are input to determine if the system is missing information and to review that the pay rates and budget information was input correctly from the approved forms. The withholding forms are filed by the Employment Manager within the personnel file that includes the Strategic Position Review Process sheet and Personnel Action Form. The benefit enrollment sheets are filed in a separate personnel file by the Employee Benefits Manager.

Leave: Vacation, personal, and sick leave is credited as indicated in the respective negotiated agreements or in University leave policies. Leave for an hourly employee is entered in the electronic time sheet system in their MyCSU account and is approved by the supervisor on-line via the supervisor's MyCSU account. These employees are still required to fill out a leave form but the paper forms are not required to be approved by a supervisor since leave was approved electronically. Leave for salaried employees require paper leave forms with signature of the employee and immediate supervisor.

Leave requests are forwarded to the Payroll Manager who inputs the leave in Banner. Banner updates the balances automatically.

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Severance: The University offers severance pay upon retirement to all full-time employees. To be eligible for sick leave severance, an employee must have 10 years or more of service to Central State University for all bargaining and non-bargaining unit employees. Vacation severance is paid to all employees, except professors at retirement. Employees are eligible for vacation severance after completing one year of service with Central State University.

Each bargaining unit calculates severance differently. The AAUP agreement allows payment for one-third of the accrued but unused sick leave credit time at the employee's daily rate not to exceed more than one-third of 120 days. The Safety agreement agrees to payments for any accrued but unused sick leave credit time at the employee's daily rate not to exceed 40 days. Also, the Safety agreement agrees to payments for any accrued but unused vacation at the employee's daily rate not to exceed 60 days, not in excess of the maximum accrual allowed based on years of services within the bargaining agreement. The AFSCME agreement agrees to payments for any accrued but unused sick leave credit time at the employee's daily rate not to exceed 40 days. Also, the AFSCME agreement agrees to payments for any accrued but unused vacation at the employee's daily rate, not in exceed the maximum accrual allowed based on years of services within the bargaining agreement.

Non-bargaining unit employees to receive sick leave severance must be employed 10 or more years with Central State University. For vacation leave severance, the employee must have at least one year of service with Central State University. Sick leave payments follow the sick leave policy that stipulates payment of one-third of employee's unused sick leave, at employee's current rates of pay, not to exceed 320 hours. Vacation leave payments for any accrued but unused leave at the employee's daily rate, not exceed 240 hours.

Withholdings: If employees need to change any of the information on withholding forms they can submit changes electronically through the payroll portal (MyCSU). The Human Resources department is electronically notified of the requested change by MyCSU and then updates the employee withholding information within Banner.

Payments of Federal and State employee withholding deductions are made by the Payroll Manager through wire transfer by the bank. A confirmation number for payment is documented and filed with the pension system required documentation. Municipal and School District income tax employee withholdings are prepared and submitted to an Accounts Payable Clerk for payment. Most of these are paid monthly through the Ohio Business Gateway portal online. Very few are paid monthly by check. All these withholdings are reviewed and reconciled by the Payroll Manager before payment is made. The Payroll Manager performs a reconciliation over these withholdings individually based on the payroll reports to the withholding reports produced by Banner before submitting required documentation.

Retirement: Employees have the option of either state system retirement plans (OPERS or STRS) or an alternative retirement plan (TIAA-CREF, VOYA and Valic.). Both the state system retirement plans and alternative retirement plans require an employee share deduction and an employer share remitted to the chosen plan. In addition, the University is required to contribute a portion of the employer share to the state pension system the employee would have been enrolled in if they had not chosen the alternative retirement plan. This is known as the mitigating rate. For both STRS and OPERS, the University carves this mitigating rate portion out of the total employer share and remits the remaining employer share amount to the alternative retirement plans. Per state requirements, when an alternative retirement plan is chosen for STRS and OPERS eligible employees, the University pays 4.5 percent and .77 percent mitigating rate, respectively.

Payroll deductions for retirements are processed through Banner and filed timely. OPERS, TIAA-CREF, and Valic retirement systems are paid by the Benefits Manager monthly through bank wire transfer. STRS and VOYA retirement system payments are calculated and submitted to an Accounts Payable Clerk for payment

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through ACH monthly. The Employee Benefits Manager each month prepares the required reports and submits through required methods. The Employee Manager maintains written procedures and a benefits check list.

Other Employee Benefits: The University provides medical, prescription, life, dental, and vision benefits to all full-time employees. The employee share of costs for single and family participation in these insurances, except dental, is determined by the respective negotiated agreement. The non-bargaining unit employees follow the AAUP bargaining agreement. Medical and prescription coverage is administered through United Healthcare. Vision and life coverage is administered through Medical Mutual and Met Life, respectively. Dental insurance is self-insured but claims are processed by Delta Dental and paid by the University. The University covers single plans at 100 percent for dental insurance. For employees designated as more than single, the employee has withholdings from their payroll for the coverage that is over single. Part-time employees are not eligible to receive medical, prescription, life, vision, and dental.

Payroll Deductions: Payroll deductions for medical, prescription, dental and life insurance benefits are processed through Banner and then used as part of the payment to the insurance companies. The Benefits Manager is responsible for the preparation of the documentation for the payments of medical, prescription, dental, and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Benefits Manager.

Payroll Preparation: Access to the payroll system is password protected. The Payroll Clerk pulls the electronic timesheets for hourly employees from the MyCSU web based timesheet application into Banner. These timesheets are entered by the employee and are electronically approved by their immediate supervisor. The time sheets denote days and hours worked along with hours of leave by the employee.

The Payroll Clerk then runs a payroll register report for hourly employees through Banner. The Payroll Clerk then compares the payroll register report from Banner to the timesheet information pulled from MyCSU to denote any errors that Banner experienced with the upload.

The Payroll Manager runs a payroll register and error report for salaried employees through Banner. The error report denotes if employee payroll is correct and complete. Among other information, it denotes if the pay rate is correct or if there are missing deductions. The Payroll Manager also reviews increases in salary due to overload or extra compensation and matches these to documents on file.

The payroll register and error reports are saved each pay to the shared drive of Human Resources to denote reviews occurred and to access information if needed. At this time, the payroll is considered reviewed and approved by the Payroll Clerk and Payroll Manager. The Payroll Clerk and Payroll Manager then process the payroll. Each will enter a check number to start within Banner. The system will not allow duplicate check numbers to be used. Banner will not allow the Payroll Clerk to enter a check number for hourly employees processed if the Payroll Manager is processing the salaried employees. A check number spreadsheet is kept on the shared drive by both the Payroll Clerk and Manager to denote the first and last check number used.

Almost all employees are direct deposit. Banner prints out checks for only the small number of employees that receive them. The checks are signed by the Vice President of Administration and Finance and the University President.

Two reports are produced by Banner after payroll is processed. A PHRCISS report is produced for checks and a PHPDIRD is produced for direct deposits. These files are uploaded to the bank through password protection for payment. The monies are not released for payments until the Controller reviews the reports uploaded to the bank and approves the files for further processing by the bank.

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Auditor of State Comments

1. Current policies on payroll have sections that are outdated compared to the University's practices and forms that are currently being used. The payroll policies should be reviewed, updated and Board-approved to reflect the current policies and forms used.
2. The Human Resources Department has detailed procedures for benefits, pension payments and reporting and the hiring process. The Human Resource department should further document the remaining procedures related to payroll processing. These procedures should include but are not limited to a review of accuracy of employee records within Banner and employee files, withholding payments and reporting, and payroll preparation process for hourly and salary employees.

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Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before debt is issued, a resolution authorizing the issuance of debt should be passed by the Board. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the President or the Vice President of Administration and Finance and Chief Financial Officer. Care should be taken to ensure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 of the Ohio Revised Code. For state universities, under Ohio Revised Code section 3345.66, they can issue notes, and this section states that Chapter 133 of the Ohio Revised Code does not apply. However, if a state university is issuing bonds, Chapter 133 applies.

University's Debt

Debt issuances are approved by the Board by resolution. The Board resolution identifies the statute which allows for the issuance of the debt, the purpose, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt issuances are signed by the Chief Financial Officer.

The Controller keeps track of the debt schedules and matches all bills received for debt to the appropriate amortization schedules to ensure that the correct debt payments are made. Debt payments are generally made by wire transfer. All debt documents and amortization schedules are maintained on file in the Chief Financial Officer's office.

The type and amount of the University's outstanding debt at May 31, 2015, consists of the following:

		(per Audit Report)		
	Interest	Principal	Debt Payments	Principal
	Rate	Outstanding	7/1/2014 -	Outstanding
		6/30/2014	5/31/2015	5/31/2015
1992 Department of Education Notes	5.50%	\$1,165,223	(\$63,807) *	\$1,101,416
2013 Ohio Air Quality Development Authority Bonds				
Series A	1.59	9,350,000	(982,596)	8,367,404
Series B	3.70	7,000,000	0	7,000,000
Total Bonds		16,350,000	(982,596)	15,367,404
Capital Leases				
Computer Equipment Lease	3.38	195,716	(71,862)	123,854
Computer Equipment Lease	3.38	41,923	(15,392)	26,531
Piano Lease	3.77	28,639	(28,639)	0
Total Capital Leases		266,278	(115,893)	150,385
Total Debt		\$17,781,501	(\$1,162,296)	\$16,619,205

* Does not include scheduled payment on May 1, 2015

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On February 14, 1992, the University issued a note from the U.S. Department of Education, in the amount of \$2,801,000, for facilities improvements to Anderson, Greene, Broaddus, Page, Hughes, Lane, Pinn, Williams, and Hunter halls. The notes were issued for a thirty year period with a final maturity on November 1, 2021. The University is required to deposit \$28,010 annually into a repair and replacement reserve account until \$280,100 has been accumulated in that account, which occurred by June 30, 2013. Due to an oversight, the principal amount outstanding in the table above reflects the University missing a principal payment of \$65,561 that was due on May 1, 2015. This payment was made on June 8, 2015.

On May 16, 2013, the University issued Ohio Air Quality Development Authority bonds, in the amount of \$9,550,000 (Series A) and \$7,000,000 (Series B), respectively, for the acquisition, construction, and installation of personal property comprising “air quality facilities” as defined in Section 3706.01 of the Ohio Revised Code. The Series A bonds were issued for a ten year period with a final maturity on December 1, 2022. The Series B bonds were issued with principal maturity beginning on December 1, 2022 for a fifteen year period and a final maturity on December 1, 2028.

In fiscal year 2011, the University entered into a capital lease, in the amount of \$465,684, for computer equipment. This lease continues through fiscal year 2016.

In fiscal year 2011, the University entered into a capital lease, in the amount of \$99,750, for computer equipment. This lease continues through fiscal year 2016.

In fiscal year 2013, the University entered into a capital lease, in the amount of \$61,500, for a piano. This lease was to continue through fiscal year 2016. As of the date of this report, the University bought-out the lease.

In November 2012, the University entered into a memorandum of understanding with University Housing Solutions, LLC for the University to purchase two 99-bed student living-learning residence facilities (Johns Hall and Fox Hall) designed and built by University Housing Solutions, LLC on behalf of the University, in the amount of \$12.2 million. The University is currently in the process of securing a loan from the U.S. Department of Education to satisfy the terms of this agreement; however, as of the date of this report, the University has not finalized the loan.

Auditor of State Comments

1. The University paid principal and interest on the 1992 Department of Education Notes thirty-eight days past the due date. The Controller should closely monitor when debt payments are due and remit payment by the specified due date in order to avoid any penalties or interest that may be assessed.

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Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the university should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the beginning of the following month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

Statutory Requirements

Section 3345.05(C), Revised Code, states, “Investments shall be made pursuant to an investment policy adopted by the board in public session that requires all fiduciaries to discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The policy shall require at least the following: (1) A stipulation that investment of at least twenty-five per cent of the average amount of the investment portfolio over the course of the previous fiscal year be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state’s pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system of federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve; (2) Eligible funds above those that meet the conditions of division (C)(1) of this section may be pooled with other institutional funds and invested in accordance with section 1715.52 of the Revised Code; (3) The establishment of an investment committee.”

Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

If these requirements are not fulfilled, the Federal Deposit Insurance Cooperation (FDIC) may be able to void a security interest and leave the University with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

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University's Methods of Cash Management and Investing

The University's treasury activities are the responsibility of the Controller. The Accounting Staff and Controller reconcile the treasury with the accounting records and the Controller transfers cash among the various bank accounts as needed. The Executive Director of Administration and Finance and the Controller have access to transfer cash between bank accounts, but the approval of both is required, with the exception of the payroll account. To transfer monies to the payroll account, the Payroll Manager makes a request to the banking institution for a transfer to be made to such account. Before the transfer can be made, the banking institution contacts the Controller for approval of the banking transfer. The University maintains a general operating checking account, a federal funds account, a money market account, and a payroll checking account. All accounts are with PNC Bank.

All cash receipts go into the general operating checking account. Electronic deposits (also known as ACH transactions) are deposited into multiple accounts depending on the type of deposit. For example, the ACH deposits of federal grant monies are deposited into the University's Federal Funds bank account. Checks are written against the general operating checking account for the daily operations, other than payroll, of the University. Transfers are made for payroll from the general operating checking account into the payroll account. The federal funds account transfers funds to the general operating account due to the federal requirement that the University have an account for the drawdown of federal grant funds. Transfers are also made between the general operating checking account and money market account on an as needed basis.

University policy indicates that at the beginning of each month, the Controller closes out the previous month. As quickly as possible, the Accounting Staff and Controller reconcile the bank accounts for the previous month. The bank accounts that the Accounting Staff reconcile are approved by the Controller. The bank accounts that are reconciled by the Controller are approved by the Executive Director of Administration and Finance. To identify the reconciling items, the Accounting Staff obtains the bank statements from the Controller and compares them to what has been posted to Banner. The outstanding checks and deposits-in-transit are entered into a spreadsheet. Any unrecorded items are corrected with a journal entry in order to close the month and are noted on the monthly cash reconciliation. Upon completion of an Auditor of State review of the reconciliation process, the last month that had a complete reconciliation was April 2015. This reconciling issue is mainly due to the recent turnover in the Controller's office; however, it is necessary for the University to be reconciled in a timely manner.

Voided general operations checks have a completed void request form attached with the check and have "void" stamped on them by the Accounts Payable Clerk and approved by the Controller. The voided general operation checks are filed in numerical order in the Controller's Department. The signature block is not cut out. Since payroll is paid electronically, the University utilizes an adjustment approval form to electronically adjust or void payroll transactions. The payroll adjustment forms are filed within the individual employee's file within the Payroll Department.

The University currently does not have an investment policy. Earnings on investments are receipted into the University's unrestricted general fund. The only investment the University holds is a money market account.

Petty cash funds are maintained by any building or department that requests one. For the current fiscal year, the Cash Management Office and the Marauder Zone Bookstore have petty cash funds (change drawers). The University has a Board approved policy in place for the use and replenishment of the petty cash funds (change drawers). Each petty cash fund (change drawer) is controlled by and is the responsibility of a custodian. The custodian signs the petty cash report acknowledging said responsibility.

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Auditor of State Comments

1. The signature blocks are not cut out of voided checks. All voided checks should have the signature cut out.
2. The monthly bank reconciliations are not occurring in a timely manner as required in the University Policy. The bank reconciliations should be completed at the beginning of the following month and there should be a contingency plan in place if the Controller is not available to reconcile. The monthly bank reconciliations should be provided to the Board of Trustees Budget and Finance Committee for review on a monthly basis. The most recent month that had a complete reconciliation was April 2015. As identified, a contributing factor to the lack of timely reconciliations appeared to be turnover of staff. We encourage the Board of Trustees to redouble their efforts to evaluate reasons for the turnover, including but not limited to compensation and work environment. We are certainly aware of the University's current financial condition, but are also aware of the risk factors of turnover in the cash management area.
3. The University does not have an investment policy or Investment Committee as required by Section 3345.05(C), Revised Code. The University should develop an investment policy as required by Revised Code and have the policy approved by the Board. In addition to this investment policy, the University should establish an Investment Committee consisting of investment/finance professionals. This Investment Committee would evaluate and recommend the types and amounts of investments that would maximize return on investment.

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Financial Accounting Report

Financial Reporting

Description of Effective Method of Financial Reporting

The Controller should provide the Board of Trustees and Board of Regents with reports setting forth year-to-date revenues, expenditures, encumbrances, and available fund balances for each fund of the University. In addition, information concerning estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the Board's review. On an annual basis, the Controller, in compliance with Ohio Administrative Code Section 126:3-1-01(A)(2)(a), should prepare and submit within four months of fiscal year-end financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Statutory Requirements

Ohio Administrative Code Section 126:3-1-01(A)(2)(a) requires that each state university and college shall prepare and submit fiscal year financial statements to the Auditor of State no later than October thirty-first of each year. The fiscal year financial statements shall be prepared in accordance with generally accepted accounting principles and shall be accompanied by required notes and other supplemental information as may be required by the Board of Regents.

While in fiscal watch, Ohio Administrative Code Section 126:3-1-01(D)(1)(d) requires that the University establish a process by which the Board of Trustees or a Committee will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the financial recovery plan. Ohio Administrative Code Section 126:3-1-01(D)(1)(e) requires that the University approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

Once placed in fiscal watch by the Ohio Board of Regents, Ohio Administrative Code Section 126:3-1-01(D)(1)(a) requires that within ninety days of the declaration of fiscal watch, the University shall adopt and submit a financial recovery plan with the purpose to end fiscal watch within three years, which is approved by the Ohio Board of Regents.

Section 3345.72 (1)(a) of the Revised Code and Ohio Administrative Code Section 126:3-1-01(A)(5)(a), require that quarterly reports are due within thirty days after the end of each calendar quarter, to the Board of Regents, the Director of Budget and Management, the Legislative Budget Office of the Legislative Service Commission, and the chairpersons and ranking minority members of the finance committees of the House of Representatives and the Senate. Ohio Administrative Code Section 126:3-1-01(A)(5)(b) requires that the quarterly report contain a narrative indicating where the following events have occurred during the period covered by the report: (1) the University requested an advance of state subsidy money during the quarter covered by the report; (2) the University delayed or failed to make any payments to the applicable retirement systems required to be made during the quarter covered by the report; (3) the University failed to make any scheduled payroll payments payable during the quarter covered by the report; (4) the University failed to make any payments to vendors when due during the quarter covered by the report as a result of a cash deficiency or a substantial deficiency in the payment processing system of the University; (5) the University failed to make any scheduled payment of principal or interest for short or long-term debt during the period covered by the report; (6) the University has revised its original budget for the fiscal year and the revision will result in a substantially reduced ending fund balance or larger deficit; (7) the University projects a significant negative variance between its most recently adopted annual budget and actual revenues or expenses at the end of the fiscal year. If a reportable event has been listed under the Ohio Administrative Code Section 126:3-1-01(A)(5)(b), then Ohio Administrative Code Section 126:3-1-01(A)(5)(c) requires that the University, in a separate document, describe the reason for the reportable event and the action(s) taken to resolve and prevent

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the reoccurrence of the reportable event. Section 3345.72 (H), Revised Code, states that if the University fails to submit the quarterly report within 30 days after the end of the calendar quarter, the Board of Regents shall withhold payment of any payment of any instructional subsidies to the University until it submits the report.

Section 3345.72 (1)(b), Revised Code, requires an annual financial report to be prepared at the end of each fiscal year consistent with the audit requirements prescribed by the Auditor of State, and filed with the Auditor of State within four months after the close of the fiscal year-end.

University's Method of Financial Reporting

The University uses Banner for standard and customized month and year-to-date reports. The University prepares month and year-to-date reports, including the revenue, expenditures, budget, and appropriation account summary reports, which are maintained on file in the Budget and Controller Departments.

During the quarterly Board meetings, the Board members are presented a detailed power point presentation that includes a summary of year-to-date revenues and expenditures, including budget amounts. These power point presentations are tailored to present vital current information for the University. For example, at the most recent April 2015 Board of Trustees meeting, the Vice President for Administration and Chief Financial Officer discussed the conditions of Fiscal Watch and started a discussion regarding the creation of a Financial Recovery Plan. The presentation also includes various revenue and expenditure projections that will aid in the decisions made by the Board members.

The University prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The financial statements are filed with the Auditor of State within four months of the end of the fiscal year end or, if unable to meet the deadline, an extension is requested. The University filed a copy of its annual financial report to the office of the Auditor of State for the fiscal year ended June 30, 2014, on October 15, 2014. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members.

Quarterly reports are prepared by the Controller and reviewed by both the Vice President and Executive Director of Administration and Finance and have been submitted to the Board of Regents for fiscal years 2014 and 2015. However, there were two reports that were filed by the University past the 30 day requirement.

The University has developed a Financial Recovery Plan that has been approved by the Board and will be submitted to the Ohio Board of Regents by no later than July 20, 2015, ninety days after the Fiscal Watch declaration of April 21, 2015.

Auditor of State Comments

1. There were two quarterly reports that were submitted to the Board of Regents past the 30 day requirement. The 3rd Quarter 2014 report and the 3rd Quarter 2015 report were submitted on May 8, 2014 and May 12, 2015, respectively. The quarterly reports should be filed with the Board of Regents within 30 days after the end of the calendar quarter.
2. In accordance with Ohio Administrative Code Section 126:3-1-01(D)(1)(d), the University should establish a process by which the Board of Trustees or a committee will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the financial recovery plan.
3. In accordance with Ohio Administrative Code Section 126:3-1-01(D)(1)(e), the University should establish a process by which they approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

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Forecasting and Planning

Description of an Effective Method of Forecasting and Planning

Forecasting and planning methods should be designed to increase the amount of useful information available to all stakeholders in order to continuously improve the organization. The method of forecasting should allow for both short-term and long-term prediction of revenues, expenses, and cash balances. Forecasts should be monitored against actual results in order to refine and improve the methods and data used to perform future forecasts. The method of planning should include such items as enrollment fluctuations, capital projects, revenue enhancements or declines, and expenditure increases or decreases. Planning should be institutionalized and performed regularly in order to better address these factors before they have a significant impact on finances. Plans should have specific and measurable steps or goals. These steps or goals should be monitored as actual information is known in order to refine and update the plan as necessary.

University's Method of Forecasting and Planning

Short-Term Forecasting and Planning: The University regularly forecasts and plans related to their upcoming annual budget. There is a formal budget process in place, which is described in the Budgetary Process section of this report. The annual budget is used as a forecast for the current fiscal year and the Budget Director monitors it monthly. The Budget Director maintains a spreadsheet listing revenues and expenses by major line item. This forecast spreadsheet is updated each month with actual data for the months that have already occurred. For the remaining months, the Budget Director forecasts an amount for each line item. The total of actual plus forecasted months is compared to the annual budget and significant variances are researched and discussed with the Executive Director of Administration and Finance, who reviews the forecast. The information is then presented to the vice presidents of divisions and the Financial Advisory Committee. The Financial Advisory Committee meets several times a year to receive financial information, give feedback, and ask questions, and is made up of a cross-section of individuals from various divisions.

Student enrollment is regularly projected and monitored as a component of developing the annual budget, as most sources of revenue are directly impacted by changes in enrollment. These projections are done by the Office of Enrollment Management by examination of historical data and trends, the dropout rate, and other relevant information. Once the Office of Enrollment Management develops projected enrollment for the upcoming fiscal year, this information is given to the President's Cabinet and the Board of Trustees. The Cabinet and the Board may choose to revise the estimate down if more conservative revenue estimates are deemed prudent. If the actual enrollment varies significantly from the projected enrollment used to craft the budget, the budget is revised. This process is further described in the Budgetary Process section of this report.

The Budget Director prepares a monthly financial analysis by division as well as a monthly comparison of major revenue and expense line items. The analysis by division compares the budgeted expenses for each division to what has been spent and encumbered to date. If a division's spending has exceeded the budget threshold identified for a particular month, the Budget Director will contact the division to investigate the variance. The Budget Director includes footnotes on the analysis spreadsheet to explain the significant variances. The monthly comparison of major revenue and expense line items includes a comparison to the current fiscal year budget, as well as a comparison to the same month from the prior fiscal year. Significant increases or decreases as compared to the prior fiscal year are researched and notes are kept on this spreadsheet to explain each variance.

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Financial Accounting Report

Long-Term Forecasting and Planning: The University does not have a formal method of long-term financial forecasting. However, the University does do limited long-term forecasting of enrollment and revenues, has a strategic plan in place through the year 2020, does a self-study for accreditation every ten years, does a six year capital plan, and has several other planning documents in place.

Long-Term Enrollment and Revenue Projections: The University regularly reviews student enrollment on a short-term basis, as addressed above. In addition, enrollment is projected for the next three fiscal years by the Enrollment Services department. Based upon these enrollment projections, revenues are forecasted for the next three fiscal years by the Budget Director. A key component of the University's funding is the State Supplement, which is assumed to remain equal to the current level of funding for the forecast period.

The State Supplement is established by a line item in the State biennial budget. The University employs a Chief Government Relations Officer who reports to the University President on all matters coming before the State legislature that could impact the University. The biennial budget is closely monitored by the Chief Government Relations Officer and the Executive Director of Administration and Finance is notified of any anticipated changes in the State Supplement or other State monies.

Strategic Plan: The University began a strategic planning process in 2013. By 2014, the first phase of initial planning had been completed. The strategic plan is scheduled to be implemented through 2019 and then evaluated in 2020. The strategic plan includes six goals, called compelling priorities, which include: provide a quality collegiate and academic experience; targeted student enrollment; reduced time to degree completion; higher student retention rate; development of graduates with knowledge, skills, and dispositions for professional careers or advanced studies; and efficient and effective institutional operations. While the University's finances could impact or be impacted by all six of these areas, the most closely related is the compelling priority to have efficient and effective institutional operations.

To achieve this priority, two main areas have been identified for further study and possible action. The first of these is to assess University operations to provide improved services and be good stewards of resources. Strategies identified in this area include a comprehensive review of all University policies, benchmarking processes, implementing best practices, developing training programs, exploring shared service agreements, aligning the budget to the compelling priorities, and maintaining a secure campus. The second area is to conduct a capital campaign. Strategies identified in this area include a feasibility study, developing a comprehensive plan, formally announcing start and end dates for the campaign, and executing the campaign.

The Executive Director of Administration and Finance is a member of the delivery team that is tasked with implementing and monitoring the strategic plan.

Capital Plan: The Board of Regents requires the University to submit a six year capital plan each biennium in order to receive State funding for capital projects. The University currently has a six year capital improvement project plan. The plan includes a listing of anticipated capital projects for fiscal years 2015 through 2020 with an estimated cost of each project. Capital projects are typically funded solely through State appropriations without any local funding from the University. As mentioned above, as part of the strategic plan, the University is to study the feasibility of a capital campaign to provide more local funding.

A listing of potential capital projects is identified by the Administration and Finance Division. The initial listing is submitted to the President's Cabinet for review and prioritization. Once the full capital plan has been prepared, including the narrative and project budgets, it is reviewed and approved by both the Cabinet and the Board of Trustees. The capital plan is then submitted to the Board of Regents for consideration. The Board of Regents compiles a statewide capital plan and submits funding requests to the Controlling Board for consideration.

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Other Planning Documents: The University has several other planning documents, and all have components related to the University's finances. The first is a document compiled during accreditation review. Every ten years, the University prepares a Self-Study Report in preparation for a peer review that is done to reaffirm the University's accreditation with the North Central Association of Colleges and Schools. This Self-Study Report was last completed in 2013 and provides information related to the five criteria required by the accreditation committee. One of the five criteria addresses fiscal resources and the Self-Study Report provides historical financial information and analysis. This information and analysis was prepared by the Executive Director of Administration and Finance and the Budget Director. The Self-Study Report also responds to concerns that were raised during the last accreditation review in 2003. One of these concerns was the budgeting and planning process. Since the 2003 review, the University has developed a budget process, as described in the Budgetary Process section of this report.

Another planning document used by the University is a report that was prepared by the Board of Regents, entitled "Honoring Ohio's Historically Black Public University: A Plan for Advancing Progress at Central State University". This report, also known as the Chancellor's Report, was prepared by a team of consultants and included five recommendations to produce operational improvements. The most significant of these recommendations in a financial sense was the fourth recommendation, which suggested that the State and the University should work together to establish a consistent, merit-based State funding formula for the University. This was to be done by replacing the State Supplement with a modest but guaranteed base funding allocation, with merit increases to funding based on performance. The second part of the recommendation was to advance a range of revenue opportunities beyond State investment. This document is currently being considered by the University and steps have been taken to advance a range of revenue opportunities. Some of these revenue enhancements are: selling lumber from University land, renegotiating the price charged to farmers for leasing University property, selling wetland mitigation credits to corporations, enhancing the agreement with Sodexo to market University dining facilities for private use and develop revenue sharing on the new campus restaurant, and the University is developing a campus barbershop, campus convenience store and other revenue generating operations.

Due to the direct link between enrollment and University revenue, meeting enrollment goals is a critical part of planning. The University formerly used an enrollment planning document called the Strategic Academic and Enrollment Management Plan (SAEM), which was last updated in August 2007 and included goals through 2016. The SAEM also included plans to reduce the State Supplement as enrollment increased. The key component of this report was called "Speed to Scale" and was an attempt to aggressively increase enrollment but was ultimately superseded by the Chancellor's Report as enrollment goals were scaled back. The Office of Enrollment Management continually monitors enrollment.

Negotiations with Employee Union Groups: When the University negotiates with employee union groups on a new or revised contract, financial forecasts or projections are typically used by the University. The Executive Director of Administration and Finance is a member of the negotiating team, and will provide financial data and projections based upon the negotiations. For instance, if a pay increase is being considered, projections are done to demonstrate the financial impact to the University of the proposed increase over the life of the contract. Also, the union will normally request financial data from the University, which is provided by the Budget Director. This information could include historical data, such as employee pay and benefits, or information related to the current year budget. The Executive Director of Administration and Finance and staff also prepare other financial information during negotiations, such as comparisons to peer institutions, ratios of revenues, expenses, headcount, and enrollment, and other data that may be relevant to the University's position during negotiations.

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Auditor of State Comments

1. The University should consult with other higher education institutions, industry associations or groups, and national finance organizations to research methods and best practices related to forecasting and planning. These methods and best practices should be developed into a comprehensive forecasting and planning policy for the University. The policy should include a listing of the employee or employees responsible for each component of the forecasts and planning, a timeline of when forecasts and plans are to be performed, and a requirement for ongoing monitoring of forecasts and plans.
2. The University should integrate a rolling financial forecasting component with each of their planning documents. For instance, as each compelling priority of the strategic plan is researched and implemented, it should be incorporated into the assumptions that form the basis for a long-term forecast. This would ensure that plans are only implemented with a clear understanding of the financial impact of doing so.
3. The University should use long-term forecasting to assist in the negotiations process with employee union groups. Although the University calculates the financial impact of potential employee pay and benefit changes on expenses, that information is not incorporated into a more comprehensive forecast that would include estimated revenues and estimated remaining fund balances as impacted by the forecasted expenses.

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Conclusion

The policies, procedures, and methods described and included in this report are based on our inquiries and discussions with University personnel and the related procedures documented from the University's Policies and Procedures, resolutions, Ohio Administrative Code and the Ohio Revised Code. These policies, procedures, and methods, in some cases, vary from the actual methods used in performing the daily activities as noted within this report.



Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE 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
SEPTEMBER 16, 2015**