

**BOARD OF TRUSTEES
AUDIT SUBCOMMITTEE
Leonard D. Schiavone, Chair
James E. "Ted" Roberts, Vice Chair
Carole S. Weimer
David C. Deibel
Samantha P. Anderson**

**Wednesday, September 7, 2016
9:00 a.m.**

**Tod Hall
Board Meeting Room**

AGENDA

- A. Disposition of Minutes for Meeting Held June 2, 2016**
- B. Old Business**
 - 1. Introduction of Sarah Gampo, Director of Internal Audit and Risk Management**
- C. Committee Item**
 - 1. Discussion Items**
 - Tab C.1.a. a. Internal Audit Charter and Audit Subcommittee Charter**
 - Tab C.1.b. b. Audit Timeline Matrix**

This matrix tracks the progress of the implementation of recommendations for improvement or correction made by internal and external auditors.
 - Tab C.1.c. c. Internal Audit Report on Review of Faculty Incentive Program Cost Savings**
- D. New Business**
- E. Adjournment**

Mission Statement

Internal Audit will assist The YSU Board of Trustees and University management in the discharge of their oversight, management, and operating responsibilities through *independent* audits and consultations designed to evaluate and promote the system of internal controls, including effective and efficient operations.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Authority and Accountability

To ensure maximum independence and adequate consideration of recommendations, Internal Audit will report to the Audit Subcommittee of the Board of Trustees and will have direct access to the Audit Subcommittee and/or President. Daily interactions and administration of the internal audit contract will be coordinated by the Vice President for Administration and Finance or his designee.

Internal Audit is authorized to have unrestricted access to University information, including records, computer files, property, and personnel of the University in accordance with the authority granted by the Board's approval of this charter and applicable federal and state statutes. Internal Audit is free to review and evaluate all policies, procedures, and practices of any University-related activity, program, or function except where limited by law or University policy.

Scope of Work

Internal Audit will assess the University's processes of risk management, control, and governance to ensure that:

- Risks are appropriately identified and managed. A risk assessment shall be included in the scope of work, regardless of any change in the appointment of Internal Audit in the ensuing contract year, planned or otherwise.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the University.

In developing the annual audit plan:

- During the March Audit Subcommittee meeting, Internal Audit will meet with the Audit Subcommittee to present its risk-based methodology. During that meeting, the Board will be notified that Internal Audit will begin to develop the annual audit plan. Feedback from the Board is welcome and desired. Next, Internal Audit will meet with the President and Vice President of Administration and Finance to discuss the risk analysis and specific areas of concern. Following that, Internal Audit will meet with the Chair and Vice Chair of the Audit Subcommittee to further discuss the risk analysis and specific areas of Board concern. Finally, Internal Audit will develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or concerns identified by the Board and/or management, and submit that plan to the President and the Chair of the Audit Subcommittee for signature to commence implementation of the plan.
- Internal Audit will implement the annual audit plan and provide quarterly status reports.
- Internal Audit will maintain a professional audit staff with sufficient knowledge, skills, and experience to meet the requirements of this Charter. As necessary, Internal Audit may engage a third party in instances where specialized skills or expertise may be required to fulfill a particular audit. At a minimum, Internal Audit will comply with relevant professional standards, such as the *International Standards For The Professional Practice of Internal Auditing* and the *Code of Ethics* of the Institute of Internal Auditors, Inc.
- Internal Audit will issue periodic reports to management, and Audit Subcommittee as appropriate, summarizing results of audit activities.

Youngstown State University
Audit Subcommittee Charter

Purpose

The primary function of the Audit Subcommittee is to assist the Board of Trustees in fulfilling its oversight responsibilities for the institution's accounting and financial reporting processes and audits by monitoring:

- the integrity of the University's financial statements,
- the independence, qualifications, and performance of its external and internal auditors,
- the University's system of internal controls, and
- the University's compliance with laws, regulations and codes of conduct.

Subject to State Auditor's role and requirements, the Audit Subcommittee will be responsible for the appointment, compensation, retention, oversight and evaluation of the University's external and internal auditors. The Audit Subcommittee shall maintain an effective, open avenue of communication among the external auditors, internal auditors, senior management and the Board of Trustees.

The Subcommittee's function is one of oversight, and as such it recognizes that management is responsible for preparing the financial statements and that the external auditors are responsible for auditing those financial statements.

The Subcommittee has the authority to retain legal, accounting and other advisors to assist in the performance of its responsibilities. The University shall compensate the independent auditors and advisors employed by the Audit Subcommittee, and provide for associated administrative expenses.

Structure

The Audit Subcommittee is a subcommittee of the Finance & Facilities Committee of the Board of Trustees of Youngstown State University. Board members are appointed by the Governor of the State of Ohio. The Board will seek to ensure financial expertise on the Audit Subcommittee through appointments and training. Further, no member of the Audit Subcommittee may concurrently serve on the Investment Subcommittee.

Meetings

The Audit Subcommittee shall meet at least quarterly and at any other convenient date on an as-needed basis. The Audit Subcommittee may ask members of management or others to attend Audit Subcommittee meetings and provide pertinent information when needed. The Audit Subcommittee shall meet periodically with management, external auditors and the independent Internal Auditor.

Date Last Reviewed _____ 12-2015 _____

12-2015 Audit Subcommittee Charter

Youngstown State University
Audit Subcommittee Charter

Functions and Responsibilities

Internal Control

1. Review with management, Internal Audit and external auditors the adequacy and effectiveness of the University's policies for assessing and managing risk.
2. Examine internal and external auditors' findings of weaknesses and recommendations for the improvement of internal controls. Monitor management's response to and implementation of internal control recommendations.

Financial Reporting

1. Review annual financial statements prior to public release and discuss such statements with management and the independent auditors.
2. Discuss any changes in accounting principles, significant judgment areas and significant or complex transactions (including any off-balance sheet structures) that occurred. Consider management's handling of proposed audit adjustments identified by the independent auditors.
3. Consult with auditors and accounting personnel on the integrity of the internal and external financial reporting process. Determine if key reporting objectives are being met.

Independent Auditors

1. Serve as the authority to which the independent auditors report.
2. Review, at least annually, all relationships between the independent auditors and the University and assess the independent auditors' independence.
3. Review the audit scope and approach of the independent auditors' examinations and direct the auditors to areas that, in the Audit Subcommittee's opinion, require more attention. Audit engagement letters are to be addressed to the Audit Subcommittee rather than to management.
4. Discuss with the independent auditors any significant findings, difficulties, disagreements with management, restrictions on scope of the audit, or limitations on information or personnel encountered while performing the audit.
5. Pre-approve all significant audit and permitted non-audit services and related fees to be performed by the University's independent auditors. The Chairperson of the Audit Subcommittee shall have the authority to review and approve all such proposals and shall report back to the full Subcommittee at each meeting.

Internal Auditors

1. Review and examine the objectivity, effectiveness and resources of the internal audit function.
2. Concur in the appointment or replacement of the provider of internal audits services.
3. Review the internal audit plan for the current year and review the risk assessment procedures used to identify projects included in the plan.
4. Review the results of internal audit activities and track the progress of the internal audit plan.

Date Last Reviewed _____ 12-2015 _____

12-2015 Audit Subcommittee Charter

Youngstown State University
Audit Subcommittee Charter

Other

1. Ensure that appropriate code(s) of conduct/ethics are formalized in writing. Review management's monitoring of compliance therewith, including changes or waivers to the code(s).
2. Review legal and regulatory matters that may have a material impact on the financial statements and the related compliance policies and procedures.
3. Ensure that procedures exist for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Periodically review summary reports of such complaints.
4. Review and assess, at least every three years, the Audit Subcommittee's charter and performance, and submit changes to the charter for approval of the Board.
5. Recommend to the Board policies for hiring employees or former employees of the independent auditor.
6. Perform other oversight functions as requested by the Board of Trustees.

Date Last Reviewed _____ 12-2015 _____

12-2015 Audit Subcommittee Charter

Youngstown State University
Internal Audit Charter

Introduction:

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Youngstown State University ("the University"). It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University's governance, risk management, and internal control.

Role:

The internal audit activity is established by the Board of Trustees ("Board") and its responsibilities are defined by the Audit Subcommittee ("Subcommittee") of the Board as part of its oversight role.

Professionalism:

The internal audit activity will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Implementation Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the University relevant policies and procedures.

Authority:

The internal audit activity, with strict accountability and confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the University's records, physical properties, and personnel pertinent to carrying out any audit engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Subcommittee and the Board.

Organization:

The Director of Internal Audit & Risk Management ("Director") will report functionally to the Subcommittee and administratively (i.e. day to day operations) to the Vice President for Finance & Business Operations.

The Subcommittee will:

- Approve the internal audit charter.
- Approve the risk based internal audit plan
- Approve the internal audit budget and resource plan
- Receive communication from the Director on the internal audit activity's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Director.
- Make appropriate inquiries of management and the Director of Internal to determine whether there is inappropriate scope or resource limitations.

Independence and Objectivity:

The internal audit activity will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director will confirm to the Subcommittee, at least annually, the organizational independence of the internal audit activity.

Responsibility:

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the University's strategic objectives.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the University's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the University.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Subcommittee.
- Evaluating specific operations at the request of the Subcommittee or management, as appropriate.

Internal Audit Plan:

At least annually, the Director will submit to senior management and the Subcommittee an internal audit plan for review and approval. The internal audit plan will consist of a summary work schedule as well as budget and resource requirements for the next fiscal year. The Director will communicate the impact of resource limitations and significant interim changes to senior management and the Subcommittee. The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Subcommittee. The Director will review and adjust the plan, as necessary, in response to changes in the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Subcommittee.

Reporting and Monitoring:

A written report will be prepared and issued by the Director or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal

audit results will also be communicated to the Audit Subcommittee. The internal audit report will include management's response and corrective action plan in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Director will periodically report to senior management and the Subcommittee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management or the Subcommittee.

Internal Audit Activity Charter

Approved this ___ day of ____, 2016.

Director, Internal Audit & Risk Management

Chair of Audit Subcommittee

Vice President for Finance & Business Operations





Audits Timeline Matrix Summary
As of August 5, 2016

The 22 recommendations at August 5, 2016 are from 1 external auditor management letter and 8 Packer Thomas (PT) internal audits. This compares to 32 recommendations at April 29, 2016.

Audit Name	Number of Recommendations									
	Total		Critical		Behind		On Schedule		Complete	
	4/29/16	8/5/16	4/29/16	8/5/16	4/29/16	8/5/16	4/29/16	8/5/16	4/29/16	8/5/16
E&Y FY2007 Management Letter	1	1					1	1		
PT Human Resources (Feb 2012)	1	1				1	1			
PT Grants (Jan 2014)	3	2				2	2		1	
PT Segregation of Duties (April 2014)	4	4				1	4	3		
PT Events Management and Unrelated Business Income Tax (April 2014)	1	0							1	
PT PCard-Analysis of Audit Procedures (Sept 2014)	0	0								
PT Contract Management Specific to Services (Oct 2014)	1	1					1	1		
PT Security of Personally Identifiable Information (Nov 2014)	4	4			4			4		
PT Academic Processes (Feb 2015)	2	3			1	1	1	1		1
PT Cash Collections Sites (July 2015)	7	3					2		5	3
PT Housing and Residence Life (Oct 2015)	5	3			1		2		2	3
PT Compliance Audit (Oct 2015)	2	0							2	
Crowe Horwath FY2015 Management Letter	1	0							1	
Totals	32	22	0	0	6	5	14	10	12	7

Audits Timeline Matrix

Legend: ■ Critical delay ■ Behind but manageable ■ On schedule ■ Completed							
Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 4/29/16	Status 8/5/16	Comments	Comments (4-29-16)
E&Y Mgt Let FY 2007 (Oct 2007)	09/30/16	The University should review the draft DRP plan to ensure it meets requirements in the event of a disaster. It should be tested to ensure that it functions as intended, includes a continuity strategy based on University priorities, and encompasses all key processes. A Business Impact Analysis (BIA) should be performed to determine the functions that are considered essential to the University's core business operations and the timeframe that these need to be recovered. Annually and when major changes occur to the technology environment, the plan should be reviewed, revised, and tested. [This recommendation was made in prior years.]	Several steps have been taken to address this repeated language to prepare the campus to move forward with the disaster recovery initiative. It is estimated that a complete and verifiable Banner-specific disaster recovery strategy will be delivered within 6-12 months following the implementation of the SCT Banner systems. In preparation for the Banner specific disaster recovery initiative, a service level agreement with Ohio State University to serve as YSU's disaster recovery site has been completed. Hardware was purchased to establish connectivity with Ohio State University. YSU personnel traveled to Columbus to install the hardware and have begun testing connectivity to YSU.			The reciprocity agreement with the University of Akron has been signed. ITS is testing the DR rack and hopes to install within 90 days.	The reciprocity agreement with the University of Akron has been signed. ITS is testing the DR rack and hopes to install within 90 days.
PT Human Resources (Feb 2012)	07/31/16	The Department of Human Resources should be responsible for processing all new hires and should orient all new employees to help ensure that University policies and procedures are properly communicated to new employees.	We agree that all newly hired University employees with the exception of student employees should be processed by Human Resources. The Manager, HRIS will be charged with researching ways to initiate and implement workflows to expedite the hiring process. Human Resources will collaborate with the Provost's Office to formulate and implement a part-time Faculty orientation program.			Parallel testing through PeopleAdmin continues. After testing is complete, a paperless hiring process will be rolled out. Part-time faculty orientation has been implemented. Deadline Revised to 12/31/16	Parallel testing through PeopleAdmin continues. After testing is complete, a paperless hiring process will be rolled out. Part-time faculty orientation has been implemented.
PT Grants (Jan 2014)	06/30/16	Currently, all accounting and operating functions are conducted by one individual. At a minimum, the bank statement should be reconciled by someone other than the sole YSURF staff and invoices should be approved by the YSURF staff's supervisor.	The YSURF President will bring the recommendation to the attention of the YSURF Board and will provide a follow-up response to the University.			YSURF president Michael Hripko was elected on July 26, 2016. Treasurer/Secretary Chet Cooper has engaged YSURF Board Member James Dascenzo of Hill, Barth, and King to perform a complete audit of YSURF financial activities prior to this date. Additionally, Dr. Cooper has asked that a new YSURF Policy be instituted that will require two signatures on YSURF Checks over a defined amount. Hripko and Cooper are responsible to implement this prior to the next YSURF Board meeting in October, 2016. Deadline revised to October 31, 2016.	Independent Legal Counsel for YSU Research Foundation has been engaged, and plans are being formed to reform and populate the Board of Director vacancies, as well as the YSU Research Foundation Officer vacancies. (Secretary and Treasurer). The fully staffed Board and officers will address strategic and operating concerns.
PT Grants (Jan 2014)	06/30/16	We suggest that management consider developing a specific strategic direction for the YSURF and communicating it to employees.	The YSURF President and Board will work with University leadership (President, Provost, and Associate Provost and Dean of Graduate Studies and Research) to clarify the strategic direction and operation of YSURF.			YSURF Annual Board Meeting was held July 26, 2016, at which Michael Hripko was elected as President of the YSU Research Foundation, and Dr. Chet Cooper as Secretary/Treasurer. YSU President has assigned his YSURF Board responsibility to YSU Provost. Among the first deliverables requested by the Board was a clarified YSURF mission statement and a basic YSURF strategic plan, which is a required deliverable prior to the next quarterly Board meeting in October, 2016. Deadline revised to October 31, 2016.	Independent Legal Counsel for YSU Research Foundation has been engaged, and plans are being formed to reform and populate the Board of Director vacancies, as well as the YSU Research Foundation Officer vacancies. (Secretary and Treasurer). The fully staffed Board and officers will address strategic and operating concerns.

Legend:								
		Critical delay		Behind but manageable		On schedule		Completed
Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 4/29/16	Status 8/5/16	Comments	Comments (4-29-16)	
PT Segregation of Duties (April 2014)	9/30/17	There is a lack of segregation of duties for manual payroll time entries. There are employees who have the ability to enter manual time entries without additional approval or verification. This lack of segregation of duties increases the risk that incorrect or fraudulent paychecks may be issued. Manual time entries should be tracked and an individual should be assigned to confirm the validity of all manual time entries. This individual should not have access to create a manual time entry.	The Payroll Department, based on approved source documentation, is responsible to enter hours/time for the minority of hourly timesheets that were not electronically processed through self-service Banner. As a compensating control, a report will be developed to identify any hours manually entered. This report will be compared to the source documents by a different individual than the individual entering from the source document. Also, the Banner HR/Payroll security role classes were reviewed and the number of individuals with both duties has been reduced and segregated.			System constraints include lack of a two-step process for processing payroll adjustments after the supervisor approval and lack of an audit trail for any changes made after the supervisor approval. Banner XE includes enhancements that are anticipated to reduce risk of improper adjustments being made without detection. However, due to unanticipated factors, including employee turnover and competing priorities in the IT area, this upgrade is currently not scheduled to be implemented until at the earliest the second quarter of 2017. Some compensating controls currently in place include the distribution of personnel reports after each pay to the Financial Managers, audit reports generated from the system to identify irregularities, and external audit procedures performed on payroll.	System constraints include lack of a two-step process for processing payroll adjustments after the supervisor approval and lack of an audit trail for any changes made after the supervisor approval. Banner XE includes enhancements that are anticipated to reduce risk of improper adjustments being made without detection. However, due to unanticipated factors, including employee turnover and competing priorities in the IT area, this upgrade is currently not scheduled to be implemented until at the earliest the second quarter of 2017. Some compensating controls currently in place include the distribution of personnel reports after each pay to the Financial Managers, audit reports generated from the system to identify irregularities, and external audit procedures performed on payroll.	
PT Segregation of Duties (April 2014)	9/30/17	There are 4 individuals with the ability to process/calculate payroll. Of these individuals, they all have ability to generate paychecks and add/approve hours, and 3 have access to record payroll in the general ledger and the ability to make general ledger entries. This lack of segregation within the process of generating the payroll creates and increases risk of error or fraud within a paycheck or payroll. We recommend a review of the workflow steps from running (calculating) the payroll through the financial recording of the payroll and reassign rights in the system to maximize segregation of duties.	Security access has been redesigned to limit the ability to perform the above workflow to only the Associate Controller. These functions are necessary for the Associate Controller in order to supervise the Payroll Department as well as the general accounting functions in the Controller's Office. However, any manual entry of hours by the Associate Controller will be reviewed in the audit report mentioned in Management's Response to Audit Finding & Recommendation #2. The security access for all of the other individuals mentioned has been segregated between entering, processing payroll, generating checks, and posting to the ledger.			Based on additional information provided by Packer Thomas, access rights for individuals were reviewed and a request made to Computer Services to remove the ability for the HRIS manager to make changes to the master file.	System constraints include lack of a two-step process for processing payroll adjustments after the supervisor approval and lack of an audit trail for any changes made after the supervisor approval. Banner XE includes enhancements that are anticipated to reduce risk of improper adjustments being made without detection. However, due to unanticipated factors, including employee turnover and competing priorities in the IT area, this upgrade is currently not scheduled to be implemented until at the earliest the second quarter of 2017. Some compensating controls currently in place include the distribution of personnel reports after each pay to the Financial Managers, audit reports generated from the system to identify irregularities, and external audit procedures performed on payroll.	
PT Segregation of Duties (April 2014)	9/30/17	There is a lack of segregation of duties with the manual (off-cycle) check process. There are individuals who can print manual checks and who have access to the check stock. An individual who has the ability to generate a manual (off-cycle) check should not have access to the check stock.	In order to segregate duties, the individuals who had access to the blank check stock no longer have the ability to initiate a manual check except for one person. As a compensating control, any manual entry of hours by that person will be reviewed in the audit report mentioned in Management's Response to Audit Finding & Recommendation #2.			System constraints include lack of a two-step process for processing payroll adjustments after the supervisor approval and lack of an audit trail for any changes made after the supervisor approval. Banner XE includes enhancements that are anticipated to reduce risk of improper adjustments being made without detection. However, due to unanticipated factors, including employee turnover and competing priorities in the IT area, this upgrade is currently not scheduled to be implemented until at the earliest the second quarter of 2017. Some compensating controls currently in place include the distribution of personnel reports after each pay to the Financial Managers, audit reports generated from the system to identify irregularities, and external audit procedures performed on payroll.	System constraints include lack of a two-step process for processing payroll adjustments after the supervisor approval and lack of an audit trail for any changes made after the supervisor approval. Banner XE includes enhancements that are anticipated to reduce risk of improper adjustments being made without detection. However, due to unanticipated factors, including employee turnover and competing priorities in the IT area, this upgrade is currently not scheduled to be implemented until at the earliest the second quarter of 2017. Some compensating controls currently in place include the distribution of personnel reports after each pay to the Financial Managers, audit reports generated from the system to identify irregularities, and external audit procedures performed on payroll.	

Legend:							
		Critical delay	Behind but manageable	On schedule	Completed		
Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 4/29/16	Status 8/5/16	Comments	Comments (4-29-16)
PT Segregation of Duties (April 2014)	09/30/16	There is a lack of segregation of duties within the process of entering and/or modifying the permanent employee file, which includes payroll and benefit information. This increases the risk of errors or fraudulent activity regarding the set up and payment of an employee. We recommend that an individual be assigned to verify that all additions and changes to the employee master file are authorized. This individual should not have access to make entries into the employee master file.	The Employee Processing Center (EPC) in the Human Resource (HR) department is responsible to enter employee information into the Banner employee master file based on approved source documentation. The Banner system cannot separate the ability to update the master file and the ability to approve changes to the master file, nor is it feasible to have an employee review all changes. HR is however in the process of implementing an electronic workflow to segregate these functions with expected implementation commencing December 2014. Currently, as a compensating control in addition to the new hire report, the EPC Manager will continue to review exception reports to identify irregularities and incomplete data. In addition, the number of employees with access to the master file has been reduced.			Continue running parallel testing through Banner EAPAF (electronic personnel actions forms). EAPAF's have a two step process for approval and application prior to loading into Banner master file. Deadline Revised to 12/31/16.	Continue running parallel testing through Banner EAPAF (electronic personnel actions forms). EAPAF's have a two step process for approval and application prior to loading into Banner master file.
PT Contract Management Specific to Services (October 2014)	12/31/16	There is no evidence that the University has a process in place to perform due diligence prior to contract execution to verify that a vendor has effective internal controls surrounding data confidentiality and security, when applicable. We recommend implementing a procedure to obtain and review Service Organization Control Reports (SOC) to evaluate the suitability of the design and operating effectiveness of a service organization's internal controls relative to the service being provided.	A procedure will be implemented to require that service organizations provide a SOC report prior to contract execution and that periodic SOC reports are provided throughout the contract period. Agreement templates for the Standard Independent Contractor Agreement (SICA) and the Professional Service Agreement (PSA) will be updated to incorporate language to require SOC reports when appropriate. In addition, as part of Contract Administration, a procedure will be implemented to ensure that the University sponsor of the agreement has a procedure in place to obtain, review and file SOC reports with Procurement Services. An inventory of existing goods and service contracts will be performed to identify contracts which may be subject to SOC reports and efforts made to obtain and review such reports.			The IT department has drafted a document to aid financial managers and procurement services in the determination of the applicability of SOC reporting for new and existing vendors. The next step will be to incorporate the usage of the document into practice and document procedures. In addition, an inventory of vendors with SOC reporting requirements is currently being developed, including tracking of their term of the contract, SOC reporting date, sponsor of the agreement, purchase order number, and review by IT.	The PSA agreement and contract administration procedures were updated July 2015 to incorporate the SOC language (it was determined that the SICA agreement did not need modified). In May 2016, Packer Thomas performed verification procedures regarding the SOC report process. It is their recommendation that the IT department review all SOC reports obtained by the University in order to determine if there are risks to the University that need addressed. We are in the process of reviewing procedures to address the additional recommendations.
PT Security of Personally Identifiable Information (November 2014)	01/31/18	As part of the risk assessment process, the data classification policy in the University's "Sensitive Information Policy" should be implemented. Highly sensitive PII data should be located in the processes and data system and evaluated for additional cybersecurity protection measures.	Network and Data security is in the process of evaluating areas known to utilize PII as well as the storage and accessibility of such data on a department by department basis.			The Information Security Officer has prepared an overall plan for the coming year.	The Information Security Officer has prepared an overall plan for the coming year. The plan which is included in Board materials addresses this point. The plan is expected to be fully implemented by January 31, 2018. Deadline revised to January 31, 2018.
PT Security of Personally Identifiable Information (November 2014)	01/31/17	Audit logs are not routinely reviewed for potential security incidents or breaches. The University should consider using tools to create automatic reports from system activity logs that would identify system anomalies. These exception reports would be sent to IT personnel for investigation and timely follow up.	The University agrees. However, ITS must first implement a central log file repository and retain system logs for a consistent length of time. Once that is achieved, routine scanning of all logs will be explored. Packages that exist for this purpose will be evaluated at that time.			The Information Security Officer has prepared an overall plan for the coming year.	The Information Security Officer has prepared an overall plan for the coming year. The plan which is included in Board materials addresses this point. Deadline revised to January 31, 2017.
PT Security of Personally Identifiable Information (November 2014)	01/31/18	A list of authorized hardware and software should be compiled. The University should employ scanning tools that will periodically scan the network for unauthorized software and devices and create action alerts.	YSU has deployed the Altiris Desktop management system. Not only does it push software, it inventories almost all software packages installed by users with administrator accounts. In addition, Altiris inventories authorized hardware connected to the wired network. YSU is exploring solutions that will identify and send an alert when unauthorized hardware is connected to the wired network.			The Information Security Officer has prepared an overall plan for the coming year.	The Information Security Officer has prepared an overall plan for the coming year. The plan which is included in Board materials addresses this point. Deadline revised to January 31, 2018.

Legend: ■ Critical delay ■ Behind but manageable ■ On schedule ■ Completed							
Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 4/29/16	Status 8/5/16	Comments	Comments (4-29-16)
PT Security of Personally Identifiable Information (November 2014)	01/31/18	The University could configure the system to prohibit the copying of sensitive data onto USB drives, once the highly sensitive data has been identified in the system. In the event that there is a legitimate business need to use a USB drive, the University could configure the system to encrypt sensitive data when copied, or supply selected employees with hardware encrypted USB flash drives for use when copying PII.	The University will review its policies & procedures with regard to extracting PII to any mobile media or local storage in light of improved access restrictions being implemented. This review will include consideration of scanning local storage for PII as we believe PII stored locally poses a more significant security threat than mobile storage.			The Information Security Officer has prepared an overall plan for the coming year.	The Information Security Officer has prepared an overall plan for the coming year. The plan which is included in Board materials addresses this point. Deadline revised to January 31, 2018.
PT Academic Processes (February 2015)	07/31/16	We recommend that part time faculty contracts be electronically generated through the Human Resource system, and the contract routed electronically to the applicable people for electronic signature.	Human resources personnel are working to implement PeopleAdmin for generating part-time faculty contracts. This process is not simple as it requires the integration of two separate tracking systems; on to pull data from the personnel system and the other to integrate with the student registration system.			Parallel testing through PeopleAdmin continues. After testing is complete, a paperless hiring process will be rolled out. Part-time faculty orientation has been implemented. Deadline Revised to 12/31/16	Parallel testing through PeopleAdmin continues. After testing is complete, a paperless hiring process will be rolled out. Part-time faculty orientation has been implemented.
PT Academic Processes (February 2015)	12/31/16	We recommend that further research be done to determine if the Banner System has the capability to calculate and track teaching hours, non-teaching time, and total faculty workload, and if the system does, then the use of the system should be implemented.	Banner has the ability to monitor faculty workload, and there is faculty workload non-teaching capability. A more detailed analysis of Banner system capabilities should be completed. The academic division is currently working with the Registrar's office to implement a full year scheduling and registration system; this system will make much of the data available at an earlier time and improve tracking and reporting processes.			We continue to await implementation of Banner XE. Implementation cannot occur without this critical system upgrade.	We continue to await implementation of Banner XE. Implementation cannot occur without this critical system upgrade.
PT Academic Processes (February 2015)		We recommend the University review the number and levels of Administrative Assistants in conjunction with other factors that are pertinent to each college to determine that the number of Administrative Assistants within each college meets the needs and objectives of each college and to determine where shared resources can be utilized.	Our participation in the Delaware Study will provide some benchmark data to determine how YSU staffing compares to other University's within our peer group. After obtaining that information, we will use it as a component of our program review process to determine where adjustments to staffing levels are required.			This continues to be an issue of relatively low importance. Staffing adjustments are made when people leave the University and a decision is made not to replace the individual, or when a pressing need is filled through a reassignment.	Comment from 11/12/15 status: This recommendation is a low level of concern and is therefore not being implemented.
PT Cash Collection Sites (July 2015)	06/30/16	We recommend incorporating a statement regarding cash overages/shortages similar to that utilized by the University cashier's office into either the "Cash Collection Sites" policy or in the individual MOUs for the collection sites.	The MOUs already include language that any missing cash should immediately be reported to the Bursar; however the MOU's do not address overages. Management agrees that guidance should be given as to what to do with overages and will take steps to update the MOUs accordingly.				All updates are complete.
PT Cash Collection Sites (July 2015)	06/30/16	The MOU for one site contains a mitigating procedure that is designed to overcome the limited segregation of duties associated with collections. The personnel at the clinic however, were not familiar with the procedure, nor had the procedure been performed. We recommend management assist in implementing the control and consider evaluating the adequacy of deposits over the past fiscal year.	Management agrees with this assessment and will assist in implementing this control.				Bursar is meeting with the site on 5/12/16.

Legend: ■ Critical delay ■ Behind but manageable ■ On schedule ■ Completed							
Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 4/29/16	Status 8/5/16	Comments	Comments (4-29-16)
PT Cash Collection Sites (July 2015)	06/30/16	During audit of one collection site, it was determined that the cash drawers are not being balanced at the end of the cashier's shift, as per the applicable MOU. We recommend all cash drawers be closed and balanced at the end of each cashier shift and evidenced by sign-off by both the cashier and supervisor responsible for verification of the process.	Management agrees.				Bursar is meeting with the site on 5/5/16.
PT Housing and Residence Life (Oct 2015)	06/30/16	We recommend management consider a swipe card system, similar to that utilized by the University Courtyard apartments, for each of the student housing complexes.	Housing & Residence Life has already identified this as a need and has begun research on products and received preliminary quotes to determine approximate cost of the project. Plans are to move forward by the end of fiscal year 2016.			This project has been delayed until approval can be secured by Facilities. Basically, the Facilities office has multiple door access systems on campus and they are examining which system the university should use. Therefore, they have asked us to delay our project until their assessment is complete.	Quotes have been obtained and a vendor has been chosen. The PO has been started and the access control system will be in place by mid-summer for plenty of testing prior to fall residence hall move-in.
PT Housing and Residence Life (Oct 2015)	05/31/16	We recommend that criminal background checks be performed on all applicants for student housing. Furthermore, management should consider incorporating an application fee to the process to assist in offsetting such cost.	Housing & Residence Life will consider this recommendation. We will research potential vendors and costs associated with enough time to make a final decision for academic year 2016-2017 before the start of fall semester recruitment which begins on February 1, 2016.			We have just finalize the contract with with the General Counsel's office on Friday. The contract should be signed this week and it will take 7 days to get the system in place. Once we have access to the system criminal background checks will be completed on all resident students.	We have yet to obtain three vendors for price comparisons. We have committed to utilizing criminal background checks on all residents and it is only a matter of finding a vendor. Deadline revised to 5/31/16.
PT Housing and Residence Life (Oct 2015)	04/30/16	There are a number of housing options listed on the University website which appear to be endorsed by the University, yet not owned or managed by the University. We recommend management consider the feasibility of an affiliation, or referral agreement with the housing options not owned or managed by the Office of Housing and Residence Life.	We agree this could be a potential issue and will move forward with pursuing more formal affiliations with student housing facilities near and adjacent to campus.			The implementation plan has been completed and will be shared with the Tod Hall Leader's group for feedback. The documents are also being review by the General Counsel's office to ensure that terms used are appropriate and legal. Residential agreement will be signed with all partners before the end of Fall semester.	Final draft of a residential affiliation agreement has been completed. We are now putting together an implementation plan that will work with our current partners and guide us moving forward.

To the Board of Directors
Youngstown State University
One University Plaza
Youngstown, Ohio 44555

This letter summarizes the results and procedures performed on the Ohio Education Association (OEA) faculty incentive savings estimate versus actual analysis which was prepared by University personnel.

Overview

Packer Thomas has performed procedures relating to Management's schedule of estimated costs versus actual costs of the OEA faculty retirement incentive program outlined in the 2014-2017 contract agreement. Our procedures focused on the retirement incentive amounts and the reduction in full-time faculty amounts.

We performed the following procedures:

For the faculty members that elected to apply for the incentive, we reviewed their request for retirement incentive in order to verify that the faculty members properly applied for the incentive as required by the *2014-2017 Side Letter Agreement* between YSU and the OEA.

For the faculty members indicated above, we matched the salary of each faculty member to the appropriate quarterly payroll report. These salary amounts are the amounts used in the calculation of the "reduction in full-time faculty".

We reviewed the *YSU Vacant Faculty Position Requisition* forms in order to determine which of the retired faculty positions have been replaced and at what salary level. For the faculty replaced, the replacement salary properly decreased the amount of full-time faculty savings.

We recalculated the retirement incentive payout amount which also properly decreased the amount of full-time faculty savings.

We recalculated the fringe benefit estimate amounts for accuracy and agreed the fringe rate to the corresponding annual budget document.

Results

The above procedures were performed without exceptions, aside for the following discrepancies:

We identified a faculty replacement salary that was listed at \$58,000 but should have been listed at \$62,000. Management has made the appropriate correction to the final schedule of estimated costs versus actual costs.

We also identified a 31% fringe rate used to calculate the fringe savings for FY 2016 when the rate should have been 33%. Management has made the appropriate correction to the final schedule of estimated costs versus actual costs.



PACKER THOMAS

August 16, 2016