Youngstown
STATE UNIVERSITY

Wednesday, November 30, 2016   Tod Hall
1:00 p.m. or immediately following   Board Meeting Room
previous meeting

AGENDA

A. **Disposition of Minutes for Meeting Held September 7, 2016**

B. **Old Business**

C. **Committee Items**

    1. **Action Items**

Tab C.1.a.   a. **Resolution to Renew and Amend the Internal Audit Charter**
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

Tab C.1.b.   b. **Resolution to Approve the FY17 Annual Internal Audit Plan**
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

    2. **Discussion Items**

        a. **Anonymous Ethics Reporting Hotline**
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

Tab C.2.b.   b. **Internal Audit Strategic Plan**
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

Tab C.2.c.   c. **Audit Timeline Matrix**
This matrix tracks the progress of the implementation of recommendations for improvement or correction made by internal and external auditors.
Sarah Gampo, Director of Internal Audit and Risk Management, will report.

Tab C.2.d.   d. **Required Communication with the Board of Trustees**
Angie Lewis, Crowe Horwath, LLP, will report

Tab C.2.e.   e. **Crowe Horwath Management Letter with Management Response**
Angie Lewis, Crowe Horwath, LLP, will report.

Tab C.2.f.   f. **Financial Report for the Years Ended June 30, 2016 and 2015**
Neal P. McNally, Vice President for Finance and Business Operations, will report.

Tab C.2.g.   g. **Strategic Plan Cornerstone Dashboard Update**
A report on the Accountability and Sustainability Cornerstone will be given by
Neal P. McNally, Vice President for Finance and Business Operations, and
Katrena Davidson, Controller.

D. **New Business**

E. **Adjournment**

Youngstown
STATE UNIVERSITY

RESOLUTION TO RENEW AND AMEND
THE INTERNAL AUDIT CHARTER

WHEREAS, the Internal Audit Charter (the Charter) defines the internal audit activity's purpose, authority, and responsibility; and

WHEREAS, the Charter establishes the internal audit activity's functional reporting relationship with the audit subcommittee, authorizes access to records, personnel, and physical properties relevant to the performance of engagements, and defines the scope of internal audit activities; and

WHEREAS, the Charter has been revised and modified; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of Youngstown State University does hereby renew and amend the Internal Audit Charter, as shown in Exhibit __ and made part hereof.

Board of Trustees Meeting
December 1, 2016
YR 2017-

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.

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 expected 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 Audit 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 an 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 by the Subcommittee. 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 30th day of November, 2016.

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Director, Internal Audit & Risk Management

_____

Chair of Audit Subcommittee

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Vice President of Finance & Business Operations

Youngstown
STATE UNIVERSITY

RESOLUTION TO APPROVE THE FY17
ANNUAL INTERNAL AUDIT PLAN

WHEREAS, the Annual Internal Audit Plan contains the planned scope and time budget of audit engagements for the fiscal year; and

WHEREAS, Internal Audit assesses risk annually and focuses priorities of the Annual Internal Audit Plan on risk exposures throughout the university; and

WHEREAS, the risk-based Annual Internal Audit Plan for fiscal year 2017 has been developed; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of Youngstown State University does hereby approve the FY17 Annual Internal Audit Plan, as shown in Exhibit __ and made part hereof.

Board of Trustees Meeting
December 1, 2016
YR 2017-

Audit Engagements

Area / Quarter Planned	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY17 Budgeted Hours
YSUF Agreement 2nd quarter	operational and financial audit	inadequate oversight and monitoring of Foundation's compliance with agreement	Financial	high	identify, assess, and test processes in place to ensure Foundation's compliance with the agreement, including timeliness, accuracy, and reliability of reporting in accordance with the agreement	250
Compliance 2nd quarter	university wide risk assessment of compliance	unidentified compliance requirements or inadequate internal controls to address compliance requirements	Financial, Research, Human Resources, Athletic, Information Technology, Academic Affairs	TBD	identify compliance requirements, assess adequacy of compliance coverage and related risk level, and review for gaps in compliance coverage	250
Purchasing 3rd quarter	operational and financial audit	noncompliance with policies and procedures; inadequate or ineffective internal controls to address accuracy and completeness of financial reporting	Financial	high	identify, assess and test processes to ensure effectiveness and efficiency of operations and accuracy and completeness of financial reporting	250
Grants 4th quarter	operational and financial audit	noncompliance with policies and procedures; inadequate or ineffective internal controls to address accuracy and completeness of financial reporting	Research, Financial	high	identify, assess and test processes to ensure effectiveness and efficiency of operations and accuracy and completeness of financial reporting	235
					Total Audit Engagements	**985**

Continuous Auditing/Analytics

Area	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY17 Budgeted Hours
Continuous Auditing - Payroll	quarterly continuous auditing	fraud and errors related to payroll	Financial	high	analysis of quarterly payroll data to ensure operating effectiveness of internal controls	90
Continuous Auditing - Accounts Payable	quarterly continuous auditing	fraud and errors related to payables	Financial	high	analysis of quarterly payables data to ensure operating effectiveness of internal controls	90
					Total Continuous Auditing	**180**

Open Audit Recommendation Follow-up

Area	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY17 Budgeted Hours
Open Audit Recommendation Follow-up	Follow-up on open audit recommendations from previous audits	various	various	various	assess implementation of appropriate corrective action to address audit recommendations	50
					Total Open Audit Recommendation Follow-up	**50**

Hotline Monitoring

Area	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY17 Budgeted Hours
Hotline Monitoring	Ongoing monitoring of hotline reports	fraud/unethical conduct	TBD	TBD	assess risk level and quality of hotline reports; ensure timely follow-up of reports as deemed necessary	30
					Total Hotline Monitoring	**30**

Audit Plan Total **1245**

Youngstown State University
Office of Internal Audit
FY17 Estimated Time Budget by Quarter
(For the partial Fiscal Year beginning August 2016)
As of October 27, 2016

	Jul - Sept	Oct - Nov	Dec - Mar	Apr - Jun		
	Q1 Total	Q2 Total	Q3 Total	Q4 Total	FY17 Total	% of Total
Audit and Assurance: (see Proposed Audit Plan for detail)						
Audit engagements	53	267	341	324	985	
Continuous Auditing/Analytics	60	32	43	45	180	
Open Audit Recommendation Follow-up	0	10	20	20	50	
Hotline Monitoring	0	0	15	15	30	
	113	309	419	404	1245	66%
Administrative & Planning:						
Administrative	74	57	24	26	181	
Audit Risk Assessment, Annual Planning, Audit Subcommitte Prep and Meetings	104	56	34	66	260	
Professional Development & Training	21	26	11	4	62	
Holiday, Vacation/Sick	8	72	32	20	132	
	207	211	101	116	635	34%
Total Hours	320	520	520	520	1880	100%

Youngstown State University
Internal Audit & Risk Management
Strategic Plan October 2016

Mission: To promote and protect the integrity of Youngstown State University and add value to its operations by providing risk-based, independent and objective assurance, advice, and insight.

Objectives:

- Enhance the effectiveness of University operations, internal controls, and risk management processes
- Promote the efficient use of resources in alignment with University strategic priorities
- Promote compliance with laws, regulations, and University policy
- Promote best practices and sustainable improvements in the University's processes
- Foster an inclusive culture of continuous quality improvement
- Provide insight and information to support the functions of the audit subcommittee, senior leaderships, other stakeholders

Core Values:

1. **Demonstrating Integrity** – Internal Audit contributes to the ethical objectives of the University. Internal Audit performs their work with honesty, diligence, responsibility, and a commitment to professional competence.
2. **Fostering Collaboration** – Internal Audit fosters collaboration among and with University stakeholders in the pursuit of the University's mission and objectives.
3. **Promoting Continuous Improvement** – Internal Audit promotes continuous improvement across the University, including in Internal Audit's operations.
4. **Maintaining Independence and Objectivity** – Internal audit maintains and protects its professional objectivity and is not unduly influenced by their own interests or by others.

The 20 recommendations at October 19, 2016 are from 1 external auditor management letter and
8 Packer Thomas (PT) internal audits. This compares to 22 recommendations at August 5, 2016.

Audit Name	Total 8/5/16	Total 10/19/16	Critical 8/5/16	Critical 10/19/16	Behind 8/5/16	Behind 10/19/16	On Schedule 8/5/16	On Schedule 10/19/16	Complete 8/5/16	Complete 10/19/16
E&Y FY2007 Management Letter	1	1				1	1			
PT Human Resources (Feb 2012)	1	1			1	1				
PT Grants (Jan 2014)	2	2			2	2				
PT Segregation of Duties (April 2014)	4	4			1	1	3	3		
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)	3	2			1	1	1	1	1	
PT Cash Collections Sites (July 2015)	3	2							3	2
PT Housing and Residence Life (Oct 2015)	3	3			3	3				
Totals	**22**	**20**	**0**	**0**	**8**	**9**	**10**	**9**	**4**	**2**

2 deleted,   0 added

Legend:	■ Critical delay	■ Behind but manageable	■ On schedule	□ Completed

Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 8/5/16	Status 10/19/16	FY17 Q2 Comments (10-19-16)	FY17 Q1 Comments (8-5-16)
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.	[green]	[yellow]	The University of Akron DR site will not be implemented at this time. Ensuring the reliability of data center operations is the current priority; ITS is evaluating migrating the production computing environment to the State of Ohio Computing Center (SOCC) to leverage the state's resources. If the decision is made to migrate the production environment to SOCC, the existing data center will be used as the DR Site. The SOCC site visit is scheduled for 10/28/16 a decision is expected to be made by calendar year end. **Deadline Revised to 6/30/17.**	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)	12/31/16	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.	[yellow]	[yellow]	Going live with electronic hiring process through PeopleAdmin on Nov 1, 2016. Part-time faculty orientation has been implemented.	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**
PT Grants (Jan 2014)	10/31/16	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.	[yellow]	[yellow]	YSURF has established banking services with PNC as of 9/22/16. "Two signature" new checks are forthcoming, and this will be the standard YSURF process going forward. A full financial audit has not yet been completed and will extend beyond October 31.	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 10/31/16.**
PT Grants (Jan 2014)	10/31/16	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.	[yellow]	[yellow]	Both Mission and High Level YSURF Strategies have been identified and will be presented to the YSURF Board at the next meeting. YSURF Mission and Strategies were presented to President Tressel and Staff on 9/14/16.	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 10/31/16.**

| Legend: | | Critical delay | | Behind but manageable | | On schedule | | Completed | |

Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 8/5/16	Status 10/19/16	FY17 Q2 Comments (10-19-16)	FY17 Q1 Comments (8-5-16)
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.			No change in status from prior comment.	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.			No change in status from prior comment.	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.
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.			No change in status from prior comment.	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 8/5/16	Status 10/19/16	FY17 Q2 Comments (10-19-16)	FY17 Q1 Comments (8-5-16)
PT Segregation of Duties (April 2014)	12/31/16	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 and 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.	(yellow)	(yellow)	Going live with electronic hiring process through PeopleAdmin on Nov 1, 2016. The new process kicks off an EPAF.	Continue running parallel testing through Banner EPAF (electronic personnel actions forms). EPAF's have a two step process for approval and application prior to loading into Banner master file. **Deadline Revised to 12/31/16.**
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.	(green)	(green)	A list of current vendors that could potentially be subject to SOC reporting has been generated. From this list, Procurement Services will obtain information from the contract sponsors (financial managers) to assist IT in the determination of SOC reporting requirements. If SOC reporting is determined to be applicable, IT will contact the vendor to determine the availability of a SOC II report and then perform a risk assesment. Depending on volume, the deadline may need to be extended to perform a more thorough risk assessment. Continued monitoring will consist of IT's on going monitoring of SOC reports. SOC requirements and risk assessment. In addition, Procurement Services will implement a checklist developed by IT that will aid contract sponsors in the identification of the applicability of SOC reporting for new contracts so that a risk assessment can be performed by IT prior to contract execution.	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 there term of the contract, SOC reporting date, sponsor of the agreement, purchase order number, and review by IT.
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.	(green)	(green)	ITS is evaluating a software that will initially identify and locate sensitive data. Once the data is located, the systems and servers will be encrypted. The software will then scan for potentially senstitive data on an on-going basis in real-time; an employee in ITS will receive notification for review and follow-up.	The Information Security Officer has prepared an overall plan for the coming year.

Legend:		Critical delay		Behind but manageable		On schedule		Completed	

Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 8/5/16	Status 10/19/16	FY17 Q2 Comments (10-19-16)	FY17 Q1 Comments (8-5-16)
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.	*(green)*	*(green)*	System logs are being retained in a central log file repository. The university already has software to scan the logs. ITS must develop "flags" for unexpected activity that the software will scan for and cause to trigger an alert. An employee in ITS will receive notification of alerts for review and follow-up.	The Information Security Officer has prepared an overall plan for the coming year.
PT Security of Personally Identifiable Information (November 2014)	01/31/18	A list of authorized hardware and software should be complied. 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.	*(green)*	*(green)*	The implementation of Altiris is in process. Alerts when unauthorized hardware is connected to wi-fi are not deemed effective; alerts would only notify that unauthorized hardware connected, but could not identify the exact location and hence would not be actionable. ITS focus in identifying and protecting sensitive data -see related comment above on locating potentially sensitive data.	The Information Security Officer has prepared an overall plan for the coming year.
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.	*(green)*	*(green)*	Configuring systems to prohibit copying of data to USB drives will be considered for areas that routinely process large amounts of PII. ITS will have the ability to idenityf those areas once the system is in place to identify and locate potential PII noted in the related comment above.	The Information Security Officer has prepared an overall plan for the coming year.
PT Academic Processes (February 2015)	06/01/17	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; one to pull data from the personnel system and the other to integrate with the student registration system.	*(yellow)*	*(yellow)*	We are currently working on a workflow through PeopleAdmin for Part-time faculty. **Deadline Revised 6/1/2017.**	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**
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.	*(green)*	*(green)*	No change in status from prior comment.	We continue to await implementation of Banner XE. Implementation cannot occur without this critical system upgrade.
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.	*(completed)*	*(completed)*		

| Legend: | | Critical delay | | Behind but manageable | | On schedule | | Completed | |

Audit Name	Deadline	Summary of Recommendation	Summary of Response	Status 8/5/16	Status 10/19/16	FY17 Q2 Comments (10-19-16)	FY17 Q1 Comments (8-5-16)
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.				
PT Housing and Residence Life (Oct 2015)	08/01/17	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.			No change in status from prior comment.	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. **Deadline revised to 8/1/17.**
PT Housing and Residence Life (Oct 2015)	09/01/16	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.			As of 10/13/16, the vendor has not yet signed the contract. However, the background checks will be implemented by the end of Fall semester. **Deadline revised to 12/1/16.**	We have just finalized the contract with with General Counsel's office on Friday. The contract should be signed this week and it will take 7 days the get the system in place. Once we have access to the system criminal background checks will be completed on all resident students. **Deadline revised to 9/1/16.**
PT Housing and Residence Life (Oct 2015)	12/01/16	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.			No change in status from prior comment.	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. **Deadline revised to 12/1/16.**

YOUNGSTOWN STATE UNIVERSITY
REQUIRED COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE
NOVEMBER 30, 2016

I   Auditor's Responsibility Under Auditing Standards Generally Accepted In The United States Of America and Under Government Auditing Standards

II   Planned Scope and Timing of the Audit

III   Significant Accounting Policies And Management Judgments and Accounting Estimates
   a.   Significant Accounting Policies – See Note 1 of the financial statements
      • GASB Statement No. 72, Fair Value Measurement and Application
   b.   Management's Judgments And Accounting Estimates
      • Allowance for doubtful accounts and bad debt expense
      • Pledges receivable and allowance
      • Fair values of investment securities and other financial instruments
      • Useful life of capital assets
      • Compensated absences
      • Pension and Postretirement Obligations
      • Self-insurance liability

IV   Auditor's Judgments About Qualitative Aspects of Significant Accounting Practices

V   Corrected And Uncorrected Misstatements – None noted in the current year

VI   Other Communications
   a.   Other Information in Documents Containing Audited Financial Statements – Management's Discussion and Analysis and other items
   b.   Significant Difficulties Encountered During The Audit - None
   c.   Disagreements With Management - None
   d.   Consultations With Other Accountants – None known
   e.   Representations The Auditor Is Requesting From Management – See separate management representations letter
   f.   Significant Issues Discussed, Or Subject To Correspondence, With Management - None
   g.   Other Findings or Issues We Find Relevant or Significant - See separate management comment letter

We were pleased to serve the University as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this information or any matters further, should you desire. This information is intended solely for the information and use of Those Charged with Governance and, if appropriate, management and is not intended to be and should not be used by anyone other than these specified parties

Board of Trustees
Youngstown State University
Youngstown, Ohio

In planning and performing our audit of the financial statements of Youngstown State University ("University") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the University's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters that we are required to or wish to communicate to you. Matters communicated in this letter are classified as follows.

- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

- Significant Deficiency – A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

- Material Weakness – A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

In accordance with AU-C 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*, we refer you to a letter issued by Plante & Moran PLLC dated September 30, 2016 communicating certain matters involving internal control related to the Youngstown State University Foundation, the discretely presented component unit of the University. This letter communicates material weaknesses.

Fringe Benefits	
Control Deficiency:	During compliance testing, we noted the fringe benefit rate charged for an employee working on a grant was incorrect for the employee's position.
Recommendation:	We recommend the University review employee fringe benefit rates charged to grants and verify the accuracy of the rates.
Management's Response:	An outdated 'eclass' was selected for the position which resulted in the incorrect fringe benefit rate being charged to the grant. The employee position has been updated with the correct eclass and fringe rate. The billing to the agency was recalculated and funds returned to the grantor. Because an eclass cannot be inactivated in the system, any eclass that should not be used is now labeled "Do Not Use" to prevent future errors of this nature. In addition, reports are being developed to capture the necessary information to facilitate a review of fringe benefit rates assigned to externally funded positions prior to billing by Grants Accounting.

The University's written response to the item identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Columbus, Ohio
November 3, 2016

YOUNGSTOWN STATE UNIVERSITY

FINANCIAL REPORT

For the Years Ended
June 30, 2016 and 2015