Youngstown
STATE UNIVERSITY

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Tuesday, September 16, 2014   Tod Hall
1:00 p.m.   Board Meeting Room

AGENDA

A.   **Disposition of Minutes for Meeting Held June 3, 2014**

B.   **Old Business**

C.   **Subcommittee Item**

    1. **Discussion Items**

        a. **Proposed Internal Audit Scope for Fiscal Year 2014-2015**   **Tab 1**
            Packer Thomas will report.

        b. **Procurement Card-Analysis of Audit Procedures**   **Tab 2**
            Packer Thomas will report.

        c. **Executive Summaries for Strategic Plan Cornerstones**   **Tab 3**
            Cornerstone Chairs: Ball, DePoy, Fahey and McNally, will report.

D.   **New Business**

E.   **Adjournment**

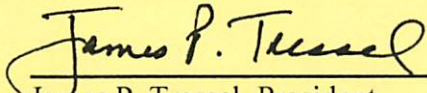**AGENDA TOPIC:** Proposed Internal Audit Scope for Fiscal Year 2014-2015

STAFF CONTACT(S): Representatives from Packer Thomas

BACKGROUND: Packer Thomas prepared an internal audit scope for this fiscal year.

SUMMARY AND ANALYSIS: Proposed areas for audit are as follows: Academics, Travel, Contract Management, Information Technology, Quarterly continuous monitoring of purchasing and payroll and Title IV.

RESOLUTION: N/A – DISCUSSION ITEM ONLY

REVIEWED AS TO FORM AND CONTENT:

James P. Tressel

James P. Tressel, President

AGENDA TOPIC: Procurement Card-Analysis of Audit Procedures

STAFF CONTACT(S): Representatives from Packer Thomas

BACKGROUND: Packer Thomas completed an internal audit of the procurement card and business related expenses and submitted our report dated November 18, 2013. In that report, management's response to several of our findings was that all procurement cardholder's statements and forms are being reviewed by the Controller's office each month for compliance and reasonablenss of expenses. As a result of this report and management's response, the Board of Trustees requested that we conduct an analysis of the audit procedures of procurement card transactions performed by the Controller's office. This report summarizes the results of this analysis.

The objective of our analysis was to verify that the procedures being performed are effective in providing adequate internal controls over procurement card transactions.

SUMMARY AND ANALYSIS: Due to the recent fraud involving Pcards, the Controller's office has made extra effort in monitoring the transactions. While we agree that the procedures performed above are good internal controls to detect noncompliance and possible fraudulent transactions, they are very cumbersome, costly (estimated to be approximately $70,000 a year), and time consuming. We do have some recommendations to help improve the process.

When possible, it is better to implement preventative controls versus detective controls. Preventative controls are designed to keep errors and irregularities from occurring in the first place. They usually do not require significant ongoing follow up. Detective controls are designed to detect errors and irregularities that have already occurred. These controls are a continuous operating expense and are often costly but necessary. Additionally, built-in system preventative controls are preferred since they automatically prevent a transaction at the point of purchase and they are the most cost efficient method of control. We recommend using system parameters wherever possible in an effort to help eliminate the need for reviewing 100% of procurement card transactions. Focusing on high risk transactions is a more cost efficient method of monitoring.

We noted a lack of final resolution on issues that are identified. Unfortunately the entire monitoring process is not effective if the proper follow up and disciplinary actions are not taken. During our analysis, we noted compliance issues, including questionable costs, dating back to July 2013 that have not been resolved to date. The guidelines for disciplinary actions, which are stated in the PCard Guidelines, needs to occur.
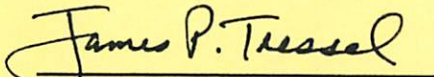
We noted certain Merchant Category Codes (MCC's) were allowable to all cardholders even though they can be limited as allowable to certain cardholders. For instance, veterinary services were listed as an allowable code for all cardholders. We determined that services such as this and

other MCC's should be restricted to only certain employees. Further restricting these codes strengthens the built-in system protective controls. Together with the Controller's office, we reviewed high risk MCC's and identified ones that can be further restricted. Staff are in the process of contacting the bank to further restrict the MCC's in response to our discussions. This process results in a stronger preventative control.

We have read through management's responses and we believe their proposed changes will make the procurement card audit process more efficient and effective.

RESOLUTION: N/A – DISCUSSION ITEM ONLY

REVIEWED AS TO FORM AND CONTENT:

James P. Tressel

James P. Tressel, President

Youngstown STATE UNIVERSITY

PROCUREMENT CARD- ANALYSIS OF AUDIT PROCEDURES

July 21, 2014

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PROCUREMENT CARD- ANALYSIS OF AUDIT PROCEDURES

CONTENTS

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there won't be a long-run."

Youngstown State University
One University Plaza
Youngstown, Ohio 44555

This report summarizes the results of our analysis of the procurement card audit procedures as conducted by the Controller's office. Please review this report. If you have any questions, please call us at (330) 533-9777.

Management has provided their responses to our findings and those responses are included within this report.

We wish to thank the Controller's office for the cooperation that was extended to us during the course of this analysis.

Packer Thomas

PACKER THOMAS
July 21, 2014

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OVERVIEW

Packer Thomas completed an internal audit of the procurement card and business related expenses and submitted our report dated November 18, 2013. In that report, management's response to several of our findings was that all procurement cardholder's statements and forms are being reviewed by the Controller's office each month for compliance and reasonablenss of expenses. As a result of this report and management's response, the Board of Trustees requested that we conduct an analysis of the audit procedures of procurement card transactions performed by the Controller's office. This report summarizes the results of this analysis.

The objective of our analysis was to verify that the procedures being performed are effective in providing adequate internal controls over procurement card transactions.

The procedures performed during our analysis included interviews with Purchasing Department and Controller's office personnel as well as walkthroughs. Therefore, our consideration of internal control would not necessarily identify all deficiencies in internal control. However, we have listed below the summary of our findings in three separate categories (as applicable): those that we consider to be issues that require immediate action by management, those that need a timely remedy, and those items for consideration by management based on best practices.

OBSERVATIONS

The Controller's office has implemented a very robust set of audit procedures to review procurement card transactions for compliance to University policies and to review transactions for reasonableness. The Auditing Process is documented in the Payment Card (PCard) Guidelines that became effective November 2013. In summary, the procedures review to determine that:

- Report was timely submitted
- Report is properly authorized
- Proper receipts are submitted with report
- Business-related and entertainment expense form is accurate and complete, if applicable
- Expenses are allowable
- Gift card purchases have a pre-approval form
- No sales tax was charged
- Deposits are monitored
- No split transactions
- No card sharing
- Spending limits are properly adhered to

If any issues regarding the above items are noted, the Controller's office may contact the employee for further information in order to verify compliance with policies.

Due to the recent fraud involving Pcards, the Controller's office has made extra effort in monitoring the transactions. The cost of performing the procurement card audit procedures described above is estimated to be approximately $70,000 a year. While we agree that the procedures performed above are good internal controls to detect noncompliance and possible fraudulent transactions, they are very cumbersome, costly, and time consuming. We do have some recommendations to help improve the process.

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FINDINGS & RECOMMENDATIONS - REQUIRING IMMEDIATE ACTION

1. Even though there is significant work being done in monitoring the procurement card transactions, there is a lack of resolution on issues that are identified. Initial communications are made regarding the noted compliance issues; however, the issues are not always resolved. Unfortunately the entire monitoring process is not effective if the proper follow up and disciplinary actions are not taken. During our analysis, we noted compliance issues, including questionable costs, dating back to July 2013 that have not been resolved to date. The guidelines for disciplinary actions, which are stated in the PCard Guidelines, needs to occur.

MANAGEMENT RESPONSE

While follow-up action has occurred on current and past issues, increased follow-up on material issues outstanding will take place. Response and cooperation from the University community has been inadequate. In an attempt to increase compliance, strict adherence to the Card Discipline Process in the PCard Guidelines for disciplinary action will be enforced.

2. When possible, it is better to implement preventative controls versus detective controls. Preventative controls are designed to keep errors and irregularities from occurring in the first place. They usually do not require significant ongoing follow up. Detective controls are designed to detect errors and irregularities that have already occurred. These controls are a continuous operating expense and are often costly but necessary. Additionally, built-in system preventative controls are preferred since they automatically prevent a transaction at the point of purchase and they are the most cost efficient method of control.

The sound preventative controls that are currently in place for the procurement cards that are built-in system controls consist of:

- Card activity is limited to spending limits (normally $15,000 per month and $1,500 per transaction limit). Exceptions to spending limits require Director of Procurement Services and Controller approval.
- Card activity is limited to approved Merchant Category Codes (MCC) which is four-digit number assigned to a business by credit card companies to classify the business by the type of goods or services it provides.

JP Morgan Chase, the bank that services the purchasing card program, recently released additional monitoring controls that can be used as detective controls. The additional monitoring controls relate to split transactions, transactions to non-preferred merchants, transactions over s specified amount and transactions at specified MCCs. As of the date of this report, University personnel have not received training on these new monitoring tools. Once implemented, these controls, coupled with Packer Thomas' continuous monitoring procedures, will assist in reducing the amount of time Accounting spends on the detective controls. The thought process is that detective controls that can be monitored using system parameters will help identify high risk transactions which then can be flagged for further review. We recommend using system parameters wherever possible in an effort to help eliminate the need for reviewing 100% of procurement card transactions. Focusing on high risk transactions is a more cost efficient method of monitoring.

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MANAGEMENT RESPONSE

Procurement Services is currently in the process of reviewing the policy monitoring tools offered by JP Morgan Chase. The policy monitoring tools will facilitate monitoring of high risk transactions not controlled through the use of the MCCs. High risk transactions currently limited by MCCs include gambling, lottery, money transfer (cash advance), furriers, jewelry, dating and escort services, and massage parlors which are totally blocked. Attempts to use any of these MCCs cause a card to be immediately suspended automatically by the bank. Many other categories are restricted such as travel or dining related. Implementation of the policy monitoring tool is expected by December 31, 2014. The audit procedures performed by the Controller's Office will be revised as part of that implementation.

3. We noted certain MCCs were allowable to all cardholders even though they can be limited as allowable to certain cardholders. For instance, veterinary services were listed as an allowable code for all cardholders. We determined that services such as this and other MCCs should be restricted to only certain employees. Further restricting these codes strengthens the built-in system protective controls. Together with the Controller's office, we reviewed high risk MCCs and identified ones that can be further restricted. Further restriction of MCCs will result in stronger preventative controls.

MANAGEMENT RESPONSE

The administrative support requirements surrounding this suggestion are currently being assessed in conjunction with the implementation of JP Morgan Chase's policy monitoring tools.

MCCs are assigned to groups based on business transaction needs. Cardholders are then assigned to a MCC Group.

Adding additional MCC groups will require additional maintenance. The goal is to provide the best balance of control and cardholder utility so that the number of transaction declines for employees making authorized purchases is minimized. The policy monitoring tools will allow timely detection of the use of MCCs determined to be questionable and may reduce the need to generate and manage multiple new MCC groups. Expected date of completion is December 31, 2014.

4. In March 2014, a travel card and travel system was implemented. As a result, costs relating to travel should not be made on a regular procurement card. The change to this new system is still in transition; however, the current procurement card audit procedures and the approved MCCs need to be reviewed to identify what changes need made to account for the new travel process.

MANAGEMENT RESPONSE

Effective in March 2014, travelers have been transitioned to the new Travel Card and all travel-related transactions should now be processed and reconciled as part of the Travel Expense Report in the Concur Travel system. Non-travel Pcard purchases are in process of being transitioned to the Concur System for processing and reconciliation, which will provide additional benefits and internal control including electronic approval and storage of supporting documentation. Pcard Guidelines, audit procedures and MCCs are being reviewed and updated as part of that implementation which is expected to be completed by December 31, 2014.

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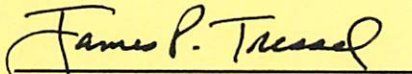**AGENDA TOPIC:** Executive Summaries for Strategic Plan Cornerstone

STAFF CONTACT(S): Kevin Ball, Associate Provost Academic Programs Planning; Bryan DePoy, Dean, College of Creative Arts and Communication; Jack Fahey, Vice President for Student Affairs; and Neal McNally, Interim Vice President for Finance and Administration

BACKGROUND: The chairpersons of each of the four Strategic Plan Cornerstones report in summary form to the Board of Trustees at each quarterly meeting. The background material in the Audit Subcommittee includes the matrix of progress for all of the initiatives of the Strategic Plan.

SUMMARY AND ANALYSIS: Executive Summaries for Strategic Plan Cornerstones are attached.

RESOLUTION: N/A – DISCUSSION ITEM ONLY

REVIEWED AS TO FORM AND CONTENT:

James P. Tressel

James P. Tressel, President

YSU 2020

Cornerstone on Accountability and Sustainability
Executive Summary
September 2014

This summary was prepared based on progress made as of August 18, 2014.

Progress has been made to move closer to a "Modified Strategic Initiative-Based Budgeting" model. In an effort to tap new revenue streams, the framework for a cost-recovery model has been developed. This model is intended to provide financial incentives to encourage colleges and departments to develop initiatives that attract student populations that are not served by existing academic programming. In essence, this model would facilitate profit-sharing by returning to the college/department a fixed percentage of gross revenues.

While some data limitations persist with regard to a comprehensive cost-benefit analysis, the University's internal auditors have proposed leading a narrowly defined review that would focus primarily on academic efficiencies. This exercise will help identify areas where there may be opportunities to become more efficient. This exercise will also focus attention to areas where there may be potential for increased revenue (i.e., enrollment growth).

YSU 2020

Cornerstone on Regional Engagement
Executive Summary
September 2014

It was decided that a focus would be placed on exploring barriers to academic partnerships with community colleges since such relationships are an important piece of our enrollment efforts and budgeting. As our recruiting demographic changes, a renewed importance will likely be placed on our positive and mutually beneficial relationships with two-year institutions. A task force has convened to address this challenge and has identified four primary components: 1) Faculty collaboration between the respective institutions is critical; 2) We should conduct a study to assess programs at the partner and host institution for program congruence; 3) We must streamline the transfer and articulation process; and 4) We must broaden and formalize our relationship with Eastern Gateway Community College. We are now reviewing the construct of possible Dual Admission agreements, to begin with Eastern Gateway Community College, as well as master agreements for transfer equates.

The University realized much success in the strengthening of our connectivity to community colleges; specifically, in 2013-2014:

- Number of 2+2 agreements: 18 active agreements and 14 agreements pending signatures
- Number of articulation agreements: 23 total articulation agreements that are active
- Number of partnerships: 10 partnership programs between Lorain and Lakeland
- Progress with Eastern Gateway: 1 agreement already approved and 10 waiting signatures

We are also in the process of starting to work with Cuyahoga County Community College pretty heavily in terms of establishing agreements. We are reviewing a business agreement and the possibility of graphic design in the Department of Art and are pursuing other opportunities. In addition, a business articulation agreement is being presented to Lorain tomorrow for the first time for their review, and musical theatre will be presented to Beaver County Community College in the fall for their review. We are also considering other agreements with EGCC in English as well.

On January 30, 2014, the Task Force for Diversity Programming (TFDP) was convened to review the criteria for the Spring 2014 report. Information from the Fall 2013 and Spring 2014 reports have been compiled in a matrix format by Sylvia J. Imler and will be submitted to Mr. Tressel for review when his schedule permits.

Randy Goldberg and Helene Sinnreich (Jewish Studies) are planning a conference on Jewish Music and Identity. They are in the process of booking the ensemble Om Shalom for an evening concert. The group plays a mix of Indian classical and Jewish music.

The finalized season for 2014-2015 includes the YSU Dance Ensemble performance that will represent a broad range of styles of genres. An original script, *Into the Furnace*, examines the integration of Czech immigrants in the U.S., particularly in the steel mill areas.

Dr. Ron Chordas and Ms. Rachel McCartney of the Center for Urban and Regional Studies attended a series of meetings in midtown Detroit regarding anchor institutions and their role in economic and community development. Other attendees included Youngstown Mayor John McNally, Ms. Sarah Lown of the Western Reserve Port Authority, Ms. Sharon Letson and Mr. Scott Schulick of CityScape, and Mr. Dominic Marchionda of the NYO Property Group. A follow-up group was established among the participants to determine which initiatives may be pursued for the city of Youngstown in relationship to the EDA grant.

Metro College and the Department of Sociology and Anthropology collaborated with eight community health care organizations to cosponsor the first annual Health Expo for seniors. The event attracted 41 vendors for the full-day event conducted at Antone's Banquet Centre in Boardman. The event culminated with a dinner and a CEU presentation by Dr. Daniel Van Dussen, Associate Professor, Sociology and Anthropology.

YSU 2020

Cornerstone on Student Success
Executive Summary
September 2014

The Student Success Cornerstone is divided into three themes. Each theme has a host of initiatives and metrics. The themes are:
- Academic Achievement (fourteen initiatives, thirteen metrics)
- Student Satisfaction with Academic and Non-Academic Experiences (eight initiatives, four metrics)
- Readiness for Post-College Success (four initiatives, four metrics)

Progress on Initiatives

The Student Success Cornerstone has been operating at an accelerated pace due to the urgency of transforming our approach to student success.

We are approximately 70% completed with all of the initiatives prescribed by the plan.

Measurement/Metrics

Most of our metrics indicate successful progress toward our goals.

Highlights this term include:
- A 25-year high in number of students graduating.
- A projected increase in student retention for the third straight year.

YSU 2020

Cornerstone on Urban Research University Transition
Executive Summary
September 2014

Theme 1: Innovation and Discovery

- YSU graduate students completed significant scholarly work this year with faculty guidance. Five dissertations and 64 theses were completed during Summer 2013-Spring 2014.
- Twenty faculty members were awarded Research Professorships for 2014-2015. Each faculty member will receive 6-9 workload hours of reassigned time for research. The number of faculty members funded represents a 33% increase compared to 2013-2014.
- Fourteen faculty members were awarded University Research Council (URC) grants totaling $35,600 for 2014-2015. These awarded represent an increase in both the number of faculty funded (27% increase) and the total amount awarded for research professorships (23% increase).
- Funding of $208,444 (a 24% increase in funding provided compared to last year) from the Graduate School's Research Incentive account was awarded to faculty members to support student Research Assistants.

Theme 2: Funding to Support Research

- Compared to FY13, the year-to-date totals demonstrated significant success. There was a 102% increase in grant dollars awarded, which totaled $7,213,042. This amount for FY14 is the third highest in history at YSU.
- During the 4th quarter, there was a slight increase in the number of proposal submissions compared to the preceding year. A total of $18,920,361 was requested in 106 proposals for FY14.
- The Office of Grants and Sponsored Projects (OGSP) is increasing its focus on compliance issues while training faculty and staff on key issues regarding grant management. A system was implemented to improve the tracking of Progress Reports that investigators are required to submit to the funding sponsors. In addition, the OGSP is phasing in new training for investigators doing research with human subjects. Training modules from the Collaborative Institutional Training Initiative (CITI), a nation-wide provider of research education content, will be used.
- The CITI online training modules will also be used for the responsible conduct of research (RCR). The RCR training and its full implementation and use by faculty and staff is expected to occur during Fall 2014.

Theme 3: Quality Academic Programs

- The Graduate School continues to experience enrollment growth due in large part to the excellent programs offered by the academic colleges. Graduate enrollment expressed as

FTE was up for Summer 2013 (17.4%), Fall 2013 (4.4%), and Spring 2014 (3.0%) compared to last year.

- Graduate assistantships provide opportunities for students to engage in scholarly activities and research. Upon recommendation of the academic departments, the Graduate School appointed 307 students to graduate assistantships and fellowships: 101 teaching assistants, 155 graduate assistants, 39 graduate assistant interns, and 12 doctoral fellows.
- Graduate students were successful in earning degrees. A total of 379 students earned a graduate degree in 2013-2014: 351 students earned master's degrees while 28 students earned doctoral degrees.
- The number of applications (for admission, readmission, or transfer) evaluated and processed by the Graduate School this year was up 7% compared to last year.
- A total of 136 students received $179,424.17 in scholarships from Graduate Studies and Research during the Fall 2013, Spring 2014, and Summer 2014 terms.