

**AGENDA ITEM: C.2.e.**

**AGENDA TOPIC:** Internal Audit Report on Housing and Residence Life

**CONTACT(S):** Representatives from Packer Thomas

**BACKGROUND:** An internal audit report on Housing and Residence Life was recently completed by Packer Thomas. The objectives of the audit were to review current procedures to determine the adequacy of the internal controls, the effectiveness and efficiency of the operations, and compliance with applicable laws and regulations.

**SUMMARY AND ANALYSIS:**

Our audit effort included review and examination of the following characteristics of Housing and Residence Life:

- Interviews with various members of the department of Housing and Residence Life.
- Sampling and examination of housing applications (including University Courtyard Apartments) – in effect for fall 2015.
- Surprise examination of exterior doors and alarm functionality for University complexes.
- Reviewed 2015 quarterly agenda and notes for Ambling advisory committee meetings.
- Reviewed fall 2015 registration reports for resident enrollment requirements.
- Obtained record of fire drills for 2014/2015 academic year to ensure timely performance.
- Examined room rate data to ensure proper room rates were charged to housing residents.
- Reviewed student housing contracts.

During our audit of Housing and Residence Life we noted various issues related to the safety and soundness of the housing facilities.

Upon physical inspection of resident hall entryways, it was determined that certain door alarms were not functioning properly. These system failures present a risk of unmonitored access to the building jeopardizing the safety and security of the student housing complexes. We recommended that the door alarms be repaired immediately and management responded that the issues were fixed that day.

The student residence halls of Cafaro, Kilcawley, Lyden, Weller and Wick are accessed through the use of a traditional lock and key; however, the University Courtyard Apartments utilize a swipe card system on all exterior doors. This presents a risk of key duplication allowing for inappropriate, or unexpected general public, access to student housing complexes. To eliminate this risk, we recommend management consider a swipe card system, similar to that utilized by the University Courtyard Apartments, for each of the student housing complexes.

Twenty-five out of twenty-five resident applications tested did not have a criminal background check completed as part of the application process for University managed complexes. Currently, the housing application asks the potential resident a series of criminal background verification questions that are answered with a 'yes or no' response. Background checks are only performed on those applications where a 'yes' response to any of the criminal background verification questions

is being supplied. It should be noted that criminal background checks are performed for all applicants wishing to reside in the University Courtyard Apartments. There is potential risk that an applicant could be providing the University false information regarding his/her criminal background. 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 costs.

Twenty-five out of twenty-five resident applications for University managed complexes tested did not contain proof of health insurance as required by the University housing contract. Per section V "Conditions of Occupancy", sub-section H, "the student resident must be covered by the University Health and Accident Insurance Policy... or provide evidence of equal coverage." The contract goes on to say that students who do not provide proof of health insurance will not be able to move into University housing. The lack of evidence is inconsistent with contract requirements. It is recommended that the Office of Housing and Residence Life comply with the policy as set forth in the housing contract, or review its requirements for obtaining such information.

In addition to the safety and soundness issues, there were findings associated with contract reviews, as follows:

Upon review of the lease agreement for the University Courtyard Apartments, the language appeared far more robust and comprehensive than the University housing contract for University operated facilities. While we understand these agreements are based on different types of living arrangements, the University should verify the completeness and consistency of language for all University owned residential contracts. We recommend the legal department review and compare all housing contracts for completeness of required disclosures and consistency of language.

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. Through follow-up discussions with management, it was determined that the University does not have any formal affiliation or referral agreements in place with third-party facilities. A referral agreement may encourage the University to direct students to third-party facilities in exchange for concessions such as discounted rent, University inspections, and participation in the student eviction process. Whereas an affiliation agreement would be a more formal agreement in which the University directs students to the third-party facility as if it were part of the its own inventory and has some control over operations – typically related to student life, housing policies and a security presence. The lack of an agreement, coupled with the presumed endorsement, could result in increased safety and soundness risks to the University. Currently the University does not have the ability to enforce existing residential policies of the Office of Housing and Residence Life. A partnering agreement would outline the specific rights, duties and obligations of the parties involved. 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.

Based upon discussions with management and review of information collected throughout the audit process, it appears that the University is taking a more active role over various record keeping processes and collection of rental revenue from the University Courtyard Apartments. Furthermore, the original management agreement (April 2008) has not been revised, or amended to account for the additional responsibilities taken on by University personnel. We recommend management

consider reviewing the terms and conditions of this contract in an effort to renegotiate management fees based on the University's increased role and responsibilities over University Courtyard housing.

**RESOLUTION: N/A – DISCUSSION ITEM ONLY**

**REVIEWED AS TO FORM AND CONTENT:**

  
James P. Tressel, President



**HOUSING AND RESIDENCE LIFE  
INTERNAL AUDIT REPORT**

*October 7, 2015*

DISTRIBUTION

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Mr. Harry Meshel, Vice Chair  
Mr. Bryce A. Miner, Student Trustee

Chairman of the Board of Trustees: Ms. Carole S. Weimer

Management: Mr. James P. Tressel  
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# YOUNGSTOWN STATE UNIVERSITY

## HOUSING AND RESIDENCE LIFE INTERNAL AUDIT REPORT

### CONTENTS

|                                   |   |
|-----------------------------------|---|
| Cover Letter                      | 3 |
| Overview                          | 4 |
| Audit Findings & Recommendations  |   |
| - Requiring an Immediate Response | 5 |
| - Requiring a Timely Response     | 5 |
| Best Practices                    | 7 |



Youngstown State University  
One University Plaza  
Youngstown, Ohio 44555

This report summarizes the results of our internal audit of housing and residence life. 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 staff of the Office of Housing & Residence Life for the cooperation that was extended to us during the course of this audit.



PACKER THOMAS  
October 7, 2015



OVERVIEW

An audit of housing and residence life was recently completed by Packer Thomas. Our procedures were performed as a result of the internal audit scope which was approved by the Audit Subcommittee.

The objectives of our audit were as follows:

- Review current procedures to determine the adequacy of the internal controls
- Determine the effectiveness and efficiency of operations
- Determine compliance with applicable laws, regulations, policies, procedures and other established guidelines
- Review samples of transactions for accuracy and appropriateness

Our consideration of internal controls involved assessing the effectiveness and existence of proper internal controls for the following:

- Management oversight
- Segregation of duties
- Reconciliations
- Accurate recording

The procedures performed during our internal audit included interviews with residence assistants, housing coordinators, various personnel of the Office of Housing & Residence Life, and the property manager of University Courtyard Apartments. Additionally, we performed walkthroughs, specific testing conducted on various sample sizes and data analytic testing of revenue for Fall 2015 semester. 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.

The following complexes were subject to the audit process. The table below summarizes housing specifications for the 2015/2016 academic year.

| NAME OF COMPLEX                 | RESIDENTS  | NUMBER OF BEDS | 2015/2016 ROOM RATE (per semester) |
|---------------------------------|--|----------------|------------------------------------|
| Cafaro                          | First year & returning students of the Honors College & BS/MD programs | 274            | \$4,495                            |
| Kilcawley                       | First year & returning students  | 224            | \$4,495                            |
| Lyden                           | First year & returning students  | 300            | \$4,495                            |
| Wick                            | Returning students   | 36             | \$4,495                            |
| Weller                          | Junior, senior, and graduate students                                  | 20             | \$3,570                            |
| University Courtyard Apartments | Enrolled student   | 408            | \$2,850-\$3,900                    |



"In the long run, if you don't put ethics before profits, there won't be a long-run."

AUDIT FINDINGS & RECOMMENDATIONS – REQUIRING IMMEDIATE ACTION

1. Upon physical inspection of resident hall entryways, it was determined that certain door alarms were not functioning properly. The door alarm on one side of Kilcawley’s exit-only double door did not sound off when left open. Also, the door alarm volume on all four of Cafaro’s exit-only doors was extremely faint and almost impossible to hear. It should be noted that the Cafaro door alarm system had been recently replaced. These system failures present a risk of unmonitored access to the building jeopardizing the safety and security of the student housing complexes.

We recommend that the Kilcawley door alarm be repaired and that the volume of the Cafaro door alarms be adjusted so that it is audible to the desk attendants. Additionally, we recommend that door alarms on all student housing complexes are routinely tested to verify they are in working order.

MANAGEMENT RESPONSE

Kilcawley House issue was corrected the day of the inspection. Cafaro House issue was corrected the day of the inspection. Our maintenance supervisor has been trained on how to adjust the volume on our new door alarm system in Cafaro House. A process has been implemented to test the door alarms each night as RAs are completing rounds of the building.

AUDIT FINDINGS AND RECOMMENDATIONS – REQUIRING A TIMELY RESPONSE

1. The student residence halls of Cafaro, Kilcawley, Lyden, Weller and Wick are accessed through the use of a traditional lock and key; however, the University Courtyard Apartments utilize a swipe card system on all exterior doors. This presents a risk of key duplication allowing for inappropriate, or unexpected general public, access to student housing complexes.

To eliminate this risk, we recommend management consider a swipe card system, similar to that utilized by the University Courtyard Apartments, for each of the student housing complexes.

MANAGEMENT RESPONSE

Housing & Residence Life has already identified this as a need. We have begun research on products and received preliminary quotes to determine approximate cost of the project. We agree with this recommendations and plan on moving forward by the end of fiscal year 2016.

2. Twenty-five out of twenty-five resident applications tested did not have a criminal background check completed as part of the application process for University managed complexes. Currently, the housing application asks the potential resident a series of criminal background verification questions that are answered with a ‘yes or no’ response. Background checks are only performed on those applications where a ‘yes’ response to any of the criminal background verification questions is being supplied. It should be noted that criminal background checks are performed for all applicants wishing to reside in the University Courtyard Apartments. There is potential risk that an applicant could be providing the University false information regarding his/her criminal background.



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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 costs.

MANAGEMENT RESPONSE

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.

3. Twenty-five out of twenty-five resident applications for University managed complexes tested did not contain proof of health insurance as required by the University housing contract. Per section V "Conditions of Occupancy", sub-section H, "the student resident must be covered by the University Health and Accident Insurance Policy... or provide evidence of equal coverage." The contract goes on to say that students who do not provide proof of health insurance will not be able to move into University housing. The lack of evidence is inconsistent with contract requirements.

It is recommended that the Office of Housing and Residence Life comply with the policy as set forth in the housing contract, or review its requirements for obtaining such information.

MANAGEMENT RESPONSE

Housing & Residence Life agrees that this policy needs to be clarified. We need to either 1) require students to provide proof of health insurance by uploading a copy of their health insurance card into their housing application via our StarRez housing management software or 2) change the current language to eliminate the need for students to provide proof of health insurance. A final decision will be in place by the start of fall semester recruitment which begins on February 1, 2016.

4. Upon review of the lease agreement for the University Courtyard Apartments, the language appeared far more robust and comprehensive than the University housing contract for University operated facilities. While we understand these agreements are based on different types of living arrangements, the University should verify the completeness and consistency of language for all University owned residential contracts.

We recommend the legal department review and compare all housing contracts for completeness of required disclosures and consistency of language.

MANAGEMENT RESPONSE

Housing & Residence Life acknowledges the significant differences between the lease used for University Courtyard Apartments, managed by Ambling, and the contract used for University Housing residence halls, managed by YSU. We agree to compare the documents and in conjunction with General Counsel make adjustments which will provide more consistency between them. Any changes to the housing contract will be approved and in place by the start of fall semester recruitment which begins on February 1, 2016.

5. 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. Through follow-up discussions with management, it was determined that the University does not have any formal affiliation or referral agreements in place with third-party facilities. A referral agreement may encourage the University to



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direct students to third-party facilities in exchange for concessions such as discounted rent, University inspections, and participation in the student eviction process. Whereas an affiliation agreement would be a more formal agreement in which the University directs students to the third-party facility as if it were part of the its own inventory and has some control over operations – typically related to student life, housing policies and a security presence. The lack of an agreement, coupled with the presumed endorsement, could result in increased safety and soundness risks to the University. Currently the University does not have the ability to enforce existing residential policies of the Office of Housing and Residence Life. A partnering agreement would outline the specific rights, duties and obligations of the parties involved.

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.

MANAGEMENT RESPONSE

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.

BEST PRACTICES

1. It was observed that each housing coordinator kept their own damage log. Each log appeared to be uniquely formatted and contained varying information. In an effort to maintain consistency in reporting, we recommend that management consider a uniform template to log damages. This will lessen the potential for misinterpretation of the details associated with damage charges being applied to student accounts.
  
2. It was determined that the University housing expense report is being presented on a monthly basis; however, the report does not reflect a breakdown by complex. Management should consider a further breakdown of University housing costs to better monitor the costs of each complex being operated. Additionally, management should consider incorporating rental revenue to these reports to better monitor the net revenue generated, by complex. This information could be useful in evaluating costs unique to each facility, as well as a gauge in determining future need for improvements.
  
3. Based upon discussions with management and review of information collected throughout the audit process, it appears that the University is taking a more active role over various record keeping processes and collection of rental revenue from the University Courtyard Apartments. Furthermore, the original management agreement (April 2008) has not been revised, or amended to account for the additional responsibilities taken on by University personnel. We recommend management consider reviewing the terms and conditions of this contract in an effort to renegotiate management fees based on the University’s increased role and responsibilities over University Courtyard housing.



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