

**BOARD OF TRUSTEES
AUDIT SUBCOMMITTEE
John R. Jakubek, Chair
Leonard D. Schiavone, Vice Chair
David C. Deibel
Harry Meshel
Sudershan K. Garg, *Ex-Officio*
Cynthia E. Anderson, *Ex-Officio***

**Tuesday, June 4, 2013
2:00 p.m. or immediately following
previous meeting**

**Tod Hall
Board Meeting Room**

AGENDA

- A. Disposition of Minutes for Meetings Held December 4, 2012; and February 26, 2013**
- B. Old Business**
- C. Subcommittee Item**
 - 1. Discussion Items**
 - a. Executive Summaries for Strategic Plan Cornerstones** **Tab 1**
Cornerstone Chairs: Grilli, Evans, Fahey and Khawaja will report.
 - b. Report of Internal Auditors, Packer Thomas** **Tab 2**
Packer Thomas will provide an update on work in progress, Continuous Monitoring Reports on Payroll and Purchasing and a quarterly report of services.
 - c. Annual Risk Assessment and Audit Plan for 2013, Packer Thomas**
Packer Thomas will report.
- D. New Business**
- E. Adjournment**

YSU 2020

Cornerstone on Accountability and Sustainability Executive Summary May 2013

While action on a number of initiatives in this cornerstone has progressed, the greatest attention and effort has been on two critical initiatives: developing “A transparent and responsive budget system” and moving to more “Strategic Finance” (YSU 2020, pg. 10). In recent history YSU had utilized a historic, incremental, base-budget model where increases or decreases in revenues were, to a very great degree, applied uniformly across all cost centers. In addition, the University was not rigorous in mandating that all known costs were identified and budgeted at the start of each fiscal year, leading to the need to cover costs by scooping uncommitted, unspent balances in all cost centers at the end of the fiscal year. With most funds being historically allocated, little was done to set aside funds for strategic reinvestment. Not all Auxiliary funds covered all costs, nor returned expected overhead, and some Auxiliary funds over-ran general-fund subvention budgets. Finally, the University did not have a system of authoritative, structured operational data upon which resource allocation and other operational decisions could be based.

A major effort has been undertaken to revamp the University’s budgeting process. A Budget Task Force was put together to investigate possible budget models that YSU could utilize. Two models were recommended to the Executive Cabinet: “Modified Initiative-Based Budgeting” (an annual strategic allocation of new money and/or a tax and reallocation of base-budgets) and classic Responsibility-Centered Budgeting. Executive Cabinet chose to implement Modified Initiative-Based Budgeting. A Budget Development Council (BDC), made up of administrative employees and reporting to the Executive Cabinet, has been working since January 2013 to implement this new budget process. To improve accountability and fiscal management, plans have been completed to decentralize position control with local use of lapsed salaries, to enable fiscal year carry-forward of unspent general-fund balances and to differentiate fringe benefit rates based on salary types. In addition, the BDC has begun to make recommendations on a budget that fully funds all known costs at the beginning of the fiscal year with attendant recommendations on what to fund and not fund, especially in a period of declining revenues, including general fund subventions to auxiliary accounts.

A parallel major effort has been undertaken to implement a YSU data warehouse. With the move to an ERP Administrative computing environment (Banner), the vast majority of YSU’s operational data was stored as transactions accessible only by targeted reports. In addition, the data from other stand-alone functional systems was not integrated into a single data environment. Not only was data hard to extract, but also data collection and archiving standards were neither properly described nor rigorously enforced. Shadow systems competed with transactional systems for authenticity. Business intelligence was chaotic. YSU has moved to build a data warehouse, and it is set to become operational in the second quarter of 2013 with support for trend analysis later this summer. Data custodians are working together to ensure that essential data is collected properly, vetted for accuracy and normalized for storage. Data is also being analyzed to determine the most essential and effective archiving periods. With the

implementation and refinement of the data warehouse, we will have a single repository of authoritative data that can be easily accessed and analyzed leading to more effective business intelligence.

Two other initiatives are worth noting. The University contracted with Sightlines Consulting to evaluate the YSU physical plant. Sightlines identified some \$200 million of possible deferred maintenance. Strategies have been developed to maximize our ability to utilize State capital funds to address physical plant issues identified by the consultant. In another effort, we are studying customer services efforts of the functional units reporting to the Vice President for Finance and Administration. Results of our studies will be used to further assess and improve those services.

YSU 2020

Cornerstone on Regional Engagement

Executive Summary

May 2013

The Regional Engagement Cornerstone of YSU's 2020 Strategic Plan has addressed numerous initiatives, some of which will have a profound impact on our region in broad and lasting ways. While some initiatives are complete or in various forms of progress, it is important to point out that many initiatives in Regional Engagement are qualitative and are difficult to measure. Below is a brief summary that highlights many of the initiatives and some of the accomplishments achieved.

The University's and the region's economic development partners recognize the symbiosis of the relationship, and several projects are worthy of mention. The YSU Research Foundation (YSURF) collaborated with the Youngstown-Warren Regional Chamber of Commerce to establish a working relationship with Power Plaza, LLC (Korea). The result of this effort was the development of at least two Memoranda of Understanding to facilitate future applied research collaborations between Power Plaza and the YSU College of STEM. In April of 2013, YSU and PRISM/MAGNET (Partnership for Regional Innovation Services to Manufacturers/ Manufacturing and Advocacy Growth Network) signed a MOU to join a consortium of Northeast Ohio universities to offer logistical, research, and advocacy support for small and medium sized companies to work on new products and technologies. Our STEM College has quickly adjusted to the opportunities and challenges of the emerging natural gas industry. The establishment of a Natural Gas and Water Institute, in cooperation with YSURF, is nearing completion of a consortium agreement with local and regional industries interested in water resource research. Providing experiential opportunities for our regional workforce is among our paramount responsibilities of YSU, and the University was the recipient of funding from the Ohio Board of Regents for our Program for Internships and Coops in Advanced Manufacturing and Related Industries (PICAM), which resulted in a total overall funding of nearly \$1.3 million. The University must serve as a leader in manufacturing research, and in 2012, Youngstown was announced as the location of the first National Advanced Manufacturing Initiative, the \$30 million National Additive Manufacturing Innovation Institute (NAMII), funded by the U.S. Departments of Defense, Energy, and Labor.

The University also serves the region by offering diverse arts/cultural programming to broaden audience demographics. An active arts and culture scene is an important component in business and population retention and attraction. Arts and culture programming alone brought over 30,000 individuals onto campus this past year. As a diversity initiative, as well as cultivating future audiences, arts/culture programming within the Colleges of FPA and the CLASS are actively engaged with the Community Diversity Programming series. In the fall of 2013, a professional minority actor was recently featured in a University Theater production of "Broke-ology." As a strategic initiative, the Department of Theater and Dance will devote one of their season's programming spots toward programming to support audience diversification. The College of FPA has initiated "Penguin Playhouse," which is a theater initiative focused on a younger demographic, and recent performances of Hansel & Gretel and Cinderella have been tremendously successful at attracting a younger demographic. A partnership in cultural

programming has been established at the Jewish Community Center to include a theater camp for youth to serve the community.

We are continuing to successfully establish policies to reduce barriers to partnerships and improve efficiencies. Through YSURF, a STEM College testing service has been developed to encourage industrial-academic partnerships. WYSU has initiated numerous community partnerships in a high profile manner. These include partnerships with profit and non-profit entities to provide more programming services to the region as well as collaborations with *The Vindicator* and *The Business Journal* to add local news programming. Increasing coordination among academic units related to economic development and community engagement is critical to institutional efficiency as well as our ability to serve the community. Within the Williamson College of Business Administration (WCBA), the Monus Entrepreneurship Center is collaborating with the Gerontology Program (HHS) to plan a regional conference that will include a student entrepreneurship competition focusing on new business ideas for the senior market. WCBA's Small Business Development Center continuously utilizes the skills of faculty members across campus to address business-related needs and planning. A way of doing this is by ensuring contemporary curricula, which reflects in innovative degree programming. The College of FPA is partnering with the Metro College to establish a Corporate Communication Training Center (funded, in part, by an Ohio Hub of Innovation and Opportunity grant) to offer communication skills training sessions. The College of FPA has been directly involved (Dean serves as co-chair) in a transformational regional arts advocacy initiative (Power of the Arts). To this date, the initiative has commissioned the first economic impact study for arts and culture in the region. In addition, the College is collaborating with the organization to offer a quarterly professional development series titled, "Arts Mean Business."

Athletics is a unique component of regional engagement, albeit expensive to maintain. Athletic events engage the community and forge alumni relations. In an effort to diversify the revenue stream for athletics, external funding is critical to competitiveness. The Athletic Department continues to explore other revenue opportunities, notably with fundraising. A recent \$500,000 gift was received from Farmers National Bank for the new Soccer Complex west of Fifth Avenue. The number of attendees at athletics events in FY12 was 130,722. In addition, 11 of 18 teams finished in the top half of conference in 2012.

The Regional Engagement Cornerstone completed a major initiative in 2012 by creating a task force to examine violent behavior and community safety. The task force, referred to as the Community Safety Committee, promulgated a new YSU Workplace Violence Policy (in collaboration with the Domestic Violence Committee) and a Community Safety Summit. The Community Safety Summit, sponsored by the Bitonte College of HHS, was held on November 10, 2012. More than 100 persons attended and partook in the opportunity to engage with other individuals and organizations in social services and law enforcement to address the myriad of issues pertaining to community safety. In addition to safety, the health and wellness of a community is an important barometer of regional vitality. HHS is making significant progress toward a 100% health licensure examination goal, and nursing licensure and dental hygiene programs have achieved 100% passage.

While many nuances of regional engagement cannot be measured in clear ways, the University continues to be actively engaged in a variety of strata to enhance the quality of life, well being, and economic development of the community in which it exists.

YSU 2020

Cornerstone on Student Success Executive Summary May 2013

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

Significant progress has been made on twenty-three of twenty-eight initiatives.

Highlights include:

- Creation of enrollment management teams which spun recruitment into a campus-wide effort resulting in doubling attendance at recruitment Open Houses.
- Implementation of a new conditional admit policy which raises the standard for admission and creates a very structured program (based on best practices research) for students who are admitted conditionally. In the first semester of implementation, sixty-four percent (64%) successfully completed the semester and were allowed to continue.
- Orientation processes and programs were improved resulting in increased effectiveness of the program.
- Implementation of the Starfish Early warning system. Faculty participation in the program has increased from an average of 2% to 34%. The cumulative GPA for freshmen in fall semester 2011 was 2.39; in fall semester of 2012, it increased to 2.46. In addition, the percentage of credit hours earned out of attempted hours was 76% in 2011, and it increased to 81% for the fall of 2012. In 2012, the analysis also showed many classes that utilized the Starfish system had higher completion rates than those that did not use the system.
- Raising more money for scholarships, including working with YSUF to increase their annual distribution and partner with YSU to strategically package awards, increase graduate assistantships, increase scholarship philanthropy, and institute the Provost's Scholarship for out-of-state students.
- Successfully piloting a freshman year experience course in the College of Health and Human Services and making plans to implement similar courses in each college.

Measurement/Metrics

Becoming a culture of data is as challenging an undertaking as is working on the initiatives. Collecting, interpreting and reporting the data has been an interesting challenge. Maintaining, updating, and dispersing the data as new data is a second challenge. Of course, the most important challenge is using the data to set priorities and adjust course as results prescribe. Over a relatively short span of time, we have developed an infrastructure to inform our progress and empowered the “wonkification” of our staff. As the Higher Learning Commission has noted, we have made remarkable strides in developing a culture of assessment.

YSU 2020

Cornerstone on Urban Research University Transition Executive Summary May 2013

The Urban Research University Cornerstone of YSU's 2020 Strategic Plan has made progress on initiatives in each of its three thematic areas (Quality Academic Programs, Innovation and Discovery, and Funding to Support Research).

The University has made significant strides in the area of Quality Academic Programs. Millie Rodriguez was hired in Fall 2012 to direct YSU's Distance Education program and to increase YSU's footprint in online education. Since March 5, 2012, 27 new courses have been approved to be developed for online delivery. A number of new online programs have been developed or are in the process of being developed including degrees in MS Engineering-Engineering Management Track, MBA, MS in Criminal Justice, RN to BSN, and MS in Respiratory Care. Since Rodriguez's arrival, faculty members have become much more active in online course development and best practices workshops. More than 109 faculty members attended distance education workshops in the past four months.

Re-engineering processes to reduce time, paperwork, and divisional barriers to research and scholarly activity has been an ongoing challenge for Innovation and Discovery. On June 6, 2012, a subcommittee was designated by the Provost to investigate solutions. Subcommittee members included tenured faculty members and staff who were identified as having consistent, active involvement in scholarly activities. The subcommittee's final report was presented to the Provost on April 30, 2013. The report concludes, "In order to achieve the level of an urban research university, it is imperative that the expectations for increased research activity should be commensurate with the resources provided, lest it might stifle intellectual creativity and undermine scholarly productivity." The subcommittee also recommended that the University: reduce the teaching workload of faculty to that which is consistent with the general teaching loads of other research-oriented peers, adjust teaching workload so it is indicative of *desired* (not current) research output, and provide start-up resources that are consistent with those of research-oriented peers.

Efforts to increase student involvement in research have continued to pay dividends. The total number of undergraduate and graduate students participating in QUEST: A Forum for Student Scholarship this year was 408 students, up from 318 students in 2012 and 280 students in 2011. The number of students participating from each class (freshman, sophomore, junior, senior, and graduate) has increased each year since 2011. From 2009-2013, 1,619 students have participated in YSU's research symposium.

Significant strides have also been made to support faculty research at YSU. After the retirement of Peter Kasvinsky in January 2013, it was decided additional resources were required to support the research agenda of an Urban Research institution. The creation of a new position, the Associate Dean of Graduate Studies, represents a first step in this support. The Associate Dean will assist with coordination, management, and oversight of the University's graduate

programs and research initiatives. This position will also manage the daily operational processes of the School of Graduate Studies and Research. Creation of the new position will allow the Associate Provost for Research and Dean of the School of Graduate Studies and Research to dedicate more time and attention to the research needs of the University.

Despite these changes in leadership in the Graduate School, the Office of Grants and Sponsored Programs has continued to assist faculty in developing and managing grants. In FY 2011-2012, there were 85 grant awards totaling \$6,532,187. Of those, 18 grants (21%) are research grants. Eleven of the 85 grants involve graduate assistants. Thus, 12% of the grants involve graduate students doing research including 15 GA appointments. Although the total amount of the external awards received in FY 2012 was less than the previous year (in FY 2011, there were 80 grant awards totaling \$8,684,702), an analysis of the activities of the past ten years indicates several positive trends including the continued growth in external grants, growth in requested funds in submitted proposals, and growth in support of YSU's internal Research Assistant and University Research Council grant programs.

In recognition of the need for additional support for faculty research, the University began making new faculty start-up funds available in July 2008. This research incentive funding represents an effort to assist with recruiting faculty members with active research agendas. The funds also strengthen the faculty members' research capabilities at the beginning of their careers at YSU. In 2008-2009, the initial funds totaled \$10,000. Since the initiative's infancy, these funds have grown substantially to a total of \$129,548 allotted in 2012-2013. Start-up funds are available to the faculty members during their first two years at YSU.



**CONTINUOUS MONITORING -
PAYROLL
INTERNAL AUDIT REPORT**

May 2, 2013

DISTRIBUTION

Audit Subcommittee: Dr. John Jakubek
Atty. Leonard Schiavone
Mr. David Deibel
Mr. Harry Meshel

Chairman of the
Board of Trustees: Dr. Sudershan Garg

Management: Dr. Cynthia Anderson
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Ms. Katrena Davidson
Ms. Lisa Reichert



YOUNGSTOWN STATE UNIVERSITY

CONTINUOUS MONITORING - PAYROLL INTERNAL AUDIT REPORT

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Overview and Summary of Results

Attachment A



“In the long run, if you don’t put ethics before profits,
there won’t be a long-run.”



PACKER · THOMAS

Certified Public Accountants & Business Consultants

Youngstown State University
One University Plaza
Youngstown, Ohio 44555

The results of our continuous monitoring of the payroll process for the three month period ending March 31, 2013 are attached for your review. We have reviewed all of the results of this monitoring with management.

PACKER THOMAS
May 2, 2013

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6 Federal Plaza Central
Suite 1000
Youngstown, Ohio
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Youngstown State University
Continuous Monitoring - Payroll
For the period covering 1/1/13-3/31/13

The goal of continuous monitoring is to provide greater transparency of the operations of the University and a more timely evaluation of operations for management and the Board of Trustees. Our continuous monitoring process will consist of the analysis of information from the University’s system, processes, transactions, and controls. The timely analysis of this information helps to ensure compliance with policies and procedures and identify trends that may need to be addressed. In many cases, continuous monitoring can act as an early warning to detect control failure.

These analyses are intended to provide trends in operational controls between regularly scheduled internal audits. These trends are then reviewed by management in order for them to determine whether or not the results need to be investigated further. Continuous monitoring is not intended to replace normal internal audit procedures which are more in-depth and include inquiries, walkthroughs, and specific testing conducted on various sample sizes. However we have listed below the results of our procedures.

	PROCEDURES	RESULT
1.)	Duplicate check numbers	
2.)	Duplicate direct deposit numbers	
3.)	Duplicate back account numbers	
4.)	Excessive regular hours worked	
5.)	Overtime hours worked	Refer to Attachment A for analysis of overtime by department by quarter.
6.)	Terminated employees receiving payment after termination	
7.)	Employees who have changed their own employee records in the system	
8.)	Employees with no address	
9.)	Employees with PO address	

	Items identified do not require further investigation per management
	Exception(s) found in testing



“In the long run, if you don’t put ethics before profits, there won’t be a long-run.”

Attachment A - YSU Payroll Continuous Monitoring Report as of March 31, 2013

	see below							
	<u>3rd Q 2013</u>	<u>2nd Q 2013</u>	<u>1st Q 2013</u>	<u>4th Q 2012</u>	<u>3rd Q 2012</u>	<u>2nd Q 2012</u>	<u>1st Q2012</u>	<u>4th Q2011</u>
Facilities Maintenance	15,875.96	3,461.13	8,195.00	2,271.69	2,451.34	-	15,248.26	13,918.24
Police Department	3,021.73	6,444.98	6,137.48	1,343.76	6,880.11	12,620.33	16,701.69	7,820.89
Parking	747.75	2,738.58	-	-	1,465.70	3,140.46	1,494.99	-
Admin Assistants	2,378.25	2,120.64	1,195.68	-	-	-	1,766.48	-
Account Clerk	767.48	1,296.18	-	-	-	-	-	-
Network Services			-	-	-	-	-	-
University Development			-	-	-	-	-	-
Press Operator			-	-	-	-	-	-
Automotive			-	-	-	-	-	-
	<u>22,791.17</u>	<u>16,061.51</u>	<u>15,528.16</u>	<u>3,615.45</u>	<u>10,797.15</u>	<u>15,760.79</u>	<u>35,211.42</u>	<u>21,739.13</u>

Brief explanation for overtime

3rd QTR 2013

Facilities	OT to cover open shifts and repair/paint walls in Kilcawley
Police Department	OT for shift deficit, basketball games, auction, swim meet, and battle of the bands
Parking	OT for men's basketball games
Admin Assistants	OT for bequest review and set-up
Account Clerk	OT for basketball games



**CONTINUOUS MONITORING -
PURCHASING
INTERNAL AUDIT REPORT**

May 2, 2013

DISTRIBUTION

Audit Subcommittee: Dr. John Jakubek
Atty. Leonard Schiavone
Mr. David Deibel
Mr. Harry Meshel

Chairman of the
Board of Trustees: Dr. Sudershan Garg

Management: Dr. Cynthia Anderson
Mr. Eugene Grilli
Ms. Katrena Davidson
Mr. William Wheelock



YOUNGSTOWN STATE UNIVERSITY

CONTINUOUS MONITORING - PURCHASING INTERNAL AUDIT REPORT

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Cover Letter

Overview and Summary of Results



“In the long run, if you don’t put ethics before profits,
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PACKER · THOMAS

Certified Public Accountants & Business Consultants

Youngstown State University
One University Plaza
Youngstown, Ohio 44555

The results of our continuous monitoring of the purchasing process for the three month period ending March 31, 2013 are attached for your review. We have reviewed all of the results of this monitoring with management.

PACKER THOMAS
May 2, 2013

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6 Federal Plaza Central
Suite 1000
Youngstown, Ohio
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**Youngstown State University
Continuous Monitoring - Purchasing
For the period covering 1/1/13-3/31/13**

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These analyses are intended to provide trends in operational controls between regularly scheduled internal audits. These trends are then reviewed by management in order for them to determine whether or not the results need to be investigated further. Continuous monitoring is not intended to replace normal internal audit procedures which are more in-depth and include inquiries, walkthroughs, and specific testing conducted on various sample sizes. However we have listed below the results of our procedures.

	PROCEDURES	RESULT
Purchase Order and Pcard		
1.)	Purchase orders missing from sequential order	
2.)	Purchase orders generated on weekends	
3.)	Duplicate purchase order numbers	
4.)	Purchase orders just below authorization amount	
5.)	Analysis of large dollar volume vendors	
6.)	Vendors with same address as employee	
7.)	Duplicate invoices paid	
8.)	Single transaction split to circumvent approval for both PO and Pcard	
9.)	P-cards issued to terminated employees	
10.)	Terminated employees who remain financial managers	
Vendor Master List		
11.)	No vendor address	
12.)	Vendors with same address as employee	
13.)	Unauthorized users making changes to the vendor master list	

	Items identified do not require further investigation per management
	Exception(s) found in testing



“In the long run, if you don’t put ethics before profits, there won’t be a long-run.”





PACKER · THOMAS

Certified Public Accountants & Business Consultants

Youngstown State University
Internal Audit- Packer Thomas
Internal audit contract year 2012-2013

Summary of hours through April, 2013

6601 Westford Place
Suite 101
Canfield, Ohio
44406

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1-800-943-4278
Fax: 330-533-1734

www.packerthomas.com

Internal audit project	Hours through April 2013	Status of project
Accounts payable	473	100% complete
Student affairs	130	30% complete
Student accounts	624	100% complete
Continuous monitoring	120	75% complete
Risk Assessment, Board Meetings, ERIP, misc.	269	Continuous
Total hours to date	1616	

Total contract	\$	226,000
Services to date	\$	205,630
Contract remaining	\$	<u>20,370</u>

PROVEN TRUE.