YOUNGSTOWN STATE UNIVERSITY

BOARD OF TRUSTEES
AUDIT SUBCOMMITTEE
James E. "Ted" Roberts, Chair
John R. Jakubek, Vice Chair
Capri S. Cafaro
Delores E. Crawford

Thursday, June 7, 2018   Tod Hall
8:00 a.m.   Board Meeting Room

AGENDA

A.   Disposition of Minutes for Meeting Held March 14, 2018

B.   Old Business

C.   Committee Items

    1.   Discussion Items

Tab C.1.a.   a. **Audit Matrix Open Audit Recommendations Update**
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, will report.

Tab C.1.b.   b. **FY18 Third Quarter Internal Audit Plan Update**
Sarah Gampo, Director of Internal Audit, will report.

Tab C.1.c.   c. **Anonymous Reporting Hotline Stats Update**
Sarah Gampo, Director of Internal Audit, will report.

Tab C.1.d.   d. **Procurement Internal Audit Report**
Sarah Gampo, Director of Internal Audit, will report.

                e. **Enterprise Risk Management Update**
Sarah Gampo, Director of Internal Audit, will report.

    2.   Action Item

Tab C.2.a.   a. **Resolution to Approve FY19 Proposed Internal Audit Plan and Internal Audit Risk Assessment**
Sarah Gampo, Director of Internal Audit, will report.

D. New Business
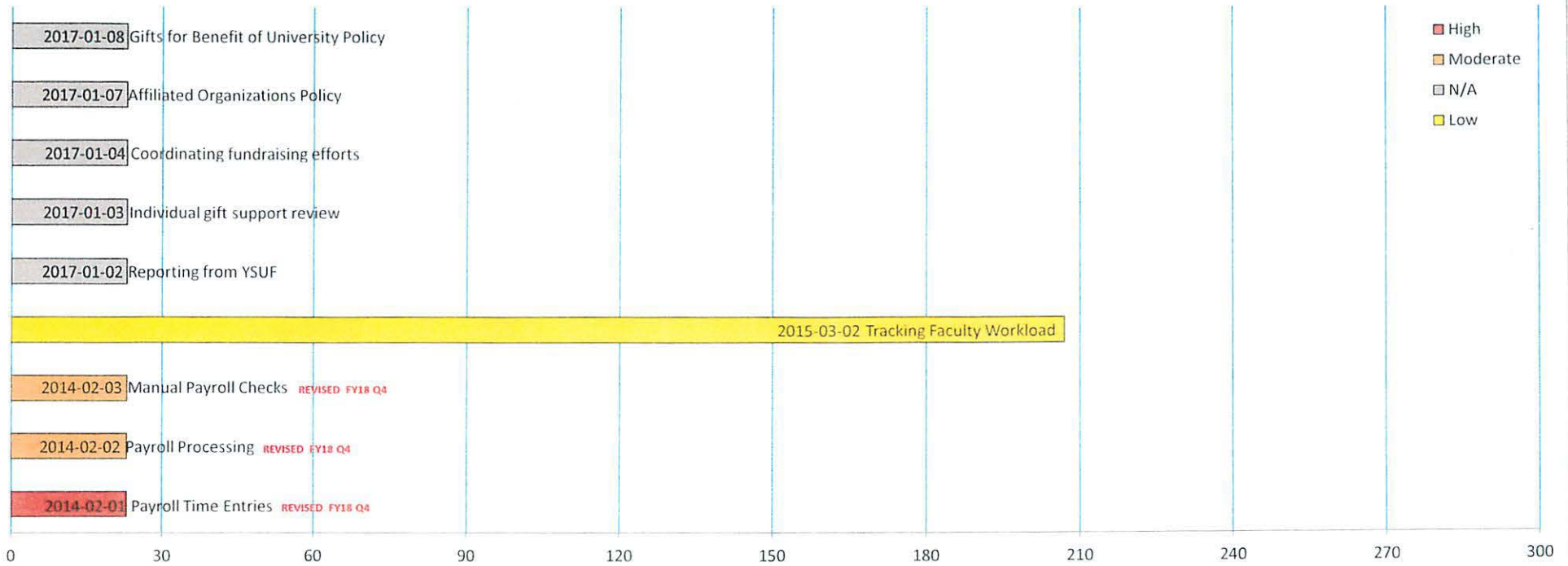
E. Adjournment

AUDIT RECOMMENDATIONS STATUS - FY2018 Q4

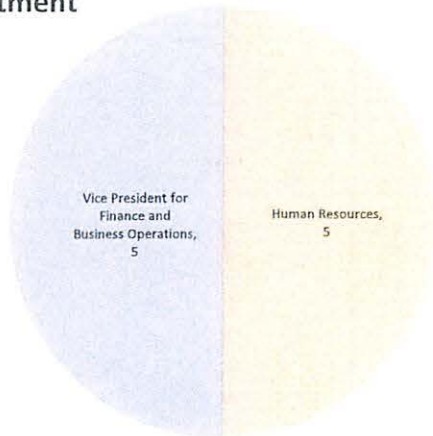| Audit Recommendation Number / Name Audit Date Issued Risk Category Risk Level Division Original Deadline *Revised Deadline* Current Status	Summary of Recommendation	Summary of Response	Current Status Comment	Prior Status Comment
2014-02-01 Payroll Time Entries PT Segregation of Duties Apr. 2014 Financial High Finance and Business Operations, Legal 1/31/2016 *6/30/2018* DEADLINE REVISED	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.	Reports needed to implement corrective action are still under development by IT. FY19 Internal Audit plan includes a review of the payroll process; during the engagement Internal Audit will assess this audit recommendation.	Dependent upon creation of reports by IT
2014-02-02 Payroll Processing PT Segregation of Duties Apr. 2014 Financial Moderate Finance and Business Operations, Legal 12/31/2015 *6/30/2018* DEADLINE REVISED	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.	Reports needed to implement corrective action are still under development by IT. FY19 Internal Audit plan includes a review of the payroll process; during the engagement Internal Audit will assess this audit recommendation.	Dependent upon creation of reports by IT
2014-02-03 Manual Payroll Checks PT Segregation of Duties Apr. 2014 Human Resources Moderate Finance and Business Operations, Legal 12/31/2015 *6/30/2018* DEADLINE REVISED	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.	Payroll has identified a report and is currently evaluating whether it could be used to perform a periodic review. FY19 Internal Audit plan includes a review of the payroll process; during the engagement Internal Audit will assess this audit recommendation.	Dependent upon creation of reports by IT

Audit Recommendation Number / Name Audit Date Issued Risk Category Risk Level Division Original Deadline **Revised Deadline** Current Status	Summary of Recommendation	Summary of Response	Current Status Comment	Prior Status Comment
2015-03-01 PT Faculty Contracts PT Academic Processes Feb. 2015 Human Resources Low Academic Affairs, Legal 7/31/2016 **3/31/2018** CLOSED	We recommend that part time faculty contracts be electronically generated through the Human Resource system, and the contract routed electronically to the applicable people for electronic signature.	Human resources personnel are working to implement PeopleAdmin for generating part-time faculty contracts. This process is not simple as it requires the integration of two separate tracking systems; on to pull data from the personnel system and the other to integrate with the student registration system.	Part-time faculty hiring via PeopleAdmin for hiring process started after 1/1/18. Corrective action implemented. Recommendation is closed.	Part-time faculty hiring via PeopleAdmin as of 1/1/18. Recommendation is open pending Internal Audit validation testing.
2015-03-02 Tracking Faculty Workload PT Academic Processes Feb. 2015 Financial Low Academic Affairs, Legal 12/31/2016 **12/31/2018** ON SCHEDULE - REVISED	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.	Data reconfiguration is necessary before corrective action noted in management response can be implemented.	Data reconfiguration is necessary before corrective action noted in management response can be implemented.
2017-01-02 Reporting from YSUF YSUF Agreement Audit May 2017 Financial N/A Finance and Business Operations 12/31/2017 **6/30/2018** ON SCHEDULE - REVISED	Quarterly reports from Foundation are not consistent with reporting obligations in the agreement and do not include information necessary to project cash flows for longterm financial planning. • Monitor Foundation reporting for compliance with agreement • Evaluate the need for supplemental reporting • Periodically evaluate the adequacy of reporting from Foundation	The Foundation's reporting requirements in the agreement are presently under review. Management agrees that procedures should be developed that more clearly define reporting requirements.	Pending finalization of agreement with YSUF	Implementation date revised pending finalization of agreement with YSUF.
2017-01-03 Individual gift support review YSUF Agreement Audit May 2017 Financial N/A Finance and Business Operations 12/31/2017 **6/30/2018** ON SCHEDULE - REVISED	Individual gifts paid in multiple increments that in total exceed $100,000 may not be identified to ensure supporting documentation is obtained; in addition, this threshold is not reviewed for appropriateness on a periodic basis. • Periodically evaluate criteria for obtaining and reviewing supporting documentation for significant gifts • Ensure sufficient information is obtained from the Foundation to identify gifts meeting above criteria	Criteria will be developed to facilitate additional support detail regarding monthly gift transfers from the Foundation. Executive oversight committee will collaborate with Foundation staff to develop a reporting template(s) as a means of improving gift documentation.	Pending finalization of agreement with YSUF	Implementation date revised pending finalization of agreement with YSUF.

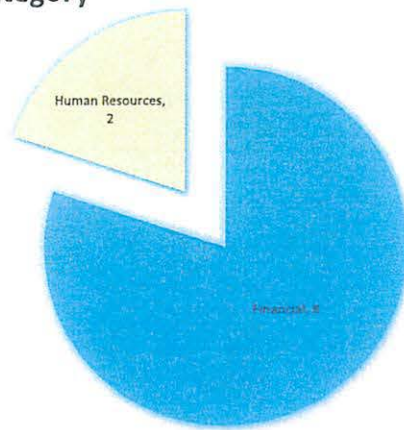| **2017-01-04** Coordinating fundraising efforts YSUF Agreement Audit

May 2017

Financial
N/A

Finance and Business Operations
3/1/2018 **6/30/2018**
ON SCHEDULE - REVISED | Procedures for coordinating fundraising efforts between the Foundation and division/college/department are not in place. Reporting from the Foundation to individual University units is not in the agreement and does not appear to be in place.
Enhance coordination of division/college/department level fundraising efforts with the Foundation with institutional procedures. Ensure procedures include periodic reporting from the Foundation and reporting obligations are documented in the agreement. | Management agrees and will develop and implement institutional procedures to enhance and align fundraising activities with the Foundation. | Pending finalization of agreement with YSUF | Implementation date revised pending finalization of agreement with YSUF. Internal Audit also evaluating identification of appropriate individual(s) accountable corrective action noted in management response. |
| **2017-01-07** Affiliated Organizations Policy YSUF Agreement Audit

May 2017

Financial
N/A

Finance and Business Operations
3/1/2018 **6/30/2018**
ON SCHEDULE - REVISED | University's Affiliated Organizations Policy requires the University have representation on the Foundation's Board; however, this requirement is not in the agreement and the University cannot ensure compliance.
Review University Affiliated Organizations Policy and ensure it aligns with the relationship between the Foundation and the University and the fundraising service agreement | Management agrees and will submit a revised policy to the Board of Trustees for review and consideration. | Pending finalization of agreement with YSUF | Implementation date revised pending finalization of agreement with YSUF. |
| **2017-01-08** Gifts for Benefit of University Policy YSUF Agreement Audit

May 2017

Financial
N/A

Finance and Business Operations
3/1/2018 **6/30/2018**
ON SCHEDULE - REVISED | Gifts for the Benefit of the University Policy authorizes the University to refuse gifts but does not identify who within the University has this authority.
Enhance Gifts for the Benefit of the University Policy by identifying who within the University is authorized to refuse a gift to the University. | Management agrees and will submit a revised policy to the Board of Trustees for review and consideration. | Pending finalization of agreement with YSUF | Implementation date revised pending finalization of agreement with YSUF. |

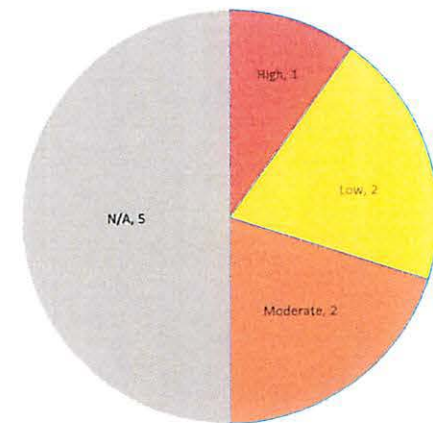## Audit Recommendations - Days to Current Deadline from 6/7/18

Legend:
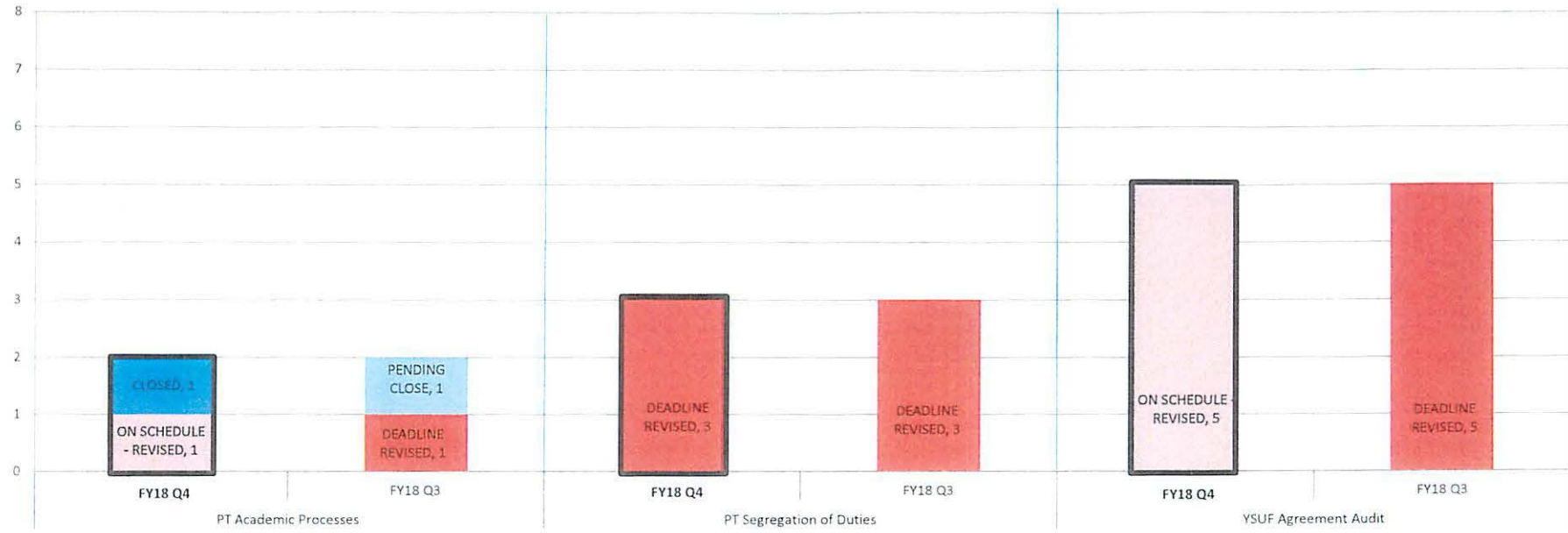- High (red)
- Moderate (orange)
- N/A (white)
- Low (yellow)

Item	Description
2017-01-08	Gifts for Benefit of University Policy
2017-01-07	Affiliated Organizations Policy
2017-01-04	Coordinating fundraising efforts
2017-01-03	Individual gift support review
2017-01-02	Reporting from YSUF
2015-03-02	Tracking Faculty Workload
2014-02-03	Manual Payroll Checks REVISED FY18 Q4
2014-02-02	Payroll Processing REVISED FY18 Q4
2014-02-01	Payroll Time Entries REVISED FY18 Q4

Axis: 0, 30, 60, 90, 120, 150, 180, 210, 240, 270, 300

Department
- Vice President for Finance and Business Operations, 5
- Human Resources, 5

Risk Category
- Human Resources, 2
- Financial, 8

Risk Level
- High, 1
- Low, 2
- Moderate, 2
- N/A, 5

Audit Recommendations Status by Audit - Current Quarter vs. Prior Quarter

Audit Engagement

- PT Academic Processes, 2
- PT Segregation of Duties, 3
- YSUF Agreement Audit, 5

Status

- CLOSED, 1
- DEADLINE REVISED, 3
- ON SCHEDULE - REVISED, 6
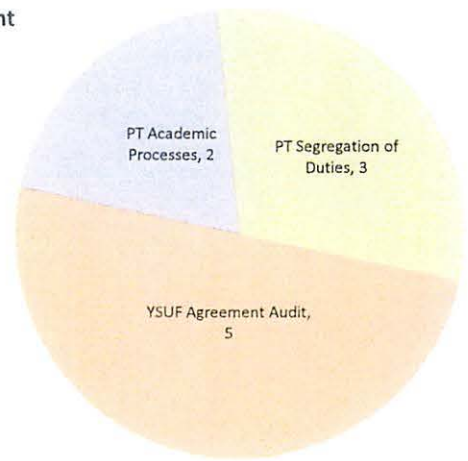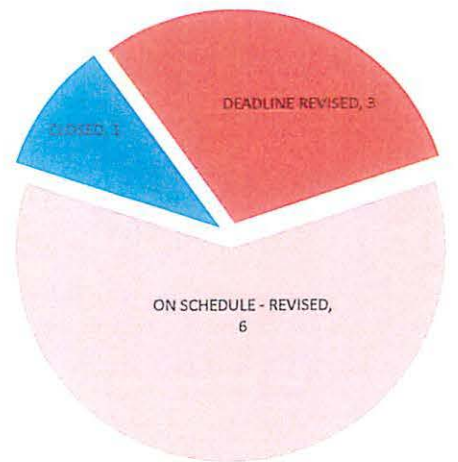
Youngstown State University
Office of Internal Audit
Audit Plan Quarterly Update
Fiscal Year 2018
July 1, 2017 - March 2018

	July 2017 - March 2018						Apr - June	Comment
	July - Sept	Oct - Dec	Jan - Mar	FY18 to date as of March 30			Quarter 4	
	Quarter 1	Quarter 2	Quarter 3	Total	*Budget*	Difference	*Budget*	
Audit and Assurance:								
Audit Engagements:								
Purchasing	230	176	114.5	520.5	*425*	-96	20	wrap-up and audit report issuance in Q4
Grants/Research Compliance	0	10	26.5	37	*280*	244	160	fieldwork on research compliance audit begun in Q4
Student Organizations	-	-	-	-	*0*	-	-	moved to 2019 audit plan
Continuous Auditing/Analytics	99	177	280.75	556.75	*396*	-161	180	planned intern hours through end of Spring semester enable additional continuous auditing procedures, including travel expense audits begun in Q3
Open Audit Recommendation Follow-up	20	10	13	43	*107*	64	35	
Hotline Monitoring	2	5	15.5	23	*45*	23	15	
	351	378	450.25	1179	*1253*	74	410	
Advisory			67	67	*90*		90	new line item added prior quarter
Administrative & Planning:								
Administrative	87	61	63	211	*173*	-38	45	
Audit Risk Assessment, Annual Planning, Audit Subcommitte Prep and Meetings	71	91	64	226	*128*	-98	25	as noted in prior quarter, ongoing risk assessment moved to newly added "Advisory"
Enterprise Risk Management assistance		25	32	57	*80*		20	
Professional Development & Training	4	30	11	45	*30*	-15	10	
Holiday, Vacation/Sick	84	91	30	205	*200*	-5	20	
	246	298	199	743	*611*	-155	120	
Total Hours	597	676	716	1989	*1864*	-124.75 *	620	

prepared: 4/19/2018

YSU Anonymous Reporting Hotline
Aggregated Statistics
Fiscal Year 2018 Quarter 4
As of 5/4/18

Hotline Activity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Fiscal Year To Date Total	Prior Fiscal Year Total
Open from previous quarter	-	1	2	2		
Reports received	1	2	5	-	8	5
Closed						
Unsubstantiated/insufficient information	-	1	1	2	4	4
Process enhancements noted	-	-	-	-	-	1
Formal investigation	-	-	-	-	-	-
Referred	-	-	2	-	2	-
Total Closed	-	1	3	2	6	5
Under review at quarter end	1	2	2	-		

Reporting Method	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Fiscal Year To Date Total	Prior Fiscal Year Total
Ethicspoint Phone	-	-	-	-	-	3
Ethicspoint Website	1	2	5	-	8	2
Total:	1	2	5	-	8	5

Reporter Anonymity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Fiscal Year To Date Total	Prior Fiscal Year Total
Anonymous	1	2	5	-	8	5
Not anonymous	-	-	-	-	-	-
Total:	1	2	5	-	8	5

Youngstown
STATE UNIVERSITY

One University Plaza, Youngstown, Ohio 44555
Office of Internal Audit
330.941.2015
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Internal Audit Report

Date: May 22, 2018

To: Katrena Davidson, Controller
Adam Gustetic, Procurement Services Director

From: Sarah Gampo, Internal Audit Director

RE: Procurement Audit   **Audit #:** FY2018-01

Background

Procurement Services provides assistance for the purchase and payment of quality goods and services at competitive costs in accordance with University guidelines and applicable laws. Under the University's Purchasing policy 3-01, "requests for purchases are made by using a university-approved procurement card or the online procurement requisition system". eCUBE is Youngstown State University's online procurement requisition system. It enables users to electronically submit purchase requisitions, automatically routes requisitions for approval electronically, creates purchase orders from fully approved requisitions, maintains the transaction's audit trail, and interfaces with the University's Banner ERP system.

Engagement

Internal Audit will review the system of internal controls surrounding the purchasing side of the University's centralized procurement function.

An audit is designed to provide reasonable, but not absolute assurance regarding the effectiveness of internal controls. An audit involves the use of sampling, rather testing 100% of a population of transactions or items. Internal Audit promotes continuous improvements and effective internal controls. However, management is responsible for the design, implementation and operating effectiveness of internal controls.

Objectives

The objectives of this audit are to assess the adequacy and effectiveness of the operational, administrative, and financial controls related to the centralized procurement activities/function and to ensure compliance with applicable governmental regulations and university policies and procedures.

Scope

The scope of this engagement included review of the university's procurement requisition and related processes. The scope included a review of the eCube system administration and processes. The scope did NOT include the university p-card or employee travel expense reimbursement processes or the Accounts Payable payment process. The time period under review was fiscal year 2017 (July 1, 2016 – June 30 2017) and fiscal year 2018 through August 31, 2017 (June 1, 2017 – August 31, 2017).

The population of transactions processed during the period covered by this audit, include approximately 8,600 and 1,800 requisitions totaling approximately $140,700,000 and $18,200,000 in fiscal year 2017 and fiscal year to date 2018, respectively.

Specific procedures included:
- Inquiries of University staff, including process walkthroughs
- Tests of specific items and review of supporting documentation
- Review of related documented University policies and procedures

Conclusion

Overall the audit indicated controls were adequate and effective to provide reasonable assurance that risks were being managed and objectives were met. However, Internal Audit observed several areas for improvement and enhancement of controls. Therefore the audit opinion is *effective, opportunities for improvement*.

The observations and audit recommendations are presented in this report along with managements' responses. Management's response includes a planned implementation date for corrective action. Internal Audit will perform follow-up procedures subsequent to the indicated implementation date to verify that corrective actions have been taken.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,

Sarah Gampo, CPA, CIA, MSA
Director of Internal Audit

Cc: N. McNally
     J. Tressel
     Audit Subcommittee

#	Observation Summary	Recommendation Summary	Management Response Summary	Expected Completion Date
		Internal Audit of Procurement **Executive Summary**		
1	Conflict of interest procedures do not include evaluation of potential conflict prior to requisition approval. *Risk Rating: High*	Develop and document procedures to systematically evaluate purchases from vendors with potential conflicts.	Conflict of Interest procedures will be updated and distributed to staff. Staff training will be conducted. New Vendor Form will be revised to incorporate conflict of interest verification.	June 30, 2018
2	Waivers of competitive bidding require only approval of Procurement Director and financial manager of the requesting department. *Risk Rating: Moderate*	Implement a review by the Vice President for Finance and Business Operations to approve or deny bid waiver requests after they are reviewed and approved by the Procurement Director.	There is a new Director of Procurement Services effective May 16, 2018. Evaluation of the recommendation will continue as an additional review of the Bid Waiver process.	December 31, 2018
3	Several eCube users in Procurement are assigned to a user group that enables the user to override other approvals in the workflow. *Risk Rating: Moderate*	Evaluate the eCUBE user group permission that enables a user to override approvals to determine if it can be removed.	Buyer role in eCUBE has been updated to turn off ability to override requisition approval rules and approve requisitions on behalf of other approvers.	Completed
4	System administrator users have ability to manually create eCube user accounts ("direct logins"), circumventing the controls of automated creation of users from Banner. *Risk Rating: Moderate*	Evaluate structure of system administration to ensure monitoring of elevated system administration accounts. Strengthen controls around manually created eCUBE "direct login" accounts.	Site administration has been removed from anyone with a buyer role in eCUBE system. Roles of individuals with site administration access will be reviewed; availability of system activity logs will be evaluated. Based on system review, certain roles require setup as direct logins. Procedures will be updated to require all direct logins follow same approval process as requestors and approvers.	December 31, 2018
5	Procedures for changes to vendor master file not consistently implemented. Vendor master file not periodically reviewed for duplicate records. *Risk Rating: Low*	Ensure supporting documentation for changes to vendor master file are complete and maintained. Review vendor master file for duplicates and scrub eCube vendor list against Banner vendor master file at least annual.	Staff were reminded of procedures for set up of new vendor. New Vendor Form will be revised to incorporate conflict of interest verification. Vendor maintenance procedures will be updated for procedures for additions, changes, and inactivation of vendor records and annual review of records.	December 31, 2018

#	Observation Summary	Recommendation Summary	Management Response Summary	Expected Completion Date
6	Purchases processed outside of eCube are not reviewed for debarment from state or federal funding (for purchases on federal grants). *Risk Rating: Low*	Ensure procedures include verification vendors are not debarred from state or federal (for purchases on federal grant) purchasing.	New Vendor Form will be revised to add a review and verification that vendor was not debarred from state or federal funding. Departmental procedures for processing purchase orders in eCUBE will be reviewed and updated to incorporate standards, including responsibilities of buyers and information required to be maintained. Training on any updates will be provided to relevant staff.	December 31, 2018
7	Procedures have not been developed for capturing or determining and reporting the corresponding cost savings for purchase under each one of these policy and procedure requirements. *Risk Rating: Low*	Develop procedures for capturing or determining and reporting corresponding cost savings for purchases made in accordance with university purchasing policy.	Though a high level cost savings analysis was completed for the Governor's Taskforce report a, spreadsheet will be created and maintained beginning with FY19. This spreadsheet will capture cost savings for purchases made by utilizing group purchasing agreements, obtaining three quotes, and through competitive selection process.	June 30, 2018
8	Periodic review of eCUBE user list against a list of active employees is not performed. Procedures for changes to manual direct login accounts not documented. There are a large number of inactive eCube user accounts. *Risk Rating: Low*	At least annually, scrub eCUBE user list against active employees list. Document procedures for ensuring direct login account access is removed timely. Evaluate purging inactive eCUBE accounts.	eCUBE System User Account Maintenance procedures will be updated to incorporate procedures for additions, changes, and inactivation of user accounts as well as annual review of records for possible inactivation and purging.	December 31, 2018
9	eCube contracts module not consistently implemented. *Risk Rating: Low*	Evaluate fully implementing the eCUBE contracts module for enhancing contract compliance monitoring.	Director of Procurement Services will evaluate eCUBE contract module and determine if it is an appropriate solution for contract compliance monitoring and managing contract expiration and milestone tracking.	December 31, 2018
10	Few instances were noted where manual supporting documentation maintained in eCUBE was not consistent across all transactions or was not complete. *Risk Rating: Low*	Ensure departmental procedures include standards for documentation captured and maintained in eCUBE. Ensure procedures are documented and communicated to relevant Purchasing Department staff.	Departmental procedures for processing purchase orders in eCUBE will be reviewed and updated to incorporate standards, including responsibilities of buyers and information required to be maintained in eCUBE. Relevant staff will be trained on any updates.	December 31, 2018

Internal Audit of Procurement
Recommendations

1. Identification and Evaluation of Conflicts of Interest in Purchasing

Observation

University policy 3356-7-01 Conflicts of Interest requires employees disclose outside financial interests to the University for Identification of potential conflicts of interest. To implement this policy, the Controller's Office distributes a Conflict of Interest Certification form annually, ensures receipt of forms, maintains completed forms, and compiles a list of all disclosed interests. The completed list is then distributed to the Procurement Director. This process also occurs throughout the year whenever there is a new financial manager or a new Pcard is issued. Procurement ensures the vendors identified as having potential conflict are flagged in eCUBE. When a purchase is made from the vendor, the flag on the requisition alerts procurement upon their review that there is a potential conflict. Several purchases were made from vendors where a potential conflict had been identified. No improper purchasing activity was noted. However, there was no documentation of the evaluation of the potential conflict prior to approval of the requisition. Internal Audit noted the following with regards to conflict of interest process:

- Departmental procedures do not appear to include a method for evaluating potential conflicts and developing and documenting conflict of interest management plans when needed.
- During testing, several vendors identified as having potential conflicts in the prior year and again in the current year were not flagged in eCUBE.
- Departmental procedures do not appear to include a process for reviewing new vendors for potential conflicts and ensuring they are flagged in eCUBE timely upon being added.

Recommendation

- Develop and document procedures to consistently and systematically evaluate purchases from vendors where a potential conflict has been identified. Ensure procedures address documentation of the evaluation and maintenance of supporting documentation.
- Enhance procedures to ensure potential conflicts are timely and accurately identified and captured in eCUBE.
- Ensure procedures encompass new vendors added throughout the year as well as the annual process to identify and capture potential conflicts. (See related "Changes to the Vendor Master File" recommendation.)

1. Identification and Evaluation of Conflicts of Interest in Purchasing - continued

Management Response

Conflict of Interest procedures will be updated and distributed to staff. Additionally, initial and annual staff training will be conducted. To ensure procedures encompass new vendors added throughout the year, the New Vendor Form will be revised to incorporate a check to verify if vendor is on the current Conflict of Interest spreadsheet and is properly tagged in eCUBE. The conflict of interest verification will also be added to the check request and incorporated into the Pcard audit procedures.

Expected completion date is June 30, 2018.

2. Waivers of Competitive Bidding

Observation

Public competitive bidding helps ensure a fair and transparent selection process, reduces the risk and potential impact of undisclosed conflicts of interest, and helps ensure the best value is obtained. Noncompetitive selection exposes the university to potential damage to the University's reputation from the perception of unfairness as well as potential for financial impact from overpaying or receiving inadequate quality. Dollar thresholds are established to focus competitive bidding on purchase deemed to be of significant financial impact. University Purchasing Policy 3356-3-01 has established a $50,000 threshold for competitive bidding to balance the cost of public competitive bidding. Thus, public competitive bidding is only applied to purchases deemed to be of significant financial impact. The University's review and approval should be at an organizational level commensurate with the risks exposure of noncompetitive selection.

The policy also defines justifications for waivers and authorizes the Procurement Director to grant waivers. However, best practice based on benchmarking against other Ohio institutions is to have the vice president or associate vice president of finance approve or deny the waiver at the recommendation of the Procurement Director. The University is not exposed to the aforementioned risks when a bid waiver request is rejected; hence it is not critical that waivers rejected by the Procurement Director be escalated to the Vice President for Finance and Business Operations for review.

Recommendation

Implement a review by the Vice President for Finance and Business Operations to approve or deny bid waiver requests after they are reviewed and approved by the Procurement Director. Ensure the Vice President's review is documented via sign-off on the bid waiver form and University Purchasing Policy is updated accordingly.

Management Response

There is a new Director of Procurement Services effective May 16, 2018. Evaluation of the recommendation will continue as an additional review of the Bid Waiver process.

Expected completion date is December 31, 2018.

3. eCUBE Requisition Approval Overrides

Observation

Users are assigned to user groups that establish what the user can access and the functions they can perform in the system. Approval rules are established in eCUBE to ensure requisitions are routed through the electronic workflow for proper approvals. However, one eCUBE user group *(Buyer role)* has the ability to override requisition approval rules and approve requisitions on behalf of other approvers. The group is restricted to a very small number of users in the Procurement Services Department.

Based on testing, overrides that occurred were infrequent, unintentional, and procedures appear to in place for obtaining the appropriate approval outside of the approval workflow in the requisition comments. Procurement staff could not identify a business need for the override ability. The ability to override approvals increases the risk that improper purchasing activity could be perpetrated and concealed to hinder detection. (Also see "eCUBE System Administration" for related risks for system administrator).

Recommendation

Evaluate the eCUBE user group permission that enables a user to override approvals to determine if it can be removed. If this override ability cannot be removed (whether due to system constraint or business need), develop and implement procedures for supervisory review and oversight to verify approval was obtained and documented.

Management Response

The Buyer role in eCUBE has been updated to turn off ability to override requisition approval rules and approve requisitions on behalf of other approvers.

4. eCUBE System Administration

Observation

Administrator accounts have elevated system access and are required for performing system administration functions. Assignment of system administrator roles must ensure segregation of duties, backup, monitoring of system administrator account activity. System administrator accounts establish and maintain user accounts and user groups, permission, and rules.

Segregation of duties

A primary and backup eCUBE system administrator have been assigned. However, the primary system administer also has an operational function performing the Procurement Services Department's review and approval of requisitions; hence the eCUBE roles has elevated access to approve requisitions and override other requisition approvals (as noted in the "Requisition Approval Overrides" observation). Having one individual with both roles with this elevated access, increases the potential that improper activity could be perpetrated and concealed to hinder detection.

Manual eCUBE user accounts

In general, the system administrator role in setting up new user accounts is limited; eCUBE user accounts are created and set-up through an automated interface with Banner. Accounts created through the automatic process cannot be manually edited by the eCUBE system administrator role. The automatic process ensures that accounts are authorized, prevents unauthorized changes to accounts, and ensures data is accurate since it is dynamic, feeding directly from the University official system of record (Banner). However, the system administrator role has the ability to manually create and set-up user accounts that are not subject to the controls in the automatic process. A limited number of manually created "direct login" accounts have been created to grant access to users that do not have financial budget authority in Banner, but are a functional (rather than financial manager) approver in the workflow. A procedure is not in place to authorize and approve manually created accounts. Hence direct login accounts increase the risk of unauthorized user accounts, improper changes to direct login user accounts, direct login accounts are updated timely including inactivation when an employee leaves or transfers.

Recommendation

Evaluate the structure of system administration to ensure monitoring of elevated system administration accounts.

- To strengthen segregation of duties separate the primary system administrator role from the operational Procurement Department role that approves requisition.
- Develop procedures to periodically obtain and review activity logs of system administrator accounts, specifically supervisory oversight of direct login accounts' creation and removal, modification.

Strengthen controls around manually created eCUBE "direct login" accounts:

- Continue to limit direct login accounts. Evaluate the ability to utilize automatically set-up user accounts from Banner rather than manually created direct login account.

4. eCUBE System Administration – continued

- Ensure authorization and approval of manually created eCUBE direct login accounts are documented. Direct login accounts should be approved at a minimum by the employee's supervisor and the Procurement Director. Documentation should include explanation and justification of the need for the account. Review direct login accounts at least annually to ensure access is still valid.

Management Response

The site administration capabilities have been removed from anyone with a buyer role in the eCUBE system. The roles of individuals with site administration access will be reviewed and defined and the system will be evaluated to determine if applicable activity logs are available.

The system review has been completed and only certain roles (requestor and approvers) are automatically set-up. Other roles require direct log-ins. Procedures will be updated to require all direct logins follow the same approval process as the requestors and approvers.

Expected completion date is December 31, 2018.

5. Vendor Master File Changes and Maintenance

Observation

The Banner vendor master file contains records all of the university's vendors, including vendor identity, address, and vendor payment information. A vendor must be in the vendor master file in order to create a requisition from the vendor. Change controls over the vendor master file ensure only authorized changes are made to the vendor master file is key to preventing improper purchasing activity. Procurement Services maintains the vendor master file and the vendor change process.

New vendor forms

To add a new vendor, Procurement Services procedures require a "Vendor Information and Substitute IRS W9 Form" be submitted through the Procurement Services Department's secure portal. A staff member in Procurement reviews and authorizes the form and adds the vendor to the master file. However, based on testing, procedures did not appear to be consistently implemented as several incomplete forms were noted and one form was not maintained.

Periodic vendor file maintenance/clean-up

Procedures are in place to ensure duplicate vendor records are not added to the vendor master file. However, procedures do not include a periodic review to detect duplicate records in the Banner vendor master file to ensure controls over duplicates are operating effectively. Procedures also do not include a periodic review of vendors in eCUBE against the Banner vendor master file to ensure the list accurately reflects vendors available for purchasing.

Potential conflicts of interest identification

See "Identification and Evaluation of Conflicts of Interest in Purchasing" for observation and recommendation related to reviewing new vendors for identified potential conflicts of interest when new vendors are added.

Recommendation

- Enhance procedures ensure supporting documentation for changes to vendor master file made in Procurement Services is completed and maintained.
- At least annually, review the vendor master file to detect potential duplicate vendor records.
- At least annually, scrub the list of eCUBE vendors against the vendor master file.
- See "Identification and Evaluation of Conflicts of Interest in Purchasing" for observation and recommendation related to reviewing new vendors for identified potential conflicts of interest when new vendors are added.

5. Vendor Master File Changes and Maintenance - continued

Management Response

Staff were reminded of procedures regarding set up of new vendor forms. The New Vendor Form will be revised to incorporate a check to verify if vendor is on the current Conflict of Interest spreadsheet and is properly tagged in eCUBE.

Vendor maintenance procedures will be updated to incorporate procedures for additions, changes, and inactivation of vendor records as well as annual review of records for possible inactivation and purging.

Expected completion date is December 31, 2018.

6. Review of Vendors for Debarment

Observation

A procedure is in place to verify that vendors are not debarred from state funding or federal funding, if applicable, when requisitions are processed. A manual exception process is in place for limited circumstances where purchases are made without a requisition and outside of eCUBE. However, these purchases are not reviewed to ensure vendors are not debarred from state funding or federal funding, if applicable.

Recommendation

Ensure procedures to verify vendor are not debarred from state funding and federal funding, if applicable, are performed when purchases are processed as exceptions to the eCUBE requisition process.

Management Response

The New Vendor Form will be revised to add a review and verification that vendor was not debarred from state or federal funding.

Departmental procedures for processing purchase orders in eCUBE will be reviewed and updated to incorporate standards, including responsibilities of the buyers and the information required to be maintained in eCUBE. Training on any updates will be provided to relevant staff.

Expected completion date is December 31, 2018.

7. Capturing and Reporting Cost Savings

Observation

Purchasing policies and procedures are designed to ensure the integrity of purchasing activity and effectiveness of the purchasing process in obtaining the best value for the University. To measure the effectiveness of policies and procedures at obtaining the best value, processes must be in place to capture and report cost savings.

Although not an all-inclusive list, Internal Audit noted these key requirements designed to ensure best value from University Purchasing Policy 3356-3-01 and corresponding Procurement Services Department procedures.

- (E) (3) "All purchases for goods and services for which there is an existing university contract or price agreement with one or more preferred vendors must be made from those vendors."
- (E)(6) "For purchases below the competitive selection dollar thresholds, the director of procurement services, or designee, may require quotes." Under this policy, Procurement procedures require three quotes for purchases between $10,000 and $50,000 (competitive selection threshold).
- (E)(5) "Competitive selection thresholds (a) Goods or services when an individual transaction/project from a single supplier is fifty thousand dollars or more."

Procedures have not been developed for capturing or determining and reporting the corresponding cost savings for purchase under each one of these policy and procedure requirements.

Recommendation

Develop and implement procedures for capturing or determining and reporting the corresponding cost savings for purchases made in accordance with university purchasing policy, including:

- Purchasing from preferred vendors with existing price agreements or existing university contracts,
- Obtaining three quotes for purchases between $10,000 and $50,000 and,
- Competitive selection for purchases over $50,000.

Management Response

Though a high level cost savings analysis was completed for the Governor's Taskforce report a, spreadsheet will be created and maintained beginning with FY19. This spreadsheet will capture cost savings for purchases made by utilizing group purchasing agreements, obtaining three quotes, and through the competitive selection process.

Expected completion date is June 30, 2018.

8. eCUBE System User Accounts Maintenance

Observation

Logical system access controls ensure that users are authorized to access a system. This includes controls to timely remove terminated employees or employees that change position and no longer need access. Periodic monitoring by comparing the user list to a current employee list ensure system access removal controls are operating effectively and detects potential exceptions.

The interface between Banner and eCUBE for user set-up and maintenance ensures access is removed timely when an employee is terminated or changes position. However, there is no periodic review of the ECUBE user list against a list of active employees. In addition, the system administrator must manually remove access for direct login accounts. Procedures appear to be in place to ensure notifications of relevant employee changes are obtained and reviewed by the eCUBE system administrator for access removal. However, procedures are not documented. (See related "ECUBE System Administration" observation for information on eCUBE user set-up and regarding manually created eCUBE user accounts.)

Also, there are a large number of inactive accounts. Procedures have not been developed to purge inactive user accounts after a reasonable period of time.

Recommendation

At least annually, compare the eCUBE user list to the list of active employees to ensure controls over system access removal are operating effectively and detect potential exceptions.

Evaluate purging inactive ECUBE accounts after a reasonable period of time.

Management Response

eCUBE System User Account Maintenance procedures will be updated to incorporate procedures for additions, changes, and inactivation of user accounts as well as annual review of records for possible inactivation and purging.

Expected completion date is December 31, 2018.

9. eCube Contract Management Module

Observation

The Contracts module within eCUBE is used as a repository to maintain purchasing contracts and links contracts to corresponding purchase requisitions in eCUBE. The module has the functionality to track contract spend and end dates for monitoring. Monitoring contract spend and expiration ensures contracts are not utilized outside of the service dates of the agreement and amounts billed under contracts are accurate and complete. ECUBE may provide efficiencies that can be leveraged for monitoring contract compliance. However, the module has not been consistently implemented to enable reliable monitoring of contract spend and expiration and as a central repository to retain contracts linked to the corresponding purchase requisitions.

Recommendation

Evaluate fully implementing the eCUBE contracts module for enhancing contract compliance monitoring through tracking contract spend and expiration and for retaining contracts.

Management Response

The Director of Procurement Services will evaluate the eCUBE contract module and determine if it is an appropriate solution for contract compliance monitoring and managing contract expiration and milestone tracking.

Expected completion date is December 31, 2018.

10.   Documentation Maintained in eCUBE

Observation

An adequate audit trail ensures traceability of a transaction to assess whether it was processed as it should and/or detect errors for corrective action. ECUBE electronically captures and maintains purchase transaction data and approvals to ensure traceability. ECUBE is also used to maintain related supporting manual documentation. Overall controls appear to operating effectively to ensure documentation is captured is complete and maintained consistently. However, a few instances were noted where manual supporting documentation maintained in eCUBE was not consistent across all transactions or was not complete.   While this documentation may also be maintained redundantly outside of e Cube, consistently capturing complete documentation in eCUBE enables realization of the benefits of efficiencies of the system.

Below are details of the instances referenced above:

- Supporting request for proposal (RFP) and awarded proposal (for applicable competitively bid purchases) for one requisition were not maintained in the requisition
- Supporting documentation for one requisition did not contain the dollar amount of the purchase
- One approved bid waiver form did not have the full dollar amount of the purchase for which the waiver was requested
- On several withdrawn requisitions, the reason for withdrawing the requisition was not clearly documented

Recommendation

Ensure departmental procedures include standards for documentation captured and maintained in eCUBE. Ensure procedures are documented and communicated to relevant Procurement Services Department staff.

Management Response

Departmental procedures for processing purchase orders in eCUBE will be reviewed and updated to incorporate standards, including responsibilities of the buyers and the information required to be maintained in eCUBE.   Training on any updates will be provided to relevant staff.

Expected completion date is December 31, 2018.

Youngstown State University
Office of Internal Audit
Audit opinions

Effective, no improvements – risk management processes are operating effectively with no control deficiencies or suggestions for improvement noted; no opportunities to strengthen processes to increase likelihood of achievement of objectives

Effective, Opportunities for improvement - risk management processes overall are operating effectively but specific control deficiencies and/or suggestions for improvement were noted; there are opportunities to strengthen processes to increase likelihood of achievement of objectives

Ineffective – multiple, significant control deficiencies noted indicating systematic weakness in the control framework; risk management processes are not operating effectively and are unlikely to ensure achievement of objectives

5/21/2018

Youngstown
STATE UNIVERSITY

RESOLUTION TO APPROVE THE FY19
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 2019 has been developed; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of Youngstown State University does hereby approve the FY19 Annual Internal Audit Plan, as shown in Exhibit __ and made part hereof.

Board of Trustees Meeting
June 7, 2018
YR 2018-

Audit Engagements

Area / Quarter Planned	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY19 Budgeted Hours
Grants/Research Compliance 1st quarter (carryover from FY18)	operational and financial controls surrounding the processes to identify, apply for and accept (if awarded) grants/external funding	noncompliance with policies and procedures, and grantor requirements including federal Uniform Guidance, esp. for antipicated increased funding levels / Research	high	identify, assess, and test processes to ensure compliance with policies, procedures, and grant requirements including federal Uniform Guidance, and design and effectiveness of operational controls including adequacy of policy and procedures	200
Payroll 1st Quarter	cross-functional review of the University's payroll process	changes to payroll process have been implemented since it was previously audited several years ago; payroll is inherently higher risk area due to large volume and total dollar amount of transactions processed / Financial	moderate	assess the design of the University's payroll process to ensure efficiency and effectiveness and appropriate segregation of duties between the Human Resources and Payroll Departments	250
Penguin Tuition Promise Guarantee 2nd quarter	limited scope engagement to test specific audit objective noted related to accuracy of tuition rates; *(NOT full scope audit of PTP program)*	Inaccurate tuition rates charge under newly implemented Pengiun Tuition Promise program / Financial	moderate	ensure accuracy of tuition rates billed in accordance with documented University guidelines on the Penguin Tuition Promise program	80
Banner User Access 3rd quarter	procedures and controls for granting, modifying, and terminating Banner access within Banner modules	inappropriate Banner user access is inherently high risk in complex ERP system with a large number of users / IT	high	ensure Banner user access is appropriately assigned and restricted based on least privilege (users have access only to what is required to perform their duties) including read-only access to sensitive and confidential information, and maintains segregation of duties	250
Student Organizations 4th quarter (carryover from FY18)	operational and financial controls related to registered student organizations	noncompliance with policies and procedures; inadequate and/or ineffectiveness of operational and financial controls / Financial	high	identify, assess, and test processes to ensure compliance with policies and procedures, and design and effectiveness of financial and operational controls including adequacy of policy and procedures	70
					Total Audit Engagements	**850**

Continuous Auditing/Analytics

Area	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY19 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	255
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	295
					Total Continuous Auditing	**550**

Open Audit Recommendation Follow-up

Area	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY19 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	140
					Total Open Audit Recommendation Follow-up	**140**

Hotline Monitoring

Area	Project Scope	Risk	Risk Category	Preliminary Risk Assessment	Audit Objective	FY19 Budgeted Hours
Hotline Monitoring	Ongoing monitoring of hotline reports	fraud/unethical conduct / various	TBD	assess risk level and quality of hotline reports; ensure timely follow-up of reports as deemed necessary	60
					Total Hotline Monitoring	**60**
					Audit Plan Total	**1600**

Youngstown State University
Office of Internal Audit
FY 2019 Audit Plan
Proposed June 7, 2018

	Jul - Sept	Oct - Nov	Dec - Mar	Apr - Jun	FY18
	Q1 Total	Q2 Total	Q3 Total	Q4 Total	Total
Audit and Assurance: (see Proposed Audit Plan for detail)					
Audit engagements	155	250	240	205	850
Continuous Auditing/Analytics	120	155	155	120	550
Open Audit Recommendation Follow-up	35	35	35	35	140
Hotline Monitoring	15	15	15	15	60
	325	455	445	375	1600
Advisory	90	90	90	90	360
Administrative & Planning:					
Administrative (includes student auditor hiring, training)	45	60	60	45	210
Audit Risk Assessment, Annual Planning, Audit Subcommitte Prep and Meetings	15	15	15	25	70
Enterprise Risk Management assistance	20	20	20	20	80
Professional Development & Training	10	10	10	10	40
Holiday, Vacation/Sick	80	30	40	20	170
	170	135	145	120	570
Total Hours	**585**	**680**	**680**	**585**	**2530**

Note: hours above include a total of 450 hours for a student audit intern in Fall 2018 and Spring 2019