



**YOUNGSTOWN
STATE
UNIVERSITY**

**BOARD OF TRUSTEES
AUDIT SUBCOMMITTEE
Michael A. Peterson, Chair
Molly S. Seals, Vice Chair
James E. "Ted" Roberts
Anita A. Hackstedde
Elsa Khan**

**Wednesday, September 1, 2021
10:30 a.m. or immediately following
previous meeting**

**Kilcawley Center
Presidents' Suites**

AGENDA

- A. Disposition of Minutes for Meeting Held June 2, 2021**
- B. Old Business**
- C. Committee Item**

1. Discussion Items

- C.1.a. = Tab 1 a. Donor Restricted Fund Audit Report**
Kelli L. Miller, Director of Internal Audit, will report.
- C.1.b. = Tab 2 b. 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.
Kelli L. Miller, Director of Internal Audit, will report.
- C.1.c. = Tab 3 c. FY21 Fourth Quarter Internal Audit Plan Update**
Kelli L. Miller, Director of Internal Audit, will report.
- C.1.d. = Tab 4 d. Anonymous Reporting Hotline Stats Update**
Kelli L. Miller, Director of Internal Audit, will report.
- e. Enterprise Risk Management Update**
Kelli L. Miller, Director of Internal Audit, will report.

- D. New Business**
- E. Adjournment**

Internal Audit Report

Date: July 29, 2021

To: Katrena Davidson, Controller

From: Kelli L. Miller

RE: Internal Audit Testing – Donor Restricted Funds

Audit #: FY2021-02

Background

Donors contribute gifts that support the educational and strategic objectives of Youngstown State University. These gifts can be in the form of cash, securities, property, or other assets. Donors may specify the purpose of the gift, hence establishing “restrictions” on the use of the gift. Additionally, gifts may be endowed, where the principal portion of the gift is invested in perpetuity, with the generated earnings used to fund expenditures in accordance with established gift restrictions. Gifts may be made directly to the University or via an affiliated organization (i.e. Youngstown State University Foundation, The Penguin Club, and WYSU).

Engagement

Internal Audit reviewed the system of internal controls related to the University’s administration and monitoring of donor restricted funds.

An audit is designed to provide reasonable, but not absolute assurance regarding the effectiveness of internal controls. An audit involves sampling, rather than testing 100% of a population of transaction 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 primary objective of this engagement is to evaluate the adequacy and effectiveness of University controls, which ensure the effective administration of donor restricted funds.

Specific objectives include assessing:

- The efficiency and effectiveness of operational procedures and processes
- Reliability and integrity of financial and operational information
- Compliance with the donor intent and applicable University policies

Scope

The scope of this engagement included a review of the University processes related to administration and monitoring of donor restricted funds. The engagement focused on the period from July 1, 2020 through January 31, 2021.



Specific procedures included:

- Review of University and department policies and procedures which address gift acceptance and documentation of donor intent for use of the gift as well as communication of gift restrictions to users
- Inquiries of University staff including process walkthroughs
- Test of University transactions and supporting documentation related to receipt, documentation, and communication of donor intent and ultimate expenditure of gifts

Testing included the flow of funds from point of receipt, in cases where funds were originally received and then transferred to the University, by an external affiliated organization.

Conclusion

Overall, the audit indicated that the system of internal controls is operating effectively. However, Internal Audit observed several areas for improvement to strengthen the system of internal 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.



Kelli L Miller, CPA
Director of Internal Audit

cc:

J. Tressel

N. McNally

Audit Subcommittee

Observations, Recommendations, and Responses

Increased focus on training, communication and adherence to procedures is necessary to improve efficiency and best practices related to administration of restricted giving throughout the university and affiliated organizations.

Observation:

- Stakeholders noted a lack of timely, consistent and relevant restricted giving information.
- Foundation reported that monthly information reports were suspended during the past year and only provided to users upon request. This change was instituted at the time of the university restructuring.
- Chairs and Department Heads indicated an interest in education and training related to handling of donor-restricted funds.

Recommendation:

Current procedures and communication mechanisms need to be reassessed and evaluated in order to ensure that individuals throughout the university have the training and necessary information to administer restricted giving, use of restricted funds and relationships with donors in an effective and efficient manner.

Management response:

A work group has been convened to assess and evaluate training, communication and adherence to procedures for the purpose of improving efficiency and ensuring continued effectiveness in handling of donor restricted funds. Initially, this work group will include representation from the Controller's Office and the YSU Foundation. Consideration will be given to the need to involve stakeholders from other areas within the university as well.

AUDIT RECOMMENDATIONS STATUS - FY2021 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
2018-02-04 Risk assessment and monitoring federal grant subrecipients Research Compliance Audit 2/11/19 research Moderate Academic Affairs 9/30/2020 12/31/2021 ON SCHEDULE	Develop and implement procedures for subrecipient risk assessment and monitoring.	GRS and Grants Accounting are currently finalizing a formal sub-recipient risk assessment process based partially on the federal demonstration partnership best practices documentation. Of greater concern is the likelihood of sub-recipients failing to meet the terms and conditions of the sub-award in a consistent and timely manner. Therefore, much of the focus of this issue will be on development of clear assessment protocols.	Final resolution has been delayed due to staffing shortages and COVID-19. Completion timeline contingent on staffing and remote work considerations. Temporary measures are in place to strengthen oversight until implementation completed.	Final resolution has been delayed due to staffing shortages and COVID-19. Completion timeline contingent on staffing and remote work considerations. Temporary measures are in place to strengthen oversight until implementation completed.
2018-02-05 Principal investigator communication and training Research Compliance Audit 2/11/19 research Moderate Academic Affairs 1/31/2020 12/31/2021 DEADLINE REVISED	Develop formal, ongoing periodic training for PIs and potential PIs that is aligned with funding agency guidelines. Ensure required trainings are monitored for completion.	Management believes that the audit items can be substantially addressed as a result of the hiring a new Director of Research, Compliance and Initiatives (Dr. Van Slambrouck) and the implementation of an ERA system. Pertinent tasks planned include: 1) Develop training materials on the use of the ERA software and establish procedures for proposal development and submission, consistent with relevant requirements. 2) Develop training videos which meet the scheduling needs of faculty, staff and students. 3) Develop a record keeping process within the ERA software for monitoring training.	ERA system training has been the focus. This has been conducted in conjunction with roll-out of new system in module format. This is an ongoing task that will extend well into FY 22 and future years.	ERA system training has been the focus. This has been conducted in conjunction with roll-out of new system in module format. This is an ongoing task that will extend well into FY 21 and future years.
2018-02-10 Pre-approval of travel expenses charged to grants Research Compliance Audit 2/11/19 Financial Low Finance and Business Operations 1/12/20 12/31/2021 ON SCHEDULE	Include Grants Accounting in the current automated approval workflow routing for expenses charged to grant funds.	Grants Accounting understands the desire to automate workflow approvals in Concur rather than relying on manual routing. We are exploring the use of automated workflows for travel reimbursements in Concur.	Procurement position vacancies and COVID implications continue to delay progress. Target dates contingent on staffing and remote work.	Procurement position vacancies and COVID implications continue to delay progress. Target dates contingent on staffing and remote work.

Audit Recommendation Number / Name	Summary of Recommendation	Summary of Response	Current Status Comment	Prior Status Comment
Audit Issued Risk Category Risk Level Division Original Deadline Current Status				
2018-02-11 Electronic research administration system Research Compliance Audit 1/11/19 research Low	Develop a formal implementation plan for the ERA system software to enable appropriate oversight and management of the project.	A viable ERA system was identified and purchased. However, the vendor went out of business, rendering the selected platform impractical. The Office of Research has begun the process of re-evaluating alternative systems and a potential ERA system has been identified. The procurement of the system is expected in 1st quarter 2020 and implementation will follow.	System has been purchased and is being utilized by a limited number of users. There are still some issues that are being addressed. Wide distribution delayed while known issues are addressed.	System has been purchased and is being utilized by a limited number of users. There are still some issues that are being addressed. Wide distribution delayed while known issues are addressed.
1/12/2020 ON-SCHEDULE				
2020-01-01 Policies and Procedures Student Organizations Audit 07/31/20 Financial Low	Update policies to address financial management requirements including tax status, accounting, contracts, record keeping, contract requirements, bonding, insurance, and prior orders, assignment, outlook, agency accounts and off-campus cash accounts.	Policies will be developed in this area.	Progress delayed due to COVID related priorities and recent restructuring in this department.	Progress delayed due to COVID related priorities and recent restructuring in this department.
Student Experience 12/12/20 ON-SCHEDULE				
2020-01-02 Training Oversight Student Organizations Audit 02/3/20 Academic Affairs Low	Improve Student organization training and oversight of training compliance.	Will review and update training methods and subject matter as well as monitoring compliance with training requirements.	Progress delayed due to COVID related priorities and recent restructuring in this department.	COVID implications have delayed progress. Revised target dates contingent on COVID related priorities, staffing and remote work.
Student Experience 8/31/2020 ON-SCHEDULE				
2020-01-03 Activity Management Student Organizations Audit 02/27/20 Academic Affairs Low	Review and update policies, clarity roles and responsibilities and reinforce training related to use of campus space.	Will review and update policies regarding use of space and provide updates to student advisors and event advisors.	Progress delayed due to COVID related priorities and recent restructuring in this department.	COVID implications have delayed progress. Revised target dates contingent on COVID related priorities, staffing and remote work.
Student Experience 8/31/2021 ON-SCHEDULE				

Audit Recommendation Number / Name Audit Date Issued Risk Category Risk Level Division Original Deadline Current Status	Summary of Recommendation	Summary of Response	Current Status Comment	Prior Status Comment
<p>2020-01-04 Travel Management</p> <p>Student Organizations Audit 02/17/20</p> <p>Academic Affairs Low</p> <p>Student Experience 8/31/2020 8/31/2021 ON SCHEDULE</p>	<p>Clarify roles and responsibilities, reinforce training and modify record retention with regard to student organization travel.</p>	<p>Will clarify roles, enhance training and retain student travel records for three years.</p>	<p>Progress delayed due to COVID related priorities and recent restructuring in this department.</p>	<p>COVID implications have delayed progress. Revised target dates contingent on COVID related priorities, staffing and remote work.</p>
<p>2020-01-05 Cash Account Signers and Cash Handling</p> <p>Student Organizations Audit 02/17/20</p> <p>Financial Low</p> <p>Student Experience 8/31/2020 8/31/2021 ON SCHEDULE</p>	<p>Clarify roles and responsibilities and monitor compliance with policies related to cash account signers.</p>	<p>Working to bring all organizations into compliance. Will communicate with advisors regarding this policy. Also additional training and policy development in this area. Will develop component of annual registration to document compliance with account signatory policies.</p>	<p>Progress delayed due to COVID related priorities and recent restructuring in this department.</p>	<p>Progress delayed due to COVID related priorities and recent restructuring in this department.</p>
<p>2021-01-01 Monitoring and oversight of Rich Center Agreement</p> <p>Rich Center 9/30/20</p> <p>Financial Moderate</p> <p>Academic Affairs 7/31/2021 CLOSED</p>	<p>Review and update agreement between YSU and Rich Center and enhance ongoing monitoring and oversight.</p>	<p>Committee will be established to review and update existing agreement. Revisions to be presented to YSU leadership. A process will be established to monitor on a consistent basis.</p>	<p>Administration has determined that agreement is not warranted given relationship between Center and University. This comment has been adequately addressed and is closed 8/17/2021.</p>	
<p>2021-01-02 Monitoring Compliance with Agreement</p> <p>Rich Center 9/30/20</p> <p>Financial Moderate</p> <p>Academic Affairs 7/31/2021 CLOSED</p>	<p>Develop procedures to ensure compliance with terms of agreement including assignment of responsibility, evaluation and compliance communication.</p>	<p>Working to establish procedures, assign monitoring responsibility, institute annual compliance review and create process for communication of compliance matters.</p>	<p>Administration has determined that agreement is not warranted given relationship between Center and University. This comment has been adequately addressed and is closed 8/17/2021.</p>	

Audit Recommendation Number / Name	Summary of Recommendation	Summary of Response	Current Status Comment	Prior Status Comment
<p>2021-01-03 Monitoring Compliance with YSU Policies</p> <p>Rich Center 9/30/20</p> <p>Human resources Moderate</p> <p>Academic Affairs 7/31/2021 12/31/2021 PENDING CLOSE</p>	<p>Enhance compliance with YSU policies via Training processes, and review and approval of Rich Center specific policies and procedures.</p>	<p>Rich Center Autism (RCA) administration will review current policies and procedures, identify deficiencies, and seek YSU BOT approval for Rich Center specific policies and procedures.</p>	<p>Draft documents have been submitted to IA, review underway</p>	
<p>2021-01-04 Affiliated Organization Policy - Friends of Rich Center</p> <p>Rich Center 9/30/20</p> <p>N/A</p> <p>University Relations 9/30/2022 ON SCHEDULE</p>	<p>Evaluate and maintain relationship between University, Rich Center and Friends. Execute a Memorandum of Agreement (MOA) to clarify relationship between these parties. Ensure alignment with Affiliated Organization Policies.</p>	<p>RCA Administration will advocate for MOA between Friends and YSU who aligns with Affiliated Organization Policy.</p>	<p>Draft documents have been prepared and are being reviewed by YSU, Rich Center and Friends</p>	
<p>2021-01-05 Fiscal Practices and External Reporting of Friends of Rich Center</p> <p>Rich Center 9/30/20</p> <p>N/A</p> <p>University Relations 9/28/2022 ON SCHEDULE</p>	<p>Develop policies and procedures and train staff in order to enhance fiscal practices and external reporting of Rich Center</p>	<p>Procedures will be developed to address fiscal and reporting matters.</p>		
<p>2021-Adv-02 Noncompliance in Purchasing Contracts Individual Staff Training</p> <p>Advisory Purchasing Contacts 4/19/2021</p> <p>Financial Moderate</p> <p>Finance and Business Operations 5/1/2021 CLOSED</p>	<p>Director of EOP's must be certain that she understands and fully complies with procurement requirements, including but not limited to, properly preserving a purchase requisition, receiving a bid award, and related budget requirements. Specifically the following should be undertaken:</p> <ul style="list-style-type: none"> • Thoroughly read all policies, procedures and contractual conditions related to procurement and contract requirements. • Consider the need to refresh a value training. • Consider one-on-one consultation with procurement team. 	<p>Staff members will follow the procurement services website to review all applicable procurement documents. Additionally, she will enroll in the teacher training. Finally, she will schedule a face-to-face meeting with Director of Procurement to discuss document review and training.</p>	<p>Training completed. IA participated in final meeting. Evident that staff had completed training. (attachment - 12/31/21)</p>	

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
2021-Adv-03 Noncompliance in Purchasing Contracts Enhanced Training Advisory-Purchasing Contracts 4/19/2021 Financial Moderate Finance and Business Operations 12/31/2021 ON SCHEDULE	The stated mission of Procurement Services is to provide assistance for the purchase and payment of quality goods and services at competitive costs in accordance with University guidelines and applicable laws. In this case, there were numerous indications that a key user managing a significant contract needed assistance with the process. Procurement Services should evaluate user knowledge and conduct consultations and training when circumstances warrant. Procurement services should also consider the need for new employee training in this area (particularly at the supervisory level) and refresher training for key employees involved in non-routine transactions.	Training opportunities, including eCUBE training are communicated to new employees when they are given access as a new user to Banner Finance. It is up to the employee to schedule training, the training is not mandated. Additionally, Procurement Services is in process of evaluating all aspects of training including content, frequency of availability, and delivery methods.		
2021-02-04 Training, communication and adherence to procedures re Donor Restricted Funds 7/29/2021 Financial Low Finance and Business Operations 7/31/2021 NEW	Current procedures and communication mechanisms need to be reassessed and evaluated in order to ensure that individuals throughout the university have the training and necessary information to administer restricted giving, use of restricted funds, and relationships with donors in an effective and efficient manner.	Work group has been convened. This group will include representatives from University and Foundation. The group will assess and evaluate training, communication and adherence to procedures for the purpose of ensuring continued effectiveness, improving efficiency and establishing best practices.		

Youngstown State University
Office of Internal Audit
Audit Plan Quarterly Update
Fiscal Year 2021
April 1, 2021 - June 30, 2021

July 2020 - June 2021								
	July - Sep	Oct - Dec	Jan - Mar	Apr - Jun	FY21 to date as of June 30			
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total	Budget	Difference	
Audit and Assurance:								
Audit Engagements:								
Rich Center for Autism	175	34	0	0	209	160	49	Completed
Donor Restricted Funds	0	30	100	45	175	170	5	Completed
Banner User Access	0	0	30	15	45	280	-235	Preliminary
Faculty Workload	0	30	10	10	50	208	-158	Postponed
Continuous Auditing/Analytics	133	249	220	220	822	600	222	FY21-Q3
Open Audit Recommendation Follow up	10	70	30	30	140	140	0	
Hotline Monitoring	25	30	30	15	100	60	40	
	343	443	420	335	1541	1618	-77	
Advisory	40	57	110	125	332	360	-28	Cares, Intl, Detect, Compliance, Pcard
Administrative & Planning:								
Administrative	40	27	48	40	155	240	-85	
Audit Risk Assessment, Annual Planning, Audit Subcommittee								
Prep and Meetings	20	15	20	40	95	90	5	
ERM Assistance	15	15	25	20	75	80	-5	
Professional Development & Training	4	25	10	10	49	40	9	
Holiday, Vacation/Sick	87	73	43	66	269	136	133	
	166	155	146	176	643	586	57	
Total Hours	549	655	676	636	2516	2564	-48	

YSU Anonymous Reporting Hotline
Aggregated Statistics
 Fiscal Year 2022 Quarter 1
 As of 8/2/2021

Hotline Activity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Fiscal Year To Date Total
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Reports received	1				1
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Closed					
Unsubstantiated/insufficient information	-				-
Process enhancements noted	-				-
Investigation	1				1
Referred	-				0
Total Closed	1				1

Under review at quarter end	0				
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Reporting Method	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Fiscal Year To Date Total
Ethicspoint Phone	-				0
Ethicspoint Website	1				1
Total:	1				1

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