

PERFORMANCE AUDIT

Clarion University of Pennsylvania Clarion County, Pennsylvania

March 2015



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

March 25, 2015

The Honorable Tom Wolf
Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Wolf:

This report contains the results of a performance audit of Clarion University of Pennsylvania of the Pennsylvania State System of Higher Education (State System) from July 1, 2011, to June 30, 2013, unless otherwise noted. We conducted our audit under the authority of Section 2015-A (relating to Annual audit) of Article XX-A of the Public School Code of 1949, 24 P.S. § 20-2015-A, which states, “Activities of the system under this article shall be subject to the audit of the Department of the Auditor General.” The audit was also conducted under the authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

Our report details our audit objectives, scope, methodology, findings, and recommendations. Among the major objectives of our performance audit were an evaluation of Clarion’s efforts to ensure the safety and welfare of minors attending youth camps on university property.

Our findings indicate the following:

- Clarion failed to ensure that all student employees, outside temporary workers, temporary part-time instructors, and volunteers who had direct contact with minors at the summer 2013 university-sponsored athletic and academic camps obtained the appropriate background checks.
- Clarion did not ensure that all regular employees of the university (including coaches, faculty, and administrators) who had direct contact with minors at the summer 2013 university-sponsored athletic and academic camps obtained the appropriate criminal background checks and child abuse clearances.

- Clarion did not adopt sufficient measures to ensure that all workers who had direct contact with minors at summer 2013 external camps obtained the necessary background checks.
- Clarion did not implement sufficient controls over its inventory of computers and other electronic equipment.
- Clarion's financial position remained positive, and current assets exceeded current liabilities during the five-year period from July 1, 2008, to June 30, 2013.

Finally, the report notes that the university either implemented or partially implemented our prior audit recommendations.

We discussed the contents of the report with the management of the university, and all appropriate comments are reflected in the report.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

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Background Information

*History, mission,
and operating
statistics*

Pennsylvania State System of Higher Education

Pennsylvania's 14 state-owned universities are part of the Pennsylvania State System of Higher Education, generally referred to in this report as the State System. Prior to the enactment of Article XX-A of the Public School Code of 1949 through Act 188 of 1982, as amended,¹ that created the State System, the Pennsylvania Department of Education had administrative control of the 14 institutions,² 13 of which were then known as state colleges.³

The purpose of the State System is to provide students with the highest quality education at the lowest price. The 14 member universities include the following:

Bloomsburg	Kutztown
California	Lock Haven
Cheyney	Mansfield
Clarion	Millersville
East Stroudsburg	Shippensburg
Edinboro	Slippery Rock
Indiana	West Chester

The State System also includes four branch campuses, the McKeever Environmental Learning Center, and the Dixon University Center.

State System Board of Governors

A centrally established 20-member board of governors has overall responsibility for planning and coordinating the operations and development of the State System. As a result, the State System board of governors dictates many of the universities' operational and administrative procedures. Examples of the board's statutory powers include the following:

¹ 24 P.S. § 20-2001-A *et seq.*

² These institutions originated as "state normal schools" and teachers colleges. See [http://www.portal.state.pa.us/portal/server.pt/community/institution_types/8713/pennsylvania_state_system_of_higher_education_\(passhe\)/522469](http://www.portal.state.pa.us/portal/server.pt/community/institution_types/8713/pennsylvania_state_system_of_higher_education_(passhe)/522469). Accessed on October 14, 2014

³ Clarion University of Pennsylvania was founded in 1867 and has been part of the State System of Higher Education since 1983. See <http://clarion.edu/about-clarion/why-clarion/history/index.html>. Accessed on October 14, 2014. By way of further background, while Indiana University of Pennsylvania was already known as a university as early as 1965 and prior to the creation of the state system, each of the other 13 state colleges, including Clarion, became known as the (Name) University of Pennsylvania of the State System of Higher Education effective July 1, 1983.

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- Establishing broad fiscal, personnel, and educational policies under which the state system universities operate.
- Appointing university presidents.
- Coordinating, reviewing, amending, and approving university operating and capital budgets.
- Setting tuition and fee levels.
- Creating new undergraduate and graduate degree programs.
- Promoting cooperation among institutions.

Board members include four legislators or his/her official representative, and 14 members appointed by Pennsylvania's governor with the approval of the state senate, including three university students, five trustees of constituent institutions, each from different universities, and six members of the public. The governor and the state's secretary of education, or their designees, also serve on the board.⁴ Additionally, the board appoints a chancellor to serve as the chief executive officer of the State System's board and shall have the right to speak on all matters before the board, but not have a vote.⁵

At the university level, each university has a president and an 11-member council of trustees, including a full-time undergraduate student in the upper classes in good academic standing. While the State System appoints the university president, the members, with the exception of the student member, of the university's council of trustees are appointed by the governor, with the approval of the state senate.⁶

University trustees make recommendations to the State System chancellor for the appointment, evaluation, and dismissal of the university president. Trustees also assist with setting the university budget and new academic programs. The university trustees also approve all fees, other than tuition.⁷ The state system chancellor serves as an ex-officio member of all of the universities' council of trustees.⁸

Clarion University's Operating Environment

Clarion officially began operations as Clarion State Normal School in 1887 to prepare students for entrance to a college of liberal arts, technical

⁴ 24 P.S. § 20-2004-A(a).

⁵ 24 P.S. §§ 20-2004-A(e) and 20-2006-A(a)(1).

⁶ 24 P.S. §§ 20-2008-A(a) and (b) and 20-2010-A. Please note that the student member is appointed by the governor **without** the approval of the state senate.

⁷ 24 P.S. § 20-2009-A.

⁸ 24 P.S. § 20-2005-A(10).

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schools, professional schools, a business school, or the teaching profession.⁹ As of the 2012-13 academic year, Clarion offered 56 undergraduate degree programs, nine master's degree programs, and three post-master's certificate programs.¹⁰

The five most popular majors for 2013 Clarion graduates were as follows:

- Health professions and related programs;
- Education;
- Business, management, marketing, and related support services;
- Liberal arts and sciences, general studies and humanities; and
- Communication, journalism, and related programs.¹¹

According to 2013 statistics, Clarion has a 20:1 student to faculty ratio and approximately 20.9 percent of all classes have fewer than 20 students. The freshmen retention rate (i.e., those students who complete the first year and return for a second year) is 70 percent.¹²

Like all State System universities, admission is open to non-Pennsylvania residents; however, as of the 2012-13 academic year, over 90 percent of Clarion's student population was from Pennsylvania.¹³

State Funding to Clarion

As a member of the State System, Clarion receives a portion of its funding from the State System's yearly allocation from the commonwealth budget. Act 188 of 1982, as amended, outlines the parameters for Clarion's share of the State System appropriation as follows:

*State funds appropriated to the [State] System shall be allocated to the individual institutions on a formula based on, but not limited to, such factors as enrollments, degrees granted, and programs.*¹⁴

⁹ <http://clarion.edu/about-clarion/why-clarion/history/index.html> Accessed on November 19, 2014.

¹⁰ Clarion provided us an excerpt from its 2012-13 institutional profile submitted to the Middle States Commission on Higher Education.

¹¹ "Clarion University of Pennsylvania Academic Life," *US News and World Report*, <http://colleges.usnews.rankingsandreviews.com/best-colleges/clarion-university-9235>, accessed on November 19, 2014.

¹² *Ibid.*

¹³ *Ibid.*

¹⁴ 24 P.S. § 20-2002-A(b).

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The following chart illustrates Clarion's appropriation related to full-time equivalent (FTE)¹⁵ students:

Year End June 30	Appropriation	FTE Students	Appropriation Per FTE Student
2012	\$23,362,309	6,233	\$3,748
2013	\$22,596,328	5,944	\$3,802

According to the State System, the formula is updated annually to reflect changes in enrollment, physical plant inventory, and inflation, but the basic precepts on which the formulas are built are not altered.

The following table provides basic statistics regarding revenue, tuition and fee rates, FTE, and number of degrees conferred during the academic years ended 2012 and 2013.

Clarion University Selected Statistics	2011-12	2012-13
Revenue (\$Millions)		
Tuition/Fees	\$55.8	\$53.7
State Appropriation	23.4	22.6
Federal Appropriation	0	0
Tuition/Required fees for Full-time Resident Undergraduate Students (Academic Year)	\$8,340	\$9,090
FTE Students		
Undergraduate	5,471	5,237
Graduate	762	707
Total	6,233	5,944
Degrees Conferred		
Undergraduate	998	928
Graduate	394	496
Total	1,392	1,424

Developed by the Department of the Auditor General from audited financial statements obtained from Clarion and from information obtained from the Joint State Government Commission.

¹⁵ FTE students include in-state and out-of-state undergraduate and graduate students as reported by the Joint State Government Commission.

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Clarion Accreditation

The Middle States Council of Higher Education academically accredits the university. The university's accreditation was last reaffirmed in June 2012. Clarion is also accredited by the Pennsylvania Department of Education; American Speech-Language-Hearing Association; Council on Academic Accreditation in Audiology and Speech-Language Pathology; Joint Review Committee on Education in Radiologic Technology; National Association of Schools of Art and Design, Commission on Accreditation; National Association of Schools of Music, Commission on Accreditation; National Council for Accreditation of Teacher Education; and National League for Nursing Accrediting Commission.

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Objectives, Scope, and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our performance audit of Clarion had three objectives. We selected the audit objectives from the following areas:

- Camps attended by minors on campus;
- Computer inventory and other electronic equipment, and
- Expense analysis.

The specific audit objectives were as follows:

- One: To evaluate the measures Clarion has implemented to ensure the safety and welfare of minors attending camps, conferences, clinics, and events held on university property.
- Two: To determine whether Clarion maintains effective controls over its inventory of computers and other electronic equipment.
- Three: To determine whether Clarion's net financial position remained positive and whether Clarion's current assets exceeded its current liabilities during the five-year period from July 1, 2008, to June 30, 2013, in order to meet its current and overall obligations.

The scope of our audit includes the period from July 1, 2011, to June 30, 2013, unless indicated otherwise.

To accomplish our objectives, we obtained, reviewed, and analyzed university records as well as policies, agreements, and guidelines of the university, the commonwealth, and the State System. In the course of our audit work, we interviewed various members of Clarion's management and staff as well as members of the State System's management. The audit results section of this report contains specific inquiries, observations, tests, and analyses conducted for each audit objective.

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We also conducted inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendations made during our prior audit. Those recommendations addressed Clarion's control deficiencies in the following areas: social security number protection; delinquent student accounts; cash collection procedures in print shop operations; and parking meter and fine revenues.

Clarion management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the university is in compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of Clarion's internal controls, including information system controls. For internal controls that we considered to be significant within the context of our audit objectives, we assessed whether these controls were properly designed and implemented. Any deficiencies in internal control that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

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Audit Results

The audit results are organized in three sections, one for each objective. Each of the three sections is organized as follows:

- Statement of the objective;
- Relevant laws, policies, and agreements;
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of the audit;
- Methodologies used to gather sufficient and appropriate evidence to meet the objective;
- Finding(s);
- Recommendation(s), where applicable;
- Response by Clarion management, where applicable; and
- Our evaluation of Clarion management's response, where applicable.

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Audit Results for Objective One

Camp Safety

The Objective

Objective one for our performance audit was to evaluate the measures Clarion has implemented to ensure the safety and welfare of minors¹⁶ attending camps, conferences, workshops, and other programs (collectively referred to as camps) held on university property.

Relevant Laws, Regulations, Policies, and Agreements¹⁷

The Pennsylvania General Assembly has enacted various laws that are intended to protect minors by requiring individuals working, or seeking to work, directly with children to secure certain criminal background checks and child abuse clearances (collectively, background checks) prior to employment. For example:

The Public School Code of 1949¹⁸ includes the following:

- Act 34 of 1985¹⁹ - This act requires a Pennsylvania State Police Criminal Background Check that is dated no more than one year earlier than the date of the employment application. In this report, we refer to this requirement as “Act 34 criminal background check.”
- Act 114 of 2006²⁰ - This act requires a request for a federal criminal history record and fingerprints be sent to the Federal Bureau of Investigation (FBI) and be dated no more than one year earlier than the date of the employment application. In this report, we refer to this requirement as “Act 114 federal criminal background check.”
- Act 114²¹ - This act also specifies that all applicants for employment including independent contractors and their employees who have direct contact with minors must undergo background checks dated no more than one year earlier than the date of the employment application.

¹⁶ 23 Pa.C.S. § 6102 defines “Minor” as “An individual who is not an adult” and “Adult” as “An individual who is 18 years of age or older.”

¹⁷ Please note that recently enacted legislation that was part of a larger child protection package will impact our interpretation of the Child Protective Services Law (CPSL) pertaining to background checks for audit periods beginning on December 31, 2014.

¹⁸ 24 P.S. § 1-101 *et seq.*

¹⁹ 24 P.S. § 1-111, as amended; see in particular 24 P.S. § 1-111(b).

²⁰ 24 P.S. § 1-111(c.1).

²¹ 24 P.S. § 1-111(a.1).

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The Child Protective Services Law (CPSL)²² includes the following:

- Act 151 of 1994²³ – This act requires a Pennsylvania child abuse clearance to be obtained prior to the school employee beginning work with minors.

In this report, we refer to this requirement as the “Act 151 child abuse clearance.”

Section 8.1 (relating to Definitions) of the State Board of Education’s regulations, 22 Pa. Code § 8.1, includes the following:

- “*Criminal history background check* – A report of criminal history record information from, or a statement that no information is on file with, the State Police; or, for nonresidents of this Commonwealth, a report of Federal criminal history record information from, or a statement that no information is on file with, the Federal Bureau of Investigations.”²⁴
- “*Direct contact with children* – Possibility of care, supervision, guidance or control of children by a paid employee or contractor of, or an employee of a person under contract with, a school entity, and routine interaction with children by a paid employee of a school entity or a person under contract with a school entity.”²⁵

In addition to the legal requirements discussed above, the State System’s Board of Governors and Clarion have developed policies related to criminal background investigations. These policies include the following:

- State System Policy 2009-01, “Criminal Background Investigations,” adopted and effective January 15, 2009. This

²² 23 Pa. C.S. § 6301 *et seq.*; Please note that Act 33 of 2014 (effective **December 31, 2014**), which was part of a larger child protection package recently enacted by the General Assembly, amended the Child Protective Services Law (CPSL) by adding definitions for, among others: “School” (including the state-owned universities); “Adult”; “Direct contact with children”; “Independent contractor”; and “Program, activity or service” (to include, among others, “a youth camp or program”; “a recreational camp or program”; and “a sports or athletic program”). In addition, Act 45 of 2014 (most provisions effective **December 31, 2014**) amended the CPSL to provide that school employees, including employees of state-owned universities, who are not subject to the criminal background check requirements of the Public School Code of 1949 must comply with the criminal background check and child abuse clearance requirements of the CPSL. Finally, all prospective volunteers who will be working directly with or caring for children are subject to the CPSL child abuse clearance. The Act 45 amendments will assist in integrating school employment criminal background checks and child abuse clearances for employees of the state-owned universities.

²³ 23 Pa.C.S. § 6355.

²⁴ 22 Pa. Code § 8.1.

²⁵ *Ibid.*

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policy requires criminal background investigations to be completed for candidates for employment for all positions in the State System. According to this policy, criminal background investigations include inquiries to determine past criminal convictions; these inquiries must comply with all state and federal laws.

- Clarion University of Pennsylvania Procedure No. 10.090, “Pre-Employment Verification Policy,” issued December 1, 2007, and effective January 1, 2008. The policy states that its purpose “is to ensure that appropriate information about a candidate’s education, employment history, and history of criminal convictions is considered prior to confirming an offer of employment.” The policy, which applies to all candidates for instructional and non-instructional vacancies at the university, states that “a criminal history verification will be conducted by the contracted provider on the recommended candidate prior to making a formal offer of employment.”²⁶
- Clarion University of Pennsylvania policy entitled “Background Checks – Camps & Conferences,” implemented in summer 2013. Adopted “to help ensure the health and safety of camp attendees,” the policy explicitly requires “all individuals with a significant likelihood of regular contact with children (any individuals under the age of 18) in the form of care, guidance, supervision or training” to provide “appropriate clearances.” The policy states that this requirement applies to “paid employees of the university, volunteer assistants, members of a participating group attending the camp, student workers and volunteer student athletes.” The policy specifies that Pennsylvania residents must provide Acts 34 and 114 criminal background checks as well as the Act 151 child abuse clearance and that nonresidents must provide a criminal background check completed by the university background check contractor as well as an Act 114 federal criminal background check. The policy exempts current employees hired continuously (i.e., regular university employees such as coaches, faculty, and administrators) from the requirement to obtain the background checks and clearances.

²⁶ Clarion contracts with Justifacts Credential Verification, Inc., (Justifacts) to conduct background checks for new employees. According to its website, Justifacts performs national criminal database searches; it does not provide child abuse clearances. Please refer to http://www.justifacts.com/pdfs/national_criminal_database.pdf (accessed on October 20, 2014) for a list of the data sources utilized by Justifacts.

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Additionally, on July 8, 2014, the Board of Governors adopted State System Policy 2014-01, “Protection of Minors.” The policy, effective December 31, 2014, applies to all State System universities, administrators, faculty, coaches, staff, students, contractors, and volunteers in university-sponsored programs or in programs for minors held on university property. The policy directs each university to establish and implement policies and procedures that include requirements to establish and maintain a registry of university-authorized adults, program staff, and programs for minors. The policy further outlines topics that must be addressed in planning and evaluating the registered programs. These topics include the identification, selection, and screening of authorized adults or program staff, including criminal background checks; training of authorized adults or program staff; response protocols to accusations of misconduct; and record retention. The policy provides a code of conduct that authorized adults or program staff are required to follow when interacting with minors. Finally, the policy requires all authorized adults or program staff working with minors to be annually trained in areas such as detecting and reporting abuse or neglect, safety and security protocols, and crime reporting procedures. However, because the end of our fieldwork preceded the effective date of this policy, we were unable to audit Clarion’s implementation.

Further, when Clarion permitted external organizations to hold camps on university property for a fee, it required the organizations to sign an agreement for the use of its facilities. This agreement, referred to as a facilities use agreement, did not explicitly require adult employees or volunteers to obtain background checks. Nevertheless, the cover letters that accompanied the facilities use agreements included the following standard language:

It is the expectation of Clarion University that any of the adults that (name of camp) has staying or working with your campers will have the appropriate child-abuse and criminal clearances.

However, the cover letter did not specify which clearances were deemed to be appropriate or any consequences for the failure to obtain appropriate clearances for all adult camp workers.

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Scope and Methodology to Meet Our Objective

This objective related to the athletic and academic youth camps held on Clarion's property during the summer of 2013. Either Clarion or external organizations sponsored these camps.

Various university sports teams, as well as other departments, host camps for minors each year. These camps are directed by university employees and are considered to be sponsored by Clarion. We refer to these camps as internal camps. During the summer of 2013, Clarion sponsored two academic camps (called "Upward Bound" and "Emerging Scholars") and 17 athletic camps (including four for volleyball, three for wrestling, three for swimming and diving, three for girls' basketball, three for boys' basketball, and one for soccer).

External organizations contract with Clarion to hold camps for minors at the university's facilities for a fee. We refer to these camps as external camps. During the summer of 2013, Clarion permitted two external organizations to conduct youth camps on university property.

The scope of our work focused on the background checks for summer 2013 camp workers who had direct contact with minors.

During the summer of 2013, Clarion utilized its full-time regular (i.e., continuously hired) employees to coach the camps sponsored by the university's athletic department. Student employees, outside temporary workers, and volunteers assisted in athletic camp operations.

Clarion utilized its full-time regular faculty and administrative staff as well as temporary part-time instructors and student employees to operate the summer 2013 university-sponsored academic camps.

External organizations used their own employees to conduct the summer 2013 youth camps on Clarion's campus.

Finally, during the summer of 2013, Clarion utilized two full-time regular employees to oversee Clarion's Office of Conference and Event Services, which coordinates both internal and external camps that require overnight accommodations. The Office of Conference and Event Services also employed student workers to assist with the overnight camps. These student workers were not affiliated with any specific camp; rather, they performed camp check-in/out duties as well as monitored the residence halls where the overnight camps were housed.

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To accomplish our objective, we reviewed the laws and regulations discussed above to gain an understanding of background investigation requirements relevant to adults working with minors at internal or external camps held on university property.

We also reviewed State System and Clarion policies related to background checks to gain an understanding of the university's background investigation process.

We interviewed Clarion officials, including the associate vice president for finance and administration, the director of auxiliary operations, the athletic director, the athletic events and promotions coordinator, and an academic counselor.

To determine whether Clarion ensured that adults who had direct contact with minors at camps obtained appropriate background checks, we examined related records retained by the university's human resources department, the Office of Conference and Event Services, the athletic department, as well as the individual departments responsible for internal academic camps. Specifically, we examined the available records for the following summer 2013 camp workers:

- 124 student employees, outside temporary workers, temporary part-time instructors, and volunteers at internal camps. We will refer to these workers as non-regular workers;
- 29 regular (or continuously hired) Clarion employees at internal camps; and
- 11 workers employed by the two external organizations that conducted youth camps on university property.

Finally, we reviewed the facilities use agreements for the two external organizations that held youth camps on Clarion's campus during the summer of 2013. Specifically, we reviewed each agreement to determine whether it included a provision that required adults who had direct contact with minors to obtain and submit the appropriate background checks to the camp director and a further provision that required the camp director to submit copies of these background checks to the university.

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Finding 1

Clarion failed to ensure that all student employees, outside temporary workers, temporary part-time instructors, and volunteers who had direct contact with minors at the summer 2013 university-sponsored athletic and academic camps obtained the appropriate background checks.

During the summer of 2013, Clarion implemented a policy entitled “Background Checks – Camps & Conferences.” The policy requires “all individuals with a significant likelihood of regular contact with children (any individuals under the age of 18) in the form of care, guidance, supervision or training” to provide “appropriate clearances” prior to the start of the applicable camp. The policy states that this requirement applies to “paid employees of the university, volunteer assistants, members of a participating group attending the camp, student workers and volunteer student athletes.” The policy requires Pennsylvania residents to provide Acts 34 and 114 criminal background checks as well as the Act 151 child abuse clearance and nonresidents to provide a criminal background check completed by the university background check contractor²⁷ as well as an Act 114 federal criminal background check.²⁸ The policy also indicates that non-regular camp workers must obtain new background checks each summer.

According to the lists of summer 2013 camp workers provided by the individual university departments responsible for the camps, 124 student employees, outside temporary workers, temporary part-time instructors, and volunteers had direct contact with minors at 17 athletic and two academic camps sponsored by the university. Of these 124 non-regular workers, 118 were Pennsylvania residents and six were nonresidents. Ten of these 124 non-regular workers were students employed by the university’s Office of Conference and Event Services as summer assistants. As mentioned above, these assistants were not associated with any specific camp; rather, they performed camp check-in/out duties as well as monitored the residence halls where overnight camps were housed.

Our review of university records disclosed that Clarion did not ensure that all non-regular workers who had direct contact with minors at the summer

²⁷ As noted in our discussion about relevant laws, regulations, policies, and agreements, Clarion contracts with Justifacts to conduct background checks for new employees. For our analysis of Clarion’s compliance with its background check policy for camps, we considered the Justifacts background check to be comparable but not equal to the Act 34 criminal background check performed by the Pennsylvania State Police.

²⁸ In an email dated October 23, 2014, Clarion’s associate vice president for finance and administration explained that Clarion did not require camp workers who are not residents of Pennsylvania to obtain the Act 151 child abuse clearance, because Pennsylvania’s child abuse registry does not maintain records for out-of-state residents.

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2013 internal camps obtained the appropriate background checks.²⁹ Clarion had evidence that it obtained only 202 (or 55.2 percent) of the 366 background checks required by its background check policy for camps.³⁰ That is to say, contrary to the requirements of its own policy, Clarion did not have evidence that it obtained 164 appropriate background checks – specifically, 53 Act 34 criminal background checks, 54 Act 114 federal criminal background checks, and 57 Act 151 child abuse clearances for its 124 non-regular workers at its summer 2013 internal camps.

The following chart summarizes Clarion’s compliance with the requirements of its own policy regarding background checks for non-regular workers at university-sponsored camps.

Clarion’s Compliance with its Background Check Policy for Non-regular Workers at Internal Camps Summer 2013							
Camp/Office	Number of Workers	Act 34		Act 114		Act 151	
		Number of timely background checks on file	Number of background checks required by policy	Number of timely background checks on file	Number of background checks required by policy	Number of timely clearances on file	Number of clearances required by policy
Athletic Camps	89	50	89	51	89	43	84
Academic Camps	25	13	25	11	25	10	24
Conference and Event Services	10	8	10	8	10	8	10
Total	124	71	124	70	124	61	118

Clarion’s files did not include copies of three required background checks for 42 non-regular workers at its internal camps, two required background checks for nine such non-regular workers, and one required background check for 20 of these workers. Yet Clarion permitted each of these camp workers to have direct contact with minors.

²⁹ When we reviewed the background checks for non-regular workers retained in Clarion’s files, we assessed whether each of the background checks was timely – i.e., dated no more than one year earlier than the applicable camp. We deemed the university to be non-compliant with its policy for either missing or old background checks.

³⁰ None of the background checks on file documented a disqualifying history.

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Clarion has not assigned the responsibility of ensuring that all camp workers provide the appropriate background checks to any one central department or staff person. Its policy regarding background checks for camps states that the individual departments that sponsor the camps are responsible for obtaining and retaining the required background checks.

Although Clarion has developed a policy regarding background checks for camps, it has not developed official, standard procedures or checklists for policy implementation.

We discussed the absence of 164 appropriate background checks with Clarion officials. Clarion officials provided the following explanations:

- For 59 of the 164 exceptions, the responsible departments did not have copies of the background checks on file. According to officials responsible for the acquisition and retention of the background checks, in many cases, the applicable departments simply did not obtain the documents; in other cases, the departments obtained the documents but subsequently lost or misplaced them.
- For 15 exceptions, officials responsible for athletic camps indicated that athletic camp workers requested the return of their background checks, and the athletic department returned the documents without making copies.
- For 86 exceptions, the responsible departments accepted outdated background checks (i.e., greater than one year old).
- Although the department files did not include copies of the actual background checks in four cases, the files did include copies of receipts for the corresponding background check applications. According to the responsible department officials, in some cases, the department reviewed but subsequently returned or misplaced the background checks; in other cases, the departments accepted application receipts as evidence of acceptable background checks. We do not agree that receipts comprise sufficient evidence of appropriate background checks. In the absence of an actual document, the department officials could not determine whether the workers had disqualifying histories.

Clarion's failure to obtain the background checks required by its own policy could negatively impact the university's ability to provide a safe environment for minors who attend university-sponsored camps.

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Recommendations for Finding No. 1

1. Clarion should enforce its background check policy for camps to ensure that it obtains and retains the appropriate background checks for all student employees, outside temporary workers, temporary part-time instructors, and volunteers who have direct contact with minors at university-sponsored athletic and academic camps. When workers request the return of their background check documents, the responsible department officials should make and retain copies in university files. Further, responsible department officials should not accept outdated background checks or application receipts as evidence of acceptable background investigations.
2. Clarion should establish formal, standard procedures and checklists to assist responsible departments in policy implementation.
3. Clarion should consider assigning the overall responsibility of ensuring that all camp workers provide the appropriate background checks to one central department (e.g., human resource (HR) office) or staff person (e.g., HR “safety coordinator”).

Management Response

In response to the Department of the Auditor General’s Objective One, the University finds it necessary to clarify the following:

1. *The Department of the Auditor General cites the Public School Code of 1949 and specific amendments requiring certain background clearance checks for public school employees as applicable to the University. However, Clarion University is not an entity covered by the laws as referenced by the Department of the Auditor General. As discussed below, recently passed legislation, which will become effective at the end of this year, will encompass state-owned universities under specific sections of the Child Protective Services Law (23 Pa.C.S. §§ 6301 et seq.)*
2. *In July 2014, almost a year after the summer 2013 time period covered by this audit, the Pennsylvania State System Board of Governors (BOG) adopted Policy 2014-01 regarding the Protection of Minors. BOG Policy 2014-01 establishes guidelines for universities to implement policies regarding programs on campus involving minors including, but not limited to, mandated reporting of child abuse and background clearance checks. Although cited in the Audit Report by the Department of the Auditor General, BOG Policy 2014-01 is not effective until December 31, 2014.*

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3. *In 2014, legislation specifically outlining the background clearance checks required for employees and volunteers of Pennsylvania institutions of higher education was passed. Act 153 of 2014 amends the Child Protective Services Law, 23 Pa.C.S. §§ 6301 et seq., requires the completion of specific background checks for employees and volunteers who have direct contact with children. These provisions of Act 153 of 2014 are not effective until December 31, 2014 or later.*

As a result of the adoption of BOG Policy 2014-01 and the enactment of Act 153 of 2014, the University will begin completing the required background clearance checks for all University employees and volunteers who have direct contact with children and maintaining appropriate records to track the completion of the same. The University is in the process of developing policies to address the specific details of how the background clearance checks are completed. The university intends to be fully compliant with both the BOG Policy and Act 153 of 2014.

Re: Finding 1, Recommendation 1: *The University agrees with this recommendation and will develop a process pursuant to BOG Policy 2014-01 and Act 153 of 2014 to ensure that all individuals working camps (paid and volunteer) have provided the required background clearance checks prior to being allowed to participate in the camp. Additionally, the University agrees to ensure that if individuals request clearances be returned to them that a copy be retained by the University under all circumstances.*

Re: Finding 1, Recommendation 2: *The University agrees with and accepts this recommendation.*

Re: Finding 1, Recommendation 3: *Clarion University agrees with this recommendation and the Office of Human Resources will become the central point of coordination and depository for all records for University sponsored camps and conferences.*

Auditor's Conclusion

We are pleased that Clarion University management agrees with our recommendations and that management has already taken or is in the process of taking action to implement them. In addition, we are very glad to learn that Clarion is taking appropriate steps to ensure that any of the recently enacted changes to the Child Protective Services Law that may impact on state-owned universities, effective December 31, 2014, including Act 153 of 2014, are fully complied with for all future audit periods. During our next audit, we will review Clarion's new practices and

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policies for background checks under the recently enacted legislation and evaluate whether our recommendations have been implemented.

During the audit period in question in this report, we believe that although not required by law to obtain Act 151 child abuse clearances and Act 114 federal criminal background checks, the university should have obtained these clearances and background checks. Because these clearances are required by the Public School Code and the Child Protective Services Law for persons working with minors in school settings, those same minors should have the same level of protection when participating in youth camps on university property

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Finding 2

Clarion did not ensure that all regular employees of the university (including coaches, faculty, and administrators) who had direct contact with minors at the summer 2013 university-sponsored athletic and academic camps obtained the appropriate criminal background checks and child abuse clearances.

For Clarion's 29 regular (i.e., "continuously hired") employees who had contact with minors at the summer 2013 camps sponsored by the university, we determined whether Clarion did not obtain Act 34 criminal background checks, Act 114 federal criminal background checks, and Pennsylvania (Act 151) child abuse clearances; however, the university's policy does not require these employees to obtain these background checks.³¹

We found that Clarion had evidence that it obtained only 34 (or 39.1 percent) of the 87 necessary background checks discussed above. Clarion did not have evidence that it obtained 53 necessary background checks – specifically, 12 Pennsylvania State Police or Justifacts criminal background checks, 20 Act 114 federal criminal background checks, and 21 Act 151 child abuse clearances. None of the 34 background checks on file documented a disqualifying history.

The chart on the next page summarizes the background checks that Clarion had on file for the 29 coaches, faculty members, and administrators who worked at the summer 2013 internal camps.³²

³¹ All 29 regular employees were Pennsylvania residents.

³² Even though the university's camp safety policy did not require regular employees to obtain the Acts 34 and 114 criminal background checks and the Act 151 child abuse clearance, some university departments required their employees who worked at internal camps to do so prior to the start of the camp.

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Background Checks for Clarion's Regular Employees Who Worked with Minors Summer 2013				
Camp/Office	Number of Camp Workers	Number of Act 34 criminal background checks on file	Number of Act 114 federal criminal background checks on file	Number of Act 151 child abuse clearances on file
Athletic Camps	17	7	0	0
Academic Camps	10	8	8	8
Conference and Event Services	2	2	1	0
Total	29	17	9	8

Of the above 29 regular employees, only seven obtained all three background checks. Conversely, 11 did not obtain three background checks; nine did not obtain two background checks, and two did not obtain one background check. Nevertheless, Clarion allowed each of these regular employees to have direct contact with minors at its internal camps.

Clarion's background check policy for camps does not require coaches, faculty, and administrators to obtain the three background checks that the same policy requires for student employees, outside temporary workers, temporary part-time instructors, and volunteers who reside in Pennsylvania. In fact, the policy explicitly exempts current, continuously hired employees from the requirement to obtain any background checks prior to working at camps. According to Clarion's associate vice president for finance and administration, State System collective bargaining units objected to a camp policy requirement that their members provide background checks.

Although Clarion's camp safety policy exempts regular employees from obtaining any background checks prior to working at camps, the

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university's hiring policy requires regular employees to obtain one such background check prior to employment. In December 2007, Clarion issued a hiring policy that requires all candidates for instructional and non-instructional university positions to obtain a criminal background check by the university's contracted provider prior to employment. Effective for new employees as of January 1, 2008, the hiring policy did not apply retroactively to existing employees. As stated above, we consider the background checks conducted by the university's contracted provider (i.e., Justifacts) to be comparable but not equal to the Pennsylvania State Police criminal background checks. The university's hiring policy does not require new employees to obtain either the Act 114 federal criminal background check or the Act 151 child abuse clearance.³³

We believe that Clarion should obtain Act 114 federal criminal background checks and the Act 151 child abuse clearances for all adults – including regular employees - who work directly with minors at camps on the university's property. These background checks are required by the Public School Code and the Child Protective Services Law for persons working with minors in school settings. Minors who participate in camps on university property should have the same level of protection as minors in school settings.

Clarion's background check policy for camps requires that all non-regular camp workers provide the university all three background checks prior to working at camps. Likewise, Clarion should require all regular employees who work at the same camps to provide the same three background checks.

Clarion's failure to obtain all necessary background checks for all regular employees who work at camps on university property could compromise the safety of the minors who attend those camps.

Recommendation for Finding No. 2

1. Clarion should amend and then carefully enforce its background check policies to require all regular university employees to obtain Acts 34 and 114 criminal background checks as well as the Act 151 child abuse clearances prior to working directly with minors at camps.

Management Response

Re: Finding 2, Recommendation 1: Clarion accepts this recommendation and with the stipulation that the University will ensure compliance with Act 153 as opposed to Act 151.

³³ Each of the 12 regular employees who did not obtain the Act 34 criminal background check (or its Justifacts rough equivalent) was hired prior to January 1, 2008, i.e., the effective date of Clarion's hiring policy.

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Auditor's Conclusion

We are pleased that Clarion University management agrees with our recommendations and that management has already taken or is in the process of taking action to implement them. We are also pleased that Clarion is taking appropriate steps to ensure that any of the recently enacted changes to the Child Protective Services Law that may impact state-owned universities, effective December 31, 2014, including Act 153 of 2014, are fully complied with for all future audit periods.

During our next audit, we will review Clarion's new practices and policies for background checks under the recently enacted legislation and evaluate whether the recommendations have been implemented.

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Finding 3

Clarion did not adopt sufficient measures to ensure that all workers who had direct contact with minors at summer 2013 external camps obtained the necessary background checks.

During the summer of 2013, Clarion entered into agreements with two external organizations that held youth camps on university property. External organizations that hold youth camps on Clarion property are required to sign a facilities use agreement with the university and pay a fee for food services and the use of facilities, such as residence halls, meeting rooms, dining halls, and recreational areas. The external organizers are responsible for supplying their own employees and volunteers to function as instructors or counselors for the camps.

The facilities use agreements with the two external organizations that held youth camps on Clarion's campus during the summer of 2013 did not explicitly require adult employees or volunteers to obtain Acts 34 and 114 criminal background checks or the Act 151 child abuse clearance. Although the facilities use agreements did not mention a requirement for background checks, the cover letters that accompanied the two facilities use agreements included the following standard language:

It is the expectation of Clarion University that any of the adults that (name of camp) has staying or working with your camps will have the appropriate child-abuse and criminal clearances.

However, the cover letters did not specify which clearances were deemed to be appropriate or any consequences for the failure to obtain appropriate clearances for all adult camp workers.

One of the first passages in Clarion's background check policy for camps requires "employees/representatives of contractors providing camp or camp related services to the university and camp participants" to "provide appropriate clearances." However, a later passage in the policy limits the evidence/documentation that the external organizations must provide to Clarion to "written verification" that the requirements to obtain Acts 34 and 114 criminal background checks and the Act 151 child abuse clearance have been met.

We asked two Clarion officials directly involved with the establishment and enforcement of the camp safety policy why Clarion's facilities use agreements did not explicitly require adult employees or volunteers at external camps to obtain background checks. One official indicated that he was unable to provide an explanation, because he was not involved with

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the preparation of the agreements. The other official did not respond to our written inquiry.³⁴

According to Clarion's associate vice president of finance and administration, "written verification" from an external organization provides the university sufficient assurance that external camp workers do not have disqualifying criminal backgrounds or child abuse histories. He indicated that an acceptable "written verification" could consist of a letter signed by the camp director in which the camp director asserts that he/she reviewed the necessary background checks of camp workers and found no disqualifying information.

During the summer of 2013, neither of the two external camps provided a "written verification." Instead, the university's Office of Conference and Event Services verbally requested that the camp directors provide copies of the background check documents for all camp workers. Our review of these documents disclosed that Clarion did not have evidence that it obtained three of 26 required background checks for 11 external camp workers.³⁵

We believe that Clarion must adopt *all* reasonable and prudent measures to ensure the safety of minors who attend external camps on university property. Clarion should not rely solely on the representations of external organizations; this practice does not provide a sufficient level of assurance that all camp workers do not have disqualifying criminal backgrounds or child abuse histories. Rather, Clarion should obtain copies of all appropriate background check documents for each worker on each external camp's roster and then directly verify that each worker does not have a disqualifying history. Further, Clarion should communicate these requirements in writing. Clarion should strengthen its camp safety policy and its facilities use agreements with external organizations by explicitly requiring external camp directors to provide the university copies of all necessary background checks for all camp workers.

³⁴ Clarion officials did not explain why the summer 2013 facilities use agreements did not explicitly require adult employees or volunteers at external camps to obtain background checks. After audit fieldwork had ended, Clarion officials indicated that as of October 2014, Clarion's standard facilities use agreement will include a requirement that external camps provide written verification that adult workers have the appropriate background checks. We will verify this assertion as well as its implementation during our next audit of the university.

³⁵ Seven of the 11 camp workers were not residents of Pennsylvania. Clarion's files did not include a copy of an Act 114 federal criminal background check for one external camp worker who resided in Pennsylvania, a timely out-of-state criminal background check for one nonresident worker, and an Act 114 federal criminal background check for another nonresident worker.

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Recommendations for Finding No. 3

1. Clarion should revise its standard facilities use agreements with external camps to require external camp directors to provide the university copies of the necessary background check documents for all adult camp workers prior to the start of the camps.
2. Clarion should amend its background check policy for camps to include the above requirement and to mandate that the university verify that each external camp worker does not have a disqualifying background.
3. Clarion should develop formal procedures to enforce its new policy. That is to say, Clarion should develop procedures that include the receipt, review, and retention of background check documents to ensure that no external camp worker has a disqualifying background.

Management Response

Re: Finding 3, Recommendation 1: Clarion University finds the recommendation to be untenable to reasonably manage. In the alternative, and in compliance with BOG Policy 2014-01, the University intends to require any outside camp or conference to provide certification that all camp or conference workers, volunteers and program administrators have obtain the required background clearance checks. In addition, as an added layer of protection, the University will advise outside camps and conferences that the University will conduct an audit of the underlying background clearance checks records no later than one day prior to the start of the camp by testing a random sample of the listed participants to have their records verified.

Re: Finding 3, Recommendation 2: See response above regarding Finding 3, Recommendation 1.

Re: Finding 3, Recommendation 3: Clarion University agrees that written procedures should be developed for outside camps and conferences and agrees that the noted verification process should be strictly adhered to.

Auditor's Conclusion

In 2013, two external camps were held on Clarion University property. It is our position that all minors, who are attending these youth camps on university property, should have the same level of protection as minors who participate in university sponsored youth camps on university property. Therefore, although not required by BOG Policy 2014-01, we recommended that the University follow the same verification process for external youth camps as it does for University sponsored youth camps for the applicable audit period. We do, however, recognize that the new process and procedures the university intends to implement regarding external youth camps will now comply with BOG Policy 2014-01.

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During our next audit, we will determine if Clarion's new policies and procedures have been implemented and if Clarion has taken appropriate steps to ensure compliance with recently enacted changes to the Child Protective Services Law (CPSL) that have impacted state-owned universities, effective December 31, 2014, including Act 153 of 2014. In fact, given that the General Assembly enacted as many as 21 pieces of legislation amending the CPSL in further protection of minors,³⁶ we believe that our position that every minor attending camps on campus deserves suitable safeguards, university sponsored or not, is consistent with the General Assembly's intentions as well.

³⁶ This includes further requirements, with certain exceptions, for volunteers having direct contact with children (see 23 Pa.C.S. § 6344.2).

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Audit Results for Objective Two

*Inventory of
computers and
other electronic
equipment*

The Objective

Objective two for our performance audit was to determine whether Clarion maintains effective controls over its inventory of computers and other electronic equipment.

Relevant Standards, Policies, and Procedures

The Pennsylvania State System of Higher Education (State System) has established a standard to address the financial accounting and inventory control of fixed assets.³⁷ The standard states that “equipment, furniture, software, buildings, and improvements with a cost in excess of \$5,000 and an estimated useful life of two years or more should be capitalized at cost.” The standard requires capitalized assets to “be tagged with a fixed asset number and included on a fixed asset subsidiary ledger.” According to the standard, universities should complete a physical inventory of capitalized assets at least every three years. Further, “at the close of the inventory process, adjustments should be made to the fixed asset subsidiary and general ledgers for assets that have been taken out of service, lost, stolen, or otherwise disposed of.”

According to Clarion management personnel, the university has not established formal, written policies and procedures that specifically address controls over the university’s inventory of computers and related equipment. According to the same personnel, the individual dollar values of the university’s computers and related equipment fall below the State System’s \$5,000 threshold for fixed asset management.

However, Clarion’s computing services department has developed internal procedures to track computer inventories as part of the department’s technical support process. According to a written summary of its computer tracking procedures, the computing services department processes the receipt of newly purchased computers and related equipment by affixing an identification tag to the item and then recording the following data into master listings/files: personnel/department assignment, room/building location, identification number, model, and operating system. According to the above summary, computing services personnel update the master listings/files for individual computer purchases, university-wide software upgrades, department-wide equipment upgrades, equipment relocations, and equipment disposals.

³⁷ Pennsylvania State System of Higher Education, Financial Accounting Standard 2002-01, “Capitalization of Fixed Assets,” effective July 1, 2001.

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Further, although not in written policy or procedures but in practice, Clarion has designated the recipient departments the responsibility for safeguarding assigned computers and other electronic equipment. When a department changes the personnel assignment or location of one its computers, Clarion requires the department to communicate that change to computing services staff.

Scope and Methodology

To accomplish our objective, we conducted the following procedures.

We reviewed the above-mentioned State System financial accounting standard to determine the nature and applicability of State System requirements for the recording, identification, and accountability of university fixed assets.

We reviewed the computing services department's written summary of its computer tracking procedures (prepared at our request on March 4, 2014) to evaluate the effectiveness and comprehensiveness of those procedures.

We interviewed Clarion personnel, including the Associate Vice President for Computing Services and the Comptroller, to obtain an understanding of the university's controls over its inventory of computers and related equipment.

We obtained and examined the computing services department's master listings of computers and other electronic equipment at Clarion's main and Venango campuses. The listings, dated March 26 and 27, 2014, reported a total of 2,060 items assigned to Clarion's faculty, staff, "smart" (i.e., electronically enhanced) classrooms, and student computer labs.

From the above master listings of 2,060 computers and related equipment, we randomly selected and then physically examined (or confirmed the existence of) 60 items – i.e., 50 items at the main campus and 10 items at the Venango campus. We also checked whether the master listings accurately reported the personnel/department assignment, tag/identification number, and location of these 60 items.

The computing services department provided the audit team a listing of Clarion's computer and electronic equipment purchases for the period from June 18, 2012, to June 26, 2013. The department reported that Clarion purchased 430 computer inventory items at a total cost of \$354,095 during that time period. We randomly selected and then traced 60 of these 430 purchased items to the March 2014 master inventory

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listings to determine whether Clarion updated its inventory records to accurately reflect new purchases.

The computing services department also provided the audit team a listing of computers and related equipment identified for either removal and reassignment or disposal between January 1, 2013, and April 9, 2014. The listing reported 247 computer equipment removals/disposals during the specified time period. We randomly selected and then checked whether the entries for 25 of these 247 equipment removals/disposals were deleted from the March 2014 master listings to determine whether Clarion updated its inventory records to accurately reflect equipment removals/disposals.

Finally, on May 30, 2014, accompanied by Clarion computing services staff, we walked through four buildings (i.e., Grunenwald Science and Technology Center, Still Hall of Business Administration, Stevens Hall, and Carlson Library) and selected and observed 60 computers and related equipment. We then traced the items to the master inventory listings to determine whether Clarion accurately recorded the items and their associated details (i.e., personnel/department assignment, tag/identification number, and location) on the master listings.

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Finding 4

Clarion did not implement sufficient controls over its inventory of computers and other electronic equipment.

On its master listings dated March 2014, Clarion's computing services department reported a total of 2,060 computers and other electronic equipment items at the university's main and Venango campuses. Management personnel estimated that the original cost of this equipment (including laptops, desktops, and Ipads) totaled approximately \$1.7 million.

Despite this significant investment, we found that Clarion failed to implement adequate control procedures over its computers and related equipment.

Although the university's computing services department maintained master listings of its computers and related equipment, Clarion did not consistently review and update these records. According to its summary of computer tracking procedures, the computing services department only updated the listings as part of its technical support process. The computing services department did not conduct regularly scheduled physical inventories and then adjust its records accordingly. Further, the university departments that were assigned computer equipment did not maintain their own inventory listings or periodically spot check or verify the accuracy of the master listings maintained by the computing services department.

Testing disclosed that the master listings maintained by the university's computing services department were not always accurate or complete. We tested a random selection of 60 of the 2,060 entries on the master listings to determine whether the listed equipment actually existed and to assess the accuracy of the associated records. Although we determined that none of the 60 equipment items were missing, the inventory records documented the wrong location for eight items, the wrong personnel assignment for three items, and the wrong tag number for one item. Additionally, we randomly selected 60 of 430 computer purchases between June 18, 2012, and June 26, 2013, to determine whether the purchased items were included on the master listings. We noted that five of the 60 purchases in our test group were not documented on the master listings.

Our review of 25 randomly selected computers and related equipment items identified for removal or disposal disclosed that computing services staff correctly deleted entries for disposed equipment from the master listings. Further, the master listings accurately reported the personnel/department assignment, tag/identification number, and location

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for each of the 60 items that we observed during our May 30, 2014, “walkthrough” of four buildings on the university’s main campus.

We discussed the absence of routine physical inventories and the inaccurate listings for computer equipment with Clarion officials. They indicated that the university’s formal policies and procedures do not require regularly scheduled physical inventories for equipment items that fall below the \$5,000 fixed asset threshold established by the State System’s relevant financial accounting standard. According to management staff, Clarion’s control processes were geared toward technology support and “physical reviews were only completed on a periodic basis as part of upgrade planning.” Departments do not play a specific role in the inventory/tracking process. Management acknowledged that stronger “inventory-driven” controls would provide greater protection for the university’s investment. Management staff attributed the inaccurate entries in the master inventory listings to the failure of university departments to communicate changes in personnel assignment or location to computing services staff. Finally, management staff attributed the missing entries for the five purchases to human error in the data entry/update process.

Clarion spent nearly \$1.7 million to purchase its March 2014 inventory of 2,060 computers and related equipment. Accordingly, the university should exercise appropriate oversight to safeguard this costly equipment. Its failure to implement sufficient controls and to maintain accurate inventory records increases the risk of theft for such small, often portable equipment.

Recommendations for Finding No. 4

1. Clarion should establish and implement formal policies and procedures that are designed to safeguard its computers and other electronic equipment from theft. The policies should require regularly scheduled physical counts as well as regular reviews of, and adjustments to, computer inventory records (i.e., master listings).
2. Clarion should formally develop and implement specific roles (i.e., policies and procedures) for the departments that are assigned computers and related equipment. At a minimum, the policies and procedures should directly designate accountability to the departments, develop a mechanism for all departments to communicate changes in personnel assignment or equipment location to the computing services department, and require the departments to periodically spot check/verify the accuracy of the master inventory listings.

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Management Response

***Re: Finding 4, Recommendations 1 and 2:** The University will augment its current technology support processes for computers and related equipment below the \$5,000 PASSHE policy fixed asset threshold to add inventory-control policies and procedures for IT equipment to include department accountability, master inventory records, departmental inventory change status reporting, regularly scheduled physical reviews, and periodic spot checks.*

Auditor's Conclusion

We are pleased that Clarion University management agrees with our recommendations and that management has already taken or is in the process of taking action to implement them. During our next audit, we will review the new policy and evaluate whether the recommendations have been implemented.

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Audit Results for Objective Three

Expense Analysis

The Objective

Objective three was to determine whether Clarion’s net financial position remained positive and whether Clarion’s current assets exceeded its current liabilities during the five-year period from July 1, 2008, to June 30, 2013, in order to meet its current and overall obligations.

Relevant Policies

The Pennsylvania State System of Higher Education’s (State System) Board of Governors (board) has developed a budget policy for universities to follow.³⁸ Policy number 1993-03, entitled “Budgetary Reporting and Review” was developed to provide a framework for university budgetary reporting and board review.

Each university is responsible for preparing its respective institution’s individual budget, which is then submitted to the board for approval. Each university budget also must be approved by its individual council of trustees. Mid-year budget updates are submitted by each university to the State System, and necessary revisions are made based on actual student enrollments and revenue (tuition and fee) collection.

The policy requires the board to annually review and approve the operating budgets of each university. This review is an integral part of the board’s review and adoption of the State System’s appropriation request to the commonwealth for the next fiscal year.

As a member of the State System, Clarion receives a portion of its funding from the commonwealth’s annual appropriation to the State System.³⁹

In addition to funds received through the state appropriation, universities receive revenue through tuition and fees collected from students. The State System’s board is responsible for establishing tuition rates. All universities in the State System charge the same tuition for Pennsylvania students.⁴⁰

³⁸ 24 P.S. § 20-2009-A(6) provides, as follows: “[T]he council of each institution shall have the power and its duty shall be:...(6) To review and approve the recommendations of the president pertaining to annual operating and capital budget requirements for forwarding to the board.”

³⁹ 24 P.S. § 20-2002-A(b) provides, in part: “The State System of Higher Education shall have the same preferred status for appropriations as is enjoyed by its constituent institutions. State funds appropriated to the system shall be allocated to the individual institutions on a formula based on, but not limited to, such factors as enrollments, degrees granted and programs.”

⁴⁰ 24 P.S. § 20-2003-A(a) provides, as follows: “(a) The State System of Higher Education[’s]... purpose shall be to provide high quality education at the lowest possible **cost** to the students.” [Emphasis added.]

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However, tuition for out-of-state students varies by university.⁴¹ In addition, each university establishes its own mandatory fees charged to all students.⁴²

In order to evaluate Clarion's financial position, we analyzed financial data provided by the university to calculate its net position and current ratio. Best business practices and general financial statement analysis tools dictate that the current ratio of assets to liabilities should be at least 2 to 1 or better. A current ratio below 2 to 1 raises concerns about whether an entity has sufficient resources to meet its current obligations.

Scope and Methodologies to Meet Our Objective

We focused our analysis on financial data for the five-year period from July 1, 2008, through June 30, 2013.

To accomplish our objective, we conducted the following procedures:

We interviewed university personnel, including the vice president for finance and administration and the comptroller, as well as the State System's manager of budget planning and analysis. We specifically inquired as to the budget process and monitoring of actual revenue and expenses.

We obtained and reviewed the following documents to obtain financial data in order to evaluate the university's financial position:

- Clarion's annual audited financial statements for fiscal years ending June 30, 2009, through June 30, 2013.
- Clarion's budget reports for the fiscal years ending June 30, 2009, through June 30, 2013.
- Data analysis report prepared by the General Assembly of the Commonwealth of Pennsylvania Joint State Government Commission, entitled "Instructional Output and Faculty Salary Costs of the State-Related and State-Owned Universities," for the fiscal years ending June 30, 2009, through June 30, 2013.⁴³

⁴¹ 24 P.S. § 20-2006-A(a)(11) provides, in part: "(a)...The powers and duties of the Board of Governors shall be: (11) To fix the levels of tuition fees, except student activity fees. Tuition fees shall include a differential for such charges between students who are residents of the Commonwealth and students who are nonresidents."

⁴² 24 P.S. § 20-2009-A(7) provides: "[T]he council of each institution shall have the power and its duty shall be:...(7) To review and approve charges for room and board and other fees except student activity fees."

⁴³ Please refer to

<http://jsg.legis.state.pa.us/resources/documents/ftp/publications/2014-368-Snyder%20report%20with%20Amendments%203-12-14.pdf> Accessed on November 18, 2014.

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We utilized Clarion's audited financial statements to calculate Clarion's current ratio. The current ratio is determined by dividing current assets⁴⁴ by current liabilities.⁴⁵ This ratio provides the ability to assess the university's short-term liquidity position and its ability to meet its current liabilities. For example, if the university had \$2,000,000 in current assets and \$1,000,000 in current liabilities, its current ratio would equal 2. In other words, it had \$2 of current assets for every \$1 of current liabilities.

We also reviewed Clarion's budget reports to compare Clarion's budgeted projections to actual revenues and expenditures.

⁴⁴ A current asset is an item on an entity's balance sheet that is cash, a cash equivalent, or can be converted into cash within one year. Examples include cash, investments, accounts receivable, and inventory.

⁴⁵ A current liability is an item on an entity's balance sheet that is payable within one year. Examples include accounts payable such as amounts due to suppliers, short term loans, and interest due to lenders.

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Finding 5

Clarion’s financial position remained positive, and current assets exceeded current liabilities during the five-year period from July 1, 2008, to June 30, 2013.

Our analysis of Clarion’s financial statements for a five-year period disclosed that Clarion’s total assets exceeded its total liabilities in all five years. As a result, Clarion remained in a positive position.

The following chart documents the university’s positive net position by comparing its total assets and total liabilities as reported on its balance sheet in its audited financial statements.

Year End June 30	Total Assets	Total Liabilities	Total Net Position
2009	\$94,249,108	\$81,805,685	\$12,443,423
2010	\$99,805,290	\$84,414,385	\$15,390,905
2011	\$106,708,363	\$91,856,040	\$14,852,323
2012	\$111,539,178	\$93,646,261	\$17,892,917
2013	\$106,302,226	\$95,125,008	\$11,177,218

Our analysis showed that Clarion had a positive net position for all five years. The university’s expenses exceeded revenues in three of these years. The greatest deficit occurred during the fiscal year ended June 30, 2013, when expenses exceeded revenues resulting in a decrease in net position of \$6,715,699.

The following chart documents the university’s change in net position during the years ended June 30, 2009, through June 30, 2013, as reported in the university’s audited financial statements.

Year End June 30	Revenue⁴⁶	Total Operating Expenses	Change In Net Position⁴⁷	Net Position End Of Year
2009	\$102,305,756	\$104,026,034	(\$1,720,278)	\$12,443,423
2010	\$107,818,202	\$104,870,720	\$2,947,482	\$15,390,905
2011	\$105,685,549	\$106,224,131	(\$538,582)	\$14,852,323
2012	\$107,294,391	\$104,253,797	\$3,040,594	\$17,892,917
2013	\$101,297,172	\$108,012,871	(\$6,715,699)	\$11,177,218

⁴⁶ Revenue = Total Operating Revenues + Net Non-operating Revenues + Other Revenues.

⁴⁷ Change in Net Position = Revenue – Total Operating Expenses.

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During the 2012-13 fiscal year, the university anticipated a balanced budget but it experienced a shortfall. Although actual revenues exceeded budgeted revenues,⁴⁸ expenditures and transfers exceeded the budget by an even greater amount. The 2012 positive net position of \$17,892,917 enabled the university to absorb the \$6,715,699 decrease in net position and still continue to have a positive net position of \$11,177,218 in 2013.

The following factors contributed to Clarion's \$6,715,699 decrease in net position during the 2012-13 fiscal year:

- Increased expenses including payroll and bad debt expenses;
- Decline in enrollment; and
- Decline in revenue from state appropriations and tuition and fees.

Increased Expenses Including Payroll and Bad Debt Expenses

We attributed the decrease in net position in 2012-13, in part, to a significant increase in expenses for employee salaries, wages, and benefits as well as bad debt expense.⁴⁹ Clarion's employee salaries, wages, and benefit costs increased by \$2,280,109, and its bad debt expense increased by \$1,147,716 from the prior year.

Decline In Enrollment.

Clarion's net position decreased during the 2012-13 fiscal year, in part, due to a decline in student enrollment, which resulted in a decrease in revenue (tuition and fees). The number of full-time equivalent students (students⁵⁰) for the 2012-13 academic year was 4.6% lower when compared to the 2011-12 academic year.

⁴⁸ Clarion's 2012-13 budget anticipated a decline in tuition revenue and the state appropriation from the prior year's actual revenues.

⁴⁹ Bad debt expense is the amount of accounts receivable, such as amounts owed to the university from students, that is considered to be uncollectible.

⁵⁰ Full-time equivalent (FTE) student is a standardized measure of student enrollment. In an FTE, a student's actual course load is standardized against the normal course load. An FTE of 1.0 for a student means that the student is equivalent to a full-time student, while an FTE of 0.5 for a student means that the student is half-time. Data for each year represents the summer term preceding the academic year plus the academic year. Full-time equivalent students are calculated by dividing undergraduate student credit hours by 30 and graduate student credit hours by 24.

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The following chart documents the university's decreasing enrollment:

Academic Year	Number of Undergraduate Students	Number of Graduate Students	Total FTE Students
2011-12	5,471	762	6,233
2012-13	5,237	707	5,944

Decline in Revenue from State Appropriations and Tuition and Fees

As a member of the State System, Clarion is allocated a portion of its funding from the annual appropriation the State System receives from the commonwealth. The amount of state appropriation received by Clarion decreased during each of the five reviewed years.

The following chart shows the university's revenue from state allocations and tuition and fees. State System allocations decreased \$5,375,857, or approximately 19.2%, between the 2008-09 and 2012-13 fiscal years. Tuition and fee revenue decreased \$2,007,467 from the 2011-12 fiscal year to the 2012-13 fiscal year.

Year End June 30,	State System Allocation	Clarion Tuition And Fees	Total Revenue from Allocation, Tuition and Fees
2009	\$27,972,185	\$45,597,322	\$73,569,507
2010	\$26,269,435	\$49,371,849	\$75,641,284
2011	\$25,187,058	\$51,759,160	\$76,946,218
2012	\$23,362,309	\$55,755,140	\$79,117,449
2013	\$22,596,328	\$53,747,673	\$76,344,001

Revenue from State System allocations as well as tuition and fees decreased \$2,773,448 from the 2011-12 to the 2012-13 fiscal years.

Clarion's financial position is also reflected in its current ratio. At fiscal year ending June 30, 2013, Clarion's current assets of \$49,739,463 exceeded its current liabilities of \$18,299,816 by \$31,439,647. Its current ratio was 2.72. This means that Clarion had \$2.72 of current assets for every \$1.00 of current liability.

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The following chart shows the university's current ratio over five fiscal years.

Year End June 30	Current Assets	Current Liabilities	Current Ratio
2009	\$35,497,178	\$17,278,989	2.05
2010	\$39,221,700	\$17,346,215	2.26
2011	\$45,400,596	\$19,043,946	2.38
2012	\$52,643,817	\$19,024,852	2.77
2013	\$49,739,463	\$18,299,816	2.72

This indicates that Clarion has been able to meet its current obligations with existing resources. Potential creditors use this ratio to measure an entity's ability to pay its short term debts and to determine the terms and conditions, including interest rates, of loans.

Although Clarion's net position remains positive, the financial position of the State System as a whole has declined. This decline has been observed by Moody's Investors Service (Moody's). In October 2012, Moody's Investors Service, Inc.⁵¹ downgraded the State System's outstanding bonds from Aa2 to a rating of Aa3.⁵² However, this is not a direct reflection of Clarion. The downgrade is in the rating of the State System and it was due in part to weakening state support, declining enrollment, political limitation on the system's ability to raise tuition and fees, and challenges in reducing expenditures. In a recent news article,⁵³ Moody's reported on the annual operating margins (%) of each of the 14 state-owned universities. The annual operating margin reflects the university's ability to maintain financial balance in any given year. The margin is determined by dividing the university's operating surplus or (deficit) by its total operating revenue. Because Clarion operated with a deficit in 2012-13, its operating margin was negative 3.54%. However, due to variables

⁵¹ Moody's Investors Service, is the bond credit rating business and provides international financial research on bonds issued by commercial and government entities and, with Standard & Poor's and Fitch Group, is considered one of the Big Three credit rating agencies. The company ranks the credit worthiness of borrowers using a standardized ratings scale which measures expected investor loss in the event of default. In Moody's Investors Service's ratings system, securities are assigned a rating from Aaa to C, with Aaa being the highest quality and C the lowest quality. Moody's appends numerical modifiers 1, 2, and 3 to each rating classification. The modifier 1 indicates the higher end of its rating category.

⁵² "Moody's Investors Service – Rating Action: Moody's assigns Aa3 rating to State System of Higher Education (PA); outlook is stable" as viewed at https://www.moodys.com/research/moodys-assigns-Aa3-rating-to-state-system-of-higher-educations--pr_275314# on November 18, 2014.

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that can exist in key revenues and expenses, an average annual operating margin that measures the operating margin over a period of three or more years is a better measure of the university's ability to maintain financial balance. Clarion's average operating margin over fiscal years 2008-09 through 2012-13 was a positive 2.01%.

⁵³ "Legislators propose bill to split up Pennsylvania-owned university system" by Brad Bumsted, accessed at <http://triblive.com/news/adminpage/5740551-74/state-system-universities#axzz2wPe9Gpd8>, viewed on October 8, 2014.

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Status of Prior Audit

Our prior audit report of Clarion University covered the period from July 1, 2007, through July 9, 2010, and contained four findings. Two of the findings (2 and 3) were positive and, thus, had no recommendations. The status of the remaining findings (1 and 4) and their accompanying recommendations are presented below. The prior audit report also contained two unresolved prior findings (4 and 5) from the audit of Clarion University that covered the period from July 1, 2004, to July 13, 2007. The status of these findings and their accompanying recommendations are also presented below.

To determine the status of the implementation of the recommendations made during the prior audit, we held discussions with appropriate institution personnel and performed tests as part of, or in conjunction with, the current audit.

Prior Finding 1

Clarion failed to safeguard social security numbers for student athletes and athletic campers. (Resolved)

Our prior audit reported that Clarion did not establish its own formal policy regarding the protection of student or camp participant social security numbers. Clarion's athletic department did not adequately limit access to social security numbers on physical documents, such as summer camp medical forms and secondary insurance forms for former student athletes. The athletic department retained summer camp medical forms, which included camp participant social security numbers, in the offices of the ten camp directors assigned to the department. Further, Clarion's athletic department retained approximately 3,000 former student athletes' secondary insurance forms in a locked basement storage area located in the Tippin gymnasium building. The student social security number was observable on the secondary insurance form, and maintenance staff had access to the locked basement storage. According to interviews of Clarion officials, the university retained these insurance forms - dated from 1993 to 2006 - at the advice of legal staff. However, the athletic department did not redact the social security numbers from the stored insurance forms.

We recommended that Clarion limit employee access to student social security numbers by destroying the summer camp medical forms upon completion of the camps. We also recommended that the university redact the social security numbers on athletes' secondary insurance forms in basement storage. Finally, we recommended that Clarion management establish policy and procedures for the protection of student personal information.

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On August 16, 2011, Clarion management responded to the above recommendations, as follows:

In the summer of 2010 Clarion University developed a procedure, implemented immediately, to destroy all summer camp medical forms upon completion of the camps. During the 2010-2011 academic year, all social security numbers on athletes' secondary insurance forms, located in the basement storage, were removed.

Current Status. To follow up on the deficiencies noted in the prior audit, we interviewed the athletic director and the athletic events and promotions coordinator. We reviewed the university's written responses to audit information requests about the policy and procedures for the safeguarding of social security numbers and the university's resolution to the specific issues regarding summer camp medical forms and secondary insurance forms for former student athletes. We obtained a physical copy of the university's current summer camp medical form and viewed the same form on Clarion's website at http://www.clariongoldeneagles.com/documents/2014/4/15/camp_med_info.pdf?&tab=0.

According to the above-mentioned interview and written responses, Clarion's athletic department implemented policy and procedures to safeguard student social security numbers. During the 2010-11 academic year, the university shredded the former student athletes' secondary insurance forms previously held in basement storage. Beginning with the 2010-11 academic year, the athletic department has shredded all summer camp medical forms upon completion of each camp. Prior to the 2013-14 athletic camps, the summer camp medical form requested the camper's social security number. In 2013-14, the athletic department removed the request for the social security number from the medical form and, nevertheless, shredded the forms at the completion of each camp.

Based on our interview, the above-mentioned written responses, and our review of the recently revised summer camp medical form, we conclude that Clarion complied with the recommendations of our prior report.

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Prior Finding 4

Clarion did not adequately monitor student accounts after referral to the Office of the Attorney General. (Resolved)

Our prior audit reported that Clarion properly sent past due notices, documented payment arrangements, placed registration holds, and submitted delinquent accounts to the Office of the Attorney General (Attorney General) in accordance with established policies and procedures. However, Clarion did not adequately monitor student accounts after referral to that office for collection.

Our review of 61 randomly selected delinquent student accounts found that Clarion did not write off or send six individual accounts to a collection agency after the Attorney General authorized Clarion to take these measures. These six accounts (with a total value of approximately \$11,400) were referred to the Attorney General between 1998 and 2007. The remaining 55 accounts either were paid in full or were in various stages of review and processing by Clarion or the Attorney General in accordance with policy.

The university wrote off accounts deemed uncollectible in order to accurately report the value of its assets in financial statements. Because Clarion did not write off the six accounts noted above, the university overstated the value of its accounts receivable in its financial statements.

We recommended that Clarion management monitor its delinquent student accounts after referral to the Attorney General. After Clarion receives notification that the Attorney General has exhausted all collection efforts, we recommended that Clarion write off the accounts or refer the accounts to a collection agency as appropriate.

On August 16, 2011, Clarion management responded to the above recommendations, as follows:

Clarion initiated contracts with outside collection agencies responding to the original recommendation from the Auditor General's Office. Clarion will make additional efforts to monitor its student accounts referred to the Attorney General to ensure that we can expedite collection efforts and refer more delinquent accounts to outside agencies or write off the accounts as appropriate.

Current Status. To follow up on the deficiencies noted in the prior audit, we reviewed current university policy and procedures regarding delinquent student accounts as well as the university's contracts with two

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collection agencies applicable to the period from July 1, 2011, to June 30, 2013. We also reviewed the following data summaries prepared at our request by Clarion's Director of Business Services and applicable to the period from July 1, 2011, to June 30, 2013: the number and dollar value of delinquent student accounts that Clarion referred to the Attorney General; the number and dollar value of student accounts that the Attorney General authorized for write-off; the number and dollar value of student accounts that Clarion wrote off; and the number and dollar value of student accounts assigned to a collection agency. Finally, for the above accounts forwarded to outside agencies, we analyzed the director's report of gross amounts collected as of August 8, 2014.

Clarion adopted measures to improve its monitoring and collection of delinquent student accounts. In March 2011, Clarion implemented a new student accounts software system that identifies each delinquent account's current status in the collection process. During our prior audit period, student workers posted the write-off transactions after Clarion received notification that the Attorney General exhausted its collection efforts for referred accounts. In March 2012, Clarion assigned this responsibility to a full-time staff member who is then assisted by student workers.

According to the data summaries prepared by the Director of Business Services, from July 1, 2011, to June 30, 2013, Clarion referred 297 student accounts with a cumulative value of \$860,396 to the Attorney General for additional collection efforts. During this same time period, the Attorney General authorized Clarion to write off 563 accounts with a cumulative value of \$1,241,102. Also from July 1, 2011, to June 30, 2013, Clarion actually wrote off 698 student accounts with a cumulative value of \$1,373,625.⁵⁴

Clarion utilized two contracted agencies to assist in its efforts to collect outstanding student accounts. From July 1, 2011, to June 30, 2013, Clarion referred 869 delinquent student accounts with a cumulative value of \$2,046,077 to its two contracted collection agencies. As of August 8, 2014, the two agencies collected \$63,687 from these specific outstanding accounts.

⁵⁴ The time lag between individual collection activities – i.e., Clarion's submission of delinquent accounts to the Attorney General, the Attorney General's authorization to write off accounts, and Clarion's actual write-off and referral to collection agencies - explains why the number and value of accounts associated with each activity during the same time period are different.

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Prior Finding 4
*From the 2004-
2007 Audit*

Based on our review of Clarion's current policy and procedures, student account data summary reports, and delinquent account collection data, we conclude that Clarion has complied with our prior audit recommendations.

Parking meter revenue was not properly safeguarded and parking fine revenue was not collected. (Partially Resolved)

Parking meters. Our two preceding audits reported that Clarion did not properly safeguard parking meter revenue. The audit for the period from July 1, 2004, to July 13, 2007, reported that only one Clarion employee was responsible for collecting parking meter money weekly. One officer emptied the meters into an unlocked bag each week and placed the bag in the public safety office safe until Monday when the office took the money to the bank. Clarion did not count the money; a bank employee counted the money and prepared the deposit.

Our audit for the period from July 1, 2007, to July 9, 2010, reported that the university adopted some measures to improve controls over its parking meter collections. However, overall controls remained weak. Clarion's public safety officer(s) who were dispatched for meter collections counted parking meter revenue at the end of each collection and recorded the amount in the complaint report tracking system. However, the officer(s) placed the money in an unlocked bag without a deposit slip and then stored the unlocked bag in the public safety office safe until an officer took the collected money to the bank. The bank employee counted the money and forwarded deposit slips to Clarion's accounts receivable office. Personnel from the accounts receivable office then recorded the revenue in Clarion's electronic accounting system. Clarion's accounting department conducted reconciliations between the monthly bank statements and the university's electronic accounting records, but the university did not complete reconciliations between the complaint reports and the bank statements.

Although Clarion generally dispatched two officers to collect parking meter money beginning in August 2008, the university inconsistently rotated meter collection personnel. The review of the 43 public safety office complaint reports filed between August 2008 and October 2009 revealed that Clarion utilized two public safety officers for 35 collections and one officer for eight collections. The same officer conducted 42 of the 43 collections noted in the complaint reports – seven alone and 35 with an assisting officer. Clarion utilized the same assisting officer for 25 of the 35 joint collections.

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Finally, the prior audit reported that Clarion did not enforce (and the public safety office did not follow) Clarion's policy for miscellaneous revenue deposits, as stated below:

...If the office holding miscellaneous revenue funds has a fire resistant security container, funds can be held and delivered either weekly or when the amount on hand exceeds \$100.00, whichever occurs first. No office may retain funds for more than one week regardless of the amount, and no office may retain more than \$100.00....

The review of the 49 accounting entries for parking meter revenue deposits between August 26, 2008, and October 20, 2009, disclosed that all but one of the deposits exceeded \$100.

We recommended that Clarion enforce formal procedures for the collection and deposit of parking meter revenue. We recommended that Clarion management regularly rotate meter collection personnel. We also recommended that the assigned officer record the collected amount on a deposit slip, place the money and deposit slip in a locked collection bag, and then take the money to the bank that same day or place the money in the bank's night deposit box. Finally, we recommended that the accounting department routinely reconcile the collections recorded on the complaint reports to the bank statements.

On August 16, 2011, Clarion management responded to the above recommendations, as follows:

Clarion University has been constrained by lean staffing both in Public Safety and Accounts Receivable which precluded taking measures like rotating meter collection personnel and more frequent reconciliation. That said, proper collection and safeguard of receivables should always be exercised. Clarion will review its parking revenue collection and deposit procedures and improve them based on the Auditor General's recommendations.

Current Status. To follow up on the deficiencies noted in the prior audit, we interviewed Clarion's associate vice president for finance and administration as well as management technicians from the university's Public Safety Office and Student Financial Services Office.

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The current audit revealed that Clarion removed all of its coin-operated parking meters from its campus as of late June 2014. The university's two remaining pay stations accepted only debit or credit cards. According to Clarion officials, many of the university's meters had fallen into disrepair, and current construction on campus limited the number of available parking spaces. Clarion officials indicated that the university did not plan to install new coin-operated parking meters; instead the university planned to use pay stations similar to those mentioned above. Clarion issues annual parking permits to students and employees. Infrequent university visitors can obtain a complimentary one-day parking permit at the Public Safety Office.

Because the university does not currently utilize coin-operated parking meters, we do not consider the prior audit recommendations to be relevant. Therefore, the issue of the prior audit is resolved.

Parking Fines. Our preceding two audits reported that Clarion parking fine collections were deficient. The audit for the period from July 1, 2004, to July 13, 2007, reported that outstanding parking fines from August 25, 2007, through April 26, 2007, totaled \$42,672. Offenders with two or more outstanding tickets (including one offender with 15 outstanding tickets) accounted for 2,299 (or about 61 percent) of the 3,752 unpaid tickets as of April 26, 2007. Further, Clarion's Public Safety Office only sent out notices to fine holders three or four times a year.

Our audit for the period from July 1, 2007, to July 9, 2010, reported that Clarion had 3,104 outstanding parking tickets from July 1, 2007, through September 21, 2009. The resultant uncollected fines for these 3,104 tickets totaled approximately \$35,500. The audit also reported that Clarion did not routinely implement its parking policies designed to deter multiple tickets, including those policies regarding increased fines for repeat offenders, immobilization boots, and the referral of violations for prosecution with the district court. Finally, the prior report noted that in October 2009, the university purchased a software program designed to recover vehicle owner information from the Pennsylvania Department of Transportation (PennDOT).

We recommended that Clarion consistently enforce its parking policy regarding increased fines for repeat offenders, immobilization boots, and the filing of violations for prosecution with the district court. We also recommended that Clarion continue to use its new software program to identify offenders who own vehicles not registered with the university and then contact the offenders to collect fines.

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On August 16, 2011, Clarion management responded to the above recommendations, as follows:

Clarion University has taken extra efforts to collect fines including using PennDOT reports to identify offenders who have not registered vehicles with the University based on the previous recommendation from the Auditor General. On occasion, however, use of the reports did not identify the correct vehicle. Overly negative responses from parties reached in error, and even from those identified correctly, beyond the commensurate value of the collections lead the University to be somewhat cautious in its use of immobilization boots and prosecution with the district court. Clarion will review its policies and enforcement thereof in light of the Auditor General recommendation to and make appropriate changes.

Current Status. To determine whether the university implemented the prior report's recommendations, we interviewed Clarion's associate vice president for finance and administration, director of public safety, and management technician from the Public Safety Office. We reviewed Clarion's parking policy as well as a summary of the university's parking enforcement procedures prepared at our request by the director of public safety. We also analyzed internally prepared summaries of Clarion's outstanding tickets as of March 5, 2014, as well as listings of the parking tickets and fines issued during the fiscal years ended June 30, 2012, through 2014, and the associated payments as of June 30, 2014. Finally, we reviewed an internally prepared summary of immobilization boot usage between July 1, 2011, and June 30, 2014.

According to its internally prepared summary, Clarion had 2,626 outstanding tickets as of March 5, 2014. The associated uncollected fines totaled \$35,710. According to the summary, 1,212 of the unpaid tickets (valued at \$18,665) were outstanding for one year or less; 575 unpaid tickets (valued at \$8,580) were outstanding between one to two years; and 839 unpaid tickets (valued at \$8,465) were outstanding between two to three years.

According to Clarion's parking policy as well as the summary of the university's parking enforcement procedures prepared by the director of public safety, parking ticket fines are initially \$15 per violation and are

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doubled if not paid within ten days.⁵⁵ After the fifth valid ticket in an academic year (paid or unpaid), the fine for all subsequent violations increases to \$30 per violation. Vehicles with three or more violations may be booted. A \$30 fee, as well as all outstanding fines, must be paid prior to removal of the boot.

Further, Clarion's parking policy states the following:

*Any person who violates these regulations, or any campus parking policy, shall be subject to (a) a fine, and prosecution under the provisions of the Pennsylvania Vehicle Code or the Pennsylvania Crimes Code. All penalties, not paid or appealed within the required time limit, can be filed with the District Justice for prosecution...*⁵⁶

The current audit disclosed that Clarion did not routinely implement all of its policies and procedures developed to deter multiple tickets. The university's listing of parking tickets and fines issued during the fiscal year ended June 30, 2013, documented six offenders with six or more tickets during the academic year.⁵⁷ Clarion issued 53 tickets valued at approximately \$1,700 to these six repeat offenders. Four of the offenders had six tickets; however, Clarion issued an increased fine for the sixth offense for only one of these four offenders. One offender had 14 tickets; however, Clarion issued an increased fine for only the thirteenth offense. The worst offender had 15 tickets; yet Clarion did not issue an increased fine for any of the tickets that followed the fifth offense. In summary, Clarion did not assess an additional \$630 in fines for the repeat offenders.⁵⁸

Even though Clarion management questioned the merit of immobilization boot usage in the August 16, 2011, response to our prior report's recommendations, the university utilized the immobilization boot 76 times and collected approximately \$9,900 in associated fines and fees during the period from July 1, 2011, through June 30, 2014. The following table summarizes the data provided to us by the university:

⁵⁵ On July 21, 2011, Clarion's Council of Trustees increased parking ticket fines from \$10 to \$15 per initial violation and from \$20 to \$30 if not paid within ten days. During the prior audit period, the fine for the sixth and subsequent valid tickets in an academic year was \$30 per violation.

⁵⁶ <http://www.clarion.edu/student-life/living-at-clarion/transportation-and-parking/> Accessed on November 7, 2014.

⁵⁷ We tested tickets issued during the fiscal year ended June 30, 2013, because this listing was the most recent annual listing that included the license plate numbers associated with each ticket. The listing for the fiscal year ended June 30, 2014, did not include license plate numbers.

⁵⁸ Eventually, five of the six offenders paid all of their assessed fines. The university did not have evidence that the worst offender (i.e., the license plate with 15 tickets) paid any part of \$450 in assessed fines.

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Clarion Immobilization Boot Usage July 1, 2011, through June 30, 2014		
Fiscal Year Ended June 30,	Number of Boot Installations	Collections associated with Boot Installations
2012	27	\$3,400
2013	15	\$1,700
2014	34	\$4,800
Total	76	\$9,900

According to Clarion management, the university did not file parking violations for prosecution with the district justice between July 1, 2011, and June 30, 2014. Management indicated that the university's Public Safety Office conducted an analysis of the work hours and cost associated with such prosecutions; the study concluded that prosecutions with the district justice are not cost effective.

According to the summary of the university's parking enforcement procedures prepared by the director of public safety, Clarion consistently utilizes the software program designed to recover vehicle owner information from the Pennsylvania Department of Transportation (PennDOT). According to the director of public safety, the vehicle identification software effectively identifies the owners of ticketed vehicles that were not registered with the university's Public Safety Office.

We conclude that Clarion implemented the prior report's recommendations regarding usage of the immobilization boot and vehicle identification software. We accept Clarion's explanation regarding its decision not to file parking violations for prosecution with the district justice. However, our current audit disclosed that the university did not implement its policy regarding doubled fines for offenders with six or more valid parking tickets during an academic year. In order to discourage parking violations, we again recommend that Clarion implement this specific policy.

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Prior Finding 5

*From the 2004-
2007 Audit*

Clarion failed to monitor and administer cash collection procedures in the print shop operations. (Resolved)

Our two preceding audits identified weaknesses in Clarion's controls over its print shop operations. The audit for the period from July 1, 2004, to July 13, 2007, reported that deposit records were not consistent with cash collection login sheets. Additionally, the print shop retained cash collections for greater than one week in violation of the university's procedures for miscellaneous revenues. Finally, the prior audit reported weaknesses with the computer system billing and collection process.

Our audit for the period from July 1, 2007, to July 9, 2010, reported that the university adopted some measures (including employee training) to improve controls over its print shop operations. However, the print shop's overall controls remained weak. Print shop staff routinely recorded cash sales on copier log-in sheets but issued pre-numbered receipts only upon customer request. The print shop did not forward cash collections to the accounts receivable department at least weekly in violation of Clarion's policy and procedures that prohibit the print shop from retaining funds for more than one week. Print shop management did not reconcile the cash drawer to documentation retained by the print shop. Finally, the print shop continued to exhibit weaknesses in its tracking of unpaid invoices. The print shop's work-in-progress listing reported 489 unpaid invoices with a total value of approximately \$176,400. Fourteen of the listed invoices (valued at approximately \$2,800) were older than 90 days. Because these 14 invoices appeared on the listing, the print shop director was aware of their existence. However, the director was not aware of 27 unpaid print shop invoices (valued at about \$5,400) on file in the accounts receivable department.

We recommended that Clarion management establish and enforce controls over print shop billing and revenue collection. We also recommended that the print shop consistently use pre-numbered receipts for all customers, reconcile the cash box weekly, and forward cash collections to the accounts receivable department at least weekly. Finally, we recommended that the accounts receivable department bill customers for all past due accounts.

On August 16, 2011, Clarion management responded to the above recommendations, as follows:

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Appropriate internal controls have been implemented by PAGES print shop with regard to handling of counter sales and petty cash accounting. Documentation has become more detailed, processes more defined, and a schedule has been implemented to monitor and reconcile aging accounts. These changes have been implemented in accord with other university/business office policies and procedures.

Current Status. To follow up on the deficiencies noted in the prior audit, we reviewed Clarion's policy and procedures regarding the deposit of miscellaneous revenue. We reviewed a summary of print shop controls prepared at our request by the Assistant Vice President for Advancement as well as the print shop's formal procedures for the handling of cash. We reconciled the print shop's counter transaction sheets for sales (including cash, check, and university debit card) for the period from June 29, 2012, through June 28, 2013, to the corresponding transmittal forms prepared when the print shop submitted cash and check receipts to the university's accounts receivable department. We also analyzed the print shop's weekly cash drawer reconciliation forms prepared between April 4, 2014, and June 19, 2014. Finally, we reconciled the print shop's schedule of aged receivables as of June 30, 2014, to its monthly spreadsheets that document invoice payment data for the fiscal year ended June 30, 2014.

The current audit revealed that Clarion management established controls over print shop billing and revenue collection. The counter transaction sheets documented that the print shop consistently used pre-numbered receipts for all counter sales. The reconciliation of the counter transaction sheets to the corresponding revenue transmittal forms revealed that the print shop forwarded its cash collections to the accounts receivable department weekly in compliance with the university's policy and procedures for miscellaneous revenue and the print shop's internal procedures for the handling of cash. In March 2014, the print shop adopted a cash drawer reconciliation form to ensure the safeguarding of cash – i.e., to ensure that the cash on hand after the transmittal of receipts to the accounting department agreed with information documented on the counter transaction sheets and the revenue transmittal forms. Between April 4, 2014, and June 19, 2014, the print shop performed and documented cash drawer reconciliations weekly. Further, the forms were signed by both the employee who performed the reconciliation as well as a supervisor. Finally, our review of the print shop's schedule of aged receivables as of June 30, 2014, and its monthly invoice spreadsheets for the fiscal year ended June 30, 2014, revealed that the print shop monitored its accounts. The information (i.e., invoice number, date, vendor, and amount) for the outstanding accounts on the schedule of receivables was

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consistent with the data reported on the monthly spreadsheets. The spreadsheets documented that the print shop prepared 2,042 invoices and received the correct payment for 2,027 of those invoices between July 1, 2013, and June 30, 2014. The June 30, 2014, schedule of receivables reported 15 unpaid invoices. The 15 invoices were valued at approximately \$16,000; only four of the unpaid invoices (valued at approximately \$500) were greater than 90 days old.

We conclude that Clarion complied with the recommendations of our prior report.

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