

**Commonwealth of Pennsylvania**  
**State System of Higher Education**  
**Bloomsburg University of Pennsylvania**  
**July 1, 2004, to June 29, 2007**  
**Performance Audit**





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January 15, 2008

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania  
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

This report contains the results of a performance audit of Bloomsburg University of Pennsylvania of the State System of Higher Education for the period July 1, 2004, to June 29, 2007, except where the scope was expanded to assess all relevant information objectively. The audit was conducted under the authority provide in Section 402 of The Fiscal Code and in accordance with *Government Auditing Standards* as issued by the Comptroller General of the United States.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that Bloomsburg did not comply with rules regarding marketing credit cards on campus. The contents of the report were discussed with the officials of the institution and all appropriate comments are reflected in the report

We appreciate the cooperation extended to us by the management and staff of Bloomsburg University of Pennsylvania and by others who provided assistance during the audit.

Sincerely,

JACK WAGNER  
Auditor General



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## **Background Information**

### **State System of Higher Education**

The Commonwealth of Pennsylvania's state-owned colleges and university were under the administrative control of the Pennsylvania Department of Education prior to July 1, 1983. The legislative enactment of Act 188 of 1982 on December 17, 1982, transferred administrative and operational responsibility to the newly created State System of Higher Education, and the institutional designations of the state colleges were changed to universities effective July 1, 1983.<sup>1</sup> Today, the State System comprises 14 universities, 4 branch campuses, the McKeever Environmental Learning Center, and the Dixon University Center. The 14 state-owned universities include Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester.

A centrally established Board of Governors, which functions as the primary policy setting and control authority, administers the State System. The Board consists of 20 members and has the overall responsibility for planning and coordinating the State System's development and operations. Its statutory powers include establishing operating policies, appointing university presidents, reviewing and approving university operating and capital budgets, setting tuition and fee levels, creating new programs, and promoting cooperation among institutions. Members of the Board include legislators, State System university students and trustees, and members of the public. The Governor and Secretary of Education, or their designees, also serve on the Board. Additionally, a chancellor is appointed by the Board to serve as the chief executive officer of the State System.

At the individual university level, Act 188 of 1982 granted certain statutory responsibilities to each university president and locally established Council of Trustees.

The State System was created to enhance the higher educational service system of the Commonwealth by providing the highest quality education at the lowest possible cost to the students. The primary mission of the State System is to provide instruction for undergraduate and graduate students to and beyond the master's degree level in the liberal arts and sciences and in applied fields, including the teaching profession. Each university is to provide appropriate educational, student living, and other facilities as deemed necessary by the State System's Board.

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<sup>1</sup> Public School Code of 1949, 24 P. S. § 20-2001 et seq.

## **Background Information**

### **Bloomsburg University of Pennsylvania**

Bloomsburg University of Pennsylvania is located in Bloomsburg, Columbia County. It was originally established in 1839 as an academy to teach youth the elements of a classical education. Currently, it is a multipurpose institution of higher learning providing undergraduate and graduate instruction to approximately 8,000 students.

Bloomsburg is academically accredited by the Middle States Association of Colleges and Schools, the National Council for Accreditation of Teachers Education, and other professional organizations.

The Joint State Government Commission compiled the following selected unaudited operating statistics for the 2003-04, 2004-05, and 2005-06 academic years for Bloomsburg and the State System:

<u>Data/Location</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
Full-Time Equivalent Students (FTE's):			
Bloomsburg University			
Undergraduate	7,386	7,404	7,580
Graduate	<u>615</u>	<u>663</u>	<u>658</u>
Total FTE's	<u>8,001</u>	<u>8,067</u>	<u>8,238</u>
State System of Higher Education			
Undergraduate	88,399	89,650	91,766
Graduate	<u>9,235</u>	<u>9,677</u>	<u>10,446</u>
Total FTE's	<u>97,634</u>	<u>99,327</u>	<u>102,212</u>
Full-Time Equivalent Instructional Faculty:			
Bloomsburg University	398	398	402
State System of Higher Education	5,101	5,155	5,258
Degrees Conferred			
Bloomsburg University	1,847	1,740	1,823
State System of Higher Education	19,936	20,010	21,038
State Instruction Appropriations (rounded in millions):			
Bloomsburg University	\$31.8	\$33.5	\$34.7
State System of Higher Education	\$413.4	\$428.9	\$443.3

## *Objectives, Scope, and Methodology*

The audit objectives were selected from the following general areas: Student Residency, Camps and Conferences, and Credit Card Solicitation. The specific audit objectives were:

- To determine if Bloomsburg charged the appropriate amount of tuition and fees to students based on residency. (Finding 1)
- To determine if Bloomsburg properly and timely remitted revenue derived from camps and conferences. (Finding 2)
- To determine if Bloomsburg monitored credit card marketing according to the law. (Finding 3)

In addition, we determined the status of management's corrective actions for prior audit findings that addressed segregation of duties for purchasing, storeroom inventory reorder points, SAP R/3 role mapping, purchase orders, commercial insurance contracting, and bidding procedures.

To accomplish the objectives, auditors reviewed applicable laws,<sup>2</sup> as well as Bloomsburg policies regarding student domicile,<sup>3</sup> tuition,<sup>4</sup> conferences,<sup>5</sup> and credit card marketing.<sup>6</sup>

We interviewed various Department management and staff, including the Senior Accountant to gain an understanding of Student Domicile Regulations and procedures at Bloomsburg, the Assistant Director of Finance and Business Services, Assistant Director of Housing for Conference Services & University Training, Director of Athletic Operations, Director of Corporate, & Continuing Education, and the Director of Facilities Scheduling. We also interviewed the vice president for finance, the director of the Kehr Union student center, the bookstore manager, and the director of orientation.

To determine if Bloomsburg charged the appropriate amount of tuition and fees to students based on residency, auditors obtained tuition rates for the 2004/2005 and 2005/2006 school years, and a list of all 7,879 students enrolled for the 2004/2005 spring semester and 8,575 students enrolled for the 2005/2006 fall semester from which the auditors selected a sample

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<sup>2</sup> Act 82 of 2004 amending the Pennsylvania School Code of 1949, Article XXIII-A Credit Card Marketing, 24 P.S. § 23-2301.

<sup>3</sup> Policy 1985-03: Student Domicile Regulations and Student Residency classification.

<sup>4</sup> Policy 1999-02-A: Tuition.

<sup>5</sup> Bloomsburg University Policy PRP 2420 – “Conferences” and 2450 – “Use of University Property and Facilities.”

<sup>6</sup> Bloomsburg University Policy PRP 2651- “Regulation of Credit Card Marketing on Campus.”

## **Objectives, Scope, and Methodology**

size of 59 students from each semester. We then examined student accounts for students' legal residence, graduating high school and billing statements to determine if the proper tuition amount was charged to the student based upon his/her residency for each semester.

To determine if Bloomsburg properly and timely remitted revenue derived from camps and conferences, auditors obtained and reviewed the financial reports for the 2004, 2005, and 2006 fiscal years, and randomly selected for detailed testing a sample of 20 from the population of 111 conferences, and 20 out of 80 athletic camps. We also reviewed a copy of the contract and final billings and traced the deposits to the SAP R/3 accounting system. Auditors also analyzed documentation of user group proof of insurance and as well as the documentation that the University inspected and billed for any damages incurred during the camps or conferences.

To determine if Bloomsburg monitored credit card marketing, auditors obtained and analyzed the documentation for credit card marketing events.

To determine the status of management's corrective actions for prior audit findings auditors performed tests as part of, or in conjunction with, the current audit and had discussions with appropriate Bloomsburg personnel regarding the prior audit findings and recommendations.

The scope of the audit covered the period July 1, 2004, through June 29, 2007. Auditors conducted fieldwork from February 12, 2007, to June 29, 2007. A closing conference was held on June 27, 2007, to discuss the results of the audit with management of the institution, and management's comments are included with each recommendation in the report.

## **Audit Results**

### **Student Residency**

The Pennsylvania State System of Higher Education Board of Governors establishes, on an annual basis, resident and non-resident's tuition rates for all State System universities. As a state university, it is important to ensure that state appropriations only support Pennsylvania resident students.<sup>7</sup> Bloomsburg University must follow set policies and procedures in determining student residency. Residency is determined by the location of one's "domicile" (where the family legally resides) and is proven through such means as income tax returns, vehicle registration, ownership or lease of residency, and voter registration. Bloomsburg business office monitors the student's high school, legal residence, and age to determine the correct tuition rate. The business office also monitors students over the age of 22 and graduate students, and uses the student's legal address and, if applicable, full time employment address.

In addition, Bloomsburg investigated two residency appeals dated October 20, and October 28, 2006. Each appeal based on document review was denied by Bloomsburg and sustained by the Chancellor of the Pennsylvania State System of Higher Education.

#### **Finding 1 – Bloomsburg charged the correct tuition based on residency.**

Bloomsburg has complied with the Board of Governor's policies and procedures concerning student residency and tuition rates. For the 118 student records randomly selected for detailed testing, Bloomsburg charged the appropriate amount of tuition based on residency.

### **Camps and Conferences**

Bloomsburg hosts many summer athletic camps and conferences that offer many groups the opportunity to utilize campus resources. All proceeds for college-sponsored athletic clinics will be placed in the athletic grants-in-aid account of the college trust fund for scholarships or grants-in-aid for that particular sport, in accordance with Bloomsburg policies.<sup>8</sup> Several conferences are held on campus as well as high school proms and graduations, corporate training, and corporate seminars. Groups who hold conferences at Bloomsburg are to cover

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<sup>7</sup> The Pa State System of Higher Education Board of Governors Policy 1999-02-A: Tuition; Section III. Undergraduate Non-resident Tuition; subsection A. Background; pg. 3.

<sup>8</sup> Bloomsburg University Policy PRP 2420 – Conferences and 2450 – Use of University Property and Facilities.

## **Audit Results**

the costs of the resources used by Bloomsburg and provide proof of liability insurance. Bloomsburg will cancel a conference if the proof of insurance form is not on file one day before the event. The athletic operations director maintains a spreadsheet for each camp held at Bloomsburg, he enters in the camper's name and the amount of the payment and the date it was received. When the deposit is ready, the athletic office creates an internal deposit, for each camp, which will match the deposits on the spreadsheet for that day, and send it to the business office for deposit. The business office verifies the internal deposit and enters it into in-house accounting software that transfers the funds into SAP R/3 the next morning. The maintenance department cleans after the event they look for any damage and if they find some damage, they are required to contact the Director of Facilities Scheduling to evaluate the damage and bill all costs associated with the damage to the group who sponsored the event.

### **Finding 2 – Bloomsburg complied with its policies and procedures regarding camps and conferences.**

Bloomsburg was able to provide a copy of a signed contract between Bloomsburg and the client and a copy of a proof of insurance form as stated in Bloomsburg University's policies and procedures. Auditors were able to trace the receipt of payment to the deposits, and found that all payments and deposits were made timely. We found no record of Bloomsburg having a problem with damage done during a camp or conference event.

## **Credit Card Solicitation**

Act 82 of 2004 amended the Public School Code to address "Credit Card Marketing" on the premises and grounds of an institution of higher education. This legislation addressed the need of the institution of higher education to begin implementing policy to include debt education, non-allowance of gifts, limitations of locations allowable for on campus solicitations, and the use of only students and not professionals to solicit information.

### **Finding 3 – Bloomsburg did not comply with university policy regarding credit card marketing on campus.**

Act 82 of 2004 addresses the solicitation of credit card marketing on campus. Bloomsburg has established policy<sup>9</sup> regarding credit card marketing that contains five areas addressed in Act 82:

- Credit card marketers must register.

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<sup>9</sup> "PRP 2651- Regulation of Credit Card Marketing on Campus."

## *Audit Results*

- Credit card marketers are limited to specific areas designated by Bloomsburg.
- Credit card marketers are prohibited from offering gifts to students for completing a credit application.
- Credit card marketers must provide at least quarterly, credit card debt education literature that Bloomsburg may include with campus bookstore purchases.
- Credit card marketers must provide Bloomsburg with the necessary materials to incorporate a credit card debt presentation into the orientation program.

However, during our audit we found that Bloomsburg was only complying with the first three areas of their established policy<sup>10</sup>.

Bloomsburg stated that the House and Senate bills said “shall consider” all of the following and therefore Bloomsburg has complied with both the House and Senate bills. Upon further review of the credit card marketing policy adopted by Bloomsburg, it was pointed out to the Vice President for Administration and Finance that the policy on credit card marketing states “the following rules and regulations by which credit card marketers must abide.” Therefore, Bloomsburg did not comply with their policy.

### Recommendation:

Bloomsburg should begin immediately providing credit card debt education literature with all campus bookstore purchases and begin incorporating a credit card debt presentation into the universities orientation program for all new incoming students.

### Management Comments:

In a memo dated May 16, 2007, Bloomsburg responded to our inquiry and implemented the following procedures to address these issues.

- The bookstore will provide flyers on credit card debt management during fall and spring book rush.
- The orientation staff will make a flyer available to new students during each orientation.

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<sup>10</sup> Bloomsburg University Policy PRP 2651 effective date 3/2/2005 [www.bloomu.edu/policies/2651.php](http://www.bloomu.edu/policies/2651.php) as of May 2, 2007.

## **Status of Prior Audit Findings and Recommendations**

### **Expense Management**

#### **Prior Finding I-1 – Bloomsburg did not segregate purchasing duties.**

Our review of the SAP R/3 role mapping indicated that four employees in the purchasing area were assigned the authority to complete and approve purchase requisitions and purchase orders, as well as to receive goods. We recommended Bloomsburg management change the role mapping of the individuals in the purchasing department to establish proper segregation of duties among the purchasing staff.

#### Status:

Our current audit revealed management complied with our recommendation. Bloomsburg management removed the Receiver's Role from the purchasing staff to establish proper segregation of duties within the Purchasing Office. They also added the receiver role to the Assistant Director of Finance and Business Services in case both employees mapped as receivers are off for an extended period. No further action is deemed necessary at this time.

#### **Prior Finding I-2 – Automated reorder points for the storeroom inventory were not established.**

The SAP R/3 purchasing module at Bloomsburg did not generate a report that indicated when an inventory item needed to be reordered. We recommended Bloomsburg management should request SyTEC, who is responsible for training, configuration, and maintenance of SAP R/3, to make software improvements that would provide reorder information for inventory items.

#### Status:

Our current audit revealed management complied with our recommendation. Bloomsburg management implemented the Materials Reordering Point module within the purchasing module. The Materials Reordering Point Report (MRP Report) is reviewed by the Storeroom Clerk on a daily basis. After reviewing the report, the clerk takes a physical count to verify the item needed to be ordered is correct. No further action is deemed necessary at this time.



## **Status of Prior Audit Findings and Recommendations**

### **Prior Finding I-3 – SAP R/3 role-mapping was not always accurate.**

In our test of employee training, we selected 27 of 187 records for employees role-mapped with the ability to complete or approve purchase requisitions. We found that six employees did not have the required training for this function. We recommended Bloomsburg management should reevaluate role mapping of employees to ensure the SAP R/3 roles are consistent with each person's functional responsibility.

#### Status:

Our current audit revealed management complied with our recommendation to reevaluate role mapping of employees to ensure the SAP R/3 roles are consistent with each person's functional responsibility. Of the six employees found not to have the required training for purchase requisitioning, in the prior audit, five of the employees have been removed from the requisitioning role. The one remaining employee is used as a back up for requisitioning items and according to the Director of Purchasing, it would have to be an extreme emergency for this person to log on and request an item. Since the last audit and up through the current audit this person has not been needed to requisition any items, extreme emergency status only.

Also, management is including the SAP R/3 application software with the rest of the computer-based applications to be reviewed by all departmental directors on an annual basis. The director will receive a list for each employee in a department; the list will contain the current roles assigned to each employee. The director will review the list and make any changes deemed necessary with the employee's job duties. The newly updated list is then sent back to the security administrator for updating. No further action is deemed necessary at this time.

### **Prior Finding I-4 – Open purchase orders were not consistently reviewed.**

The purchasing department did not review aged open purchase orders. We tested all 50 outstanding orders over 90 days old from December 1, 2003 through June 22, 2004, and found 23 purchase orders had no justification to remain open. We recommended the Bloomsburg purchasing department should review open purchase orders listing on a regular basis, and aged open orders should be investigated and closed when appropriate. In addition, a written policy should be developed and disseminated to all university departments detailing their responsibilities when they receive goods and services directly from a vendor.

#### Status:

Our current audit revealed management complied with our recommendation; however, nine purchase orders remained open for an extended period after Bloomsburg received the goods or services. Management implemented a procedure for the purchasing department to review

## **Status of Prior Audit Findings and Recommendations**

and investigate all open purchase orders every May and November 1 of the current year. After detailed testing of all 91 open purchase orders, opened for more than 90 days, accounts payable was not notified that nine purchase orders were completed and needed to be finalized until they were brought to the attention of management by the auditors. Since receiving the notification, the accounts payable staff finalized the nine purchase orders. All of the nine were on the list prior to the November 1 university test. They were completed but still pending on the accounts payable list and reasonable explanations were given. The other 82 were open for valid reasons, such as on-going construction. No further action is deemed necessary at this time.

### **Contracts**

#### **Prior Finding II-1 – Bloomsburg improperly contracted for commercial insurance.**

During the fiscal year ended June 30, 2003, Bloomsburg purchased commercial insurance through an insurance agency to cover buildings, exhibitions, and vending machines. The insurance policy payments totaled \$12,018. We recommended Bloomsburg should comply with the State System's manual and utilize insurance options available through the State System and the Department of General Services.

#### **Status:**

Our current audit revealed management complied with our recommendation. Bloomsburg management stated this was a one-time occurrence and current testing of insurance expenditures dated March 5, 2007 listed only Commonwealth of Pennsylvania insurance was purchased. No further action is deemed necessary at this time.

#### **Prior Finding II-2 – Telephone bids were not used as required.**

The auditors noted an instance where Bloomsburg purchased computers through a state-contracted vendor without comparison shopping with other state vendors. We recommended Bloomsburg's purchasing department should comply with State System guidelines and should solicit at least three telephone bids, when possible.

#### **Status:**

Our current audit revealed management complied with our recommendation. Current testing disclosed that in some cases, bidding was exercised in purchases under the Act 57 limit of \$10,000 or more and officials are evaluating the need on a case-by-case basis. No further action is deemed necessary at this time.

## *Audit Report Distribution List*

This report was initially distributed to the following:

### Commonwealth of Pennsylvania

The Honorable Edward G. Rendell Governor	The Honorable Dwight Evans Chair House Appropriations Committee Pennsylvania House of Representatives
The Honorable James J. Rhoades Chair Senate Education Committee Senate of Pennsylvania	The Honorable Mario J. Civera, Jr. Republican Chair House Appropriations Committee Pennsylvania House of Representatives
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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us).