



Performance Audit of

Clarion University of Pennsylvania

**State System of Higher Education
Commonwealth of Pennsylvania**

November 2011

November 30, 2011

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

Dear Governor Corbett:

This report contains the results of a performance audit of Clarion University of Pennsylvania of the State System of Higher Education from July 1, 2007, to July 9, 2010, unless indicated otherwise. The audit was conducted under the authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that Clarion University of Pennsylvania did not adequately limit the exposure of student social security numbers. Additionally, the report discloses that Clarion University of Pennsylvania did not adequately monitor student accounts receivable after referral to the Office of the Attorney General. Finally, the report indicates that the university's controls over its parking meter revenue, parking fines, and print shop revenue continued to be deficient. The contents of this report were discussed with the management of Clarion University of Pennsylvania, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of Clarion University of Pennsylvania.

Sincerely,

JACK WAGNER
Auditor General

**Clarion University of Pennsylvania
State System of Higher Education**

**Table of
Contents**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Table of
Contents**

Background Information1

Audit Objectives.....4

Audit Results6

 Finding 1 – Clarion failed to safeguard social security numbers for student athletes and athletic campers.8

 Finding 2 – Clarion properly awarded and processed employee incentive payments.14

 Finding 3 – Clarion properly charged tuition and fees to distance education students.18

 Finding 4 – Clarion did not adequately monitor student accounts after referral to the Office of the Attorney General.20

Status of Prior Audit22

Audit Report Distribution List35

**Clarion University of Pennsylvania
State System of Higher Education**

**Background
Information**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**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 as the State System. Prior to the enactment of Act 188 of 1982 that created the State System,¹ the Pennsylvania Department of Education had administrative control of the 14 institutions, 13 of which were then known as state colleges.²

The purpose of the State System is to provide students with the highest quality education at the lowest possible cost. The 14 universities include Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester. The State System also includes four branch campuses, the McKeever Environmental Learning Center, and the Dixon University Center.

A centrally established 20-member board of governors has overall responsibility for planning and coordinating the operation and development of the State System. Examples of the board's statutory powers include 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; and promoting cooperation among institutions. Members of the board include legislators, State System university students and trustees, and members of the public. Pennsylvania's governor and the state's secretary of education or their designees also serve on the board. Additionally, the board appoints a chancellor to serve as the chief executive officer of the State System.

At the university level, each president and council of trustees have certain powers and duties unique to their individual institutions.

¹ 24 P.S. § 20-2001.

² Indiana University of Pennsylvania was already known as a university prior to creation of the State System. Effective July 1, 1983, each of the other 13 state colleges became known as the (Name) University of Pennsylvania of the State System of Higher Education.

**Background
Information**

**Clarion University of Pennsylvania
State System of Higher Education**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

Clarion University of Pennsylvania

Clarion University of Pennsylvania, referred to in this report as Clarion or the university, was founded in 1867.³ Clarion is located in the borough of Clarion, Clarion County, approximately 2.5 hours from Pittsburgh, Erie, and Youngstown. Clarion's main campus consists of more than 40 buildings situated on 128 acres of land. In addition to its main campus, Clarion operates the Venango campus. The Venango campus, established in 1961, is located in Oil City.⁴

Clarion offers its students over 90 degree programs at associate, bachelor's, and master's levels.⁵ The Middle States Commission on Higher Education academically accredits Clarion. Academic programs are also individually accredited by the appropriate professional organizations.⁶

The Joint State Government Commission compiled the following select operating statistics for the 2007-08 and 2008-09 academic years for Clarion and the State System.⁷

³ <http://www.clarion.edu/596/>, accessed July 2, 2010; verified November 22, 2011.

⁴ <http://www.clarion.edu/1174/>, accessed July 2, 2010; verified November 22, 2011.

⁵ <http://www.clarion.edu/278/>, accessed July 2, 2010; verified November 22, 2011.

⁶ <http://www.clarion.edu/4249/>, accessed July 2, 2010; verified November 22, 2011.

⁷ <http://jsg.legis.state.pa.us/resources/documents/ftp/documents/2011%20INSTRUCTIONAL%20OUTPUT.pdf> accessed on September 12, 2011, verified on November 22, 2011.

**Clarion University of Pennsylvania
State System of Higher Education**

**Background
Information**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

	Clarion University		State System of Higher Education (State System)	
	Fiscal year ended June 30, 2008	Fiscal year ended June 30, 2009	Fiscal year ended June 30, 2008	Fiscal year ended June 30, 2009
<i>State Instruction Appropriations (rounded in millions):</i>				
Percentage of State System total	\$27.2	\$27.5	\$479.8	\$473.1
	5.7%	5.8%	100.0%	100.0%
<i>Full-Time Equivalent Students:</i>				
Undergraduate	5,523	5,540	93,927	94,770
Graduate	<u>594</u>	<u>676</u>	<u>10,795</u>	<u>11,148</u>
Total	<u>6,117</u>	<u>6,216</u>	<u>104,722</u>	<u>105,918</u>
Percentage of State System total	5.8%	5.9%	100.0%	100.0%
<i>Full-Time Equivalent Instructional Faculty:</i>				
	305	330	5,416	5,491
Percentage of State System total	5.6%	6.0%	100.0%	100.0%
<i>Degrees Conferred:</i>				
	1,094	1,201	22,167	23,255
Percentage of State System total	4.9%	5.2%	100.0%	100.0%

**Clarion University of Pennsylvania
State System of Higher Education**

**Audit
Objectives**

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Audit
Objectives**

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 University had four objectives described below. We selected those objectives from the following general areas: student social security numbers; employee bonuses and other pay incentives; distance education program; and student accounts receivable.

One: To assess the confidentiality and protection of student social security numbers at Clarion.

Two: To determine the propriety of Clarion's use of bonuses and other pay incentives for employees.

Three: To evaluate the tuition and fee pricing structure for Clarion's distance education students, including its compliance with the Board of Governors' policy.

Four: To evaluate Clarion's collection methods and to assess compliance with policies regarding past due student accounts.

Unless otherwise indicated, the scope of the audit was from July 1, 2007, to July 9, 2010.

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

**Clarion University of Pennsylvania
State System of Higher Education**

**Audit
Objectives**

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

November 2011

We also performed 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 related to parking meter revenue, parking fine revenue, print shop cash collections, and abandoned and unclaimed property.

**Clarion University of Pennsylvania
State System of Higher Education**

Audit Results

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

Audit Results

In the pages that follow, we have organized our audit results into four sections, one for each objective. Each of the four sections is organized as follows:

- Statement of the objective.
- Relevant laws, policies, or agreements.
- Methodologies used to gather sufficient evidence to meet the objective.
- Findings and conclusions, if applicable.
- Recommendations, if applicable.
- Response by Clarion University management, if applicable.
- Our evaluation of Clarion University management's response, if applicable.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Social Security
Numbers*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Audit Results
for Objective
One**

The objective

Objective one for our performance audit was to assess the confidentiality and protection of student social security numbers at Clarion.

*Social Security
Numbers*

Relevant laws, policies, or agreements

Historically, most colleges and universities relied upon social security numbers as unique identifiers for students, faculty, and staff to generate reports on grades, payroll information, and employee benefits.⁸ However, the use of social security numbers for identification purposes creates substantial risks. For example, identity thieves can use those numbers to commit fraud.

Act 60 of 2006, effective on December 26, 2006, limits the use of social security numbers as student or employee identifiers.⁹ According to an internal memorandum from the Pennsylvania State System of Higher Education's Office of Legal Counsel, this legislation creates an affirmative duty for the university to establish specific security measures to ensure that identity theft does not occur when the university is the custodian of a social security number.

Methodologies to meet our objective

In order to accomplish our objective, we performed the following procedures:

- Reviewed Act 60 of 2006,¹⁰ as well as the associated legal opinion from the Pennsylvania State System of Higher Education's Office of Legal Counsel.
- Interviewed appropriate university personnel responsible for the safeguarding of student social security numbers

⁸ http://www.upenn.edu/computing/da/privacy/SSN_restriction.html, accessed July 9, 2010; verified on November 22, 2011.

⁹ P.L. 281, No. 60, "An act relating to the confidentiality of Social Security numbers."

¹⁰ P.L. 281, No. 60, "An act relating to the confidentiality of Social Security numbers."

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Social Security
Numbers*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

-
- Observed employees accessing social security numbers in the online student information system at various university offices, including accounting, purchasing, human resources/payroll, institutional research, registrar, financial aid, students' association, education and human services, athletic department, public safety, graduate studies, admissions, computing services, and the Keeling Health Center.
 - Analyzed internally prepared lists of university personnel and offices with access to student social security numbers in the university's online student information system.
 - Examined 6,136 medical forms for the 2007, 2008, and 2009 summer camps.
 - Examined 15 storage boxes that contained approximately 3,000 secondary insurance forms for former student athletes.

Finding 1

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

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 in the offices of the ten camp directors assigned to the department. The department was supposed to retain the medical forms, which contained camp participant social security numbers, for seven years and then shred the documents. For the 2007, 2008, and 2009 summer camps alone, the ten camp directors who were also Clarion coaches stored 6,136 medical forms in their offices.

Clarion's athletic department also 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. Maintenance staff had access to the locked basement storage.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Social Security
Numbers*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

According to the officials we interviewed, the university retained these files dated from 1993 to 2006 at the advice of legal staff. However, the athletic department did not shred the files older than seven years nor, did it redact the social security numbers from the stored files.

In an internal memorandum dated February 5, 2007, the chief counsel for the Pennsylvania State System of Higher Education urged each university to review all aspects of its document access practices concerning both students and employees. The chief counsel further recommended that the universities confer with all campus offices to take the necessary steps to ensure that social security numbers are safeguarded.

Access to an individual's social security number can enable an identity thief to obtain personal information and can result in significant financial difficulties for the victim. Additionally, the harm to an individual caused by the availability of confidential information can lead to civil liability for Clarion and its employees.

In March 2007, Clarion discontinued its use of the student social security number as the primary identifier for university-related transactions, such as class registration, tuition and fee payments, and student review of financial aid data and grades. Instead, since March 2007, Clarion has assigned each student a unique, eight-digit, campus-wide identification number upon application for admission.

Although Clarion did not establish its own formal policy regarding the protection of student social security numbers, the university took steps to safeguard student personal information. Since March 2007, students utilized the new, eight-digit identifiers to register for classes and review financial aid data, grades, and account information.

Despite its use of the new eight-digit identifiers, Clarion still collected and retained social security numbers within the university's computer system to accommodate vital university functions. However, as a protective measure, the university limited the number of screens to three from which university employees were able to view the numbers. Specifically, employees from the human resources department had access to two payroll screens, while 50 employees primarily from the

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Social Security
Numbers*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

offices of admissions, financial aid, and public safety had access to the remaining screen in order to conduct critical university functions such as admissions and financial aid.

Overall then, of Clarion's approximately 800 employees, there were 56 who had access to student social security numbers within the university's computer system. Such access was further restricted within the computer system itself to social security numbers related to employment and tax records, investigations by law enforcement, and vital administrative functions such as admissions and financial aid.

In conclusion, we found that (1) Clarion took steps to protect student social security numbers within its computer system but (2) did not take steps to resolve the social security number recordkeeping issues in its athletic department.

**Recommendation
for Finding 1**

1. Clarion should limit employee access to student Social Security numbers by destroying the summer camp medical forms upon completion of the camps. Additionally, the university should redact the social security numbers on athletes' secondary insurance forms in basement storage. Finally, Clarion management should establish policy and procedures for the protection of student's personal information.

Update: Subsequent to the completion of our work on campus at the university, Clarion management instituted new procedures for safeguarding student social security numbers as summarized below in its comments. We will confirm the application of these new procedures during our next audit at Clarion University.

Comments from Clarion University management:

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 basement storage, were removed.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Incentives*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Audit Results
for Objective
Two**

The objective

Objective two for our performance audit was to determine the propriety of Clarion's use of bonuses and other pay incentives for employees.

Incentives

Relevant laws, policies, or agreements

The Pennsylvania State System of Higher Education has developed certain programs, monetary incentives, and union terms to attract, retain, and reward professionals. Two consecutive agreements between the State System and the Office and Professional Employees International Union (OPEIU), effective from July 1, 2004, through June 30, 2012, provide for payments to university nurses who attain one or more of the certifications specified in each contract. Each qualifying nurse will receive a \$650 payment in each contract year that the employee meets the criteria.¹¹ Additionally, the earlier OPEIU contract provided each permanent full-time or part-time employee in active pay status on September 1, 2007, a one-time lump sum payment of \$1,250, or \$625, respectively.¹²

Separate agreements between the Commonwealth and the American Federation of State, County and Municipal Employees (AFSME)¹³ and the Service Employees International Union (SEIU),¹⁴ effective July 1, 2007, to June 30, 2011, provided each permanent full-time or part-time employee in active pay status on July 1, 2007, a one-time lump sum payment of \$1,250, or \$625, respectively.

An agreement between the State System and the Association of Pennsylvania State College and University Faculties (APSCUF), effective July 1, 2007, to June 30, 2011, awarded each full-time

¹¹ Agreement between The Pennsylvania State System of Higher Education and OPEIU Healthcare Pennsylvania Local 112, July 1, 2004, to June 30, 2008, and July 1, 2008, to June 30, 2012.

¹² Agreement between The Pennsylvania State System of Higher Education and OPEIU Healthcare Pennsylvania Local 112, July 1, 2004, to June 30, 2008.

¹³ Master Agreement between Commonwealth of Pennsylvania and Council 13, American Federation of State, County and Municipal Employees, AFL-CIO, July 1, 2007, to June 30, 2011.

¹⁴ Agreement between Commonwealth of Pennsylvania and PSSU, Local 668 SEIU, Pennsylvania Social Services Union, July 1, 2007, to June 30, 2011.

**Clarion University of Pennsylvania
State System of Higher Education***Audit Results:
Incentives*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

faculty member in active pay status at the start of the 2007 fall semester a one-time cash payment of \$1,750.¹⁵ The concurrent agreement between the State System and APSCUF for non-faculty athletic coaches awarded each regular full-time and part-time coach in active pay status on July 1, 2007, a one-time lump sum payment of \$1,250, or \$625, respectively. Additionally, this agreement permits the university president or designee to increase the base salary or provide a cash payment to a coach based on an assessment of exceptional performance. The contract requires the university to provide the union with written notice of any such increases or cash payments and the related reasons at least one week in advance of the effective date.¹⁶

An agreement between the State System and the State College and University Professional Association (SCUPA), effective July 1, 2007, to June 30, 2011, provided each permanent full-time or part-time professional employee in active pay status on April 12, 2008, a one-time lump sum payment of \$1,250, or \$625, respectively.¹⁷ Similarly, an agreement between the State System and the International Union of Security, Police, and Fire Professionals of America (SPFPA), effective September 1, 2007, to August 31, 2011, furnished permanent full-time or part-time security officers in active pay status on September 1, 2007, a one-time lump sum payment of \$1,250, or \$625, respectively. The same agreement allotted permanent full-time or part-time patrol officers and police specialists in active pay status on September 1, 2007, a one-time lump sum payment of \$1,000, or \$500, respectively. However, this agreement afforded those patrol officers and police specialists who received a salary increase as a result of a new pay schedule a reduced lump sum cash payment.¹⁸

¹⁵ Agreement between Association of Pennsylvania State College and University Faculties (APSCUF) and the Pennsylvania State System of Higher Education (State System), July 1, 2007, to June 30, 2011.

¹⁶ Agreement between The Association of Pennsylvania State College and University Faculties (APSCUF) and The Pennsylvania State System of Higher Education (State System) for the Non-Faculty Athletic Coaches, July 1, 2007, to June 30, 2011.

¹⁷ Agreement between Pennsylvania State System of Higher Education and State College and University Professional Association/Pennsylvania State Education Association/The National Education Association, July 1, 2007, to June 30, 2011.

¹⁸ Agreement between The Pennsylvania State System of Higher Education (PASSHE) and International Union, Security, Police, and Fire Professionals of America (SPFPA) and Locals 502 and 506, September 1, 2007, to August 31, 2011.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Incentives*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

On October 11, 2007, the Board of Governors of the State System approved a performance-based merit salary pool for managers to be effective retroactively to July 1, 2007. The merit increase consisted of \$1,250 per manager with a satisfactory or above rating.

Additionally, the State System's Administrative Manual and Resource Guide addresses management performance and reward programs. The State System provides special performance awards to supervisors and senior managers to recognize outstanding contributions to the State System's and/or university's success. Awards vary from individual to team recognition. The awards can range from \$100 to \$1,500 or 2 percent of the annual salary, whichever is greater. The Chancellor or designee may approve larger awards for long-term intensive projects. The State System requires the nomination process for all special performance awards to include supervisor documentation of the employee's contribution and a recommended dollar award.¹⁹

Methodologies to meet our objective

In order to accomplish our objective, we performed the following procedures:

- Interviewed Clarion management, including the Associate Vice President for Finance and Administration.
- Reviewed the union agreements referenced previously in the section entitled relevant laws, policies, or agreements.
- Reviewed the State System's Administrative Manual and Resource Guide,²⁰ as well as the minutes of the October 11, 2007, meeting of the State System Board of Governors.
- Examined expenditure and payroll reports that detailed bonus payments between July 1, 2007, and September 30, 2009.
- Examined the certification and employment documentation for

¹⁹ State System of Higher Education, "Administrative Manual and Resource Guide: Management Performance and Reward Program," March 29, 2001.

²⁰ Ibid.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Incentives*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

six nurses who received nurse certification payments between July 1, 2007, and September 30, 2009.

- Examined the documentation associated with all 60 management merit cash payments during the fiscal year ended June 30, 2008.
- Reviewed the documentation for two special performance awards to senior managers paid during the fiscal year ended June 30, 2008, as well as one exceptional performance base salary increase conferred to a coach during the fiscal year ended June 30, 2009.
- Reviewed the June 30, 2007, employee complement report to verify the accuracy of one-time lump sum payments during the fiscal year ended June 30, 2008.

Finding 2

Clarion properly awarded and processed employee incentive payments.

From July 1, 2007, to September 30, 2009, Clarion paid \$9,750 in nurse certification payments to six different nurses. Additionally, during the fiscal year ended June 30, 2008, Clarion paid \$789,387 in one-time lump sum payments to 534 permanent full-time employees and \$3,125 to five permanent part-time employees in active pay status on the various dates specified in the above contracts. These full-time and part-time employees included members of Clarion's faculty and also employees from all departments within the university. Clarion accurately processed all payments in accordance with the relevant contractual terms.

On December 7, 2007, Clarion paid \$75,000 to 60 managers with performance ratings of satisfactory or above in accordance with the State System Board of Governors' approval. In addition, on June 6, 2008, Clarion paid two senior managers special performance awards of \$2,500 and \$1,500 in accordance with the requirements of the State

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Incentives*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

System's Administrative Manual and Resource Guide. Finally, on May 11, 2009, Clarion increased the base salary of one coach by \$3,500 for an exceptional performance award approved in accordance with the terms of the applicable APSCUF contract.

According to Clarion officials, no other bonus or incentive payments were made to Clarion employees between July 1, 2007, and September 30, 2009.

**Clarion University of Pennsylvania
State System of Higher Education**

Audit Results:

Distance

Education

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

November 2011

**Audit Results
for Objective
Three**

Distance Education

The objective

Objective three for our performance audit was to evaluate the tuition and fee pricing structure for Clarion’s distance education students, including its compliance with the Board of Governors’ policy.

Relevant laws, policies, or agreements

The technological advances that make quality distance education possible have resulted in institutions of higher education becoming more global, with geographic boundaries becoming less meaningful.

The Board of Governors of the Pennsylvania State System of Higher Education defines distance education as:

...instruction where the faculty member(s) and the student(s) are separated geographically so that face-to-face communication is absent; communication is accomplished instead by one or more technological media.... Examples of technological methods that can be used singly or in combination include live or recorded visual presentations and material using direct signal or cable transmission by telephone line, fiber-optic line, video-conferencing using compressed video, digital and/or analog video, audiotape, CD ROM, computer or Internet technology, email, or other electronic means now known or hereafter developed, utilized to teach any course approved by one of the State System Universities. On-line/web-based courses must have 80 percent of the course instruction delivered on-line.²¹

During the fall 2009 semester, Clarion offered 11 distance education degree programs in several different fields of study, including library science, rehabilitative sciences, business administration, nursing, and

²¹ Pennsylvania State System of Higher Education Board of Governors, Policy Number 1999-02-A, “Tuition,” adopted April 8, 1999, and amended October 10, 2002, July 14, 2005, October 11, 2007, and July 17, 2008.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Distance
Education*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

education. The 11 programs included six graduate programs, three bachelor's degree programs, and two associate programs.

The tuition policy of the Board of Governors of the Pennsylvania State System of Higher Education requires its universities to charge both its undergraduate and graduate resident distance education students “the appropriate prevailing per-credit resident rate.” The policy requires the universities to charge its nonresident distance education students “a per-credit tuition within the range of 102 to 250 percent of the prevailing resident per-credit tuition rate.” The policy offers university presidents the “discretion of setting the nonresident distance education per-credit tuition rate on a course-by-course or program-by-program basis.”²²

Methodologies to meet our objective

In order to accomplish our objective, we performed the following procedures:

- Reviewed the Pennsylvania State System of Higher Education Board of Governors tuition policy.²³
- Interviewed Clarion's assistant vice president for academic affairs.
- Examined the listing of online degrees offered by Clarion as of December 11, 2009.²⁴
- Examined Clarion's tuition and fee schedules for undergraduate and graduate students for the fall 2008, spring 2009, and fall 2009 semesters.
- Reviewed the tuition and fees charged to 83 of 4,363 distance education students enrolled at Clarion for the fall 2008, spring 2009, and fall 2009 semesters.

²² Pennsylvania State System of Higher Education Board of Governors, Policy Number 1999-02-A, “Tuition,” adopted April 8, 1999, and amended October 10, 2002, July 14, 2005, October 11, 2007, and July 17, 2008.

²³ Ibid.

²⁴ <http://www.clarion.edu>, viewed December 11, 2009; verified November 23, 2011.

**Clarion University of Pennsylvania
State System of Higher Education***Audit Results:**Distance**Education**Pennsylvania Department of the Auditor General**Jack Wagner, Auditor General**November 2011*

Finding 3**Clarion properly charged tuition and fees to distance education students.**

Clarion properly charged tuition and fees to its distance education students during the tested semesters. In our review of billing records for 83 distance education students, we found that Clarion's tuition rates complied with the guidelines established by the Board of Governors tuition policy. Clarion accurately charged the 52 sampled resident online students the per-credit rate applied to all other Pennsylvania residents. The university accurately charged the remaining 31 nonresident distance education students a tuition rate that equaled 102 percent of the resident per-credit tuition rate. This rate, although less than the tuition rate charged to nonresident students on the main campus, was within the range specified by the Board of Governors policy.

We also found that Clarion assessed the appropriate fees to all 83 sampled students. The university charged each of the 83 students an instructional technology fee and instructional service fee that corresponded to the individual student's enrollment status and residency status. In accordance with policy, the university did not charge 67 of the sampled online students fees associated with the main campus (such as the university student center fee, health center fee, recreation fee, and activity fee). Although the university incorrectly charged one online student an activity fee and student support fee for the spring 2009 semester, it removed the fees on January 22, 2010, after the audit team notified management of the error. Finally, the university properly charged the remaining 15 sampled online students these campus fees, because the 15 students were also enrolled in classes offered on the main campus or its Venango campus.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Student Accounts
Receivable*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Audit Results
for Objective
Four**

The objective

Objective four for our performance audit was to evaluate Clarion's collection methods and to assess compliance with policies regarding past due student accounts.

*Student Accounts
Receivable*

Relevant laws, policies, or agreements

The Commonwealth of Pennsylvania and Clarion have developed policies and procedures for the processing of delinquent student accounts, including guidelines for collection and write-off of old accounts. Students are required to have paid all charges (tuition, fees, room, board, other) that are not covered by financial aid by the first day of the semester.

According to Clarion procedures, approximately 30 days before the start of a semester, Clarion mails a billing statement to each student's permanent address. After the start of a semester, Clarion sends a billing statement each month to those students with unpaid balances. After three to six billings result in no payment to the account, Clarion forwards the delinquent accounts to the Office of the Attorney General. Our examination of Clarion's processing of delinquent accounts confirmed compliance with these procedures.

After the Office of the Attorney General exhausts any collection efforts, it authorizes Clarion to write off any accounts deemed uncollectible. Alternatively, the university may contract with a private agency to further pursue collections of these accounts.

During the fiscal year ended June 30, 2009, Clarion referred 473 accounts individually valued at \$50 or over to the Office of the Attorney General. The total value of these 473 accounts was \$889,155. In Clarion's financial statements for the fiscal year ended June 30, 2009, Clarion reported an allowance of \$1,487,397 for such uncollectible accounts.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Student Accounts
Receivable*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

Methodologies to meet our objective

In order to accomplish our objective, we performed the following procedures:

- Interviewed Clarion management, including the Director of Business Services.
- Reviewed the Commonwealth of Pennsylvania Governor’s Office directive regarding the processing of delinquent claims,²⁵ as well as written narratives of university policy and procedures regarding the collection of student accounts receivable, refunds, late payment fees, and financial holds.
- Reviewed electronic communications between Clarion and the comptroller’s section of the Office of the Attorney General dated February and March 2010.
- Examined 61 accounts randomly selected from a population of 3,342 delinquent student accounts receivable as of December 1, 2009.
- Analyzed an inventory progress report prepared by the Office of the Attorney General regarding Clarion’s account referrals from January 1, 2005, through December 31, 2009.

Finding 4

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

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

Based on our review of 61 randomly selected delinquent student accounts, we found that Clarion did not write off or send six individual

²⁵ Commonwealth of Pennsylvania Governor’s Office, Management Directive 310.10 Amended, “Collection, Requests for Compromise, and Write-off of Delinquent Claims,” August 29, 1996.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Results:
Student Accounts
Receivable*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

accounts to a collection agency after the Office of the Attorney General authorized Clarion to take these measures. Clarion originally referred these six accounts (with a total value of approximately \$11,400) to the Office of the Attorney General between 1998 and 2007.

The other 55 accounts, at the time of our examination in February 2010, were either paid in full, or were in various stages of review and processing by Clarion or the Attorney General in accordance with policy.

Private agencies routinely base their fees on a percentage of the value of collections. If Clarion had contracted with an outside agency to collect the six student debts, the university may have increased the ultimate value of its receipts without incurring additional expense.

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

**Recommendation
for Finding 4**

2. Clarion management should monitor its delinquent student accounts after referring them to the Office of the Attorney General. Specifically, after Clarion receives notification that the Office of the Attorney General has exhausted its collection efforts, Clarion should write off or refer the accounts to a collection agency as appropriate.

Comments from Clarion University management:

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.

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Status of
Prior Audit**

The following is a summary of the findings and recommendations presented in our audit report that covered the period of July 1, 2004, to July 13, 2007, along with a description of the disposition of each recommendation. Three of the findings (1, 2, and 3) were positive and thus had no recommendations. The status of the remaining findings (4, 5, and 6) and their accompanying recommendations is presented below.

Methodologies to meet our objective

In order to determine the status of our prior recommendation, we performed one or more of the following procedures:

- We performed detailed testing as part of, or in conjunction with, the current audit.
- Discussions with appropriate university personnel regarding the prior audit findings and recommendations.

**Prior
Finding 4**

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

Parking meters. In our prior audit, we 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.

We recommended that Clarion management rotate meter collection personnel regularly. We also recommended that Clarion count the parking meter revenue at the end of each collection, record the collection amount on a bank deposit slip, and place the money and deposit slip in a locked collection bag. Finally, we recommended that Clarion place the bag in the bank's night deposit box for safekeeping.

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

November 2011

Parking fines. We also reported in our prior audit that Clarion management did not monitor parking fines in order to ensure the collection of all outstanding fines. Outstanding parking fines from August 25, 2005, 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 of the 3,752 unpaid tickets, or about 61 percent, as of April 26, 2007. Clarion's public safety office sent out notices to fine holders only three or four times a year. Additionally, Clarion removed from the offender's record (and, therefore, did not collect) parking fines outstanding for over two years.

We recommended that Clarion management explore other collection options for unpaid fines, such as placing fines on student accounts; withholding grades, transcripts, and/or graduation privileges; submitting fines to the courts; or contracting with a collection agency.

Status as of this audit. To follow up on the deficiencies noted in the prior report, the auditors interviewed Clarion's director of public safety and one of its public safety officers. The auditors also reviewed Clarion's parking policy,²⁶ Clarion's internal policy regarding miscellaneous revenue deposits, the State System's policy regarding motor vehicles on its facilities,²⁷ the Commonwealth's management directive regarding the deposit of checks, money orders, and cash,²⁸ as well as Commonwealth law regarding campus parking violations²⁹ and the associated prosecutions.³⁰

Parking meters. During our current audit period, Clarion recorded its parking meter collections on its complaint reports. The collections would then be recorded and tracked by Clarion on its complaint tracking system. Clarion police officers use complaint report forms to document the time, place, and dollar amount collected from each

²⁶ <http://www.clarion.edu/4260/> Accessed on September 9, 2009; verified November 22, 2011.

²⁷ Pennsylvania State System of Higher Education Board of Governors, Policy 1985-02-A, "Operation of Motor Vehicles on State System of Higher Education Facilities," Adopted March 19, 1985, and amended January 18, 1990, April 8, 1999, and January 13, 2000.

²⁸ Commonwealth of Pennsylvania Governor's Office, Management Directive Number 305.11, "Depositing Checks, Money Orders and Cash," May 22, 2009.

²⁹ 18 Pa. C.S. §7505.

³⁰ 42 Pa. C.S. §5552.

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

meter. Our examination of a sample of collection/complaint reports completed by officers revealed that the information being recorded on the reports was sufficient to document the collections being conducted. The auditors examined Clarion's electronic accounting system entries for the 49 parking meter revenue deposits between August 26, 2008, and October 20, 2009, the 43 public safety office collection/complaint reports associated with these 49 accounting entries, and ten bank deposit slips from May 6, 2009, to October 14, 2009.

Finally, the auditors analyzed a detailed listing of 3,104 unpaid parking tickets as of September 21, 2009, as well as district court correspondence dated October 21, 2009.

As a result of our audit work, we found that Clarion only partially complied with the recommendations of the prior report regarding parking meter collections. Parking meter collections totaled \$16,293 between August 26, 2008, and October 20, 2009.

According to the director of public safety, two officers jointly collected parking meter money since August 2008. However, based on our review of the 43 public safety office complaint reports filed between August 2008 and October 2009, we found that Clarion inconsistently rotated meter collection personnel. The 43 complaint reports documented that Clarion utilized two public safety officers for 35 collections and one officer for eight collections. One of those officers 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.

Clarion complied with the prior audit recommendation to count the parking meter revenue at the end of each collection. However, Clarion's public safety personnel did not prepare deposit slips or place the money in a locked collection bag. According to Clarion's public safety personnel, the officer(s) who were dispatched for meter collections counted the money and recorded the amount in the complaint report tracking system. 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

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

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 called Systems Application Products (SAP). Clarion's accounting department conducted reconciliations between the monthly bank statements and the SAP deposits, but Clarion did not complete reconciliations between the complaint reports and the bank statements. Therefore, a material difference between the amount collected and the corresponding deposit slip could go undetected. Anyone with access to the public safety office safe could remove money from the unlocked bag stored in the safe.

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...

Our review of the 49 accounting entries for parking meter revenue showed that all but one of the deposits exceeded \$100, and our examination of ten of the corresponding 49 bank deposit slips showed that Clarion did not promptly submit parking meter collections to the bank. Specifically, the ten deposits ranged from the date of collection to nine days after the collection date that was documented on the complaint report. On average, public safety personnel deposited the funds in the bank three days after the reported collection date.

**Recommendation
for
prior Finding 4**

3. Clarion should enforce formal procedures for the collection and deposit of parking meter revenue. We again recommend that Clarion management regularly rotate meter collection personnel. We repeat our recommendation that the assigned officer should record the collected amount on a deposit slip, place the money and deposit slip in a locked collection bag, and

**Clarion University of Pennsylvania
State System of Higher Education***Status of
Prior Audit**Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

then take the money to the bank that same day or place the money in the bank's night deposit box. In addition, the accounting department should routinely reconcile the collections recorded on the complaint reports to the bank statements.

Comments from Clarion University management:

Clarion University had 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.

Parking fines. Our current audit shows that Clarion's parking fine collections continued to be deficient. According to a listing dated September 21, 2009, 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. According to Commonwealth law, the violation of campus parking regulations is generally a summary offense.³¹ Commonwealth law requires prosecution of such offenses within two years after commission.³² Accordingly, Clarion would no longer bill for the 240 outstanding parking tickets listed above as older than two years. The value of these 240 tickets totaled about \$2,600.

Clarion's parking policy states the following:

Multiple Tickets

...The high demand for parking on our campus necessitates active enforcement and additional penalties for those who habitually ignore parking regulations. It is therefore our practice that after the fifth valid ticket in an academic year (paid or

³¹ 18 Pa. C.S. §7505.

³² 42 Pa. C.S. §5552.

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

unpaid), the fine for all subsequent violations increases to \$30.00 per violation....

Vehicle Immobilization

Vehicles with three or more outstanding tickets may be booted. An immobilization fee, as well as all outstanding tickets, must be paid prior to removal of the boot.

Violations of Policy / Unpaid Ticket Policy

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....³³

Clarion did not routinely implement its parking policy designed to deter multiple tickets. The September 21, 2009, listing of outstanding tickets documented 27 offenders with 6 tickets or more in an academic year. Clarion issued 217 tickets valued at about \$2,800 to these 27 repeat offenders. However, Clarion strictly followed its policy regarding \$30 fines for only one of these 27 offenders. Clarion did not assess the \$30 fine for any violation beyond the fifth ticket for 16 of the offenders and assessed the \$30 fine for some but not all violations after the fifth ticket for ten of the repeat offenders. As a result, Clarion missed opportunities to potentially deter further multiple offenses.

According to public safety personnel, Clarion did not employ the vehicle immobilization boot. The September 21, 2009, listing of outstanding tickets documented 242 offenders with three or more tickets. Clarion issued 982 tickets valued at about \$11,500 to these 242 offenders. If Clarion had booted the three-time offenders, Clarion would likely have collected the related fines and possibly deterred further offenses.

³³ <http://www.clarion.edu/4260/> Accessed on September 9, 2009;verified November 22, 2011.

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

Between October 19, 2009, and December 15, 2009, Clarion sent 208 collection letters to individuals with outstanding parking tickets issued between August 31, 2009, and December 12, 2009. Clarion did not file violations with the district justice for prosecution until December 2009. According to public safety personnel, in December 2009 Clarion referred ten offenders with approximately \$500 in fines to the local magistrate.

The listing dated September 21, 2009, indicated that the university issued most of the outstanding parking tickets to vehicles that were not registered with the university for parking permits. The listing summary reported that outstanding fines totaled approximately \$24,900 for vehicles with Pennsylvania license plates but not registered with the university. The university assessed approximately \$7,400 in fines to vehicles registered with the university and about \$3,000 in fines to vehicles with out-of-state license plates not registered with the university. The university issued 16 tickets (valued at about \$200) with invalid plate information.

Clarion management previously contended that the university was unable to contact offenders who did not possess university parking permits and, thus, could not collect the associated fines. However, in October 2009 and after the current audit fieldwork had begun, the university purchased a \$3,200 software program designed to recover vehicle owner information from the Pennsylvania Department of Transportation.

On January 10, 2010, Clarion forwarded search information for license plate owners associated with outstanding parking tickets to Pennsylvania's Department of Transportation. According to university public safety personnel, the search yielded about 1,300 license plates; Clarion could not determine the dollar value of the related fines.

Our current audit showed that Clarion's parking fine collections continued to be deficient. Clarion did not place fines on student accounts, contract with a collection agency, or withhold grades, transcripts, or graduation privileges in order to collect parking fines. Clarion sent collection letters, purchased the software program designed to recover vehicle owner information, and referred parking

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

violations to the local magistrate after the current audit fieldwork had begun. Accordingly, we consider the issues discussed in the prior audit report to be unresolved.

**Recommendation
for prior
Finding 4**

4. Clarion should consistently enforce its parking policy regarding increased fines for repeat offenders, immobilization boots, and the filing of violations for prosecution with the district court. Additionally, Clarion should 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.

Comments from Clarion University management:

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.

**Prior
Finding 5**

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

The prior audit reported that management control weaknesses existed within the payment collection process and computerized work order system for Clarion's print shop. Sampled deposit records were not consistent with cash collection login sheets. The cash collection login sheets did not list four of 25 checks documented on three tested deposit records. Cash sales exceeded tested deposit records by \$13. Moreover, the print shop retained cash collections for greater than one

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

week in violation of the university's procedures for miscellaneous revenues.

The prior audit also reported weaknesses with the computer system billing and collection process. The testing of ten of 102 outside customer accounts revealed 17 outstanding invoices. Although Clarion received payment for nine of these 17 invoices, the university did not record receipt of the payments. The remaining eight invoices, totaling \$1,096, were outstanding from 46 to 321 days. Clarion's print shop did not provide any evidence of follow-up.

We recommended that Clarion management enforce controls over print shop billing and revenue collection. We also recommended that print shop staff be trained in the use of computer system software. We recommended that management establish a system of pre-numbered receipts. Finally, we recommended that staff reconcile the cash box weekly and deposit cash collections at least weekly.

Status as of this audit. To follow up on the deficiencies noted in the prior report, we interviewed the print shop director and accounts receivable personnel. We also reviewed Clarion's internal policy and procedures regarding the deposit of miscellaneous revenue. We also reviewed the accounts receivable department's documentation for all 96 print shop receipts from July 20, 2007, to October 30, 2009, as well as the associated checks, copier log-in sheets, and transmittal forms. Finally, we examined the print shop's work-in-progress listing of 489 unpaid invoices totaling \$176,353 as of October 27, 2009, as well as 27 additional unpaid invoices on file in the accounts receivable department as of the same date. Regarding the unpaid invoices, 475 of the 489 were unpaid between one and 90 days from the issue date of the invoice.

Our current audit shows that Clarion only partially complied with the recommendations of the prior report. While our prior report showed that Clarion had not trained all print shop staff to use the print shop's computer software, our current audit shows that all print shop personnel have since received such training. During the prior audit, outside customers paid the print shop for services and then the print shop transmitted these customer payments to the accounts receivable

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

Pennsylvania Department of the Auditor General

Jack Wagner, Auditor General

November 2011

department. As of October 21, 2009, outside customers sent payments directly to Clarion's accounts receivable department. Clarion's accounts receivable department directly received 15 of 15 outside customer payments made between October 21, 2009, and October 30, 2009.

However, Clarion's print shop continued to demonstrate weaknesses in cash collection controls and in the tracking of unpaid invoices. The print shop maintained a cash drawer to provide a \$100 petty cash fund and to accommodate walk-in customers for copies and miscellaneous print jobs. According to the print shop director, staff routinely recorded the cash sales on copier log-in sheets and then issued customers pre-numbered receipts only upon customer request. Furthermore, the print shop still 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. Between July 1, 2008, and October 30, 2009, the print shop sent cash to the accounts receivable department only nine times. Additionally, print shop management did not reconcile the cash drawer to documentation retained by the print shop. Our review of copier log-in sheets and deposit receipts from the accounts receivable department from July 20, 2007, to October 30, 2009, found that cash collections recorded on the log-in sheets exceeded the cash transmittals to the accounts receivable department by approximately \$664. Although the print shop kept receipts for miscellaneous purchases of about \$384 during the same time period and retained a \$100 petty cash fund, print shop management could not account for the resultant difference of \$180.

Regarding Clarion's continued weaknesses in tracking unpaid invoices, the print shop's work-in-progress listing showed 489 unpaid invoices as of October 27, 2009. Fourteen of these listed invoices (valued at approximately \$2,783) 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 approximately \$5,438) on file in the accounts receivable department. The print shop prepared these 27 invoices, now located in the accounts receivable department files, between June 12, 2007, and October 14, 2008. The print shop

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

prepared all but three of the 27 invoices prior to the employment of the current print shop director. Thus, Clarion's print shop provided the above services but did not receive the related revenue.

Clarion management did not ensure sound controls over print shop billing and collections. The failure to consistently use pre-numbered customer receipts, to reconcile the cash drawer, and to forward cash collections to the accounts receivable department weekly increases the potential for loss, misappropriation, or theft of print shop funds. Inadequate tracking of invoices could result in untimely customer payments or permanently unpaid bills.

**Recommendation
for prior
Finding 5**

5. We again recommend that Clarion management establish and enforce controls over print shop billing and revenue collection. The print shop should consistently use its pre-numbered receipts for all cash customers; reconcile the cash box weekly; and forward cash collections to accounts receivable at least weekly. The accounts receivable department should bill customers for all past due accounts.

Comments from Clarion University management:

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.

**Clarion University of Pennsylvania
State System of Higher Education***Status of
Prior Audit**Pennsylvania Department of the Auditor General**Jack Wagner, Auditor General**November 2011***Prior
Finding 6****Clarion did not comply with the Abandoned and Unclaimed Property Act. (Resolved).**

In our prior audit report, we found that Clarion management did not comply with the Disposition of Abandoned and Unclaimed Property Act³⁴ for its escheat payroll checks and for student credit balances. Clarion did not regularly review accounts to identify escheat payroll checks older than two years and other property older than five years that the university should have remitted to the Commonwealth's Treasury Department. More specifically, we found 41 student accounts with credit balances that were dormant for greater than five years. The approximate cumulative value of these accounts was \$2,175. Moreover, we found 167 uncashed payroll checks that were dormant for greater than two years. The total value of the uncashed payroll checks was about \$12,060.

We recommended that Clarion management establish procedures to monitor accounts effectively in order to ensure compliance with the Disposition of Abandoned and Unclaimed Property Act. In addition, we recommended that Clarion submit the required documents and aforementioned monies to the Commonwealth's Treasury Department as required by the Disposition of Abandoned and Unclaimed Property Act.

Status as of this audit. To follow up on the deficiencies noted in the prior report, we interviewed Clarion's accounting director, accounts payable supervisor, director of business services, and an accounts receivable clerk. We also reviewed the Disposition of Abandoned and Unclaimed Property Act³⁵ and Clarion's written procedures regarding stale-dated checks. In addition, we examined the supporting documentation for payments of unclaimed funds to the Commonwealth's Treasury Department for the 2006, 2007, and 2008 reporting years. Finally, we examined an October 9, 2009, listing of 102 stale-dated checks for students with credit balances, a January 14, 2010, listing of 43 stale-dated checks for miscellaneous

³⁴ <http://www.patreasury.org/assets/pdf/UnclaimedPropertyPStatute11-07.pdf>, accessed January 12, 2010; verified November 22, 2011.

³⁵ Ibid.

**Clarion University of Pennsylvania
State System of Higher Education**

*Status of
Prior Audit*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

reimbursements to students, and the account detail for 26 of 38 student accounts with credit balances greater than \$100 as of November 10, 2009.

Our current audit work shows that Clarion complied with the recommendations of the prior report. In October 2007, Clarion properly forwarded \$9,690 to the Treasury Department for the unclaimed payroll checks identified in the prior audit. The university reissued checks for the remaining \$2,370 in unclaimed payroll noted in the prior report. Moreover, in 2008, Clarion reissued checks to all but two of the 41 students with credit balances noted in the prior audit. In March 2008, Clarion remitted the unclaimed property to the Treasury Department for the remaining two students.

According to Clarion management, the State System has administered the escheat payroll checks for the university, since Clarion implemented the Systems Application Products (SAP) software in December 2003.

In summary, Clarion adopted procedures to ensure compliance with the Disposition of Abandoned and Unclaimed Property Act. Clarion properly forwarded unclaimed property to the Treasury Department in October 2007, March 2008, and April 2009. In our review of the October 9, 2009, and January 14, 2010, listings of stale-dated checks, we did not find any checks older than five years. Additionally, in our review of account detail for 26 accounts with credit balances greater than \$100 at November 10, 2009, we did not find any balances older than five years.

**Clarion University of Pennsylvania
State System of Higher Education**

*Audit Report
Distribution
List*

*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
November 2011*

**Audit Report
Distribution
List**

The Honorable Tom Corbett
Governor

The Honorable Robert M. McCord
State Treasurer
Pennsylvania Treasury Department

Dr. John C. Cavanaugh
Chancellor
Pennsylvania State System of Higher Education

James Dillon
Vice Chancellor for Administration and Finance
State System of Higher Education

Guido M. Pichini
Chairman
Board of Governors

Leonidas Pandeladis
Chief Counsel

Dean Weber
Director, Office of Internal Audit and Risk Assessment
State System of Higher Education

Clarion University of Pennsylvania

Dr. Karen M. Whitney
President

John Kaschak
Director of Audits
Office of Comptroller Operations
Office of the Budget

This report is a matter of public record and is accessible at www.auditorgen.state.pa.us or by contacting the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. Telephone: 717-787-1381.