Commonwealth of Pennsylvania

State System of Higher Education

Indiana University of Pennsylvania

July 1, 2003, to April 1, 2005

Performance Audit

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September 22, 2006

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 Indiana University of Pennsylvania of the State System of Higher Education from July 1, 2003, to April 1, 2005. The audit was conducted under authority provided 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 Indiana did not fully address the recommendations of the two prior audits regarding fleet management. The university again failed to provide training to student and employee drivers of its vans designed for fifteen passengers. The audit noted deficiencies in university controls over the purchasing card and summer camp programs, in its use of mail service resources, and in its collections of student account receivables. Finally, Indiana's Student Cooperative Association did not adequately monitor the accuracy of commission payments from its soda and juice-vending contractor. The contents of the report were discussed with the management of Indiana 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 Indiana 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,[1] transferred administrative and operational responsibility to the newly created State System of Higher Education (State System), and the institutional designations of the state colleges were changed to universities effective July 1, 1983. 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 up 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 Board of Governors (Board). Today, the State System comprises the 14 state-owned universities, including Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester; it also comprises four branch campuses, the McKeever Environmental Learning Center, and the Dixon University Center.

The centrally established 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 operational 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.

[1] 24 P.S. §20-2001 et seq.

Background Information

Indiana University of Pennsylvania

Indiana University of Pennsylvania (Indiana) is located in the Borough of Indiana, Indiana County, approximately 50 miles northeast of Pittsburgh. Indiana's origin dates back to 1875, when it served 225 students in a single building as a State Normal School. With continuous growth in enrollment and academic stature, it was the first of the 14 state-owned colleges to be granted university status, effective December 1965. At that time, Indiana was given the authority to expand its curriculum, to grant degrees at the master's level, and to institute the first doctoral program.

Currently, Indiana is a multi-purpose institution of higher learning consisting of six colleges and two schools. In addition to its main campus, Indiana operates two regional campuses located in Punxsutawney and Kittanning; both are within 30 miles of the town of Indiana.

Indiana is accredited by the Middle States Association of Colleges and Schools, the National Council for Accreditation of Teacher Education, and other accrediting organizations.

Student enrollment for the fall 2004 semester was 13,998 students, comprised of 11,996 full-time and 2,002 part-time students. Student enrollment for the fall 2003 semester totaled 13,868 students, including 11,991 full-time and 1,877 part-time students.

For fall 2004, Indiana employed 1,599 personnel, including 763 faculty and 836 administrative and support personnel. For fall 2003, Indiana employed 1,625 personnel, including 761 faculty and 864 administrative and support personnel.

The Joint State Government Commission compiled the following select unaudited operating statistics for the 2003-04 and 2002-03 academic years for Indiana and the State System:

	2002-03	2003-04
Full-Time Equivalent Students (FTE's):		
Indiana University		
Undergraduate	11,943	12,056
Graduate	1,371	1,336
Total FTE's	13,314	13,392
State System of Higher Education		
Undergraduate	87,387	88,399
Graduate	9,231	9,235
Total FTE's	96,618	97,634

	2002-03	2003-04
Full-Time Equivalent Instructional Faculty:		
Indiana University	736	683
State System of Higher Education	5,180	5,101
State Instruction Appropriations (rounded in millions):		
Indiana University	$ 57.1	$ 55.9
State System of Higher Education	$435.2	$413.5

Objectives, Scope, and Methodology

The audit objectives are detailed in the body of the report. We selected the objectives from the following general areas: the Student Cooperative Association's vending contracts, Indiana's payroll system, the university purchasing card program, coordination of postal services by Indiana's Facilities Management Department, managerial controls over the summer camp program, and collection methods for student accounts receivable. In addition, we determined the status of the recommendations from the prior audit regarding Indiana's fire safety program and its automotive fleet.

To accomplish these objectives, we interviewed various Indiana management and staff, reviewed available records, and analyzed pertinent regulations, policies, and guidelines.

The scope of the audit was from July 1, 2003, to April 1, 2005, unless indicated otherwise in the individual report chapters.

Chapter I – Student Cooperative Association

Objective and Methodology

The Student Cooperative Association (Association) is a non-profit organization owned and operated by members who pay activity fees. The association provides facilities, activities, and services to enhance the social, cultural, recreational, and learning experience for the university community.

The Association contracts with several vendors to provide student services. The association receives commission revenue from its vendors that provide laundry machine services, snack vending machine services, and soda and juice vending machine services. The association also receives payments for the rental of dining facilities in Indiana's Hadley Union Building. Finally, a local bank submits rental payments for its use of building space and commission payments for new accounts opened by university students or staff. According to Association reports, commission and rental revenue from the above contracts totaled approximately $640,000 from July 2003 through December 2004.

The Association issues plastic identification cards, or I-cards, to university students. Students may use the I-cards, which also function as electronic debit cards, to pay for vending machine purchases. Electronic readers on the vending machines track the sales from the I-cards.

The objective of this portion of the audit was to assess whether the Association adequately monitored the accuracy of commission and rental payments associated with the aforementioned six contracts. To accomplish this objective, we performed the following procedures:

- Interviewed Association personnel, including the director of vending services.

- Reviewed the Association's contracts for laundry services and for snack vending services, as well as the associated commission statements, card-reader sales reports, and vendor invoices from July 2003 through December 2004.

- Reviewed the bank agreements for rental space and commission payments for student accounts, as well as the associated transactions in the revenue ledger for the fiscal year ended June 30, 2004.

- Reviewed the dining facility rental agreement and examined the applicable bank deposits and wire transfers for the fiscal year ended June 30, 2004.

- Reviewed the Association contract for soda and juice vending services, as well as the related commission statements, card-reader sales reports, and inventory reports from July 2003 through December 2004.

- Examined Indiana's March 31, 2005, list of soda and juice vending machines with card readers and inspected 13 of the 79 vending machines on campus to verify the existence of card readers on the machines.

Audit Results

Finding I–1 – The Student Cooperative Association adequately monitored commission and rental payments for the laundry, bank, dining facilities, and snack vending machines contracts.

From July 2003 through December 2004, commissions from the laundry and snack vending machines agreed with contract terms and with card-reader sales reports and vendor invoices. The bank submitted its rental and commission payments according to contract terms for the fiscal year ended June 30, 2004. The Association also received rental payments for the dining facilities according to the lease agreement for the same fiscal year.

Finding I–2 – The Student Cooperative Association did not adequately monitor soda and juice vending commissions.

The agreement between the Association and its soda and juice vending contractor provided a 42 percent sales commission rate and an I-card handling fee of $0.025 per transaction. The Association, in turn, reimbursed the contractor for vending machine sales transacted with I-cards.

According to Association reports prepared by the contract monitor, soda and juice vending sales totaled approximately $377,200 from July 2003 through December 2004. The corresponding commissions and transaction fees totaled approximately $158,400 and $9,000, respectively. The Association reported uncollected I-card sales of $179,200 from July 2003 through December 2004. Since the Association paid the vendor about $7,400 during that timeframe, it reported a net debt of $4,400 in December 2004. However, because the Association did not adequately monitor sales and/or commissions from its soda and juice vending machines, the accuracy of these figures was uncertain. As a result, the contract monitor used incomplete and/or erroneous vendor information to calculate the Association's reported sales and commissions.

According to Association reports, the bottled beverage contractor furnished the Indiana campus with 52 vending machines with card readers and 27 machines without card readers. The vending machines with card readers accommodated both cash and I-card purchases, while the machines without readers allowed only cash purchases. The vendor downloaded both cash and I-card sales data from machines with readers and then forwarded the corresponding sales reports to the contract monitor. The vendor provided inventory/sales data for the machines without readers only at the contract monitor's request. According to the contract monitor, the vendor did not notify the Association or submit final sales readings when it replaced campus machines and/or card readers. The audit disclosed that at least six of the machines on Indiana's list of vending equipment with readers did not actually possess readers. Finally, the vendor did not prepare any invoices that summarized its uncollected I-card revenue or the commissions and transaction fees due to the Association.

The absence of equipment replacement updates and final equipment sales readings increased the likelihood that the contract monitor inaccurately reported sales and commissions. The absence of vendor invoices hindered the reconciliation of Association data with vendor data.

Recommendations:

Indiana's Student Cooperative Association management should take the necessary steps to ensure that the soda and juice vending contract is adequately monitored, including the following:

- Require the vendor to provide sales data for all machines, including the cash-only machines routinely.
- Meet with the vendor at least quarterly to reconcile association data with vendor data.
- Require the vendor to notify the association and submit final sales readings when any readers are removed or machines are replaced.

Management Comments:

University management provided the following written comments:

The Student Cooperative Association agrees with the recommendations and the following new procedures have been put in place.

Vendors now provide quarterly reports by machine for every machine (cash only machines as well) per request.

There is a meeting with the vendors quarterly to reconcile association data with vendor data.

The data is collected at the time of removal when the readers are removed, or a machine is replaced. There is now collection of data approximately every 4 weeks from each machine.

Chapter II – Employee Payroll

Objective and Methodology

The State System replaced its outdated computer systems with Systems Applications Products (SAP) software at its fourteen universities and the Dixon Center. The purpose for the change was to establish a single administrative computer system instead of individual systems at each University. In March 2001, the Board of Governors of the State System created the State System Technology Consortium (SyTEC) to manage and support the implementation of the SAP software. Indiana University began using SAP in its human resource and payroll processes in December 2003.

The objective of this portion of the audit was to determine whether Indiana accurately processed its payroll through the new SAP system. To accomplish this objective, we performed the following procedures:

- Interviewed personnel from Indiana's payroll department.

- Identified the payroll deductions required by the applicable union bargaining agreements effective during our audit.

- Compared the December 9, 2003, wage rates recorded for 30 of 1,612 employees in Indiana's prior payroll system to the December 10, 2003, wage rates recorded for the same employees in the SAP system.

- Compared the leave slips, shift differential forms, and other supporting documentation to the wages and benefits of the above 30 employees for the pay period ended January 21, 2005.

Audit Results

Finding II–1 – Indiana accurately processed its payroll through the new SAP system.

The university accurately recorded the beginning wage rates of the sample of 30 employees upon inception of the SAP payroll software during December 2003. Additionally, Indiana properly processed the leave, wages, and benefits for the same 30 employees for the pay period ended January 21, 2005.

Chapter III – Purchasing Card Program

Objectives and Methodology

Indiana implemented its purchasing card program in 2001 to streamline the process for high volume, low dollar purchases. Between October 2003 and September 2004, Indiana issued 69 purchasing cards and expended approximately $179,000.

The university has developed standard policies and procedures for operating the purchasing card program. These guidelines specify both authorized and unauthorized uses of the purchasing cards, as well as transaction value limits and sales tax exemption. The university policies also outline the required documentation for purchasing card transactions.

The objectives of this portion of the audit were to determine whether Indiana has complied with university policies and procedures for operating the purchasing card program and to assess the adequacy of relevant internal controls. To accomplish these objectives, we performed the following procedures:

- Interviewed Indiana management and staff, including accounting personnel.

- Reviewed Indiana's policy statement[2] and procedural guidelines[3] for its purchasing card program.

- Reviewed the State System's Code of Ethics for employees engaged in procurement activities.[4]

- Examined Indiana's cardholder status report as of December 3, 2004.

- Reviewed 434 monthly purchasing card activity statements for all 69 cardholders from October 2003 through September 2004.

- Examined the supporting documentation (including the original sales documents, purchasing logs, and purchasing card activity statements) for 49 of 507 purchasing card transactions recorded for the following five months: July 2003, December 2003, April 2004, July 2004, and September 2004.

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[2] http://www.iup.edu/controller/PURCHASINGCARD/files/IUP-PCardPolicyStatement.pdf View Date: December 1, 2004.
[3] http://www.iup.edu/controller/PURCHASINGCARD/files/IUPPurchasingCardProcedures.doc View Date: December 1, 2004.
[4] http://www.passhe.edu/content/?/office/finance/procurement/ethics View Date: January 12, 2005.

- Analyzed 67 invoices submitted by an office supply vendor to Indiana from October 2003 through September 2004.

- Compared the prices of eight office supply products from the above office supply vendor to those of a nationwide competitor.

Audit Results

The audit did not disclose any apparent misuse of university funds. However, cardholders did not comply with purchasing card policies.

Finding III–1 – Cardholders did not comply with Indiana's policies and procedures regarding split purchases, supporting documentation for purchase transactions, and the acceptance of vendor gifts.

Split Purchases

The university did not consistently enforce its policies and procedures regarding split purchases. Section C.2 of the Purchasing Card Program Policy Statement indicates, as follows:

> *Payment for a purchase shall not be split into multiple transactions to stay within the single purchase limit.*

The analysis of 434 cardholder statements for twelve consecutive months revealed eleven split purchases ostensibly designed to circumvent the $500 card transaction limits. The following table provides details about the eleven split purchases.

Purchase	Transaction Date	Transaction Amount	Total $	Description
1	12/11/03 12/11/03	$ 500 10	$510	$500 Music software, $10 shipping charge
2	1/11/04 1/11/04	361 260	621	Copier toner
3	2/05/04 2/05/04	360 372	732	Audio cassettes, transparencies, ink cartridges
4	3/23/04 3/24/04	388 388	776	Ball valves (same order date)
5	4/16/04 4/16/04	406 194	600	Electrical equipment
6	5/13/04 5/14/04	369 369	738	Transcribers
7	6/10/04 6/10/04	378 378	756	Thermal equipment
8	6/10/04 6/11/04	500 475	975	Printer items
9	6/24/04 6/24/04	500 180	680	Printer items
10	7/27/04 7/27/04	275 235	510	Office Products
11	9/21/04 9/21/04	500 496	996	T-shirts, logo buttons

When credit card purchase controls are circumvented, the risk of misuse of University funds increases.

Inadequate Supporting Documentation for Purchases

Indiana did not enforce university policies and procedures regarding the supporting documentation for purchases. University guidelines require cardholders to complete a monthly reconciliation of purchases to the credit card statement. Each cardholder must attach all transaction documentation (e.g., register receipts and packing slips) to the card statement and record the details and purpose for each transaction on a purchasing log. The cardholder must then forward the signed transaction log, card statement, and associated documentation to the purchasing card administrator for review.

The review of 49 purchasing card transactions with an approximate value of $11,500 disclosed that Indiana employees submitted receipts for all 49 transactions. Although the cardholders documented the date, vendor, and dollar amount on the logs for the 49 tested transactions, the cardholders did not record the justification for 23, or about 47 percent, of the reviewed purchases. The transactions without written justifications totaled approximately $5,500.

Chapter III – Purchasing Card Program

Indiana established purchasing procedures (such as purchasing logs and written justifications) to provide reasonable assurance that university assets are safeguarded. The failure to document justifications precludes verification of the business or allowable nature of expenditures.

Acceptance of Vendor Gratuities

The university did not enforce the State System's code of ethics for employees engaged in procurement activities. The code, developed by the National Association of Educational Buyers, requires employees to "decline personal gifts or gratuities" from suppliers.

The analysis of card activity statements and related invoices disclosed that a university department accepted at least 161 free items from an office supply vendor from October 2003 through September 2004. The free items included 24 packages of recordable compact diskettes, 16 bath product gift sets, 14 cookie tins, 12 clock radios, 5 cases of printer paper, 5 barbeque grills with accessories, 4 outlet surge protectors, 2 small electric grills, and a paper shredder.

The 161 free items accompanied the receipt of merchandise ordered by a single cardholder. The cardholder's purchases from the office supply vendor totaled approximately $18,000 and comprised about 39 percent of the cardholder's purchases from October 2003 through September 2004. Further testing of the prices for eight purchased office products disclosed that the prices charged by the vendor were very similar and often equal to those of a nationwide competitor. Therefore, it did not appear that the value of the free items increased the price paid for the regular merchandise purchased from that office supply vendor. According to the above cardholder, the office supply vendor did not always indicate at the time of order placement that free items would accompany the regular purchases.

Interviews also disclosed that Indiana personnel did not document the department's disposition of the gift merchandise. According to employees from the department, University personnel retained and eventually used the free office supply items. The department gave the personal items (such as the clock radios, cookie tins, and grills) to student workers or staff.

The acceptance of vendor gratuities, especially those that cannot be used for business purposes, may influence – or appear to influence - the purchasing decisions of the cardholder. University cardholders should base purchasing decisions on product cost, useful life, and functionality – not on personal benefit.

Recommendations:

Indiana management should enforce purchasing card policies and procedures:

- Cardholders should not split transactions to circumvent card limits.

- Cardholders should complete purchasing logs to justify the business or allowable nature of expenditures.

- Cardholders should decline vendor gifts or gratuities.

Management Comments:

University management submitted the following written comments:

Split Purchases

The occurrence of Split Purchases is very rare. The Controller's Office monitors all Purchasing Card purchases and enforces a "3-strikes and you're out" policy where upon a card holder's third offense (of any University Purchasing Card policy provision) their Purchasing Card is cancelled.

Frequently card holders will make multiple purchases in the same day from the same vendor. In the cases where receipts are time stamped the Controller's Office reviews such purchases to ensure they are not within an unreasonably close time frame. Purchasers appearing to be in violation of the policy are questioned and reprimanded as appropriate. In the cases where receipts are not time stamped the Controller's Office accepts the Purchaser is following the policy as there is no evidence of non-compliance.

Inadequate Supporting Documentation for Purchases

As noted in the Auditor's report, all 49 purchases were supported with proper receipts. The violation specifically is that the section of the Purchasing Card Transaction Log indicating "Items Purchased & Purpose" only indicated the items purchased but not a purpose for the items.

The Controller's Office reviews all Purchasing Card Transaction Logs and supporting receipts. In all instances where the purpose is not obvious, the Purchaser is contacted for a more adequate explanation. For example, a purchase of a digital camera by an administrative office would be contacted for a more detailed justification of the purchase. By comparison, when the items purchased are office supplies (pens, pencils, paper, duo tang fasteners, etc.) the Controller's Office accepts that the purpose of the items is for use in the purchaser's department without requiring a statement "For office use."

Acceptance of Vendor Gratuities

On occasion the Controller's Office will identify a receipt included in the Purchasing Card documentation indicating a gift or gratuity was included in the *order. When such occurrences happen, the Purchaser is contacted by the Controller's Office for an explanation of what the gift was used for and to obtain certification that the gift was not used for personal benefit. The Purchaser's response is filed with the appropriate invoice in the documentation for that purchase.*

In instances where the gift/gratuity is not indicated on the invoice the Purchaser is responsible to ensure the item is appropriately used.

We understand that this practice should be discontinued.

Chapter IV – Postage

Objective and Methodology

The University's Facilities Management Department coordinates the postal services furnished by both its bulk mail center and its mailroom. During the 2004 calendar year, Indiana's bulk mail center incurred postage costs of approximately $101,000 to process about 667,000 pieces of outgoing mail. The mailroom spent about $509,000 in postage costs to process approximately 884,000 pieces of outgoing mail during the same year.

The objective of this portion of the audit was to assess whether Indiana efficiently utilized its mail service resources. To accomplish this objective, we performed the following procedures:

- Interviewed personnel from Indiana's mailroom, bulk mail center, and office of the registrar, as well as a representative from a local firm that pre-sorts first class mail.

- Examined Indiana's monthly cost and service summaries for bulk and metered mail for the 2004 calendar year.

- Reviewed outlines of mail services utilized by Indiana's office of the bursar, publication department, and admissions office.

Audit Results

The university implemented some cost saving measures for its mail services. Additional measures could save approximately $17,000.

Finding IV–1 – Indiana established several procedures to reduce mail costs.

Indiana implemented measures to reduce its postage costs. In December 2000, Indiana discontinued its practice of mailing grades to students at the end of each semester. Since then, Indiana has posted student grades to its website, where students have accessed the grades using identification numbers and passwords. University management estimated that this practice has reduced its postage costs approximately $11,000 annually.[5]

In 2004, Indiana routinely pre-sorted its bulk mail in-house before it forwarded this mail to the United States Postal Service (USPS). The software used with the bulk mail equipment identified approximately 32,500 pieces of mail with bad addresses. Accordingly, Indiana did not forward the undeliverable mail to the USPS and saved approximately $4,000 in postage costs.

Finding IV–2 – The University did not pre-sort its first class mail.

The United States Postal Service offers discounts to users that bar code, sort by zip code, and then deliver their mail to USPS facilities. Independent contractors can perform these pre-sort functions, enabling clients to receive USPS discounts.

Although Indiana employed the above cost saving measures, it did not pre-sort its first class outgoing mail. As a result, Indiana did not receive approximately $17,000 in postal discounts during 2004.

A representative from a local direct mail company informed us that Indiana could have contracted for the above pre-sort mail service and saved $0.03 per first class letter. Indiana's facilities management director estimated that approximately 575,000 pieces of first class outgoing mail were eligible for pre-sort services in 2004.

According to Indiana management, the university was in the process of evaluating the costs and benefits associated with pre-sorting its first class mail in-house or through an independent contractor. Although Indiana had not solicited quotes as of the end of audit fieldwork, management anticipated that equipment acquisition and maintenance costs would exceed the savings associated with performing the pre-sort functions internally.

Recommendation:

- Indiana management should complete the evaluation of pre-sorting first class mail and implement the option that would provide the greater savings to Indiana.

Management Comments:

University management prepared the following written comments:

[5] According to Indiana's Office of the Registrar, the university has posted about 30,000 grade summaries on its website annually since December 2000. Thus, annual postage savings totaled approximately $11,000 (or $0.37 per notice).

As a result of University management's evaluation of pre-sorting first class mail a contract was bid for a third party vendor to provide pre-sort bar coded mail services to the University. The contract was signed for three years of service with Pittsburgh Mailing Systems effective July 2005 where Pittsburgh Mailing Systems will process the University's one ounce and two ounce first class mail.

The University is currently in the process of implementing a software solution by MailingSystemPA to monitor and account for the savings generated by the pre-sorting contract. Full implementation of the pre-sort bar coded service contract will begin upon completion of the tracking system installation and staff training.

Chapter V – Summer Camps

Objectives and Methodology

The athletic department administers Indiana's summer camp program. The university uses the associated net revenues to fund athletic scholarships or to enhance athletic operations budgets. During the 2003 and 2004 summer camp seasons, Indiana hosted summer camps for 24 groups. According to athletic department reports, the 24 summer camps generated over $230,000 in fees and approximately $85,000 in net revenues.

Indiana and its athletic department have developed policies and procedures for the administration of the summer camps. The policies and procedures address purchasing requirements, payroll processes, expense documentation, and financial reporting requirements.

The objectives of this portion of the audit were to determine whether the athletic department complied with summer camp policies and procedures and to assess the adequacy of relevant internal controls. To accomplish these objectives, we performed the following procedures:

- Interviewed athletic department personnel.

- Reviewed Indiana's summer camp policies and procedures.

- Reviewed the 2004 and 2003 summer camp summary reports prepared by the athletic department.

- Reconciled the athletic department summary reports to revenue ledger entries, bank deposit slips, receipt records, participant rosters, university housing rosters, invoices, camp expense records, and camp payroll documents for 4 of the 13 camps operated during 2004 and for 4 of the 11 camps operated during 2003.

Audit Results

The review of supporting documentation for eight camps disclosed that the revenue received from six camps agreed with the participant rosters and housing lists. Additionally, the review of purchase requisitions, camp expense forms, vendor invoices, and payroll forms for the six camps revealed that the associated camp directors followed camp expenditure and payroll policies and procedures.

We identified deficiencies in both registration fee collection and expenditure controls for one of the eight sampled camps and a shortfall in fee collections in another camp. Since we identified deficiencies in two of the eight camps, we concluded that the athletic department did not enforce its camp policies and procedures or effectively control camp fee collection and purchases.

Finding V–1 – Controls over summer camp revenues and expenditures were deficient.

Athletic department policies and procedures require each camp director to obtain registration forms from camp participants and document the associated receipts. After final registration, the camp director must collect and submit all remaining fees to the athletic department's camp office for deposit into a university account. Additionally, the camp director must submit a camp expense request to the camp office in order to receive the athletic business officer's authorization prior to each purchase. The camp director must prepare specific payroll forms to document the service of each camp employee. Finally, the policies and procedures require the camp director to prepare a standardized summary of camp costs, including those for housing, payroll, awards, and brochures.

The audit revealed deficiencies in both registration fee collection and expenditure controls for one of the eight sampled camps and a shortfall in fee collections in another camp. The review of supporting documentation for the 2004 men's basketball team camp disclosed that the participant roster and receipt records provided by the camp director listed 72 fewer participants than the housing roster maintained by Indiana's residence hall office. According to athletic department personnel, the camp director collected cash payments of $6,480 in registration fees and then used this cash to pay camp expenses. These expenses, consistent with the corresponding expenses recorded for 2003 and with the 2004 camp game schedule,[6] included $5,000 to the Westmoreland Chapter of Pennsylvania Interscholastic Athletic Association (PIAA) Basketball Officials, $1,150 to a local restaurant for a coaching staff banquet, and $330 for coaching services. The camp director did not prepare the expense and payroll forms required by policy to support these expenditures. Although the association of basketball officials, the restaurant, and the two coaches created and signed personal acknowledgements of payment in response to our audit inquiries, the camp director did not document either the receipt or disbursement of the cash at the time of actual occurrence.

The review of receipt records and housing rosters for the 2004 men's basketball shootout camp disclosed that the camp director did not collect $975 in fees. The university charged each shootout team a $400 entrance fee and $50 per team participant in overnight status. The camp director and his staff did not collect the $50 housing fee from fourteen camp participants, resulting in a $700 shortfall. Moreover, camp staff accepted a $125 deposit and failed to collect the remaining $275 for one team's entrance fee. According to the camp director, staff confusion during the check-in process precluded accurate

[6] The schedule for the 2004 men's basketball team camp listed 200 games. According to athletic department personnel, the camp paid two officials for each game at a rate of $12.50 per official.

identification/classification of commuters and non-commuters and caused errors in fee collection.

The university did not require the residence hall office to forward its final housing roster to the athletic department after the close of each camp. The athletic department did not reconcile this housing roster with the camp director's final participant roster to ensure the accuracy of the housing invoice and/or the collection and documentation of all camp participant fees.

The failure to follow established procedures hindered the reconciliation process and created the potential for the misappropriation of funds. The potential for errors or irregularities increased when staff members collected cash and used it for disbursements without the retention of original vendor receipts or management approval for the disbursements.

Recommendations:

Indiana's athletic department should enforce its current policies and procedures regarding camp fee collections, purchases, and payroll. The athletic department should prohibit the use of cash receipts to make cash disbursements. Also, Indiana should require the residence hall office to forward its final housing roster to the athletic department. Finally, the athletic department should reconcile this housing roster with the camp director's final participant roster to ensure the accuracy of the housing invoice and/or the collection and documentation of all camp participant fees.

Management Comments:

University management provided the following written comments:

The Summer Camp Staff has been instructed to enforce all the current policies and procedures. When a policy or procedure is not implemented properly; the summer camp staff has been instructed to inform the Director of Athletics.

Camp employees have always been paid for professional services using a check. However, one particular camp director intentionally deviated from established procedures even after the camp director was instructed by camp staff that he was in violation and was not permitted to operate in this manner.

Regarding the roster of participants the policy has been for the summer camp director to submit a tentative housing list to the housing office one week prior with a complete list to follow one day prior to start of camp. Only a verbal verification was made between housing and the summer camp office to verify disbursement of funds for housing payments. A new procedure has been developed to have the housing office provide the summer camp office with a final housing list verifying attendance for each camp. With this list, we will internally verify the campers and staff who reside in the residence halls. This housing list will also be reconciled with the camper participant fees.

In conclusion, new policies and procedures covering the indiscretions discovered in this audit will be added and implemented for the 2006 Summer Camps and will be monitored by Athletic Administration to insure compliance.

Chapter VI – Student Accounts Receivable

Objectives and Methodology

The Commonwealth and Indiana have developed policies and procedures for the processing of delinquent student accounts, including guidelines for collection and write-off of old accounts. After Indiana exhausts its outlined collection procedures, it forwards delinquent accounts to the Commonwealth's Office of the Attorney General for further collection efforts. The Attorney General utilizes dunning letters, phone contacts, payment plans, and litigation to collect money owed to the Commonwealth. The Attorney General then authorizes Indiana to write off any accounts deemed uncollectible. In financial statements for the fiscal year ended June 30, 2004, Indiana reported $1,507,650 of doubtful accounts receivable.

The objectives of this portion of the audit were to determine whether Indiana processed delinquent accounts in accordance with the aforementioned policies and procedures and to assess whether it maximized its collection efforts. To accomplish these objectives, we performed the following procedures:

- Interviewed employees from Indiana's Office of the Bursar, as well as personnel from the Financial Enforcement Section of the Commonwealth's Office of the Attorney General.

- Reviewed the Commonwealth of Pennsylvania Governor's Office directive regarding the processing of delinquent claims,[7] as well as written narratives of University procedures for the collection of delinquent accounts receivable.

- Analyzed the monthly status reports of authorized account write-offs prepared by the financial enforcement section of the Commonwealth's Office of the Attorney General from July 2003 through January 2005.

- Reviewed 58 of 1,862 university accounts designated delinquent as of December 31, 2004.

[7] "Collection, Requests for Compromise, and Write-Off of Delinquent Claims," Management Directive Number 310.10 Amended, Commonwealth of Pennsylvania Governor's Office, August 29, 1996.

Audit Results

Finding VI–1 – Indiana did not process delinquent student accounts timely.

The review of 58 delinquent accounts disclosed that Indiana did not send notices or submit doubtful accounts to the Office of the Attorney General in accordance with established policies and procedures.

Section 6.1 of Governor's Office Directive 310.10 specifies procedures for the collection of delinquent claims. The directive requires Indiana to issue at least three past due notices at intervals of 30 days each prior to submission of delinquent accounts to the Attorney General.

Collection policies and procedures documented by Indiana's bursar indicate that "accounts not paid in full by the end of the semester …are turned over to the delinquent collections office..." The University's delinquent collections office must send a past-due notice to the student within approximately 30 days of the semester end. If the student does not make payment arrangements, the delinquent collections office must send two more letters at intervals of 30 days. If the student does not make payment arrangements within two weeks after the third notification, the office must forward the account to the Attorney General for further collection efforts.

Indiana did not process delinquent student accounts timely. The university did not send past-due notices to students within the established time guidelines for 25 of 58 audited delinquent accounts. No dunning letters were sent to 3 of the 25 students. The office sent the first standard dunning letter late for 14 of the 25 exceptions. First notification for these 14 accounts averaged 12.7 months and ranged from 2 to 47 months after the semester end. The remaining 8 exceptions involved either late or non-existent second and/or third standard dunning letters.

The university also did not forward 30 of the 58 audited delinquent accounts to the Attorney General in a timely manner. In fact, the delinquent collections office submitted 9 of these 30 accounts to the Attorney General more than a year after delivery of the last past due notice.

According to Indiana management, the failure to process student accounts timely was due, in part, to the employment departure of the bursar's assistant in early 2001. The vacancy was not filled as of the end of audit fieldwork in April 2005.

Delays in collection efforts reduce the likelihood of collection success. The longer the delays in sending dunning letters or in forwarding delinquent accounts to the Attorney general, the greater is the potential for student nonpayment.

Recommendations:

Indiana management should enforce policies and procedures regarding the timelines for processing delinquent student accounts. University management should also evaluate the staff levels and work assignments in the office of the bursar and make any necessary changes to ensure that accounts receivable procedures are completed timely.

Management Comments:

University management prepared the following written comments:

The Office of the Bursar has limited resources available to devote to collection of delinquent accounts. In recent years, efforts to ensure that students with delinquent accounts receive at least three collection notices prior to submitting their account to the Office of the Attorney General for collection have increased.

IUP does not feel that this warrants an official finding.

At least 50 percent of the accounts sampled were from academic year 2000. All but four of those accounts had been submitted to the Attorney General for collection. Those four had made payment arrangements and were current. The remaining 50 percent included 15 accounts already assigned to the Attorney General, 10 accounts from the previous summer (still in the dunning process), three accounts with minimal balances (less than $50), and two students who were currently enrolled (dissertation program). Admittedly there was one account from 2002 that had missed being turned over for collection.

Department of the Auditor General Response:

The university's management comments correctly note that "at least 50 percent of the accounts sampled were from academic year 2000." However, 20 of the 25 audit exceptions where Indiana did not send past-due notices within the established timeframes originated after the summer 2000 semester. Additionally, 21 of the 30 audit exceptions where Indiana did not timely submit delinquent accounts to the Attorney General originated after the summer 2000 semester. The four student accounts with payment arrangements, as well as the accounts for the two students enrolled in the dissertation program, were never considered exceptions during the course of our audit. Finally, and perhaps most fundamentally, the 55 audit exceptions noted Indiana's failure to follow its dunning process timelines and not its failure to eventually forward delinquent student accounts to the Attorney General.

At the exit meeting, university management agreed with our assessment that the office of the bursar did not follow University policies and procedures.

Finally, Indiana reported that its student accounts receivable balance totaled approximately $4.4 million at June 30, 2004. Moreover, Indiana's delinquent student accounts totaled $2.3 million at December 31, 2004. We believe that the monetary value of the student receivables warrants the recommended efforts to recoup these monies.

Finding VI–2 – Indiana did not maximize delinquent account collection methods.

The university did not maximize its collection efforts. From July 1, 2003, to January 6, 2005, the Attorney General authorized and Indiana subsequently wrote off approximately $301,000 in student accounts. The university did not contract with a private agency to further pursue collections of these accounts or file a record of the delinquent accounts with a credit-reporting agency.

Governor's Office Directive Number 310.10 provides for "uniform minimum collection efforts." According to the director of operations of the Attorney General's Financial Enforcement Section, Indiana can either write off the account as authorized or pursue independent collection efforts after it receives authorization from the Attorney General.

Credit-reporting agencies maintain credit histories and are referenced before lending institutions and credit card companies approve loans or grant credit. The risk that future loans could be denied may create an incentive for delinquent student debtors to pay outstanding obligations.

The university did not assess the feasibility of using the services of either an independent collection agency or a credit-reporting bureau. Accordingly, Indiana did not maximize its collection efforts or its potential collections.

Recommendations:

Indiana management should assess the costs and benefits of contracting with a private agency to pursue collections of accounts authorized by the Attorney General for write-off. The university should also consider filing a record of its delinquent accounts with a credit-reporting agency.

Management Comments:

University management provided the following written comments:

It has not been the policy or practice of IUP to incur additional cost in the collection of delinquent student accounts that have been authorized by the Office of the Attorney General (OAG) for write-off. IUP has never resorted to credit reporting in that we believed that the OAG employed services of external collection agencies and credit reporting agencies during their attempt to collect.

IUP does maintain the balance on the student's account with appropriate financial holds in place, which prohibit the release of grades and transcripts and future registration activity for that student. The student must pay their account in full before IUP will remove the financial holds on the student's account.

Department of the Auditor General Response

The collection of delinquent student accounts through a private agency does not necessarily involve additional costs. The university's contract with an independent collection agency could base the fees for services on a percentage of actual collections. Additionally, interviews with Attorney General personnel disclosed that the Attorney General did not use credit-reporting agencies in its collection efforts. Although Indiana places financial holds on student accounts, its use of external collection agencies and/or credit reporting agencies could increase its collection of revenue from student receivables.

Status of Prior Audit Findings and Recommendations

Objectives and Methodology

The following is a summary of the findings and recommendations presented in our audit report for July 1, 2000, to January 10, 2003, along with a description of Indiana University of Pennsylvania's disposition of the recommendations. One or more of the following procedures determined the status of the recommendations:

- A review of Indiana's written response, dated January 28, 2004, replying to the Auditor General's audit report.
- Tests performed as part of, or in conjunction with, the current audit.
- Discussions with appropriate Indiana personnel regarding the prior audit findings and recommendations.

Prior Audit Findings

Chapter I – Some improvements to Indiana University's fire safety program are needed.

The prior audit reported that Indiana required some improvements to its fire safety program. Two exits in one of three day care centers located on university property lacked readily visible signs. Additionally, Indiana did not enforce its policies regarding fire extinguishers. A tour of five campus dormitories and the above three day care centers disclosed that 13 of 41 audited fire extinguishers lacked current inspection tags and/or the proper charge.

We recommended that Indiana management inspect all fire extinguishers timely and document the inspections to ensure completion. We also recommended that Indiana mark all exits with readily visible signs.

Status:

The current audit disclosed that Indiana complied with the recommendations. A tour of the day care center revealed a readily visible sign at each exit. Additionally, tours of eight dormitories, two academic buildings, and the day care center revealed that each of 38 sampled fire extinguishers was currently inspected and fully charged.

Status of Prior Audit Findings and Recommendations

Chapter II – The University is not in compliance with driver training policies and procedures.

The two preceding audits reported that Indiana did not ensure that drivers of its fifteen-passenger vans completed the Driver Improvement Program offered by Indiana's Highway Safety Center.

Section 7503 of Indiana's Administrative Manual requires that drivers of fifteen-passenger vans must complete the above training and show proof of course completion to the dispatcher before the van is released to them.[8]

Prior to the immediately preceding audit, Indiana removed the rear seats from each of its fifteen-passenger vans in order to reduce the capacity to eleven passengers. This measure, however, did not eliminate the safety risks associated with the vans. A study sponsored by the National Highway Traffic Safety Administration disclosed that the rollover ratio for fifteen-passenger vans with ten or more occupants was almost three times that of such vehicles with fewer than ten occupants.[9]

We recommended that Indiana management enforce the automotive policy to ensure that drivers of Indiana's fifteen-passenger vans are properly trained. We also recommended that Indiana reconsider its practice of removing seats from its vans.

Status:

The current audit disclosed that Indiana did not fully address the recommendations of the prior report.

In its written response to the prior report, Indiana stated that it planned to discontinue the use of fifteen-passenger vans by the end of March 2004. Although Indiana removed nine of the vehicles from its automotive fleet during 2003, Indiana maintained and operated fifteen such vans as of April 2005. Support personnel used five of the vans for university maintenance, housekeeping, and mail distribution functions. The review of vehicle request forms disclosed that academic departments used the ten remaining vans to transport students and/or staff for educational activities during the fiscal year ended June 30, 2004. Documented odometer readings for eight of the ten academic department vans revealed that university personnel drove the eight vans an average of approximately 3,400 miles during the same fiscal year. Finally, interviews of automotive shop personnel disclosed that drivers of the fifteen-passenger vans did not complete the required training during 2003 or 2004.

To ensure the safety of occupants of Indiana's fifteen-passenger vans, we again recommend that Indiana management enforce the automotive policy that requires drivers of such vans to

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[8] http://www.iup.edu/house/studentleadership/prc/ProgramAdmin/Reservations/VanUsage.doc View Date: April 1, 2005.

[9] "The Rollover Propensity of Fifteen-Passenger Vans," W. Riley Garrott, Barbara Rhea, and Rajesh Subramanian, National Highway Traffic Safety Administration. April 2001.

complete the university's Driver Improvement Program. During our next audit, we will monitor compliance with this recommendation and/or verify whether Indiana has completely implemented its plan to remove fifteen-passenger vans from service.

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