

Commonwealth of Pennsylvania
State System of Higher Education
Millersville University of Pennsylvania
July 1, 2003, to August 18, 2006
Performance Audit



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May 25, 2007

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 the State System of Higher Education's Millersville University of Pennsylvania for the period July 1, 2003, to August 18, 2006. The audit was conducted under the 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 the fire extinguishers were not inspected monthly. We discussed the contents of the report with Millersville University management, and all appropriate comments are reflected in the report.

We appreciate the cooperation extended to us by the management and staff of Millersville University, 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 universities were under the administrative control of the Pennsylvania Department of Education prior to July 1, 1983. Act 188 of 1982 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, 1983.¹ Today, the State System is comprised of fourteen universities, their four branch campuses, the McKeever Environmental Learning Center, the System Technology Consortium (SyTEC), numerous off-campus centers, and the Office of the Chancellor. The universities are situated in rural, suburban, and small-town settings throughout Pennsylvania in the communities of Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester. The four branch campuses are in Oil City (Clarion University), Kittanning and Punxsutawney (Indiana University) and Clearfield (Lock Haven University). The Office of the Chancellor is situated in Harrisburg at the Dixon University Center.

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

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

¹ 24 PS § 20-2001 et seq.

Background Information

Millersville University of Pennsylvania

Millersville University of Pennsylvania is located in Millersville, Lancaster County, approximately 45 miles southeast of Harrisburg. Established in 1855 as the Lancaster County Normal School, it was the first school of its kind in the state. It opened with approximately 100 students. Currently, it is a multipurpose institution of higher learning offering 56 bachelor and associate degree programs and master's degrees in 24 programs in a variety of academic disciplines.

The Middle States Association of Colleges and Schools and the Pennsylvania Department of Education accredit Millersville. During the 2003-2004 fiscal year, Millersville employed 1,012 personnel, of whom 444 were full and part-time faculty and 568 were administrative and support personnel. Student enrollment for fall 2003 was 7,378 students comprised of 5,763 full-time students and 1,615 part-time students.

The Joint State Government Commission compiled the following select unaudited operating statistics for the 2002-03, 2003-04, and 2004-05 academic years for Millersville and the State System:

Data/Location	2002-03	2003-04	2004-05
Full-Time Equivalent Students (FTE's):			
Millersville University			
Undergraduate	6,510	6,675	6,889
Graduate	<u>1,068</u>	<u>1,038</u>	<u>962</u>
Total FTE's	7,578	7,713	7,851
State System of Higher Education			
Undergraduate	87,387	88,399	89,650
Graduate	<u>9,231</u>	<u>9,235</u>	<u>9,677</u>
Total FTE's	96,618	97,634	99,327
Full-Time Equivalent Instructional Faculty:			
Millersville University	416	418	422
State System of Higher Education	5,180	5,101	5,155
State Instruction Appropriations (rounded in millions):			
Millersville University	\$ 33.7	\$ 32.4	\$ 35.5
State System of Higher Education	\$435.3	\$413.4	\$428.9
Degrees Conferred			
Millersville University	1,379	1,466	1,597
State System of Higher Education	18,912	19,936	20,010

Objectives, Scope, and Methodology

We selected the audit objectives, detailed in the body of the report, from the following general areas: refunds and tuition subsidies, fire extinguishers, and contracted services. The specific objectives of this audit were:

- To determine if Millersville complied with internal and Board policies and procedures when providing refunds and other student tuition subsidies, including to ensure sufficient internal controls were established and followed and to verify that refunds and tuition subsidies were accurately calculated and properly refunded. (Finding 1)
- To evaluate Millersville's established fire safety precautions designed to safeguard students, staff, and assets. (Finding 2)
- To determine whether Millersville complied with prescribed policies and procedures for service purchase contracts. (Finding 3)

In addition, we determined the status of recommendations made during the prior audit of Millersville.

To accomplish these objectives, auditors reviewed the fire safety materials developed by the National Fire Protection Association (NFPA),² the Millersville Comprehensive Fire Safety Program manual for information pertaining to fire extinguishers, The Department of Labor and Industry regulations pertaining to fire extinguishers and OSHA Standard 29 CFR 1910.157 – “Fire Safety – Portable Fire Extinguishers.” The auditors also reviewed Millersville's Policy #1983-19-A “Refund of Tuition and Fees,” and the Department of General Services “Manual for Preparing and Processing Contracts for Goods and Services”³

Auditors interviewed appropriate Millersville staff responsible for student safety, fire prevention, and maintenance, as well as the purchasing agent.

For the testing of internal controls and compliance with Board and Millersville policies and procedures for providing refunds and other student tuition subsidies, auditors analyzed the general ledger master listing of all refunds and student tuition subsidies issued by Millersville during the 2004-2005 academic year. Auditors also selected 13 student accounts at random with balances greater than \$10,000, obtained the Banner System's

² The Life Safety Code is a set of standards developed by the National Fire Protection for use in developing effective fire safety programs and the NFPA National Fire Codes, Volume 1, Chapter 6; NFPA 10 - “Standard for Portable Fire Extinguishers.”

³ www.dgs.state.pa.us/procurement/act57.pdf, June 18, 2005.

Objectives, Scope, and Methodology

“Account Detail Review Form” for those accounts, and reconciled 156 general ledger account transactions for the 13 students to the corresponding program screen. Additionally, the auditors obtained refund and tuition subsidy status for all 21 activated military personnel enrolled at Millersville during the 2004-2005 academic year.

For evaluating Millersville’s established fire safety precautions auditors reviewed fire extinguisher inspections in four buildings.

To determine whether Millersville complied with prescribed policies and procedures for service purchase contracts, auditors analyzed 17 purchase contracts and related contract files and performed detailed procedures to ensure contracts complied with policies and procedures pertaining to certification, bidding, solicitation, and monitoring.

To determine the status of recommendations made during the prior audit of Millersville, auditors performed tests as part of, or in conjunction with, the current audit and had discussions with appropriate Millersville personnel regarding the specific prior audit findings and recommendations.

The scope of the audit covered the period July 1, 2003, to August 18, 2006, unless indicated otherwise in the body of the individual report findings.

Audit Findings

Refunds and Tuition Subsidies

Millersville makes refund distributions to students who withdraw from Millersville before or during a semester. The Board and Millersville University Policy govern refunds.⁴ The State System establishes rates for tuition, room and board, and meals. Additionally, Millersville imposes a “general fee,” for student activities, health center services, shuttle bus transport, and various other services. Refunds are prorated based on the amount of time elapsed in the semester, or the number of dining room meals consumed prior to withdrawing from Millersville. Furthermore, student tuition subsidies in the form of scholarships, awards, grants, and loans are credited to student accounts. Millersville uses its computerized “Banner System” program to maintain the accounting of charges, refunds, and student tuition subsidies.

Finding 1 – Millersville complied with applicable policies regarding refunds and other student tuition subsidies

The accounting department manages the process of posting student refunds and tuition subsidies to the accounts of eligible students using the Banner System.

Subsidies calculated are based upon a “rate table,” established by the State System and a “refund table” maintained by the Registrar’s office. Only personnel from the offices of Financial Aid or the Registrar credit student accounts. Three times weekly, the Bursar runs a detailed transaction listing report, reviews it, and posts reviewed transactions into the Banner System’s “Account Detail Review Form,” which is automatically fed to Accounts Payable, where the check is prepared and issued.

Auditors reconciled each of the numerous subsidies received on behalf of the 13 students from the general ledger to their account on the Banner System’s “Account Detail Review Form” without exception.

Review of potential subsidies received on behalf of the 21 students on active duty military status revealed that 15 students withdrew prior to payment on their account, and the remaining six completed the semester. In either case, no refund was necessary.

Finally, interviews with accounting personnel regarding the segregation of duties in place for processing student subsidies through the Banner System provided evidence that

⁴ Policy #1983-19-A “Refund of Tuition and Fees.”

Audit Findings

sufficient internal controls were established and were in effect to prevent potential fraudulent acts.

Fire Extinguishers

Over 7,800 students attended Millersville during the 2004-05 school year. More than 2,300 resided in Millersville dormitories. Additionally, Millersville employed more than 1,000 full and part-time staff and had buildings, equipment, furnishings, and other assets valued at \$120 million, including Commonwealth assets made available to Millersville. School administration is responsible for maintaining a safe living and learning environment for students and a safe workplace for staff.

Finding 2 – Fire extinguishers were not inspected monthly.

Our examination of 125 fire extinguishers in 4 different buildings disclosed that 25 of the fire extinguishers did not have an initialed and dated monthly inspection label. In addition, the Housekeeping department did not maintain a logbook or spreadsheet where monthly inspections of fire extinguishers would have been recorded.

The NFPA Life Safety Code recommends that fire extinguishers be regularly inspected and labeled by a qualified inspection agency. Labels should be placed on fire extinguishers by inspecting agencies to provide evidence that they have undergone testing and maintenance and are suitable for their intended use.

Millersville's Comprehensive Fire Safety Program specifies that the housekeeping department is responsible for the monthly inspection of all fire extinguishers on campus. Monthly inspections ensure that fire extinguishers are operable and can minimize Millersville's loss in the event of a fire. The program also requires the housekeeping department to maintain a spreadsheet identifying the location and total number of fire extinguishers in each campus building. Housekeeping personnel are to use the spreadsheet to record the monthly inspection of each campus fire extinguisher.

When auditors requested inspection records from the housekeeping department, the auditors were informed that no logbook or spreadsheet is kept. A lack of oversight by housekeeping management resulted in this deficiency.

Recommendation:

Millersville should physically inspect all campus portable fire extinguishers monthly and maintain a spreadsheet or logbook recording monthly inspections to comply with applicable regulations.

Management Comments:

In an interview on July 6, 2006, Millersville's maintenance manager assured the auditors that plans require the completion and maintenance of spreadsheets or a logbook to record monthly inspections, dating, and initialing of inspection labels on all fire extinguishers in all campus buildings accurately.

Contracts

The "Manual For Preparing And Processing Contracts For Goods And Services" governs Contract Management at Millersville and throughout the State System universities, and is a compilation of laws regulating procurement.⁵ The State System's Office of General Counsel prepared the manual, identifying the purchase of goods and services that require legal and/or contract review and approval.

Finding 3 – Millersville complied with prescribed policies and procedures pertaining to service purchase contracts.

Millersville executed contracts in compliance with prescribed policies and procedures. The competitive bidding process was documented and listed vendors' names were assigned a rating number for each bid submitted. The rating was based on an analysis of qualifications and cost, and the lowest most qualified bidder was selected. Contracts that required the solicitation of small and disadvantaged businesses had proof of solicitation. In addition, Millersville actively solicited bids by businesses owned by persons with disabilities. Furthermore, Millersville provided documented proof that a contract monitor was assigned to each contract from start to finish. Contract monitors signed off on all invoices to certify proper performance of the contract prior to a vendor receiving payment.

⁵ www.dgs.state.pa.us/procurement/act57.pdf, June 18, 2005.

Status of Prior Audit Findings and Recommendations

The following is a summary and current disposition of the findings and recommendations presented in our audit report for the period January 1, 2001, to March 18, 2004. One or more of the following procedures determined the status of the findings and recommendations:

- Tests performed as part of, or in conjunction with, the current audit; and
- Discussions with appropriate Millersville personnel regarding the specific prior audit findings and recommendations.

Fire Safety

Finding II-1 – Fire extinguishers were not inspected on a monthly basis.

Our prior audit found that Millersville's fire safety program contained two deficiencies and did not address all student safety needs adequately. One deficiency noted was that fire extinguishers were not inspected on a monthly basis.

Millersville's Comprehensive Fire Safety Program specifies that the Housekeeping department is responsible for the monthly inspection of all fire extinguishers on campus.

We recommended that Millersville management should ensure that the Housekeeping Department complies with the Comprehensive Fire Safety Program guidelines by requiring the monthly inspection of all campus fire extinguishers.

Status:

Millersville has not documented fire extinguisher inspections consistently. Finding 2 of this report elaborates on the status of this issue.

Status of Prior Audit Findings and Recommendations

Student Success

Finding III-1 – The University did not adequately monitor repetitive course enrollments.

The prior audit found that Millersville did not adequately monitor repetitive course enrollments to identify and counsel students who were not making satisfactory progress. The Millersville's Academic Policies Committee identified 228 students who repeated a class three times or more.

We recommended that Millersville monitor students that enroll in the same course three or more times and provide academic support to those students not making satisfactory progression towards completion of course work required for a degree.

Status:

During the fall 2005 semester, only 39 students had taken the same course more than 3 times and the number dropped to 31 students for the fall 2006 semester, a decrease of 86 percent compared to the prior audit. As a result, the university has made significant improvement, and no further comments are necessary at this time.

Audit Report Distribution List

This report was initially distributed to the following:

Commonwealth of Pennsylvania

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This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, Pennsylvania 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our Web site at www.auditorgen.state.pa.us.