



Performance Audit

Slippery Rock University of Pennsylvania

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

November 2012

November 5, 2012

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

Dear Governor Corbett:

This report contains the results of a performance audit of Slippery Rock University of Pennsylvania of the State System of Higher Education from July 1, 2007, to September 3, 2010, with updates through March 18, 2011. We conducted our audit under authority provided in Act 188 of 1982 (24 P.S. § 20-2015-A), which states, "Activities of the system under this article shall be subject to the audit of the Department of the Auditor General." The audit was also conducted under the authority provided in Section 402 of The Fiscal Code and in accordance with generally accepted government auditing standards.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that Slippery Rock University of Pennsylvania did not adequately protect the Social Security numbers of admission applicants and athletic campers. The report also indicates that the university did not adequately control its travel expenses and did not consistently enforce procurement policies and procedures. Finally, the report indicates that Slippery Rock University did not fully implement our prior audit recommendations related to the management of its automotive fleet. Specifically, the university rented cars when pool vehicles were available, did not utilize record-keeping to optimize the size of its automotive fleet, and did not ensure that only students who were employed by the university drove university vehicles. We discussed the contents of this report with the management of Slippery Rock University of Pennsylvania, and all appropriate comments are reflected in the report.

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

Sincerely,

JACK WAGNER
Auditor General

**Slippery Rock University of Pennsylvania
State System of Higher Education**

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**Slippery Rock University of Pennsylvania
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**Background
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**Background
Information**

State System of Higher Education

*History, mission,
and operating
statistics*

Pennsylvania's 14 state-owned universities are part of the Pennsylvania State System of Higher Education, also referred to in this report 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. In addition, 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.

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Information****Slippery Rock University of Pennsylvania
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Slippery Rock University of Pennsylvania

Slippery Rock University of Pennsylvania, referred to in this report as Slippery Rock or the university, is located in the borough of Slippery Rock, Butler County, approximately 45 miles north of Pittsburgh. Slippery Rock was founded in 1889, when it was established as Slippery Rock Normal School to provide teacher education. Currently, it is a multi-purpose institution of higher learning which offers more than 60 degree programs in the College of Business, Information and Social Sciences, College of Education, College of Health, Environment and Science, College of Humanities, Fine and Performing Arts, and Graduate Studies. In addition to the facilities on campus, the university utilizes the McKeever Environmental Learning Center in Sandy Lake, Pennsylvania, the Jennings Environmental Education Center and the Center for Lifelong and Community Learning in Slippery Rock, Pennsylvania, the Regional Learning Alliance in Cranberry Township, Pennsylvania, and the Wallops Island Marine Science Center in Virginia to provide students with diverse learning resources.³

The Middle States Commission on Higher Education academically accredits the university. Academic programs are also individually accredited by the appropriate professional organizations.⁴

The fundamental mission of the university is “to provide high quality undergraduate and graduate academic instruction. Complementary missions are to conduct scholarly research, to promote professional performance, and to address the educationally related economic, health, environmental, social, cultural, and recreational needs of the region served by the university.”⁵

The following schedule presents select unaudited operating statistics compiled by the Pennsylvania Joint State Government Commission, a bipartisan and bicameral research agency of the General Assembly.⁶

³ <http://www.sru.edu/PublicRelations/Documents/SRUProfile.pdf>, accessed on April 23, 2012.

⁴ Ibid.

⁵ Ibid.

⁶ <http://jsg.legis.state.pa.us>, accessed March 9, 2010; verified October 2, 2012.

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These statistics are presented for the purpose of providing comparative information about Slippery Rock University individually and the State System of Higher Education as a whole.⁷

	Slippery Rock University			State System of Higher Education		
	Fiscal year ended June 30,			Fiscal year ended June 30,		
	2007	2008	2009	2007	2008	2009
<i>State Instructional Appropriations (rounded in millions)</i>	\$37.7	\$38.2	\$37.8	\$463.0	\$479.8	\$473.1
Percentage of State System total	8.1%	8.0%	8.0%			
<i>Full-Time Equivalent Students :</i>						
Undergraduate	7,392	7,493	7,594	92,678	93,927	94,770
Graduate	<u>637</u>	<u>699</u>	<u>768</u>	<u>10,366</u>	<u>10,795</u>	<u>11,148</u>
Total	<u>8,029</u>	<u>8,192</u>	<u>8,362</u>	<u>103,044</u>	<u>104,722</u>	<u>105,918</u>
Percentage of State System total	7.8%	7.8%	7.9%			
<i>Full Time Equivalent Instructional Faculty:</i>	380	389	395	5,366	5,416	5,491
Percentage of State System total	7.1%	7.2%	7.2%			
<i>Degrees Conferred:</i>	1,795	1,750	1,973	22,001	22,213	23,356
Percentage of State System total	8.2%	7.9%	8.4%			

⁷ <http://jsg.legis.state.pa.us/resources/documents/ftp/publications/2012-281-2012%20INSTRUCTIONAL%20OUTPUT.pdf> Accessed April 24, 2012.

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	Slippery Rock University		State System of Higher Education	
	Fiscal year ended June 30,		Fiscal year ended June 30,	
	2010	2011	2010	2011
<i>State Instructional Appropriations (rounded in millions)</i>	\$35.9	\$35.1	\$439.1	\$439.0
Percentage of State System total	8.2%	8.0%		
<i>Full-Time Equivalent Students :</i>				
Undergraduate	7,781	7,976	98,075	100,272
Graduate	<u>820</u>	<u>851</u>	<u>11,967</u>	<u>12,091</u>
Total	<u>8,601</u>	<u>8,827</u>	<u>110,042</u>	<u>112,363</u>
Percentage of State System total	7.8%	7.9%		
<i>Full Time Equivalent Instructional Faculty:</i>				
	398	404	5,548	5,552
Percentage of State System total	7.2%	7.3%		
<i>Degrees Conferred:</i>				
	1,841	1,881	23,643	24,007
Percentage of State System total	7.8%	7.8%		

**Slippery Rock University of Pennsylvania
State System of Higher Education**

**Objectives,
Scope, and
Methodology**

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**Objectives
Scope, and
Methodology**

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

Our performance audit of Slippery Rock had five objectives described below. We selected the audit objectives from the following areas: Student Social Security numbers; travel expenses; procurement; employee bonuses and other pay incentives; and the distance education program.

One: To assess whether Slippery Rock maintained controls over the confidentiality and protection of student Social Security numbers. (Finding 1)

Two: To evaluate how effectively Slippery Rock controlled its travel expenses. (Finding 2)

Three: To assess whether Slippery Rock maintained adequate controls over its procurement process. (Finding 3)

Four: To determine whether Slippery Rock properly used bonuses and other pay incentives for employees. (Finding 4)

Five: To evaluate Slippery Rock's tuition and fee pricing structure for distance education students, including whether the structure complied with the policy of the Board of Governors. (Finding 5)

Unless otherwise indicated, the scope of the audit was from July 1, 2007, to September 3, 2010. Our inquiry and analysis continued with updates through March 18, 2011.

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 Slippery Rock. In the course of our audit work, we interviewed various university management and staff. The audit results section of this report contains the

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specific inquiries, observations, tests, and analyses conducted for each audit objective.

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 the university's automotive fleet management and fire safety program.

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Audit Results

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**Audit
Results**

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

- Statement of the objective
- Relevant laws, policies, or agreements
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit, and the methodologies used to gather sufficient evidence to meet the objective
- Finding(s) and conclusion(s), if applicable
- Recommendations, where applicable
- Response by the Slippery Rock University of Pennsylvania management, if applicable
- Our evaluation of the Slippery Rock University of Pennsylvania management's response, if applicable

**Slippery Rock University of Pennsylvania
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**Audit Results:
Social Security
Numbers**

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**Audit Results
for Objective
One**

*Social Security
Numbers*

The objective

Objective one for our performance audit was to assess whether Slippery Rock maintained controls over the confidentiality and protection of student 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 dated February 5, 2007, 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 the above objective, we 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.

We interviewed appropriate university personnel responsible for the security of student Social Security numbers and observed demonstrations of employees accessing Social Security numbers in the university's online

⁸ http://www.upenn.edu/computing/da/privacy/SSN_restriction.html accessed on August 2, 2011. Verified on April 22, 2012.

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

¹⁰ Ibid.

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student transaction processing system, or Centralized Information Control System (CICS).

We analyzed an internally prepared list of university personnel with access to Social Security numbers in CICS.

We toured the university's admissions office on May 21, July 22, and August 31, 2010, and observed the existence and storage of approximately 6,000 admission applications for the fall 2010 semester.

Finally, we toured the university's office for conference services and summer programs on May 10, 2010, and observed the existence and storage of 3,770 medical forms for the 2007, 2008, and 2009 summer camp participants.

Finding 1

Slippery Rock did not adequately protect the Social Security numbers for admission applicants and athletic campers.

Our review found that although Slippery Rock did implement procedures to protect computer access to Social Security numbers, it did not adequately limit access to Social Security numbers on physical documents.

Physical Access to Social Security Numbers

The university's office for admissions and its office for conference services and summer programs did not adequately limit access to Social Security numbers on physical documents. During the summer 2010 sessions, the university stored approximately 6,000 admission application folders in an open cabinet in its unlocked admissions office where visitors had easy access from outside the building. A label on a tab on each folder documented the applicant's Social Security number.

Also during the summer 2010 sessions, the university stored 3,770 summer camp medical forms for 2007, 2008, and 2009 in unlocked file cabinets in its office for conference services and summer programs; the office was locked during non-business hours. The Social Security

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numbers of the summer camp participants were observable on the medical forms.

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 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 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 Slippery Rock and its employees.

After we toured the university's office for conference services and summer programs in May 2010 and its admissions office in May and July 2010, we informed the university president and the director of conference services of our concerns about physical access to student Social Security numbers. The director of conference services responded with an email indicating that her office planned to shred all camp applications up to and including those for the 2008 year. Moreover, the office planned to redact Social Security numbers from camp applications after each camp season once the university implemented online registrations.

Although the university responded to our concerns about physical access to the Social Security numbers of athletic campers, as of August 31, 2010, the university had not taken action to protect the Social Security numbers of admission applicants. We toured the admissions office on August 31, 2010, twenty-five days after our August 6th meeting with the university president. We found that the university still stored the admission application folders in an open cabinet in its unlocked admissions office where visitors had easy access from outside the building. Moreover, the university had not removed the folder tabs; in other words, the Social Security numbers of admission applicants remained visible to office visitors.

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Computer Access to Social Security Numbers

In March 2005, Slippery Rock 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 2005, Slippery Rock assigned each student a unique seven-character, campus-wide identifier upon application for admission.

Although Slippery Rock 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 2005, students utilized the new, seven-character identifiers to drop and add courses and to view class schedules, grades, financial aid data, and account information.

Despite its use of the new, seven-character identifiers, Slippery Rock still collected and retained Social Security numbers within the university's computer system to accommodate vital university functions such as admissions, financial aid, and payroll. As a protective measure, the university limited access to Social Security numbers within its password-protected computer system to 113 employees primarily from the offices of human resources, admissions, financial aid, and health services. The university planned to convert to a new student information system effective the fall 2011 semester.

Overall then, of Slippery Rock's approximately 900 employees, there were 113 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, health records, and vital administrative functions such as admissions and financial aid.

In conclusion, we found that Slippery Rock took steps to protect student Social Security numbers within its computer system but did not sufficiently limit access to Social Security numbers on physical documents in the admissions office and in the office for conference services and summer programs.

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Numbers**

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**Recommendations
for Finding 1**

1. Slippery Rock should review the labeling and storage of its admission application file folders in order to safeguard applicant Social Security numbers. At a minimum, the university should store the files in a secure location to prevent identity theft.
2. The university should ensure that the office of conference services and summer programs implements its planned measures to protect the Social Security numbers of its athletic campers.
3. Slippery Rock management should establish formal policy and procedures for the protection of student personal information.

Response from Slippery Rock management:

The university agrees that strong controls need to be in place to protect Social Security numbers for admission applicants and athletic campers. Since implementing a new Student Information System (Banner) in April 2011, the Social Security number no longer appears on the file label or anywhere else on the exterior of a student's admissions file. All admissions material containing confidential student information is placed in a locked file, drawer and/or room at the end of every working day. Keys that open the locked spaces are kept in a locked facility at night and the whereabouts of these keys is only known to the employees of that office.

As recommended by the auditors to the director of conference services and summer programs, all medical forms from 2007, 2008, 2009 campers were shredded. A practice was instituted to keep all future medical forms in a locked cabinet and to shred each camper's information at the end of their camp. The entire social security number is no longer requested, only the last four digits are used as an ID for the campers who are primarily minors.

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**Audit Results:
Travel Expenses**

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**Audit Results
for Objective
Two**

Travel Expenses

The objective

Objective two of our performance audit was to evaluate how effectively Slippery Rock controlled its travel expenses. The objective included an assessment of university compliance with State System and internal policies and procedures.

Relevant laws, policies, or agreements

The State System travel policy stipulates up front and clearly that “all persons who travel at State System expense are expected to exercise prudence and economy.”¹¹ Reimbursement to employees is made on the basis of approved travel expense vouchers. Employees are responsible for ensuring that expenses claimed on their travel expense vouchers are proper and accurate, and supervisors are responsible for reviewing and approving the travel vouchers submitted by employees.¹²

Slippery Rock’s travel policy explicitly endorses/cites the above State System policy. The university maintains that its own policy was established to ensure “that travel and business expenses are valid, necessary, in compliance with University accounting procedures, and the most economical means.”¹³

Slippery Rock employees are eligible to receive reimbursement within prescribed maximums for travel expenses incurred in the performance of their official duties. The State System has developed policy and procedures that specify the types of allowable and reimbursable employee travel. This policy addresses the eligibility, rates, and documentation required for reimbursement of travel expenses such as those for lodging, meals, personal mileage, and commercial transportation.¹⁴ The State

¹¹ Pennsylvania State System of Higher Education Board of Governors, Policy Number 1986-07-A, “Travel Expense Regulations,” adopted October 12, 1986, and amended April 9, 1998.

¹² Ibid.

¹³ <http://www.sru.edu/financeandadministrativeaffairs/travel/Pages/Index.aspx> accessed on November 24, 2010. Verified May 26, 2012.

¹⁴ Pennsylvania State System of Higher Education Board of Governors, Policy Number 1986-07-A, “Travel Expense Regulations,” adopted October 12, 1986, and amended April 9, 1998.

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System has adopted the privately owned vehicle mileage reimbursement rates and the maximum subsistence and lodging reimbursement (per diem) rates for domestic travel established by the U.S. General Services Administration and the per diem rates for foreign travel established by the U. S. Department of State.¹⁵

Methodologies to meet our objective

In order to accomplish our objective, we reviewed the State System and university travel policies referenced in the immediately preceding section of this report.

We interviewed appropriate Slippery Rock personnel responsible for reviewing and approving travel requests and expense reimbursement forms, including the university president, the director of accounting services, the supervisor of accounts payable, and employees who traveled.

We examined the university's expenditure ledger entries for travel and transportation from July 1, 2007, to August 4, 2010.

We analyzed the available supporting documentation (including travel request forms, travel expense vouchers, invoices, receipts, traveler credit card statements, email communications, conference flyers and/or registration forms, travel itineraries, and currency exchange rate summaries) for 95 travel reimbursements/expenditures paid by the university between July 1, 2007, and August 4, 2010. The total value of these 95 reimbursements/expenditures was \$97,756.

We compared the personal mileage, subsistence, and lodging costs documented on the above 95 reimbursements to the applicable rates/maximums set by the U. S. General Services Administration or the U. S. Department of State.

¹⁵ We originally accessed this information at <http://www.passhe.edu/executive/finance/accounting/pages/rates.aspx> on June 14, 2010. However, this site was no longer available as we wrote this report. We found the same information on a revised site, <http://www.passhe.edu/inside/anf/accounting/Pages/Employee%20Travel%20Expense%20Reimbursement%20Rates.aspx>, which we verified on May 26, 2012.

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Travel Expenses**

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Finding 2

Slippery Rock inappropriately reimbursed employees over \$1,200 for personal travel expenses and upgraded accommodations. Slippery Rock also reimbursed employees for more than \$7,200 in travel expenses that were not supported with receipts.

Slippery Rock's expenditures for travel and transportation were sizable during our audit period. According to internally prepared accounting records, the university spent approximately \$3.7 million for travel and transportation between July 1, 2007, and August 4, 2010.

As discussed previously, the State System's travel policy advises all persons who travel at State System expense "to exercise prudence and economy."¹⁶ Moreover, Slippery Rock's internal travel policy requires travel and business expenses to be valid, necessary, and economical. Our review of 95 university travel expenditures incurred between July 1, 2007, and August 4, 2010, revealed that the university reimbursed employees for unallowable costs such as personal travel and upgraded accommodations. The university also reimbursed employees for more than \$7,200 in travel expenses that were not supported by receipts. Finally, a cancelled trip to China resulted in the university incurring almost \$5,000 in expenses.

Slippery Rock reimbursed employees for travel expenses related to personal travel and for upgraded accommodations.

The State System and Slippery Rock policies state that employees are eligible to receive reimbursement of expenses incurred in the performance of their official duties. However, our review of 95 university travel expenditures found three instances where Slippery Rock reimbursed

¹⁶ Pennsylvania State System of Higher Education Board of Governors, Policy Number 1986-07-A, "Travel Expense Regulations," adopted October 12, 1986, and amended April 9, 1998.

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employees for expenses related to personal travel or upgraded accommodations.

In June 2008, a university employee traveled to Athens, Greece, by way of Stockholm, Sweden, to participate in a conference on politics and international affairs. Our review of travel-related documentation found the employee's five-night stay in Stockholm did not pertain to any university business. The traveler appropriately did not request reimbursement for the lodging or meals in Stockholm. However, the traveler requested and received reimbursements of \$157 for taxi fares in Stockholm and \$52 for the additional days of airport parking.

In October 2008, another university employee traveled to London, England, to participate in a summit on prepaid gift cards for students. The employee arrived in London three days before the three-day conference began and then requested reimbursement from the university for the two extra nights of hotel stay. The university paid the employee the extra \$218 despite the fact that the employee's travel request, which was signed by both the university vice president and president, did not include the two extra nights of lodging.

Slippery Rock should not subsidize the personal travel of university employees. The university should ensure that travel expense forms are compared to the travel request forms to ensure that only pre-approved costs are reimbursed. If unexpected costs are incurred, the university should ensure that sufficient justification is provided by the traveler.

We also found an instance where employees were reimbursed for upgraded travel accommodations. Specifically, the university paid an extra \$850 for extra leg room for the two most senior employees on a flight to China in May 2010 while the teaching staff traveled in seats without extra leg room. The travelers "justified" the extra expense by indicating that they needed the extra leg room to be more comfortable on the long flight so they could "hit the ground running" when they arrived in China.

The university should enforce its own travel policy and refuse to pay for upgraded accommodations. We believe – and the State System and university policies support our contention – that the individual traveler

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should pay for travel upgrades. If an employee wants to stretch comfortably on a business flight to China, then the employee - not the university - should pay for the extra leg room.

While the \$1,277 in unallowable costs outlined above may not appear to be significant, we point out that we did not review 100 percent of the university's travel expenses. Such an examination was beyond the scope of our work and as a result, we did not identify the total amount of unallowable cost paid by the university, which could become significant.

Slippery Rock reimbursed employees \$7,201 in travel expenses without sufficient supporting documentation

Prudent business practices require receipts for reimbursements for travel expenses. Receipts allow the supervisory personnel to verify the accuracy and legitimacy of the expenses. Credit card statements alone should not be used in lieu of itemized receipts. Also, the State System travel policy requires that employees submit an itemized receipt for any single miscellaneous expense reimbursement in excess of \$35.¹⁷ Miscellaneous expenses include items such as baggage fees, taxi charges, parking, etc. Furthermore, Slippery Rock's internal policy requires travel and business expenses to be valid, necessary, and economical.

Our review of the supporting documentation for 95 university travel expenditures revealed that the university reimbursed employees \$7,201 for expenses even though the employees failed to submit itemized receipts. More specifically, the university reimbursed employees \$6,660 for travel expenses on the basis of credit card statements alone and \$541 for travel expenses without the support of receipts or credit card statements. Details of the insufficiently supported expenses follow:

¹⁷ We originally accessed this policy at <http://www.passhe.edu/executive/finance/accounting/pages/rates.aspx> on June 14, 2010. However, this site was no longer available as we wrote this report. We found the same information on a revised site, <http://www.passhe.edu/inside/anf/accounting/Pages/Employee%20Travel%20Expense%20Reimbursement%20Rates.aspx>, which we verified on May 26, 2012.

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Travel Expenses***Pennsylvania Department of the Auditor General**Jack Wagner, Auditor General**November 2012*

-
- \$3,179 for airfare, baggage fees, hotel charges, and consular fees for a 2010 trip to China on the basis of credit card statements only as well as \$159 for an airport shuttle without any supporting documentation at all.
 - \$1,571 for airfare, hotels, airport shuttle, and travel agency fees for a 2009 trip to China on the basis of a credit card statement only.
 - \$1,207 for hotel charges and \$300 for a flight change fee for a 2009 trip to China that was cancelled on the basis of credit card statements only.
 - \$403 for airfare for a 2010 trip to Las Vegas on the basis of a credit card statement only.
 - \$157 for taxi service in a 2008 trip to Stockholm without any supporting documentation.
 - \$129 for rental car and limo service and \$96 for parking in London in 2008 without any supporting documentation.

Slippery Rock failed to enforce State System policy that requires an itemized receipt for any single miscellaneous expense reimbursement in excess of \$35, which would include the baggage fees, taxi and limo services, car rentals and consular fees mentioned above. In the absence of receipts, the university is unable to assess whether requests for reimbursement are valid and accurate. Credit card statements simply do not provide sufficient detail for the university to assess the validity, necessity, or economy of employee travel expenses and should not be accepted in lieu of actual receipts.

**Slippery Rock cancelled a trip to China in May 2009
and incurred more than \$4,700 in expenditures.**

In April 2009, the university scheduled a trip to China for five of its staff. The documented reason for the May 2009 trip was to “recruit students.” Only one faculty member (i.e., the employee assigned to perform preliminary groundwork) actually made the planned trip. In early May 2009, the university cancelled the trip for the remaining four employees due to an outbreak of the “swine flu” in China.

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Although this trip was cancelled, Slippery Rock incurred \$4,779 in expenditures, many of which could have been avoided if Slippery Rock had better management controls over travel policies. After the May 2009 trip was cancelled, the employees were informed that the trip would be rescheduled for fall 2009; therefore, two of the employees did not seek refunds for the airline tickets but rather accepted the airline credit, which had to be used within one year. The trip was not actually rescheduled until May 2010, which was too late for the employees to use airline credits. In essence, the university paid for airline tickets to China twice since it had to reimburse the two employees a total of \$2,747 for the original tickets that went unused and then reimburse them for the second set of tickets.¹⁸

Slippery Rock also reimbursed three of the would-be travelers \$1,571 for prepaid and non-refundable hotel charges. Furthermore, Slippery Rock reimbursed two of the employees \$461 for consular fees to obtain travel documents that expired before the trip was rescheduled.

The university should have ensured that all travelers obtained safeguards, such as travel insurance, to protect the financial interests of the university in the event of a trip cancellation. Or in this case, when it appeared that the credit for the original tickets would expire before the trip was rescheduled, the university should have required the travelers to seek a refund from the airline.

Summary

Slippery Rock reimbursed employees for unallowable and/or insufficiently supported travel expenses. Each of the travel expense vouchers associated with these expenses was signed by the traveler and approved and signed by the employee's supervisor. The cumulative total of these unallowable and/or insufficiently supported expenses is significant when you consider that nearly 12 percent of the \$97,756 in tested reimbursements fell into

¹⁸ One of the two other employees originally scheduled to go on the China trip requested and received a refund for her airline ticket, and the other employee's expenses were reimbursed through a non-university fund (i.e. grant funds or foundation).

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this category. Slippery Rock must be fully accountable to Pennsylvania taxpayers and, therefore, should refuse to pay for unallowable or insufficiently supported travel expenses.

Subsequent Event. During our fieldwork, we requested all supporting documentation for the expenses selected for review. When we determined that some expenses were not supported by receipts, we again asked university personnel for the missing receipts, and they were unable to locate any additional receipts. However, after we sent our draft report to university management for review and comment, the university's accounting staff was able to locate receipts for \$382 and a credit card statement for \$159 of the expenses we listed as paid without an itemized receipt or credit card statement. After reviewing this documentation, we can now conclude that the \$382 in travel expenses were supported by receipts but the \$159 expense for shuttle service on the 2010 trip to China should be added to the other expenses that were supported by a credit card statement alone. Nonetheless, we recommend that Slippery Rock ensure that all receipts are maintained with the travel expense vouchers so that they are readily available for review by approving signatories and others, as needed.

**Recommendations
for Finding 2**

4. Slippery Rock should carefully plan out-of-state and international travel to avoid costly cancellations. When trip cancellations are unavoidable, the university should require employees to obtain all possible refunds or timely plan replacement trips to obtain all possible travel credits.
5. Slippery Rock should develop a policy that requires travelers to refrain from purchasing non-refundable hotel rates.
6. Slippery Rock should require all supervisors to scrutinize the travel expense vouchers of subordinates and refuse to authorize reimbursements for luxury accommodations, personal travel, and travel expenses over \$35 without itemized receipts.

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Response from Slippery Rock management:

The university recognizes the importance of strong travel practices and compliance with state system and university policies. As will be noted in a subsequent event update, the documentation for each instance of the travel expenses where support was noted as missing by the auditors (noted on page 18) has been provided to the Auditor General's office. With respect to credit card receipts, the university does agree that itemized receipts provide a better opportunity for supervisors to evaluate the appropriateness of the expenditures. During the timeframe that the audit was conducted, the university's policies and procedures permitted the use of credit card statements as proof of payment, although for the majority of the time an itemized receipt was provided. The PASSHE Public Funds Policy and PASSHE Supplemental Funds Policy were implemented at the university in February 2011 and required itemized receipts for travel. As such, the university is in compliance with this policy and all travel is now supported by an itemized receipts.

The university has reviewed each of the instances noted as unallowable costs. Each situation did have an approval by the supervisor and had appropriate rationale for the costs, such as savings realized by booking flights earlier that offset additional hotel nights, or in other cases reducing hotel nights and arriving ready to work by flying business class internationally. However, we will continue to reinforce with supervisors the travel policies and goals of economic and prudent travel.

International travel requires approval at the President level and is always subject to scrutiny. The university will consider adding to our policies an evaluation of the cost of travel insurance or a refundable ticket for international flights. However, often the cost of such an arrangement is not economical and the China cancellation of several travelers due to health concerns was an unusual circumstance; therefore we will need to determine on a case-by-case basis if it is prudent to incur these additional fees.

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Our evaluation of Slippery Rock's management response:

Our testing of travel expenses did not cover the period after the PASSHE policies were implemented in February 2011. The policy requirement for itemized receipts, along with the university's stated intention to ensure compliance with the policy, appears to address our concerns about adequate supporting documentation for travel expenses.

With regard to the unallowable costs that we identified, the university's response that each situation had appropriate rationale for the costs was not recorded in the travel documentation that we reviewed. Specifically, we did not see this rationale mentioned in the travel request forms or the travel expense forms. Nor was it mentioned when we interviewed the travelers and questioned these costs. We suggest that the university document the rationale for approving travel expenses that appear to be noncompliant with PASSHE and university policies.

The university's explanation for allowing two senior staff members to fly business class on an international flight appears appropriate until you consider that three other university employees on that same trip flew in the coach section. Finally, we agree that the cancellation of the China trip was an unusual occurrence and the university's decision to review the need for travel insurance on a case-by-case basis is a reasonable one.

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**Audit Results
for Objective
Three**

*Procurement
Process*

The objective

Objective three for our performance audit was to assess whether Slippery Rock maintained adequate controls over its procurement process. Because our prior audit concluded that the university enforced its purchasing card policies and procedures, we limited this objective to assessing whether Slippery Rock enforced its policies and procedures regarding the required approvals for purchase transactions paid through the Systems Applications Products (SAP) software package.

Relevant laws, policies, or agreements

In November 2003, Slippery Rock implemented the Systems Applications Products (SAP) software package in a comprehensive project to redesign the university's administrative functions. Part of this project included the utilization of SAP in Slippery Rock's procurement process.

Slippery Rock has developed policies and procedures to govern the procurement of goods and services through SAP. Section 4 of the university's purchasing policies and procedures discusses necessary approvals, as follows:

All University purchases begin with a requisition initiated by the department requesting the goods and services, and must be entered into SAP before the purchase is made. This allows the requisition to be electronically approved by the appropriate management officer, and also assures there are budget funds available to pay for the goods or services.¹⁹

Methodologies to meet our objective

In order to accomplish our objective, we reviewed the above purchasing policies and procedures established by the university.

¹⁹ <http://www.sru.edu/financeandadministrativeaffairs/purchasing/pages/policies.aspx>, accessed September 15, 2011. Verified April 19, 2012.

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We interviewed the university's director of purchasing.

We examined the purchase requisitions, purchase orders, receiving reports, invoices, and checks associated with a random selection of 59 of 14,190 purchase orders completed in SAP between July 1, 2007, and April 21, 2010. We reviewed these documents for necessary and timely approvals, and we determined if the dollar value agreed on all the documents.

Finding 3**Slippery Rock management approved eight purchases valued at \$28,700 after the goods or services were already received, thereby increasing the risk of wasteful or improper purchases.**

Slippery Rock did not enforce its policies and procedures regarding purchase approvals. Our review of the above-mentioned 59 purchases selected for testing found that the individual dollar values on the associated supporting documents (including the purchase requisitions, purchase orders, receiving reports, invoices, and checks) were in agreement. The dollar value for all 59 purchases totaled approximately \$144,600. Additionally, appropriate department approvals were noted for all 59 purchases. However, our analysis found eight purchases in which the invoice date preceded the date of the purchase requisition. The dollar value for these eight purchases totaled approximately \$28,700. According to the university's director of purchasing, university personnel received all eight goods or services (including brooms, access to library books and periodicals, cleaning supplies, and cordless headsets) from local or online vendors before the purchase requisitions and approvals were prepared. Thus, although the applicable department ultimately approved the eight purchases, the approvals occurred after individual university personnel made the purchases. When we asked the purchasing director about these discrepancies, he could not provide further explanation about why the university personnel deviated from the standard procedures of obtaining approval for purchases beforehand.

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University management's failure to ensure that personnel prepare requisitions and obtain approvals *before* making purchases increases the risk that wasteful, fraudulent, or otherwise improper purchases can occur.

**Recommendations
for Finding 3**

7. Slippery Rock management should consistently enforce university policies and procedures regarding the required approvals for purchase transactions paid through SAP.

Response from Slippery Rock management:

The university agrees that obtaining approval prior to making purchases is important to maintain a strong control environment over our expenditures. With respect to the exceptions of \$28,000 noted by the auditors, the following explanations are provided to more fully explain the circumstances and controls. The largest exception related to online database subscription renewals totaling \$22,699 with an invoice date earlier than that of the approval. These subscription renewal invoices serve as notice of the expiration of the service, a purchase requisition would not be initiated prior to receiving these types of invoices as we have not yet entered into the commitment. However, the university will consider if there are other procedures that should be considered for these circumstances and reinforce with the library administration that approval is received on a timelier basis.

Other exceptions noted in the testing relate to purchases made on a wholesale club credit card. This payment method is comparable to a procurement card and controls are established through the credit limit of the card and the approval of transactions incurred; it would not be expected for the approval to be gained in advance of the purchase.

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Process**

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Our evaluation of Slippery Rock's management response:

While we appreciate the university's explanation for its online database subscription renewals, we believe that the university should give serious consideration to implementing some procedures to ensure more timely approvals for these types of purchases. With respect to the wholesale club credit card purchases, we maintain that the university should plan its purchases in advance, when possible, to avoid wasteful or improper expenditures. Therefore, we reiterate our recommendation that the university enforce its purchasing policy and procedures and require personnel to obtain the necessary approvals prior to making any purchases.

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**Audit Results:
Incentives**

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**Audit Results
for
Objective
Four**

The objective

Objective four of our performance audit was to determine whether Slippery Rock properly used bonuses and other pay incentives for employees.

Relevant laws, policies, or agreements

Incentives

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.²⁰ Additionally, the earlier of the above two OPEIU contracts 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.²¹

An agreement between the Commonwealth and the American Federation of State, County and Municipal Employees (AFSCME), 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.²²

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 faculty member in active pay status at the start of the 2007 fall semester a one-time cash

²⁰Agreements 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.

²¹ Memorandum of Understanding between The Pennsylvania State System of Higher Education and OPEIU Healthcare Pennsylvania Local 112, July 1, 2004, to June 30, 2008.

²² 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.

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payment of \$1,750.²³ 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 permitted 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 required 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.²⁴

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.²⁵ 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.²⁶

²³ 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.

²⁴ 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.

²⁵ 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.

²⁶ 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.

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

Methodologies to meet our objective

In order to accomplish our objective, we reviewed the agreements referenced previously in the section entitled relevant laws, policies, or agreements.

We reviewed the October 11, 2007, State System Board of Governors meeting minutes regarding the performance-based merit salary pool for State System managers.

We interviewed Slippery Rock management, including the benefits and transactions manager for human resources.

We examined the university's expenditure and payroll reports that detailed bonus payments between July 1, 2007, and December 31, 2009.

We examined the certification and employment documentation for four nurses who received nurse certification payments between July 1, 2007, and December 31, 2009.

We examined the documentation associated with all 90 management merit cash payments during the fiscal year ended June 30, 2008.

We reviewed the documentation for one exceptional performance based salary increase conferred to a Slippery Rock coach during the fiscal year ended June 30, 2008.

We reviewed the July 20, 2007, employee complement report to verify the accuracy of one-time lump sum payments during the fiscal year ended June 30, 2008.

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Finding 4

Slippery Rock properly awarded and processed employee incentive payments.

From July 1, 2007, to August 14, 2009, Slippery Rock paid \$7,800 in nurse certification payments to four different nurses. Additionally, during the fiscal year ended June 30, 2008, the university paid \$1,049,998 in one-time lump sum payments to 801 permanent full-time employees and \$6,250 to ten permanent part-time employees in active pay status on the various dates specified in the labor agreements. Furthermore, on April 8, 2008, Slippery Rock increased the base salary of one coach by seven percent for an exceptional performance award. Slippery Rock accurately processed all payments in accordance with the relevant contractual terms.

On December 7, 2007, Slippery Rock properly paid \$112,500 to 90 managers, with performance ratings of satisfactory or above in accordance with the October 11, 2007, vote of the State System Board of Governors.

According to Slippery Rock officials, no other bonus or incentive payments were made to Slippery Rock employees between July 1, 2007, and December 31, 2009.

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Distance
Education**

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**Audit Results
for
Objective
Five**

The objective

Objective five for our performance audit was to evaluate Slippery Rock’s tuition and fee pricing structure for distance education students, including whether the structure complied with the policy of the Board of Governors.

Relevant laws, policies, or agreements

*Distance
Education*

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 follows:

...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, CDROM, 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.²⁷

During the spring 2010 semester, Slippery Rock offered six distance education degree programs in several different fields of study, including education, the arts, and nursing. The six programs included five graduate programs and one bachelor’s degree program. In addition, Slippery Rock

²⁷ 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, July 17, 2008, and January 20, 2011.

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offered three online certification programs, including the school nurse certification, the special education certification program in mentally and physically handicapped, and the special education certification program in supervision.

During the fall 2008, spring and fall 2009, and spring 2010 semesters, the tuition policy of the Board of Governors of the Pennsylvania State System of Higher Education required its universities to charge both its undergraduate and graduate resident distance education students “the appropriate prevailing per-credit resident rate.” The policy required 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 offered university presidents the “discretion of setting the nonresident distance education per-credit tuition rate on a course-by-course or program-by-program basis.”²⁸

Methodologies to meet our objective

In order to accomplish the above objective, we reviewed the tuition policy of the Pennsylvania State System of Higher Education Board of Governors.²⁹

We interviewed Slippery Rock’s assistant to the provost of academic affairs.

We examined the listing of online degrees offered by Slippery Rock University as of April 29, 2010.³⁰

We examined Slippery Rock’s tuition and fee schedules for undergraduate and graduate students for the fall 2008, spring and fall 2009, and spring 2010 semesters.

²⁸ 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.

²⁹ Ibid.

³⁰ http://academics.sru.edu/cfit/distance_education/programsandcourses.html, accessed April 29, 2010. (This Website was updated with information since our audit and is no longer active)

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Finally, we reviewed the tuition and fees charged to 67 of 3,122 distance education students enrolled at Slippery Rock University for the fall 2008, spring and fall 2009, and spring 2010 semesters.

Finding 5

Slippery Rock properly charged tuition and fees to distance education students.

Slippery Rock properly charged tuition and fees to its distance education students during the tested semesters. In our review of billing records for 67 distance education students, we found that Slippery Rock's tuition rates complied with the guidelines established by the tuition policy of the Board of Governors. Slippery Rock properly charged the 65 tested resident online students the per-credit rate applied to all other Pennsylvania residents. The university also properly charged the remaining two nonresident distance education students tuition rates that equaled 102 percent and 160 percent of the resident per-credit tuition rate. These rates were within the range specified by the policy of the Board of Governors.

We also found that Slippery Rock assessed the appropriate fees to all 67 tested students. The university charged each of the 67 students an academic enhancement fee, university union fee, recreation center debt service fee, and technology fee that corresponded to the individual student's enrollment status and residency status. The university did not charge 39 of the tested online students fees associated with the main campus (such as the university health service fee, the general recreation center fee, and the general service activity fee). The university properly charged the remaining 28 tested online students these campus fees, because the 28 students were also enrolled in classes offered on the main campus.

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Prior Audits**

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**Status of
Prior Audits**

The prior audit report of Slippery Rock covered the period of July 1, 2004, to June 22, 2007, and contained five findings. Three of the findings (1, 2, and 5) were positive and thus had no recommendations. A summary of the two remaining findings (3 and 4) and their accompanying recommendations along with a status of the implementation of our recommendations is presented below.

The prior audit report also contained one still unresolved finding (Finding I-1) from the audit report of Slippery Rock that covered the period of July 1, 2002, to July 30, 2004. The status of the unresolved finding and its accompanying recommendation is also presented below.

Methodologies for our work

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

**Prior
Finding 3**

Slippery Rock did not efficiently manage its automotive fleet. (Partially resolved)

(from the audit report dated July 1, 2004, to June 22, 2007)

Unnecessary Rental Costs. The prior audit reported that Slippery Rock unnecessarily incurred vehicle rental costs. A comparison of rental car invoices to records of central pool vehicle availability for September 2006 and January 2007 showed that the university spent approximately \$1,500 for vehicle rentals when comparable university-owned vehicles were available for employee use. More specifically, one or more central pool vehicles were available during 15 of 17 documented vehicle rentals during the two tested months.

The State System's travel policy and procedures require all persons who travel at State System expense to "exercise prudence and economy." Moreover, the policy states that the most economical means of

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transportation, including automobile rentals, should be used consistent with the purpose and constraints of travel.³¹

In August 2006, Slippery Rock approved and distributed guidelines to implement the above State System travel policy. The guidelines, designed to reduce personal mileage reimbursement, encouraged employees to use rental cars for automobile travel with an anticipated daily mileage in excess of 145 miles. The analysis on which the guidelines were based considered only the costs of rental and personal cars and not the efficient use of the university's existing central pool of vehicles.

We recommended that Slippery Rock review its policies and procedures and make any necessary revisions to optimize use of university-owned vehicles and minimize travel expenditures.

Slippery Rock responded to our finding by stating that its program to determine the most economical means of vehicular travel was with the intent of reducing the university-owned car pool. University officials further stated that after the implementation of the above-mentioned guidelines it was able to reduce its car pool by 6 vehicles. This reduction in the car pool resulted in a cost avoidance of \$120,000 since the average acquisition cost of a pool car is \$20,000.

In our evaluation of the university response, we stated that the six vehicles referenced above were transferred from the central pool to other university departments. This transfer would not eliminate future maintenance costs to the university since the overall size of the motor fleet remained the same. Moreover, since the university indicated that the recipient departments required the transferred vehicles for daily operations, the university's anticipated avoidance of acquisition costs may not result.

Recognizing that our recommendation did not run counter to the university's goal of reducing its fleet size, we reiterated our recommendation and specifically stated that the university's automotive policies should be amended to stipulate that employees can use rental

³¹ Pennsylvania State System of Higher Education Board of Governors, Policy 1986-07-A, "Travel Expense Regulations," Amended April 9, 1998.

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vehicles only when university-owned central pool vehicles were not available.

Status as of this audit. Between July 1, 2007, and April 26, 2010, Slippery Rock spent approximately \$92,900 on in-state vehicle rentals.

To determine if the University implemented the recommendations noted in the prior audit, we examined the expenditure ledger entries for all 59 in-state vehicle rental invoices between July 1, 2007, and April 26, 2010, and selected 14 of the 59 invoices for detailed testing. More specifically, we compared the 106 individual vehicle rentals documented on the 14 invoices to the fleet supervisor's corresponding schedule/calendar of central pool vehicle availability. The total value of the 14 invoices was approximately \$18,900.

Our current audit showed that Slippery Rock did not implement the prior report's recommendation. The university still did not maximize usage of the 20 vehicles in its central pool. Our comparison of 14 rental vehicle invoices to records of central pool vehicle availability revealed that one or more central pool vehicles were available during 42, or 40 percent, of the 106 tested vehicle rentals. In other words, Slippery Rock needlessly spent approximately \$6,300 on 42 car rentals when university personnel could have driven university-owned vehicles instead.

This wasteful spending occurred, at least in part, because the university did not change its policies to require university personnel to first check pool vehicle availability before incurring the cost of renting a vehicle for trips in excess of 145 miles.

**Recommendation
for Prior
Finding 3**

8. We again recommend that Slippery Rock revise its automobile travel policy to require the use of pool vehicles when available so that the university maximizes the use of its pool car fleet and minimizes rental car expenses.

Response from Slippery Rock management:

The university recognizes the importance of efficiently managing its automotive fleet and ensuring that these assets are used to reduce our

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overall cost of travel. The analysis of the associated costs indicates that the more economical approach for trips greater than 145 miles would be using the rental car arrangement. The university continues to examine the utilization of the Central Pool and reduce it accordingly as rental cars have become a more economical choice for longer trips. As of October 1, 2012, the Central Vehicle Pool has been reduced to nine vehicles as compared to 20 in April 2010.

Our evaluation of Slippery Rock's management response:

The university's response ignores our recommendation that employees should first check pool car availability before incurring rental car expenses. While availability may now be more limited due to the above-stated reduction in the pool car fleet, it is still worthwhile for employees to inquire about the availability of a pool car before renting a car, because we maintain that it is cheaper to use an available pool car than it is to rent a car.

Executive Fleet. The prior audit reported that Slippery Rock underutilized the three vehicles reserved for the exclusive use of the university's high-level executives. During the 2006 calendar year, the university used a 2002 Chevy Trailblazer on only four trips (522 miles over a ten-day period). Between July and December 2006, the university used a 2005 Ford Freestyle on four trips (1,214 miles over a 14-day period) and a 2005 Buick LaCrosse on 10 trips (3,684 miles over a 24-day period).

We recommended that the university analyze the usage and evaluate the costs associated with its executive fleet in order to optimize the executive fleet's size. We explained that the analysis should consider either selling or integrating any excess cars into the university's central pool of vehicles for general use.

Status as of this audit. To determine if the university implemented our recommendation, we reviewed the university's internally prepared list of fleet vehicles dated April 26, 2010, and examined the mileage on the odometers of the university's executive vehicles.

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Slippery Rock took some measures to implement the prior report's recommendation. In 2007, the university permanently assigned the above Chevy Trailblazer to its facilities and planning department, thereby reducing its executive fleet to two vehicles. In September 2009, the university purchased a 2010 Ford Taurus and a 2010 Ford Fusion for the executive staff and then integrated the above two 2005 vehicles into its central pool. The university also moderately increased the usage of its executive vehicles. On April 26, 2010, about eight months after purchase, the Ford Taurus and Fusion had odometer readings of approximately 6,200 and 5,400, respectively.

Recordkeeping. The prior audit reported that Slippery Rock did not centrally maintain records of the daily usage of each vehicle in its central pool. Moreover, Slippery Rock did not establish any policies or standard forms that required the operators of its 80 permanently assigned vehicles to record daily mileage or frequency of use. Without the availability of these records, the university could not routinely analyze vehicle usage to determine the optimum size of its automotive fleet.

We recommended that Slippery Rock develop policy and corresponding forms that require drivers to document the daily mileage for all central pool and permanently assigned vehicles. We explained that the university should maintain these forms centrally and on a long-term basis. In addition, we recommended that Slippery Rock management routinely and comprehensively analyze automotive fleet usage in order to maintain the university's fleet at the optimum size and thereby minimize vehicle costs.

Slippery Rock responded by stating that its fleet operations subdivision maintained mileage records on a monthly basis. Mileage alone is not an accurate indicator of the need for a vehicle, especially for permanently assigned vehicles. Of the permanently assigned vehicles, only the 3 vehicles used by Athletics for recruiting and the 2 vehicles used by the Center of Student Leadership & Involvement spend any appreciable time off-campus. All other vehicles spend the vast majority of their trips within the limits of campus. The trips are essential to work, but very low in mileage.

In our evaluation of the university's response, we stated that Slippery Rock's fleet operations subdivision did not provide us with evidence of a

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monthly, or otherwise regular, compilation of central pool vehicle usage data even though we specifically asked for such records during our audit work. Furthermore, Slippery Rock officials could not provide evidence that they routinely analyzed automotive fleet usage and automotive cost data, such as fuel, oil, parts and repairs, for vehicles permanently assigned to the departments.

Status as of this audit. To determine if Slippery Rock implemented the recommendations made in the prior report, we examined Slippery Rock's list of fleet vehicles dated April 26, 2010, its internally prepared mileage and utilization reports for central pool vehicles from July 1, 2007, to February 28, 2010, and its monthly expense reports for permanently assigned vehicles from July 2007 to February 2010.

The size of Slippery Rock's automotive fleet remained nearly unchanged since the prior audit as illustrated in the following table.

	No. of vehicles as of July 25, 2007	No. of vehicles as of April 26, 2010
Central Pool Cars	20	20
Vehicles permanently assigned to various departments	77	79
Executive Fleet	3	2
Total Vehicles	100	101

The university did not change its existing policy or develop new policy or forms for record-keeping for its automotive fleet. Between July 2007 and February 2010, the university only maintained central records of the costs of gasoline, maintenance, and repairs for its permanently assigned fleet. The university did not maintain records of the frequency of use of the permanently assigned vehicles. Thus, the university could not routinely analyze vehicle usage to assess the optimum size of its permanently assigned fleet or to determine whether the university was unnecessarily

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incurring maintenance and repair costs for infrequently – or even rarely - used permanently assigned vehicles.

Slippery Rock did maintain long-term centralized records of both mileage and days of use for most of its central pool vehicles from July 1, 2007, to February 28, 2010. However, the records were incomplete. The centralized mileage records did not include the mileage for on-campus or local trips for any of the central pool vehicles. According to the director of facilities, the centralized mileage records only included the mileage for “longer trips off campus.” Moreover, the university did not maintain centralized records of the days of use for four of its twenty central pool vehicles.

According to management personnel, the university annually reviewed the above records of the number of days that 16 central pool vehicles were used in order to optimize the size of the central pool, yet interestingly, the size of the central pool remained unchanged from 2007 to 2010. The university could not provide us with evidence of this review because it did not maintain those records.

In summary, the university did not change its overall policy or the record-keeping for its permanently assigned vehicles. Although the university improved its record-keeping for central pool vehicles, the records were incomplete. More important, the university did not alter the size of its central pool after management personnel had analyzed historical usage. Accordingly, we consider the prior audit’s record-keeping issue to be only partially resolved.

**Recommendation
for Prior
Finding 3**

9. We again recommend that Slippery Rock develop policy that requires drivers to document the daily mileage and frequency of use for all central pool and permanently assigned vehicles.
10. We also recommend that management employees ensure that the above records are complete and centrally maintained.
11. Finally, we recommend that Slippery Rock management routinely analyze vehicle usage records to optimize the size of the fleet. That is to say, the university should remove unused and unnecessary vehicles from its fleet.

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Response from Slippery Rock management:

For permanently assigned vehicles, the respective department leaders evaluate the requirements and intended uses for a vehicle at the time that approval for purchase is given. Accordingly, the university does not continually request mileage to be tracked each day and submitted for review. The permanently assigned vehicles are often used for trips within the limits of campus that are very low in mileage. The university would like to clarify that vehicle transfers from the central pool to other university departments did realize savings in acquisition costs as they replaced permanently assigned vehicles that could no longer pass inspection and not all of the central pool vehicles were replaced.

**Prior
Finding 4**

**Slippery Rock did not ensure that only students who were employed by the university drove university vehicles.
(Unresolved)**

The prior audit reported that Slippery Rock did not ensure that only university employees operated university-owned vehicles. More specifically, the review of vehicle request forms and employee payroll records for January 2007 showed that students who were not Slippery Rock employees drove university vehicles on 11 of the 92 trips documented for the university's central pool during January 2007. This practice violated Slippery Rock policies and procedures and increased the risk of liability for medical and property damage claims in the event of accidents.

The university required a vehicle request form to be submitted to its facilities and planning department via the department chairperson and the appropriate dean or vice president. The form required that the approving department chairperson, dean, or vice president check a box to certify that vehicle operators will receive salary or wage remuneration for their duties

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in driving the university's vehicle. However, the box was unchecked on the forms for all eleven noncompliant trips.

We recommended that Slippery Rock management ensure that the university's automotive fleet usage policies and procedures are followed. We elaborated that the university's facilities and planning department should return any incomplete vehicle request forms to the corresponding department chairperson, dean, or vice president. We also explained that requesting departments should verify that all students who drive university vehicles will receive salary or wage remuneration for the driving time before submission of any vehicle requests.

Slippery Rock responded by stating that all incomplete vehicle requests are now returned to the appropriate department. The approving department chairperson, dean, or vice president now certifies with their signature that the vehicle operator will be paid for the time they are driving a university vehicle and, if applicable, that they have received training for driving maxi-vans. University officials also stated that Campus Services personnel would conduct random audit checks on completed vehicle requests to determine the pay status of student drivers.

Status as of this audit. To determine if the university implemented the recommendations noted in the prior report, we reviewed university policies regarding the use of university-owned vehicles³² and student drivers,³³ as well as state law regarding governmental immunity to liability when a state-owned vehicle is involved in an accident.³⁴ We examined 81 of 433 student state vehicle requests from August 1, 2009, to March 31, 2010, for department approvals and then reconciled these requests to payroll records to verify that the university paid the students for the documented driving time. Finally, we examined 20 of 93 follow-up letters sent between October 30, 2009, and April 7, 2010, to notify department

³² Slippery Rock University Finance and Administrative Affairs Division, Policy Number F&P-4830-11, "Use of University-Owned Vehicles (Including Maxi-Vans)," Not Dated.

³³ Slippery Rock University Finance and Administrative Affairs Division, Policy Number F&P-4830-08, "Student Drivers of University Owned Vehicles," Not Dated.

³⁴ 42 PA C.S. §8542 Exceptions to governmental immunity. The Sovereign Immunity Tort Claims Act waives governmental immunity to liability when a state-owned vehicle is involved in an accident and the state agency is deemed negligent.

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approvers that student drivers had not received salary or wage remuneration for their drive time in university vehicles. We then reviewed the associated payroll records as of April 21, 2010, to determine whether the noncompliance had been addressed.

Our current audit showed that although the university took measures to address the issues of the prior report, those measures were largely ineffective.

As noted above, we reviewed 81 student vehicle request forms as well as the associated student payroll records. We found that the appropriate department chairperson, division director, vice president, or dean approved each of the 81 forms. However, our review of payroll records showed that students did not receive salary or wages for the drive time associated with 32, or 39.5 percent, of the 81 trips in university vehicles.

On October 30, 2009, Slippery Rock implemented procedures designed to correct and deter the failures to pay students for drive time in university vehicles. Administrative staff in the university's automotive fleet department reconciled student vehicle request forms to payroll records and then sent follow-up letters to the approving chairperson, director, dean, or vice president when payroll records revealed that the university did not pay students for their drive time. The follow-up letters were sent to prompt department approvers to require non-compliant students to document their drive time on employee time sheets.

Automotive staff sent 93 follow-up letters between October 30, 2009, and April 7, 2010. Our review of 20 of the 93 letters and the associated payroll records showed that the efforts to *correct* the instances of noncompliance were most often ineffective. As of April 21, 2010, the university still had not paid students for 13, or 65 percent, of the 20 trips discussed in the tested letters. Moreover, we concluded that the practice did not effectively *deter* noncompliance, because 21 of the 32 instances of noncompliance that we detected in our test of 81 request forms occurred after October 30, 2009 – the implementation date of the follow-up procedure.

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Prior to April 19, 2010, Section J.2 of Slippery Rock's policy for the use of university-owned vehicles stated, as follows:³⁵

*Drivers of the vehicles must be employees of the Commonwealth/University, this includes student employees. Employees must be receiving salary or wage remuneration for the DRIVING TIME, with taxes withheld, to be covered for workmen's compensation liability in the State Workmen's Insurance Fund, and to be insured under the Commonwealth's vehicle self-insurance program.*³⁶

Section J.5 of both the original and revised versions of the above policy states that policy violations may result in the suspension of student privileges to operate a university vehicle.³⁷ However, according to management personnel, the automotive fleet department did not conduct additional follow-up after it sent the 93 letters to the approving chairperson, director, dean, or vice president, and the involved students did not lose university driving privileges.

As we discussed in the prior report, the failure of Slippery Rock to ensure that only university employees operate university-owned vehicles increases the risk of liability for medical and property damage claims in the event of accidents. The university must take effective measures to ensure compliance with its own policies and, thus, reduce this risk.

**Recommendation
for Prior
Finding 4**

12. We again strongly recommend that the university enforce its automotive fleet usage policies and procedures, including those regarding disciplinary action for noncompliance.

State vehicle request approvers should confirm that student drivers have received a salary or wage and, in instances of identified noncompliance, require students to submit the necessary time sheets.

³⁵ On April 19, 2010, the university revised this policy section to add the requirement that employees must "have driving identified in their job description as integral to their responsibilities."

³⁶ Slippery Rock University Finance and Administrative Affairs Division, Policy Number F&P-4830-11, "Use of University-owned Vehicles (Including Maxi-vans)," Not Dated.

³⁷ Ibid.

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Furthermore, Slippery Rock should ultimately suspend the university driving privileges of those students who do not submit time sheets for their drive time in university vehicles

Response from Slippery Rock management:

The university will not allow students to drive a Central Pool vehicle if they do not have an approved and signed job description on file that includes the requirement to drive a vehicle with Fleet Operations. The university reconciles student payroll records and notifies departments when the records indicate that a student has not been paid. However, we will continue to reinforce with supervisors the policies surrounding payment of student drivers to derive a higher level of compliance with this policy.

**Prior
Finding I-1**

(From the audit reports dated July 1, 2004, to June 22, 2007, July 1, 2002, to July 30, 2004, and July 1, 2000, to May 28, 2002)

**The university's fire safety program could be strengthened.
(Resolved)**

Status as of this audit. To determine if the university implemented corrective action to address the fire safety training deficiency noted in the prior report, the auditors reviewed fire safety training records for all 392 residence hall staff employed from the summer 2007 through the fall 2009 semesters.

In our current audit, we found that Slippery Rock improved its fire safety training for residence hall staff. Slippery Rock provided fire safety training to 390, or 99.5 percent, of the 392 tested residence hall staff. Accordingly, we consider the issue of fire safety training at Slippery Rock to be resolved.

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