



Performance Audit

Shippensburg University of Pennsylvania

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

June 2012

June 21, 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 Shippensburg University of Pennsylvania of the State System of Higher Education from July 1, 2008, through September 3, 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 contains three audit objectives, along with an audit scope, and methodology for each objective. Where appropriate, the report contains findings, conclusions, and recommendations. The report notes instances where travel request forms were not completed and approved prior to the travel dates as required by the University's policies and procedures.

We discussed the contents of this report with the management of Shippensburg University of Pennsylvania, and all comments are reflected in the report.

Sincerely,

JACK WAGNER
Auditor General

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

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*Pennsylvania Department of the Auditor General
Jack Wagner, Auditor General
June 2012*

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**Shippensburg University of Pennsylvania
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**Background
Information**

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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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**Background
Information**

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Shippensburg University of Pennsylvania

Shippensburg University of Pennsylvania, also referred to in this report as the University, is situated on 200 acres and is located in the town of Shippensburg, Pennsylvania. Shippensburg University was originally founded in 1871 to train teachers at the elementary and junior-high levels. Currently, the University is an institution of higher learning with degree programs offered from the disciplines of the Arts and Sciences, Business, Education, and, Human Services. The Department of Education and the Middle States Association of Colleges and Schools, as well as several other accreditation agencies accredit the University.

The Joint State Government Commission compiled the following select unaudited operating statistics for the 2007-08, 2008-09, 2009-10 academic years for Shippensburg University and the State System.³

Academic Year Ended	Shippensburg University			State System of Higher Education		
	2008	2009	2010	2008	2009	2010
<i>State Instruction Appropriations (rounded in millions):</i>	\$33.8	\$32.4	\$30.5	\$479.8	\$473.1	\$439.1
<i>Full-Time Equivalent Students:</i>						
Undergraduate	6,433	6,579	6,826	93,927	94,770	98,075
Graduate	<u>612</u>	<u>636</u>	<u>680</u>	<u>10,795</u>	<u>11,148</u>	<u>11,967</u>
Total	<u>7,045</u>	<u>7,215</u>	<u>7,506</u>	<u>104,722</u>	<u>105,918</u>	<u>110,042</u>
<i>Full-Time Equivalent Instructional Faculty:</i>	360	373	371	5,416	5,491	5,548
<i>Degrees Conferred:</i>	1,621	1,657	1,660	22,169	23,255	23,513

³ <http://jsg.legis.state.pa.us/resources/documents/ftp/documents/2011%20INSTRUCTIONAL%20OUTPUT.pdf> accessed on September 12, 2011, verified January 27, 2012, verified May 25, 2012.

**Shippensburg University of Pennsylvania
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**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 Shippensburg University had three objectives as described below. We selected our audit objectives from the following areas: contracts, miscellaneous revenues, and travel. The specific audit objectives were as follows:

- One To determine whether Shippensburg University complied with Commonwealth contract policies and procedures. (Finding 1)
- Two To determine whether Shippensburg University maintained sufficient controls over revenue collections and deposits specific to summer camp revenue and the H. Ric Luhrs Performing Arts Center. (Finding 2)
- Three To determine whether Shippensburg University complied with Commonwealth, State System of Higher Education, and internal policies and procedures for travel expenses. (Finding 3)

Unless indicated otherwise, the scope of the audit was from July 1, 2008, to September 3, 2011.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies and procedures of the Pennsylvania State System of Higher Education and Shippensburg University. In the course of our audit work, we interviewed various University management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analysis conducted for each audit objective.

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Our audit report does not contain a status of prior audits section because all the issues identified in the prior audit were corrected by Shippensburg management before the close of our prior audit.

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Audit Results

*Pennsylvania Department of the Auditor General
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**Audit
Results**

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

- Statement of the objective
- Relevant policies and procedures
- 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 Shippensburg University of Pennsylvania management, if applicable
- Our evaluation of the Shippensburg University of Pennsylvania management's response, if applicable

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Audit Results:**Contract****Compliance**

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**Audit Results
for Objective
One**

*Contract
Compliance*

The objective

Objective one for our performance audit was to examine contracts and determine if Shippensburg University complied with required Commonwealth policies and procedures relating to contract procurement. Included in this examination was an assessment of the controls governing contract selection, contract implementation, and contract monitoring.

Relevant policies and procedures

The Commonwealth's Procurement Handbook⁴ addresses the monetary thresholds and procedures for formal bids,⁵ as well as payment methods and requirements. The State System of Higher Education has established policies and procedures for the procurement of goods and services.⁶

Shippensburg University management is responsible for ensuring compliance with commonwealth and State System policies and procedures for bidding and awarding of all contracts secured for the University. University management is also responsible for monitoring the goods and/or services received under contract.

Scope and methodologies to meet our objective

To accomplish this objective, we reviewed both Commonwealth and Pennsylvania State System of Higher Education procurement policies and procedures.

⁴ Commonwealth of Pennsylvania, Governor's Office, Policy Number M215.3 Revision No. 4, "Field Procurement Handbook," dated April 17, 2003. The Field Procurement Handbook was converted to an online manual and is now available at the following website.

www.dgs.state.pa.us/portal/server.pt/community/procurement_handbook/14304, viewed June 15, 2011, verified February 14, 2012, re-verified May 25, 2012.

⁵ See the Pennsylvania Procurement Handbook Online, Part 1 Chapter 7, Thresholds and Delegations.

⁶ PA State System of Higher Education Board of Governors, 1998-04-A "Procurement of Goods, Services, Supplies and Construction," amended April 8, 2004.; and Manual for Preparing and Processing Contracts for Goods and Services, Office of Chief Counsel, Office of University Legal Counsel of the Pennsylvania State System of Higher Education, Commonwealth of PA. 2006.

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**Audit Results:
Contract
Compliance**

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In order to obtain an understanding of the procurement process at Shippensburg University, we interviewed the appropriate University personnel.

We selected 53 of the 5,761 contracts open during the period of July 1, 2008, through June 30, 2010. We reviewed procurement documentation pertaining to the contracts for goods and services procured solely by Shippensburg University.

We reviewed 31 purchase orders for goods and services received by the University under 31 additional contracts. These contracts were procured by either the state's Department of General Services or the State System.

We also examined 38 invoices for contracted goods and services paid during the audit period.

Finding 1

Shippensburg University complied with required Commonwealth contract policies and procedures.

We obtained and reviewed from Shippensburg University documentation supporting the procurement of goods and services from 53 vendors under contract. The documentation we reviewed consisted of the following: contracts and authorized signatures, insurance certificates, sole source justifications, bidding documents and letter of awards.

Contract Review

The chart on the following page shows the number of contracts selected for review that were required to be formally bid, the number of contracts under the \$10,000 formal bidding threshold, and the number of sole source contracts including the dollar amount spent during our audit period.

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**Audit Results:
Contract
Compliance**

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Bidding requirements	Contracts reviewed	Value of selected contracts
Required to be formally bid	9	\$14,848,059
Not required to be formally bid (under the \$10,000 threshold)	39	276,684
Sole Source	<u>5</u>	<u>106,733</u>
Total	<u>53</u>	<u>\$15,231,476</u>

Our review of procurement documentation showed that all nine contracts required to be formally bid were awarded through the competitive bid process as required by the Pennsylvania Procurement Handbook. Contracts awarded through the competitive bid process included:

- 3 for building renovations
- 1 for architectural services
- 1 for elevator maintenance
- 1 for staffing services
- 1 for communications services
- 1 for printing services
- 1 for engineering services

Of the 39 contracts under the \$10,000 threshold for formal competitive bidding, 30 of these contracts were between \$5,000 and \$10,000 and in all cases (where required) three informal bid quotes were obtained and documented.

For the five contracts procured as sole source, we reviewed the contract files and found that written justifications supporting the sole source procurements were properly completed by the University and the justifications were reasonable. The five contracts that we reviewed included one for speaker services and four contracts for technology services.

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Contract
Compliance**

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Purchase Order Review

In addition to the 53 contracts noted above, we also reviewed 31 purchase orders issued by the University for goods and services under 31 contracts that were procured and awarded through other agencies. Twenty-two of the 31 orders totaling \$6,097,688 were issued under contracts for goods and services procured by the by Pennsylvania's Department of General Services. The remaining nine purchase orders totaling \$4,812,411 were issued under contracts for goods and services procured by the State System.

We verified that Shippensburg's procurement of goods and services procured under these contacts through the preparation of the purchase orders was proper and correct. We verified that items and charges recorded on the purchase orders were in accordance with contract specifications. We also verified that the purchase orders were properly approved and authorized by the appropriate University officials.

Invoice Review

We also reviewed 38 invoices selected from seven service contracts and 20 contracts for goods and found all invoices to be properly authorized for payment by contractor monitors, mathematically correct, and paid timely. In addition, the rates charged on the invoices agreed to the terms of the contracts or prices listed on the purchase orders.

As a result, we concluded that the procurement and monitoring of contracts were performed in accordance with the Pennsylvania Procurement Handbook and with the State System procurement policies and procedures.

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**Audit Results:
Miscellaneous
Revenue**

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**Audit Results
for Objective
Two**

*Miscellaneous
Revenue*

The objective

The second objective of our performance audit was to determine whether Shippensburg University maintained sufficient controls over revenue collections and deposits specific to the revenue the University generates from summer camps and the Performing Arts Center.

Relevant procedures

Miscellaneous revenues are generated from various activities and fees that are not related to tuition, room and board. According to Shippensburg University officials, the Student Accounts / Bursar's Office receives miscellaneous revenue from various sources on campus, including parking fines, ID replacement, licensing fees, ticket sales from the Performing Arts Center, recreational center funds, and summer camp revenue. The revenues are accounted for and posted to the appropriate accounts by the Bursar's Office.

Scope and methodologies to meet our objective

In order to accomplish our objective, we reviewed Shippensburg University's audited financial reports and FIN reports (detailed reports that support the audited financial reports) to determine the amount of miscellaneous revenues generated for the period July 1, 2008, to June 30, 2010.

In order to obtain an understanding of the revenue process at Shippensburg University, we interviewed the appropriate University personnel.

We obtained a detailed report of all miscellaneous revenue accounts for the period July 1, 2008, through June 30, 2010, reviewed the report for accuracy and agreed the totals to Shippensburg's accounting records.

We selected 14 miscellaneous summer camp revenue transactions for the period of July 1, 2008, through June 30, 2010, and obtained and reviewed supporting documentation, such as participant's checks, collection reports

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**Audit Results:
Miscellaneous
Revenue**

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and bank deposit slips in order to verify that funds collected were properly accounted for by the Bursar's Office.

We reconciled the camp roster reports with the camper payment reports for three of the camps conducted during the period July 1, 2008, through June 30, 2010, to determine if each camper remitted the proper payment.

We also selected 5 of 31 revenue transactions for the Performing Arts Center for the period of July 1, 2009, through June 30, 2010, and again obtained and reviewed supporting documentation such as collection reports and deposit slips in order to verify that funds collected were properly accounted for by the Bursar's Office.

Finally, we reviewed advertising sales revenues for the Performing Arts Center.

The University classified miscellaneous revenue by the following categories as summarized in the chart below.

Categories	Miscellaneous Revenue		Total
	Fiscal year ended		
	June 30, 2009	June 30, 2010	
Other Auxiliary Services	\$3,678,913	\$4,143,406	\$ 7,822,319
Sales and Services	653,132	611,628	1,264,760
Parking and Library Fines	114,185	120,990	235,175
Other Miscellaneous Revenue	<u>1,236,059</u>	<u>1,281,779</u>	<u>2,517,838</u>
Total	<u>\$5,682,289</u>	<u>\$6,157,803</u>	<u>\$11,840,092⁷</u>

⁷ Information for this table was obtained from Shippensburg's General Ledger Detailed Revenue Report for the period from July 1, 2008, to June 30, 2010.

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**Audit Results:
Miscellaneous
Revenue**

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Finding 2

Shippensburg University maintained sufficient controls over revenue collections and deposits for its summer camps and the performing arts center.

We examined miscellaneous revenues from two of Shippensburg University's sources of miscellaneous revenue: summer camp activities and the Performing Arts Center.

The summer camp revenues were included with sales and service transactions and the total amount of summer camp revenue recorded was \$559,288 and \$499,139 for the fiscal years ending June 30, 2009, and June 30, 2010, respectively.

The performing arts center revenues were included with other miscellaneous revenue transactions and the total amount of performing arts center revenue recorded was \$847,373 for the fiscal year ending June 30, 2010.

Summer Camps

Employees from the Conference Services Office properly collected and recorded summer camp revenue for the period of July 1, 2008, through June 30, 2010. In addition, the Conference Services Office transferred those collections, approximately once a week, to the Bursar's Office who deposited the monies into the University's checking account.

Refunds to registered campers who could not attend were properly processed and recorded by employees from the Conference Services Office and those refunds were supported by documentation. Supporting documentation, such as checks, collections reports, deposit slips, and bank statements validated all 14 summer camp transactions reviewed.

As part of our audit testing, we also compared three camp rosters listing 216 campers, with camper payment reports and verified that all 216 campers paid the correct fee for the summer camp they attended.

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**Audit Results:
Miscellaneous
Revenue**

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Performing Arts Center

A box office supervisor or ticket services and sales manager properly collected, recorded and deposited revenues for all four performances and one advertising revenue transactions we reviewed. The entire process was overseen by the director of the performing arts center.

Revenue received from each of the four performances was supported by an event detail report prepared by the box office supervisor or ticket services and sales manager. This report denoted the amount of revenues received, which corresponded to the amount in Shippensburg's audited financial report. The event detail report listed the payment type, price charged and the amount posted and deposited in the checking account. In addition, we verified revenues earned by recalculating the number of tickets sold by the cost of each ticket, as well as by reconciling to the corresponding brochure in which events, dates, times and ticket prices were listed.

Advertising sales revenues were supported by a report, prepared by the box office supervisor or ticket services and sales manager, detailing all payments for advertisements to the Performing Arts Center. The total amount of payments listed on the report matched the total revenues posted to the general ledger account as well as the amount deposited to the bank. Employees from the Bursar's Office were responsible for posting to the general ledger account.

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**Audit Results:
Travel Expense**

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**Audit Results
for Objective
Three**

The objective

Our third objective for this performance audit was to determine if Shippensburg University complied with Commonwealth, State System of Higher Education, and its own policies and procedures for travel expenses.

Travel Expense

Relevant policies and procedures

According to the Pennsylvania State System of Higher Education travel policy, employees at its affiliated universities who are required to travel as part of their official job responsibilities are entitled to receive reimbursement within prescribed maximums for out-of-pocket expenses incurred in the performance of their duties.⁸

The Commonwealth,⁹ State System,¹⁰ and the University¹¹ have developed and implemented policies that specify allowable and reimbursable employee travel expenses. These policies address the eligibility, rates, and documentation required for reimbursable expenses that would include meals, lodging, conference registration, airfare, mileage, and miscellaneous charges such as parking, tolls, and taxis.

According to the University's policy and procedures;

“All employees traveling on behalf of the University must have their travel and /or registration approved in advance.”¹²

⁸ PaSSHE Board of Governors-Policy 1986-07-A Travel Expense Regulations, p.2

⁹ Commonwealth of Pennsylvania, Governor's Office, Travel Procedures Manual, M230.1, and June 17, 2009, Effective Date: July 2009.

¹⁰ PaSSHE Board of Governors-Policy 1986-07-A- Travel Expense Regulations, Adopted: October 12, 1986, Amended: April 9, 1998.

¹¹ <http://www.ship.edu/purchasing/> The Purchasing Handbook. Date viewed September 12, 2011, verified May 25, 2012.

¹² <http://www.ship.edu/purchasing/> The Purchasing Handbook, p.4. Date viewed September 12, 2011, verified May 25, 2012.

**Shippensburg University of Pennsylvania
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**Audit Results:
Travel Expense**

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The University's policy requires the traveler to forward the completed travel request form to his or her supervisor prior to travel. The University's policy also requires the employee's supervisor to review the travel request and approve or deny the request depending upon purpose, cost, and fund availability. Furthermore, if the requested travel is out-of-state or international, the University's policy requires additional superior approvals such as the appropriate Dean, Vice President, or President.

Upon return from travel, University policy also requires the employee to submit a completed travel expense voucher to the University Accounts Payable Office to receive reimbursement for the travel expenses. In addition to an itemized listing of reimbursable expenses, the travel expense voucher must contain the traveler's and the supervisor's signature and, where applicable, receipts should be attached.

Financial expense reports provided by Shippensburg University showed that during the fiscal years ended June 30, 2009, and 2010, the University spent approximately \$959,000 and \$761,000 respectively, on employee travel expenses.

Scope and methodologies to meet our objective

In order to accomplish our objective, we reviewed Commonwealth, State System, and Shippensburg University travel policies.

In order to obtain an understanding of the employee travel process in effect at Shippensburg University, we interviewed the appropriate University personnel.

We tested 131 of 4,453 itemized travel expenses from the period of July 1, 2008, through June 30, 2010.

We also traced the 131 travel expenditures recorded on the University's accounting system to their corresponding travel expense vouchers and determined if the travel appeared reasonable and necessary.

Where applicable, we reviewed receipts and other supporting documentation in order to determine if the University ensured the traveler complied with policies and procedures.

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State System of Higher Education**

**Audit Results:
Travel Expense**

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Finally, we verified the mathematical accuracy of travel expense vouchers and checked for proper approvals.

Finding 3

Shippensburg University did not fully comply with its travel policies and procedures.

Our examination of 131 travel expense vouchers found that all 131 vouchers contained signatures of travelers and supervisors, dates, descriptions, and when required, documentation supporting expenses such as receipts attached to the vouchers. In addition, the travel expense vouchers were all mathematically accurate and a copy of the check that paid the travel expense was attached to the voucher. Finally, our examination of travel vouchers found that the expenses incurred were reasonable and necessary.

We found that travel request forms (or other documents providing the same information required on the travel request form) was attached to 85 of the 131 transaction documents we examined. We reviewed the 85 travel request forms and verified that the traveler obtained the required approvals prior to incurring the travel expenses.

However, 46 travel expense transactions totaling \$9,746 did not contain a travel request voucher, as required by Shippensburg's purchasing handbook, and no other form of documentation was attached to those transactions to ensure that the travel taken had been pre-approved. The 46 expense transactions were for mostly in-state travel. Examples of reasons provided by employees for the travel included attending meetings, student teaching, and recruitment trips by Admissions Office personnel.

Although the travel expense vouchers were approved by supervisors after the trip occurred, the pre-approval process is a necessary step and a good management control because it provides supervisors with assurances that the trip is necessary and beneficial to the University, and that budgeted travel funds are available prior to trip expenses being incurred.

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State System of Higher Education**

**Audit Results:
Travel Expense**

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**Recommendations
for Finding 3**

1. Shippensburg management should ensure that, when required, all travel request forms are properly completed and approved.

Comments from Shippensburg University Management:

Management stated that the procedures for requiring travel request forms (TRF) should be revised to reflect the operations of the University. All requests for reimbursement for travel (Travel Expense Vouchers) were properly completed, approved and budget funds reserved. Therefore, the proper controls were in place to prevent payment of unauthorized travel.

There were some instances in which travel request forms were not received by the Accounts Payable department. The procedures that are posted on the employee website do not clearly articulate the instances when a travel request form may not be necessary. We agree that there should be some method of insuring that employees are authorized to travel on University business prior to their departure. Of the 46 instances that the auditors found where TRF's were not attached, all but 15 fell into a category for which management believes that it may not be cost effective to require a TRF for every trip that is reimbursed by the University. Those categories are as follows:

- *Non-employees: Contracted personnel often travel on behalf of the University and are reimbursed directly by the University.*
- *Admission employees: Admissions travels extensively to recruit prospective students. While the particular events are generally known in advance (such as college fairs), the personnel assigned to each trip can change based on availability.*
- *Employees who travel to supervise student teachers: These employees are assigned a number of students to supervise and their schedules may change based on the student or teacher schedule.*

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**Audit Results:
Travel Expense**

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-
- *Faculty who teach at an off-campus location: It is not practical to get a TRF each time a mileage reimbursement is submitted.*

These situations will be considered when a revised policy is implemented by the University.

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