



Dave Yost • Auditor of State

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**CENTRAL STATE UNIVERSITY
GREENE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Central State University
Greene County
P.O. Box 1004
1400 Brush Row Road
Wilberforce, OH 45377-5055

To the Board of Trustees:

The Ohio Administrative Code (OAC) § 126:3-1-01 requires the Board of Regents and the Auditor of State to evaluate the fiscal health of State Universities and Colleges. Among other things, the OAC requires the Board of Regents to prepare a ratio analysis of a State University's annual audit, which analyzes the financial condition of the State University using various financial ratios and to calculate a weighted composite score. The weighted composite score is used to determine if there are the presence of fiscal factors, which would require additional action to be taken by the Board of Regents and the Auditor of State.

The composite score calculated for Central State University (the University) at the end of fiscal year 2014 indicated their score fell below a threshold which required declaration of a fiscal watch condition as outlined in OAC § 126:3-1-01 (B). On April 21, 2015, the Chancellor of the Board of Regents notified the Auditor of State that fiscal watch conditions existed at the University. The OAC provides that once a University is placed in fiscal watch, the University shall:

Consult with the Auditor of State regarding any necessary or appropriate steps to bring the book of accounts, accounting systems, and financial procedures and reports of the University into compliance with requirements prescribed by the Auditor of State regarding desirable modifications and supplementary systems and procedures pertinent to the University. The Auditor of State shall provide a written report to the University's Board of Trustees outlining the nature of the financial accounting and reporting problems of the University and recommendations for actions to be undertaken to correct the financial accounting and reporting problems.

Our report to address this requirement was completed September 16, 2015. As that work was completed we noted certain conditions warranting additional analysis. As a result, this audit in the public interest was initiated to further evaluate aspects of that report as permitted by Ohio Revised Code (ORC) § 117.11(B) for the period of January 1, 2013 through September 11, 2015. We have also included information through the date of our report that we feel is relevant to the aging of receivables, enrollment, and tuition functions at the University. As part of this audit, we performed testing on the following objectives:

- State Share of Instruction (SSI) Calculation
 - Through discussions with the Board of Regents and University personnel, review of Board of Regents and Higher Education Information (HEI) manuals, review of University policies and procedures, and review of OAC and ORC; we were able to gain an understanding of the policies, procedures, laws, and regulations related to the state share of instruction funding, and identify the key elements that drive the SSI funding formula and perform testing on these key elements.

- Enrollment and Withdrawal
 - Through discussions with University personnel, review of University policies and procedures, and discussions with other Ohio Universities; we were able to gain an understanding of the policies and procedures related to the enrollment and withdrawal procedures at the University and perform testing of the enrollment and withdrawal function.
- Transcripts
 - Through discussions with University personnel, review of University policies and procedures, and discussions with other Ohio Universities; we were able to gain an understanding of the policies and procedures related to the transcript procedures at the University and perform testing of the transcript function.
- Aging of Receivables
 - Through discussions with University personnel, review of University policies and procedures, and discussions with other Ohio Universities; we were able to gain an understanding of the policies and procedures related to the aging receivables at the University and perform testing of the aging receivable function.
- Determine the University's responsibility to report to the Federal Government or other entities when student loans should be in repayment status.
 - Through discussions with the Board of Regents, University personnel, and other Ohio Universities; we were able to gain an understanding of the policies, procedures, laws and regulations related to the federal student loan repayment status reporting requirements.

A summary of our audit procedures related to each test objective and recommendations follows:

1. State Share of Instruction (SSI)

To receive SSI funding, the University is required to upload several reports throughout the academic year to the Board of Regents through the Higher Education Information (HEI) system, a comprehensive relational database containing a wide array of information about Ohio's Colleges and Universities. As inputs to HEI, public Universities report data on student enrollments and demographics, facilities, course offerings, physical plant inventories, and finances.

The system's data and software enable various complex calculations and applications, including the allocation and disbursement of the state's main subsidy appropriation. HEI's information is used by the Board of Regents, institutions, and other state offices to update policy and budget decisions and is also used for data reports and performance reporting.

At Central State, student data is uploaded into the HEI system from the database warehouse by the University's Office of Institutional Research and is a reflection of the University's Accounting System managed through Ellucian – Banner, an integrated student management and accounting system. The University extracts the required reports from the data warehouse, which are uploaded to the HEI system and used by the Board of Regents as a basis for the SSI data calculations. Central State University data reporting is required for each full term as well as annual reporting.

Once all the information is reviewed by the Board of Regents, a spreadsheet module based on the information that was uploaded into the HEI System is created and sent out to the University. Due to the complexity of the SSI calculation, which is comparable to a cost allocation plan among Ohio Universities, we identified the key elements that drive funding to Central State University for testing purposes. These key elements are:

- Course completion and residency status as reported on the Course Enrollment (CN) file uploaded to HEI the 30th day after the last day of each term
- Degree completion as reported on the Degree/Certificate Earned (DC) file uploaded to HEI annually
- Successful payment of student instructional fees as reported on the Student Enrollment (SN) file uploaded to HEI the 30th day after the last day of each term

Attendance and grades are entered into the system via the MyCSU portal during the second, fifth, and tenth week of the semester, as well as the final grade the student received for the class. For prospective graduates, the University Registrar's Office will review the exam grades on the MyCSU portal to verify that the student did or did not pass the class. Those seniors who have not completed all academic requirements are not permitted to participate in the commencement ceremony.

Before the spring graduation, seniors participate in "senior salute" a one day event hosted by the University in the February time frame to provide information regarding graduation and commencement participation, as well as an opportunity for seniors to receive sign-off verifications from various departments throughout the University, including the Cash Management Office. If a senior student has an outstanding balance as of the date of this event, the Cash Management Office will not provide the required sign-off. The student will only receive the required approval after paying off their balances. Students must expunge all debt to the Institution before receiving their degrees, diplomas and academic transcripts, which are kept in a secured room within the Office of the Registrar.

Recommendation:

We are submitting the following recommendations for your consideration regarding the University's State Share of Instruction function. These recommendations represent matters for which we believe improvements in the tuition and enrollment function can be achieved:

Ohio Administrative Code § 3333-1-02.1 provides, in part, that students who are reported to the Board of Regents through the Higher Education Information (HEI) System should have the correct residency status identified. Additionally, the student should not have an outstanding fee balance for the prior term by the fifteenth day of the term during which reports are submitted. The Board of Regent Chancellor administrative guideline further clarifies that the "instructional fees" must be paid in full to be eligible for the state's enrollment subsidy (not including room, board, library fines, athletics, student activity, etc.). The University receives State Share of Instruction (SSI) Revenue from the Board of Regents for students submitted through the HEI system for completing a course at the end of every semester.

We obtained from the University, the spring 2013, 2014, and 2015 Course Completion (CN) Reports that were submitted to the Board of Regents through the HEI system. From the CN reports, we selected 20 students from each year to determine if the students courses agreed to offerings provided by the University and if the students' residency status was properly reported per the CN report. We also tested the information reported for these students to determine if they were reported as eligible for funding per the Student Enrollment (SN) Reports where their residency or the student account balance from the prior term would impact their eligibility status. For the specific CN and SN report errors noted below these errors did not result in over or underpayment from the HEI system rather these are the type of errors which potentially could result in an over or underpayment had these errors occurred in other student accounts.

Out of 20 students selected from the spring 2013 Course Completion and Student Enrollment reports submitted to the HEI System, we found that 2 students were reported as eligible that had outstanding balances and were not on a payment plan. Additionally, 4 students did not having the proper residency status identified.

Out of 20 students selected from the spring 2014 Course Completion and Student Enrollment reports submitted to the HEI System, 1 student was reported as eligible that had an outstanding balance and was not on a payment plan. Additionally, 1 student did not having the proper residency status identified.

Out of the 20 students selected from the spring 2015 Degree Completion, Course Completion and Student Enrollment Reports submitted to the HEI system, we found that 4 students were reported as eligible that had outstanding balances and were not on a payment plan which for these 4 students did not result in over or underpayment from the HEI system.

Additionally, from the SN reports, we selected 10 students from each year to determine if the students with balances per the Aging Receivables report were reported as eligible if they owed a balance at the time of reporting.

Out of the 10 students selected from the spring 2013 Student Enrollment Reports submitted to the HEI system, we found that 3 students were reported as eligible that had outstanding balances and were not on a payment plan.

Out of the 10 students selected from the spring 2014 Student Enrollment Reports submitted to the HEI system, we found that 3 students were reported as eligible that had outstanding balances and were not on a payment plan.

Out of the 10 students selected from the spring 2015 Student Enrollment Reports submitted to the HEI system, we found that 2 students were reported as eligible that had outstanding balances and were not on a payment plan.

The University should implement policies and procedures to ensure that all students being submitted to the HEI system for completing a course are either on a payment plan or do not have a tuition account balance. The University should also implement policies and procedures to ensure that all students' residency statuses are correctly reported in the system. Additionally, the University should verify that student eligibility is evaluated on all categories rather than residency status. Failure to correctly report students could result in overpayment of SSI revenues from the Board of Regents to the University due to inaccurate reporting.

Without the proper criteria entered into the HEI system a significant risk exists that SSI funding could be miscalculated for Central State University. The risk exists equally for a situation where the University could be overfunded or underfunded depending on the nature of errors submitted thru the HEI system. Our analysis of the potential for error indicated that for each 1% cumulative error in the information submitted, the SSI funding could be off approximately \$60,000 per year and the funding formula would carry that error forward thru the current funding formula for three consecutive years. Should a 1% cumulative error rate persist year to year, the total yearly effect could be greater than \$180,000 over three years. For each of the errors noted above we went to the specific account detail and applied the missing criteria of residency and specific aging of the account balance by transaction date and type to determine whether the HEI system would have calculated SSI differently with the correct criteria entered. Based on our analysis for the errors we discuss above, for our period under review, none of the errors specifically identified resulted in an over or underfunding situation for Central State University.

2. Enrollment Withdrawal and Transcripts

Students are able to register for classes via the MyCSU portal or at the Registrar's Office after meeting with their advisor each semester. All holds on the student's account must also be cleared prior to registration. Holds may be placed on a student's account for all outstanding balances, poor academic standing, or academic probation.

University policy provides that students with holds on their account will not be permitted to register for classes. However, the University has permitted students to register for classes if their outstanding balance is under a threshold determined by the University's Chief Financial Officer each semester. This threshold was set at \$3,000 for the summer and fall fiscal year 2015 terms (June 2014-December 2014) and \$2,500 for the spring fiscal year 2015 term (January 2015-May 2015). For the fall fiscal year 2016 term (August 2015-December 2015), the threshold was set at \$3,000 and all students were permitted to register for classes, including students with any outstanding balances. In October 2015, subsequent to our audit period, students on the purge listings, which is a list of students with balances beyond the limits set by the University, were notified via letter that they were required to pay their outstanding balances in full by a pre-determined date or set up a payment plan. The letter further indicated that if the student did not comply, the student's meal card would be shut-off and they were subject to withdrawal from classes.

We were unable to determine the thresholds for terms prior to fiscal year 2015. However, University personnel indicated the practice of setting a threshold had been in place for several years.

University Policy provides that students with outstanding balances by the 14th day of the term, who are not currently on a payment plan or awaiting pending financial aid or scholarships, will be withdrawn from classes. However, per discussion with the University personnel, the University has not "purged" (withdrawn) students with outstanding balances from classes for approximately four to five years, prior to the fall of 2015. Students were notified of their financial responsibility during our review period and notifications were sent to the students.

During November 2015, the University hired a Default Manager for the purpose of working with current students with outstanding balances. The Default Manager works with students on a case-by-case basis to determine ways for the student to pay down their outstanding balances owed to the University. The Default Managers duties include:

- Monitoring all phases of the collection and counseling processes to ensure that established procedures are effectively and accurately applied.
- Set department goals, review problem accounts, and implement procedural changes in order to increase the efficiency of the Default Management Operations.
- Responsible for compiling data and preparing weekly and/or monthly reports to provide information on the progress of the unit and on trends of student loan delinquency and default.
- Implement procedural changes to increase the efficiency of unit operations.
- Review work-in-progress and perform quality control checks of completed work to ensure accuracy and uniform application of prescribed procedures.
- Compile data and prepare reports to provide information on the progress of the unit and on trends of student loan delinquency and default.
- Counsel students on debt obligations, including maintenance of grade point averages and debt consolidation options.
- Attend senior year salute to distribute loan obligation.
- Announce and distribute loan consolidation packages at graduation rehearsal.

The University Admissions Office is responsible for the determination of the proper rate of tuition a student is charged in the Banner System. Fee Waiver and Reciprocity are reductions in tuition that are approved by the Board of Regents and permit the University to charge reduced tuition rates to students.

Students from approved counties in Illinois, Indiana, and Michigan are eligible for tuition discounts approved by the BOR as follows:

Indiana and Ohio have entered into an agreement whereby Central State University agrees to accept, at resident tuition rates, residents of the following Indiana counties that meet the admissions requirements: Allen, Blackford, Clark, Dearborn, Decatur, Delaware, Fayette, Floyd, Franklin, Harrison, Henry, Jay, Jefferson, Jennings, Ohio, Randolph, Ripley, Rush, Scott, Switzerland, Union, Washington, Wayne and Wells. Residents of Marion County, IN; Wayne County, MI; and Cook County, IL qualify to receive the waiver tuition rate, which reduces the University's out-of-state tuition surcharge by 80%.

During our testing, we selected a sample of 60 students from the Aging Receivables report to determine if the students were charged the proper tuition based upon their residency status. We did not find any errors in our testing that indicated students were charged the incorrect tuition.

Per University policy, students with outstanding accounts receivable balances are not permitted to receive transcripts. Transcript requests are received by the University's Registrar's Office either via the online transcript request or at the Registrar Window. If a request is submitted via the online service, the student applies online and the transaction is not processed until it has been verified the student does not have an outstanding balance through the Registers Office.

If there is an outstanding accounts receivable balance, the student will not be permitted to receive a transcript or be able to graduate per University policy.

Recommendation:

We are submitting the following recommendations for your consideration regarding the University's Enrollment, Withdrawal and Transcript function. These recommendations represent matters for which we believe improvements in the tuition and enrollment function can be achieved:

University policy, adopted in September 1998, provides that students are required to have 100% of the current quarter's bill covered by a combination of the following by the 14th day of the quarter:

- Cash or Check
- Visa or MasterCard
- Awarded Financial Aid
- Documented Third Party Payments
- Be in good standing with the University's Payment Plan, which requires a 1/3 payment up-front.

Failure to have 100% of the fees covered will result in the automatic withdrawal of the student from the current semester's classes on the 14th day. Additionally, transcripts will not be released until a student's account balance is brought current.

The University was not withdrawing students from classes as required by the board approved policy when 100% of their fees were not covered by the 14th day of the semester during fiscal year 2013, 2014, or 2015. Of the 30 students tested with outstanding balances, 100% were not withdrawn and were allowed to continue attending classes. Central State University's administrative staff have indicated that the 14th day withdrawal policy adopted in 1998 is not realistic in today's environment, and is currently 1 of over 105 Administration and Finance policies under review. Select policies will be revised and presented to the Board of Trustees for potential modification and adoption at the February 2016 Board session.

The University provided transcripts to 5 of the 60 students tested with outstanding accounts receivable balances. It was also noted that 14 of the 60 students tested left the University within the first year, and one account did not have any payments made on it.

Additionally, during testing it was noted that 11 of the 291 fiscal year 2015 graduating students were permitted to receive their transcripts although they still had an outstanding accounts receivable balances at the University. 5 of the 11 transcripts were produced for graduates who had zero balances as of their graduation date. Dorm fines were posted to their accounts when their rooms were inspected. 4 of the remaining 6 graduates' transcripts are being held in the Office of the Registrar's vault. The diplomas and transcripts were printed, yet the documents were not released to the students. Lastly, 1 of the remaining 2 graduates' transcripts was released because a scholarship expunged their remaining balance.

The University should revise the existing policy to adhere to timely payments of unpaid fees, and also implement procedures to follow-up on the collection of unpaid or student accounts with outstanding balances. Failure to pay any unpaid balance on an account should result in the student being prevented from registering for future semesters, receiving an official University transcript, having degree status confirmed by the University, and withdrawal of the student from the current semester's courses. If the University believes that their current policies are not reasonable, a new policy should be adopted by the Board of Trustees with a reasonable timeline by which a student needs to pay their balance before being withdrawn from classes. Additionally, consistent procedures will assist in the timely collection of outstanding balances, including the use of internal resources as well as the Attorney General's Office. Failing to require students to pay their tuition in full may result in an increased risk of being unable to collect those outstanding balances as the age of the receivable impacts the collectability of the account.

3. Aging of Receivables

The University's Aging Receivable Report is monitored by the University's Cash Management Office and also maintained in Banner, which is the University's Accounting System. The Aging Receivable listing is comprised of all students, current and past, with an outstanding balance from 2001 through the present. The report reflects account transactions that occurred in specified time periods (0-120, 121-270, 271-360, 360+, and total). When payments are received they are not applied to specific charges recorded within the accounting system, and these charges remain outstanding in the Accounts Receivable system. Therefore, the charges are not removed from the account as payments are aged independently of specific charges as opposed to the payment eliminating the charges, when the charges and the payments do not occur in the same time period (0-120, 121-270, 271-360, 360+) they distort the aging of the account. Also, without pulling the student individual detail activity from Banner, the University is not able to determine the true age of an individual student account, nor the accuracy of the amounts reported by period. The total accounts receivable reflected on the Aging Receivables Report are accurate, but not the individual periods of aging of the receivables.

The University certifies outstanding receivables to the Attorney General's Office as required by ORC § 131.02, but this certification does not occur within the time frame outlined in the ORC. Additionally, the University has not had a designated staff member to work on collection efforts since October 2014. Therefore, this process has not been performed consistently over the last few years. The last certification to the Attorney General's Office was May 2015 and prior to that was November 2013. As part of the certification, the University provides student contact information to the Attorney General's Office. However, this information is often outdated as it includes University sponsored email address, which may not be used by the student and old physical addresses. Therefore, collection efforts are hindered by the inability to make contact with the students.

Recommendation:

We are submitting the following recommendations for your consideration regarding the University's Aging Receivable function. These recommendations represent matters for which we believe improvements in the tuition and enrollment function can be achieved:

The University's Aging Receivables Report, which is generated by the University's Banner Accounting System, reflects outstanding student balances. The report reflects account transactions that occurred in specified time periods (0-120, 121-270, 271-360, 360+, and total). When payments are received they are not applied to specific charges within the accounting system. Therefore, it appears as though the charges are not removed from the account as payments are aged independently of specific charges as opposed to the payment eliminating the charges, which distorts the aging of the account. Therefore, without pulling the student individual detail activity from Banner, the University is not able to determine the true age of an individual student account. The totals reflected on the Aging Receivables Report are accurate, but not the age of the receivable. Aging Receivable reports were provided for testing or review from several time periods, which included over 6,000 previous students who attended the university spanning the past 17 years (when Ellucian-Banner system was adopted).

Additionally, it was noted that the University is not reconciling the sub ledger activity in Banner to the General Ledger. The University should develop a system to accurately calculate the details of the Aging Receivables Report where payments are applied to students' account charges rather than the students account balance as a whole. This may be resolved by system configuration of University's Banner Accounting Software. The University should verify that the sub ledger accounts are reconciled to the general ledger on a consistent basis to verify accurate accounting reports are being generated from the Banner Accounting System.

Ohio Revised Code § 131.02 provides, in part, that outstanding student accounts of a state institution of higher education, shall be certified within the later of forty-five days after the amount is due or the tenth day after the beginning of the next academic semester, quarter, or other session following the session for which the payment is payable.

It was noted that the University is not consistently submitted collections to the Attorney General's Office as the last certification to the Attorney General was May 2015 and prior to that was November 2013.

The University should implement policies and procedures to verify that student accounts are being properly certified to the Attorney General each semester as required. Failure to properly certify accounts receivable may result in the increased inability of the University to collect on the account as the age of receivable impacts the collectability of the account.

The University provides contact information to the Attorney General's Office as well as the federal government for collection of outstanding student balance and collection on student federal loans. However, this information is often outdated as it includes the University sponsored email address and old physical addresses and phone numbers. Therefore, collection efforts are hindered by the inability to make contact with the students.

The University should research and implement more advanced procedures for periodically verifying and/or updating students' contact information each term, including permanent phone numbers, addresses, and email address. Students could also be required to provide a secondary non-University sponsored email address as students who leave the University will often not utilize the University sponsored email address but will maintain use of the non-University email address. Keeping up-to-date contact information will assist in the collection of University's account receivable balances. This may assist the Federal Government in the collection of student loans, which could impact the University's default rate.

4. University's Reporting Requirements Regarding Student Loan Payment Status

Through discussion with University personnel it was determined that when a student does not return to the University for a semester, the University's Financial Aid Department will send the student a letter notifying them that their loans are going to enter repayment status after the six-month grace period allowed by the Federal Government.

The University's Registrar's Office is responsible for reporting student enrollment to the National Student Loan Data System (NSLDS) each semester. By default, students that are not on the reported data would be considered in repayment status. The NSLDS cross references reports from other Universities and is responsible for monitoring transfers.

The University also performs monitoring of transfers and has the capability to view student loan history from the University and other schools. The senior students are required to have an exit interview with the Financial Aid Department. Seminars are held by Central State University to promote financial aid literacy for all students receiving aid.

There is no official requirement to obtain addresses on students. References are provided on the loan applications (FAFSA) and are often used to locate students who are in default that have not contacted the loan administrator regarding payments.

Recommendation:

We are submitting the following recommendations for your consideration regarding the University's Student Loan Payment Status function. These recommendations represent matters for which we believe improvements in the tuition and enrollment function can be achieved:

The University should research and implement more advanced procedures for periodically verifying and/or updating students' contact information each term, including permanent phone numbers, addresses, and email address. Students could also be required to provide a secondary non-University sponsored email address as students who leave the University will often not utilize the University sponsored email address but will maintain use of the non-University email address. Keeping up-to-date contact information will assist in the collection of University's account receivable balances. This may assist the Federal Government and the Attorney General's Office in the collection of student loans, which could impact the University's default rate.

Official's Response:

Central State University faced significant economic challenges during FY13 and FY14. In response to these challenges, the University swiftly and aggressively reduced operating expenses, secured additional state capital funding, realigned departments and retired contingent liabilities. These actions resulted in an increase in net expendable assets, which is the key driver in the ratio compilation and an indicator of overall financial health. As a result, the University's SB6 ratio improved from 1.0 to 2.3 within one year's time. This significant change in our ratio confirmed our structural improvements to our cost infrastructure that began before the Fiscal Watch declaration. The University's budget is now rightsized to meet its current economic conditions.

The University received important information through this extensive state audit. This review will improve University processes and help ensure effective and efficient operations. Therefore, the University accepts the State Auditor's findings and has begun to review all policies, procedures, and processes to ensure that staff is knowledgeable when significant changes or turnover occurs. Many of the recommendations presented by the State Auditor are already in progress and will continue to be implemented this Fiscal Year 2016-17. The University is committed to best financial practices and emerging from Fiscal Watch by Fiscal Year 2017.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations included in this report. However, these recommendations reflect our desire to assist Central State University. We intend this report for the information and use of the governing board and management. If you have questions or concerns regarding these recommendations please contact the Auditor of State's office.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 7, 2016



Dave Yost • Auditor of State

CENTRAL STATE UNIVERSITY

GREENE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 11, 2016**