

OHIO AUDITOR OF STATE **KEITH FABER**



**Central State University
Greene County, Ohio**

Financial Accounting Report

Central State University - Greene County

Financial Accounting Report

Table of Contents

Certification	3
Purpose.....	5
Executive Summary	6
Analysis of the University's Methods	
Governance Overview	7
Budgetary Process	13
Revenue Activity	21
Purchasing Process, Bidding, and Cash Disbursements	27
Payroll Processing	36
Debt Administration	46
Cash Management and Investing.....	51
Financial Reporting	57
Forecasting and Planning	62
Foundation Processes	69
Appendix	76
Conclusion	77

This page is intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

CERTIFICATION

On October 25, 2024, Central State University was declared in a state of fiscal watch by the Ohio Board of Regents. The requirement set forth in Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, requires that after the declaration of the existence of a fiscal watch, the Auditor of State shall issue a report 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.

Therefore, pursuant to Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, a “Financial Accounting Report” is hereby submitted and certified to the Board of Trustees of Central State University.

In the preparation of this report, certain University financial accounting, budgetary and reporting issues, along with the related methodology have been detailed. We believe that substantive weaknesses exist in the areas of lack of oversight and approval of the financial activity, debt issuance, endowment and foundation activity, and tuition fee waiver programs by the Board of Trustees and Administration; an outdated accounting system (Banner) that is no longer fully integrated into financial accounting processes; the increasing balance of past due student accounts receivable; lack of a timely, comprehensive and complete reconciliation process of accounting records to bank activity and balances; lack of a financial statement preparation process; lack of a comprehensive forecasting and planning process; and lack of form 990 filings by both of the University foundations. Pursuant to Ohio Administrative Code 126:3-1-01(F)(3), the Auditor of State’s Office, prior to fiscal watch termination, will be in a position to consult with Ohio Department of Higher Education and University as to whether or not these substantive weaknesses have been addressed.

KEITH FABER
Ohio Auditor of State

A handwritten signature in black ink, reading "Tiffany L. Ridenbaugh".

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

May 29, 2025

This page is intentionally left blank.

Central State University - Greene County

Financial Accounting Report

Purpose

As required by Chapter 126:3-1-01(D)(1)(b) of the Ohio Administrative Code, after the declaration of the existence of a fiscal watch, the University shall “consult with the Auditor of State regarding any necessary or appropriate steps to bring the books of account, 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 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.”

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of Central State University, and (2) whether the current accounting system is in compliance with the requirements of the Auditor of State.

Information for this report was obtained by interviewing University personnel, observing operations, and reviewing pertinent accounting, financial and budgetary records. This report presents in narrative form the major transaction cycles of the University and certain other key activities that affect the accounting and reporting functions. Each section of the report identifies the key elements necessary for an effective system, the related requirements from the Ohio Revised Code and the Ohio Administrative Code, the University’s process, and the Auditor of State’s comments for correction or improvement. This report, including the comments and recommendations were discussed and reviewed with the University on May 29, 2025. The University has responded to these comments and recommendations and required changes have been made to this final report. A copy of the University response can be obtained through a request directly to the University at publicrecordsrequest@centralstate.edu.

This report is intended solely for the use of the Board of Trustees of Central State University. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the adequacy of the accounting system. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Central State University - Greene County

Financial Accounting Report

Executive Summary

On October 25, 2024, Central State University was declared in a state of fiscal watch by the Ohio Department of Higher Education. As required by Chapter 126:3-1-01(D)(1) of the Ohio Administrative Code, after declaration of fiscal watch, the Auditor of State shall provide a written report to the 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.

During the preparation of this report, we have identified significant issues within the University's system and processes of financial accounting and reporting. The most significant issues include: lack of oversight and approval of the financial activity, debt issuance, endowment and foundation activity, and tuition fee waiver programs by the Board of Trustees and Administration; an outdated accounting system (Banner) that is no longer fully integrated into financial accounting processes; the increasing balance of past due student accounts receivable; lack of a timely, comprehensive and complete reconciliation process of accounting records to bank activity and balances; lack of a financial statement preparation process; lack of a comprehensive forecasting and planning process; and lack of form 990 filings by both of the University foundations.

The issues identified raise serious concerns about the overall financial governance and accountability at the University. Each section of this report addresses the issues identified, and recommendations for improvement and or correction within the current structure of the University. While these issues are being evaluated, addressed and corrected, the Board of Trustees and University should consider hiring a third party to assist with managing all financial operations until the Chancellor determines the final status of the University's fiscal watch designation.

The University should prioritize correcting the issues identified throughout this report to ensure the long-term stability and reliability of its financial operations. The absence of sufficient monitoring and controls not only threatens the integrity of financial operations but also undermines trust in the University's ability to manage its resources effectively, transparently, and responsibly.

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of the investigation, results may be reported on at a later date.

Central State University - Greene County

Financial Accounting Report

Governance Overview

Central State University (the “University”) is located in Wilberforce, Greene County, Ohio and is a coeducational, degree-granting university. The University was originally established in 1887 by the General Assembly of the State of Ohio. The University continued to expand degree programs, which resulted in a granting of university status in 1965 by Statutory Act under Chapter 3343 of the Ohio Revised Code and is a component unit of the State of Ohio as a state university.

The University is governed by an eleven-member Board of Trustees appointed by the Governor with the advice and consent of the State Senate. Per Section 3343.05, Revised Code, the Board of Trustees has “exclusive authority, direction, supervision, and control over the operations and conduct” over the University. The Board of Trustees appoints and fixes the compensation of the President, who is the Chief Executive Officer of the University.

The University offers undergraduate degrees in humanities, arts, social sciences, education, business, science, technology, engineering, and mathematics as well as a Master of Business Administration (MBA). The University also has a location in Dayton, Ohio known as CSU-Dayton. Regional extension programs are also available throughout the state. In early 2014, the University was designated as an 1890 land-grant institution which enables the University to receive the benefits of the Morrill Act of 1890, legislation that provides support for agricultural and scientific research and education.

On October 25, 2024, Central State University was declared in a state of fiscal watch by the Ohio Department of Higher Education.

As required by Chapter 126:3-1-01(D)(1) of the Ohio Administrative Code, after declaration of fiscal watch, the Board of Trustees shall:

1. Within ninety days of the declaration of fiscal watch adopt a recovery plan with the purpose to end fiscal watch within three years, which is approved by the Chancellor of the Ohio Department of Higher Education;
2. Consult with the Auditor of State regarding any necessary or appropriate steps to bring the books of account, 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;
3. Direct the University to develop an effective financial accounting and reporting system by promptly bringing its existing system of financial accounting and reporting into compliance with the standards required by the Auditor of State;
4. Establish a process by which the Board of Trustees or a committee thereof will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the recovery plan;
5. Approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

Central State University - Greene County

Financial Accounting Report

Governance Overview

(continued)

The Board of Trustees approved the recovery plan on January 23, 2025, it was submitted to the Ohio Department of Higher Education on January 24, 2025, and was conditionally approved with contingencies on February 4, 2025. The contingencies as outlined by the Ohio Department of Higher Education are:

1. Central State University shall continue to make efforts to fully eliminate its projected operating deficit in fiscal year 2025.
2. Central State University shall continue providing necessary information, reports and documentation to the Ohio Department of Higher Education as requested, and continue cooperation with the firm and department regarding options necessary to resolve finances.
3. Central State University shall continuously review actual financial performance compared to the projections contained in the plan and provide updated addendums to the plan when new information is presented.
4. Central State University shall comply with any and all other requests for ongoing information, reports and documentation from the Ohio Department of Higher Education.

To the extent these contingencies are not followed, the plan, as submitted, would no longer be approved and an updated plan would have to be submitted by Central State University's Board of Trustees.

In accordance with Chapter 126:3-1-01(F)(1) of the Ohio Administrative Code, the fiscal watch will be terminated once the following criteria are met:

1. The University achieves a composite result of the ratio analysis calculated in accordance with Chapter 126:3-1-01(A)(4) of the Ohio Administrative Code of at least 2.40 for a fiscal year;
2. The University remediates all of the conditions that led to the fiscal watch, including any cash flow problems, the inability to prepare fiscal year financial statements in a timely manner, substantive audit findings, or reportable events;
3. And, no other condition exists or is likely to materialize that could result in a declaration of fiscal watch.

Once these conditions have been met, the Ohio Department of Higher Education shall adopt a resolution declaring the termination of the fiscal watch and shall certify the resolution to the Governor, the Speaker of the House of Representatives, the President of the Senate, Chairs and Ranking members of the House and Senate Finance Committees, the Legislative Service Commission, the Director of the Office of Budget and Management, and the Board of Trustees of the University.

Central State University - Greene County

Financial Accounting Report

Governance Overview

(continued)

Board of Trustees: The Board of Trustees are required to approve and accurately reflect information within the minutes to permit the public's understanding and appreciation of rationale supporting the Board of Trustees' decisions. The Board of Trustees established a finance committee composed of select members of the Board of Trustees that are responsible for monitoring the University's finances. According to the Board of Trustees meeting minute record, the full Board periodically reviewed information on enrollment, tuition, and select education and general budgetary revenues and expenditures as discussed in the Budgetary section of this report. However, the University was unable to provide any documentation to indicate what documents were reviewed by the Board of Trustees or finance committee during fiscal years 2024 and 2025. There was also no indication that the Board of Trustees approved the reports and information provided.

Tuition Waivers and Guarantees: §381.170 of Am. Sub. H.B. 166 of the 133rd General Assembly prohibits the University Board of Trustees from providing tuition waivers other than tuition waivers approved by the Chancellor of the Ohio Department of Higher Education (ODHE).

ODHE Directive 2009-11 requires that tuition waivers are approved by the Board of Trustees, including the specific amount to be waived, students to whom the waiver applies, and the time frame of the waiver. The Board of Trustees approval must also include language that states the waiver request will be submitted to the Chancellor for approval. The request must include the specific tuition waiver request, the rationale for the request, the period during which the waiver would be in effect, and the number of students that are anticipated to be served under the request.

According to the ODHE, the University does not have any approved tuition waivers in place. However, the University is currently providing the following tuition waiver programs that have also not been approved by the University Board of Trustees:

- Alumni Tuition Remission Program is a program that is advertised to allow Central State University Alumni Association members and their families to attend undergraduate classes and obtain a degree free of charge, including secondary degrees. Qualifying family members include children, stepchildren, grandchildren, step-grandchildren, spouses, siblings, parents, and parents-in-law. The alumni member must be in good standing with the Central State University Alumni Association with all fees paid current. Participants that qualify may have their tuition charges and housing costs paid by financial aid and receive a refund if the financial aid is not funded by the University. The University covers the cost of tuition for program participants that do not qualify for financial aid. Regardless of financial aid eligibility, program participants are responsible for the following fees: application, matriculation, general, books, and health fees.

Central State University - Greene County

Financial Accounting Report

Governance Overview

(continued)

- MBA Degree Tuition Remission Program is a program for alumni that is advertised to allow Central State University Alumni Association members and their families to earn an on-line Master of Business Administration degree at a fifty percent tuition discount. Qualifying family members include children, stepchildren, grandchildren, step-grandchildren, spouses, siblings, parents, and parents-in-law. The alumni member must be in good standing with the Central State University Alumni Association with all fees paid current. This program is also available to full-time employees of Central State University. The tuition discount covers 50% of the cost of tuition only. The participant is responsible for the remaining tuition, matriculation fees, general fees, lab fees, and books. The Financial Aid Office is responsible for applying the 50% tuition discount to the participant's account.
- Global Union Students is a program for AFL-CIO union members that allows union members and their families to complete an on-line undergraduate degree in select programs at a reduced cost. The union member must be in good standing with the AFL-CIO with all union dues paid current. Initially, participants in this program were attending free of charge. Currently for FY25, these students are charged \$250 per credit for in state and out-of-state tuition for 1-11 credit hours. Participating students enrolled in 12-18 credits are charged a maximum of \$3,000. Participants that qualify may have their tuition charges paid by financial aid. All students must pay a \$150 processing fee out of pocket regardless of financial aid eligibility. The processing fee also covers the cost of books.
- Marauder Returns Program allows students who have previously attended Central State University with a previous balance and have not completed a degree the opportunity to return to CSU to enroll in classes. The University will cover these students' prior Central State University balances up to \$7,500 upon completing a CSU Bachelor's degree program. Eligible students are required to complete a financial agreement that obligates the student to pay future tuition and fees by their due dates either out of pocket or if eligible, with financial aid.

The University currently offers the Marauder Guarantee Program, which allows students to pay the same tuition rate for all four years while pursuing an undergraduate degree. This tuition guarantee program was created in response to Section 3345.48(B), Revised Code, that mandates that the board of trustees of each state university establish an undergraduate tuition guarantee program that allows eligible students in the same cohort (a group of students who enter a program at the same time) to pay a fixed rate for general and instructional fees for four years. The University has incorporated the tuition guarantee program into its approved tuition rates for cohorts, which consist of students locked into the same tuition rate for the duration of their degree program and typically begin as freshmen.

Endowments: The University is required to manage the endowments in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Ohio in Sections 1715.51 through 1751.59 of the Revised Code. The University does not currently have an endowment policy.

Central State University - Greene County

Financial Accounting Report

Governance Overview

(continued)

The University currently holds endowments in eight separate Morgan Stanley investment accounts as discussed in the Cash Management and Investing section of this report. According to the University, five of the eight endowments are restricted with specific donor criteria and the remaining three are unrestricted. However, the University was unable to provide documentation supporting one of the restricted endowments and one of the unrestricted endowments. Additional details about each endowment are included in the Appendix to this report.

In January 2025, the University reported borrowing \$600,000 from an endowment fund on the cash flow projection included in the financial recovery plan provided to the Ohio Department of Higher Education as discussed in the cash management and investing section of the report. This endowment fund does not have any official documentation supporting donor intent or restrictions. As such, the University believes that this endowment fund is unrestricted but intends to reimburse the endowment at a later date.

Auditor of State Comments

1. Section 3343.05 of the Ohio Revised Code provides the Board of Trustees with the exclusive authority, direction, supervision and control over the operations and conduct of the University. We encourage the Board to redouble their efforts to provide oversight particularly in the areas of financial reporting, contractual/debt obligations, cash reconciliations, long term forecasting and related budgetary matters, and staff turnover within the fiscal operation of the University.
2. The University's accounting system, Banner is currently outdated. To accommodate for this, the University has placed heavy reliance on the use of manual spreadsheets and also obtained additional software to complete tasks in key areas that Banner is otherwise capable of performing. The University should work with the system provider to find the best options for employee training and updates to the system in an impactful and financially sound manner. Implementing systematic internal controls is key to the University's ability to monitor their financial standing and preparation of budgets, forecasting, and financial reporting.
3. The University should not administer tuition waiver programs without approval of the University Board of Trustees and the Chancellor. The University should also develop policies and procedures for Tuition Waivers. The policy should include provisions as outlined in ODHE Directive 2009-11 including Board of Trustees approval of the specific tuition amount to be waived, students to whom the waiver applies, the time frame of the waiver, and that the request will be submitted to the Chancellor for approval. The Board of Trustees should also approve this policy.
4. The University should adopt an endowment policy that at a minimum includes the criteria of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Ohio in Sections 1715.51 through 1715.59, Revised Code. The policy should also include provisions for monitoring, review, and approval of endowment activity by the Board of Trustees and Finance Committee. The Board of Trustees should approve this policy.

Financial Accounting Report

Governance Overview

(continued)

5. The University should take steps to ensure that documentation is obtained for all endowments and maintained in perpetuity for endowments with restrictions that do not expire. The documentation should include, at a minimum, the donor's name, any explicit restrictions on the manner in which the gift may be invested, the permitted use(s) of the investment return on the gifts, the original amount of the gift, subsequent donations, and annual spending. Additionally, the University should review the endowment documentation to determine ownership and proper reporting in accordance with applicable accounting standards.
6. The University's Board of Trustees should implement formal procedures to strengthen oversight of the institution's financial activities. These procedures should require the University's finance department to regularly prepare and present financial reports and information to both the Finance Committee and the full Board of Trustees, including but not limited to quarterly and annual financial reports, bank reconciliations, and the Education and General and Grant Budgets as discussed in the Budgetary Section of this report. Furthermore, the Board of Trustees and Finance Committee should review and document their evaluation and approval of these financial reports to ensure accountability, transparency, and sound financial governance.
7. The Board of Trustees should establish a committee to oversee implementation of the comments made throughout this report. The committee should identify the individuals or departments responsible for implementation, set clear expectations for timely completion, and require regular progress reports from those parties. This will enable the Board of Trustees to closely monitor the ongoing current financial condition, future financial needs of the University, and work to eliminate operational inefficiencies.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

Description of an Effective Budgetary Process

The legally adopted annual budget plays a unique and central role in determining the amount and type of financial resources that shall be raised, and how those financial resources shall be spent. Annually, a budget consisting of estimated unrestricted operating revenues and expenditures for the next fiscal year should be presented to the governing body with sufficient time for review. The budget should identify the major sources of revenues and divisions of expenditures. The budget should encompass for each division current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the governing body, should be the basis for the appropriation measure. The appropriation measure should identify the amount of resources authorized to be expended for each division's functions and programs. The amount appropriated should not exceed the estimated resources available for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for expenditure.

University's Budgetary Process

University Education and General (E&G) Budget Process: The Education and General (E&G) budgetary process encompasses the operating (unrestricted) revenue and expenditures for the fiscal year. Through the accounting software system (Banner) the University not only inputs revenues and expenditures but also balance sheet items. For example, the short- and long-term debt obligations are included as liabilities within the system. Payments against debt liabilities are not shown within expenditures but within liabilities. Only revenues and expenditures are budgeted within Banner. No balance sheet items are budgeted or go through the budgetary process.

The University's Board of Trustees approved policies on budget modifications and transfers are outdated as compared to the University's current practices and procedures. Portions of the policies are being followed, but they are not followed in their entirety. The Budget Director has established a budget planning timeline as a guide for the budget process, approvals, and input into Banner.

In January of each year, the budget advisory group meets to start the budget process of the next fiscal year's budget. This group includes representatives from the following: Office of the President, Academic Affairs, Student Affairs, Institutional Advancement, Information Technology, and Administration and Finance as well as representatives from faculty, athletics, residence life and grants.

The University prepared a fiscal year 2025 budget that was included in the financial recovery plan submitted to the Ohio Department of Higher Education (ODHE) as discussed in the Governance Overview section of the report. The revenue projections for tuition revenue included in fiscal year 2025 budget were largely based upon the anticipated enrollment of students depending on their classification as a traditional (new first time, transfer, continuing), online, or graduate student as well as residency (on/off campus) status. These enrollment projections are used to create the revenue budget for tuition and fees and room and board for the upcoming fiscal year. Miscellaneous revenue, as well as indirect costs revenue are estimated based on historical data. The Budget Director compiles this information to create the revenue portion of the budget, which is provided to the Interim Vice President of Administration and Finance/Chief Financial Officer. By the end of March, the Interim Vice President of Administration and Finance/Chief Financial Officer presents the budget advisory group the revenue projections for the next fiscal year.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

In early April, the Budget Director sends out a budget development workbook to each division of the University. The workbook has set guidelines and assumptions for revenues and expenditures, detail on the current year budget, headcount of personnel within the division, which includes the full-time employees, stipend receivers, and student workers, if applicable, and the FGRBDSC from Banner. The FGRBDSC reflects the year-to-date budget versus actual information for the current year. The vice president and/or designees of each division (Academic Affairs, Student Affairs, Scholarship, Institutional Advancement, Information Technology, Athletics, Administration and Finance and Office of President) must fill out the workbook and provide explanations for why the budgeted items are absolutely necessary for the division to operate in the upcoming fiscal year. The Budget Director also requests information on cost-saving measures the division has implemented with the intent of sharing this information with other divisions. The finalization of the workbooks by each division are completed by the end of May and the workbooks are submitted back to the Budget Director. The Budget Director compiles the budget information for fixed costs, such as insurance, leases, etc. that are not attributable to a particular University division.

The institutional aid portion of the budget, consisting of scholarships and grants awarded to students, is prepared by the Interim Vice President of Administration and Finance/Chief Financial Officer based on historical information provided by the Budget Director. This portion of the budget is sent to the Financial Aid Director and the Associate Financial Aid Director by the Budget Director.

Once all workbooks have been received from the various University divisions and the budgets for institutional aid and fixed costs are finalized, the overall operating budget is prepared by the Budget Director. The budgeted expenditures are compared with the budgeted revenue to determine if cuts are needed. If the budgeted expenditures are within the estimated revenues, the budget can move to the next step in the approval process. If the budgeted expenditures are not within the estimated receipts, the Budget Director sends a notice to the various University divisions asking them to reduce their budgets further. The various University divisions remit their reduced budgets to the Budget Director, who updates the budget accordingly. If the budgeted expenditures are still not within estimated receipts, the Budget Director and the Interim Vice President of Administration and Finance/Chief Financial Officer make decisions on what to reduce within the budget. Any University divisions impacted by the additional budget cuts are notified of their reduced budget through a notice from the Budget Director.

The Budget Director communicates with the budget advisory group and the Interim Vice President of Administration and Finance/Chief Financial Officer communicates with the Board Finance Committee in meetings throughout the budget process to keep them apprised of how the budget is progressing. Once the Budget Director and Interim Vice President of Administration and Finance/Chief Financial Officer are satisfied the budgeted expenditures are adequately within the budgeted revenues, the budget is provided to the Board Finance Committee for approval. Once the committee approves the budget it is ready to be presented to the full Board of Trustees. During a Board meeting in June, the Interim Vice President of Administration and Finance/Chief Financial Officer presents an unrestricted (operating) budget for both revenues and expenditures. The presentation outlines predictions for the estimated revenues and expenditures by divisions. The presentation also clarifies the calculations as well as significant changes from the prior fiscal year. The Board only approves an overall total for the unrestricted budget for both revenues and expenditures in June by resolution. No grants budgets are sent to the Board; however, each grant has an individual approval process as outlined in the University Grant Budgetary Process section below.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

Banner allows the Budget Director to upload the unrestricted budget from excel. On June 30, the Budget Director uploads the spreadsheet containing the budget information into Banner. The Budget Director then runs the FGRREOB and FGRBDSC reports to ensure the upload worked properly. The FGRREOB compares actual activity-to-date for revenues and expenditures to the budgeted activity-to-date with prior year activity and budget for the period, and the FGRBDSC reflects the year-to-date budget versus actual information for the current year. The Interim Vice President of Administration and Finance/Chief Financial Officer also reviews division budgets periodically based on either monthly reports or special analyses. This information is typically provided by the Budget Director.

Budget transfers or modifications can be requested at any time, as necessary, by each division within the University through use of the Budget Modification sheet. If the change is within a division's appropriation unit, the Budget Modification sheet must be approved by the vice president of the division requesting modification and the Interim Vice President of Administration and Finance/Chief Financial Officer. If the change crosses appropriation units, the change must be approved by the vice presidents of the divisions affected and the Interim Vice President of Administration and Finance/Chief Financial Officer. For amounts over \$5,000 or any changes from salaries to operational expenditures, the approval process also requires the President's approval. The Budget Director receives the approved Budget Modification sheets to input the change within Banner. The journal entry within Banner for the budget modification is noted on the Budget Modification sheets along with the date by the Budget Director. The responsibility of reviewing budget modifications within Banner is placed upon the divisions requesting the change. Approved personnel within each division have read-only access to their division budgets within Banner through username and password. The Board only approves changes to the overall budget.

Once the fall semester starts, the Informational Technology division emails an Enrollment Classification and Student Type Report that reports enrollment for the current semester by student types and classifications. This report is sent daily to various University employees, including the Budget Director and the Interim Vice President of Administration and Finance/Chief Financial Officer. The review of the enrollment information allows the Budget Director and the Interim Vice President of Administration and Finance/Chief Financial Officer to note large fluctuations on the estimated enrollment and/or revenue budgets that were projected for the fiscal year. Neither the budgetary policies nor procedures fully address the procedures, process or timeline to take action on shortfalls or surpluses from the estimated resources.

Monthly, the Budget Director reviews the FGRBDSC report from the Banner system comparing the year-to-date amount spent and the budget. The FGRBDSC reflects the year-to-date budget versus actual information for the current year. There is no documentation of this review. The Budget Director creates a report that is sent to the various University divisions each month containing dots to show how each line item is doing at that point in the fiscal year. These reports show if the division is under budget (green dot), at or slightly above budget (yellow dot), or noticeably over budget (red dot). The University's procedures do not include the Budget Director reviewing amounts encumbered against the budget but not spent.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

Grant Budgetary Process: The University Board of Trustees and Finance Committee do not review or approve grant budgets or awards. The Office of Sponsored Programs and Research is solely in charge of establishing external grants and budgets within Banner. Grants are initiated by the preparation of a proposal, which is performed by a Pre-Award Lead and/or a faculty member. When grant proposals are written, the proposals include a budget within the request to the granting federal agency that includes a budget for various cost categories including, but not limited to, salaries, supplies, and indirect costs. The Pre-Award Lead assigned to the proposal submits it to the applicable granting agency. If the grant is denied, the Assistant Vice President for Sponsored Programs Administration is notified by the granting agency, who then notifies the Pre-Award Lead and the faculty member, referred to as the Principal Investigator, of the denial of the grant. If the grant is approved, the Assistant Vice President for Sponsored Programs Administration receives a Notice of Award from the granting agency. The Notice of Award is provided to the Post Award Lead assigned to the grant and the faculty member. The Post Award Lead reviews the Notice of Award and the budget in the Proposal. If there were any variances between the budgets, the Post Award Lead ensures the faculty member is aware of the changes. The Post Award Lead establishes the grant in Banner and sets up the indirect cost codes, if applicable. The grant is identified by a "G" number in Banner. The Post Award Lead manually completes a Banner Maintenance Form Grant Request, which is sent to the Controller's Office to establish the fund number in Banner and link the number to the "G" number in Banner. The Controller's Office also sets up the proper routing for requisition approvals for non-payroll disbursements of the grant. Once the setup is complete, the Controller's office notifies the Post Award Lead, who then enters the budget information for the grant into Banner using the established "G" and fund numbers. After the budget is set up in Banner, the Post Award Lead notifies the Principal Investigator providing the fund number, organization number, program number, the name of the Post Award Lead, the period of performance for the grant, the closeout deadline, the due dates for technical reports, and faculty/staff percentage of time for the grant.

Each month, before the University Controller closes out Banner for the prior month, the Post Award Leads review the Payroll Labor Distribution Report, from Banner, provided to them by the Disbursement Manager, to ensure individuals paid by grant funds are charged to the proper fund and account. The Office of Sponsored Programs and Research also maintains a Labor Distribution Spreadsheet, which is used to track payroll charges for all grants the Office of Sponsored Programs handles. This spreadsheet is used to compare the Payroll Labor Distribution Report from Banner to ensure the information in Banner is correct. If any payroll corrections are needed, the Office of Sponsored Programs and Research notifies the Payroll Office of the corrections that need to be made. Once the corrections are made by the Payroll Office and posted in Banner by the Controller's Office, the Controller's Office of Sponsored Programs and Research and the payroll is again reviewed for accuracy. Any variances are cleared up with the Payroll Office and the Controller's Office prior to the Controller closing out Banner for the prior month. After the Controller closes out Banner for the prior month. The Post Award Leads then review budget versus actual activity in Banner for the grant funds to ensure there are no discrepancies. Any discrepancies, while rare, are researched by the Post Award Leads and the discrepancies are resolved by working with the Controller's Office and/or the Principal Investigator.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

To request additional funding, the Principal Investigator prepares a letter explaining the need for more funding than was originally approved in the Notice of Award, which is sent to the applicable Post Award Lead. The Post Award Lead makes any necessary revisions before approving the request. The letter is then sent to the Assistant Vice President for Sponsored Programs and Research for approval and forwarded to the applicable Federal Agency by the Post Award Lead. If the Federal Agency approves the request, a revised Notice of Award is received by the Post Award Lead. The Post Award Lead revises the budget information in Banner to match the revised Notice of Award and notifies the Principal Investigator of the approval. If the request is denied by the Federal Agency, the Post Award Lead receives a notification of the denial of the request, which is then provided to the Principal Investigator.

If a Principal Investigator wants to transfer budgeted amounts from one account in a grant fund to another account within that same grant fund, the Principal Investigator completes a Budget Modification Form, which is sent to the Post Award Lead. After reviewing the Budget Modification Form to ensure the change is in compliance with the grant requirements, the Post Award Lead updates Banner to reflect the budget change and notifies the Principal Investigator that the change has been made. If the change is not in compliance with the grant requirements, the Post Award Lead notifies the Principal Investigator the reason the change cannot be made.

Capital Budgetary Process: ODHE requires the University to submit a six-year capital plan each biennium to receive State funding for capital projects. Capital projects are typically funded solely through State appropriations without any local funding from the University. The University currently has a six-year capital improvement project plan. The plan includes a listing of anticipated capital projects for fiscal years 2023 through 2028 with an estimated cost of each project. The initial listing is submitted to the President's Cabinet for review and prioritization. Once the full capital plan has been prepared, including the narrative and project budgets, it is reviewed and approved by both the President's Cabinet and the Board of Trustees. The capital plan is then submitted to ODHE for consideration. ODHE compiles a statewide capital plan and submits funding requests to the Controlling Board for consideration.

Each year, ODHE communicates deadlines to the Interim Vice President of Administration and Finance/Chief Financial Officer regarding submitting a budget for capital spending for the next fiscal year. Each fall, either the Interim Vice President of Administration and Finance/Chief Financial Officer or the Senior Financial Manager submits a budget for capital spending to ODHE. ODHE then notifies the Interim Vice President of Administration and Finance/Chief Financial Officer of award amounts once approved as part of the bi-annual budget. Each week the Capital Projects Committee meets with project managers for upcoming capital projects or capital projects that are currently in process. This allows the Capital Projects Committee to discuss the project status, estimated completion dates, and budget to actual information for each project with the project managers timely. The Senior Financial Manager maintains a spreadsheet which tracks each project's budget versus the actual expenditures to monitor that expenditures are within the amount awarded by the Controlling Board. When invoices are received for capital projects, they are submitted to ODHE by the Interim Vice President of Administration and Finance/Chief Financial Officer. Once ODHE approves the invoices for payment, the Ohio Office of Budget and Management (OBM) pays the invoices.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

Each year the Budget Director downloads information from the OBM portal regarding the invoices paid by OBM for the University's capital projects into a spreadsheet. The Budget Director then summarizes the information in the spreadsheet file on a separate tab within the file and provides the spreadsheet to the Controller. This information is then provided to the financial statement auditor to be recorded on the financial statements.

The University contracts with a company to perform maintenance of the University's capital assets, which includes the buildings' various heating, ventilation and air conditioning and related systems. The University has indicated this maintenance was not being performed and has switched maintenance vendors as a result. The University's Fiscal Recovery Plan filed with ODHE indicates that part of the reason for the University's financial difficulty is related to this lack of maintenance.

Auditor of State Comments

1. The University's current policies on budget modifications and transfers are outdated compared to the University's current practices and procedures. In addition, the current budgetary policies of the University are silent regarding the budget creation and approval process. The University procedures related to the budgetary process indicate that the University can take several actions to maintain a balanced budget and protect academic quality. The budget policy should contain the budget process and specific steps to be taken to maintain a balanced budget. These steps should include a mandated review process of estimated revenues based on actual revenues and trigger variances to start the process of modifying the overall unrestricted budget. This enhancement should include a timeline and a requirement for tracking enrollment and related revenues to predict the accuracy of the current budget. The University should review and update the budget modification and transfer policies, create a budget process policy, and obtain Board of Trustees approval of these updated/created policies. Also, to ensure disclosure of approved transfers and budget modifications, these approved transfers and modifications should be presented to and reviewed with the Board of Trustees Budget and Finance Committee.
2. The Board of Trustees should approve a cash reserves policy for their unrestricted cash balance. The cash reserve policy should require the University to not only calculate cash reserves through the unrestricted budget process but also include any balance sheet items, such as debt obligations, that cannot be budgeted within Banner. The integration of the cash reserve policy into their budgetary process as well as balance sheet items will help ensure that budgeted operating expenditures are at a level that will permit the growth of the unrestricted cash balance to a level desired by the Board. The Government Finance Officers Association (GFOA) has issued a best practice resource for determining the appropriate level of unrestricted fund balance in the general fund. This information should be reviewed as a guide in determining levels of unrestricted fund balance and the variety of factors to consider.
3. The University's current procedures for the review of budget versus actual information do not include reviewing information regarding outstanding encumbrances or documenting the review of budget versus actual information. The University should create, and the Board of Trustees should approve, a policy for monitoring budget versus actual information. This policy should contain what information should be reviewed including the review of outstanding encumbrance information, when it should be reviewed, who should perform the review and how the review should be documented.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

4. The University lacks a formal process for reviewing the budget information entered into Banner, other than the method currently used by the Budget Director. The University should establish formal policies and procedures requiring the Interim Vice President of Administration and Finance/Chief Financial Officer to review the budget information entered into Banner and ensure the amount entered agrees to the Board approved amount. These policies should specify when and how the review will be conducted, as well as how it will be documented. Additionally, the policy should be approved by the Board of Trustees.
5. The Post Award Lead enters the budget information for grants into Banner however, there are no policies or procedures requiring a secondary review of this information. The University should establish policies and procedures requiring a second review of the grant budget information entered into Banner. This policy should be approved by the Board of Trustees.
6. The University lacks a documented procedure manual outlining the duties of the Budget Director, Senior Financial Manager, and Vice President of Administration and Finance/Chief Financial Officer. If individuals in these positions were to transition to other positions within the University or leave employment, the University would have significant difficulty training new personnel in these positions. Furthermore, accurate job descriptions cannot be created or advertised for these positions without a thorough understanding of the responsibilities of these positions, and how the duties are carried out. The University should create procedures manuals for these positions to ensure both the job requirements and the processes for fulfilling these responsibilities are thoroughly documented.
7. The minute record of the Board of Trustees does not provide evidence of a review or approval of budget versus actual information for the Education & General or Grant Budgets as the University lacks a policy requiring this to be performed. Without reviewing budget versus actual information each month, the Board of Trustees cannot properly monitor the financial condition of the University. It is imperative that such information not only be reviewed in times of fiscal crisis, but also at times the University is more financially stable. This allows the Board of Trustees to effectively intervene prior to financial deficits occurring. Recent budget versus actual data should be reviewed and approved at each Board of Trustees meeting and the University should develop and the Board of Trustees should approve a policy requiring budget versus actual information be presented to them each meeting and the Board of Trustees should approve this information after performing a review of the information. Such approval should be documented in the minute record of the Board of Trustees meeting as evidence this review, and approval has been performed.
8. The University's Fiscal Recovery Plan filed with ODHE indicates that part of the reason for the University's financial difficulty is "mechanical, electrical, and plumbing systems now suffer due to lack of maintenance". The University receives capital expenditure allocations from the State, which may be used to fund upgrading or repairing these systems. The University should prioritize the use of capital expenditure allocations on repairing or upgrading these systems rather than using the capital expenditure allocations for less prioritized projects. This will prevent further deterioration and mitigate the risk of incurring even higher costs for these systems in the future.

Central State University - Greene County

Financial Accounting Report

Budgetary Process

(continued)

9. The University does not have a formal process for ensuring scholarships awarded to students by the University are accurately budgeted. Scholarships are awarded without considering their impact on the budget and tuition revenue. Additionally, scholarship awards are not being properly documented in Banner, which results in inaccurate budget versus actual comparisons and the potential for misstatements in the financial statements. The University should establish formal policies and procedures to require that all scholarship awards are accurately budgeted and reflected in Banner. These policies should be reviewed and approved by the Board of Trustees.

Central State University - Greene County

Financial Accounting Report

Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. A pre-numbered, multi-part receipt form or a system generated receipt form should be issued for any payment received by departments. The receipt should bear the name of the University and reflect the date received, the payor, the amount, the purpose/nature of the receipt and the signature or name of the person preparing the receipt. Departmental receipts should be summarized and remitted to the fiscal office daily.

Statutory Requirements

Section 9.38, Revised Code provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the Treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds one thousand dollars. If the total amount of the public monies received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

University's Receipt Process

The University has several policies and procedures related to receipts, including a revenue posting procedure, daily duties for cashiers, payment of tuition and fees, and bad debt allowance policy. Some of these policies and procedures are outdated as compared to the University's current practices and procedures. Portions of these policies and procedures are being followed, but they are not followed in their entirety.

The University's primary sources of revenues include State Share of Instruction monies, State Supplement monies, tuition, and mandatory fees from students. In addition, the University receives student housing revenue, parking permit fees, replacement student ID fees, Federal and State grants, gifts and donations, bookstore sales, print center sales, athletic ticket sales, and foodservice fees and commissions. Monies are received by the University via electronic transfer, in the mail, or in person through the Cash Management department. The University policy on revenue posting states that monies collected must be posted the same day as received, unless information is needed regarding what fund and account the receipts should be posted to. All employees that handle money are covered through the University's insurance policies.

The University receives the following types of payments: cash, checks, cashier's checks, money orders, wire transfers, Automated Clearing House (ACH) payments, credit card payments, and payments from Nelnet. Personal checks are not accepted for payments on student accounts; checks are accepted from businesses and donors.

Central State University - Greene County

Financial Accounting Report

Revenue Activity

(continued)

Employees in the Cash Management department include the Student Accounts Receivable Specialists, and the Office Manager. Oversight of the Cash Management department is the responsibility of the Bursar. As the University is currently without a Bursar, the Controller is responsible for supervision of the Cash Management department. The Cash Management department is responsible for posting the University's receipts in Banner.

The Cash Management department receives all in person payments. If the Cash Management Office Manager or Student Accounts Receivable Specialist is unsure of what fund/account code a receipt should be posted to, the University department related to the receipt is contacted and a fund/account code is provided by email or over the phone. If an answer cannot be provided on the same day, the Cash Management Office Manager or Student Accounts Receivable Specialist can post the receipt to an unallocated fund so that it can be accounted for that day as revenue while they research the receipt. Once the correct account is determined, it is moved from the unallocated fund to the correct account. As of January 31, 2025, there is nothing in the unallocated fund. The Office Manager also maintains a listing of common miscellaneous cash receipts and what fund/account code to use. As each check is posted to Banner, a copy is made and attached to the receipt form, which is printed from Banner. The University uses Square, a point of sale system, to process credit card transactions. When a credit card is processed, the Cash Management employee who processed that transaction receives an email of the credit card receipt from Square, that email is printed and is included in the employee's daily report.

All types of payments are receipted by the Cash Management department on a daily basis and can be receipted by the Student Accounts Receivable Specialist, or the Office Manager. Each receipt is entered into Banner and a copy of the supporting document is printed. All documentation, including copies of checks, money orders, credit card receipts, wire transfer information, and other forms are attached to the receipt form. The documentation, along with the cash and checks, are kept in each Cash Management department employee's drawer. The drawer is locked if the employee leaves his or her desk, and the key to the drawer is taken with the employee.

At the end of the day, each Cash Management department employee runs a Cashier Detail Report. The report includes only the transactions posted by that employee, that day. Next, they fill out a two-part bank deposit slip for all checks and cash that are to be deposited with the bank. The white copy is included with the cash and/or checks, which are placed in the safe. The yellow copy is stapled to the Cashier Detail Report. Also attached to the Cashier Detail Report are the copies of receipts and supporting information to create a daily receipt packet for that employee. All daily receipt packets are filed in one folder labeled with that day's date. The bank deposit slip, credit card receipts, and any wire transfers are added together and should match the total from the Cashier Detail Report. If a difference is found by the Student Accounts Receivable Specialist, the Office Manager is asked to help, if the Office Manager cannot determine the issue then the Controller is asked to help. The Office Manager reviews each Student Accounts Receivable Specialists' drawer and daily packet at the end of the day. The receipts that are posted in Banner by Cash Management are reviewed daily by the General Accountant in the Controller's office.

Central State University - Greene County

Financial Accounting Report

Revenue Activity

(continued)

The monies are held in the safe overnight, which is inside a locked room. The Controller, Office Manager, and Student Accounts Receivable Specialists know the combination to the safe; however, only a locksmith can change the combination to the safe so the combination is not changed after someone leaves the University. At the start of each day, the Office Manager or the Student Accounts Receivable Specialist will open the vault and retrieve the cash drawer. The cash drawers are counted in the morning to verify the beginning balance is \$200. Typically the Office Manager goes to the banks mid-day to deposit the receipts from the previous day. If the Cash Management Office Manager is unavailable to make the bank deposit, another employee from the Cash Management Office is able to do that. If none of the Cash Management employees are available to do the bank deposit, the Controller or the Controller's General Accountant are backups to make the bank deposit. The University's copy of the bank deposit slip is brought back and stapled to the corresponding daily receipt packet. All packets for the day are placed back into the folder for that date, which are filed chronologically in the Cash Management office.

Wire Transfers and ACH Payments: The University receives many revenues through wire transfers and electronic ACH payments. These transactions are deposited directly to the University's main operating bank account, including but not limited to, State Share of Instruction monies and State Supplement monies, and Federal and State grants. The Controller downloads reports from the bank that show the electronic deposits into the bank account. The Controller notes on the electronic deposit report which items the Cash Management department should post. The Controller emails the marked electronic deposit report to the Cash Management department. If there are grants on the electronic deposit report, the Controller copies the Office of Sponsored Programs and Research (OSPR) on the email when the electronic deposit report is sent to Cash Management. For the grants, OSPR will reply to the email with the codes for each grant receipt to be posted to in Banner, then a Cash Management employee posts the receipt.

Student Accounts/Nelnet: The University contracts with Nelnet for student account management. Tuition, housing, meal plans, book fees, and payment plans are billed to students through Nelnet. The University receives payments from Nelnet directly into their operating account via ACH. The Nelnet system is linked to Banner, and the amounts received by Nelnet are automatically posted to Banner through an interface with the Nelnet system. Students can log into their account on a Nelnet-run website and access account information, make payments on their account, or set up a payment plan. A student can also make payments on their account in the Cash Management office, but payment plans are only available through Nelnet.

Per University policy, a student who does not have 100 percent of the current semester's bill paid or covered by awarded financial aid or approved payment plan can be administratively withdrawn from classes. For the Fall 2024 semester, the University updated their procedures to not allow students with an outstanding balance from a previous semester to register for classes for the next semester. However, prior to updating the procedure students who had outstanding balances were allowed to continue to register, take classes, and earn credits.

According to the tuition aging report, as of December 31, 2024, the total outstanding balance for tuition is \$34,873,701.

Central State University - Greene County

Financial Accounting Report

Revenue Activity

(continued)

There has been turnover in several key University positions over the past few years which has resulted in a lack of review of the tuition aging report. Additionally, the University does have a bad debt allowance policy which states that the Controller and Bursar are to review the aging report at the end of each fiscal year, and to take appropriate measures to collect outstanding balances and to make a determination on an allowance for bad debts. Currently there is no review being completed, no balances are being turned over to the Attorney General's office for collection, and no allowance for bad debts are being calculated or determined.

Periodically, a Cash Management employee reviews the tuition aging report for credit balances. Once the list of student's who have credit balances is established, each of those students' accounts are reviewed to see if the balance is refundable. Once the students' accounts are reviewed, an excel file is created with the information of the students who are eligible for refunds and that is uploaded to Nelnet for the refunds to be processed. Nelnet allows the students to choose a refund method of direct deposit, physical check or deposit to a prepaid debit card. Students can also check their own accounts for credit balances. If a student has a credit balance they can go to the Cash Management office to have a Cash Management employee review their account to determine if the balance is refundable. The Cash Management employee fills out a refund template to determine whether the student's balance is refundable or not, if it is refundable the refund is processed through Nelnet as previously described.

Print Center Requests: The University's print center does not accept any form of payment. Instead, a customer discusses their printing needs with a print center employee, who fills out the Print Center Request Form. The form lists the items to be printed and a total cost. The customer brings a copy of the form to the Cash Management department and pays the total cost to the Cashier. The Cashier makes a copy of the Print Center Request Form and the receipt process described above is followed. The customer takes the original Print Center Request Form and a copy of their receipt back to the print center and their print order is produced.

Marauder Zone Bookstore: The University has a contract with Barnes & Noble College Booksellers, LLC (B&N) to manage the University's bookstore, including all textbooks, learning materials, and University branded merchandise. There is a flat rate of \$360 for full-time students and \$180 for part-time students for textbooks per semester. The University includes this fee with the tuition bills, which is then paid by the University to B&N. B&N then shares a portion of the sales with the University; the share that the University receives is up to 10 percent of the gross sales, depending on the gross sales. B&N sends the University their share of the gross sales by paper check annually which is receipted in Banner by the Cash Management office.

Foodservice Sales: The University has a contract with Sodexo, a third-party vendor, for their foodservice operations. Sodexo offers a list of daily meal prices based on ranges of numbers of students. The more students to be served meals, the lower the price per day would be. The University then sets meal plan prices to be charged to each student, based on historical prices with increases for inflation. Meal plan fees are collected from students in the same manner as tuition, either through the Cash Management department or through Nelnet. Sodexo remits the following to the University: contributions based on the contract terms, annual allowances for catering funds for the President and Student Activities, and 65 percent of any surplus (92 percent of net sales) at the end of each contract year. All of these are sent by paper check and the receipt process described above is followed.

Central State University - Greene County

Financial Accounting Report

Revenue Activity

(continued)

Athletics: The University has a contract with Hometown Ticketing to manage the sales of tickets and daily parking passes for athletic events. All tickets and daily parking passes must be purchased electronically through Hometown Ticketing. The University sets the price of the tickets and daily parking passes. Hometown Ticketing charges the customer a separate fee of \$1 per ticket plus credit card processing fees; these fees are kept by Hometown Ticketing, and are not a revenue or expense of the University since the customer pays the fee directly to Hometown Ticketing. About a week after each event, Hometown Ticketing sends the University a check for their sales, along with a report that details the number of tickets and parking passes sold for the event.

Second Morrill Act of 1890: Along with other restricted Federal grants, the University receives Land Grants through the Federal Land Grant program. In 1890, the United States passed the Second Morrill Act which established the 1890 Land Grants that are intended to “strengthen research, extension and teaching in the food and agricultural sciences by building the institutional capacities of the 1890 institutions.” Central State University is one of 19 universities in the United States that receives grants through the 1890 Land Grant program. These grants are administered by the National Institute of Food and Agriculture (NIFA), which is an agency of the United States Department of Agriculture (USDA). There are five individual grants that make up the Land Grants that the University receives: Evans Allen Agricultural Research, Agricultural Extension, McIntire-Stennis, Renewable Resources Extension Act (RREA), and Expanded Food and Nutrition Education Program (EFNEP). Additionally, the State of Ohio Department of Higher Education provides grants to the University to match the Evans Allen Agricultural Research and the Agricultural Extension grants. Each grant has independent restrictions. The University receipts these grants into restricted funds, OSPR manages these grants and reviews expenditures for compliance prior to approving purchases from these grant funds. OSPR reports expenditures to NIFA and requests reimbursement.

Auditor of State Comments

1. The University’s Cash Policy, Bad Debt Allowance Policy, Revenue Posting Procedure, and Payment of Tuition and Fees Procedure are outdated and should be revised. The revised policies and procedures should clearly indicate the employee responsible for each step of the process and the timing of each step. They should also include sufficient review steps by supervisors to ensure that receipts are posted timely and accurately. Once developed, the policies and procedures should be approved by the Board of Trustees and implemented. The policies and procedures should be reviewed periodically on an ongoing basis, and the policies and procedures that are in place should be followed.
2. A written procedure exists that the Cash Management department follows for refunds on student accounts. However, the University does not currently have a policy approved by the Board related to refunds on student accounts. The University should update current Board approved policies to include refunds on student accounts.

Central State University - Greene County

Financial Accounting Report

Revenue Activity

(continued)

3. The University has an updated written procedure regarding delinquent payment plans. However, this procedure is in contradiction of the formal procedures 405.1 previously in place. Both procedures should be reviewed and updated in full to have clear and concise directives on the procedures for delinquent payment plans
4. Past due student accounts are not being reviewed for collectability, there is a bad debt policy in place that addresses this, however it is not being followed. Therefore, former students with past-due account balances are not currently being regularly contacted to attempt collection, either by the University or by a third-party vendor. The University should follow the policies that are in place.

Student Accounts Receivable [1]

	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>12/31/2024</u>
Per Aging Reports [2]:			
0 to 30 Days	\$232,914	\$0	\$0
0 to 365 Days	0	2,432,959	0
0 to 120 Days	0	0	7,254,742
31 to 60 Days	948,193	0	0
61 to 90 Days	148,528	0	0
91+ Days	23,418,863	0	0
121 to 270 Days	0	0	2,703,879
271 to 360 Days	0	0	599,135
361+ Days	0	0	24,315,945
366 to 730 Days	0	721,098	0
731 to 1096 Days	0	748,195	0
1097+ Days	0	17,246,137	0
	<u>\$24,748,498</u>	<u>\$21,148,389</u>	<u>\$34,873,701</u>

[1] This information has not been audited.

[2] The reports this information is based on can only be run at a specific point in time. The parameters of the information cannot be changed after the fact.

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

Description of an Effective Method for Purchasing Process, Bidding and Cash Disbursements

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded. The process should be integrated with the budget to ensure compliance with the Board adopted budget. The process should include selection of the vendor with the best price as well as authorization to proceed with the purchase by an appropriate individual. Purchase orders should be used for all non-payroll transactions, and should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable budget.

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the University. The processing should include a comparison of the invoiced items and quantities to the purchase order, a comparison of the prices on the invoice to the purchase order, and the electronic approval signature of the individual who received the goods and made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A check should be prepared based on the completed invoice, the existence of appropriate vendor information (I.R.S. Form 1099 data) and a properly executed purchase order. All checks should be promptly signed by the Vice President of Administration and Finance, posted in the appropriate accounting records, and mailed to the vendor in sufficient time to avoid penalties and receive discounts. Invoices should be filed numerically or by vendor. No invoices for payments should be processed that were not properly encumbered. Sufficient safeguards should be in place to ensure that one individual does not have total control over the receipt of goods, processing of invoices for payment, issuance of checks and the reconciliation of bank accounts.

Statutory Requirements

Ohio Revised Code Section 9.10 states that “facsimile signature” includes, but is not limited to, the reproduction of any authorized signature by a copper plate or by a photographic, photostatic, or mechanical device, but does not authorize the use of a rubber stamp signature by the office or authorized employee on the face of any instrument.

Competitive Bidding: Ohio Revised Code Section 3345.10 requires each State institution of higher education establish competitive bidding procedures for the purchase of printed material and shall award all contracts for the purchase of printed material in accordance with those procedures.

Also, section 125.11(B), Revised Code, states prior to awarding a contract, the department of administrative services or the state agency responsible for evaluating a contract for the purchase of products or services shall evaluate the bids and offers received to determine if a product is mined, excavated, produced, manufactured, raised, or grown in the United States.

Findings for Recovery Database: Effective January 1, 2004, Ohio Law (ORC section 9.24) prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

The Auditor of State has established a database pursuant to Section 9.24, Revised Code, in order to list all persons who have unresolved findings for recovery, dating back to January 1, 2001. To comply with Section 9.24, Revised Code, the Auditor of State's office recommends that before entering into a public contract as described above, a state agency or political subdivision verify that the person does not appear in this database.

Campaign Financing (HB 694): Section 3517.13 of the Revised Code states any contract, other than competitive bidding, purchase order, or collective bargaining agreement with a value of more than \$500 requires the vendor to certify to the contracting authority that the vendor, as defined by law, has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

Section 126.30, Revised Code, states that "any state agency that purchases, leases, or otherwise acquires any equipment, materials, goods, supplies or services from any person and fails to make payment for the equipment, materials, goods, supplies, or services by the required payment date shall pay an interest charge to the person for the period in accordance with division (E) of this section, unless the amount of the interest charge is less than ten dollars". Section 126.30(E) states "the interest charge on amounts due shall be paid to the person for the period beginning on the day after the required payment date and ending on the day that payment of the amount due is made".

University's Purchasing Process, Bidding and Cash Disbursements

Purchasing and Bidding: The University has several policies and procedures related to purchasing processes, bidding, and cash disbursements, including: quote and bidding procedures, purchasing authority and regulations, purchase requisitions regulations and approvals, vendor relations, issuing purchase orders, Accounts Payable Office, tax exempt status, payment for goods and services, check cutting procedures, credit card procedures and approvals, and travel rules, regulations and guidelines. Portions of these policies and procedures are being followed, but are not followed in their entirety.

When goods or services are needed within a division of the University, an electronic requisition form is prepared by the End User (requestor) within Banner. The requisition includes a requisition number assigned by the system, the vendor, date of request, type and quantity of items or services requested, price and any shipping costs, and the appropriate account codes to be charged. According to the bidding procedure policy, if a purchase is \$1 to \$9,999, the End User is required to obtain one quote and if a purchase is \$10,000 and above, the End User is required to obtain three quotes. If three quotes are not available, justification documentation must be submitted with the requisition. All required quotes or bids must be scanned and accompanied with the requisition within the system per the University's policies. If funds are not available in the account code, Banner flags the requisition and notifies the End User. A potential budget modification may be needed. The End User must follow the process for budget modification for any change that is outlined in the budgetary process.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

Once the End User completes the requisition, the system is pre-set to send the requisition to different users on Banner for electronic approval in the order required. The Controller has the authorization to pre-set the electronic approval requirements within Banner. The first approvals of the requisition is the director or chair of the department. If the requisition total is over \$2,500 and under \$5,000 the department Vice President will need to approve the requisition. If the purchase requisition is over \$5,000 the University President must approve the requisition. For any restricted grant-related requisitions, the Office of Sponsored Programs and Research must pre-approve the requisition. For any computer-related hardware requisitions, the Director of Information Technology and Service Systems must pre-approve the requisition. The End User must use a pre-approved Information Technology vendor for these type of purchases.

After the requisition has been approved by all listed approvers, Banner automatically sends the requisition to the purchasing department for review and approval by a Buyer. A Buyer reviews the requisition to make sure the wording is precise and appropriate, there is proper availability of funds, all the required documentation is attached, and all required approvals have been obtained before approving the requisition.

An active vendor list is maintained within Banner. The Purchasing department consists of two Buyers, the Auxiliary Services Manager, and Director of Auxiliary Services. The Purchasing department are the only individuals who can add new vendors to Banner. If an End User has a requisition for new vendor, Banner notifies the End User the vendor cannot be found within the system and the End User will then need to alert the vendor to fill out a New Vendor Form. Before the requisition can be completed and submitted for approvals, the new vendor fills out a New Vendor Information Form and submits a W-9 form to the Purchasing department. Sometimes the New Vendor Information Form is sent to General Counsel for proper classification of the vendor's business entity, i.e. an employee or contractor. The Purchasing department may use sam.gov to verify the new vendor is in good standing. Many grants within the Office of Sponsored Programs and Research will use the sam.gov to confirm the requested vendor is in good standing, as a requirement in grant narratives. The vendor is added to the system only after a W-9 form has been received by a Buyer. W-9 forms are filed alphabetically by fiscal year in the Purchasing department. W-9 forms are also scanned to accounts payable for their records.

Once a Buyer electronically receives an approved requisition to their queue, the system requires a Buyer to then process the purchase order through a system function. The system produces a purchase order from the information on the requisition. Purchase order numbers are assigned automatically by Banner. The posting of the purchase order automatically records an encumbrance in the system. Two copies of the purchase order are printed out by a Buyer. The Buyer signs the purchase order manually. If the Buyer is not available to approve or print the purchase orders, Auxiliary Services Manager or the Director of Auxiliary Services can approve and sign. Purchase orders are used for all purchases and contracts of the University within Banner.

The Buyer distributes copies of the purchase order. The vendor receives the vendor copy of the purchase order through email to order the goods or service. The second copy of the purchase order is filed in a Buyer's office alphabetically. A scanned copy of purchase order is sent via email from a Buyer to the Disbursement Manager in the Disbursement department for reference when invoices are received. Documentation attached to the requisitions within Banner is not printed as it can be accessed electronically at any time.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

Blanket purchase orders are used by the University. The blanket purchase orders are currently used for travel, some home improvement stores and utility expenses. Blanket purchase orders for travel and home improvement stores are managed by the department associated with the blanket purchase order and the department checks the status of funds available with each purchase. The funds are reviewed by the end user by looking in Banner to see the available balance on the purchase order prior to any purchases. Utility purchase orders are managed by a Specialist in the Disbursement Department and End Users to make sure funds are available.

The Purchasing department communicates with each department that the individual departments are to review all of the department's open purchase orders as part of the fiscal year close out process. The departments are required to review their purchase orders and inform the purchasing department of any purchase orders that need to remain open going into the next fiscal year. All purchase orders, including blankets, except those pertaining to grants and other identified purchases orders, are closed once the Controller rolls the system over for the new fiscal year on July 1st.

All services and goods over \$50,000 must follow the University's formal purchasing policy and the regulations for purchases requiring board approval procedure. The End User, the Buyer, and the Director of Auxiliary Services meet when a potential purchase or service exceeds \$50,000. The budget for the department and need for the item is reviewed. A committee for the specific bid is created. The End User writes the bid specifications and the Buyer and Director of Auxiliary Services review and approve bid specifications with guidance from the legal department, when needed. The Auxiliary Services Manager advertises for bids within at least three newspapers (Beavercreek News-Current, Xenia Gazette, and Fairborn's Daily Herald) as well as on The Builders Exchange of Ohio portal for general contractors. Additional advertising may be required based upon the type of purchase requested. A potential bidder is directed to request from the Buyer the necessary qualification or proposal information needed for the project or purchase. This document details the bid specifications, deadlines, and submittal instructions. Once bids are opened at the specified date and time, the Director of Auxiliary Services and a designated committee review all bids and score each potential bidder. The Purchasing department or the committee chair collects the score cards and tally the results. The bidder with highest score will be selected for the project. The vendor selected is recommended to the Interim Vice President for Administration and Finance/Chief Financial Officer for approval. The Interim Vice President for Administration and Finance/Chief Financial Officer signs the contract and prepares a resolution to accept the contract to present to the Trustees at the next board meeting for approval. The Director of Auxiliary Services or the Auxiliary Services Manager sends the elected firm a letter of selection and intent to award based upon final approvals by the University.

Per the bid request for qualifications, the bid offerors attest that they are not subject to an "unresolved" finding for recovery under Ohio Revised Code 9.24 and will notify the University if such finding occurs by submitting a response to bid. No University employee performs a search of the Findings for Recovery Database online.

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

Cash Disbursements: When the goods have been received, the Logistic department scans all packages into the Pitney Bowes tracking system. The Logistic department verifies the contents and confirms them to the packing slip on most packages. Packing lists are maintained in the Logistic department and can be copied for an End User when required. Purchase orders are identified on the outside of the package and/or the packing slip by the vendor. The Logistic department delivers the goods to the End User and annotates in the Pitney Bowes system where the item(s) were delivered. The End User will verify the contents to the packing slip. If not all goods are received or incorrect items are received, the End User waits until all the items have been received. The End User works with the vendor and the purchasing department to rectify any shipping discrepancies. Once the goods or services invoice comes into the Disbursement office, a Disbursement Specialists will reach out to the End User for the approval to pay.

The Disbursement department has two Disbursement Specialists. One specialist handles invoices from vendors that start with A through M and the other specialist handles invoices from vendors that start with N through Z as well as utility invoices.

Invoices are generally received directly by the Disbursement department. Invoices come through the mail, the accounts payable email, or directly to a Disbursement Specialist. The Disbursement Manager opens all the mail and date stamps all invoices. At this point, if a purchase order number is not on the invoice the Disbursement Manager searches Banner for the purchase order number based on the University contact person and will write the purchase order number on the top of the invoice. Then the invoices are handed to the appropriate Disbursement Specialist. The Disbursement Manager forwards invoices from the accounts payable email to the appropriate Disbursement Specialist.

Upon receiving the invoice, a Disbursement Specialist matches the invoice to the purchase order on Banner. A Disbursement Specialist then looks in Banner to make sure there are sufficient funds on the purchase order that is being used. A Disbursement Specialist reaches out to the department receiving the goods or services for the verification that all goods were received, and all the services were performed. Verification also includes receiving the okay to pay approval from the department receiving the goods or services. The approval to pay is sent through email between the End User and the Disbursement Specialist or the End User will electronically sign the invoice and email the invoice to the appropriate Disbursement Specialist.

The Disbursement Specialists manually enters all the invoices into an excel spreadsheet. Within the excel spreadsheet, there are tabs for the following:

- *Invoices ready to be paid* - provides the invoice IDOC ("I" document) number, check date, vendor name, invoice number, due date, invoice date, service date, invoice total, purchase order number, account code where the invoice will be paid from, vendor address, Logistic Department contact person and other related information.
- *Invoice to be paid in the future* - has information similar to the ready to be paid tab but with a future payment date.
- *Invoices that do not have a purchase order number listed* - has similar information as the ready to be paid tab except for IDOC number, check date, purchase order number and account code.
- *Invoices that need the approval to be paid* - has similar to the other tabs except the IDOC number and check date is not provided.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

For invoices the Disbursement Manager is unable to locate a purchase order and invoices sent directly to the Disbursement Specialist without a purchase order, a Disbursement Specialist contacts the End User or a potential End User to first verify the department the invoice is associated with. Then the End User will communicate to the Disbursement Specialist the purchase order number to use on the invoice. If a purchase order is not available, the End User starts the process of a requisition. If the invoice received is larger than the purchase order amount, the Disbursement Specialist informs the End User. The End User must then follow the requisition and purchase order process for the amount over the purchase order. At the end of January 2025, the University had over \$1.5 million in obligated invoices with no purchase orders within the Desk Invoice excel file (a master file of these excel files produced later in process described). At the beginning of February 2025, the University President issued a memo to all University employees that invoices received by the Accounts Payable Office without a valid University purchase order will be returned to the vendor as invalid. (Also see Cash Management and Investing about the cash flow projections that include deferment of accounts payable.)

If an invoice needs approval to be paid, the Disbursement Specialist contacts the End User for the approval. The End User will email the Disbursement Specialist with the approval and the email communication is printed and attached to the invoice as supporting documentation.

All invoices are compared to the purchase order description of goods or services, quantities, and prices. Once an invoice is verified by the Disbursement Specialist and has the approval to be paid, the invoice information is entered into Banner. Invoice information entered into Banner includes the invoice type, purchase order number, invoice date, transaction date, payment date, and invoice number.

When an invoice is entered into Banner, an IDOC number is automatically assigned by Banner and is referenced on the invoice on the top right corner by the Disbursement Specialist. The IDOC number is entered into the excel spreadsheet at this time. Purchase orders are not always attached to the invoice since they are referenced on the invoice or the supporting documentation and can be pulled from Banner. However, if an invoice lacks the purchase order number, the purchase order number is written at the top of the invoice.

Utilities are paid with a blanket purchase order. A Disbursement Specialist and End Users maintain and manage the purchase orders for all utility invoices. The Disbursement Specialist allocates several utilities that are not separated by a division based on a percentage method determined by the square footage of the buildings. In some cases, utilities are invoiced directly to a specific division and the End User is responsible for managing the funds. All these invoices follow the input and filing process described above.

Invoices associated with orders that are not completely filled are held by the Disbursement Specialist until the entire order is received. Once the remainder of the order has been received, all invoices are pulled together by the Disbursement Specialist and then entered into Banner for payment.

The Disbursement Specialists send the Disbursement Manager their excel spreadsheet every week and put the invoices ready to be paid on top of a filing cabinet outside of the Disbursement Manager's office. Invoices not ready to be paid stay with the Disbursement Specialist until they are ready to be paid. Invoices ready to be paid stay on top of the filing cabinet until checks are ran.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

The Disbursement Manager will combine the excel spreadsheets into one master file to create a “Desk Invoices (check date)” excel file. The ready to be processed tab within this file is used to verify invoices in Banner. The Disbursement Manager will verify each invoice entered into the system to the information entered into the excel spreadsheet. The Disbursement Manager will also spot check the information entered into the system to the actual invoice. Once an invoice in Banner is correct, the Disbursement Manager will approve the invoice. This process is repeated until all the invoices have been approved. For invoices \$25,000 or more, the Controller will have to approve the invoice in addition to the Disbursement Manager. The Desk Invoice excel file is then sent to the Controller and Interim Vice President for Administration and Finance/Chief Financial Officer to review.

Checks are normally printed once a week on Thursday. The blank check stock paper is kept in a locked room and cabinet within the Disbursement department. The Disbursement Manager and Controller have the keys for this room. The check stock paper is completely blank and does not contain the University name, account number, check number or any other information. This information is printed on the check through the check printing process. The Disbursement Manager uses a computer program to generate, electronically sign, and print the checks. The check printing program is password protected. The beginning check number for the run is entered into the system manually by the Disbursement Manager after a review of the last check number on the prior check run. The Controller sends the bank a file of the payments.

After the checks are printed the Disbursement Manager will log into the bank account and process all the direct deposit payments. Direct deposit payments are mainly when an employee is getting reimbursed for travel.

Once all checks are printed, the Disbursement Manager re-print the checks on plain white paper and print the direct deposit vouchers on plain white paper. The Disbursement Manager will stuff the envelopes with the actual checks and the white paper copy check gets attached to the corresponding invoice and support. The Disbursement Manager will do the same for the printed voucher sheet and attach to the corresponding invoice and support. The filled envelopes with checks are then placed in the mail tray within the Disbursement office for a mail room employee to pick up the mail on Friday mornings.

Next, all the invoices are scanned to the Disbursement Manager’s email as a PDF and saved on a shared folder on a shared drive. The invoices are then filed by check date and then check number in a filing cabinet within the Disbursement department.

If a check was written incorrectly or does not match the invoice, the check is deleted and reissued. The Controller sends notification to the bank via the bank website to cancel the check. These signatures are blacked out on the check and filed away in the Disbursement department. After review of the checks, the Disbursement Manager then mails the check along with required vendor invoice stubs.

The University’s policy on accounts payable payments references Section 126.30, of the Revised Code, the University is responsible for paying a late penalty if payment is issued later than the specified payment date.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

Auditor of State Comments

1. The University does not utilize the Auditor of State Findings for Recovery Database when entering into all contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The University should verify vendors against the State's database of findings for recovery before entering into a contract for goods, services, or construction, paid for in whole or in part with State funds.
2. The University does utilize sam.gov to verify new vendors are registered and in good standing to do business with the federal government. The University should document the search.
3. The University should annually review and update approval cues within Banner to make sure requisitions have gone through all the appropriate approval stages. We found that some cues were a few years old and did not have all the approval steps need for requisitions.
4. The New Vendor Information Forms are being filled out. When the University has new vendors they are unsure if the vendor is an employee or contractor, then these forms need to be sent to General Counsel in the determination of the business type classification i.e. employee versus contractor for new vendors. The University needs to address the following in the Policies and Procedures: the form, the review of the form, and the determination.
5. The University is currently using a manual spreadsheet that is circumventing the Banner system. Banner is equipped with internal controls and review process ques that follow the process from the requisition application, purchase order process, and payment of the invoices. The manual spreadsheet has allowed for purchase orders to not be in place before obligations are made, it causes more time and effort to determine what invoices should be matched to purchase order, and more work to track items within the manual spreadsheet and Banner.
6. The University should use the Banner system to upload packing slips, verify all goods have been received or services have been performed, and the approval to pay an invoice.
7. Invoices are emailed to the Disbursement Manager and the Disbursement Specialists. The University should require all invoices to be mailed to the Disbursement office or emailed to the accounts payable email address. When invoices come to one centralized location, this reduces the chances of an invoice getting missed for payment.
8. At the end of January 2025, the University has a list that totals over \$1.5 million in obligated invoices with no purchase orders within the Desk Invoice excel file. Purchase orders should be prepared and approved before items are received or ordered per the University policy and memo the University President issued in February 2025.

Central State University - Greene County

Financial Accounting Report

Purchasing Process, Bidding and Cash Disbursements

(continued)

9. The University should update Procedure No 400.4 (Accounts Payable-Check Distribution Procedure) to identify the Controller reviews and approves invoices totaling \$25,000 or greater.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation is paid by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current contracts, information of the benefits that the employee has selected, withholding forms, and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements

Section 9.44, Revised Code, requires that if an employee has prior service with the State or any other political subdivision of the State, the University is to compute the amount of an employee's vacation leave based on the anniversary date of that prior employment with the State or any political subdivision of the State.

Section 5747.06, Revised Code, requires collection of Ohio income tax by employers.

Chapter 3307, Revised Code, requires the University to enroll teaching employees in the State Teachers Retirement System (STRS), withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the retirement system the amounts withheld, matched with an appropriate percentage for employer contributions. Employees who elect to participate in an alternative retirement plan as established by Chapter 3305, Revised Code are exempt from the requirements of Chapter 3307.

Chapter 3305, Revised Code, establishes an alternative retirement program for the purpose of providing eligible employees the opportunity of participating in an alternative retirement plan as an alternative to participating in a state retirement system. Each plan offered under this program shall be a defined contribution plan qualified under section 401(a) of the Internal Revenue Code.

Chapter 145, Revised Code, requires that University employees not covered by Section 3307.01, Revised Code, be enrolled in the Ohio Public Employees Retirement System (OPERS).

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The employees of Central State University are represented by following associations: American Association of University of Professors Central State University Chapter, Central State University Safety Association, and Local #361 Ohio Council #8 of the American Federation of State, County and Municipal Employees.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

University's Payroll Processing Procedures

The Board has adopted formal policies for the payroll process regarding posting, hiring, including student and temporary employees from employment agencies, civil service examination applicability, eligibility for annual salary increases and leave. Most payroll policies were last updated in 2017.

Hiring Process: The process starts with the job description. The job description contains the essential job functions of the position inclusive of the knowledge, abilities, skills, minimum education and experience requirements necessary to do the job. The University requires a strategic position review process and approval before any vacant or new positions are eligible for announcement and posting. The Human Resources (HR) department website outlines this process as well as provides the required form: Strategic Position Review (SPR) form. The SPR form is completed by the director/dean requesting the position and must have a job description attached. HR will notify the department when the SPR form has been completed. Once completed, HR will post the position on the University's Career website. HR will notify the department when both the SPR form and the approval process have been completed. The SPR must be approved by the Budget Director, Area Vice President, Interim Vice President of Administration and Finance/Chief Financial Officer, and the President if the salary is over \$100,000.

The CSU Careers Online system initiates the job announcement process once the approval of the SPR is finalized. Before the hiring committee begins reviewing applicants and conducting interviews, the search chair must send HR the interview questions they plan to ask candidates. The committee members, including the hiring committee chair, must also undergo training provided by HR. HR will grant access to the careers website posting once the training is completed. After the committee has finished the training, HR will provide the necessary access credentials to the posted position, enabling the hiring committee to review the applicants for consideration.

The HR department advertises open positions on the University's website as well as on platforms such as HigherEdJobs, Indeed, LinkedIn, and relevant academic journals, with any advertising costs being charged to the department. After reviewing applications and conducting interviews, the hiring committee selects the top candidate. A minimum of three applicants should be recommended in the event that the selected candidate does not clear the background check or declines the offer. Upon selecting the candidate, the hiring department notifies them that the job offer is contingent upon a successful background check. If the background check reveals no discrepancies, the hiring department proceeds by completing a Personnel Action Form (PAF). The PAF must include the candidate's job application, resume, official transcripts, position description, approved SPR form, and other relevant credentials. The PAF outlines important details such as the type of position, candidate name, effective date, job title, department, hourly/salary rate, benefit eligibility, funding source and account number. This form must then be approved by the following individuals: Director/Dean, Vice President or Provost of the requesting division, Grant Director (if applicable), Budget Director, Interim Vice President of Administration and Finance/Chief Financial Officer, President (if applicable), and Human Resources.

Start dates are determined by HR after the PAF is completely processed. Monthly staff start dates are the first of each month while bi-weekly staff start dates are at the beginning of a pay period.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

Faculty Hiring Process: Once a faculty position has been approved through the SPR form process described above, a search committee is formed, and interviews of potential candidates are held. A candidate is chosen by the search committee, and their recommendation is forwarded to the chair of the hiring department.

During the hiring process, the potential faculty member must submit a number of application documents including a cover letter, resume, three signed letters of reference, transcripts of their academic record or other proof of degree, and a completed employment application form. The hiring department will send a request to HR to run a background check on the candidate. Results of this background check and all the other application documents listed above are submitted to the Provost and Vice President of Academic Affairs with the recommendation for hiring the candidate. The Special Assistant to the Provost and Vice President of Academic Affairs (Special Assistant) reviews the documents to ensure that they are complete and all signatures are in place. If any piece is missing, the Special Assistant will notify the dean that submitted the candidate. Once all documentation is received, the Provost reviews the information. The Provost then notifies the Special Assistant of the approval and an offer letter is written to the candidate.

There are two major types of offers of appointment letters, tenure track letters and term appointment letters. These offer letters include information about terms of employment, including salary, start date of employment, retirement system information, a reference to the collective bargaining agreement, and information on how to obtain University policies and procedures. Tenure track employees are hired for a five-year probationary period, with tenure to be obtained in the fifth or sixth year of employment, as described by the collective bargaining agreement. Term appointment employees are typically hired for a 9-month (2 semester) or one year period. In addition, the University has some adjunct faculty that are hired for each semester. An adjunct offer letter lists the assigned courses that the employee will teach for the upcoming semester.

The offer letter is reviewed and signed by the Assistant Director of HR and emailed to the candidate. Within seven working days the candidate signs the offer letter and returns it to HR to accept the appointment.

Classification of Employment: The University's employees can be categorized as student workers, bargaining unit and non-bargaining unit employees. The University has three bargaining unit agreements: Agreement between Central State University and the American Association of University Professors Central State University Chapter, Agreement between Central State University and Central State University Safety Association, and Agreement between Central State University and Local #361 Ohio Council #8 of the American Federation of State, County, and Municipal Employees. Each of these categories is further described in the following paragraphs.

Bargaining Unit: American Association of University Professors Central State University Chapter (AAUP) includes professional library workers, research assistant professors, research associate professors, research professors, professors, associate professors, assistant professors, and instructors. The contract was valid through August 31, 2024; however, members of this bargaining unit are continuing under the provisions of the previous agreement while the University is in mediation with AAUP as outlined in the Forecasting and Planning section of this report.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

The bargaining agreement outlines the qualifications for ranks, length of service rank, criteria for promotion, description of appointment year, salaries and salary adjustments, yearly increases, adjustments for years of service, promotions, and extra compensation. Additionally, the agreement outlines sick and vacation leave accrual amounts. These employees fulfill their contractual obligations by teaching/research/service during the fall and spring semesters and the contract starts September 1st. Pay for the contract year is distributed evenly over 12 months and paid to employees on the last working day of the month.

The agreement covers overload, extra compensation, and summer school compensation. Supplemental compensation is work performed for grants and contracts for granting agencies. The supplemental compensation cannot exceed twenty-five percent of the base pay. Summer teaching assignments are paid a set credit hour rate with a minimum enrollment required depending upon the level of the course. Summer session formal contracts are provided to faculty during the second week classes are in session if enrollment is met. Summer session payroll is paid at the end of each session in lump sum.

For any change that results in a pay schedule adjustment, the employee under this agreement is required to follow a strict schedule with submissions to the required personnel/committees/departments. The Human Resources department inputs the changes once approved.

Central State University Safety Association (CSUSA) includes police officers and sergeants. The contract is valid through October 31, 2026. The bargaining agreement outlines the following: seniority, lay-off and recall, hours of work, overtime, shift differentials, trading time, call back/call-in pay, uniform allowance, training, and higher education pay. Additionally, the agreement outlines sick and vacation leave accrual amounts.

Within this agreement, the work week consist of four consecutive days of ten hours except in those cases where flexible shift schedules exceed ten hours as approved by the Chief of Police to meet operational requirements. For those operations conducted over a seven-day or twenty-four-hour continuous period, the normal work week will not exceed eighty hours within a pay period. A part-time employee is defined as employee that works less than 37 hours per week. Overtime is work performed in excess of 40 hours in any calendar week and is calculated at one and one-half times the employee's regular hourly rate. Employees have the option to be paid overtime or accrue compensatory time for the overtime earned. Any leave that is scheduled at least 14 days in advance of leave is considered hours worked. Shift differential applies to second and third shifts. Second and third shifts receive an additional amount added to their regular pay. The agreement also allows for increase in the shift differential each year of the contract.

The agreement also outlines call back/call-in pay. When the employee is called in to report for duty by the University outside of and continuous with the employee's regular work period, the employee is guaranteed at least four hours of pay at one and one-half times their regular base rate. An employee reporting for a staff meeting required by the Chief of Police that is outside of and not continuous with the employee's regular work period is guaranteed at least two hours of pay at the rate of one and one-half times their regular pay rate.

Additionally, a police officer or sergeants within this agreement who obtain professional training or academic degrees are compensated an additional hourly premium after completing their probationary period. Safety employees are paid on a bi-weekly basis.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

Local #361 Ohio Counsel #8 of the American Federation of State, County and Municipal Employees (AFSCME) includes several classifications that include but aren't limited to the following: library associate, locksmith, mail center worker, medical service coordinator, mover, painter, payroll/benefits disbursement clerk, plumber, printing machine operator, printing technician, purchasing assistant, records coordinator, registration coordinator, sales clerk, schedule coordinator, secretary, stationary engineer, storekeeper, store clerk, student loan specialist, student services counselor, technical typist, telephone operator, treatment plant aid, utility worker and vehicle operator. The contract is valid through October 31, 2025. The University has received notice to negotiate from AFSCME in advance of the contract expiration date as outlined in the Forecasting and Planning section of the report. The bargaining agreement outlines the following: seniority, lay-off and recall, workday – work week, shift differentials, overtime, rate of pay, and yearly increases. Additionally, the agreement outlines sick, personal, and vacation leave accrual amounts.

Within this agreement, a work week is defined as five consecutive days of eight hours each except for the bookstore/convenience store and those operations which are regularly conducted over a seven day or twenty-four-hour continuous period. Certain employees, with approval of the union, may work four consecutive ten-hour days. Overtime is defined as all work performed in excess of 40 hours any scheduled work week and is paid one and one-half times the employee's regular hourly rate. Any leave, except holiday leave, within the work week is not considered time worked in calculating overtime pay. Employees have the option to be paid overtime or accrue compensatory time at one and one-half times the normal rate. Shift differential applies to second and third shifts. Second and third shifts receive an additional eighty cents per hour and ninety cents per hour, respectively. AFSCME employees are paid on a bi-weekly basis.

Non-Bargaining Unit Employees: Employees that are not under the aforementioned bargaining units, except for the President of the University and Head Football Coach, are considered non-bargaining unit employees. These employees follow the Human Resource policies of the University that include but are not limited to leave and performance appraisals. The President and Head Football Coach have separate contracts.

These employees are paid according to the Strategic Position Review process and Personnel Action Form. This process is outlined under the hiring process above. Through a Performance Appraisal of each employee that is required annually, an employee can be deemed merit worthy and eligible for merit award pay rate increase. This increase is dependent upon the budget capabilities of the University. The leave policies dictate the accrual of sick and vacation leave accrual amounts.

Student Workers: Students may apply for a preset list of jobs. Once a Student Worker is selected, an Electronic Personnel Action Form (EPAF) is completed and must contain Financial Aid/ Office of Sponsored Programs & Research (OSP&R) and HR approval. The students work hourly and therefore are paid bi-weekly.

Trustees: The Trustees are not paid.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

Employee Set-Up in System: Once the Personnel Action Form (PAF) is completed and approved, the Employment Manager inputs the new employee's information from this form into Banner. This information includes the department, pay rate, etc. An employee folder is started at this time for the new employee and includes the SPR forms, PAF, job description, and application. The Payroll Clerk or Payroll Manager verifies Banner employee information entered to the PAF. All employees are mandated to attend new employee orientation provided by the HR department. These are held twice per month and topics covered include policies and procedures, employee benefits, Title IX, and the history/divisions of the university. An offer letter and new hire packet are provided to new employees and must be reviewed, signed, and returned to HR prior to the employees first day of employment. This packet includes new employee information form, employment eligibility verification, direct deposit enrollment form, withholding forms for federal, state, and pension, and benefits forms.

The completed withholding forms are presented to the Employment Manager and the Employee Benefits Manager in HR. Both of these managers input the information from these forms into Banner for the employee. The Payroll Manager runs a PHRDERR (payroll error report) after all employee information, withholdings and benefits are input to determine if the system is missing information and to review that the pay rates and budget information were input correctly from the approved forms. The withholding forms are filed by the Employment Manager within the personnel file that includes the SPR and PAF. The benefit enrollment sheets are filed in a separate personnel file by the Employee Benefits Manager.

Leave: Vacation, personal, and sick leave is credited as indicated in the respective negotiated agreements or in University leave policies for non-bargaining unit employees. Employee leave forms are not consistently utilized by all employees. Leave for an hourly employee is entered in the electronic timesheet system in their MyCSU account and is approved by the supervisor on-line via the supervisor's MyCSU account. These employees are still required to fill out a leave form but the paper forms are not required to be approved by a supervisor since leave was approved electronically. Leave for salaried employees require paper leave forms with the signatures of the employee and immediate supervisor, however, there is no electronic record of leave being used by salaried employees. There is the potential that a salaried employee may be utilizing leave without submitting a leave form since there is no requirement for these employees to enter leave used into the electronic timesheet system. Leave is credited to employees' balances all at once as opposed to in increments as earned through the year.

Severance: The University offers severance pay upon retirement to all full-time employees. To be eligible for sick leave severance, an employee must have 10 years or more of service to Central State University for all bargaining and non-bargaining unit employees. Vacation severance is paid to all employees, except professors at retirement. Employees are eligible for vacation severance after completing one year of service with the University.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

Each bargaining unit calculates severance differently. The AAUP agreement allows payment for one-third of the accrued but unused sick leave credit time at the employee's daily rate not to exceed more than one-third of 120 days, for employees with at least ten-years. The Safety agreement agrees to payments for one-third accrued but unused sick leave credit time at the employee's daily rate not to exceed 40 days. Also, the Safety agreement agrees to payments for any accrued but unused vacation at the employee's daily rate within 60 days, not in excess of the maximum accrual allowed based on years of service within the bargaining agreement. The AFSCME agreement agrees to payments of one-third of any accrued but unused sick leave credit time at the employee's daily rate not to exceed 40 days. Also, the AFSCME agreement agrees to payments for any accrued but unused vacation at the employee's daily rate, not to exceed the maximum accrual allowed based on years of service within the bargaining agreement.

Non-bargaining unit employees to receive sick leave severance must be employed 10 or more years with the University. For vacation leave severance, the employee must have at least one year of service with the University. Sick leave payments follow the sick leave policy that stipulates payment of one-third of employee's unused sick leave, at employee's current rates of pay, not to exceed 320 hours.

Vacation leave payments for any accrued but unused leave at the employee's daily rate, not exceed 240 hours.

Withholdings: Employees who need to update their withholding form information can submit changes either by paper form or electronically through the payroll portal, Banner Self-Service (BSS). Electronic requests are processed within the system, automatically updating the relevant payroll Banner screens. Paper forms must be submitted by the 10th of the month for changes to be included in that month's payroll. Currently, changes made through an employee's BSS account do not require additional verification before being implemented by the university.

Payments of withholdings related to taxes are made by ADP. All these withholdings are reviewed and reconciled by the Payroll Manager before payment is made. The Payroll Manager performs a reconciliation over these withholdings individually based on the payroll reports to the withholding reports produced by Banner before submitting required documentation.

The University has failed to file the required annual school district income tax returns or remit the corresponding school district income tax payments for calendar years 2022 and 2023 to the Ohio Department of Taxation (DOT). The DOT has referred this matter to the Ohio Attorney General's Office for collection. As a result, the University currently has a lien established through the Greene County Common Pleas Court related to 2022 tax year. According to the DOT, the amounts due for 2022 and 2023 are \$2,179.15 and \$ 2,096.43, respectively. These amounts include a \$500 penalty for failure to file and the estimated tax liability for each year.

Financial Accounting Report

Payroll Processing

(continued)

Retirement: Employees have the option of either state system retirement plans (OPERS or STRS) or an alternative retirement plan (TIAA-CREF, VOYA and Corebridge.). The state system retirement plans and alternative retirement plans require an employee share deduction and an employer share remitted to the chosen plan. In addition, the University is required to contribute a portion of the employer share to the state pension system in which the employee would have been enrolled in if they had not chosen the alternative retirement plan. This is known as the mitigating rate. For both STRS and OPERS, the University carves this mitigating rate portion out of the total employer share and remits the remaining employer share amount to the alternative retirement plans. Per state requirements, when an alternative retirement plan is chosen for STRS and OPERS eligible employees, the University pays 2.24 percent and 2.91 percent mitigating rate, respectively.

Payroll deductions for retirements are processed through Banner. OPERS, TIAA-CREF, and Corebridge retirement systems are processed and paid by the Benefits Manager monthly through a bank wire transfer. STRS and VOYA retirement system payments are also calculated by the Benefits Manager and submitted to an Accounts Payable Clerk for payment through ACH monthly. The Employee Benefits Manager each month prepares the required reports for all retirement plans and submits through required methods.

Prior to 2024, the University incurred penalties and interest for late remittances of withholdings to OPERS and STRS. Penalties and interest are unnecessary expenditures which do not serve a proper public purpose.

Other Employee Benefits: The University provides comprehensive benefits for all full-time, benefit-eligible employees, including medical, prescription (Rx), life, dental, vision, flexible spending accounts, and both short-term and long-term disability coverage. The employee contribution for single and family coverage under these plans is based on relevant negotiated agreements. Medical, prescription, and vision benefits are managed through Medical Mutual, while all insurance products, including long-term and short-term disability as well as basic life insurance, are administered by the Lincoln Financial Group.

Delta Dental provides dental insurance coverage. For employees covered under the AFSCME and AAUP bargaining contracts, the University fully covers the employee's portion of the cost for single coverage plans. However, CSUSA and non-bargaining unit employees are responsible for the full cost of any dental plan they choose. Part-time employees are not benefit eligible and therefore do not have benefit coverage.

Payroll Deductions: Payroll deductions for medical, prescription, dental, and life insurance benefits are processed through Banner and used as part of the payment to the insurance companies. The Benefit Manager and Benefit Specialist are responsible for the preparation of the documentation for the payments of medical, prescription, dental, life insurance benefits, and retirement contributions. All payroll deduction reports and insurance invoices are maintained by the Benefits Manager.

Payroll Preparation: Access to the payroll system is password protected. The Payroll Clerk pulls the electronic timesheets for hourly employees from the MyCSU web-based timesheet application into Banner. The electronic timesheets are entered by the employee and electronically approved by their immediate supervisor.

The timesheets denote days and hours worked along with hours of leave by the employee. The Payroll Clerk then runs a payroll register report for hourly employees through Banner. The Payroll Clerk compares the payroll register report from Banner to the timesheet information pulled from MyCSU to verify the information was uploaded from Banner correctly.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

The Payroll Manager runs a payroll register and error report for salaried employees through Banner. The error report is used to verify that the employees' taxes have been set up properly. The Payroll Manager compares the PAF provided by HR to the payroll system for accuracy.

The payroll register and error reports are saved to the shared drive of the Payroll department by the Payroll Manager. At this time, the payroll is considered reviewed and approved by the Payroll Manager. The Payroll Manager then processes the payroll.

All employees utilize direct deposit.

Banner produces a PHPDIRD for direct deposits. This report shows the date of the deposit, the payroll ID, the employees names, employee ID numbers, routing and account numbers, and dollar amounts. These files are uploaded to the bank through password protection for payment. The monies are not released for payments until the Controller reviews the reports uploaded to the bank and approves the files for further processing by the bank.

Auditor of State Comments

1. The University's payroll policies have not been updated since 2017. It is recommended that the University develop a structured schedule for the routine review and, when necessary, revision of payroll policies. This schedule should be formally approved by the Board of Trustees to ensure its implementation.
2. The University currently lacks documented procedures to ensure that remittances of authorized payroll withholdings for the state and alternative retirement systems and medical, prescription, dental, and life insurances are properly made in accordance with applicable laws, regulations, and negotiated agreements. Establishing such procedures is essential to ensure compliance and efficiency. Additionally, the University should implement procedures to cross-train employees. This will ensure that remittances are made timely in the event of staff vacancies and mitigate the risk of penalties and interest.
3. The University should file the required annual school district income tax returns and remit the corresponding school district income tax payments for calendar years 2022 and 2023 to the Ohio Department of Taxation. The University should also actively pursue the resolution and dismissal of the lien filed in the Greene County Common Pleas Court concerning the remittance of school district income tax.
4. The University currently only requires hourly employees to record leave through the electronic timesheet system. Salary employees use a paper leave form that is approved by their direct supervisors. The University should implement policies and procedures to require all employees to utilize the electronic timesheet system to promote consistency in leave tracking across all departments. Additionally, the University should also develop procedures for conducting reviews of employee leave balances to ensure accuracy and support proper calculations of potential future severance payments.

Central State University - Greene County

Financial Accounting Report

Payroll Processing

(continued)

5. The University currently front-loads employee balances rather than credited leave to the employees as earned. This University currently makes adjustments to remove unearned leave at the time of severance. To improve accuracy and efficiency, the University should adopt policies and procedures to ensure that employee leave is credited to employee balances incrementally as it is earned. This approach would not only reduce the need for manual adjustments and reduce risk of errors in severance payouts.

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before debt is issued, a resolution authorizing the issuance of debt should be passed by the Board. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the President or the Interim Vice President of Administration and Finance/Chief Financial Officer. Care should be taken to ensure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 of the Ohio Revised Code. For state universities, under Ohio Revised Code section 3345.66, they can issue notes, and this section states that Chapter 133 of the Ohio Revised Code does not apply. However, if a state university is issuing bonds, Chapter 133 applies.

Section 123.17, Revised Code provides the statutory framework that authorizes state universities to enter into land lease agreements for the development of state-owned property. This provision grants universities the legal authority to lease land for various development purposes, ensuring compliance with state regulations and promoting the efficient use of public resources.

University's Debt

The University has a Debt Administration Policy that states debt issuances are approved by the Board by resolution. The Board resolution identifies the statute which allows for the issuance of the debt, the purpose, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt issuances, contracts and agreements are authorized to be signed by the President or Interim Vice President of Administration and Finance/Chief Financial Officer. The Controller's Office is responsible for maintaining all debt documentation, processing debt payments, and ensuring that the payments are accurately recorded in the financial reporting system. However, the policy does not address the requirements for certain agreements to be approved by the Attorney General and the Department of Administrative Services.

When the University enters into long-term debt, a liability is recorded on the Banner system for the principal amount of the debt. The process of posting debt payments to the Banner system will recognize the principal amount as a related liability, and an additional amount for interest expense may also be required for certain debt issuances. A corresponding credit will be recorded in the system to reduce the cash balance accordingly.

The Controller keeps track of the debt schedules and matches all bills received for debt to the appropriate amortization schedules to ensure that the correct debt payments are made. Debt payments are generally made by ACH once invoices are received. Once the ACH payment has been processed the payment details are filled out on a transaction form, the Accounts Payable Clerk will post the transaction information to the Banner system. The General Accountant will issue a payment stub, the payment stub is filed along with the debt invoice and the ACH payment form. All debt documents and amortization schedules are maintained on file in the Controller's office.

Central State University - Greene County

Financial Accounting Report

Debt Administration

(continued)

The process of entering into a lease differs slightly from bonded debt. The process begins when department heads gather quotes for leases and purchases of the desired equipment from multiple vendors. Often, these quotes include a discount, particularly if a trade-in of a used vehicle is involved. This discount tends to encourage more leasing than purchasing of equipment.

Once the quotes are collected, the department head, the Interim Vice President of Administration and Finance/Chief Financial Officer, and a representative from purchasing meet to evaluate the various options and determine which lease arrangement to pursue.

After selecting a lease, a purchase order is issued, and the Interim Vice President of Administration and Finance/Chief Financial Officer signs the lease agreement. If the specific terms of the lease need to be negotiated, the Interim Vice President of Administration and Finance/Chief Financial Officer takes the lead in those discussions.

Smaller routine leases, such as those for vehicles, typically do not require specific Board approval. However, according to University policy, any leases totaling more than \$50,000 in payments must receive Board approval.

The process of posting a lease to the Banner system depends on whether an amortization schedule was provided. If an amortization schedule is provided, the principal amount is recognized as a liability under "Capital Lease Payable," with a corresponding debit recorded in the system. However, if no amortization schedule is received, no liability is posted, and nothing is recorded in the system.

When it comes to payments, the treatment depends on whether a liability was booked initially. If a liability was recorded, the payment entry will include a debit to the liability payable account (which reduces the liability) and a debit to interest expense. The corresponding credit is made to the cash account. If no liability was booked, the debit will reflect an expense account, such as rental services or operating lease/contracts, and the credit is again made to cash.

The responsibility of tracking lease balances falls on the Controller for leases that were booked with an amortization schedule. In cases where no amortization schedule was received, department heads are responsible for receiving invoices and submitting them to Accounts Payable for payment processing.

The University does not have any established policies or procedures regarding the maintenance of agreements that have been signed.

The last completed financial statements for the University is fiscal year 2022. Presented below is the type and amount of the University's outstanding debt at December 31, 2024, based on what was still outstanding after payments in fiscal years 2023, 2024 and part of 2025:

Central State University - Greene County

Financial Accounting Report

Debt Administration

(continued)

		(per last Audit Report)		
	Interest	Principal	Debt Payments	Principal
	Rate	Outstanding	7/1/2022 -	Outstanding
		6/30/2022	12/31/2024	12/31/2024
Direct Placement:				
Authority Bonds				
Series A	1.59	\$1,036,414	(\$1,036,414)	\$0
Series B	3.70	7,000,000	(2,351,593)	4,648,407
Total Bonds		8,036,414	(3,388,007)	4,648,407
Leases				
Field Turf Lease	0.000%	922,164	(922,164)	0
Vehicles Lease	1.000%-6.125%	278,772	(191,162)	87,610
Total Leases		1,200,936	(1,113,326)	87,610
Total Debt		\$9,237,350	(\$4,501,333)	\$4,736,017

On May 3, 2013, the University issued Ohio Air Quality Development Authority bonds, in the amount of \$9,550,000 (Series A) and \$7,000,000 (Series B), respectively, for the acquisition, construction, and installation of personal property comprising “air quality facilities” as defined in Section 3706.01 of the Ohio Revised Code. The Series A bonds matured on December 1, 2022. The Series B bonds were issued with principal maturity beginning on December 1, 2022 for a fifteen year period and a final maturity on December 1, 2028.

During fiscal year 2021, the University entered into a non-cancellable lease agreement for the purchase of a field turf package with an upfront payment of \$400,000 and financing \$1,844,328. The final payment of \$922,164 was paid in August 2022.

The University has entered into multiple non-cancellable lease agreements for vehicles. The only documentation maintained for these leases is the monthly invoices as they are received.

Potential University Debt

The University has entered into multiple agreements with various vendors since the release of the fiscal year 2022 financial statements. A list of agreements to be considered and evaluated for proper presentation within the financial statements for fiscal years 2023 and forward are as follows:

Central State University - Greene County

Financial Accounting Report

Debt Administration

(continued)

<u>Agreement</u>	<u>Term</u>	<u>Monthly Payments*</u>	<u>Total Payments</u>
Laundry Services Lease	12 Months	\$4,830	\$57,960
Vehicle Lease 1	60 Months	708	42,479
Vehicle Lease 2	60 Months	1,173	70,409
Vehicle Lease 3	120 Months	25	3,001
Vehicle Lease 4	60 Months	25	1,501
Vehicle Lease 5	120 Months	25	3,001
Vehicle Lease 6	120 Months	25	3,001
Vehicle Lease 7	84 Months	25	2,102
Cash Advance Lease 1	60 Months	52,944	3,176,618
Cash Advance Lease 2	60 Months	12,380	742,804
Cash Advance Lease 3	60 Months	22,511	1,350,668
Cash Advance Lease 4	60 Months	25,520	1,531,206
Student Housing Lease 1	25 Years	131,650	41,450,197
Student Housing Lease 2	30 Years	74,417	25,403,429
Student Housing Lease 3	30 Years	51,000	19,465,732
Student Housing Lease 4	31 Years	280,060	110,713,430
			<u>\$204,017,538</u>

* The Student Housing Leases have annual increases in required monthly payments. Leases 1, 2, and 3 increase by 0.40% and Lease 4 increases by 0.50%.

In July 2024, the University signed an addendum to a pre-existing lease agreement with CSC Service Works, Inc. for laundry services extending the term of the original lease by 12 months.

The University has entered into several vehicle leases with Enterprise spanning multiple fiscal years. It is important to note that one of these vehicle leases exceeds the \$50,000 threshold requiring approval by the Board of Trustees. However, that approval was not obtained.

During fiscal years 2023 and 2024, the University entered into cash advances structured as leases, using various pieces of equipment as collateral to secure the funds with TEQLease, Inc. None of these agreements were approved by the Board of Trustees.

Starting in fiscal year 2018 and continuing through fiscal year 2024, the University entered into agreements with University Housing Solutions, LLC for the University to purchase student housing improvements constructed by University Housing Solutions, LLC (UHS) on behalf of the University, for all four agreements the total payment amount is \$197 million. Only the fourth agreement was approved by the University's Board of Trustees. Each agreement with UHS had a ground lease agreement that was approved by the Ohio Department of Administrative Services on behalf of University to allow UHS the right to use the tract of land for the construction of student housing improvements.

Central State University - Greene County

Financial Accounting Report

Debt Administration

(continued)

Auditor of State Comments

1. It is imperative that all agreements in excess of \$50,000 are subject to review and approval by the University's Board of Trustees. This process is designed to ensure proper ascendency and transparency of financial commitments.
2. The University must determine whether the recent agreements should be presented as long-term debt in the not yet finalized annual financial statements for fiscal years 2023 and 2024. Recent pronouncements from the Governmental Accounting Standards Board (GASB) must be taken into account when assessing the recent agreements to ensure proper presentation.
3. Cash advance agreements often present concerns related to cash flow management and financial stability. The University should pursue financial structures and procedures that ensure proper cash flow management to limit the need for cash advancements in the future.
4. Maintaining proper records of leased assets is critical for both financial and operational purposes. The University should ensure that all leased assets are recorded and maintained to ensure that the University is able to manage its liabilities effectively to allow for informed decision-making in regards to lease renewals and asset management.
5. A centralized location for maintaining all legal and financial agreements is essential to ensure that the University has dependable access to relevant documents for decision-making, audits, and compliance checks. This could be the General Counsel's office or a designated legal or finance department. A centralized source ensures that agreements are consistently reviewed, stored securely, and organized according to their relevance and legal requirements. It minimizes the risk of missing documents, reduces the possibility of fraud, and enables the University to stay organized and compliant with regulations.
6. Regardless of the monetary value, every agreement entered into by the University should be reviewed by General Counsel or official University legal counsel to ensure that it adheres to applicable laws, policies, and ethical guidelines. Legal's review helps mitigate legal risks, protect the University's interests, and ensure compliance with relevant laws.
7. The University should establish a written set of policies or procedures related to the maintenance of signed agreements to ensure the University has a standardize approach to managing its legal documents. This should include steps for storing, retrieving, reviewing, and monitoring agreements, as well as ensuring compliance with retention schedules and confidentiality requirements. These policies should also address how to handle amendments, terminations, and disputes related to agreements. A clear and systematic approach helps ensure that agreements are maintained in accordance with institutional policy, regulatory requirements, and best practices.
8. The University should revise and update its Debt Administration Policy to ensure compliance, which mandates that certain agreements be subject to approval by both the Attorney General and the Department of Administrative Services. By incorporating this requirement into the policy, the University will align its practices with State law and maintain adherence to proper legal and administrative protocols for land lease agreements. This update is crucial for mitigating legal risks and ensuring that all necessary approvals are obtained before entering into such agreements.

Central State University - Greene County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management and Investing

Cash received by the university should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the beginning of the following month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

Statutory Requirements

Section 9.38(2), Revised code, states, “A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.”

Section 3345.05(C), Revised Code, states, “Investments shall be made pursuant to an investment policy adopted by the board in public session that requires all fiduciaries to discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The policy shall require at least the following: (1) A stipulation that investment of at least twenty-five per cent of the average amount of the investment portfolio over the course of the previous fiscal year be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state’s pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system of federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve; (2) Eligible funds above those that meet the conditions of division (C)(1) of this section may be pooled with other institutional funds and invested in accordance with section 1715.52 of the Revised Code; (3) The establishment of an investment committee.”

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing
2. executed by the financial institution and the depositor making the claim
3. approved by the board of directors or loan committee of the institution
4. an official record of the financial institution continuously from the time of its execution.

Central State University - Greene County

Financial Accounting Report

Cash Management and Investing

(continued)

If these requirements are not fulfilled, the Federal Deposit Insurance Cooperation may be able to void a security interest and leave the University with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

University's Methods of Cash Management and Investing

The University's treasury activities are the responsibility of the Controller. The Accounting Staff and Controller should reconcile the treasury with the accounting records and typically the Controller transfers cash among the various bank accounts as needed. The Interim Vice President of Administration and Finance/Chief Financial Officer also has access to transfer cash between accounts. The Controller authorizes any transfers, but an email is sent to the Interim Vice President of Administration and Finance/Chief Financial Officer as well as the President of the University. To transfer monies to the payroll account, the Payroll Manager uploads the payroll direct deposit to PNC Bank. The bank does not release the funds until the Controller reviews and approves the uploaded reports. The bank will transfer money from the operating account to the payroll account and make all payments per the approved reports. Benefit payments are made through EFT or ACH payments to the individual vendors from the payroll account.

The University maintains four bank accounts with PNC Bank: a general operating, payroll checking, federal funds checking, and a money market account. The University also has eight different investment accounts with Morgan Stanley and two StarOhio accounts. One StarOhio account is used for holding state land grant receipts and the other is used to hold interim money as explained below. Federal monies are required to be deposited into the PNC federal funds account, and State land grant monies are required to be deposited into the designated StarOhio account. All other receipts are deposited into the PNC general operating account.

All expenditures are paid from the PNC general operating account and cash from the PNC federal funds checking account and StarOhio land grant accounts are transferred to the general operating account to reimburse for these expenditures. However, the University was unable to provide documentation to support the transfers that occurred in January and February were directly tied to federal and state land grant expenditures.

Per the Interim Vice President of Finance and Administration/Chief Financial Officer and Controller, the University keeps the balance at \$50,000 in the federal funds account.

The University's policy is to maintain a \$1 million dollar balance in the PNC general operating account, with any excess being deposited in the University's Money Market account. Currently the Controller monitors the balance daily in the PNC general checking account and will only complete a transfer into the PNC money market account when the PNC general operating account is over \$2 million dollars. The Controller's basis for this change is due to a large variance in the PNC general checking account daily balances. The Vice president of Finance and Administration/Chief Financial Officer agrees to this deviation from policy, but no formal permission was given nor was a change in policy made.

Central State University - Greene County

Financial Accounting Report

Cash Management and Investing

(continued)

The University also maintains four bank accounts with Fifth Third Bank: a general operating, payroll checking, federal funds checking, and a money market account. The University receives quarterly statements from the bank for all accounts except for the money market account, on which they receive monthly statements. The payroll checking and federal funds checking accounts had a zero balance with no activity as of December 2024. The money market account had a balance of \$25,000 at the end of February 2025 and no activity. The general operating account had a balance of \$32,734 at the end of December 2024 and no activity except dormant account services charges for the period May through December of \$4,691.

At the end of the day, a two-part deposit slip is prepared for all checks and cash to be deposited. The white copy of the deposit slip is placed into the bank bag, and this is put into the safe. The following day, usually before noon the Office Manager will take the previous days' deposit to the bank. If the Office Manager is unavailable the backup person will take the deposit to the bank. A sampling of the deposit slip date to the date received on the bank statement was completed for all of calendar year 2024. During the first 8 months of the year approximately 53 percent of the deposits tested were not taken to the bank within one business day. For the last 4 months of the year approximately 13 percent of the deposits were not taken to the bank within one business day.

The University has a 5-member investment committee that is supposed to meet quarterly per Revised Code 3345.05(D), but since May of 2022, there have only been five meetings. The University started working with the Inter University Council of Ohio, so that they may join CAPTRUST to assist in investments of employee retirement accounts. CAPTRUST only requires semi-annual meetings, and the committee has only been meeting semi-annual. An advisor from Morgan Stanley will appear at the committee meetings and will provide a status report, no other action is taken of those investments.

Petty Cash: The University has a safe that they store the three cash drawers and a petty cash fund in overnight. The petty cash account is only used for expenditures/reimbursements under \$50. A reimbursement request greater than \$50 requires the Controller's approval. Periodically the Controller will audit the petty cash fund and reconcile the receipts to the existing balance to replenish this account the Office manager of Cash Management completes a form with all the receipts attached and submits that to Accounts Payable. A check is then issued to the Cash Management office to take to the bank to replenish the petty cash balance.

Bank Reconciliations: A bank reconciliation is a monthly process used to compare and explain the differences between the cash balance recorded in Banner (the books of account) and the balance on the bank statements and investments. The purpose of the bank reconciliation is to ensure that the University's records are accurate, account for any discrepancies, and identify errors or unprocessed transactions, like outstanding checks or deposits in transit. University policy indicates that at the beginning of the month, the Controller's office should reconcile the bank accounts for the previous month.

Central State University - Greene County

Financial Accounting Report

Cash Management and Investing

(continued)

The University has prepared monthly bank reconciliations for the PNC money market account, PNC federal funds account, and two StarOhio accounts. These accounts have minimal activity that largely consists of transfers in and out to the PNC general operating account and payments of federal grants from the United States treasury. Monthly bank reconciliations of the PNC general operating account are not occurring in a timely manner.

The most recent month that had a complete reconciliation of the PNC general operating account was June 30, 2022. The University has prepared subsequent reconciliations; however, each contained numerous unreconciled differences, unsupported amounts, and unidentified variances.

Outstanding Checks: Outstanding checks represent checks that the University issued and recorded in Banner but have not yet been presented to the bank for payment or cleared the bank account. The University currently uses the FGRGLTA report to identify outstanding checks, which is a General Ledger Transaction Activity Report. This report displays information with beginning/ending balances for general ledger accounts and all debit and credit activity against those accounts. The University must input specific parameters to generate this report, including the fiscal year, date range, and if accruals should be included. The parameters of the FGRGLTA used for the June 30, 2022, bank reconciliation were as follows: fiscal year 2022, date range June 1, 2022 through June 30, 2022, and yes to include accruals. Therefore, this report includes accruals and does not represent an accurate listing of outstanding checks at month end.

The University processes payments through Banner by issuing checks that are paid from the operating bank account. The University also issues memo checks through Banner for credit card payments. The Banner FARBREC report reflects total outstanding checks on a cash basis. According to the February 20, 2025, FARBREC report, the University's primary operating bank account has 47,061 outstanding checks in the amount of \$329,432,136 with check dates ranging from June 2020 through February 2025. These outstanding checks consist of student refund checks, withholding and benefits remittances, and payments to other non-payroll related vendors. The FARBREC indicates that there are also an additional 1,335 outstanding memo checks in the amount of \$6,351,962.

Voided checks: Check issued by the University are stale dated after 90 days. The University will re-issue a stale-dated check if the vendor returns the original check. A void check form is completed, and the returned check is attached to this form. The signature box is marked out with a black marker. The University is notified when a stale dated check is received by PNC Bank and the Controller logs into the bank and reviews a copy of the stale dated check. If the check is one or two days past the stale date, the Controller will approve the check to be paid, if more than two days the Controller will void the check and print off a pdf copy of the check. The Controller emails the Accounts Payable department a copy of this check requesting it to be voided. Accounts Payable fills out a void check request form and attaches a printed copy of the check and email to the form. If a vendor is unable to return the original, a stop payment on the original check will be sent to the bank and a new check will be issued if the goods/services have been received/performed satisfactorily. The voided general operating checks are filed in numerical order in the Controller's Department.

Central State University - Greene County

Financial Accounting Report

Cash Management and Investing

(continued)

Auditor of State Comments

1. The monthly bank reconciliations of the PNC general operating account are not occurring in a timely manner as required by University Policy. The PNC general operating account is the University's primary account for all expenditures and sees the highest level of activity. Therefore, it is critical that the bank reconciliations are prepared timely for this account as reconciling cash is a critical control in assuring all transactions are posted accurately and in the proper accounting period. Unidentified differences may result in inaccurate cash balance information, which may cause deficit spending and makes the University susceptible to fraud. The University should immediately investigate, document, and correct variances in bank reconciliations. The University should also prepare a comprehensive bank reconciliation that includes all University bank accounts at the beginning of the following month. The comprehensive monthly bank reconciliations should also be provided to the Board of Trustees Budget and Finance Committee for review and approval.
2. The University does not currently have a process in place to properly and timely clear outstanding checks in Banner. Clearing outstanding checks is a crucial part of the bank reconciliation process. If these checks are not cleared during the bank reconciliation process, the financial records become inaccurate, and the reconciliation process is incomplete. Reconciling these checks allows the University to understand its true available cash balance, which is critical for effective cash flow management. If outstanding checks are not properly tracked, the University could mistakenly believe it has more cash available than it actually does, potentially leading to overdrafts or cash shortages. Ensuring that outstanding checks are cleared monthly also helps maintain accurate financial statements.
3. The University is currently using the FGRGLTA report to support outstanding checks. However, this report includes accruals. Accrual-based reports, like the FGRGLTA, do not accurately reflect the actual cash transactions, potentially resulting in discrepancies between the University's financial records and the bank's records. To ensure more accurate and reliable bank reconciliations, the University should use the FARBREC report to support outstanding checks. The FARBREC report provides a cash-basis outstanding check report, which provides a clearer and more accurate picture of the actual funds available, making it a more appropriate tool for reconciling outstanding checks in the bank reconciliation process and will allow the University to better monitor their cash flow.
4. The University's investment policy does not discuss an investment committee, but it does state the University will follow Ohio Revised Code sections 3345.05 and 1715.53. The University does have an investment committee as required by Section 3345.05(C)(3), Revised Code. The investment committee is not performing their duties to review all investment accounts, instead they have focused on the retirement plans investments offered to employees. The investment committee should adhere to the required quarterly meeting requirement and work with their investment advisors to maximize their return on investments and ensure compliance with the University's investment policy for all investments.

Central State University - Greene County

Financial Accounting Report

Cash Management and Investing

(continued)

5. The University is not following their policy on maintaining a minimum balance or transferring excess funds to the PNC Money Market Account. Board policy states to provide liquidity to meet the needs and demands of the University, cash balances will be monitored and managed daily, as to minimize the impact of unanticipated reductions in revenues or unplanned increases in expenditure. A minimum of \$1 million shall be maintained in the University's PNC General Operating account, with any excess funds being deposited in the University's PNC Money Market Account. A review of the monthly bank statements revealed bank balances both over and under the \$1 million threshold. The University should revisit their minimum balance policy or implement stricter adherence to the current policy.
6. The University does not have an investment policy on record with the Auditor of State Office as required by Section 135.05 of the Revised Code. The University should upload a copy of their investment policy into the document section of their e-services account, which will meet the filing requirements.
7. The University is not actively utilizing the bank accounts held with Fifth Third Bank and is incurring a monthly dormant account service fee. This ongoing charge represents an unnecessary cost to the University. Therefore, the University should evaluate the necessity of maintaining the accounts with Fifth Third Bank.
8. The University is not consistently making timely deposits to the bank as required by Section 9.38 of the Revised Code. During the review of the 2024 deposits the University's percentage of making deposits in accordance with Section 9.38 has increased.
9. The University is not following their policy for voiding returned checks. The Policy states that the checks will have "void" stamped on them and the signature block will be cut out. They are not stamping the checks "void" or cutting the signature block out. The University is only marking out the signature block with a black marker. The University should either have strict adherence to the current policy or consider making a change to the policy to allow for the marking out of the signature block.
10. The University should evaluate its current process for deferring payments on accounts payable. Failure to address inefficiencies in this process may significantly impact the quality of services provided and lead to the assessment of late penalties and interest to the University.
11. The University should establish policies and procedures to ensure that transfers from the Federal Funds Checking Account and the StarOhio Land Grant Account are only used for allowable expenditures. The policies should also include provisions for authorization and approval of the transfers and maintaining documentation to support the total amount of the transfer is in accordance with amounts allowed and expensed in accordance with grant requirements.

Central State University - Greene County

Financial Accounting Report

Financial Reporting

Description of an Effective Method of Financial Reporting

The Controller should provide the Board of Trustees with reports setting forth year-to-date revenues, expenditures, encumbrances, and available fund balances for each fund of the University. In addition, information concerning estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the Board of Trustees' review and approval. On an annual basis, the University, in compliance with Ohio Administrative Code Section 126:3-1-01(A)(2)(a), should prepare and submit within four months of fiscal year-end financial statements prepared in accordance with generally accepted accounting principles (GAAP). The University's audits should be completed timely in accordance with contracted due dates. Information filed with the Ohio Department of Higher Education through the Higher Education Information system should be accurate and timely and result in accurate calculation of the University's State Share of Instruction. Tuition Waiver and Guarantee programs should be approved by the Board of Trustees and the Ohio Department of Higher Education.

Statutory Requirements

Section 126:3-1-01(A)(2)(a), Administrative Code, requires that each state university and college shall prepare and submit fiscal year financial statements to the Auditor of State no later than October thirty-first of each year. The fiscal year financial statements shall be prepared in accordance with generally accepted accounting principles and shall be accompanied by required notes and other supplemental information as may be required by the Chancellor of Higher Education.

While in fiscal watch, Ohio Administrative Code Section 126:3-1-01(D)(1)(d) requires that the University establish a process by which the Board of Trustees or a Committee will undertake monthly reviews of revenues, expenditures, and encumbrances consistent with the financial recovery plan.

Ohio Administrative Code Section 126:3-1-01(D)(1)(e) requires that the University approve and monitor the monthly levels of expenditures and encumbrances and require supporting documentation to substantiate any departure from any approved level.

Section 3345.72 (1)(b), Revised Code, requires an annual financial report to be prepared at the end of each fiscal year consistent with the audit requirements prescribed by the Auditor of State, and filed with the Auditor of State within four months after the close of the fiscal year-end.

Section 3333-1-02.1, Administrative Code, provides that state funding support of institutions may be determined by a variety of factors that include, but are not limited to, the characteristics of enrolled students, the characteristics of course and course sections, and course outcomes. Students who have not paid fees for a prior term by the fifteenth day of the present term will not be factored into the computations that result in payments to institutions of higher education.

The University's Method of Financial Reporting

The University uses Banner for standard and customized month and year-to-date reports. The University prepares month and year-to-date reports, including the revenue, expenditures, budget, and appropriation account summary reports, which are maintained on file in the Budget and Controller Departments.

Central State University - Greene County

Financial Accounting Report

Financial Reporting

(continued)

Since being placed in fiscal watch, the Board of Trustees have been presented a summary of year-to-date revenues and expenditures, including budgeted amounts. However, there is no indication that the Board of Trustees has approved the monthly levels of expenditures and encumbrances nor monitored spending levels consistent with the financial recovery plan as required by Section 126:3-1-01(D) (1)(e) of the Administrative Code.

Financial Statement Preparation and Annual Audit: The University prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The financial statements are required to be filed with the Auditor of State within four months of the end of the fiscal year end or, if unable to meet the deadline, an extension may be requested.

The University's fiscal year 2023 draft financial statements were due to the Auditor of State on October 31, 2023; however, the University filed with the Auditor of State on July 19, 2024 and refiled on July 22 and July 23, 2024 due to mathematical errors included in the statements. Despite refileing, the fiscal year 2023 draft financial statements filed with the Auditor of State remain incorrect and include errors. These errors have caused a significant delay in the completion of the audit of the fiscal year 2023 financial statements, which was due December 31, 2023.

The University's unaudited fiscal year 2023 draft financial statements were prepared by a temporary employee. Due to turnover at the University, the University contracted the fiscal year 2023 financial statement preparation services to an independent contractor who ultimately failed to complete the financial statements. As of the date of this report, the University's auditor has been engaged by the University to perform non-audit services to prepare the fiscal year 2023 financial statements for the University. The University's auditor has indicated an expected audit completion date of April 30, 2025.

The University's fiscal year 2024 unaudited draft financial statements were due to the Auditor of State on October 31, 2024, and the audit of the fiscal year 2024 financial statements were due to the Auditor of State on December 31, 2024. As of the date of this report, neither the fiscal year 2024 unaudited draft financial statements nor the audit of the fiscal year 2024 financial statements have been filed with the Auditor of State. Additionally, the University's fiscal year 2025 unaudited draft financial statements are due to the Auditor of State on October 31, 2025, and the audit of the fiscal year 2025 financial statements is due to the Auditor of State on December 31, 2025.

The University currently lacks a formalized process for preparing its annual financial report; however, the University is currently discussing plans for the fiscal year 2024 draft financial statements. The University also does not currently have a process in place for compiling documents that will be necessary for completion of the audit. This has caused significant issues with the University being responsive to the auditor's requests.

Reporting to Ohio Department of Higher Education: To receive State Share of Instruction (SSI) funding, the University is required to upload several reports throughout the academic year to the ODHE through Higher Education Information (HEI) system. The HEI system is a comprehensive database containing a wide array of information about Ohio's Colleges and Universities that also performs various complex calculations. The information reported in the HEI system is used for a variety of purposes, including reporting on higher education outcomes, SSI calculations, financial aid program support, policy analysis, and strategic planning.

Central State University - Greene County

Financial Accounting Report

Financial Reporting

(continued)

As inputs to HEI, public colleges and universities report data on student enrollments and demographics, facilities, course offerings, physical plant inventories, and finances. At the University, student and faculty data is uploaded into the HEI system by the University's Office of Institutional Research. Financial and physical plant data is uploaded into the HEI system by the Finance department. The University extracts or compiles the required information from Banner or compiles the information to be reported and uploads the information to the HEI system. University data reporting is required for each full term as well as annually.

HEI Student and Faculty Data Reports: The Student Enrollment file (SN) must contain a record of each student included in the Course Enrollment (CN) and Student Entrance (SE) files. The Office of Institutional Research extracts data in Banner and generates a spreadsheet to create the SN file. The Office of Institutional Research sends a list of in-state resident students to the Budget Director for subsidy eligibility verification using the instructions and subsidy codes as described on the HEI website. The Budget Director reviews the student list to determine if the student has a balance on their account for tuition charged in the current semester by reviewing information from Argos, a reporting tool that works with Banner. The Budget Director provides Financial Aid with a spreadsheet that includes students coded as ineligible for having a balance in the current term. Financial Aid will review the list to determine if students previously marked as ineligible have unapplied financial aid that could make them eligible and return the list to the Budget Director.

The Budget Director then documents on the spreadsheet whether students should or should not be included in the data uploaded to HEI by adding each student's applicable HEI subsidy code. The Budget Director documents on the spreadsheet that students with unpaid balances in the current semester should not be included in the data uploaded to HEI and students that have fully paid balances in the current semester should be reported to HEI. The University does not have a process in place to ensure the Budget Director has applied the correct subsidy code nor does the University review student balances from prior semesters. Once the University's Office of Institutional Research receives the file from the Budget Director with applicable subsidy code for each in-state resident student, this file is merged with the SN file to update the Student Subsidy Eligibility Status field. All student enrollment files are submitted to HEI after the End-of-Term processing is completed by the University's Registrar and when the HEI submission window is open. The SN file is uploaded to the HEI system once a 1-to-1 relationship to the SE file and CN file is established with no errors.

HEI Financial and Physical Plant Data Reports: The Controller is responsible for the financial data reports filed through the HEI system, including the Changes in Funds (CF), Sources of Education and General Revenues (SR), Campus Expenditure (CX), Education and General Funds Expenditure (EE), Instructional and General Expenditures by Object (IO), Funding Unit Expenditure (FX) and Faculty and Instructional Non-Faculty Funding (FF) reports. The Controller pulls data from Banner for use in preparing these reports.

Financial Accounting Report

Financial Reporting

(continued)

The Budget Director is responsible for the Budget Data (BD), Physical Structure Inventory (PS) and Area Inventory (AI) reports. The BD report is prepared from the spreadsheet the Budget Director uploads into Banner. The PS report is prepared using the latest inventory of University buildings, which is current and the AI report is prepared using the information from an older study performed over the University's use of buildings, which does not include the University's newest buildings and has not been updated to reflect the University's current use of the University's other buildings. According to HEI, the Area Inventory (AI) file should contain one record for each area in a physical structure reported in the Physical Structure Inventory (PS) file as of the 15th day of Fall term.

Auditor of State Comments:

1. The University should develop appropriate policies and procedures to ensure that financial statements are prepared and filed with the Ohio Auditor of State in a timely manner. Additionally, the University should implement policies and procedures to ensure that audits are completed on time. The policy should require the use of the Banner system in the generation of financial statement information and amounts. This involves making sure that all necessary documentation is both available and easily accessible to minimize any delays and ensure that all relevant parties are properly prepared.
2. The University should develop a process utilizing existing resources for storing files that may be required for their financial statement preparation and audit to ensure that all necessary documentation is readily available. This proactive approach will reduce the time and effort required to gather documentation for the financial statement preparation and audit process. Additionally, this will help to minimize the risk of missing or misplaced information.
3. As part of the process of preparing the Student Enrollment file (SN) report, the Budget Director currently reviews payments made on in-state resident student accounts, including anticipated financial aid, to ensure that the payments for the current semester meet or exceed the amount owed for the semester. However, there is not a process for ensuring the students do not have a balance from previous semesters, which would make the student ineligible to include on the SN report. This may result in the University reporting ineligible students, which would impact the amount of SSI the University receives. The University should develop procedures to ensure that in-state resident students with balances from prior terms are reported as ineligible to ODHE through HEI.
4. The Area Inventory (AI) report is currently being prepared using incorrect information; therefore, the information submitted to ODHE through HEI is incorrect. Reporting inaccurate information on this report could impact the University's SSI and/or the University's capital spending allocation. The University should utilize existing resources and personnel to update the information regarding the use of the University's buildings. The University should also develop a policy and procedures to review and update the University's use of buildings including a timeline of when and how often this review and update should occur. The Board of Trustees should approve this policy.

Central State University - Greene County

Financial Accounting Report

Financial Reporting

(continued)

5. The Budget Director is current responsible for the preparation and submitting the Physical Structure Inventory (PS) and Area Inventory (AI) reports to ODHE through the HEI. However, the Budget Director lacks familiarity with the specific details related to the University's buildings and their usage. Given the technical nature of these reports, it would be more appropriate for the responsibility of preparing and submitting the PS and AI reports to be assigned to University employees who are more knowledgeable about the information contained in these reports. This would help ensure accuracy and efficiency in the submission process.
6. The University does not have process in place to ensure the Budget Director has applied the correct subsidy code to students included on the Student Enrollment (SN) report. Additionally, the Budget Director does not have access to all of the information necessary to accurately code the in-state resident students for reporting on the SN report and lacks familiarity with student accounts and financial aid. Therefore, the Budget Director must rely on employees in other departments to provide the needed data. Given the specialized nature of this information, it may be more effective for employees with expertise in student accounts and financial aid to handle the coding and reporting responsibilities to ensure both accuracy and efficiency in the reporting process.
7. The University should develop procedures to ensure that Board of Trustees are reviewing and approving monthly expenditures and encumbrances consistent with the financial recovery plan submitted to the ODHE as required by Section 126:3-1-01(D) (1)(e) of the Administrative Code.

Financial Accounting Report

Forecasting and Planning

Description of an Effective Method of Forecasting and Planning

Forecasting and planning methods should be designed to increase the amount of useful information available to all stakeholders to continuously improve the organization. The method of forecasting should allow for both short-term and long-term prediction of revenues, expenses, and cash balances. Forecasts should be monitored against actual results to refine and improve the methods and data used to perform future forecasts. The method of planning should include such items as enrollment fluctuations, capital projects, revenue enhancements or declines, and expenditure increases or decreases. Planning should be institutionalized and performed regularly to better address these factors before they have a significant impact on finances. Plans should have specific and measurable steps or goals. These steps or goals should be monitored as actual information is known to refine and update the plan as necessary.

University's Method of Forecasting and Planning

Short-Term and Long-Term Forecasting and Planning: The University does not have a formal method of short-term or long-term financial forecasting. The University does have a formal Budgetary process as described in the Budgetary Process section of this report.

Long-Term Enrollment and Revenue Projections: The University currently lacks a formal process for long-term enrollment and revenue projections. Despite this gap in formal planning, the University receives frequent, real-time enrollment data through the Banner accounting system. Banner generates detailed daily enrollment reports, which are emailed to key University personnel, including the University President, the Interim Vice President for Administration and Finance/Chief Financial Officer, and the Budget Director. These reports include:

1. *SP24 and SP25 Enrollment Comparison* - A report that compares enrollment for traditional and global online students in the current term to the enrollment in the same term from the prior year (e.g., Spring FY2024 vs. Spring FY2025).
2. *Spring 2025 Traditional Enrollment Classification* – A report that details traditional student enrollment by class in the current term compared to the enrollment in the same term from the prior year (e.g., Spring FY2024 vs. Spring FY2025).
3. *SP25 Global Online Enrollment Data* - A report that breaks down new and continuing global online enrollment, both in-State and out-of-State, by program in the current term.

The University prepared a fiscal year 2025 budget and a fiscal year 2026 revenue proforma that were included in the financial recovery plan submitted to the Ohio Department of Higher Education as discussed in the Governance Overview section of this report. The revenue projections included in fiscal year 2025 budget and a fiscal year 2026 revenue proforma were largely based upon the anticipated enrollment of students based upon their classification as a traditional (new first time, transfer, continuing), online, or graduate student as well as residency (on/off campus) status. However, these projections do not appear to factor in the tuition that will actually be charged to the enrolled students. For example, the projections omit factors that would reduce tuition revenue collections, such as scholarships provided as institutional aid and the unapproved tuition waivers that are being offered to students as discussed in the Budgetary Processing section the report.

Central State University - Greene County

Financial Accounting Report

Forecasting and Planning

(continued)

State Share of Instruction: The State Share of Instruction (SSI) is an allocation formula that is based upon information reported by the University to the Ohio Department of Higher Education through the Higher Education Information (HEI) system as described in the Financial Reporting section. SSI is established by a line item in the State biennial budget. The University employs a Senior Policy Consultant who reports to the University President on all matters coming before the State legislature that could impact the University. The biennial budget is closely monitored by the Senior Policy Consultant and the Vice President of Administration and Finance is notified of any anticipated changes.

Strategic Plan: The University's current strategic plan was developed for fiscal years 2020 through 2025 with a focus on 7 goals: Enhancing student profile, faculty profile, achievement, and learning; Improving policies, processes, and efficiency in university operations; Advancing infrastructure, improving the physical environment, and growing fiscal resources; Expanding community engagement and positioning the institution for Carnegie status; Increasing student engagement belonging, tradition, and pride; Position the University brand for fundraising and engagement; and Developing competitive athletic programs and teams to compete for championships. The University currently does not have a process in place for evaluating the goals in the strategic plan.

The University is in the process of developing a new strategic plan. The President's Chief of Staff is facilitating the preparation of the strategic plan. The University Provost, Vice President of Research and Development, and Dean of the College of Business are all strategic planning co-chairs responsible for the strategic planning committees that are responsible for development of the strategic plan. The goals of the strategic plan were established by the University President after engaging with faculty, staff, students, and other community stakeholders during listening sessions and electronic surveys that were facilitated by the University's Human Resources department. Separate committees were established to address each of the goals. Committee members include representatives from both internal and external groups and were appointed by recommendation from the President or one of the strategic planning co-chairs. Each committee has been identified as either internal or external based upon their focus. Internal committees include Human Resources, Institutional Systems and Processes; Academic and Student Achievement; and Fiscal Resources. External Committees include Public Education, Peer, Aspirants; Governmental Affairs, Alumni, Business & Industry; and Enrollment Resource Management. These committees will work closely together to ensure the strategic plan reflects a well-rounded and informed approach, leveraging insights from a broad spectrum of stakeholders within and outside the University community. The finalized strategic plan is slated for print and publication on the University's website in June 2025 with an effective date of July 1, 2025.

The Fiscal Resources committee has the potential to most significantly affect the University's finances. This committee has narrowed their focus to the following 7 areas: align enrollment and capacity to increase revenues; enhance technical skillsets of facilities and maintenance staff; improve vendor relationships; donor alignment with institutional priorities; growing awareness of higher education giving trends; increase in contracts, awards, and partnerships; and revise University master plan to update physical infrastructure. Of these 7 areas, align enrollment and capacity to increase revenues has the most potential to impact the University's finances since there is a direct link between enrollment and University revenue. However, the University does not have a documented process in place to evaluate the goals of the strategic plan.

Central State University - Greene County

Financial Accounting Report

Forecasting and Planning

(continued)

Capital Plan: The Ohio Department of Higher Education requires the University to submit a six-year capital plan each biennium to receive State funding for capital projects. Capital projects are typically funded solely through State appropriations without any local funding from the University. The University currently has a six-year capital improvement project plan. The plan includes a listing of anticipated priority capital projects with an estimated cost of each project. The initial listing is submitted to the President's Cabinet for review and prioritization. Once the full capital plan has been prepared, including the narrative and project budgets, it is reviewed and approved by both the President's Cabinet and the Board of Trustees. The capital plan is then submitted to the Ohio Department of Higher Education for consideration. The Ohio Department of Higher Education compiles a statewide capital plan and submits funding requests to the Controlling Board for consideration as outlined in the Budgetary Process section of this report.

Self-Study Report: Every ten years, the University prepares a Self-Study Report as part of the accreditation process with the Higher Learning Commission (HLC). This report serves as a comprehensive review of the institution's operations, performance, and strategic objectives designed to provide detailed information aligned with the five key criteria established by the accreditation committee. The most recent Self-Study Report was completed in 2023 and was submitted to HLC for review. The HLC evaluation process determines whether the University meets the standards for accreditation and results in one of three ratings: 'met,' 'met with concerns,' or 'not met'. HLC provided the University with a rating of 'met with concerns' during their review in the following areas: student retention and graduation rates, quality of its education offerings, high employee turnover impacting student services, and an ineffective budgeting process. The HLC assessment report also assigned the University a 'not met' rating for federal compliance, but it does not specify the criteria that led to this rating. The University is unaware of the factors that contributed to the rating.

HLC has assigned the University the Financial Distress Designation due to the University being placed in fiscal watch by the Ohio Department of Higher Education. Per HLC requirements, the University is required to prepare and submit an Advisory Visit Report with supporting documents 30 days prior to the Advisory Visit. The University has been instructed to include the following information in the Advisory Visit Report: Assessment of student support services and related programming changes, including plans for retention, persistence, and completion; Program reviews conducted through shared governance and their use to enhance academics and financial stability; Graduate outcome monitoring, including workforce or postgraduate employment data by cohorts; Enrollment and retention trends, with data on outcomes and projections for future academic years; Financial audits, short and long-term debt obligations, and the operating budget for the current fiscal year. The University submitted the Advisory Visit Report to HLC on March 26, 2025.

In April 2025, HLC performed an on-site evaluation visit, known as an Advisory Visit, to review the University's compliance with HLC requirements. According to the University, HLC is currently evaluating the results of the Advisory Visit and the Advisory Visit Report. The Financial Distress designation will remain in place until the conclusion of the Advisory Visit process and possibly beyond, depending upon the results of the HLC review.

Central State University - Greene County

Financial Accounting Report

Forecasting and Planning

(continued)

Negotiations with Employee Union Groups: When the University negotiates with employee union groups on a contract, financial forecasts or projections are typically performed by the University. The Interim Vice President for Administration and Finance/Chief Financial Officer will provide financial data and projections based upon proposals brought by the union. For instance, if a union proposes a pay increase, projections are calculated to demonstrate the financial impact to the University of the proposed increase over the life of the contract. Also, the union will normally request financial data from the University, which is provided by the Vice President for Administration and Finance/Chief Financial Officer. This information could include current and historical data, such as employee pay and benefits and information related to the current year budget. The Vice President for Administration and Finance/Chief Financial Officer and the Budget Director also prepare other financial information during negotiations, such as comparisons to peer institutions, ratios of revenues, expenses, headcount, and enrollment, and other data that may be relevant to the University's position during negotiations.

The American Association of University Professors (AAUP) Central State University Chapter agreement expired in August 2024. The University is currently in mediation with the AAUP union representatives. AAUP has provided a proposed agreement that includes provisions that would impact the University's financial condition. Management negotiations teams consist of the University General Counsel, Legal Compliance Officer, Human Resources Director, Assistant Human Resources Director, and the Dean of the Business College. The University General Counsel serves as the Chief Negotiator. The University Management negotiations team and the Union employee negotiation team have met with the Union representatives weekly to bi-weekly and are now in mediation. During the last session held on February 8, 2025, AAUP provided an offer. According to the University, the negotiations are ongoing.

The Local #361 Ohio Counsel #8 of the American Federation of State, County and Municipal Employees (AFSME) agreement expires October 2025. The University anticipates receiving a notice to negotiate 60-90 day prior to the expiration of the contract. The parties will meet to begin negotiations prior to the expiration of the contract at a mutually agreed upon date.

Central State University Safety Association (CSUSA) agreement expires October 2026; however, this agreement includes a wage reopener clause that allows the parties to renegotiate wages in November 2025. The University anticipates receiving a notice to negotiate 60-90 day prior to wage reopener date and also 60-90 days prior to the expiration of the contract. The parties will meet to begin negotiations prior to the expiration of the contract at a mutually agreed upon date.

Cash Flow Projection: As a result of being placed in fiscal watch, the University was required to prepare a financial recovery plan with the goal of terminating fiscal watch within three years as discussed in the Governance Overview section of the report. The University worked with a financial services firm to develop the cash flow projection that was included in the financial recovery plan. The cash flow projection includes information regarding the University's operating revenues and expenses from January 2025 through June 2025. The operating revenues and expenses are primarily based upon historic information from the previous fiscal year. The cash flow projection included in the financial recovery plan indicates that the University's operating expenses will exceed operating revenues, and all reserves will be spent by June 2025, which will result in a cash shortfall of over \$1.19 million.

Central State University - Greene County

Financial Accounting Report

Forecasting and Planning

(continued)

The University is required to update the cash flow projection for actual results. Currently, the University submits the banking information to the financial services firm, who updates the cash flow projection revenues and expenses on behalf of the University. The University only modifies the cash flow projection for specific items, such as Title IV funding receipts and expenditures. Once the University modifications have been made, the cash flow projection is sent back to the financial services company with explanatory notes of any changes or modifications. The financial services company submits the updated cash flow projection to the Ohio Department of Higher Education.

The most recently updated cash flow projection includes actual amounts for January, February, and March. According to the updated cash flow projection, the University anticipates a surplus of \$417,719 in June 2025 that is primarily attributable to the University's plan to defer \$685,905 in accounts payable to fiscal year 2026. Other significant changes to the updated cash flow projection include the following:

- Cash Inflows for actual Title IV draws for January, February, and March increased from the budgeted amounts for those months included in the financial recovery plan. The University anticipates receiving \$10,389,385 in Title IV draws during the period January through June 2025, which is a significant increase from the budgeted amount of \$8,020,012. The University indicated in prior years that it had not drawn down all the funds to which it was entitled and attributes this increase to improved policies and procedures for administering Title IV.
- Cash Outflows for Food Service/Purchased Services for January, February, and March increased from an anticipated amount of \$3,833,335 to an actual amount of \$4,643,452. The University indicated that this increase is largely due to previous estimates that did not include the past due amounts owed to vendors.
- Ending Cash Balance for January 2025 increased from an anticipated amount of \$2,288,857 to an actual amount of \$8,448,851. This increase is largely attributed to the increase in Cash inflows for Title IV draws discussed above due to the January Title IV receipts increasing from a budgeted amount of \$2,500,000 to an actual amount of \$8,005,658.
- Ending Cash Balance for February 2025 decreased from an anticipated amount of \$5,016,112 to an actual amount of \$3,657,164. This decrease is largely attributed to the increase in Cash Outflows for Food Service/Purchased Services as discussed above.
- Ending Cash Balance for March 2025 decreased from an anticipated amount of \$3,581,856 to an actual amount of \$1,495,889. According to the University, this decrease is largely attributed to an increase in restricted expenses for construction of a research facility.
- Ending StarOhio Cash Balance for January 2025 increased from an anticipated amount of \$2,288,857 to an actual amount of \$2,628,475 due to an error in the amount included in the report. According to the University, the actual StarOhio Cash balance should have been \$658,111; however, according to the StarOhio bank statements the total balance in both accounts was \$663,778.
- Ending StarOhio Cash Balance for February 2025 decreased from an anticipated amount of \$5,016,112 to an actual amount of \$3,908,778. However, according to the StarOhio bank statements the total balance in both accounts was \$3,917,946.
- Ending StarOhio Cash Balance for March 2025 decreased from an anticipated amount of \$2,219,220 to an actual amount of \$1,409,908, which agrees to the StarOhio bank statements.

Central State University - Greene County

Financial Accounting Report

Forecasting and Planning

(continued)

Auditor of State Comments

1. The University should consult with other higher education institutions, industry associations or groups, and national finance organizations to research methods and best practices related to forecasting and planning. These methods and best practices should be developed into a comprehensive forecasting and planning policy for the University. The policy should outline the employee(s) responsible for each component of the forecasts and planning, establish a timeline when forecasts and plans are to be performed, and include a requirement for ongoing monitoring of forecasts and plans.
2. The University should review enrollment reports that classify students according to tuition rates as approved by the Board of Trustees and the Chancellor. The data should be organized by specific criteria that align with tuition rates, such as student status (in-state, out-of-state), program type (undergraduate, graduate), residency, or other classifications that affect tuition, including tuition waiver or guarantee programs. Once the enrollment data is appropriately classified, this information should be used to create more accurate revenue projections and long-term financial forecasts, which will improve the University's ability to plan for future enrollment trends and support its financial sustainability.
3. The absence of a formal forecasting process at the University presents a significant risk to effective financial planning and resource allocation. Without accurate projections of key financial metrics, such as enrollment numbers, tuition revenue, operating costs, and capital expenditures, the University may struggle to anticipate budgetary needs, manage cash flow efficiently, and plan for long-term sustainability. Implementing a long-term and short-term forecasting process is critical for aligning financial resources with strategic priorities. This lack of planning can lead to reactive decision-making, missed opportunities, and financial shortfalls that could hinder the University's ability to adapt to changing circumstances. The University should establish both short-term and long-term forecasting processes to ensure its financial resources are effectively aligned with its operations and strategic priorities.
4. The University should regularly evaluate whether the strategic plan goals are being met. The University should also integrate a rolling financial forecasting component into each of its planning documents. For instance, as each goal in the strategic plan is researched and implemented, it should be incorporated into the assumptions that form the basis for a long-term forecast. This would ensure that plans are implemented with a clear understanding of their financial impact, aid the University in assessing whether objectives are being achieved in a timely and efficient manner, and provide opportunities for making necessary adjustments to align with the University's mission and priorities.

Financial Accounting Report

Forecasting and Planning

(continued)

5. The University should incorporate long-term forecasting into the negotiations process with employee union groups. While the University currently calculates the financial impact of potential employee pay and benefit changes on expenses, this information is not yet integrated into a broader, more comprehensive forecasting model. By doing so, the University could better assess how these anticipated expenses will affect overall financial health, including estimated revenues and remaining fund balances. Incorporating this data into the long-term forecast will allow for more informed, data-driven negotiations, ensuring that both short-term and long-term financial impacts are fully considered when making decisions related to compensation and benefits. This will also enhance the University's ability to plan for future financial sustainability while maintaining fairness and transparency in the negotiation process.
6. The feedback from Higher Learning Commission (HLC) provides both critical insights and opportunities for growth in areas that impact the University's finances. By addressing these concerns proactively through strategic planning, targeted improvements, and enhanced financial oversight, the University could strengthen its financial operations. The University should also consult with representatives from the HLC to fully understand the specific criteria that led to the 'not met' rating for federal compliance. This consultation is essential for identifying areas of concern and developing a strategic approach to address these issues. By doing so, the University can implement the necessary corrective actions to ensure full compliance moving forward, safeguarding its accreditation status, and maintaining its commitment to regulatory standards.
7. The University should review the cash flow projections prepared by the financial services company for accuracy and consider utilizing the information in their financial decision making.

Financial Accounting Report

Foundation Processes

Description of an Effective Method of Administering Foundation Processes

An effective method of administering University Foundation processes is crucial to the long-term financial health and academic success of the University. A well-managed foundation is not only pivotal for the financial sustainability of the University but also serves as a strategic partner in advancing institutional goals, ensuring that the University remains agile, resilient, and positioned for future growth. Through prudent management of endowment funds and other assets, as well as cultivating strong donor relationships, the Foundations can create a meaningful and lasting impact. This support helps fund scholarships, research initiatives, capital projects, and other programs that directly benefit students, faculty, and the broader academic community. This process involves a series of coordinated efforts to engage stakeholders, attract donations, manage funds responsibly, and ultimately enhance the University's ability to fulfill its mission. Donations should be allocated in alignment with both the donor's intentions and the institution's priorities, with clear, established guidelines for their use. Regular audits, transparent financial reports, and open communication regarding how funds are used ensures accountability and trust between the University, the Foundations, and donors.

Statutory Requirements

Section 1702.01(C), Revised Code, provides, in part, a nonprofit corporation" means a domestic or foreign corporation that is formed otherwise than for the pecuniary gain or profit of, and whose net earnings or any part of them is not distributable to, its members, directors, officers, or other private persons.

Ohio Attorney General Opinion 2016-013 provides that a public college or university foundation established as a private nonprofit corporation in accordance with R.C. Chapter 1702, the primary purpose of which is to solicit and receive, on behalf of a state college or university, gifts, donations, and bequests made for the benefit or use of the state college or university, and which is responsible for keeping records of donations for the state college or university constitutes a "public office" pursuant to R.C. 117.01(D).

Section 1702.15, Revised Code, provides, in part, each corporation shall keep correct and complete books and records of account, together with minutes of the proceedings of its incorporators, members, directors, and committees of the directors or members.

Section 1715.51(D), Revised Code, provides an "Endowment fund" means an institutional fund or any part thereof that, under the terms of a gift instrument, is not wholly expendable by the institution on a current basis.

Section 1715.52(B), Revised Code, provides that in addition to complying with any other duty of loyalty imposed by law, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Section 1716.17, Revised Code, provides that every person who solicits, collects, or expends contributions on behalf of a charitable organization or for a charitable purpose, or who conducts a charitable sales promotion, and every officer, director, trustee, or employee of that person who is concerned with the solicitation, collection, or expenditure of those contributions shall be considered a fiduciary and as acting in a fiduciary capacity.

Central State University - Greene County

Financial Accounting Report

Foundation Processes

(continued)

26 CFR 1.6033-2(a)(2) provides, in part, that every organization exempt from taxation shall file its annual return with the Internal Revenue Service (IRS) on Form 990.

26 CFR 1.6033-2(e) provides that an annual return shall be filed on or before the 15th day of the fifth month following the close of the period for which the return is required to be filed.

26 CFR 6081(b) provides, in part, that an extension of 6 months for the filing of the return of income taxes shall be allowed if filed on the form prescribed.

26 CFR 6033(j)(1)(b) provides, in part, that if an organization fails to file an annual return for three (3) consecutive years, such organization's status as an organization exempt from tax shall be considered revoked on and after the date set for the filing of the third annual return.

University's Method of Administering Foundation Processes

The University has policies for depositing and requesting funds from the University managed foundation funds; however, the policies do not address the current structure of the foundations and have not been updated since 2001.

Foundation Governance and Oversight: The University is currently affiliated with two distinct foundations: the Central State University Innovation and Development Foundation (CSU IDF) and the Central State University Foundation (CSU-F). Each of these foundations are Ohio nonprofit corporations, have their own independent governing board, and operate exclusively for the benefit of Central State University. The University Vice President of Institutional Advancement provides oversight of the CSU IDF and CSU-F activities managed by the University as the fiscal agent and serves as the Executive Director of CSU-F.

The CSU IDF Board of Trustees consists of seven members; however, there are no board of trustee meeting minutes available for fiscal years 2024 and 2025. Additionally, the Board of Trustees have not had any contact with University personnel nor have the Board of Trustees requested financial reports from the University during this time. The University provides financial reports when requested to the University Vice President of Institutional Advancement. However, the University Vice President of Institutional Advancement has had no contact with the CSU IDF board of trustee members on record other than to inquire about their interest in continuing to serve on the board.

The University currently serves as the fiscal agent of CSU IDF; however, there is no official documentation supporting that the CSU IDF board made this designation. The University currently owns and maintains two bank accounts that are used solely for CSU IDF activity.

The CSU-F board consists of nine members; however, there are no board of trustee meeting minutes available for fiscal years 2024 and 2025. The University provides financial reports when requested through the University Vice President of Institutional Development, who also serves as the Executive Director of CSU-F. The Executive Director provides reports to the CSU-F Board periodically and meets with the CSU-F board to discuss foundation business.

Central State University - Greene County

Financial Accounting Report

Foundation Processes

(continued)

Through a Memorandum of Understanding signed by the University and CSU-F, the University has been designated as the fiscal agent of CSU-F. The University currently owns and maintains one bank account that is used solely for CSU-F activity.

CSU-F also currently holds, separate from the University, various endowment funds, restricted and unrestricted funds, and other assets that are intended to support the University. This aligns with CSU-F's mission and existence as a supporting organization of the University. However, despite holding these funds, CSU-F has not provided the University with the necessary records, including banking and financial documents, that would enable the University to fully execute its responsibilities as the fiscal agent for CSU-F. In addition, the University and the CSU-F board do not currently maintain a strong, collaborative working relationship. As a result, CSU-F continues to retain funds that were specifically designated for the support of the University, limiting the University's capacity to effectively fulfill its financial and operational duties. The lack of available records has also resulted in delays to the financial statement preparation and annual audits of the University and CSU-F.

501(c)(3) status: CSU IDF is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. However, CSU IDF has not filed a Form 990 with the Internal Revenue Service (IRS) for fiscal years 2023 and 2024. The Form 990 for FY 2025 is due November 15, 2025.

CSU-F has not filed a Form 990 with the IRS for fiscal years 2020, 2022, 2023, and 2024. As a result, CSU-F's 501(c)(3) status was revoked by the IRS on November 15, 2024 for failure to file their annual Form 990 for three consecutive fiscal years.

According to the current Memorandum of Understanding between the Foundation and University, the Foundation is to transfer its assets and property to the University, to a reincorporated foundation, or to the state or federal government for public purposes, in accordance with the law and donor intent due to the revoked state of their 501(c)(3). However, no determination has been made on the disposition of the Foundation's continued existence or the Foundation's assets.

Donor Contributions: The University currently employs a Foundation Analyst/Gift Processor who is responsible for accurately recording all donor contributions received by the University. Donor contributions are recorded in batches according to their designated recipient. Receipts designated for Central State University or Central State University Innovation and Development Foundation are classified as CSU IDF receipts. Only receipts intended for the Central State University Foundation are classified as CSU-F receipts. The receipts from CSU IDF and CSU-F are currently being co-mingled within the same foundation funds in Banner.

The Foundation Analyst/Gift Processor is responsible for determining the appropriate fund for each receipt based on the intent of the donor. Unrestricted receipts are posted to the Strategic University Initiatives Fund.

Central State University - Greene County

Financial Accounting Report

Foundation Processes

(continued)

Physical check donations are commonly forwarded to the University's Institutional Advancement department, which is the department responsible for fundraising and other activities to promote the University. The Institutional Advancement department provides the check, envelope, and any correspondence to the Foundation Analyst/Gift Processor. The Foundation Analyst/Gift Processor reviews the check and any accompanying correspondence to determine the proper Banner foundation fund posting and completes a fund transmittal form. The funds transmittal is used to document the receipt information, including the name of the donor, contribution type, address of the donor, the date of the donation, the amount of the donation, purpose of the donation, and the designated Banner foundation fund. Other departments within the University may also receive physical check donations. These donations are forwarded to the Foundation Analyst/Gift Processor and are often accompanied by fund transmittal form that has been completed by the fund manager or their designee. The Vice President of Institutional Advancement is the default fund manager for all foundation funds unless another responsible party has been named.

Credit Card donations received via the website are processed through Give Smart, an on-line platform. From the University, website donors are able select from a list of projects to donate. Each project is tied to a specific Banner foundation fund. Manual credit card transactions are also processed through a feature in Give Smart's virtual terminal by the Foundation Analyst/Gift Processor. The Foundation Analyst/Gift Processor completes a fund transmittal form for manual credit card transactions but a report from Give Smart serves as the fund transmittal form for all other credit card transactions processed on the website since the donor selected projects are tied to Banner foundation funds. A feature in Give Smart, CardPointe reconciles all credit card transactions received, including those received through the website and manual credit card transactions. On a weekly basis, the General Accountant uses a CardPointe reconciliation to verify that all credit card transactions agree to the bank deposits. The General Accountant also maintains record of this reconciliation on a shared drive file by month. The University classifies all credit card transactions as receipts of CSU IDF.

The Foundation Analyst/Gift Processor records donation receipts in the advancement module of Banner for both foundations. These transactions are processed in batches with each batch containing only the activity from a single foundation. Once a batch is complete, the Foundation Analyst Gift Processor sends an email notification to the General Accountant. The General Accountant feeds the batch from the advancement module to the general ledger within Banner as reflected on the ADPFEED. Once complete, the General Accountant sends an email to the Foundation Analyst/Gift Processor with the document control number and the total receipt amount that was posted to the general ledger. Receipts are provided to a Cash Management Clerk and follow the same process described in the Revenue Activity section. The Foundation Analyst/Gift Processor acknowledges the gift by issuing a tax receipt to the donor.

At the end of each month, the Vice President of Institutional Advancement receives a bank statement for the CSU IDF bank accounts in the mail. The Controller does not receive bank statements from the bank for the University accounts held for CSU IDF. The on-line banking portal does not permit the University to download bank statements, so the Controller must request the CSU IDF bank statements from the Vice President of Institutional Advancement. The Vice President of Institutional Advancement also receives a bank statement for the CSU-F bank account in the mail. The Controller does not receive bank statements from the bank for the University account held for CSU-F but has access through an on-line portal to download bank statements for CSU-F. The Controller is currently not preparing bank reconciliations for the CSU IDF or CSU-F bank accounts.

Central State University - Greene County

Financial Accounting Report

Foundation Processes

(continued)

Banner Foundation Funds: Banner uses a designated fund structure for foundation funds, with most foundation funds starting with the letter "F" to ensure easy identification and distinction from other funds. Each department is assigned a Banner foundation fund or funds. There are also Banner foundation funds that represent endowment funds that are held and controlled by the University as discussed in the Cash Management and Investing section of this report. Additionally, there are Banner foundation funds that represent CSU-F endowment funds that were used to historically track individual endowment fund principal and interest balances of each of the endowments that are held and controlled by CSU-F. The University does not have access to endowments held by CSU-F nor are there records supporting the accuracy of the balances recorded in Banner for these funds. CSU-F holds the endowment funds in an investment account separate from the University and reports the endowment funds in their annual financial report. The CSU-F endowment funds in Banner are overstated.

In fiscal year 2021, CSU-F made a gift of \$1 million to the University that was sourced from the Foundation's funds that were recorded in Banner and deposited in the PNC bank account maintained by the University to collect CSU-F receipts. Once the gift was approved, the University transferred the \$1 million gift from the CSU-F PNC bank account to the University's PNC general operating account. In Banner, the University increased its unrestricted net position by \$1 million in the University's General Fund to reflect the gift. However, the Foundation funds in Banner were not decreased by the \$1 million. As a result, the Foundation funds in Banner are also currently overstated for this matter.

Budgeting: There is not an established process for budgeting foundation funds.

Auditor of State Comments

1. The University should perform a comprehensive review of its foundation policies. This review should focus on aligning the policies with current best practices, legal requirements, and the structure of the foundations to ensure they remain effective, transparent, and compliant with all applicable regulations. These policies should also include provisions to ensure that the Internal Revenue Service Form 990 is filed by the required due date each tax year for each foundation by identifying a list of responsible employees, establishing a timeline for completion, and provisions for when an IRS Form 8868 should be filed to request an extension.
2. There is a significant weakness in the oversight and governance of the Central State University Innovation and Development Foundation and the Central State University Foundation. It is imperative that the University collaborate closely with the Board of Trustees representing each Foundation to ensure that they assume an active and engaged role in overseeing the Foundations' operations. The Central State University Innovation and Development Foundation Board of Trustees and the Central State University Foundation Board of Trustees must take immediate and sustained action to monitor the Foundations' legal compliance, financial health, and internal controls. This oversight is essential to safeguard the Foundations' assets and ensure that funds are used responsibly and effectively to support the mission of the University. The University should prioritize this partnership with both Foundation Boards to ensure the Foundations' ongoing success and compliance with all fiduciary responsibilities.

Central State University - Greene County

Financial Accounting Report

Foundation Processes

(continued)

3. There is no evidence that the Central State University Innovation and Development Foundation Board of Trustees or the Central State University Foundation Board of Trustees have met during fiscal year 2024 or 2025. It is crucial that both Boards review and approve key financial decisions, assess risk management strategies, and ensure adherence to all relevant regulatory requirements. Active involvement from the Boards will not only strengthen the governance of the Foundations' activity but also enhance transparency and accountability, which are critical for maintaining donor trust and the long-term sustainability of the Foundations. Immediate steps should be taken by both Foundation boards to rectify this lapse and establish a regular schedule of meetings and documentation of fiduciary oversight moving forward.
4. Central State University Foundation has not provided the University with the necessary records, including bank and financial documents that would enable the University to fully execute its responsibilities as the fiscal agent of the Foundation. This lack of transparency and cooperation has hindered the University's ability to properly manage and track the funds held by the Foundation. The Foundation has also retained funds and other assets that were specifically designated for the support of the University. This has limited the University's capacity to effectively fulfill its financial and operational duties. The University should work closely with the Foundation Board of Trustees to ensure full access to these records and resolve any issues regarding the allocation of funds to support the University's mission.
5. The Central State University Innovation and Development Foundation is required to file an IRS Form 990 by November 15 following each fiscal year or file an IRS Form 8868 to request an automatic 6-month extension of time to file. Contrary to this, CSU Innovation and Development Foundation has not filed a Form 990 with the Internal Revenue Service (IRS) for fiscal years 2023 and 2024. The Form 990 for FY 2025 is due November 15, 2025. After 3 consecutive years of non-filing, Central State University Innovation and Development Foundation's 501(c)(3) status is subject to auto-revocation by the Internal Revenue Service. As the fiscal agent, the University should work with the Central State University Innovation and Development Foundation's Board of Trustees to take the necessary steps to file the outstanding IRS Form 990 for fiscal years 2023 and 2024 and ensure there is a plan to file the fiscal year 2025 Form 990 timely.
6. The Central State University Foundation is required to file an IRS Form 990 by November 15 following each fiscal year or file an Internal Revenue Service Form 8868 to request an automatic 6-month extension of time to file. Contrary to this, Central State University Foundation has not filed a Form 990 with the Internal Revenue Service (IRS) for fiscal years 2020, 2022, 2023, and 2024. As such, the Central State University Foundation had its 501(c)(3) status revoked by the Internal Revenue Service on November 15, 2024. As the fiscal agent, the University should work with the Central State University Foundation Board of Trustees to obtain the necessary records to complete and file the outstanding IRS Form 990 for fiscal years 2020, 2022, 2023, and 2024, and ensure there is a plan to file the fiscal year 2025 Form 990 timely.

Central State University - Greene County

Financial Accounting Report

Foundation Processes

(continued)

7. Central State University Foundation had its 501(c)(3) status revoked by the Internal Revenue Service on November 15, 2024 and is no longer eligible to receive tax-exempt donations. Therefore, the University should no longer accept tax-exempt donations or issue tax receipts to donors on behalf of Central State University Foundation. The University should work with the Central State University Foundation Board of Trustees and the IRS to address the revocation of the Central State University Foundation's tax-exempt status. The University should also work with the Central State University Foundation Board of Trustees to determine the possibility of the disposition of the Central State University Foundation's Assets as outlined in the Memorandum of Understanding between the Central State University Foundation and University.
8. The University should develop and implement a detailed, comprehensive plan to address the current discrepancy in the balance reported in the Banner Foundation funds. This adjustment is necessary to correct the overstated balances, which has resulted from the failure to properly reduce the funds after the gift transaction that occurred in fiscal year 2021 and to remove the historic tracking of Central State University Foundation endowment funds. The inaccurate fund balances have a significant impact on decision-making, budgeting, and overall financial transparency. Correcting this error will restore the integrity of financial records, enhance transparency, and improve the efficiency of financial management for both the Foundation and the University.
9. The University should develop formal budgetary policies and procedures for the foundation funds in Banner. These policies should be approved by the Board of Trustees.
10. To maintain proper segregation and ensure that receipts for each foundation are accurately separated, it is critical that the current process for posting revenue batches includes enhanced controls to prevent future commingling of revenue between the two foundations and proper fund posting. The University should also take the necessary steps to rectify receipts that are currently commingled in Banner for each of the foundations.
11. Bank reconciliations should be performed monthly for each foundation bank account to ensure that the activity posted to the general ledger agrees with the bank activity. These reconciliation processes will serve as an added layer of assurance that the foundations' receipts are properly tracked and maintained separately. These reconciliations should be reviewed and approved by the applicable foundation's Board of Trustees at regular meetings and the Vice President of Institutional Advancement.

Central State University - Greene County

Financial Accounting Report

APPENDIX

Endowment Name	Donor Restrictions	Morgan Stanley Account Balance Value as of January 31, 2025*	Date Established
Magic Johnson	Unknown due to incomplete records. Unrestricted endowment per the University.	\$22,957	Approximately September 2020
Cynthia Jackson-Hammond Title III Endowment	Unrestricted. Annual interest and investment income will be held in a rainy-day fund.	\$1,255,665	Approximately June 2017
Jack Thomas Title III Endowment	Unrestricted. Annual interest and investment income will be held in a rainy-day fund.	\$642,477	Approximately October 2023
Esther Bronston	Unknown due to incomplete records. Restricted endowment per the University.	\$565,696	Approximately June 2000
AKA-HBCU Endowed Scholarship Fund	Restricted for scholarships in accordance with donor requirements.	\$51,826	February 2021
Class of 1971 Scholarship Endowment Fund	Restricted for scholarships in accordance with donor requirements.	\$410,443	April 2022
Dominion Energy Endowment Fund	Restricted for scholarships in accordance with donor requirements.	\$235,502	June 2021
Dennis Dowdell Jr. Legacy Scholarship	Restricted for scholarships in accordance with donor requirements.	\$17,509	May 2023

*Latest information available

Central State University - Greene County

Financial Accounting Report

Conclusion

The policies, procedures, and methods described and included in this report are based on our inquiries and discussion with University personnel and related procedures documented from the University's Policies and Procedures, resolutions, Ohio Administrative Code and the Ohio Revised Code. These policies, procedures, and methods, in some cases, vary from the actual methods used in performing the daily activities as noted within this report.

This page is intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CENTRAL STATE UNIVERSITY REPORT ON ACCOUNTING METHODS

GREENE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/3/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov