



**Performance Audit**

***Lock Haven University of Pennsylvania***

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

**September 2011**

September 26, 2011

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

Dear Governor Corbett:

This report contains the results of a performance audit of Lock Haven University of Pennsylvania of the Pennsylvania State System of Higher Education from July 1, 2006, to March 31, 2009, unless otherwise noted. We conducted our audit under authority provided in Act 188 of 1982 (24 P.S. § 20-2001), which states, “Activities of the system under this article shall be subject to the audit of the Department of [the] Auditor General.” We conducted the audit in accordance with generally accepted government auditing standards.

The report details our audit objectives, scope, methodology, findings, and recommendations. The report notes that the institution did not document material costs on maintenance work orders, did not always determine student employment eligibility in a timely manner, did not restrict access to student social security numbers to essential departments, and did not monitor the commissions that should have been paid to the university by its food service contractor. We offered four recommendations to address the issues we identified.

We discussed the contents of the report with management of the Lock Haven University of Pennsylvania, whose comments are reflected in the report.

Sincerely,

**JACK WAGNER**  
Auditor General

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**Background  
Information**

This section contains information about the Pennsylvania State System of Higher Education and Lock Haven University of Pennsylvania.

**Pennsylvania State System of Higher Education**

*History, mission,  
and operating  
statistics*

Pennsylvania's 14 state-owned universities are part of the Pennsylvania State System of Higher Education, generally referred to as the State System. Prior to the enactment of Act 188 of 1982 that created the State System,<sup>1</sup> the Pennsylvania Department of Education had administrative control of the 14 institutions, 13 of which were then known as state colleges.<sup>2</sup>

The purpose of the State System is to provide students with the highest quality education at the lowest price. The 14 universities include Bloomsburg, California, Cheyney, Clarion, East Stroudsburg, Edinboro, Indiana, Kutztown, Lock Haven, Mansfield, Millersville, Shippensburg, Slippery Rock, and West Chester. The State System also includes four branch campuses, the McKeever Environmental Learning Center, and the Dixon University Center.

A centrally established 20-member board of governors has overall responsibility for planning and coordinating the operation and development of the State System. Examples of the board's statutory powers include establishing broad fiscal, personnel, and educational policies under which the State System operates; appointing university presidents; coordinating, reviewing, amending, and approving university operating and capital budgets; setting tuition and fee levels; creating new undergraduate and graduate degree programs; and promoting cooperation among institutions. Members of the board include legislators, State System university students and trustees, and members of the public. Pennsylvania's governor and the state's secretary of

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<sup>1</sup> 24 P.S. § 20-2001.

<sup>2</sup> Indiana University of Pennsylvania was already known as a university prior to creation of the State System. Effective July 1, 1983, each of the other 13 state colleges became known as the (Name) University of Pennsylvania of the State System of Higher Education.

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education, or their designees, also serve on the board. Additionally, the board appoints a chancellor to serve as the chief executive officer of the State System.

**Lock Haven University of Pennsylvania**

Lock Haven University of Pennsylvania, which we will refer to in this report as Lock Haven, is located in north central Pennsylvania, 200 miles from Philadelphia and 170 miles from Pittsburgh.<sup>3</sup> The 200-acre campus includes 12.9 acres at Clearfield Campus (a branch campus 60 miles west of Lock Haven) and 44 acres at Sieg Conference Center (located 25 minutes from the University).<sup>4</sup>

The school's history is described on the university's website as follows:

*LHU was founded in 1870 as the Central State Normal School, offering a two-year program designed to train teachers for the public schools. In 1927, the school became a four-year degree-granting college of teacher education. With the inauguration of the Arts and Science degree program in 1960, the multi-purpose institution became Lock Haven State College offering Bachelor of Arts and Bachelor of Science degrees in liberal arts fields, along with the Bachelor of Science in Elementary and Secondary Education, and a Bachelor of Science in Health and Physical Education. In 1983, the institution was renamed Lock Haven University of Pennsylvania.*

*Today, the University offers the Bachelor of Arts and Bachelor of Science degrees in liberal arts fields; the Bachelor of Fine Arts in Music; the Bachelor of Science in Education; the Bachelor of Science in Health and Physical Education; the*

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<sup>3</sup> <http://www.lhup.edu/directions.htm>, accessed July 26, 2011.

<sup>4</sup> <http://www.lhup.edu/catalog/overview.htm>, accessed July 26, 2011.

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*Bachelor of Science in Recreation Management and the Bachelor of Science in Health Sciences. At the graduate level, the University offers the Master of Liberal Arts, the Master of Education in Teaching and Learning, Master of Education in Alternative Education, and the Master of Health Science, Physician Assistant.<sup>5</sup>*

Also on its website, Lock Haven University presents this statement to describe its vision:

*From a legacy of preparing teachers for the Commonwealth's public schools, Lock Haven University is in the process of expanding its mission to respond to evolving workforce needs. The previous five years have brought additions to liberal arts and professional programs on both campuses, and we anticipate that trend to continue. We envision modest and gradual growth of the undergraduate, on-campus programs, but much steeper growth in demands for access to graduate, continuing, and distance education programs.*

*We will need to make difficult choices to stay competitive, while retaining our core identity as an institution. Encouraging positive yet sustainable growth will be a challenge for the university over the next five to ten years, including the need for significant addition to and upgrading of physical facilities and technological infrastructure. We will be seeking more national recognition of quality academic programs in the form of accreditation, as well as building upon the relationships and partnerships we have at the local and international levels. Over these five years the entire campus community will be engaged in finding the resources*

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<sup>5</sup> <http://www.lhup.edu/catalog/overview.htm>, accessed July 26, 2011.

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*needed to build on our strengths and to reach our  
goals.<sup>6</sup>*

The schedule on the next page presents selected unaudited operating statistics compiled by the Pennsylvania Joint State Government Commission, a bipartisan and bicameral research agency of the General Assembly.<sup>7</sup> These statistics provide the reader with comparative information about Lock Haven University individually and the State System of Higher Education as a whole.

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<sup>6</sup> <http://www.lhup.edu/planning-and-assessment/Mission/LHUVision.htm>, updated September, 4, 2007; verified June 15, 2011, and August 4, 2011.

<sup>7</sup> <http://jsg.legis.state.pa.us>, accessed March 9, 2010; verified February 1, 2011.



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<i>Fiscal year ended June 30</i>	<b>Lock Haven University</b>			<b>Pennsylvania State System of Higher Education</b>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
<b>State Instruction Appropriations</b> (rounded in millions):	\$22.1	\$23.5	\$22.9	\$463.0	\$479.8	\$473.1
Percentage of total	4.8%	4.9%	4.8%	100.0%	100.0%	100.0%
<b>Full-Time Equivalent Students</b>						
Undergraduate	5,075	5,124	5,148	92,678	93,927	94,770
Graduate	<u>292</u>	<u>292</u>	<u>318</u>	<u>10,366</u>	<u>10,795</u>	<u>11,148</u>
Total	<u>5,367</u>	<u>5,416</u>	<u>5,466</u>	<u>103,044</u>	<u>104,722</u>	<u>105,918</u>
Percentage of total	5.2%	5.2%	5.2%	100.0%	100.0%	100.0%
<b>Degrees Conferred</b>	862	887	853	21,945	22,157	23,250
Percentage of total	3.9%	4.0%	3.7%	100.0%	100.0%	100.0%
<b>Full-Time Equivalent Instructional Faculty</b>	293	326	303	5,366	5,416	5,491
Percentage of total	5.5%	6.0%	5.5%	100.0%	100.0%	100.0%

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**Audit  
Objectives**

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**Audit  
Objectives**

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

Our performance audit of Lock Haven University had seven objectives described below. We selected those objectives from the following general areas: maintenance work orders, travel expenses, service contracts, student employment, student records, university accreditation, and miscellaneous revenue.

- One: To evaluate Lock Haven University's procedures for processing work orders. (Findings 1 and 2)
- Two: To determine if Lock Haven University maintained adequate management control over employee travel expenses. (Finding 3)
- Three: To determine if Lock Haven University properly bid its service contracts and complied with State System and university policies and procedures. (Finding 4)
- Four: To determine if students employed by Lock Haven University met eligibility requirements. (Finding 5)
- Five: To determine if safeguards and security measures were in place to maintain the confidentiality of student social security numbers. (Finding 6)
- Six: To assess the implementation of the recommendations presented in the most recent accreditation reports. (Findings 7)
- Seven: To determine if Lock Haven University established adequate internal controls over miscellaneous revenue. (Findings 8 and 9)

**Audit  
Objectives**

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Unless otherwise indicated, the scope of the audit was from July 1, 2006, to March 31, 2009. We completed most of our fieldwork by May 20, 2009. Our examination of uncollected food service commission checks (Finding 9) was extended to include information provided by Lock Haven through June 2009. We also included an update on the status of the University's accreditation based on the results of the 2010 Middle States Commission on Higher Education accreditation report. This update included information from the Middle States Commission's Web site through June 23, 2011.

To accomplish our objectives, we obtained and reviewed records and analyzed pertinent policies, agreements, and guidelines of the State System, the Commonwealth of Pennsylvania, and Lock Haven University. In the course of our audit work, we interviewed various facility management and staff. The audit results section of this report contains the specific inquiries, observations, tests, and analyses conducted for each audit objective.

We also performed inquiries and tests as part of, or in conjunction with, our current audit to determine the status of the implementation of the recommendation made during our prior audit related to purchasing card policy.

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**Audit Results**

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**Audit Results**

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

- Statement of the objective.
- Relevant laws, policies, or agreements.
- Audit scope in terms of period covered, types of transactions reviewed, and other parameters that define the limits of our audit.
- Methodologies used to gather sufficient evidence to meet the objective.
- Findings and conclusions, if applicable.
- Recommendations, if applicable.
- Response by Lock Haven University management, if applicable.
- Our evaluation of Lock Haven University management's response, if applicable.

**Audit Results:**

*Maintenance*

*Work Orders*

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**Audit Results  
for  
Objective  
One**

*Maintenance  
Work Orders*

**The objective**

Objective one for our performance audit was to evaluate Lock Haven University's procedures for processing work orders.

**Scope of our audit work**

We selected a random sample of work orders over \$200 in cost that were completed during the period from July 1, 2007, to June 30, 2008.

**Relevant laws, policies, or agreements**

Lock Haven University's facilities management department is responsible for all day-to-day maintenance operations. Examples of such work are emergency and preventative maintenance work, moving services, grounds maintenance, and custodial services. In 2001, Lock Haven University implemented a computerized maintenance work order system that enabled the institution to request, prioritize, assign, log, and track work orders electronically.

**Methodologies to meet our objective**

We interviewed the director of facilities, the assistant director of operations, and the stock clerk to establish our understanding of the work order process.

We also randomly selected and tested 35 of 6,346 work orders completed during the period from July 1, 2007, to June 30, 2008, which were over \$200 in cost.

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**Finding 1**

**Lock Haven University properly justified, approved, and completed the maintenance work orders that we sampled.**

Our audit work for the 35 sampled maintenance work orders included a compliance test for determining whether the work orders were processed in accordance with State System policies.

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**Audit Results:**

*Maintenance*

*Work Orders*

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Our testing found that these orders were properly justified in terms of the need for the work order. We also found that the work orders were approved, prioritized, and completed within a reasonable amount of time.

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**Finding 2**

**Lock Haven University did not document the cost of materials used for repairs on the maintenance work orders that we sampled.**

A well-managed work order system supports efficient and effective maintenance operations essential to a safe environment for students, staff, and visitors. Documenting the costs of materials increases management's ability to evaluate the sufficiency of materials used and to control future costs; it also decreases the risk of misappropriation of these items for unauthorized use. Without the inclusion of costs for maintenance materials, management compromises its ability to control its maintenance projects.

Our testing results follow:

**Costs for materials were not recorded.** In our sample of 35 work orders, we found that 34 of them—over 97 percent—did not include the cost for materials. On the other hand, the sampled maintenance work orders did include employee time and labor costs.

Lock Haven University management explained to us that the university separates work orders into standard work orders and project work orders. Project work orders are non-routine in nature and are expected to cost at least \$1,000 in labor and materials. Standard work orders are routine in nature and are expected to cost less than \$1,000. Project work orders *do* include all material costs, and standard work orders *do not* include material costs. University management asserted that it is not necessary to track materials for standard work orders due to the immaterial cost.

**Audit Results:**

*Maintenance*

*Work Orders*

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Management also stated that (1) the university's main concern is completing the work in a timely fashion, (2) any materials that need to be purchased are coded to the applicable university department, and (3) materials already in stock are not coded to the applicable university department.

**Formal policies were not prepared.** The State System did not develop policies to address maintenance work orders specifically. When the State System does not address specific issues in its policies, the university may develop its own policies. However, we found that Lock Haven University did not establish written policies and procedures to ensure that the work orders included all pertinent information such as the cost of materials.

**Recommendation  
for Finding 2**

1. Lock Haven University management should develop and enforce written policies and procedures, and ensure that all pertinent information is included on the work orders.

*Response of Lock Haven University management:*

*Lock Haven University will develop the written policies and procedures recommended and will continue to apply them to the use of work orders for all project or repair work exceeding \$1,000 in cost. After a thorough review of the work being performed that is below this cost threshold, we do not believe the benefit to be realized by tracking the material cost on these smaller work orders, which are mainly repair orders, justifies the additional administrative expense of entering material cost into the work order system. We are more interested in the frequency of repair rather than the material cost, as the frequency dictates the overall resource expenditure. That information is available to us in the work order system as it is presently being used without the additional tracking [of] the materials costs. Material costs are subject to other general controls that are in place within the business office for all University expenditures.*

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**Audit Results:**

*Maintenance*

*Work Orders*

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**Department of the Auditor General's evaluation  
of Lock Haven University's response:**

We disagree with Lock Haven University management's response. Maintenance materials must be safeguarded, a process that includes keeping track of the location of those maintenance materials. Otherwise, the materials could easily be used outside the university without the university's knowledge. As we have already stated, documenting the costs of materials increases management's ability to evaluate the sufficiency of materials used and to control future costs; it also decreases the risk of misappropriation of these items for unauthorized use.



**Audit Results:**  
*Travel Expenses*

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**Audit Results  
for  
Objective  
Two**

*Travel Expenses*

**The objective**

Objective two for our performance audit was to determine if Lock Haven University maintained adequate management control over employee travel expenses.

**Scope of our audit work**

We selected travel expense transactions for the period from July 1, 2007, to June 30, 2008, for testing of management controls.

**Relevant laws, policies, or agreements**

The State System and Lock Haven University have developed policies and procedures regarding travel expenses.<sup>8</sup>

Lock Haven University employees are entitled to receive reimbursement, within certain maximum limits, for expenses incurred in the performance of duties. These limits are not flat allowances but instead are reimbursements for actual amounts expended for meals, transportation, mileage, and overnight accommodations.

Reimbursement is also made for travel expenses of faculty and administrative candidates interviewed; reasonable expenses incurred searching for a president, including spousal travel when authorized by the chair of the Presidential Search Committee; travel expenses for consultants; and speakers' honorarium.

**Methodologies to meet our objective**

We reviewed relevant policies from the State System and Lock Haven University.

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<sup>8</sup> State System of Higher Education Policy Number 1986-07-A – “Travel Expense Regulations,” adopted October 12, 1986, and amended April 9, 1998; State System of Higher Education Policy Number 1983-16 – “Reimbursement of Travel Expenses for Faculty and Administrative Candidates;” State System of Higher Education Policy Number 1984-02-A – “Expenses for Presidential Searches;” Lock Haven University Travel Card Policies and Procedures Guide for Cardholders.

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**Audit Results:**  
*Travel Expenses*

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We interviewed the purchasing agent to obtain an understanding of the procedures for processing, and approving employee travel expense vouchers.

We selected 41 travel expense transactions chosen at random from a population of 2,985 transactions processed from July 1, 2007, through June 30, 2008. For that sample, we examined supporting documentation and tested compliance with applicable policies and procedures.

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**Finding 3**

**Lock Haven University complied with Pennsylvania State System of Higher Education and university policies and procedures governing employee travel expense reimbursement for the transactions that we sampled.**

Our testing of the 41 randomly selected travel expense transactions resulted in our determination that the expenses were accurate, that reimbursements were properly approved, and that University management complied with applicable policies. In addition, we found receipts on file to support the transactions tested in our sample.

**Audit Results:**

*Service*

*Contracts*

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**Audit Results  
for  
Objective  
Three**

*Service Contracts*

**The objective**

Objective three for this performance audit was to determine if Lock Haven University processed, and when applicable, properly bid its service contracts in accordance with State System and university policies and procedures.

**Scope of our audit work**

To test compliance with procurement requirements, we selected contracts that had a monetary value greater than \$5,000 in effect between July 1, 2007, and June 30, 2008.

**Relevant laws, policies, or agreements**

The State System and Lock Haven University have developed policies and procedures for processing service contracts.<sup>9</sup>

Lock Haven University contracts with various vendors to provide a variety of goods and services. University management is responsible for ensuring that adequate services are provided and that expenditures are incurred according to contract stipulations.

**Methodologies to meet our objective**

To establish our understanding of the procedures for processing service contracts, we reviewed applicable State System and Lock Haven University policies and procedures.

We reviewed the contracts, invoices, payment information, and if applicable, contractor bid documentation for 14 of 70 contracts. All contracts examined had a monetary value greater than \$5,000 in effect between July 1, 2007, and June 30, 2008.

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<sup>9</sup> Pennsylvania State System of Higher Education, Board of Governors, Policy 1998-04-A: "Procurement of Goods, Services, Supplies and Construction," adopted October 8, 1998, and amended April 8, 2004; Lock Haven University of Pennsylvania, Form PU-24 – Contract Service Request Form.

**Audit Results:**

*Service*

*Contracts*

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**Finding 4**

**Lock Haven University complied with its own policies and procedures, as well as with State System policies and procedures, for establishing controls over the sampled service contracts**

Our review of 14 contracts selected for testing showed that Lock Haven's controls governing service contracts were sufficient to ensure that contracts were properly approved and procured in accordance with its policies and procedures. Four of the 14 contracts were also properly bid in accordance with policy. Bid requirements were not applicable to the other 10 contracts.

In addition, related invoices were mathematically correct, and they were reviewed and approved by university personnel prior to payment.

**Audit Results:**

*Student*

*Pennsylvania Department of the Auditor General*

*Employment*

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**Audit Results  
for  
Objective  
Four**

**The objective**

Objective four for our performance audit was to determine if students employed by Lock Haven University met eligibility requirements.

*Student  
Employment*

**Scope of our audit work**

We selected two pay periods in 2008—the pay period ending on September 26, 2008, and the pay period ending on December 5, 2008—for testing of the implementation of federal government and State System requirements.

**Relevant laws, policies, or agreements**

The Immigration Reform and Control Act of 1986,<sup>10</sup> as amended by the Immigration Act of 1990,<sup>11</sup> requires all employees hired after November 6, 1986, whether citizens or non-citizens, to present appropriate documentation that establishes identity and employment eligibility. This information is for employers to verify the eligibility of individuals for employment to preclude the unlawful hiring, recruiting, or referring-for-a-fee of undocumented workers not authorized to work in the United States.

The information is required to be presented on the “Employment Eligibility Verification Form” (Form I-9). The law is specific as to the responsibilities of both the employee and employer in the completion of Form I-9 before a worker begins employment. The hiring of workers without complying with the employment eligibility verification requirements is a violation and may subject the employer to civil or criminal penalties.<sup>12</sup>

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<sup>10</sup> Immigration Reform and Control Act, P.L. 99-603, November 6, 1986, 100 Stat. 3359.

<sup>11</sup> Immigration Act of 1990, P.L. 101-649, November 29, 1990, 104 Stat. 4978.

<sup>12</sup> U.S. Citizenship and Immigration Services, M-274 – Handbook for Employers, “Instructions for Completing Form I-9 (Employment Eligibility Verification Form).”

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*Student*

*Employment*

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In addition, the State System has established additional policy for hiring students.<sup>13</sup>

**Methodologies to meet our objective**

To establish our understanding of student payroll requirements, we reviewed applicable federal government and State System policies and procedures.

We interviewed the human resources fiscal assistant and timekeepers to establish our understanding of the implementation of the federal government’s Form I-9 requirements and State System student employment requirements.

We selected and tested 15 student payroll records from each of the two pay periods ending September 26, 2008, and December 5, 2008, for testing compliance with applicable law and policies.

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**Finding 5**

**Lock Haven University was not always timely in determining student employment eligibility as required by federal law.**

The federal government’s instructions for completing Form I-9 include the following requirement:

*Ensure that the employee fully completes Section 1 of the Form I-9 at the time of hire—when the employee begins work. Review the employee’s document(s) and fully complete Section 2 of Form I-9 within 3 business days of the first day of work.<sup>14</sup>*

In order to test Lock Haven University’s compliance with student employment eligibility criteria, we selected a total of 30 student payroll records drawn at random. The records were for students

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<sup>13</sup> Pennsylvania State System of Higher Education, Board of Governors Policy 1983-10: “Guidelines for Student Employment,” adopted June 20, 1983.

<sup>14</sup> U.S. Citizenship and Immigration Services, M-274 – Handbook for Employers, “Instructions for Completing Form I-9 (Employment Eligibility Verification Form); Part Two – Completing Form I-9.

**Audit Results:**

*Student*

*Pennsylvania Department of the Auditor General      Employment  
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who were working in two 2008 pay periods—one ending September 26, 2008, and the other ending December 5, 2008.

Although all student payroll records tested did have a Form I-9 on file, four of the 30 forms, or 13 percent, were not filed in accordance with the time requirements. We found that three of the forms were completed an average of seven working days after the first day of work. Furthermore, we could not determine the timeliness of one form because the form was not dated.

Lock Haven University management told us that the delays occurred because of the processing time that the university needed to complete the paperwork properly and submit it to human resources officials.

**Recommendation  
for Finding 5**

2. Lock Haven University management should ensure that all required forms are completed in a timely manner.

*Response of Lock Haven University management:*

*The student employment process is decentralized at Lock Haven University allowing for individual departments to complete required paperwork and submit to the HR department for final entry into the student employment system. Delays in receipt of completed paperwork from departments had resulted in students beginning employment duties within the department prior to authorization by HR.*

*Changes to the student employment processes have been implemented to ensure that no student will be added to the E-time student employment system until the date all required forms are completed and provided to HR.*

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**Audit Results:**

*Social Security  
Numbers*

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**Audit Results  
for  
Objective  
Five**

*Social Security  
Numbers*

**The objective**

Objective five for our performance audit was to determine if safeguards and security measures were in place to maintain the confidentiality of student social security numbers.

**Scope of our audit work**

From a total of 46 Lock Haven University departments, we selected 14 departments to test for their access to social security numbers. Our testing was performed between February and March 2009.

**Relevant laws, policies, or agreements**

Colleges and universities have traditionally relied on social security numbers as the unique identifiers for students, faculty, and staff. For example, social security numbers have been used to generate student grade reports, student and employee identification cards, payroll information, and employee benefit documents.

In recent years, substantial public attention has been drawn to the link between identity theft and the use of social security numbers and other such personal information. Regarding social security numbers specifically, that information should be viewed as extremely sensitive and private data that can be used by others to commit fraud. Not only does such fraud become an invasion of individual privacy, but it also can cause embarrassing compliance and reputation issues to entities that do not protect this sensitive and private information.

In 1992, to mitigate identity theft and privacy harm, Lock Haven University officials began assigning and using a “Lock Haven University Identification Number” to replace social security numbers. The Lock Haven University identification number is displayed on the front of university identification cards and stored within the magnetic strip on the back of the card. With this



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*Social Security*

*Numbers*

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change, the Lock Haven University identification number has become the primary identifier for students and faculty. More recently, in 2006, the Commonwealth of Pennsylvania enacted a law to protect the confidentiality of social security numbers. Specifically, a state agency should not publicly post or publicly display in any manner an individual's social security number.<sup>15</sup>

**Methodologies to meet our objective**

To establish our understanding of commonwealth and State System requirements for protecting access to social security numbers, we reviewed applicable State System policies and procedures.

We interviewed the director of administrative computing, the director of institutional research, and the admissions department clerk typist II to establish our understanding of the implementation of the commonwealth's requirements.

We observed demonstrations of employee access and/or lack of access to student social security numbers and, using our professional judgment, we tested access capability for 14 of the 46 Lock Haven University departments.

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**Finding 6**

**Lock Haven University did not limit access to student social security numbers to essential departments.**

According to Lock Haven University management, the only departments that needed access to student social security numbers during our audit period were admissions, information technology, financial aid, human resources, institutional research, and the registrar's office. However, when we tested 14 of the 46 departments other than those just named, we found that five of those other departments, or 35 percent, had access to student social security numbers through the university's computer system.

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<sup>15</sup> Act of June 29, 2006, (P.L. 281, No. 60), 34 Pa.C.S.A. § 325.

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Our discussions with Lock Haven University management officials showed that they were not aware that certain screens accessed on the computer system still displayed social security numbers. The officials believed that the social security number fields had been deleted with the initiation of a new computer database.

**Recommendation  
for Finding 6**

3. Lock Haven University management should restrict access to social security numbers to those departments that are required to obtain that information.

*Response of Lock Haven University management:*

*The social security numbers (SSN) were removed from data screens except for the above named departments since 1992. The five departments mentioned in the audit could see a single SSN on the search screen, which allowed searching for individuals in the database by name, address, university ID, or SSN. SSN was removed from the name search screen on 03/13/2009. The software vendor has since incorporated SSN masking into the product that can limit viewing by group, individual, or program.*

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**Audit Results  
for  
Objective Six**

*Accreditation  
Reports*

**The objective**

Objective six for our performance audit was to assess the implementation of the recommendations presented in the most recent accreditation reports.

**Scope of our audit work**

We examined the accreditation report issued by the Middle States Commission on Higher Education, dated November 16, 2005. We also examined the accreditation reports for the nine professional degree programs. Finally, we reviewed the Middle States Commission website to obtain a current status of the University's accreditation.

**Relevant laws, policies, or agreements**

The Middle States Commission on Higher Education, referred to in this report as the Middle States Commission, is an institutional accrediting agency recognized by the U.S. Secretary of Education and the Council for Higher Education Accreditation.<sup>16</sup> Lock Haven University applied for institutional accreditation from the Middle States Commission because the accreditation process provides external validation of the quality of the educational experience at Lock Haven University.<sup>17</sup>

The website of the Middle States Commission says this about itself:

*The Middle States Commission on Higher Education is the unit of the Middle States Association of Colleges and Schools that accredits degree-granting colleges and universities in the Middle States region, which includes Delaware, the District of Columbia, Maryland, New Jersey, New York, Pennsylvania, Puerto Rico, the U.S. Virgin Islands, and several locations internationally. The*

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<sup>16</sup> <http://www.lhup.edu/accreditation>, accessed March 19, 2010; verified August 4, 2011.

<sup>17</sup> <http://www.lhup.edu/MS2010>, accessed February 10, 2009; verified August 4, 2011.

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*Commission is a voluntary, non-governmental, membership association that defines, maintains, and promotes educational excellence across institutions with diverse missions, student populations, and resources. It examines each institution as a whole, rather than specific programs within institutions.<sup>18</sup>*

The website also says this about its mission:

*. . . Middle States accreditation instills public confidence in institutional mission, goals, performance, and resources through its rigorous accreditation standards and their enforcement.<sup>19</sup>*

According to the website for Lock Haven University, the following professional degree programs are accredited by specialized accrediting agencies: athletic training, community health, computer information science, nursing, physician assistant, recreation management, social work, sport administration, and teacher education.<sup>20</sup> The same web page also lists teacher education programs recognized by specialty professional associations.

### **Methodologies to meet our objective**

To establish our understanding of the accreditation process, we obtained applicable correspondence and instructions from the Middle States Commission as referenced in the above summary of relevant laws, policies, or agreements.

We interviewed the director of planning and assessment to establish our understanding of the implementation of the Middle States Commission's requirements.

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<sup>18</sup> <http://www.msche.org>, accessed March 19, 2010; verified August 4, 2011.

<sup>19</sup> <http://www.msche.org/?Nav1=ABOUT&Nav2=MISSION>, accessed August 4, 2011.

<sup>20</sup> <http://www.lhup.edu/accreditation/>, accessed August 4, 2011.

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We reviewed the Middle States Commission's 2005 accreditation report and related correspondence between Lock Haven University and the Middle States Commission.

We also reviewed the accreditation reports for the nine professional degree programs.

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**Finding 7**

**Lock Haven University complied with and implemented the recommendations presented in its 2005 accreditation report.**

Based on our review of the 2005 accreditation report and related correspondence, we found that Lock Haven University completed the periodic accreditation requirements, which included self studies, site visits, and program responses. The Middle States Commission accepted Lock Haven University's Periodic Review Report on November 16, 2005, and reaffirmed the university's accreditation.

The Middle States Commission also requested a progress letter, due by October 1, 2007, that documented implementation of the assessment plan for distance learning programs, and progress in linking planning and assessment to budgeting.

Lock Haven University did submit a progress letter; the Middle States Commission accepted the university's letter on November 15, 2007, and stated that the next evaluation visit would occur for the 2009-2010 period.

We found that Lock Haven University also implemented the recommendations as required by the various educational program accreditation reports.

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**Update**

A team of representatives from the Middle States Commission visited Lock Haven University from February 21-24, 2010. At its June 2010 meeting, the Middle States Commission on Higher Education continued Lock Haven University's accreditation but at the same time issued a warning statement that Lock Haven University was out of compliance with four standards.<sup>21</sup>

The Middle States Commission requested and received monitoring reports from the University. On November 18, 2010, the Middle States Commission contacted Lock Haven University and acknowledged that a team had revisited the university, but that its warning continued because of a lack of evidence that the institution was currently in compliance with the four standards. At the same time, the Middle States Commission also stated that the university remained accredited while on warning.

As of June 2011 when this audit report was being reviewed and finalized, we found that while the University remained accredited, the Commission continued to warn the University that it was in jeopardy of losing its accreditation due to insufficient evidence that the University was in currently in compliance with Standard 14 related to the assessment of student learning. During a future audit, we will review the University's accreditation status and the actions taken to address areas of noncompliance.

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<sup>21</sup> The Middle States Commission explains a "warning" as follows: *The Commission acts to Warn an institution that its accreditation may be in jeopardy when the institution is not in compliance with one or more Commission standards and a follow-up report, called a monitoring report, is required to demonstrate that the institution has made appropriate improvements to bring itself into compliance. Warning indicates that the Commission believes that, although the institution is out of compliance, the institution has the capacity to make appropriate improvements within a reasonable period of time and the institution has the capacity to sustain itself in the long term.* <http://www.msche.org/documents/SAS/185/Statement%20of%20Accreditation%20Status.htm>, accessed June 15, 2011; verified August 4, 2011.

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**Audit Results  
for  
Objective  
Seven**

*Miscellaneous  
Revenue*

**The objective**

Objective seven for our performance audit was to determine if Lock Haven University established adequate internal controls over miscellaneous revenue.

**Scope of our audit work**

We selected parking transactions, library fines, and photocopying revenue from the fiscal year ended June 30, 2008, for testing of the implementation of miscellaneous revenue internal control requirements. We also selected food service commissions from the fiscal years ended June 30, 2007 and 2008, for testing compliance with the terms of the food service contract and internal control over revenue collection.

**Relevant laws, policies, or agreements**

Miscellaneous revenues are generated from various activities and fees that are not related to the main student costs for tuition, housing, and food service. These fees include parking permits and fines, library fines, print shop sales, photocopying fees, and food service commissions.

The State System did not establish specific policy for miscellaneous revenues. When policy is not established, Lock Haven University is authorized to establish its own policies and procedures. However, Lock Haven University did not have formal policies for miscellaneous revenue.

Aramark, Inc., provided the food service at Lock Haven University during our audit period. The Aramark contract covered the period from June 1, 2005, to May 31, 2010. *Section G* of that contract required Aramark to pay the university monthly commissions on food service operations as follows:

*The Contractor shall rebate to the University **three and one-half (3.5%) percent** of gross sales monthly. The rebate shall include all sales (board,*

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*Flex, cash, concessions, camps/conferences, catering and any other revenues associated with the operation of the dining services). Payment shall be made on or before the last business day of the following month.<sup>22</sup>*

**Methodologies to meet our objective**

To establish our understanding of the revenue collection process, we reviewed the provisions of the Aramark contract.

We interviewed the director of financial operations, the director of student financial services, the director of public safety, the director of facilities, a fiscal technician supervisor, and a fiscal technician to establish our understanding of the internal control requirements.

We selected and tested seven of 144 parking transactions, four library fines, and three photocopying revenue transactions from July 1, 2007, to June 30, 2008.

We also reviewed food service vendor revenue transactions for the 2006-07 and 2007-08 academic years (September through May).

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**Finding 8**

**Lock Haven University established effective internal controls over the parking fines, library fines, and photocopying fees that we sampled.**

Based on our examination of the sampled miscellaneous revenue transactions for parking fines, library fines, and photocopying fees, we found that Lock Haven University established and followed internal controls over these revenue sources. Specifically, we found adequate segregation of duties regarding collection, recording, and depositing of the miscellaneous revenues collected from these sources.

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<sup>22</sup> Contract between Lock Haven University of Pennsylvania and Aramark, Inc., Section G, Sales Rebate.



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**Finding 9**

**Lock Haven University did not establish a formal policy for internal controls over miscellaneous revenues and did not monitor food service.**

As we have already noted, Lock Haven University contracts with a food service company, Aramark, Inc., to provide dining services. According to the contract, Aramark is required to pay Lock Haven University monthly commissions in the form of a three and one-half percent rebate on sales.

Our audit of the food service commissions found that Lock Haven University did not receive monthly commission checks totaling more than \$47,000 for three months during our 18-month testing period (consisting of the nine academic months of September 2006 through June 2007, and the nine academic months of September 2007 through June 2008).

The three months for which the university did *not* receive commissions occurred during the academic year of 2007-08, specifically October 2007, January 2008, and April 2008.

For the 15 months that the university *did* receive commissions, the commissions totaled \$107,787 for the six remaining months of the 2007-08 academic year, and \$147,056 for all nine months of the 2006-07 academic year.

Lock Haven University management officials told us they were unaware of the \$47,000 in missing commissions for October 2007, January 2008, and April 2008. The missing commissions went undetected because the university had not established procedures for monitoring the food service contract and the associated commissions. Specifically, no one at the University was charged with responsibility for monitoring the contract. In addition, management did not require the contractor to provide a monthly breakdown of sales in order to verify the accuracy of the amount of commissions received. Furthermore, management did not have a process in place to independently verify the total sales amount and instead they relied on the sales information provided by the vendor.

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We brought the issue of the missing commissions to the attention of Lock Haven University officials on April 1, 2009. In June 2009, we learned that officials had requested and received the missing commissions from the vendor. More specifically, officials provided us with documentation to show they had requested and received commission checks totaling \$47,073.23 (\$21,127.91 for October 2007; \$6,608.60 for January 2008; and \$19,336.72 for April 2008).

**Recommendation  
for Finding 9**

4. Lock Haven University management should develop and implement controls over food service commissions to ensure that all revenue is collected, and that it is collected in a timely manner. The controls should include the assignment of a contract monitor, the receipt of a breakdown of monthly sales from the vendor, and a review of all commissions received.

*Response of Lock Haven University management:*

*Appropriate controls have been implemented to ensure timely collection of revenue. Specifically, a process was established in the Department of Financial Operations to receive the monthly sales breakdown by the 15th of the following month. The Accountant calculates the expected commissions check to be received, and records an entry in a Receivable Account. When the check is received it is cash receipted and a copy of the check is sent to the Accountant for verification of payment. The Receivable account is reconciled monthly by the Accountant.*

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**Status of  
Prior Audit**

**The objective**

The prior audit report of Lock Haven University of Pennsylvania covered the period of July 1, 2002, to August 16, 2005, and contained four findings. Three of the findings (Findings I-1, II-1, and III-1) were positive and thus had no recommendations. The status of the remaining finding (I-2) and its accompanying recommendation are presented below.

**Scope of our audit work**

To determine the status of the implementation of the recommendation made during the prior audit, we held discussions with appropriate institution personnel and performed tests as part of, or in conjunction with, the current audit.

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**Purchasing  
Cards**

**Prior Finding I-2**

**Employees did not comply with purchasing card policy. (Resolved)**

Our prior audit of Lock Haven University's purchasing card program identified the following issues:

- Thirty purchases were split in order to circumvent the single transaction dollar limit.
- Thirty of 107 credit card statements were not signed by the cardholder documenting the review and approval of purchases. Sixteen of the 30 cards were signed by someone other than the cardholder, and 14 of the 30 statements did not have any signature.
- Transaction logs were maintained for only 11 of the 107 credit card statements. In addition, justifications were documented on only 51 of the 379 reviewed transactions.

We recommended that Lock Haven University management ensure that cardholders do not split transaction amounts in order to remain under the single purchase transaction dollar limit. We also recommended that university management require

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cardholders to sign each statement indicating management's review and approval of a purchase. We recommended that university management require cardholders to maintain purchase logs for each statement indicating justification for each purchase. Finally, we recommended that university management take cards away from individuals or departments that do not follow the established policies and procedures.

**Status of purchasing cards**

In our current audit work, we did not find any split transactions in order to remain under the single transaction limit. In addition, all credit card statements reviewed were signed by the cardholder, purchase logs were maintained, and the logs included justifications for each purchase.

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