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Audit Oversight

Quality Control Review of Crowe Chizek and Company, LLC, Office of Management and Budget Circular A-133 Audit Report of the Wheeling Jesuit University, Fiscal Year Ended June 30, 2003 (Report No. IG-05-014)

National Aeronautics and Space Administration
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Acronyms

AICPA	American Institute of Certified Public Accountants
CET	Center for Educational Technologies
CFDA	Catalog of Federal Domestic Assistance
DOD	Department of Defense
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
FIE	Fund for Improvement of Education
FY	Fiscal Year
GAGAS	Generally Accepted Government Auditing Standards
NTTC	National Technology Transfer Center
OIG	Office of Inspector General
OLETC	Office of Law Enforcement Technology Commercialization
OMB	Office of Management and Budget
R&D	Research and Development
SBA	Small Business Administration

National Aeronautics and
Space Administration

Office of Inspector General
Washington, DC 20546-0001

Mr. Dennis Obyc
Executive
Crowe Chizek, and Company, LLC

SUBJECT: Quality Control Review of Crowe Chizek and Company, LLC, Office of Management and Budget Circular A-133 Audit Report of the Wheeling Jesuit University, Fiscal Year Ended June 30, 2003 (Report No. IG-05-014)

We are providing this report for your information and use. The audit firm of Crowe Chizek and Company, LLC, performed a single audit of the Wheeling Jesuit University (the University) for the fiscal year ended June 30, 2003 (FY 2003). Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," requires the audit.

Background. The University, located in Wheeling, West Virginia, was founded in 1954 as one of America's 28 Jesuit institutions of higher learning. In addition to traditional curriculums, the University's Center for Educational Technologies (CET) partners with industry and Federal agencies to provide market-driven research in the learning sciences. The National Technology Transfer Center (NTTC), also funded by Federal agencies, helps U.S. companies find and adapt new technologies that lead to new products and jobs. For FY 2003, the University reported total Federal expenditures of about $33.9 million, $10.4 million of which was National Aeronautics and Space Administration (NASA) expenditures.

Quality Control Review Objectives. As the cognizant Federal agency for the University, the NASA Office of Inspector General (OIG) performed a quality control review of the single audit report and supporting working papers for the University's FY 2003 single audit. The objectives of our quality control review were to determine whether the audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and the auditing and reporting requirements of OMB Circular A-133 and its related Compliance Supplement (Supplement). OMB issued the Supplement to assist auditors in meeting the requirements of OMB Circular A-133. The scope and methodology for our review is in Appendix A.

Review Results. Crowe Chizek and Company's audit work did not meet GAGAS and the requirements in OMB Circular A-133 and its related Supplement. Also, the audit report did not meet OMB Circular A-133 reporting requirements. Based on discussions with Crowe Chizek and Company's auditors during our site visit, the auditors commenced corrective actions for the FY 2003 audit. The results of our review of the

auditors' corrective actions are discussed with each following finding summary. As a result of the auditors' corrective actions, Federal agencies can now rely on the audit report to manage their programs.

Crowe Chizek and Company omitted three financial-related reportable conditions from the auditors' report, schedule of findings and questioned costs, and data collection form (finding A).

Crowe Chizek and Company did not properly cluster all research and development (R&D) programs and audit the R&D cluster as one major program (finding B).

The Type A threshold was incorrect on the schedule of findings and questioned costs and on the data collection form because it was based on preliminary expenditures (finding C).

Crowe Chizek and Company auditors did not document their conclusions and audit procedures in the working papers as required by GAGAS. The auditors did not document their conclusion that two Type A programs were considered to be low risk, their audit of subrecipient monitoring activities, and their conclusion that four compliance requirements were not applicable to the major programs (finding D).

Expenditures and program classifications were incorrect on the schedule of expenditures of Federal awards and on the data collection form (finding E).

Crowe Chizek and Company identified the direct and material compliance requirements for the major programs combined rather than identifying them by major program (finding F).

The management representation letter did not state that the University complied with the compliance requirements in connection with Federal awards (finding G).

Finding A. Reportable Conditions. Crowe Chizek and Company did not include three reportable conditions in the auditors' report or in the schedule of findings and questioned costs and did not identify the existence of the reportable conditions on the data collection form. Instead, the auditors presented the three reportable conditions in a management letter to the audit committee at the University. The reportable conditions, associated with the financial statements, concerned cash reconciliations, student accounts receivables, and approval for expenditures. Cash reconciliations were not being performed in a timely manner, numerous accounts were deemed to be uncollectible, and the University did not have a policy for a portion of the year for processing vendor invoices.

OMB Circular A-133, §___.505(d)(2), states that findings related to the financial statements are required to be reported in accordance with GAGAS. GAGAS §5.26 states that auditors should report deficiencies in internal control considered to be reportable conditions as defined in American Institute of Certified Public Accountants (AICPA)

standards. Section 325 in AICPA "Codification of Statements on Auditing Standards" defines reportable conditions as:

> matters coming to the auditor's attention that, in his judgment, should be communicated to the audit committee because they represent significant deficiencies in the design or operation of internal control, which could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

GAGAS §5.28 states that auditors should communicate internal control deficiencies that are not reportable conditions in a management letter to top management.

Because the reportable conditions were not disclosed in the auditors' report, the University did not prepare a corrective action plan in accordance with OMB Circular A-133, §___.315(c). The University should have completed a corrective action plan addressing each reportable condition and included the plan with the auditors' report for the year under audit. The corrective action plan for each reportable condition should include the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date.

Auditors' Corrective Action. Crowe Chizek and Company

- revised the "Report on Independent Auditors on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards," the schedule of findings and questioned costs, and item 3 in part II on the data collection form to state that reportable conditions were disclosed;

- had the University prepare corrective action plans addressing the three reportable conditions; and

- submitted the revised report, schedule, data collection form, and the corrective action plan to the Federal Audit Clearinghouse (Clearinghouse).

Based on our review of the revised report and form, we consider the corrective actions sufficient.

Finding B. Research and Development Programs. Crowe Chizek and Company identified the R&D cluster of programs as the major program on the Schedule of Findings and Questioned Costs, but the auditors did not properly cluster the R&D programs and did not audit the R&D programs as one major program. The documentation in the working papers indicated that the auditors clustered R&D programs by Federal agency and audited NASA; Small Business Administration (SBA); and Department of Justice, Office of Law Enforcement Technology Commercialization (OLETC) programs as

separate major programs. OMB Circular A-133, §___.105, defines a cluster of programs as a group of closely related programs that share common compliance requirements and specifically identifies R&D as a single cluster of programs.

Although the audit of the NASA, SBA, and OLETC programs covered almost 90 percent of R&D expenditures, the audit approach could have been improved by including R&D programs awarded by the National Science Foundation, the Department of Commerce, and the Department of Veterans Affairs. The AICPA Statements on Auditing Standards, AU §350.24, states that sample items should be selected in such a way that the sample can be expected to be representative of the population.

Auditors' Corrective Action. Crowe Chizek and Company revised the working papers to redefine the major programs by including all R&D programs as one cluster and one major program. Based on our review of the revised working papers, we consider the corrective actions sufficient. We also discussed the improvement of the sampling methodology. For the FY 2004 audit of the University, the auditors selected transactions from the R&D cluster of programs. As a result, we do not believe it is necessary to make a recommendation because the auditors implemented improved sampling techniques in the subsequent audit.

Finding C. Type A Threshold. The Type A threshold on the schedule of findings and questioned costs and on the data collection form was incorrect. OMB Circular A-133, §___.520, requires the auditor to use a risk-based approach to determine which Federal programs are major and should be audited. The auditors must first identify the larger Federal programs and label them as Type A programs. For the University, Type A programs were defined as Federal programs with expenditures during the audit period exceeding the larger of $300,000 or 3 percent of total Federal awards expended. The reported Type A threshold was computed using preliminary expenditures for the Federal supplemental educational opportunity grants, Federal work study, and Federal Pell Grant programs. The expenditures were revised as the University completed its reconciliations of the awards that should be audited. The revised expenditures had no impact on identifying Type A programs, but the threshold should have been correctly reported on the schedule and data collection form as $765,408 rather than $768,846.

Auditors' Corrective Action. Crowe Chizek and Company revised the schedule and data collection form to reflect the correct Type A threshold and resubmitted the forms to the Clearinghouse. Based on our review of the revised schedule and form, we consider the corrective actions sufficient.

Finding D. Documentation of Auditors' Conclusions. GAGAS §4.34 through §4.37 requires specific documentation of auditors' conclusions. Crowe Chizek and Company did not document their conclusion that two Type A programs were considered to be low risk, their audit of the subrecipient monitoring compliance requirement, and their conclusion that four compliance requirements were immaterial. GAGAS states that auditors should retain a record of the audit in the form of working papers to demonstrate

that the applicable standards of field work have been met. GAGAS further states that the form and content of the working papers should allow an experienced auditor to understand the auditor's significant conclusions and judgments.

Low-Risk Type A Programs. The auditors did not document their conclusion on why two Type A programs were considered to be low risk and not audited as major programs. These programs were the Department of Defense (DOD) Technology Transfer and Commercialization Activities and Federal Defense Laboratory Diversification Program and the Environmental Protection Agency (EPA) NTTC.

OMB Circular A-133, §___.520(a) and §___.520(c)(1), state that the auditor must use a risk-based approach to determine which Federal programs are major programs and identify the Type A programs that are considered to be low risk. The Circular requires that the risk-based approach include consideration of current and prior audit experience, oversight by Federal agencies and pass-through entities,[1] and the inherent risk of the Federal program. Before a Type A program can be considered low risk, it needs to have been audited as a major program in at least one of the two most recent audit periods and have had no audit findings in the most recent audit period.

Auditors' Corrective Action. Crowe Chizek and Company documented the basis for their conclusion that the DOD and EPA programs were low risk. Those programs had been audited in at least one of the prior 2 years as major programs, and the auditors had identified no findings. Based on our review of the revised working papers, we consider the corrective actions sufficient.

Subrecipient Monitoring. The auditors did not properly document the audit of subrecipient monitoring activities associated with the University's subaward to OLETC. OLETC operates the Department of Justice program included in the R&D cluster of programs. The program facilitates the commercialization of law enforcement and corrections technologies to State and local law enforcement and corrections agencies across the United States. The University performed all work and services related to the program until December 2001, when it entered into a subaward with OLETC.

There was no evidence of procedures performed by Crowe Chizek and Company auditors to verify that the University monitored OLETC to ensure that it used Federal funds for authorized purposes only and administered the program in compliance with Federal requirements, as required by the subrecipient monitoring objectives in the Supplement. The auditors did not document or test internal controls related to subrecipient monitoring, and they tested the cash management compliance requirement by testing only cash draw downs. The auditors reviewed OLETC's OMB Circular A-133 audit report for the fiscal year ended December 31, 2002, and determined that nothing would require modification to their reporting in the University's single audit report. The opinion on the single audit

[1] A non-Federal entity that provides a Federal award to a subrecipient to carry out a Federal program.

report was unqualified. In January 2003, the Department of Justice awarded the funds directly to OLETC for performance of the program.

Auditors' Corrective Action. Crowe Chizek and Company documented and tested internal controls and performed appropriate compliance tests for the subrecipient monitoring compliance requirement. The auditors explained in revised working papers that a University employee monitored OLETC activities as though the program were performed by the University because the subrecipient was collocated in University facilities. Based on our review of the revised working papers, we consider the corrective actions sufficient.

Immaterial Compliance Requirements. Crowe Chizek and Company auditors did not document their working papers to support their conclusion that 4 of 14 compliance requirements were not applicable to three of the University's major programs: the R&D program, the emergency management technology transfer and commercialization program financed by the Federal Emergency Management Agency (FEMA), and the fund for improvement of education (FIE) program.

Part 2 of the Supplement identifies the 14 types of compliance requirements that may apply to Federal programs. A compliance requirement may not apply because the auditee has no activity subject to that requirement or the activity does not have a material effect on the major program. Therefore, auditors must determine every year whether each of the 14 compliance requirements applies to each major program as well as test all material compliance requirements. The auditors provided no explanation for their conclusion that the Davis-Bacon Act, equipment and real property management, real property acquisition and relocation assistance, and special tests and provisions were not applicable to the University's major programs.

Auditors' Corrective Action. Crowe Chizek and Company used guidance in the Supplement to document the reasons that the four compliance requirements were not applicable or material to the major programs. Based on our review of the revised working papers, we consider the corrective actions sufficient.

Finding E. Incorrect Reporting. OMB Circular A-133, §___.320(b), states that the information on the data collection form, in its entirety, should be accurate and complete. The following incorrect expenditures and program classifications were on the schedule of expenditures of Federal awards and on the data collection form:

- The University expended no funds on the NASA program, Exploring the Environment, during the fiscal year, but the schedule showed $1,892,171 in expenditures.

- The University expended $1,892,171 on the NASA program, Classroom of the Future, but the schedule showed $175,416.

- The University expended $175,416 during the fiscal year on the NASA program, Earth System Science Education Alliance, but the program was not listed on the schedule or data collection form.

- The University expended $2,250,000 on the FIE program (Catalog of Federal Domestic Assistance [CFDA] 84.215), but the schedule and data collection form showed $2,250,200.

Auditors' Corrective Action. Crowe Chizek and Company revised the schedule and data collection form and resubmitted them to the Clearinghouse. Based on our review of the revised schedule and form, we consider the corrective actions sufficient.

Finding F. Material Compliance Requirements by Major Program. When planning the audit, Crowe Chizek and Company did not identify the direct and material compliance requirements by major program. Instead, the auditors identified direct and material compliances that were applicable to the NASA and SBA major programs combined — which should have been included in the cluster of R&D major programs — and to the FIE and FEMA major programs.

Part 3 of the Supplement states that auditors are to consider the compliance requirements and related audit objectives for the 14 compliance requirements in audits conducted under OMB Circular A-133. Auditors must determine every year whether each of the 14 compliance requirements applies to each major program and whether noncompliance with the requirement could have a material effect on a major program. For those requirements that are direct and material, OMB Circular A-133, §___.500(c), requires that auditors plan the testing of internal controls over major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program and that the auditors perform testing of internal controls as planned. Finally, in accordance with OMB Circular A-133, §___.500(d), auditors should also perform compliance testing that includes tests of transactions and other auditing procedures necessary to provide the auditors sufficient evidence to support an opinion on compliance.

Auditors' Corrective Action. Crowe Chizek and Company evaluated the 14 compliance requirements to determine those that have a direct and material effect on each of the major programs and to document their conclusions. In addition, the auditors revised the working papers to document the tests of the direct and material compliance requirements for each major program. However, the auditors noted that internal controls for the three major programs — R&D, FEMA, and FIE programs — are the same because the programs are administered by the same University personnel. Based on our review of the revised working papers, we consider the corrective actions sufficient.

Finding G. Management Representations Related to Federal Awards. The management representation letter that the University provided to the auditors did not state that the University complied, in all material respects, with the compliance requirements in

connection with Federal awards except as disclosed to the auditors. The representation letter only stated that management complied with reporting requirements.

AICPA Audit Guide, "Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards," May 2003, paragraph 6.68, states that "the auditor should obtain written representations from management concerning the identification and completeness of Federal award programs, representations concerning compliance with compliance requirements, and identification of known instances of noncompliance."

Auditors' Corrective Action. Crowe Chizek and Company auditors obtained a revised management representation letter from the University. We reviewed the revised letter and consider the corrective action sufficient.

Identification of R&D Programs

The data collection form identifies R&D programs. However, the data collection forms for FYs 2001, 2002, and 2003 did not consistently identify the R&D programs:

- OLETC (CFDA 16.000) was classified as R&D in 2002 and 2003 but not in 2001.
- FEMA Emergency Management Technology Transfer and Commercialization Program (CFDA 83.000) was classified as R&D in 2002 but not in 2001 or 2003.
- Veterans Affairs programs (CFDA 17.804) were classified as R&D in 2002 and 2003 but not in 2001.

We make no recommendation for the FY 2003 audit because the FY 2003 data collection form is accurate. However, in the future, the University should ensure that R&D programs are properly identified.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Karl M. Allen, Project Manager, at (202) 358-2595 or Ms. Sandra L. Laccheo, National Single Audit Coordinator, at (757) 864-3458. See Appendix C for the report distribution. The review team members are listed inside the back cover of this report.

Evelyn R. Klemstine
Assistant Inspector General for Auditing

cc:
Mr. Terry Ondreyko
Chief Financial Officer
Wheeling Jesuit University

Appendix A. Quality Control Review Process

Scope and Methodology

We conducted a quality control review of the Crowe Chizek and Company, LLC, audit of the University for FY 2003 and the resulting reporting package that was submitted to the Clearinghouse. We performed the review using the 1999 edition of the "Uniform Quality Control Guide of A-133 Audits" (the Guide). The Guide applies to any single audit that is subject to the requirements of OMB Circular A-133 and the approved checklist of the President's Council on Integrity and Efficiency for performing the quality control reviews. We conducted our review September 27-30, 2004, at the Columbus, Ohio, office of Crowe Chizek and Company and covered areas related primarily to the audit of the University's three major programs: R&D, emergency management technology transfer and commercialization, and FIE. We did not review the working papers for the student financial assistance major program. As the cognizant agency for the University, we focused the review on the audit's following qualitative aspects:

- auditors' qualifications,
- independence,
- due professional care, and
- planning and supervision.

We also focused the review on working paper support for the following:

- major program determination,
- internal control and compliance testing for major programs,
- schedule of expenditures of Federal awards,
- schedule of findings and questioned costs, and
- data collection form.

Prior Quality Control Reviews

The NASA OIG had not previously performed any quality control reviews at other Crowe Chizek and Company locations.

Single Audit Requirements

The Single Audit Act (the Act), Public Law 98-502, as amended, and OMB Circular A-133 are designed to improve the financial management of State and local governments and nonprofit organizations. The Act and OMB Circular A-133 establish uniform auditing and reporting requirements for all Federal award recipients who are required to obtain a single audit. OMB Circular A-133 establishes policies that guide implementation of the Act and provides an administrative foundation for uniform requirements of non-Federal entities administering Federal awards. OMB Circular A-133

requires that Federal departments and agencies rely on and use the single audit work to the maximum extent practicable. Entities that expend $300,000[2] or more of Federal awards in a fiscal year are subject to the Act and the audit requirements in OMB Circular A-133 and, therefore, must have an annual single or program-specific audit performed in accordance with GAGAS. To meet the requirements of the Act and OMB Circular A-133, the auditee (non-Federal entity) submits to the Clearinghouse a complete reporting package and a data collection form on each single audit. The submission includes the following:

- a data collection form certified by the auditee that the audit was completed in accordance with the Circular;
- financial statements and related opinions;
- a schedule of expenditures of Federal awards and related opinion;
- a report on compliance and internal control financial reporting;
- a report on internal controls over compliance for major programs;
- a report on compliance with requirements for major programs and related opinions;
- a schedule of findings and questioned costs;
- a summary schedule of prior audit findings, when appropriate; and
- a corrective action plan, when appropriate.

The Supplement assists auditors in identifying the compliance requirements that the Federal Government expects to be considered as part of the single audit. For each compliance requirement, the Supplement describes the related audit objectives for the auditor to consider in each audit conducted in compliance with OMB Circular A-133 as well as suggested audit procedures. The Supplement also describes the objectives of internal controls and characteristics that, when present and operating effectively, help ensure compliance with requirements. The following 14 compliance requirements identified in the Supplement may be applicable to a major program that is audited:

1. Activities Allowed or Unallowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Davis-Bacon Act
5. Eligibility
6. Equipment and Real Property Management
7. Matching, Level of Effort, Earmarking
8. Period of Availability of Federal Funds
9. Procurement and Suspension and Debarment
10. Program Income
11. Real Property Acquisition and Relocation Assistance
12. Reporting

[2] On June 27, 2003, OMB Circular A-133 was revised to increase the threshold for a required audit to $500,000 or more annually. The revision is effective for fiscal years ending after December 31, 2003.

13. Subrecipient Monitoring
14. Special Tests and Provisions

The May 2003 AICPA Audit Guide provides guidance on auditor responsibilities for conducting audits according to the Act and OMB Circular A-133. In general, the Audit Guide provides auditors with an understanding of the unique planning, performance, and reporting considerations for single audits performed in compliance with GAGAS. In addition, the Audit Guide uses summary tables and detailed discussions to provide the auditor with an understanding of the additional GAGAS general, field work, and reporting requirements, including the additional standards relating to quality control systems, continuing professional education, working papers, audit followup, and reporting.

The Audit Guide emphasizes that when planning an audit to meet the requirements of OMB Circular A-133, several factors should be considered in addition to those ordinarily associated with an audit of financial statements in accordance with generally accepted auditing standards and GAGAS. The factors include but are not limited to the following:

- Determining that the schedule of expenditures of Federal awards is presented fairly in relation to the financial statements taken as a whole.
- Determining major programs for audit using a risk-based approach.
- Determining compliance requirements.
- Gaining an understanding of internal controls over Federal programs.
- Testing internal controls over major programs.
- Determining compliance with laws, regulations, and the provisions of contract or grant agreements that have a direct and material effect on each major program.
- Satisfying the additional requirements of the Act and OMB Circular A-133 for working papers, audit followup, and reporting.

Peer Review Report

To determine whether any issues exist of which we needed to be aware during our report and working paper review, we assessed the October 26, 2001, report on the most recent peer review of Crowe Chizek and Company performed by Moss-Adams LLP. The Moss-Adams' review determined that Crowe Chizek and Company met the objectives of the quality control review standards established by the AICPA and that Crowe Chizek and Company complied with the standards during the fiscal year ended June 30, 2001.

Appendix B. Results of the Crowe Chizek and Company Audit of the Wheeling Jesuit University for the Fiscal Year Ended June 30, 2003

On November 6, 2003, Crowe Chizek and Company issued the audit report for the University for FY 2003. The auditors issued an unqualified opinion[3] on the financial statements; the schedule of expenditures of Federal awards; and the auditee's compliance with laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on the University's major programs.

The auditors found no instances of noncompliance in the financial statement audit that, under GAGAS, would have to be reported. The auditors did, however, revise their report to include three reportable conditions in the design or operation of the internal controls over financial reporting. These reportable conditions had previously been included in the management letter to the audit committee at the University.

The auditors identified four major programs: student financial aid, R&D, FIE, and the emergency management technology transfer and commercialization program financed by FEMA. The auditors identified no material weaknesses related to internal controls for the financial statements or the four major programs. The AICPA Audit Guide defines a material weakness as:

> . . . a condition in which the design or operation of one or more of the internal control components [control environment, risk assessment, control activities, information and communication, and monitoring] does not reduce to a relatively low level the risk that noncompliance with applicable requirements of law, regulations, contracts, and grants that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Schedule of Findings and Questioned Costs

Crowe Chizek and Company initially identified no findings and no questioned costs but subsequently revised its report to include three reportable conditions in the design or operation of the internal controls over financial reporting.

Other Auditor

Crowe Chizek and Company was the principal auditor for the University's FY 2003 audit. Crowe Chizek and Company assumed responsibility for the work performed by Bodkin, Wilson & Kozicky, PLLC (Bodkin). Bodkin performed the audit of the R&D, FIE, and emergency management technology transfer and commercialization major programs.

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[3] An unqualified opinion means that the financial statements are presented fairly in all material respects; expenditures of Federal funds are presented fairly in relation to the financial statements taken as a whole; and the auditee has complied with all applicable laws, regulations, and contract and grant provisions that could have a direct and material effect on each major program.

Management Letter

On November 6, 2003, Crowe Chizek and Company issued a management letter to the audit committee of the University with three reportable conditions[4] related to the financial statements and eight other matters involving internal controls:

- Cash Accounts. The University could reduce its line of credit balance by combining several cash accounts with the same bank.

- Allowance for Doubtful Accounts. The University used only accounts receivable that were past due to estimate the allowance for doubtful accounts and did not estimate an amount for potential uncollectible accounts that were not past due.

- Fixed Asset Inventory. The University had not performed a physical fixed asset inventory in several years.

- Vacation Policies. The University did not have a formal process to account for vacation hours for administrative personnel.

- Net Assets. The University did not maintain formal detailed records of its net assets by classification (permanently restricted, temporarily restricted, and unrestricted).

- Federal Programs. The University can improve its oversight and financial reporting by integrating the CET and NTTC operations with the University's Business Office. In addition, the CET and NTTC are currently accounting for income and expenses on a cash basis during the year, which the Business Office must convert to an accrual basis for financial statement purposes.

- Student Financial Aid. Perkins loan[5] funds are not readily identifiable in any one cash account. In addition, the University does not currently spend 7 percent of Federal work-study funds on students employed in community service positions. Also, the Department of Education notified the University that it had fallen below financial responsibility ratios.

- Operational Analysis. The University had no procedures to ensure proper communication of budget limits to appropriate personnel or controls to monitor compliance.

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[4] Discussed in finding B.

[5] A campus-based loan program, with the school acting as the lender using a limited pool of funds provided by the Federal government.

Appendix C. Report Distribution

Independent Audit Firm

Mr. Dennis Obyc
Executive
Crowe Chizek and Company, LLC

Audited Organization

Mr. Terry Ondreyko
Chief Financial Officer
Wheeling Jesuit University

Other

Technical Manager, Office of Federal Financial Management, Office of Management and Budget
Federal Audit Clearinghouse

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NASA Officials-in-Charge

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Chief of Staff
Associate Administrator for Institutions and Management
- Assistant Administrator for Infrastructure and Administration
  - Director, Management Systems Division
- Assistant Administrator for Procurement

Chief Financial Officer
Deputy Chief Financial Officer for Financial Management
Deputy Chief Financial Officer for Resources (Comptroller)

NASA Officials-in-Charge (cont'd)

Director, Financial Management Division
General Counsel

Evaluation Team Members

The Office of the Assistant Inspector General for Auditing, NASA Office of Inspector General, prepared this report. Personnel who contributed to the report are listed below.

Catherine M. Schneiter, Director, Financial and Institutional Management
Karl M. Allen, Project Manager
Sandra L. Laccheo, National Single Audit Coordinator