



**CLAYTON STATE
UNIVERSITY
MORROW, GEORGIA**

**INDEPENDENT ACCOUNTANTS
REPORT ON APPLYING AGREED-
UPON PROCEDURES
FOR FISCAL YEAR ENDED
JUNE 30, 2017**

**A Member Institution of the
University System of Georgia**



CLAYTON STATE UNIVERSITY

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DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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February 23, 2018

Members of the State Board of Regents of the
University System of Georgia
Dr. Tim Hynes, President
Clayton State University

Independent Accountant's Report on Applying Agreed-Upon Procedures

Ladies and Gentlemen:

We have performed the procedures enumerated below, which were agreed to by Clayton State University (University) and the University System Office (Oversight Unit) of the Board of Regents of the University System of Georgia, solely to assist you in assessing the accuracy of the financial information reported to the University System Office in the University's 2017 Annual Financial Report for inclusion in the University System of Georgia's *Annual Financial Report (AFR)*, the State of Georgia's *Comprehensive Annual Financial Report (CAFR)* and *Single Audit Report*; and to assist you in assessing the accuracy of the budget basis information provided in the *Summary Budget Comparison and Surplus Analysis Report*, *Statement of Funds Available and Expenditures Compared to Budget By Program and Funding Source*, and the *Statement of Changes To Fund Balance By Program and Funding Source* which are attached as Exhibits A, B and C, respectively. University's management is responsible for the financial information reported to the University System Office in the University's Annual Financial Report. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. Review selected balance sheet items reported on the Annual Financial Report (cash, accounts receivable, accounts payable, net position, etc.). Confirm that these items have adequate supporting documentation and are properly reconciled to the University's general ledger.

We did not note any exceptions as a result of our procedures.

2. Obtain the University's GAAP basis Statement of Net Position and Statement of Revenues Expenses and Changes in Net Position (SRECNP) submitted for inclusion in the System's AFR and the State's CAFR and Single Audit. Utilizing test scripts, confirm that financial information presented in these statements properly supports activity reported in the University's accounting records.

The test scripts were ran and compared to the SNP and the SRECNP and the following issues were noted:

State Capital Grants and Gifts reported on the SRECNP do not agree to the test scripts. The University stated that \$223,228 reported as Capital Grants and Gifts, State, was misclassified and should have been reported as Noncapital Gifts on the SRECNP.

Interest expense reported on the SRECNP was overstated by \$297,088. The University included 13 months of interest to correct capital lease interest capitalization errors noted in prior years.

The University was unable to document \$40,784 associated with the restatement to beginning net position.

3. Obtain the University's Statement of Cash Flows submitted for inclusion in the System's AFR and the State's CAFR and Single Audit. Utilizing cash flow worksheets, confirm information reported on Statement of Cash Flows.

We did not note any exceptions as a result of our procedures.

4. Obtain the University's Notes to the Financial Statements submitted for inclusion in the System's AFR and the State's CAFR and Single Audit. Utilizing notes worksheets and other supporting documentation confirm that note disclosures related to Cash, Investments, Accounts Receivable, Capital Assets, Long-Term Debt, Lease Obligations and Retirement Plans have been properly reported.

The Lease Obligations note disclosure was not properly reported. Current year principal expenditures related to capital leases was reported as \$990,057. The amount reported should be \$1,043,602, resulting in an understatement of \$53,545.

5. Review the University's year end GAAP basis journal entries. Obtain documentation for GAAP journal entries and confirm that the entries were posted to the University's Annual Financial Report.

The year end entry made to adjust current year depreciation for residual value of assets (10%) was not calculated correctly. Residual value for one asset included in the calculation for this entry was already calculated by asset management module; therefore, it should not have been included. This resulted in an understatement of depreciation by \$65,297.

6. Confirm that State Appropriation revenues, receivables and remittances of prior year surplus balances have been properly recorded in the University's financial records. Prior year surplus balances should be netted against State Appropriation revenues in the GAAP basis financial statements; however, prior year surplus balances should be reflected as fund balance adjustments on the Budget basis financial statements.

We did not note any exceptions as a result of our procedures.

7. Obtain listing of write-off requests for accounts receivable less than \$3,000.00 for fiscal year 2017. Confirm that these write-off requests have been approved by the State Accounting Officer and have been posted to the University's financial statements.

We did not note any exceptions as a result of our procedures.

8. Verify that the listing of salaries and travel reported to the Department of Audits is in accordance with O.C.G.A. §50-6-27 and reconciles to amounts recorded in the University's financial statements.

We did not note any exceptions as a result of our procedures.

9. Review year end Budgetary Statements including the *Summary Budget Comparison and Surplus Analysis Report* (Exhibit A), *Statement of Funds Available and Expenditures Compared to Budget By Program and Funding Source* (Exhibit B) and the *Statement of Changes To Fund Balance By Program and Funding Source* (Exhibit C). Confirm that budget information presented in these statements supports activity reported in the University's accounting records, the legal level of budgetary control (funding source within program) was maintained, and determine if any budget over expenditures exist.

Out of the 50 purchase orders tested, there were 33 invalid purchase orders totaling \$86,903. The purchase orders should be closed out and the lapsable funds, in the amount of \$61,557, will be subject to surplus during fiscal year 2018.

10. Obtain documentation for Budget basis reserves reported by University on the *Summary Budget Comparison and Surplus Analysis Report* (Exhibit A). Confirm that the reserves are properly documented, valid and appropriate.

We did not note any exceptions as a result of our procedures.

11. Review the H.O.P.E. Scholarship Program reconciliation between the University and the Georgia Student Finance Commission. Confirm that information reported to the Georgia Student Finance Commission has been reconciled with H.O.P.E. Scholarship activity reported on the University's financial records.

We did not note any exceptions as a result of our procedures.

12. Review the Schedule of Expenditures of Federal Awards information submitted by the University for inclusion in the Statewide Single Audit. Confirm that the information is properly presented and supported by the University's accounting records.

We did not note any exceptions as a result of our procedures.

13. Review capital asset records to ensure that (1) subsidiary ledgers are appropriately reconciled to the ledgers, (2) capitalization thresholds are being properly followed, and (3) a complete annual physical equipment inventory is being conducted and that issues noted during the physical inventory are being properly addressed by management.

Four asset items, capitalized in various prior years, were identified that did not meet capitalization thresholds as set by the capital asset policy.

14. Review bank reconciliations during the year under review to ensure that management is preparing them timely and that reconciling items are being addressed by management timely and in an appropriate manner.

Bank reconciliations were reviewed for each quarter of fiscal year 2017 (September 2016, December 2016, March 2017, and June 2017) to determine if they were prepared and approved in a timely manner. Several reconciliations were not prepared and/or approved timely.

The University does not appear to have a strong bank reconciliation process in place. The outstanding check listing did not agree to the balance on the operating account bank reconciliation by \$143,298 for the June 2017 reconciliation.

15. Review documentation to ensure that all subsidiary modules including BANNER are reconciled to the general ledger at least quarterly in accordance with the Business Procedures Manual Section 1.9. and ensure that reconciling items are adequately explained and resolved in a timely manner.

With the exception of Banner, the University did not reconcile subsidiary modules to the general ledger on at least a quarterly basis in accordance with the Business Procedures Manual Section 1.9.

16. Review the supplementary "Statement of Revenues, Expenses and Changes in Net Position" for Auxiliary Enterprises submitted by the University to the University System of Georgia System Office to ensure that the schedule agrees to the auxiliary fund activity recorded in the accounting records.

We did not note any exceptions as a result of our procedures.

These agreed-upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is to express an opinion on the financial statements or a part thereof. 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.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,



Greg S. Griffin
State Auditor

EXHIBITS

CLAYTON STATE UNIVERSITY
SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
BUDGET FUND
YEAR ENDED JUNE 30, 2017

EXHIBIT "A"

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
State Appropriation			
State General Funds	\$ 24,688,217.00	\$ 24,688,217.00	\$ 0.00
Other Funds	57,951,675.00	55,976,391.44	(1,975,283.56)
Total Revenues	82,639,892.00	80,664,608.44	(1,975,283.56)
<u>CARRY-OVER FROM PRIOR YEARS</u>			
Transfers from Reserved Fund Balance	0.00	2,127,211.53	2,127,211.53
Total Funds Available	82,639,892.00	82,791,819.97	151,927.97
<u>EXPENDITURES</u>			
Teaching	82,639,892.00	80,175,815.96	2,464,076.04
Excess of Funds Available over Expenditures	\$ 0.00	2,616,004.01	\$ 2,616,004.01
<u>FUND BALANCE JULY 1</u>			
Reserved		2,512,949.80	
Unreserved		19,189.87	
<u>ADJUSTMENTS</u>			
Prior Year Payables/Expenditures		37,525.05	
Prior Year Receivables/Revenues		(202,586.08)	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2016		(19,189.87)	
Prior Year Reserved Fund Balance Included in Funds Available		(2,127,211.53)	
<u>FUND BALANCE JUNE 30</u>		\$ 2,836,681.25	
<u>SUMMARY OF FUND BALANCE</u>			
Reserved			
Department Sales and Services		\$ 1,141,120.85	
Indirect Cost Recoveries		334,048.63	
Technology Fees		124,790.92	
Tuition Carry-Forward		837,751.57	
Uncollectible Accounts Receivable		348,984.11	
Total Reserved		2,786,696.08	
Unreserved			
Surplus		49,985.17	
Total Fund Balance		\$ 2,836,681.25	

CLAYTON STATE UNIVERSITY
STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2017

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>
Teaching				
State Appropriation				
State General Funds	\$ 24,687,217.00	\$ 24,687,217.00	\$ 24,688,217.00	\$ 24,688,217.00
Other Funds	<u>54,062,856.00</u>	<u>54,062,856.00</u>	<u>57,951,675.00</u>	<u>55,976,391.44</u>
Total Teaching	<u>\$ 78,750,073.00</u>	<u>\$ 78,750,073.00</u>	<u>\$ 82,639,892.00</u>	<u>\$ 80,664,608.44</u>

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess of Funds Available Over Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive	Actual	Variance Positive	
\$ 0.00	\$ 0.00	\$ 24,688,217.00	\$ 0.00	\$ 24,649,554.61	\$ 38,662.39	\$ 38,662.39
<u>2,127,211.53</u>	<u>0.00</u>	<u>58,103,602.97</u>	<u>151,927.97</u>	<u>55,526,261.35</u>	<u>2,425,413.65</u>	<u>2,577,341.62</u>
<u>\$ 2,127,211.53</u>	<u>\$ 0.00</u>	<u>\$ 82,791,819.97</u>	<u>\$ 151,927.97</u>	<u>\$ 80,175,815.96</u>	<u>\$ 2,464,076.04</u>	<u>\$ 2,616,004.01</u>

CLAYTON STATE UNIVERSITY
STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
(STATUTORY BASIS) BUDGET FUND
YEAR ENDED JUNE 30, 2017

	Beginning Fund Balance July 1	Fund Balance Carried Over from Prior Period as Funds Available	Return of Fiscal Year 2016 Surplus	Prior Period Adjustments
Teaching				
State Appropriation				
State General Funds	\$ 12,494.76	\$ 0.00	\$ (12,494.76)	\$ 5,628.68
Other Funds	<u>2,133,906.64</u>	<u>(2,127,211.53)</u>	<u>(6,695.11)</u>	<u>(170,689.71)</u>
Total Teaching	<u>2,146,401.40</u>	<u>(2,127,211.53)</u>	<u>(19,189.87)</u>	<u>(165,061.03)</u>
Prior Year Reserves				
Not Available for Expenditure				
Uncollectible Accounts Receivable	<u>385,738.27</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Budget Unit Totals	<u>\$ 2,532,139.67</u>	<u>\$ (2,127,211.53)</u>	<u>\$ (19,189.87)</u>	<u>\$ (165,061.03)</u>

Other Adjustments	Early Return Fiscal Year 2017 Surplus	Excess of Funds Available Over Expenditures	Ending Fund Balance June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus	Total
0.00	\$ 0.00	\$ 38,662.39	\$ 44,291.07	\$ 0.00	\$ 44,291.07	\$ 44,291.07
<u>36,754.16</u>	<u>0.00</u>	<u>2,577,341.62</u>	<u>2,443,406.07</u>	<u>2,437,711.97</u>	<u>5,694.10</u>	<u>2,443,406.07</u>
<u>36,754.16</u>	<u>0.00</u>	<u>2,616,004.01</u>	<u>2,487,697.14</u>	<u>2,437,711.97</u>	<u>49,985.17</u>	<u>2,487,697.14</u>
<u>(36,754.16)</u>	<u>0.00</u>	<u>0.00</u>	<u>348,984.11</u>	<u>348,984.11</u>	<u>0.00</u>	<u>348,984.11</u>
<u>0.00</u>	<u>\$ 0.00</u>	<u>\$ 2,616,004.01</u>	<u>\$ 2,836,681.25</u>	<u>\$ 2,786,696.08</u>	<u>\$ 49,985.17</u>	<u>\$ 2,836,681.25</u>

Summary of Ending Fund Balance

Reserved		
Department Sales and Services	\$ 1,141,120.85	\$ 1,141,120.85
Indirect Cost Recoveries	334,048.63	334,048.63
Technology Fees	124,790.92	124,790.92
Tuition Carry-Forward	837,751.57	837,751.57
Uncollectible Accounts Receivable	348,984.11	348,984.11
Unreserved		
Surplus	\$ 49,985.17	\$ 49,985.17
Total Ending Fund Balance - June 30	\$ 2,786,696.08	\$ 2,836,681.25