

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

SECTION: 2

DATE:

January 18, 2005

RECOMMENDATION

REPORT: INTERNAL AUDIT

ACTION REQUESTED

It is recommended that the Internal Auditor's activity report for the period December 2004 to January 2005 be received and placed on file.

STAFF SUMMARY

The report for the Budget Management Office Audit has been issued. The report includes no findings or recommendations.

Enclosed is the updated internal audit schedule, including budget and actual hours as well as budget and actual fees billed to date for the periods ending September 30, 2005 and 2004.

FISCAL IMPLICATIONS

It is expected that fiscal year 2004-2005 expended resources will be within approved budget limitations.

ADMINISTRATIVE RECOMMENDATION

The proposed Board action has been reviewed and is recommended for Board Approval.

University Executive Officer

Date



ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Date: December 13, 2004

To: Mr. John Beaghan

From: Andrews, Hooper & Pavlik, P.L.C.
Internal Audit

**Re: AUDIT REPORT
BUDGET MANAGEMENT OFFICE**

Attached is the report for the internal audit review of the internal control process for the Budget Management Office. Revisions based on discussion with Mr. Al Levett, Director of the Budget Management Office have been reflected.

If you have any questions or would like more details relative to this report, please do not hesitate to call Jeff Fineis at (517) 487-5000.

Your cooperation with this request and assistance and support provided during this audit is appreciated.

Attachment

cc: Board of Regents
Dan Cooper

AUDIT REPORT

BUDGET MANAGEMENT OFFICE

Background

Budget Management is responsible for the development and monitoring of the General Fund Operating Budget. This includes the responsibility for staff position control, the development of the composite fringe benefit rate, coordination of the State of Michigan budget request submissions and both routine and adhoc reporting on budgetary affairs.

The budget development cycle is a year long process. The State of Michigan formal Budget Request process requires a re-statement of prior fiscal year data. This data is collected throughout the summer and reported to the State in October. During the summer and fall operating cost and programmatic requirements are assessed and presented to the State of Michigan Budget Office.

Central operating expenses are fully evaluated each year. Budget worksheets are distributed to the Divisional Budget Analysts in late November or early December. The centrally controlled expense accounts are reevaluated based on estimates from the divisions who are responsible for each item.

Non-Central operating budgets are reviewed during the mid-winter period, by account managers.

Faculty and Staff position rosters are developed and incorporated into the operating budget. The Staff position roster is developed and maintained throughout the year in the Budget Management office.

Income and revenue budgets are established based on the amount of anticipated state appropriations, assessment of enrollment prospects and modeled tuition and fee levels for the upcoming year.

After the budget is compiled and presented to the Board of Regents for approval in June, it is entered into the BANNER financial system.

Budget Management creates and distributes a Budget Status Report for the General Fund for the months of September through May. This report contains a narrative overview of the status as well as graphical and numerical support. Annually, the Board of Regents approves the Budget Management Report. The Budget Management Report includes an executive review, details of balances carried forward to the next fiscal year and actual vs. budgeted revenues and expenditures for the fiscal year.

Objectives and Scope

Our objectives were to evaluate the adequacy of internal controls for the Budget Management Office and the accuracy of setting and recording the University General Fund Budget.

The scope of our procedures included reviewing the policies and procedures in place as well as transactions specific to the Budget Management Office. We performed this by reviewing the current policies, procedures and transactions, inquiring of appropriate personnel as to whether the University's policies and procedures were in place and operational, and tested the accuracy, control, and documentation through inquiry, observation, sampling, and review. Specifically on a test basis, we reviewed the budget approval, base budget development, budget funds transfer process, budget status reports, position control action forms, personnel action forms, vacancy reporting, and reconciliations of the BANNER system. Our audit primarily covered the processes surrounding the 2004/2005 fiscal year budget.

Conclusion

We concluded that the University's internal controls appear to be in effect for the Budget Management Office. We have no findings or recommendations for this audit.

We concluded our audit fieldwork on December 13, 2004.

This report is intended for the information and use of the Eastern Michigan University Board of Regents and Management and is not intended to be and should not be used by anyone other than these specified users.

Eastern Michigan University Internal Audit Schedule

Andrews Hooper & Pavlik

For Period Ending September 30, 2005

Timing		Budget Hours	Through 11/30/2004 Actual Hours	Item
Work Pfmd	Report			
Various	Various	100.00	11.70	Planning, Risk Analysis & Administrative Planning/Scheduling Audits Board Meetings, Other Meetings, etc. Risk Assessment for following years
Nov-04	Mar-05	100.00	3.30	Auxiliary Operations Business Development
Nov-04	Jan-05	100.00	54.30	Budget Development/Management
Nov-04	Mar-05	40.00	6.10	Conflict of Interest Statements and Statements of Ethics Board of Regents, President & Administrative Professionals 10 & above
Dec-04	Mar-05	140.00	0.00	Enrollment
Dec-04	Mar-05	180.00	0.00	Cash Disbursements
Jan-05	Mar-05	150.00	0.00	Physical Plant Operations
Jan-05	Jun-05	140.00	0.00	Foundation
Feb-05	Jun-05	60.00	0.00	Ticket Sales (including special events) Quirk Auditorium Advance Sales At Game Sales
Apr-05	Sep-05	50.00	0.00	Mail Services
Apr-05	Sep-05	60.00	0.00	Purchasing Cards
May-05	Sep-05	180.00	0.00	Cash Receipts
Various	Various	100.00	0.00	Special Projects
Various	Various	100.00	0.00	Contingencies
Total Budgeted Hours		1,500.00	75.40	Total Actual Hours Incurred
		\$ 87.00	\$ 87.00	Contracted Dollar Amount Per Hour
Budgeted Dollars		\$ 130,500.00	\$ 6,559.80	Actual Dollars Billed

Eastern Michigan University Internal Audit Schedule
Andrews Hooper & Pavlik
For Period Ending September 30, 2004

Timing		Budget Hours	Through 11/30/04 Actual Hours	Item
Work Pfmd	Report		Hours	
Various	Various	100.00	99.70	Planning, Risk Analysis & Administrative Planning/Scheduling Audits Board Meetings, Other Meetings, etc. Risk Assessment for following years
Completed	Dec-03	60.00	48.80	Investments
Completed	Jan-04	40.00		Conflict of Interest Statements Board of Regents, President & Administrative Professionals 10 & above
			14.50	Incurred through 9/30/2003
			17.00	Incurred through 9/30/2004
			<u>31.50</u>	Total
Completed	Mar-04	60.00	81.40	Health Center
Completed	Mar-04	60.00	61.55	Ticket Sales (including special events) Quirk Auditorium Advance Sales At Game Sales
Completed	Mar-04	100.00	101.35	Software Licensing
Completed	Jun-04	200.00	197.65	Payroll
Completed	Sep-04	160.00	158.70	ICT Network Security
Completed	Jun-04	80.00	69.55	Research Grants and Corporate Contracts
Completed	Jun-04	40.00	36.55	Children's Institute
Completed	Nov-04	200.00		Charter Schools
			232.70	Incurred through 9/30/2004
			2.00	Incurred through 9/30/2005
			<u>234.70</u>	Total
Completed	Sep-04	80.00	73.75	University Apartments
Completed	Sep-04	80.00	81.40	Physical Plant - Bidding/Selection of Contracts
In Process	In Process	100.00		Business/ICT Contingency Planning
			61.80	Incurred through 9/30/2004
			4.10	Incurred through 9/30/2005
			<u>65.90</u>	Total
Various	Various	160.00	0.00	Special Projects
Various	Various	<u>100.00</u>	<u>0.00</u>	Contingencies
Total Budgeted Hours		<u>1,620.00</u>	<u>1,342.50</u>	Total Actual Hours Incurred
		\$ 83.00	\$ 83.00	Contracted Dollar Amount Per Hour
Budgeted Dollars		<u>\$ 134,460.00</u>	<u>\$ 111,427.50</u>	Actual Dollars Billed