



case study

Central State University

An Out-of-Control Business Process Gets Realigned

When Central State University (CSU) underwent a financial audit in June 1995, the news was not good. As a result of the audit findings, the State of Ohio notified the school that it would no longer receive funding after its budget expired in June 1997—unless significant changes were made to correct the multiple problems uncovered during the audit.

CSU's executive management team immediately turned to KPMG Consulting's Public Sector practice, having relied on the firm for other efforts in the past. KPMG Consulting was assigned the responsibility of taking over the daily financial operations of the institution (e.g., accounts payable, purchasing, payroll, etc.), stepping in after the university dismissed the previous team.

Cleanup Effort Uncovers Additional Issues

Upon assuming responsibility for CSU's financial operations, KPMG

Consulting began what new CSU controller Jim Martin calls "a cleanup effort." KPMG Consulting decided to conduct an 18-month audit going back to June 1995 because the financial records "were such a mess," says Martin.

He continues, "It took KPMG to come in, find out the scope of the problem, and help straighten out our records so the university could continue to complete its mission. As controls were reestablished and progress made, the State of Ohio was willing to help with needed money."

Meanwhile, though, KPMG Consulting had discovered additional problems in the school's procedures for managing grants. In fact, the grants area had received a "no opinion" during the June audit because the records were not available to the auditors.

Realizing the enormity of the university's predicament, KPMG Consulting's John O'Neill brought in consultants proficient in the area of grants management and tasked them with uncovering and correcting the grants-specific

problems. It turned out to be a more extensive job than anyone had imagined.

"The more KPMG dug, the more problems it found," recalls Martin. "Its grants experience was critical since it turned out that the grants area was a major center for many of our other financial problems. Without KPMG's presence, we may never have known the extent of our dilemma, and the university could have lost its funding."

KPMG Consulting Revises Grants Management Procedures

As soon as the consultants came on board, they pointed out that the university had been using its financial system incorrectly. KPMG Consulting manager Charlie Tardivo explains, "CSU was not getting good financial information on each grant, and the school was reporting erroneous information to all the funding agencies, including the federal government. Our team spent the next two months just going through and straightening out the financial system, even before we could get into some of the other grants problems."

KPMG Consulting discovered that the entire grants area had been set up incorrectly. There was no system in place to record the year in which a grant came into the university. Whenever a grant came in, the university would simply add it to the previous year's total, which had been added to the previous year's,

and so on. Several grants bore the same account number, even though they were associated with individual, independent budgets. Recordkeeping was problematic because CSU couldn't distinguish when the cash was received, nor could it ascertain with which year the grants were associated.

KPMG Consulting immediately changed the procedures for processing new grants, writing guidelines on how to handle cash receipts and set up new grants on the books, as well as creating new information tables to correctly describe the grants on the new system.

But even after revising the financial system to produce accurate and useful information, KPMG Consulting recognized that the entries for individual grants contained erroneous information that employees had been inputting over the years. So, once again, KPMG Consulting sprang into action, reversing or revising the accounting entries for each grant. In effect, the team would solve one problem and find two more; it was like that for a period of months.

Today, CSU is reaping the benefits of KPMG Consulting's efforts. Says Martin, "KPMG had the insight to identify many of the federal problems. In some cases they went back as far as 10 years to research items." In fact, CSU has come to depend on KPMG Consulting's presence to help ensure proper accounting and financial management, and the university has extended its contract several times.

KPMG Consulting Restores CSU's Independence

Dr. Adolphus Andrews became CSU's Vice President for Administration and Finance in October 1997. He says he "was very much aware of the oversight activities that were still in front of us; I had no problem continuing to invest in KPMG's experience for the health of the institution. Its knowledge, advice, and ideas have helped us a great deal in terms of satisfying reporting requirements and keeping documentation that shows a high level of accountability."

Andrews says that his most recent decision to extend the firm's contract came from a desire to regain control of the university's financial management and fiscal affairs, which the Office of Management and Budget (OMB) had been handling since March 1997.

"The state identified some transition issues that we had to address before the university itself could regain control of its fiscal affairs and financial management," explains Andrews. "Closely linked to the need to address these issues was the fact that we had both an audit of our previous fiscal year and a Department of Education audit coming up in the near future. The fact that OMB had decided to give us a clean bill of health to go it on our own if we addressed the transition issues, coupled

with these audits, made it clear to me that it was a good idea to have the expertise of KPMG here."

Andrews concludes, "With KPMG, we know we can get through the field audits and the writing of reports related to the field audits. And, more important, KPMG provides the best possible team to bring control of fiscal affairs and financial management back to the university."

We're on Your Team

At KPMG Consulting's Public Sector practice, we consider ourselves part of your team. Our job is to help you realize your potential and achieve optimal performance, so outstanding services and products are only the beginning. More important is the lasting relationship we develop with you. We strive to make you our client for life.

As the provider of Internet integration services, KPMG Consulting, LLC helps its clients to raise their level of performance, achieve growth, and enhance stakeholder value in the new e-business economy. Its experienced professionals deliver wide-ranging services and innovative solutions.

Consider what we can accomplish together, and contact us at any KPMG Consulting office. You can visit our Web site at www.kpmgconsulting.com.